CITY AND COUNTY OF SAN FRANCISCO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2013

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FOR THE YEAR ENDED JUNE 30, 2013

Table of Contents

Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

The Honorable Mayor Edwin Lee
The Honorable Members of the Board of Supervisors
City and County of San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), San Francisco Municipal Transportation Agency (major fund), San Francisco Wastewater Enterprise (major fund), San Francisco Market Corporation, and the Health Service System, which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Business-type activities	91.4%	87.7%	73.1%
Aggregate remaining fund information	0.9%	0.5%	9.9%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information
The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which such partial and summarized information was derived.

We have previously audited the City's 2012 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated January 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 27, 2013, except for our report on the schedule of expenditures of federal awards, for which the date is March 28, 2014

This section of the City and County of San Francisco's (the City) basic financial statements presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2013. Certain amounts presented as fiscal year 2011-12 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2012-13 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities at the end of the fiscal year by approximately $7.49 billion (net position). Of this balance, $6.69 billion represents the City's net investment in capital assets and $959.7 million represents restricted net position. This is offset by a deficit in unrestricted net position of $158.0 million. The City's total net position increased by $543.0 million or 7.8 percent over the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by $213.2 million or 3.3 percent, $57.7 million or 6.4 percent and $272.1 million or 63.3 percent, respectively.

The City's governmental funds reported total revenues of $4.49 billion; a $237.7 million or 5.6 percent increase over the prior year. Within this, revenues from property taxes, other local taxes, business taxes, sales and use tax, intergovernmental grants and charges for services grew by approximately $68.9 million, $5.9 million, $42.5 million, $9.8 million, $76.0 million and $31.2 million, respectively. At the same time, there was a decline in revenues from hotel room tax, interest and investment income and other revenues for a total of $27.3 million. Governmental funds expenditures totaled $4.35 billion for this period, a $288.4 million or 7.1 percent increase, reflecting increases in demand for governmental services of $158.4 million and capital outlay of $140.9 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $1.67 billion, an increase of $131.5 million or 8.6 percent from prior year, primarily due to a strong growth in most revenues and other financing sources over a moderate increase of expenditure and other financing uses this year over last year.

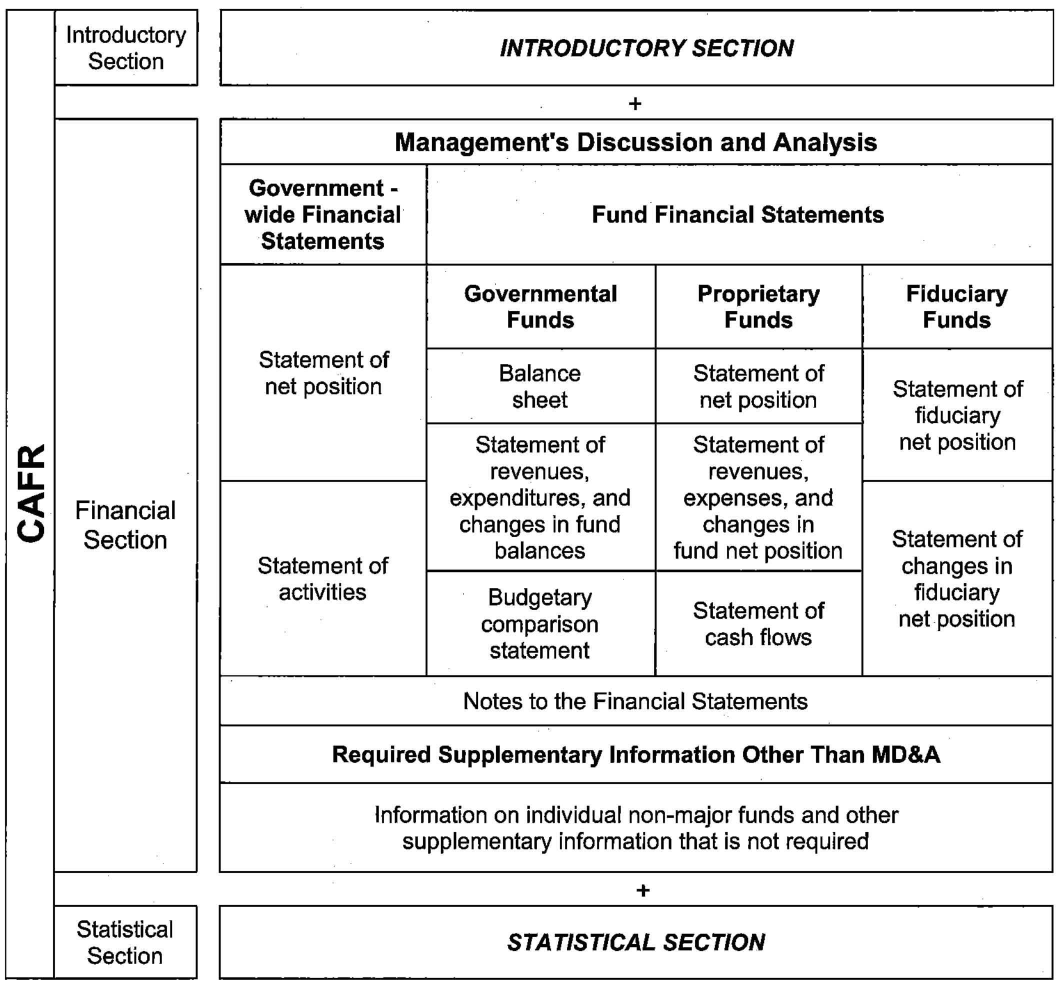
The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $649.9 million during this fiscal year. The City issued a total of $1.27 billion in debt this year. Of this amount, a total of $521.9 million in general obligation bonds were issued for improvements for earthquake safety and emergency response projects, clean and safe neighborhood park projects, road repaving and street safety projects and San Francisco General Hospital rebuild projects. The City also issued $11.1 million in equipment lease revenues bonds, $35.6 million certificates of participation for Moscone Convention Center project and borrowed $5.9 million for the renovation of the City's west harbor marina. The San Francisco International Airport issued a total of $84.7 million refunding revenue bonds to remarket its variable rate refunding revenue bonds with fixed interest rates. The San Francisco Water Enterprise issued $24.0 million in revenue refunding bonds for cash flow savings and an economic gain. The San Francisco Wastewater Enterprise issued a total of $525.0 million in revenue bonds to refund a portion of its long term debt, finance capital projects and pay off its outstanding commercial paper notes. The San Francisco Municipal Transportation Agency (MTA) issued a total of $63.8 million of revenue bonds to provide new money for various transit and parking projects and refund outstanding revenue bonds issued by the Parking Authority. The balance of commercial paper issued to fund new capital projects or to refinance matured commercial paper also increased by $174.8 million this fiscal year. Of this increase, $4.7 million was for governmental activities and $170.1 million was for business-type activities.

During fiscal year 2012-13, the City returned $176.6 million of current assets, $29.0 million of capital assets and $3.9 million of current liabilities, to the Successor Agency, which had been transferred to the City in the prior year. The return of assets and related liabilities was pursuant to State and City law and additional State Department of Finance (DOF) guidance clarifying that ongoing enforceable housing obligations and related assets and liabilities were supposed to be retained by the Successor Agency upon dissolution. Such transfers made prior to the DOF issuing a Finding of Completion on May 29, 2013 are treated as extraordinary items. Therefore, an extraordinary loss of $201.7 million was recorded in the statement of activities. A corresponding extraordinary gain of $190.1 million, representing the amount transferred by the City less $11.6 million in distributions to taxing entities, was recorded in the statement of changes in fiduciary net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the City's Comprehensive Annual Financial Report are related as shown in the graphic below.

Organization of City and County of San Francisco Comprehensive Annual Financial Report



The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government - wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets and deferred outflows of resources and its liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City 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 City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency as a Fiduciary component unit of the City.

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available and the constraints for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City, for the first time, adopted a rolling two year budget in July 2012, which appropriated budget for its General Fund for fiscal year 2012-13. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), San Francisco General Hospital Medical Center (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retiree's health care, the Successor Agency to the San Francisco Redevelopment Agency, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Assets and deferred outflows of resources:						
Current and other assets	$ 3,050,201	$ 2,850,238	$ 4,908,208	$ 4,681,192	$ 7,958,409	$ 7,531,430
Capital assets	4,044,648	3,688,246	12,840,891	11,880,773	16,885,539	15,569,019
Deferred outflows of resources	-	-	64,743	98,979	64,743	98,979
Total assets and deferred outflows of resources	7,094,849	6,538,484	17,813,842	16,660,944	24,908,691	23,199,428
Liabilities:						
Current liabilities	1,333,315	1,195,565	2,013,518	1,608,865	3,346,833	2,804,430
Noncurrent liabilities	3,941,375	3,422,909	10,126,222	10,020,813	14,067,597	13,443,722
Total liabilities	5,274,690	4,618,474	12,139,740	11,629,678	17,414,430	16,248,152
Net position:						
Net investment in capital assets*	2,275,963	2,199,316	4,691,579	4,538,990	6,692,499	6,479,334
Restricted *	686,216	675,163	371,958	249,434	959,732	902,057
Unrestricted (deficit) *	(1,142,020)	(954,469)	610,565	242,842	(157,970)	(430,115)
Total net position	$ 1,820,159	$ 1,920,010	$ 5,674,102	$ 5,031,266	$ 7,494,261	$ 6,951,276

* See note 2(k) to the basic financial statements.

Analysis of Net Position

Current and other assets increased by $427.0 million of which $200.0 million in governmental activities and $227.0 million in business-type activities. Governmental activities increases reflect the overall operating results of the year ended June 30, 2013 and the business-type activities increases reflect increased receipts from capital grants and contributions and charges for services as discussed in the analysis of changes in net position.

Net position may serve as a useful indicator of the government's financial position. As noted earlier, at the end of fiscal year 2012-13, the City's total assets and deferred inflows of resources exceeded its liabilities by $7.49 billion.

The largest portion of the net position reflects the City's $6.69 billion in net investment in capital assets (e.g. land, buildings, and equipment). This is 89.3 percent of the City's total net position, a 3.3 percent increase over the prior year that is largely due to growth in net capital assets in the governmental activities and increases in all business-type activities except the Airport. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position, $959.7 million or 12.8 percent represents restricted resources that are subject to external limitations regarding their use. The governmental activities have a $1.14 billion deficit in the unrestricted net position, due largely to transfers to business-type activities and the recognition of other postemployment benefit expense. This deficit also included $373.5 million of long-term bonds issued to fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise and road paving and street safety in MTA (see Note 2(k)).

Changes in Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	$ 517,660	$ 435,207	$ 3,279,275	$ 2,553,359	$ 3,796,935	$ 2,988,566
Operating grants and contributions	1,086,154	998,701	224,382	200,318	1,310,536	1,199,019
Capital grants and contributions	29,718	41,174	251,753	173,975	281,471	215,149
General revenues:						
Property taxes	1,415,068	1,355,855	-	-	1,415,068	1,355,855
Business taxes	480,131	437,678	-	-	480,131	437,678
Sales and use tax	208,025	198,236	-	-	208,025	198,236
Hotel room tax	238,782	239,567	-	-	238,782	239,567
Utility users tax	91,871	91,676	-	-	91,871	91,676
Other local taxes	359,808	353,746	-	-	359,808	353,746
Interest and investment income	7,862	31,453	1,009	82,533	8,871	113,986
Other	52,865	91,236	61,737	287,778	114,602	379,014
Total revenues	4,487,944	4,274,529	3,818,156	3,297,963	8,306,100	7,572,492
Expenses						
Public protection	1,236,922	1,158,618	-	-	1,236,922	1,158,618
Public works, transportation and commerce	189,124	210,415	-	-	189,124	210,415
Human welfare and neighborhood development	946,562	942,523	-	-	946,562	942,523
Community health	751,491	673,905	-	-	751,491	673,905
Culture and recreation	338,042	307,269	-	-	338,042	307,269
General administration and finance	249,271	237,818	-	-	249,271	237,818
General City responsibilities	83,895	96,147			83,895	96,147
Unallocated Interest on long-term debt	107,790	110,145	-	-	107,790	110,145
Airport	-	-	756,961	746,610	756,961	746,610
Transportation	-	-	1,026,726	959,088	1,026,726	959,088
Port	-	-	81,422	72,307	81,422	72,307
Water	-	-	445,804	431,248	445,804	431,248
Power	-	-	129,790	130,709	129,790	130,709
Hospitals	-	-	992,687	954,566	992,687	954,566
Sewer	-	-	223,727	214,593	223,727	214,593
Market	-	-	1,231	1,138	1,231	1,138
Total expenses	3,903,097	3,736,840	3,658,348	3,510,259	7,561,445	7,247,099
Increase/(decrease) in net position before transfers and extraordinary items	584,847	537,689	159,808	(212,296)	744,655	325,393
Transfers	(483,028)	(251,088)	483,028	251,088	-	-
Extraordinary gain/(loss) from dissolution of the Redevelopment agency	(201,670)	323,130	-	-	(201,670)	323,130
Change in net position	(99,851)	609,731	642,836	38,792	542,985	648,523
Net position at beginning of year	1,920,010	1,310,279	5,031,266	4,992,474	6,951,276	6,302,753
Net position at end of year	$ 1,820,159	$ 1,920,010	$ 5,674,102	$ 5,031,266	$ 7,494,261	$ 6,951,276

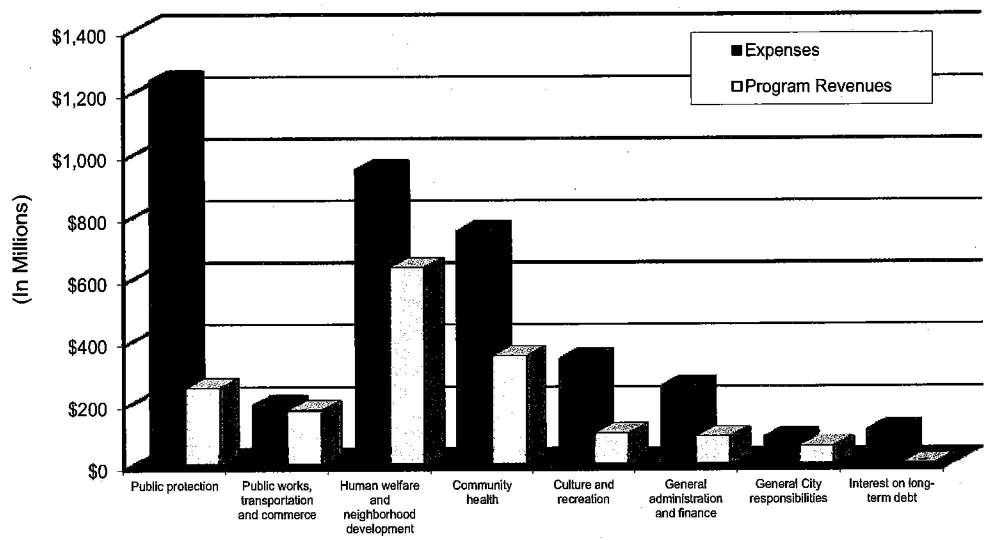
Analysis of Changes in Net Position

The City's total net position increased by $543.0 million during fiscal year 2012-13, the third consecutive increase following three years of decline. Although the governmental activities net position decreased $99.8 million, the business-type activities increased $642.8 million. With the exception of Laguna Honda Hospital, all of the City's business-type activities contributed to this growth.

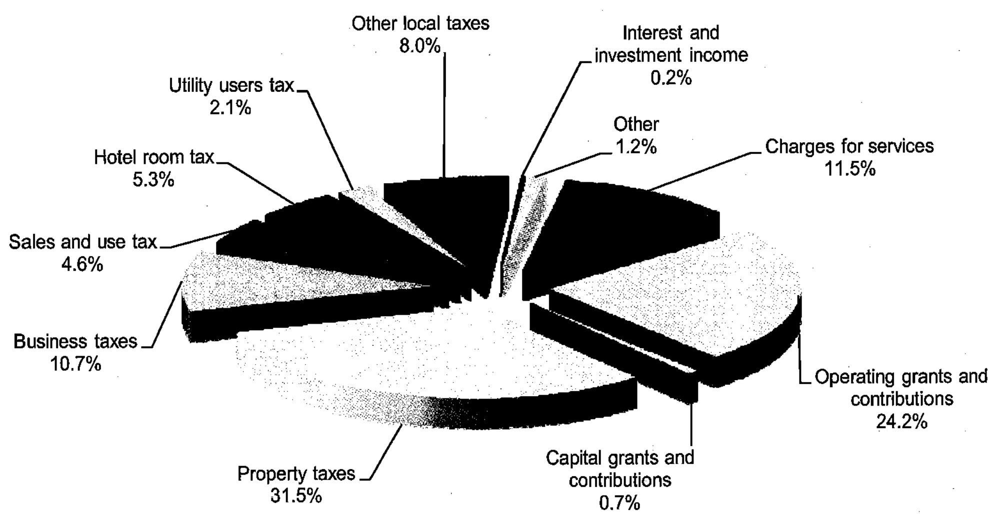
The City's governmental activities experienced a $213.4 million or 5.0 percent growth in total revenues reflecting increases in nearly all of the general city revenues. This included $87.5 million in operating grants and contributions, $59.2 million in property taxes, $82.5 million in charges for services, and $42.4 million in business taxes. Sales and use tax and other local taxes also had a combined growth of

$15.9 million. These improvements were partly offset by a decline in other revenues sources, including a $23.6 million decrease in interest and investment income, and a $38.4 million drop in other general revenues. The City's governmental activities expenses reported an increase of $166.3 million or 4.4 percent this fiscal year. The net transfer to business-type activities increased by $231.9 million. A discussion of these and other changes in presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities decreased the City's total net position by approximately $99.8 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $4.49 billion, a $213.4 million or 5.0 percent increase over the prior year. For the same period, expenses totaled $3.90 billion before transfers of $483.0 million and an extraordinary loss of $201.7 million, resulting in a total net position decrease of $99.8 million by June 30, 2013.

Property tax revenues increased by $59.2 million or 4.4 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to property tax in-lieu of vehicle license fee revenues tied to the year-over-year increase of the aggregate secured roll assessed value to recent tax rate increases. Further, in the current year, a one-time surrender of low and moderate income housing and other assets funds from the Successor Agency to the San Francisco Redevelopment Agency resulted in the City, as one of the taxing entities in the county, receiving property tax revenues based upon a determination by the California Department of Finance. An increase in parking tax revenues by $5.0 million made up the majority of the growth in other local taxes of $6.1 million.

Revenues from business and sale and use taxes totaled approximately $688.2 million, a growth of $52.2 million over the prior year. Business taxes grew by $42.4 million due to an increase in employment and average weekly wages in San Francisco, and stronger growth in the business and computer services sectors resulting in increased payments from companies in these sectors. Sales and use tax also increased by $9.8 million. The increase reflected strong sales growth across virtually every economic segment, with particularly strong performance in retail and food establishments such as restaurants, apparel stores, department stores, and food markets.

Operating grants and contributions increased $87.5 million. This was largely due to the increases from state sources, including $59.8 million for human welfare programs, $20.6 million for public protection, $16.1 for community health and $3.1 million for general administration and finance programs. These were partly reduced by a combined decrease of $12.1 million in other governmental activities.

Total charges for services increased $82.5 million, or 18.9 percent, while other revenues decreased $38.4 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. Building permit, environmental review, and other planning fee revenues increased due to an overall 3 percent increase in the volume of cases and building permits and a growing number of larger scale projects. Street and right-of-way permit revenues increased due to the improved economy. Fire Department inspection and plan check fee revenues increased consistent with increased construction and building activity. Recording fees increased resulting from the annualization of a page fee increase from $4 to $10 in the middle of fiscal year 2011-12. Additional special events as well as increased use fees resulting from improved programming opportunities and implementation of a new demand-responsive program delivery model in 2010 improved fee revenues for the Recreation and Park Department. These increases were partially offset by a reduction in patient charges of $2.8 million. The decrease in other revenues is related to decreased gifts and bequests received primarily as a result of reduced America's Cup reimbursements and a reduction in funding for services to other agencies.

Interest and investment income revenue decreased by $23.6 million, or 75.0 percent, primarily due to the decreased interest rate on the City's pooled investments from 1.32 percent in the prior year to 0.95 percent in the current year, and also due to the large unrealized loss from the City's pooled investments, which is the difference between the fair value and the book value of the City's investments.

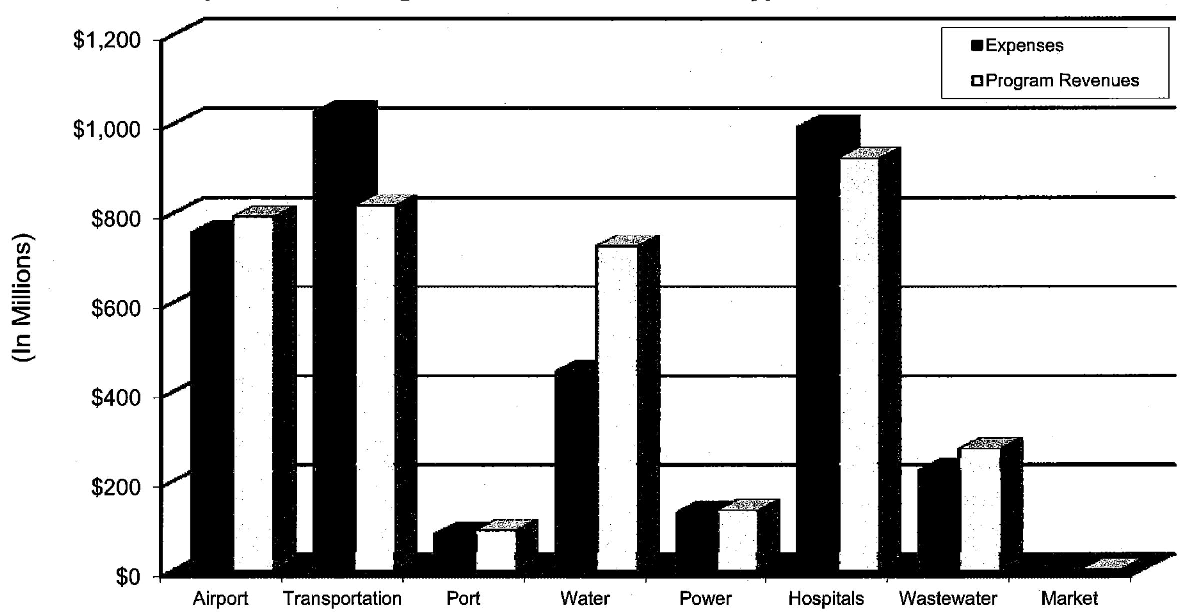
Net transfers from the governmental activities to business-type activities were $483.0 million, a 92.4 percent or $231.9 million increase from the prior fiscal year. This was mainly due to increased operating subsidies of $84.7 million from the General Fund to Laguna Honda and $13.9 million to the MTA. In addition, Water received $63.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System and the Port received $18.3 million for parks and open spaces. The General Fund received additional transfers over the prior year of $50.6 million from San Francisco General Hospital Medical Center for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT) matching program reimbursement. Port received $1.3 million for certain lost revenues (payment in lieu of rents) during the America's Cup events.

The moderate increase of total governmental expenses of $166.3 million or 4.4 percent was primarily due to increases in demand for the government's services in almost all functional services by $202.2 million, which was partly offset by the decrease of expenses in public works, transportation and commerce, general city responsibility and unallocated interest on long term debt functions by $35.9 million.

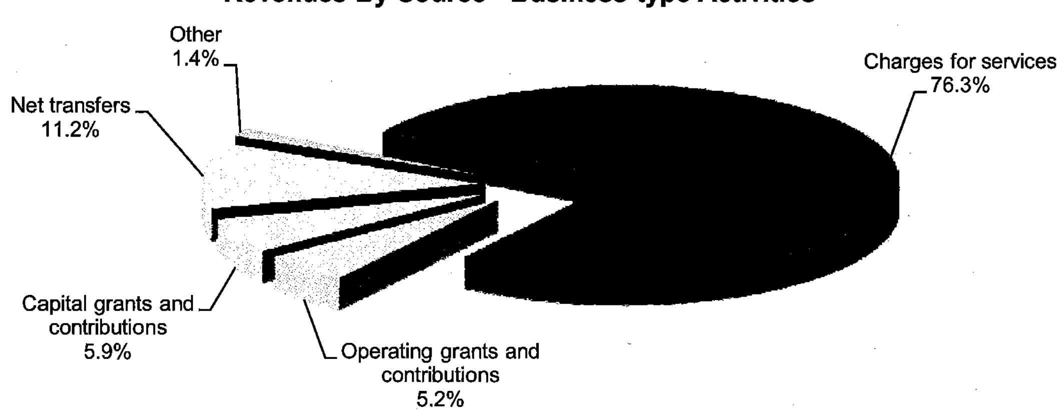
The City recorded an extraordinary loss due to the dissolution of the former Redevelopment Agency of $201.7 million, which consisted of returning $176.6 million of current assets and $29.0 million of capital assets offset by $3.9 million of current liabilities.

The charts below illustrate expenses and program revenues by functional area, and all revenues by source. As shown, public protection is the largest function (31.7 percent), followed by human welfare and neighborhood development (24.3 percent) and community health (19.3 percent). General revenues are not shown by program or function because they are used to support activities citywide. The distribution of these revenues shows property tax (31.5 percent) as the single largest funding source, followed by operating grants and contributions (24.2 percent), charges for services (11.5 percent), and business taxes (10.7 percent). This relative ranking is equivalent to the prior fiscal year and the actual percentage distributions showed only small differences.

Expenses and Program Revenues - Business-Type Activities



Revenues By Source - Business-type Activities



Business-type activities increased the City's net position by $642.8 million. Key factors contributing to this increase are:

- The San Francisco International Airport's net position at fiscal year-end was $294.4 million, a $3.8 million or 1.3 percent increase over the prior fiscal year. Total operating revenues of $726.4 million were offset by operating expenses of $561.5 million, resulting in $164.9 million in net operating income for the fiscal year, a $39.3 million or 31.3 percent improvement over the prior fiscal year largely due to a rise in passenger traffic and spending. This was offset by an $18.4 million increase in total operating expenses. At the same time, non-operating activities deficit was $190.6 million, an $84.1 million increase over the prior fiscal year. Non-operating revenues decreased by $92.1 million due largely to a decrease in investment income associated with a fair value adjustment change. Interest expense, increased by $8.0 million, while capital contributions from grants grew by $51.4 million, offset by a $2.5 million increase in transfers to the City.

- The City's Water Enterprise, the third largest municipal water agency in California, ended fiscal year 2012-13 with a net position of $733.0 million, an increase of $374.5 million over the prior year, a 104.5 percent increase. Of this, 94.6 percent or $356.1 million, is water service revenue due to a one-time early repayment of capital cost recovery payments from Wholesale Water Customers through the Bay Area Water Supply and Conservation Agency. Water service revenue also reported an additional $20.2 million due primarily to rate increases of 12.5 and 11.5 percent for retail and wholesale customers, respectively. Operating expenses decreased slightly by $0.8 million, or 0.3 percent. Non-operating revenue categories reported a decrease of $29.7 million due mostly to a decrease in investment income of $33.7 million as a result of an unrealized loss in the fair value of investments as well as lower interest rates. Interest expense increased by $15.4 million The enterprise received $66.4 million in capital contributions from the City due to bond proceeds for improvements to the Auxiliary Water Supply System Earthquake Safety and Emergency Response Project. Transfers to the City were $2.9 million, a decrease of $12.2 million since the last fiscal year as projects related to water conservation were completed in prior years.

- Hetch Hetchy Water and Power's net position at fiscal year-end was $518.5 million, an increase of $5.8 million, or 1.1 percent, since the end of the prior fiscal year. $2.4 million is attributable to Hetch Hetchy Water and $3.4 million to Power, the enterprise's two segments, which share some assets used for both water and power operations. Power's operating revenues increased this fiscal year by $1.7 million, which was offset by a $4.9 million decline in non-operating activities, primarily related to grants and an unrealized investment loss reflecting a decline in fair value, resulting in a year over year decrease in change in net position from $6.3 million to $3.5 million. Hetch Hetchy Water reported a $4.9 million increase to operating revenues and a $2.1 million decline in operating expenses, offset by a $14.0 million decrease in transfers in for this fiscal year. In the prior fiscal year, the fund had received a transfer in from Water Enterprise for certain water storage and transmission facility improvements.

- The Municipal Transportation Agency (MTA) reported a net position of $2.27 billion at the end of this fiscal year, an increase of $171.0 million, or 8.2 percent since the end of last fiscal year. This is attributable to increases of: $144.3 million in operating revenues including passenger fares, parking and transportation fees and fines, and charges for service; $25.3 million in capital contributions; and $22.5 million in transfers from the City. These were offset on the expense side by increases of $67.2 million, or 7.0 percent, in contract, personnel, maintenance, and other expenses. The largest portion of the MTA's net position reflects its net investment in capital assets, which totaled $2.13 billion, an increase of 2.5 percent over the prior year. The MTA's unrestricted net position balance is $125.5 million, which increased significantly by $119.0 million over the prior year's unrestricted net position balance of $6.5 million.

- General Hospital, the City's acute care hospital, ended the fiscal year with a net deficit of $75.9 million compared to a deficit of $90.7 million the prior year, a decrease in the net deficit of $14.8 million or 16.3 percent. Although the Hospital had an overall increase in operating revenues of approximately $127.1 million, primarily attributable to increased net patient service revenue, those revenues were exceeded by an increase in operating expenses of $23.0 million, mostly in personnel expenses. Non-operating activity showed decreases in grant revenues of $5.6 million, and net transfers out of $15.1 million for this year compared to net transfers in of $47.5 million in the prior year. Transfers in and out will vary from year to year based upon the City's budget.

- The City's Wastewater Enterprise had a net position of $1.15 billion at June 30, 2013, an increase from the prior year of $54.6 million, or 5.0 percent. Total change in net position increased by $15.5 million, or 39.6 percent. Of this increase, total non-operating revenues increased by $18.6 million, primarily due to two new grants started in April 2013. Operating revenues increased by $8.4 million, or 3.4 percent mainly due to increased capacity fee revenues from large commercial and residential high-rise projects in the San Francisco South of Market and Mission Bay areas. Revenues were offset by increased operating expenses of $12.4 million due in part to $5.9 million in additional sewer improvement project costs net of write-offs; $1.7 million in material and supplies and contractual services primarily attributable to increases in building, construction, and sewer treatment supplies; and $1.5 million in depreciation primarily attributable to Sunnydale Sewer Improvements and 525 Golden Gate Headquarters.
- The Port's net position increased by $27.7 million, or 8.3 percent, yielding a total net position of $363.2 million at the end of fiscal year 2012-13. The Port is responsible for a seven and one-half mile stretch of waterfront land and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. Although the Port's operating revenues increased by $2.9 million due mostly to fees and transaction cost and expense recoveries from developers, its operating expenses increased by $9.4 million due to revisions in pollution remediation estimates in the prior year. The Port's increase in net position during the current year was largely due to $7.6 million in capital contributions in the form of federal, state, and local grants and net transfers in of $19.6 million.
- Laguna Honda Hospital, the City's skilled nursing care hospital, had a decrease in net position of $9.6 million, or 2.3 percent this year. The decrease is related to additional operating expenses of $7.6 million, which offset a small increase in operating revenues of $0.2 million, coupled with a decrease in non-operating income of $76.5 million, or 90.6 percent. Although Laguna Honda Hospital's loss from operations was $92.6 million compared to $85.3 million in fiscal year 2011-12, net transfers in of $75.0 million offset the impact of the loss, leaving Laguna Honda with a net position of $407.9 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2012-13, the City governmental funds reported combined fund balances of $1.67 billion, an increase of $131.5 million or 8.6 percent over the prior year. Of the total fund balances, $384.0 million is assigned and a negative $94.5 million is unassigned. The total of $289.5 million or 17.3 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $353.2 million. The remainder of the governmental funds fund balances includes $24.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.22 billion restricted for programs at various levels and $137.5 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $353.2 million while total fund balance reached $540.9 million. Combined assigned and unassigned fund balances represent 12.6 percent of total expenditures, while total fund balance represents 19.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $532.3 million, before transfers and other items of $447.2 million, resulting in total fund balance increasing by $85.1 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

The City recorded an extraordinary loss due to the dissolution of the former Redevelopment Agency of $201.7 million, which consisted of $176.6 million of current assets and $29.0 million of capital assets offset by $3.9 million of current liabilities. Of this loss, $172.7 million related to the assets and liabilities in the governmental funds.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements, but in more detail.

At the end of fiscal year 2012-13, the unrestricted net position for the proprietary funds was as follows: Airport: $187.3 million, Water Enterprise: $198.4 million, Hetch Hetchy Water and Power: $187.3 million, Wastewater Enterprise: $70.3 million, MTA: $125.5 million, the Port: $16.2 million and Market Corporation: $5.0 million. In addition, the San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net position of $137.0 million and $42.5 million, respectively.

The following table shows actual revenues, expenses and results of operations for fiscal year 2012-13 in the City's proprietary funds (in thousands). As seen here, the total net position for these funds increased by approximately $642.8 million due to current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Position
Airport	$ 726,358	$ 561,458	$ 164,900	$ (190,587)	$ 65,958	$ (36,464)	$ 3,807
Water	721,470	303,739	417,731	(106,752)	-	63,484	374,463
Hetch Hetchy	133,927	128,160	5,767	254	-	(196)	5,825
Municipal Transportation Agency	494,805	1,023,885	(529,080)	145,799	178,218	376,020	170,957
General Hospital	734,498	758,137	(23,639)	53,558	-	(15,120)	14,799
Wastewater Enterprise	252,554	208,260	44,294	9,377	-	888	54,559
Port	80,202	79,982	220	328	7,577	19,565	27,690
Laguna Honda Hospital	133,746	226,371	(92,625)	7,964	-	75,029	(9,632)
Market Corporation	1,715	1,231	484	(116)	-	-	368
Total	$ 3,279,275	$ 3,291,223	$ (11,948)	$ (80,175)	$ 251,753	$ 483,206	$ 642,836

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2012-13, the net position of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled $17.12 billion, representing a $1.76 billion increase over the prior year, an 11.5 percent change. This increase is primarily a result of net appreciation in the fair value of investments. The Private Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $457.0 million at year's end. This 31.2 percent, or $207.2 million, decrease in the net deficit is due to the extraordinary gain from dissolution of the former Redevelopment Agency. The Investment Trust Fund's net position was $328.0 million at year's end, and the 1.4 percent increase represents the excess of contributions over distributions to external participants.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were $117.8 million higher than the final budget. The City realized $36.0 million, $29.0 million, $26.8 million and $12.8 million more revenue than budgeted in property taxes, real property transfer tax, business tax, and Recreation and Park garage charges, respectively. These increases were partly offset by $31.8 million shortfall of actual versus budgeted revenue in other categories, namely, hotel room tax, federal grants and subventions, charges for services, other financing sources and other resources.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $29.1 million in expenditure savings. Major factors include:

- $9.4 million savings in the Human Services Agency, due largely to lower than budgeted payments for Foster Care and Adoption Aid, other aid, and a State policy change in Home Supportive Services.

- $4.3 million savings from general city responsibilities due to expenditure savings in fringe benefits, especially savings from retiree health subsidy.

- $4.2 million in savings due to close-out of unspent General Fund reserves not used for supplemental appropriation or other contingencies during fiscal year 2012-13.

- $3.8 million in salary and benefit savings mainly in Treasurer/Tax Collector, Elections, Board of Supervisors, Controller, and other departments in general administration and finance.

- The remaining lower than budgeted expenditures are savings from public protection and community health.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve balances was a budgetary fund balance available for subsequent year appropriation of $240.4 million at the end of fiscal year 2012-13. The City's fiscal year 2013-14 Adopted Original Budget assumed an available balance of $122.7 million, and $117.7 million remains available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional fund balance details).

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2013, increased by $1.32, billion, 8.5 percent, to $16.89 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $358.1 million or 27.2 percent to this total while $960.4 million or 72.8 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 257,089	$ 281,858	$ 214,992	$ 201,334	$ 472,081	$ 483,192
Construction in progress	863,080	573,461	2,617,539	2,179,509	3,480,619	2,752,970
Facilities and improvements	2,354,846	2,343,122	8,390,105	7,809,110	10,744,951	10,152,232
Machinery and equipment	54,532	49,061	796,341	845,937	850,873	894,998
Infrastructure	471,431	402,510	739,865	759,052	1,211,296	1,161,562
Property held under lease	-	-	-	5	-	5
Intangible assets	43,670	38,234	82,049	85,826	125,719	124,060
Total	$ 4,044,648	$3,688,246	$12,840,891	$11,880,773	$ 16,885,539	$ 15,569,019

Major capital asset events during fiscal year 2012-13 included the following:

- Under governmental activities, net capital assets increased by $356.4 million mainly due to the increase in construction in progress and completed assets at various park and recreational sites, branch libraries, various street improvement and traffic signal upgrades. About $186.8 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about $11.9 million in public library improvements and approximately $81.9 million is for various parks and recreation centers such as Chinese Recreation Center, West Harbor Renovation and various park improvement projects including the Golden Gate Park. Intangible assets of about $35.6 million were capitalized. The remaining completed projects include public works and traffic signal projects.

- The Water Enterprise's net capital assets increased by $624.8 million or 19.3 percent. Close to $139.8 million, or 22.4 percent, of the change reflects the net increase in construction-in-progress on the enterprise's ten-year capital plan, including the Water System Improvement Program. Major additions to construction work included Bay Division Pipeline Reliability Upgrade, San Joaquin Pipeline, Irvington Tunnel, Calaveras Dam Replacement, and other Water System Improvement Program (WSIP). As of June 30, 2013, the Water Enterprise is 72 percent through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems, known as the Water System Improvement Program (WSIP). The program consists of 35 local projects within San Francisco and 47 regional projects spread over seven different counties from the Sierra foothills to San Francisco. Based on latest Public Utilities Commission approval dated on April 23, 2013, the program's revised target completion dates are June 2015 for local projects and April 2019 for regional projects. The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- MTA's net capital assets increased by $77.0 million or 3.6 percent, compared to the previous year, which was attributed to an increase in construction work for new and existing projects with a corresponding increase in depreciation expense for existing assets. Construction in progress is made up of various transit pedestrian and bike projects. The four projects that have the highest balances on June 30, 2013, are the New Central Subway, rail replacement, Historic Street Car Renovation and the wayside fare collection. The Central Subway Project will link the existing 5.2 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro Market Street, Union Square and Chinatown to the north. Detailed design contracts for the Chinatown, Moscone and Union Square Market Street Stations are now completed; all advanced utility relocation construction and the Tunnel Boring Machine (TBM) Launch Box construction were also completed this year. The first of two TBMs was installed and began tunneling. The final construction contract for all stations, track and systems was awarded and issued a Notice to Proceed. The Federal Transportation Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of $942.2 million in federal Section 5309 funds through project completion; this was followed by an FTA allocation of $85.0 million to the project; the remaining funds will be awarded annually over the next five years. The California Transportation Commission awarded the full amount of $61.3 million in Proposition 1A Connectivity funds grant for the project tunnel construction and $117.0 million in Prop. 1B PTMISEA funds right-of-way, final design and construction.

- Laguna Honda Hospital's net capital assets increased by $9.2 million or 1.7 percent due primarily to construction-in-progress on the remaining projects to rebuild the hospital. In December 2010, Laguna Honda Hospital and Rehabilitation Center occupied its newly constructed modern patient care facility that provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. As of June 30, 2013, LHH has entered into various purchase contracts totaling approximately $8.7 million that are related to the old building remodel phase of the Replacement Project.

- General Hospital's net capital assets increased by $8.0 million or 11.1 percent primarily due to the increase in construction-in-progress related to the hospital rebuild project. As of June 30, 2013, General Obligation Bonds, in the amount of $677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

- The Wastewater Enterprise net capital assets reported an increase of $126.7 million or 8.0 percent mainly in construction activities. These include the Mission/Cesar Chavez Improvements, Sunnydale Sewer Improvements, Spot Sewer Repair, Sewer Repair and Replacement, and other capital projects throughout the system. The SFPUC is underway with the initial phase of the Sewer System Improvement Program (SSIP), a multi-year and multi-billion dollar Citywide investment to upgrade the aging sewer system to provide a reliable, sustainable, and seismically safe sewer system. The $6.93 billion program includes three phases over the span of next 20 years: Phase I consists of $2.71 billion in authorized funds for mission-critical repairs, Phase II consists of $3.29 billion in critical grey and green infrastructure improvements, and Phase III consists of $0.93 billion to complete seismic and reliability project upgrades to the system and ensures full implementation of green infrastructure projects. Phase I includes rebuilding of the aging solids processing and energy recovery facilities at the Southeast Treatment Plant, construction of the eight green infrastructure projects, as well as planning, design, and environmental review of improvements for the Central Bayside project. As of June 30, 2013, Phase I expenditures totaled $66.8 million.

- Hetch Hetchy net capital assets increased by $13.5 million or 4.0 percent during the year, resulting from an increase of $21.4 million in construction in progress offset by decreases of $7.4 million in facilities, improvements, machinery and equipment, and $0.5 million in intangible assets, net of depreciation and $1.6 million in capital write-offs.

- The Airport's net capital assets decreased $13.6 million or 0.4 percent primarily due to the disposition of capital assets.

- The Port's net capital assets increased by $114.3 million or 38.8 percent mainly in construction activities that include James R. Herman Cruise Terminal at Pier 27, Pier 15 Substructure Improvements, and the Brannan Street Wharf.

At the end of the year, the City's business-type activities had approximately $1.28 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $712.7 million, MTA had $349.5 million, Wastewater had $130.4 million, Airport had $35.9 million, Hetch Hetchy had $27.0 million, Port had $11.0 million, Laguna Honda Hospital had $8.7 million and the General Hospital had $4.3 million. In addition, there was approximately $244.6 million reserved for encumbrances in capital project funds for the general government projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the fiscal year 2012-13. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At the end of fiscal year 2012-13, the City had total long-term and commercial paper debt outstanding of $13.01 billion. Of this amount, $1.89 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and $11.12 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $649.9 million or 5.3 percent during the fiscal year. The net increase in debt obligations in the governmental activities was $444.4 million primarily due to issuance of new debt. For the business-type activities, the net increase in debt obligations was $205.5 million due primarily to the issuance of revenue bonds by the San Francisco Wastewater Enterprise and commercial paper by the Airport for various capital projects.

The business-type activities issued a combined total of $697.5 million revenue bonds, of which $525.0 million was issued by the San Francisco Wastewater Enterprise to refund a portion of its long-term debt for economic gain and for cash flow savings, finance its capital projects and pay off all outstanding commercial paper notes. The San Francisco Municipal Transportation Agency (MTA) issued a total of $63.8 million of revenue bonds of which $25.8 million was issued to finance MTA's various transit and parking projects and to refund, for economic gain, $38.0 million outstanding revenue bonds issued by the Parking Authority. The San Francisco Water Enterprise issued $24.0 million revenue refunding bonds for cash flow savings and economic gain. The Airport remarketed $84.7 million of revenue refunding bonds and issued additional $170.1 million commercial paper notes to finance capital improvement projects.

The City issued a total of $521.9 million in general obligation bonds to fund the City's earthquake safety and emergency response projects, clean and safe neighborhood projects, road repaving and street safety projects and San Francisco General Hospital rebuild projects. The City and County of San Francisco Finance Corporation issued $11.1 million in lease revenue bonds to finance equipment purchases. The City issued $35.6 million certificates of participation to retire outstanding commercial paper issued to finance the Moscone Convention Center improvement project and drew an additional loan for $5.9 million for the renovation of the City's west harbor marina. An additional $4.7 million of commercial paper notes was issued by the City for interim financing of its capital projects and capital project acquisitions.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City – estimated at $167.67 billion in value as of the close of the fiscal year. As of June 30, 2013, the City had $1.89 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.08 percent of gross (1.13 percent of net) taxable assessed value of property. As of June 30, 2013, there were an additional $750.7 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.51 percent of gross (1.57 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2013 were:

Moody's Investors Service, Inc.	Aa1
Standard & Poor's	AA
Fitch Ratings	AA

During the fiscal year, Moody's Investors Service (Moody's) and Fitch Ratings upgraded the City's ratings to "Aa1" and "AA", respectively, with a stable outlook. Standard & Poor's affirmed its rating at "AA" and revised the outlook from negative to stable on all the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings for fiscal year 2012-13. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+" with stable rating outlooks, respectively. The San Francisco Water Enterprise and the San Francisco Wastewater Enterprise both carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard & Poor's, respectively. MTA carried underlying debt ratings of "Aa3" and "A" from Moody's and Standard & Poor's, respectively as of June 30, 2013.

In October 2013, Standard & Poor's (S&P) raised its long-term rating and underlying rating (SPUR) to "AA+" from "AA" on the City's general obligation bonds outstanding and raised its long-term rating and SPUR to "AA" from "AA-" on the City's lease revenue bonds and certificates of participation (COP). At the same time, S&P assigned its "AA" rating with a stable outlook to COP Series 2013B and 2013C issued by the Port Commission. On MTA's Series 2012 and Series 2013 revenue bonds, S&P revised its rating to "A" and Moody's reaffirmed its "Aa3" rating.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy. The following economic factors were considered in the preparation of the City's budget for fiscal years 2013-14 and 2014-15. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, MTA, and the Port, which each have a fixed two-year budget.

- Average unemployment for fiscal year 2012-13 was 6.5 percent, a 1.5 percent decrease from fiscal year 2011-12.

- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show significant signs of recovery. The average median home price in fiscal year 2012-13 was $765,583, up 18.4 percent from the previous fiscal year. Residential and commercial rents also grew by 6.6 percent and 14.8 percent, respectively, from the prior fiscal year.

- The hotel sector saw significant growth in fiscal year 2012-13 over the prior year. Hotel room average occupancy rose to 84.3 percent. Average daily room rates grew by 7.4 percent to $212 per room-night.

- The City's taxable sales have also continued to grow, with fiscal year 2012-13 sales tax revenue up 4.9 percent over fiscal year 2011-12, when sales had already exceeded pre-recession revenue levels.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2013-14 and 2014-15 in July 2013, which assumes use of prior year fund balance from General Fund of $122.7 million and $111.6 million, respectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
1155 Market Street, 11th Floor
San Francisco, CA 94103

Municipal Transportation Agency
SFMTA Finance and Information Technology Services
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

Successor Agency to the
San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Port of San Francisco
Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

Health Service System
Executive Director
1145 Market Street, Suite 200
San Francisco, CA 94103

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

San Francisco Finance Corporation
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position
June 30, 2013
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Assets and Deferred Outflows of Resources				
Assets:				
Current assets:				
Deposits and investments with City Treasury	$ 2,110,054	$ 1,806,112	$ 3,916,166	$ 6,429
Deposits and investments outside City Treasury	72,417	9,808	82,225	-
Receivables (net of allowance for uncollectible amounts of $193,814 for the primary government):				
Property taxes and penalties	56,771	-	56,771	-
Other local taxes	238,282	-	238,282	-
Federal and state grants and subventions	306,498	139,951	446,449	-
Charges for services	53,402	230,425	283,827	834
Interest and other	5,152	110,834	115,986	2
Due from component unit	2,636	200	2,836	-
Inventories	-	78,225	78,225	-
Deferred charges and other assets	18,183	6,087	24,270	-
Restricted assets:				
Deposits and investments with City Treasury	-	160,179	160,179	-
Deposits and investments outside City Treasury	55,337	165,919	221,256	-
Grants and other receivables	-	13,772	13,772	-
Total current assets	2,918,732	2,721,512	5,640,244	7,265
Noncurrent assets:				
Loans receivable (net of allowance for uncollectible amounts of $945,031)	70,326	-	70,326	-
Advances to component units	30,403	3,427	33,830	-
Deferred charges and other assets	25,963	66,776	92,739	-
Restricted assets:				
Deposits and investments with City Treasury	-	1,449,790	1,449,790	-
Deposits and investments outside City Treasury	4,777	596,558	601,335	-
Grants and other receivables	-	70,145	70,145	-
Capital assets:				
Land and other assets not being depreciated	1,127,701	2,837,693	3,965,394	-
Facilities, infrastructure, and equipment, net of depreciation	2,916,947	10,003,198	12,920,145	-
Total capital assets	4,044,648	12,840,891	16,885,539	-
Total noncurrent assets	4,176,117	15,027,587	19,203,704	-
Total assets	7,094,849	17,749,099	24,843,948	7,265
Deferred outflows of resources for accumulated decreases in fair value of hedging derivatives	-	64,743	64,743	-
Total assets and deferred outflows of resources	$ 7,094,849	$ 17,813,842	$ 24,908,691	$ 7,265

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position (Continued)
June 30, 2013
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Liabilities				
Current liabilities:				
Accounts payable	$ 307,421	$ 212,498	$ 519,919	$ 443
Accrued payroll	133,289	103,099	236,388	-
Accrued vacation and sick leave pay	78,428	55,019	133,447	-
Accrued workers' compensation	39,759	24,002	63,761	-
Estimated claims payable	37,374	24,284	61,658	-
Bonds, loans, capital leases, and other payables	402,928	635,557	1,038,485	-
Capital lease payable to other governmental agency	870	-	870	-
Accrued interest payable	12,784	51,380	64,164	-
Unearned grant and subvention revenues	13,324	-	13,324	-
Due to primary government	-	-	-	420
Due to component unit	280	-	280	-
Internal balances	(10,524)	10,524	-	-
Deferred credits and other liabilities	317,382	436,740	754,122	1,016
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	207,708	207,708	-
Accrued interest payable	-	28,158	28,158	-
Other	-	224,549	224,549	-
Total current liabilities	1,333,315	2,013,518	3,346,833	1,879
Noncurrent liabilities:				
Accrued vacation and sick leave pay	73,739	44,415	118,154	-
Accrued workers' compensation	189,573	124,442	314,015	-
Other postemployment benefits obligation	899,970	658,008	1,557,978	-
Estimated claims payable	73,627	39,297	112,924	-
Bonds, loans, capital leases, and other payables	2,693,597	9,067,306	11,760,903	-
Advances from primary government	-	-	-	13,763
Capital lease payable to other governmental agency	8,507	-	8,507	-
Deferred credits and other liabilities	2,362	111,416	113,778	-
Derivative instruments liabilities	-	81,338	81,338	-
Total noncurrent liabilities	3,941,375	10,126,222	14,067,597	13,763
Total liabilities	5,274,690	12,139,740	17,414,430	15,642
Net Position				
Net investment in capital assets, Note 2(k)	2,275,963	4,691,579	6,692,499	-
Restricted for:				
Reserve for rainy day	26,339	-	26,339	-
Debt service	98,754	58,970	157,724	-
Capital projects, Note 2(k)	154,502	299,942	356,002	-
Community development	109,423	-	109,423	-
Transportation Authority activities	10,924	-	10,924	-
Building inspection programs	71,131	-	71,131	-
Children and families	56,170	-	56,170	-
Culture and recreation	66,065	-	66,065	
Grants	71,202	-	71,202	-
Other purposes	21,706	13,046	34,752	-
Total restricted	686,216	371,958	959,732	-
Unrestricted (deficit), Note 2(k)	(1,142,020)	610,565	(157,970)	(8,377)
Total net position (deficit)	$ 1,820,159	$ 5,674,102	$ 7,494,261	$ (8,377)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Activities
Year Ended June 30, 2013
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Treasure Island Development Authority**
Primary government:								
Governmental activities:								
Public protection	$1,236,922	$ 60,190	$ 183,641	$ -	$ (993,091)	$ -	$ (993,091)	$ -
Public works, transportation and commerce	189,124	105,981	42,450	24,024	(16,669)	-	(16,669)	-
Human welfare and neighborhood development	946,562	69,997	562,327	-	(314,238)	-	(314,238)	-
Community health	751,491	60,856	282,121	3,896	(404,618)	-	(404,618)	-
Culture and recreation	338,042	93,612	2,014	1,798	(240,618)	-	(240,618)	-
General administration and finance	249,271	76,903	8,998	-	(163,370)	-	(163,370)	-
General City responsibilities	83,895	50,121	4,603	-	(29,171)	-	(29,171)	-
Unallocated interest on long-term debt	107,790	-	-	-	(107,790)	-	(107,790)	-
Total governmental activities	3,903,097	517,660	1,086,154	29,718	(2,269,565)	-	(2,269,565)	-
Business-type activities:								
Airport	756,961	726,358	-	65,958	-	35,355	35,355	-
Transportation	1,026,726	494,805	144,450	178,218	-	(209,253)	(209,253)	-
Port	81,422	80,202	1,647	7,577	-	8,004	8,004	-
Water	445,804	721,470	4,593	-	-	280,259	280,259	-
Power	129,790	133,927	373	-	-	4,510	4,510	-
Hospitals	992,687	868,244	54,269	-	-	(70,174)	(70,174)	-
Sewer	223,727	252,554	19,050	-	-	47,877	47,877	-
Market	1,231	1,715	-	-	-	484	484	-
Total business-type activities	3,658,348	3,279,275	224,382	251,753	-	97,062	97,062	-
Total primary government	$7,561,445	$3,796,935	$ 1,310,536	$ 281,471	(2,269,565)	97,062	(2,172,503)	-
Component unit:								
Treasure Island Development Authority	$ 7,437	$ 8,454	$ -	$ -				$ 1,017
General Revenues:								
Taxes:								
Property taxes					1,415,068	-	1,415,068	-
Business taxes					480,131	-	480,131	-
Sales and use tax					208,025	-	208,025	-
Hotel room tax					238,782	-	238,782	-
Utility users tax					91,871	-	91,871	-
Other local taxes					359,808	-	359,808	-
Interest and investment income					7,862	1,009	8,871	10
Other					52,865	61,737	114,602	-
Transfers - internal activities of primary government					(483,028)	483,028	-	-
Total general revenues and transfers					2,371,384	545,774	2,917,158	10
Extraordinary loss from dissolution of the Redevelopment Agency					(201,670)	-	(201,670)	-
Change in net position					(99,851)	642,836	542,985	1,027
Net position - beginning					1,920,010	5,031,266	6,951,276	(9,404)
Net position - ending					$ 1,820,159	$ 5,674,102	$ 7,494,261	$ (8,377)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Balance Sheet
Governmental Funds
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
Assets						
Deposits and investments with City Treasury	$ 720,132	$ 530,443	$ 1,357,554	$ 1,323,276	$ 2,077,686	$ 1,853,719
Deposits and investments outside City Treasury	1,004	635	71,413	80,613	72,417	81,248
Receivables (net of allowance for uncollectible amounts of $149,635 in 2013; $128,739 in 2012):						
Property taxes and penalties	47,791	47,374	8,980	8,454	56,771	55,828
Other local taxes	223,091	211,788	15,191	16,246	238,282	228,034
Federal and state grants and subventions	197,190	186,838	109,308	139,676	306,498	326,514
Charges for services	41,864	43,435	11,538	16,326	53,402	59,761
Interest and other	2,318	808	2,071	6,288	4,389	7,096
Due from other funds	11,753	47,281	29,460	5,149	41,213	52,430
Due from component unit	2,179	1,786	457	879	2,636	2,665
Advances to component unit	20,067	16,551	10,336	9,725	30,403	26,276
Loans receivable (net of allowance for uncollectible amounts of $945,031 in 2013; $559,893 in 2012)	157	157	70,169	66,973	70,326	67,130
Deferred charges and other assets	4,473	3,829	12,404	12,008	16,877	15,837
Total assets	$ 1,272,019	$ 1,090,925	$ 1,698,881	$ 1,685,613	$ 2,970,900	$ 2,776,538
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 152,649	$ 108,407	$ 149,246	$ 145,675	$ 301,895	$ 254,082
Accrued payroll	107,889	99,721	23,009	22,637	130,898	122,358
Deferred tax, grant and subvention revenues	146,221	113,684	44,306	81,359	190,527	195,043
Due to other funds	870	1,212	27,856	49,664	28,726	50,876
Due to component unit	-	-	280	-	280	-
Deferred credits and other liabilities	323,519	312,176	124,948	108,088	448,467	420,264
Bonds, loans, capital leases, and other payables	-	-	201,546	196,834	201,546	196,834
Total liabilities	731,148	635,200	571,191	604,257	1,302,339	1,239,457
Fund balances:						
Nonspendable	23,854	19,598	274	1,104	24,128	20,702
Restricted	26,339	34,109	1,191,189	1,189,102	1,217,528	1,223,211
Committed	137,487	79,276	-	-	137,487	79,276
Assigned	353,191	305,413	30,759	28,006	383,950	333,419
Unassigned	-	17,329	(94,532)	(136,856)	(94,532)	(119,527)
Total fund balances	540,871	455,725	1,127,690	1,081,356	1,668,561	1,537,081
Total liabilities and fund balances	$ 1,272,019	$ 1,090,925	$ 1,698,881	$ 1,685,613	$ 2,970,900	$ 2,776,538

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013
(In Thousands)

Fund balances - total governmental funds	$ 1,668,561
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,038,728
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	19,128
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,011,220)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,134)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	306,501
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	(190,405)
Net position of governmental activities	$ 1,820,159

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
Revenues:						
Property taxes	$ 1,122,008	$ 1,056,143	$ 299,756	$ 296,714	$ 1,421,764	$ 1,352,857
Business taxes	479,627	435,316	504	2,362	480,131	437,678
Sales and use tax	122,271	117,071	85,754	81,165	208,025	198,236
Hotel room tax	182,396	188,665	56,386	50,902	238,782	239,567
Utility users tax	91,871	91,676	-	-	91,871	91,676
Other local taxes	359,808	353,889	-	-	359,808	353,889
Licenses, permits and franchises	26,273	25,022	14,628	14,748	40,901	39,770
Fines, forfeitures and penalties	6,226	8,444	43,615	21,646	49,841	30,090
Interest and investment income	2,125	10,262	5,364	21,109	7,489	31,371
Rents and concessions	35,273	24,932	63,497	64,251	98,770	89,183
Intergovernmental:						
Federal	174,753	198,642	246,022	222,332	420,775	420,974
State	542,800	480,166	113,341	108,366	656,141	588,532
Other	3,072	-	38,717	33,181	41,789	33,181
Charges for services	164,391	145,797	131,668	119,059	296,059	264,856
Other	14,142	17,090	66,872	66,544	81,014	83,634
Total revenues	3,327,036	3,153,115	1,166,124	1,102,379	4,493,160	4,255,494
Expenditures:						
Current:						
Public protection	1,057,451	991,275	88,433	87,928	1,145,884	1,079,203
Public works, transportation and commerce	68,014	52,815	155,204	198,064	223,218	250,879
Human welfare and neighborhood development	660,657	626,194	284,449	292,220	945,106	918,414
Community health	634,701	545,962	100,035	107,301	734,736	653,263
Culture and recreation	105,870	100,246	222,924	210,910	328,794	311,156
General administration and finance	186,342	182,898	24,796	20,259	211,138	203,157
General City responsibilities	81,657	96,132	118	18	81,775	96,150
Debt service:						
Principal retirement	-	-	154,542	167,465	154,542	167,465
Interest and fiscal charges	-	-	108,189	103,706	108,189	103,706
Bond issuance costs	-	-	2,913	5,386	2,913	5,386
Capital outlay	-	-	410,994	270,094	410,994	270,094
Total expenditures	2,794,692	2,595,522	1,552,597	1,463,351	4,347,289	4,058,873
Excess (deficiency) of revenues over (under) expenditures	532,344	557,593	(386,473)	(360,972)	145,871	196,621
Other financing sources (uses):						
Transfers in	195,272	120,449	252,462	215,151	447,734	335,600
Transfers out	(646,912)	(553,190)	(283,881)	(189,529)	(930,793)	(742,719)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	557,490	804,090	557,490	804,090
Face value of loans issued	-	-	5,890	4,359	5,890	4,359
Premium on issuance of bonds	-	-	64,469	89,336	64,469	89,336
Payment to refunded bond escrow agent	-	-	-	(487,390)	-	(487,390)
Other financing sources-capital leases	4,442	3,682	9,028	8,622	13,470	12,304
Total other financing sources (uses)	(447,198)	(429,059)	605,458	444,639	158,260	15,580
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency	-	(815)	(172,651)	198,129	(172,651)	197,314
Net change in fund balances	85,146	127,719	46,334	281,796	131,480	409,515
Fund balances at beginning of year	455,725	328,006	1,081,356	799,560	1,537,081	1,127,566
Fund balances at end of year	$ 540,871	$ 455,725	$ 1,127,690	$ 1,081,356	$ 1,668,561	$ 1,537,081

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2013
(In Thousands)

Net change in fund balances - total governmental funds	$ 131,480
Amounts reported for governmental activities in the statement of activities are different because:	
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 expense. This is the amount by which capital outlays exceeded depreciation and loss on disposal of capital assets in the current period plus extraordinary loss on capital assets from dissolution of the Redevelopment Agency.	355,953
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. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(145,009)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,696)
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	(4,894)
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net position and, therefore, the corresponding expense is not reported on the statement of activities.	15,217
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net position. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	14,560
Bond issue costs are expended in the governmental funds when paid and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	1,755
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(408,838)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(64,469)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses.	6,382
The net revenues of the activities of internal service funds are reported with governmental activities.	4,708
Change in net position of governmental activities	$ (99,851)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 120,654	$ 557,097	$ 557,097	$ -
Resources (Inflows):				
Property taxes	1,078,083	1,078,083	1,114,078	35,995
Business taxes	452,806	452,806	479,627	26,821
Other local taxes:				
Sales tax	121,736	121,736	122,271	535
Hotel room tax	193,966	193,966	182,396	(11,570)
Utility users tax	91,900	91,900	91,871	(29)
Parking tax	76,530	76,530	81,645	5,115
Real property transfer tax	249,163	249,163	278,163	29,000
Licenses, permits, and franchises:				
Licenses and permits	9,462	9,462	10,130	668
Franchise tax	15,870	15,870	16,143	273
Fines, forfeitures, and penalties	7,174	7,194	6,226	(968)
Interest and investment income	6,776	6,776	10,335	3,559
Rents and concessions:				
Garages - Recreation and Park	7,286	7,286	20,081	12,795
Rents and concessions - Recreation and Park	12,131	12,131	13,290	1,159
Other rents and concessions	2,007	2,007	3,014	1,007
Intergovernmental:				
Federal grants and subventions	198,844	200,761	197,145	(3,616)
State subventions:				
Social service subventions	61,415	61,416	86,186	24,770
Health / mental health subventions	135,285	137,858	112,355	(25,503)
Health and welfare realignment	210,937	210,937	235,402	24,465
Public safety sales tax	78,967	78,967	83,238	4,271
Motor vehicle in-lieu - county	805	805	805	-
Other grants and subventions	28,932	28,552	32,826	4,274
Allowance for state revenue reduction	(15,000)	-	-	-
Other	-	2,671	3,072	401
Charges for services:				
General government service charges	50,095	53,150	58,384	5,234
Public safety service charges	24,444	23,433	27,886	4,453
Recreation charges - Recreation and Park	13,907	13,913	17,101	3,188
MediCal, MediCare and health service charges	78,317	78,467	61,137	(17,330)
Other financing sources:				
Transfers from other funds	155,950	195,388	195,061	(327)
Repayment of loan from Component Unit	627	627	-	(627)
Other resources (inflows)	17,640	24,844	14,645	(10,199)
Subtotal - Resources (Inflows)	3,366,055	3,436,699	3,554,513	117,814
Total amounts available for appropriation	3,486,709	3,993,796	4,111,610	117,814

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 22,514	$ 21,394	$ 20,830	$ 564
District Attorney	37,029	37,085	36,763	322
Emergency Communications	40,321	43,097	43,076	21
Fire Department	297,706	297,022	296,587	435
Juvenile Probation	34,482	30,617	29,273	1,344
Police Department	417,610	430,432	430,426	6
Public Defender	26,651	27,356	27,338	18
Sheriff	147,315	138,519	138,481	38
Superior Court	32,848	32,802	32,683	119
Subtotal - Public Protection	1,056,476	1,058,324	1,055,457	2,867
Public Works, Transportation and Commerce				
Board of Appeals	932	918	861	57
Business and Economic Development	28,898	17,046	17,046	-
General Services Agency - Public Works	37,699	49,632	49,062	570
Hetch Hetchy	-	398	385	13
Municipal Transportation Agency	-	357	357	-
Subtotal - Public Works, Transportation and Commerce	67,529	68,351	67,711	640
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	27,760	26,686	25,567	1,119
Commission on the Status of Women	3,593	3,984	3,960	24
County Education Office	116	116	116	-
Environment	-	153	153	-
Human Rights Commission	1,216	1,210	992	218
Human Services	637,690	633,354	623,927	9,427
Mayor - Housing/Neighborhoods	3,461	5,455	5,011	444
Subtotal - Human Welfare and Neighborhood Development	673,836	670,958	659,726	11,232
Community Health				
Public Health	609,892	635,960	634,552	1,408
Culture and Recreation				
Academy of Sciences	4,027	4,027	3,975	52
Art Commission	9,700	8,732	8,731	1
Asian Art Museum	7,831	7,538	7,477	61
Fine Arts Museum	12,865	12,637	12,203	434
Law Library	738	736	648	88
Recreation and Park Commission	75,905	71,910	71,910	-
Subtotal - Culture and Recreation	111,066	105,580	104,944	636

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 17,774	$ 17,446	$ 17,419	$ 27
Board of Supervisors	12,247	12,137	11,549	588
City Attorney	8,738	11,279	11,279	-
City Planning	25,534	23,984	23,984	-
Civil Service	549	548	536	12
Controller	11,816	12,607	12,092	515
Elections	11,607	11,470	10,754	716
Ethics Commission	4,156	3,420	3,415	5
General Services Agency - Administrative Services	62,793	55,421	55,082	339
General Services Agency - Telecomm and Info Services	1,588	2,212	2,027	185
Health Service System	167	423	412	11
Human Resources	9,379	11,969	11,941	28
Mayor	4,584	4,764	4,764	-
Retirement Services	893	643	643	-
Treasurer/Tax Collector	22,709	21,828	20,445	1,383
Subtotal - General Administration and Finance	194,534	190,151	186,342	3,809
General City Responsibilities				
General City Responsibilities	103,613	86,527	82,223	4,304
Other financing uses:				
Debt Service	2,214	-	-	-
Transfers to other funds	615,793	646,018	646,018	-
Budgetary reserves and designations	51,756	4,191	-	4,191
Total charges to appropriations	3,486,709	3,466,060	3,436,973	29,087
Total Sources less Current Year Uses	$ -	$ 527,736	$ 674,637	$ 146,901

Budgetary fund balance, June 30 before reserves and designations	$ 674,637
Reserves and designations made from budgetary fund balance, June 30	434,197
Net Available Budgetary Fund Balance, June 30	$ 240,440

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 4,111,610
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(557,097)
Property tax revenue - Teeter Plan net change from prior year	7,930
Change in unrealized gain/(loss) on investments	(7,978)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(232)
Interest earnings from other funds assigned to General Fund as other revenues	950
Grants, subventions and other receivables received after 120-day recognition period	(31,670)
Pre-paid lease revenue, Civic Center Garage	(1,416)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(195,061)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - General Fund	$ 3,327,036
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 3,436,973
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	4,442
Recognition of expenditures for advances and imprest cash	(705)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(646,018)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - General Fund	$ 2,794,692

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2013	Total 2012	Governmental Activities - Internal Service Funds 2013	Governmental Activities - Internal Service Funds 2012
Assets and Deferred Outflows of Resources													
Assets:													
Current Assets:													
Deposits and investments with City Treasury	$ 364,687	$ 322,090	$ 196,283	$ 665,860	$ 62,135	$ 91,400	$ 80,366	$ 23,291	$ -	$ 1,806,112	$ 1,284,156	$ 32,368	$ 33,639
Deposits and investments outside City Treasury	10	138	10	3,735	10	161	5	2	5,737	9,808	10,067	-	10
Receivables (net of allowance for uncollectible amounts of $44,179 and $44,315 in 2013 and 2012, respectively):													
Federal and state grants and subventions	-	2,345	142	96,007	108	18,439	1,364	21,546	-	139,951	94,275	-	-
Charges for services	32,485	49,717	11,622	16,262	62,806	34,426	2,655	20,422	30	230,425	237,630	-	119
Interest and other	939	9,164	77	6,351	91,361	1,035	1,834	73	-	110,834	85,897	763	643
Capital lease receivable	-	-	-	-	-	-	-	-	-	-	-	22,545	20,813
Due from other funds	-	268	12,790	6,462	-	88	435	-	-	20,043	32,174	-	-
Due from component unit	-	-	200	-	-	-	-	-	-	200	200	-	-
Inventories	87	7,564	336	56,986	7,727	3,202	1,192	1,131	-	78,225	75,700	-	-
Deferred charges and other assets	877	-	3,712	333	-	-	147	989	29	6,087	7,699	-	-
Restricted assets:													
Deposits and investments with City Treasury	89,816	-	-	-	-	-	43,234	27,129	-	160,179	137,632	-	-
Deposits and investments outside City Treasury	55,416	60,111	1,814	-	-	40,394	3,258	4,780	146	165,919	189,098	55,337	61,713
Grants and other receivables	13,772	-	-	-	-	-	-	-	-	13,772	12,916	-	-
Total current assets	558,089	451,397	226,986	851,996	224,147	189,145	134,490	99,363	5,942	2,741,555	2,167,444	111,013	116,937
Noncurrent assets:													
Deferred charges and other assets	26,329	31,966	300	788	-	4,133	1,853	1,407	-	66,776	81,217	4,535	4,655
Capital lease receivable	-	-	-	-	-	-	-	-	-	-	-	239,998	252,927
Advances to component unit	-	-	3,427	-	-	-	-	-	-	3,427	3,627	-	-
Restricted assets:													
Deposits and investments with City Treasury	84,561	1,090,566	14,908	8,316	-	251,439	-	-	-	1,449,790	1,746,544	-	-
Deposits and investments outside City Treasury	300,318	270,709	708	5,530	5,162	-	-	13,971	160	596,558	688,881	4,777	4,816
Grants and other receivables	38,116	5,963	101	3,138	-	7,813	-	15,014	-	70,145	25,653	-	-
Capital assets:													
Land and other assets not being depreciated	230,352	1,550,675	93,737	585,622	43,170	215,494	115,354	-	3,289	2,837,693	2,386,005	-	-
Facilities, infrastructure, and equipment, net of depreciation	3,490,439	2,308,253	255,173	1,607,060	37,175	1,445,349	293,678	562,989	3,082	10,003,198	9,494,768	5,920	5,471
Total capital assets	3,720,791	3,858,928	348,910	2,192,682	80,345	1,660,843	409,032	562,989	6,371	12,840,891	11,880,773	5,920	5,471
Total noncurrent assets	4,170,115	5,258,132	368,354	2,210,454	85,507	1,924,228	410,885	593,381	6,531	15,027,587	14,426,695	255,230	267,869
Total assets	4,728,204	5,709,529	595,340	3,062,450	309,654	2,113,373	545,375	692,744	12,473	17,769,142	16,594,139	366,243	384,806
Deferred outflows of resources for accumulated decreases in fair value of hedging derivatives	64,743	-	-	-	-	-	-	-	-	64,743	98,979	-	-
Total assets and deferred outflows of resources	4,792,947	5,709,529	595,340	3,062,450	309,654	2,113,373	545,375	692,744	12,473	17,833,885	16,693,118	366,243	384,806

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

	Business-type Activities - Enterprise Funds											Governmental Activities - Internal Service Funds	
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2013	Total 2012	2013	2012
Liabilities													
Current liabilities:													
Accounts payable	$ 33,222	$ 6,214	$ 10,791	$ 99,631	$ 36,163	$ 6,479	$ 12,740	$ 6,694	$ 564	$ 212,498	$ 211,620	$ 5,526	$ 7,544
Accrued payroll	13,571	9,421	3,099	34,107	24,949	5,716	2,098	10,138	-	103,099	100,364	2,391	2,323
Accrued vacation and sick leave pay	8,167	6,044	1,761	17,207	12,027	3,176	1,239	5,398	-	55,019	53,308	1,408	1,475
Accrued workers' compensation	1,121	1,364	418	14,366	3,433	748	390	2,162	-	24,002	25,230	290	183
Estimated claims payable	755	2,976	1,152	15,301	-	2,768	1,332	-	-	24,284	20,849	-	-
Due to other funds	-	40	-	33	1,198	2,006	27,290	-	-	30,567	30,907	1,963	2,821
Deferred credits and other liabilities	51,923	21,833	122	234,566	83,159	2,161	14,768	28,005	203	436,740	325,979	60,114	65,684
Accrued interest payable	-	37,251	229	948	116	10,190	828	1,818	-	51,380	45,467	1,650	1,758
Bonds, loans, capital leases, and other payables	391,752	196,860	1,585	3,315	2,419	33,343	840	5,443	-	635,557	582,010	21,144	19,390
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	207,708	-	-	-	-	-	-	-	-	207,708	35,842	-	-
Accrued interest payable	28,158	-	-	-	-	-	-	-	-	28,158	28,837	-	-
Other	59,832	133,884	1,262	1,070	-	27,757	-	744	-	224,549	180,626	-	-
Total current liabilities	796,209	415,887	20,419	420,544	163,464	94,344	61,525	60,402	767	2,033,561	1,641,039	94,486	101,178
Noncurrent liabilities:													
Accrued vacation and sick leave pay	7,432	5,673	1,537	11,947	9,633	2,837	1,091	4,265	-	44,415	44,880	1,324	1,604
Accrued workers' compensation	4,112	7,135	2,005	74,836	18,994	3,583	2,325	11,452	-	124,442	119,226	1,218	812
Other postemployment benefits obligation	90,713	85,829	17,559	180,657	171,476	32,565	16,056	63,153	-	658,008	552,217	17,847	15,380
Estimated claims payable	807	7,909	2,285	22,336	-	5,610	350	-	-	39,297	36,144	-	-
Deferred credits and other liabilities	-	23,972	-	22,336	-	571	64,537	-	-	111,416	64,225	-	-
Bonds, loans, capital leases, and other payables	3,517,917	4,430,166	33,058	63,357	21,937	818,951	36,325	145,595	-	9,067,306	9,087,262	242,718	255,896
Derivative instruments liabilities	81,338	-	-	-	-	-	-	-	-	81,338	116,859	-	-
Total noncurrent liabilities	3,702,319	4,560,684	56,444	375,469	222,040	864,117	120,684	224,465	-	10,126,222	10,020,813	263,107	273,692
Total liabilities	4,498,528	4,976,571	76,863	796,013	385,504	958,461	182,209	284,867	767	12,159,783	11,661,852	357,593	374,870
Net Position													
Net investment in capital assets	(52,581)	398,190	323,437	2,125,062	61,123	1,080,681	319,829	429,467	6,371	4,691,579	4,538,990	5,556	4,652
Restricted:													
Debt service	19,757	32,723	-	5,530	-	960	-	-	-	58,970	53,951	-	-
Capital projects	139,981	103,616	7,752	-	-	2,931	27,139	18,523	-	299,942	176,570	-	-
Other purposes	-	-	-	10,384	-	-	-	2,357	305	13,046	18,913	-	-
Unrestricted (deficit)	187,262	198,429	187,288	125,461	(136,973)	70,340	16,198	(42,470)	5,030	610,565	242,842	3,094	5,284
Total net position (deficit)	$ 294,419	$ 732,958	$ 518,477	$ 2,266,437	$ (75,850)	$ 1,154,912	$ 363,166	$ 407,877	$ 11,706	$ 5,674,102	$ 5,031,266	$ 8,650	$ 9,936

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2013	Total 2012	Governmental Activities - Internal Service Funds 2013	Governmental Activities - Internal Service Funds 2012
Operating revenues:													
Aviation	$ 413,918	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 413,918	$ 374,767	$ -	$ -
Water and power service	-	700,513	133,682	-	-	-	-	-	-	834,195	451,235	-	-
Passenger fees	-	-	-	218,939	-	-	-	-	-	218,939	200,972	-	-
Net patient service revenue	-	-	-	-	728,711	-	-	132,520	-	861,231	733,847	-	-
Sewer service	-	-	-	-	-	235,479	-	-	-	235,479	233,628	-	-
Rents and concessions	129,545	9,599	245	7,547	2,696	-	58,116	-	-	207,748	199,313	90	-
Parking and transportation	113,551	-	-	212,732	-	-	17,774	-	-	344,057	230,719	-	-
Other charges for services	-	-	-	17,877	-	-	-	-	1,715	19,592	3,905	106,682	97,266
Other revenues	69,344	11,358	-	37,710	3,091	17,075	4,312	1,226	-	144,116	124,973	-	-
Total operating revenues	726,358	721,470	133,927	494,805	734,498	252,554	80,202	133,746	1,715	3,279,275	2,553,359	106,772	97,266
Operating expenses:													
Personal services	239,194	119,151	46,621	606,707	454,299	84,155	32,894	177,729	270	1,761,020	1,718,401	44,661	43,465
Contractual services	62,939	12,819	5,845	109,755	184,777	13,418	6,630	7,843	665	404,691	358,903	34,854	29,727
Light, heat and power	19,250	-	20,891	-	-	-	2,040	-	-	42,181	43,746	-	-
Materials and supplies	14,038	13,074	3,002	86,750	73,061	10,481	1,548	16,826	6	218,786	210,373	19,098	15,041
Depreciation and amortization	176,522	75,448	15,457	122,479	5,701	46,347	16,367	15,792	280	474,393	444,961	1,677	1,691
General and administrative	2,807	25,563	29,636	37,088	1,218	19,718	3,618	-	9	119,657	134,564	509	385
Services provided by other departments	14,576	57,684	6,708	57,038	39,081	34,141	17,221	8,181	-	234,630	216,987	6,403	5,331
Other	32,132	-	-	4,068	-	-	(336)	-	1	35,865	28,456	987	704
Total operating expenses	561,458	303,739	128,160	1,023,885	758,137	208,260	79,982	226,371	1,231	3,291,223	3,156,391	108,189	96,344
Operating income (loss)	164,900	417,731	5,767	(529,080)	(23,639)	44,294	220	(92,625)	484	(11,948)	(603,032)	(1,417)	922
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	4,593	373	11,387	-	19,050	1,469	-	-	36,872	33,157	-	-
State / other	-	-	-	133,063	54,269	-	-	-	-	187,332	167,161	-	-
Interest and investment income (loss)	1,686	(281)	(205)	(623)	-	524	24	(120)	4	1,009	82,533	6,260	6,475
Interest expense	(195,503)	(142,065)	(1,630)	(2,841)	(711)	(15,467)	(1,440)	(7,468)	-	(367,125)	(353,868)	(5,983)	(6,005)
Other, net	3,230	31,001	1,716	4,813	-	5,270	275	15,552	(120)	61,737	287,778	1	124
Total nonoperating revenues (expenses)	(190,587)	(106,752)	254	145,799	53,558	9,377	328	7,964	(116)	(80,175)	216,761	278	594
Income (loss) before capital contributions and transfers	(25,687)	310,979	6,021	(383,281)	29,919	53,671	548	(84,661)	368	(92,123)	(386,271)	(1,139)	1,516
Capital contributions	65,958	-	-	178,218	-	-	7,577	-	-	251,753	173,975	-	-
Transfers in	-	66,375	-	379,831	138,356	919	19,565	89,306	-	694,352	552,441	177	29
Transfers out	(36,464)	(2,891)	(196)	(3,811)	(153,476)	(31)	-	(14,277)	-	(211,146)	(301,353)	(324)	(1,216)
Change in net position	3,807	374,463	5,825	170,957	14,799	54,559	27,690	(9,632)	368	642,836	38,792	(1,286)	329
Net position (deficit) at beginning of year	290,612	358,495	512,652	2,095,480	(90,649)	1,100,353	335,476	417,509	11,338	5,031,266	4,992,474	9,936	9,607
Net position (deficit) at end of year	$ 294,419	$ 732,958	$ 518,477	$ 2,266,437	$ (75,850)	$ 1,154,912	$ 363,166	$ 407,877	$ 11,706	$ 5,674,102	$ 5,031,266	$ 8,650	$ 9,936

The notes to the financial statements are an integral part of this statement.

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CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2013	Total 2012	Governmental Activities - Internal Service Funds 2013	Governmental Activities - Internal Service Funds 2012
Cash flows from operating activities:													
Cash received from customers, including cash deposits	$ 744,328	$ 753,474	$ 136,786	$ 511,133	$ 679,040	$ 247,632	$ 15,199	$ 152,683	$ 1,695	$ 3,241,970	$ 2,649,449	$ 133,734	$ 118,566
Cash received from tenants for rent	-	9,153	249	5,176	2,696	877	62,576	-	-	80,727	74,941	-	-
Cash paid to employees for services	(224,141)	(104,394)	(42,234)	(570,351)	(423,137)	(75,353)	(30,471)	(166,790)	(270)	(1,637,141)	(1,588,200)	(41,960)	(40,480)
Cash paid to suppliers for goods and services	(152,825)	(104,869)	(72,918)	(289,505)	(292,779)	(84,913)	(32,799)	(31,878)	(575)	(1,063,061)	(1,025,677)	(79,920)	(69,035)
Cash paid for judgments and claims	-	(3,426)	(3,118)	(5,326)	-	(4,658)	-	-	-	(16,528)	(26,494)	-	-
Net cash provided by (used in) operating activities	367,362	549,938	18,765	(348,873)	(34,180)	83,585	14,505	(45,985)	850	605,967	84,019	11,854	9,051
Cash flows from noncapital financing activities:													
Operating grants	-	2,590	293	149,700	62,177	2,304	2,329	11	-	219,404	178,545	-	-
Transfers in	-	60,984	-	310,481	138,356	919	1,310	89,279	-	601,329	454,624	177	29
Transfers out	(36,464)	-	(196)	(3,901)	(153,476)	(31)	-	(9,312)	-	(203,380)	(185,240)	(324)	(1,216)
Other noncapital financing increases	-	-	-	6,130	-	-	4,296	-	-	10,426	10,822	-	-
Other noncapital financing decreases	(28,657)	-	-	-	(241)	-	-	(18,454)	-	(47,352)	(4,283)	-	-
Net cash provided by (used in) noncapital financing activities	(65,121)	63,574	97	462,410	46,816	3,192	7,935	61,524	-	580,427	454,468	(147)	(1,187)
Cash flows from capital and related financing activities:													
Capital grants and other taxes restricted for capital purposes	37,983	-	-	255,848	-	-	6,650	539	-	301,020	382,899	-	-
Transfers in	-	2,500	-	69,440	-	-	18,255	27	-	90,222	47,766	-	-
Transfers out	-	-	-	-	-	-	-	(4,965)	-	(4,965)	-	-	-
Bond sale proceeds and loans received	-	26,295	-	70,153	-	580,179	-	-	-	676,627	1,530,942	11,829	10,150
Proceeds from sale/transfer of capital assets	-	3,259	80	4	-	-	9	-	-	3,352	2,636	-	-
Proceeds from commercial paper borrowings	170,075	-	-	-	-	85,000	-	-	-	255,075	34,450	-	-
Proceeds from passenger facility charges	87,033	-	-	-	-	-	-	-	-	87,033	78,156	-	-
Acquisition of capital assets	(181,029)	(638,189)	(27,235)	(220,397)	(13,745)	(153,300)	(82,597)	(30,410)	(628)	(1,347,530)	(1,276,776)	(1,996)	(929)
Retirement of capital leases, bonds and loans	(152,555)	(168,271)	(1,277)	(45,765)	(2,349)	(329,619)	(805)	(5,213)	-	(705,854)	(373,212)	(22,970)	(17,545)
Bond issue costs paid	-	(667)	-	(643)	-	(1,791)	-	-	-	(3,101)	(12,033)	(143)	(532)
Interest paid on debt	(195,639)	(236,269)	(1,877)	(1,773)	(711)	(22,245)	(2,334)	(7,584)	-	(468,432)	(430,459)	(5,915)	(6,002)
Other capital financing increases	-	26,051	925	-	1,776	4,292	36,187	-	-	69,231	64,003	-	-
Other capital financing decreases	-	-	-	-	-	-	(8,230)	(989)	(120)	(9,339)	(5,428)	-	-
Net cash provided by (used in) capital and related financing activities	(234,132)	(985,291)	(29,384)	126,867	(15,029)	162,516	(32,865)	(48,595)	(748)	(1,056,661)	42,944	(19,195)	(14,858)
Cash flows from investing activities:													
Purchases of investments with trustees	(2,148,780)	(228,368)	(2,133)	-	-	(168,603)	-	(12,691)	-	(2,560,575)	(2,803,695)	(4,727)	-
Proceeds from sale of investments with trustees	2,147,700	321,321	2,362	-	-	178,589	-	151	-	2,650,123	2,824,462	5,042	14,489
Interest and investment income (loss)	15,378	(23)	(156)	(562)	-	861	77	(251)	4	15,328	64,447	293	593
Other investing activities	-	-	-	-	-	-	-	-	-	-	-	(501)	(8)
Net cash provided by (used in) investing activities	14,298	92,930	73	(562)	-	10,847	77	(12,791)	4	104,876	85,214	107	15,074
Net increase (decrease) in cash and cash equivalents	82,407	(278,849)	(10,449)	239,842	(2,393)	260,140	(10,348)	(45,847)	106	234,609	666,645	(7,381)	8,080
Cash and cash equivalents-beginning of year	457,240	1,851,538	223,210	443,599	69,700	114,165	136,798	101,049	5,631	3,402,930	2,736,285	90,286	82,206
Cash and cash equivalents-end of year	$ 539,647	$ 1,572,689	$ 212,761	$ 683,441	$ 67,307	$ 374,305	$ 126,450	$ 55,202	$ 5,737	$ 3,637,539	$ 3,402,930	$ 82,905	$ 90,286

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2013	Total 2012	Governmental Activities - Internal Service Funds 2013	Governmental Activities - Internal Service Funds 2012
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 164,900	$ 417,731	$ 5,767	$ (529,080)	$ (23,639)	$ 44,294	$ 220	$ (92,625)	$ 484	$ (11,948)	$ (603,032)	$ (1,417)	$ 922
Adjustments for non-cash and other activities:													
Depreciation and amortization	176,522	75,448	15,457	122,479	5,701	46,347	16,367	15,792	280	474,393	444,961	1,677	1,691
Provision for uncollectibles	(811)	483	-	52	-	140	(295)	-	-	(431)	(2,450)	-	-
Write-off of capital assets	-	2,392	1,562	-	-	5,621	-	-	-	9,575	12,397	-	-
Other	4,393	1,691	859	33,132	-	978	-	-	-	41,053	111,525	1	124
Changes in assets/liabilities:													
Receivables, net	8,423	36,226	(1,731)	(18,000)	(49,061)	(1,594)	656	5,135	(19)	(19,965)	(13,574)	22,591	17,044
Due from other funds	-	(34)	831	-	271	(60)	274	-	-	1,282	(8,500)	-	-
Inventories	26	318	(40)	(2,205)	(553)	63	(160)	26	-	(2,525)	(130)	-	-
Deferred charges and other assets	266	-	1,228	200	-	(759)	(128)	-	(1)	806	(4,320)	-	-
Accounts payable	4,290	(2,276)	(8,837)	15,990	5,911	(15,011)	(80)	947	106	1,040	19,068	(1,627)	1,749
Accrued payroll	36	66	306	978	688	393	(243)	404	-	2,628	19,157	68	358
Accrued vacation and sick leave pay	(30)	(826)	214	875	765	315	16	(82)	-	1,247	7,626	(347)	35
Accrued workers' compensation	158	535	102	1,363	432	404	(82)	1,076	-	3,988	(3,730)	513	121
Other postemployment benefits obligation	14,889	12,820	3,257	27,288	29,278	6,052	2,666	9,541	-	105,791	103,251	2,467	2,474
Estimated claims payable	-	1,790	766	3,906	-	(160)	56	-	-	6,358	(31,219)	-	-
Due to other funds	-	-	-	(3,698)	-	(132)	-	-	-	(3,830)	3,605	190	(72)
Deferred credits and other liabilities	(5,700)	3,574	(976)	(2,153)	(3,973)	(3,306)	(4,762)	13,801	-	(3,495)	29,384	(12,262)	(15,395)
Total adjustments	202,462	132,207	12,998	180,207	(10,541)	39,291	14,285	46,640	366	617,915	687,051	13,271	8,129
Net cash provided by (used in) operating activities	$ 367,362	$ 549,938	$ 18,765	$ (348,873)	$ (34,180)	$ 83,585	$ 14,505	$ (45,985)	$ 850	$ 605,967	$ 84,019	$ 11,854	$ 9,051
Reconciliation of cash and cash equivalents to the statement of net position:													
Deposits and investments with City Treasury:													
Unrestricted	$ 364,687	$ 322,090	$ 196,283	$ 665,860	$ 62,135	$ 91,400	$ 80,366	$ 23,291	$ -	$ 1,806,112	$ 1,284,156	$ 32,368	$ 33,639
Restricted	174,377	1,090,566	14,908	8,316	-	251,439	43,234	27,129	-	1,609,969	1,884,176	-	-
Deposits and investments outside of City Treasury:													
Unrestricted	10	138	10	3,735	10	161	5	2	5,737	9,808	10,067	-	10
Restricted	355,734	330,820	2,522	5,530	5,162	40,394	3,258	18,751	306	762,477	877,979	60,114	66,529
Total deposits and investments	894,808	1,743,614	213,723	683,441	67,307	383,394	126,863	69,173	6,043	4,188,366	4,056,378	92,482	100,178
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	(355,161)	(170,925)	(962)	-	-	(9,089)	(413)	(13,971)	(306)	(550,827)	(653,448)	(9,577)	(9,892)
Cash and cash equivalents at end of year on statement of cash flows	$ 539,647	$ 1,572,689	$ 212,761	$ 683,441	$ 67,307	$ 374,305	$ 126,450	$ 55,202	$ 5,737	$ 3,637,539	$ 3,402,930	$ 82,905	$ 90,286
Non-cash capital and related financing activities:													
Acquisition of capital assets on accounts payable and capital lease	$ 57,050	$ 133,884	$ 1,262	$ -	$ -	$ 27,757	$ 8,484	$ 4,139	$ 20	$ 232,596	$ 203,950	$ 2,104	$ 3,455
In-kind contribution for pier demolition	-	-	-	-	-	-	22	-	-	22	4,100	-	-
Tenant improvements financed by rent credits	-	-	-	-	-	-	45,670	-	-	45,670	-	-	-
Net capitalized interest	3,710	78,131	37	-	-	6,020	305	-	-	88,203	82,117	-	-
Accrued fire insurance settlement	-	-	-	-	-	-	-	-	-	-	4,500	-	-
Donated inventory	-	-	-	-	2,759	-	-	-	-	2,759	2,996	-	-
Capital contributions and other noncash capital items	-	-	-	-	-	-	1,777	-	-	1,777	159,927	-	-
Bond refunding	88,875	-	-	-	-	-	-	-	-	88,875	1,204,069	-	-
Interfund loan	-	40	-	-	-	1,573	-	-	-	1,613	6,401	-	-

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Agency Funds
Assets				
Deposits and investments with City Treasury	$ 173,164	$ 329,891	$ 190,781	$ 155,244
Deposits and investments outside City Treasury:				
Cash and deposits	60,874	105	-	145
Short-term investments	572,556	-	170,160	-
Alternative investments	2,129,578	-	-	-
Debt securities	4,290,577	-	-	-
Equity securities	8,621,434	-	-	-
Real estate	1,430,711	-	-	-
Foreign currency contracts, net	(7,403)	-	-	-
Invested in securities lending collateral	1,004,266	-	-	-
Receivables:				
Employer and employee contributions	78,714	-	-	59,737
Brokers, general partners and others	315,076	-	-	-
Federal and state grants and subventions	-	-	3,541	-
Due from primary government	-	-	280	
Interest and other	40,165	154	15,047	174,324
Deferred charges and other assets	-	-	13,432	34,538
Capital assets (net of accumulated depreciation)	-	-	201,682	-
Total assets	18,709,712	330,150	594,923	423,988
Liabilities				
Accounts payable	34,331	2,174	11,740	$ 23,796
Estimated claims payable	25,593	-	-	-
Due to primary government	-	-	2,416	-
Agency obligations	-	-	-	400,192
Bond interest payable	-	-	21,351	-
Payable to brokers	445,447	-	-	-
Deferred Retirement Option Program liabilities	20,502	-	-	-
Payable to borrowers of securities	1,005,161	-	-	-
Deferred credits and other liabilities	58,596	-	1,808	-
Advances from primary government	-	-	20,067	-
Long-term obligations	-	-	994,532	-
Total liabilities	1,589,630	2,174	1,051,914	423,988
Net Position				
Agency funds	-	-	-	-
Held in trust for:				
Pension and other employee benefits	17,120,082	-	-	-
External pool participants	-	327,976	-	-
Redevelopment dissolution	-	-	(456,991)	-
Total net position (deficit)	$ 17,120,082	$ 327,976	$ (456,991)	$ -

The notes to the financial statements are an integral part of this statement

CITY AND COUNTY OF SAN FRANCISCO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenue	$ -	$ -	$ 113,988
Charges for services	-	-	16,046
Contributions:			
Employees' contributions	385,605	-	-
Employer contributions	1,077,409	-	-
Contributions to pooled investments	-	2,634,596	-
Total contributions	1,463,014	2,634,596	130,034
Investment income:			
Interest	182,934	836	2,275
Dividends	188,644	-	-
Net appreciation in fair value of investments	1,728,784	-	-
Securities lending income	5,096	-	-
Total investment income	2,105,458	836	2,275
Less investment expenses:			
Securities lending borrower rebates and expenses	523	-	-
Other investment expenses	(41,654)	-	-
Total investment expenses	(41,131)	-	-
Other additions	-	-	20,643
Total additions, net	3,527,341	2,635,432	152,952
Deductions:			
Neighborhood development	-	-	70,506
Depreciation	-	-	5,506
Interest on debt	-	-	59,889
Benefit payments	1,747,146	-	-
Refunds of contributions	9,453	-	-
Distribution from pooled investments	-	2,630,822	-
Administrative expenses	15,593	-	-
Total deductions	1,772,192	2,630,822	135,901
Extraordinary gain from dissolution of the Redevelopment Agency	-	-	190,131
Change in net position	1,755,149	4,610	207,182
Net position (deficit) at beginning of year	15,364,933	323,366	(664,173)
Net position (deficit) at end of year	$ 17,120,082	$ 327,976	$ (456,991)

The notes to the financial statements are an integral part of this statement.

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (SFCTA) – The voters of the City created SFCTA in 1989 to impose a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30 year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the SFCTA. The SFCTA is reported in a special revenue fund in the City's basic financial statements. Financial statements for the SFCTA can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (The Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (The Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Unit

Treasure Island Development Authority (The TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012 to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's 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, the Successor Agency will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco

Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) 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. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.
- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Sustainable Streets (previously named as Department of Parking and Traffic), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the MTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The ***San Francisco General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.
- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System, the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for employee contributions from active employees hired after January 9, 2009, related City contributions, and the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made before January 2015.
- The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Act.
- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval.

Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(d) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to Successor Agency separately managed funds, bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Employees' Retirement System are held by trustees (Note 5).

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2013, involuntary participants accounted for approximately 98.8% of the pool. Voluntary participants accounted for 1.2% of the pool. Further, the School District, Community College District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2013, $328.0 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 5.0%. Internal participants accounted for 95.0% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposits and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

Employees' Retirement System (Retirement System) – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the Retirement System's real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were $1.51 billion including $70.4 million in recourse debt at June 30, 2013. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third-parties in a purchase and sale transaction.

Alternative investments represent the Retirement System's interest in limited partnerships. The fair values of alternative investments are based on net asset values provided by the general partners. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and changes in fair value. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the investments can only be determined by negotiation between independent third-parties in a sales transaction.

The Charter and Retirement Board policies permit the Retirement System to use investments to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The collateral may consist of cash or non-cash; non-cash collateral is generally U.S. Treasuries or other U.S. government obligations. The Retirement System's securities custodian is the agent in lending the domestic securities for collateral of 102% and international securities for collateral of 105%. Contracts with the lending agent require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2013 was 70 days. For fiscal year 2013 all cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2013, the weighted average maturity of the reinvested cash collateral account was 26 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the related collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

Cash collateral invested in the separate account managed by the lending agent is reported at fair value. Payable to borrowers of securities in the statement of fiduciary net position represents the cash collateral received from borrowers. Additionally, the income and costs of securities lending transactions, such as borrower rebates and fees, are recorded respectively as revenues and expenses in the statement of changes in fiduciary net position.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 53 and GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions,* *an amendment of GASB Statement No. 53*. Under hedge accounting, the changes in the fair value of hedging derivative instruments are reported as either deferred outflows of resources or deferred inflows of resources in the statement of net position.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost, which approximates fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service, Investment Trust and Agency Funds.

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, MTA, LHH, SFGH, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2013, it was determined that $945.0 million of the $1,015.3 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account. For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the private-purpose trust fund. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 thousand and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs, Premiums, Discounts and Interest Accretion

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

(k) Fund Equity

Governmental Fund Balance

As prescribed by Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or 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, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2013, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables	$ 23,854	$ 82	$ 23,936
Gift Fund Principal	-	192	192
Total Nonspendable	23,854	274	24,128
Restricted			
Rainy Day	26,339	-	26,339
Public Protection	-	22,626	22,626
Public Works, Transportation & Commerce	-	105,966	105,966
Human Welfare & Neighborhood Development	-	169,343	169,343
Community Health	-	29,932	29,932
Culture & Recreation	-	98,903	98,903
General Administration & Finance	-	16,739	16,739
General City Responsibilities	-	775	775
Capital Projects	-	613,179	613,179
Debt Service	-	133,726	133,726
Total Restricted	26,339	1,191,189	1,217,528
Committed			
Budget Stabilization	121,580	-	121,580
Recreation and Parks Expenditure Savings	15,907	-	15,907
Total Committed	137,487	-	137,487
Assigned			
Public Protection	12,632	1,609	14,241
Public Works, Transportation & Commerce	12,166	14,324	26,490
Human Welfare & Neighborhood Development	26,377	4,736	31,113
Community Health	30,762	-	30,762
Culture & Recreation	3,437	3,147	6,584
General Administration & Finance	29,438	6,943	36,381
General City Responsibilities	29,962	-	29,962
Capital Projects	42,368	-	42,368
Litigation and Contingencies	30,254	-	30,254
Subsequent Year's Budget	135,795	-	135,795
Total Assigned	353,191	30,759	383,950
Unassigned	-	(94,532)	(94,532)
Total	$ 540,871	$ 1,127,690	$ 1,668,561

General Fund Stabilization and Other Reserves

Rainy Day Reserve – The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5. In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues," in the Rainy Day Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total General Fund revenues. The City may spend money from the Rainy Day Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the Rainy Day Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The City may also spend up to 25 percent of the balance of the Rainy Day Reserve to help the San Francisco Unified School District in years when certain conditions are met. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

Budget Stabilization Reserve – The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

Recreation and Parks Expenditure Savings Reserve – The City maintains a Recreation and Parks Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance. At June 30, 2013, encumbrances recorded in the General Fund and nonmajor governmental funds were $74.8 million and $368.6 million, respectively.

Restricted Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At

June 30, 2013, the government-wide statement of net position reported restricted net position of $686.2 million in governmental activities and $372.0 million in business-type activities, of which $10.6 million and $10.4 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the MTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $373.5 million of unrestricted net position of governmental activities, of which $275.1 million reduced net investment in capital assets and $98.4 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

Deficit Net Position/Fund Balances

The Senior Citizens' Program Fund had a deficit of $28 as of June 30, 2013. The deficit relates to increases of deferred tax, grant and subvention revenues on various programs, which are expected to be collected beyond 120 days of the end of fiscal year 2013. In addition, the Court's Fund and the Culture and Recreation Fund had deficits of $4.2 million and $3.3 million, respectively, as of June 30, 2013, which are expected to be covered with future charges for services.

The San Francisco County Transportation Authority Fund had a $67.9 million fund deficit as of June 30, 2013. This condition exists because the SFCTA uses short-term debt financing to accelerate the delivery of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized or when the SFCTA refinances the outstanding short-term debt to long-term debt.

The Moscone Convention Center Fund had a $8.0 million deficit as of June 30, 2013. The deficit will be covered as hotel tax revenues are realized.

The Central Shops Internal Service Fund had a deficit in total net position of $3.9 million as of June 30, 2013 mainly due to the other postemployment benefits liability accrued as per GASB Statement No. 45. The deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2013, the Successor Agency has a deficit of $457.0 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities and the private-purpose trust fund (former Agency), they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(o) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(p) Extraordinary Items

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of assets and liabilities in accordance with the Department of Finance's (DOF) guidance relating to the management of housing assets of the former Agency prior to DOF's Finding of Completion were recorded as an extraordinary item in the City's financial statements.

Accordingly, $176.6 million of current assets, $3.9 million of current liabilities, and $29.0 million of capital assets related to the Retained Housing Obligations were returned to the Successor Agency effective July 1, 2012 and an extraordinary gain was recorded in the Successor Agency's financial statements and an extraordinary loss was recorded in the City's financial statements. Completed housing assets for which the Successor Agency has no remaining enforceable obligations remain with the City.

In addition, on May 17, 2013, the DOF determined that the results of the Successor Agency's "Low and Moderate Income Housing Fund" and "Other Funds and Accounts" Due Diligence Reviews show the Successor Agency has $10.6 million and $1.0 million, respectively, of funds including interest accumulated, available to the Trust Fund for distribution to the taxing entities. The Successor Agency included these distributions as offsets to the extraordinary gain above.

(Dollars in Thousands)

The components of the extraordinary loss recognized are as follows:

Governmental Funds/Governmental Activities:	
Transfers out of the former Agency's housing noncapital assets:	
Cash and investments	$ (175,957)
Other current assets	(648)
Transfers out of the former Agency's housing related liabilities	3,954
Governmental Fund's extraordinary loss from dissolution of the Redevelopment Agency	(172,651)
Transfers out of the former Agency's housing capital assets	(29,019)
Governmental Activities' extraordinary loss from dissolution of the Redevelopment Agency	$ (201,670)

(q) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(r) Reclassifications

Certain amounts, presented as 2011-12 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2012-13 basic financial statements.

(s) Effects of New Pronouncements

During fiscal year 2013, the City implemented the following accounting standards:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,* is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The statement establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The new standard is effective for periods beginning after December 15, 2013. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement establishes accounting and financial reporting standards for governments that offer or receive financial guarantees that are nonexhange transactions. The new standard is effective for periods beginning after June 15, 2013. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

(t) Restricted Assets

Certain proceeds of the City's enterprise and internal service fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

(Dollars in Thousands)

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, $1,668,561, differs from net position of governmental activities, $1,820,159, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities(1)	Internal Service Funds(2)	Reclassi-fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury	$ 2,077,686	$ -	$ 32,368	$ -	$2,110,054
Deposits and investments outside City Treasury	72,417	-	60,114	-	132,531
Receivables, net:					
Property taxes and penalties	56,771	-	-	-	56,771
Other local taxes	238,282	-	-	-	238,282
Federal and state grants and subventions	306,498	-	-	-	306,498
Charges for services	53,402	-	-	-	53,402
Interest and other	4,389	-	763	-	5,152
Due from other funds	41,213	-	-	(41,213)	-
Due from component unit	2,636	-	-	-	2,636
Advances to component units	30,403	-	-	-	30,403
Loans receivable, net	70,326	-	-	-	70,326
Capital assets, net	-	4,038,728	5,920	-	4,044,648
Deferred charges and other assets	16,877	19,128	8,141	-	44,146
Total assets	2,970,900	4,057,856	107,306	(41,213)	7,094,849
Liabilities					
Accounts payable	301,895	-	5,526	-	307,421
Accrued payroll	130,898	-	2,391	-	133,289
Accrued vacation and sick leave pay	-	149,435	2,732	-	152,167
Accrued workers' compensation	-	227,824	1,508	-	229,332
Other postemployment benefits obligation	-	882,123	17,847	-	899,970
Estimated claims payable	-	111,001	-	-	111,001
Accrued interest payable	-	11,134	1,650	-	12,784
Deferred tax, grant and subvention revenues	190,527	(177,203)	-	-	13,324
Due to other funds/internal balances	28,726	-	1,963	(41,213)	(10,524)
Due to component units	280	-	-	-	280
Deferred credits and other liabilities	448,467	(128,955)	232	-	319,744
Bonds, loans, capital leases, and other payables	201,546	2,640,494	263,862	-	3,105,902
Total liabilities	1,302,339	3,715,853	297,711	(41,213)	5,274,690
Fund balances/net position					
Total fund balances/net position	1,668,561	342,003	(190,405)	-	1,820,159
Total liabilities and fund balances/net position	$ 2,970,900	$4,057,856	$ 107,306	$ (41,213)	$7,094,849

(Dollars in Thousands)

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 5,272,009
Accumulated depreciation	(1,233,281)
	$ 4,038,728

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position. .... $ 19,128

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued vacation and sick leave pay	$ (149,435)
Accrued workers' compensation	(227,824)
Other postemployment benefits obligation	(882,123)
Estimated claims payable	(111,001)
Bonds, loans, capital leases, and other payables	(2,640,494)
Deferred credits and other liabilities	(343)
	$(4,011,220)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. $ (11,134)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenues	$ 177,203
Deferred credits and other liabilities	129,298
	$ 306,501

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position before adjustments	$ 8,650
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(262,543)
Deferred charges and other assets	3,606
Deferred credits and other liabilities	59,882
	$ (190,405)

In addition, intrafund receivables and payables among various internal service funds of $198 are eliminated.

(Dollars in Thousands)

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, $131,480, differs from the change in net position for governmental activities, $(99,851), reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes	$ 1,421,764	$ (6,696)	$ -	$ -	$ -	$ 1,415,068
Business taxes	480,131	-	-	-	-	480,131
Sales and use tax	208,025	-	-	-	-	208,025
Hotel room tax	238,782	-	-	-	-	238,782
Utility users tax	91,871	-	-	-	-	91,871
Other local taxes	359,808	-	-	-	-	359,808
Licenses, permits and franchises	40,901	(117)	-	-	-	40,784
Fines, forfeitures and penalties	49,841	130	-	-	-	49,971
Interest and investment income	7,489	-	-	373	-	7,862
Rents and concessions	98,770	3,212	-	-	-	101,982
Intergovernmental:						
Federal	420,775	10,493	-	-	-	431,268
State	656,141	7,468	-	-	-	663,609
Other	41,789	(23,415)	-	-	-	18,374
Charges for services	296,059	(2,133)	-	-	-	293,926
Other revenues	81,014	(532)	6,000	1	-	86,483
Total revenues	4,493,160	(11,590)	6,000	374	-	4,487,944
Expenditures/Expenses						
Expenditures:						
Public protection	1,145,884	79,059	18,095	(6,116)	-	1,236,922
Public works, transportation and commerce	223,218	5,447	(37,413)	(2,128)	-	189,124
Human welfare and neighborhood development	945,106	1,280	349	(173)	-	946,562
Community health	734,736	17,080	(325)	-	-	751,491
Culture and recreation	328,794	10,124	30,984	(17,300)	(14,560)	338,042
General administration and finance	211,138	16,997	20,510	626	-	249,271
General City responsibilities	81,775	(195)	-	1,157	1,158	83,895
Debt service:						
Principal retirement	154,542	-	-	-	(154,542)	-
Interest and fiscal charges	108,189	-	-	5,983	(6,382)	107,790
Bond issuance costs	2,913	-	-	-	(2,913)	-
Capital outlay	410,994	-	(410,994)	-	-	-
Total expenditures/expenses	4,347,289	129,792	(378,794)	(17,951)	(177,239)	3,903,097
Other financing sources (uses)/changes in net position						
Net transfers (to) from other funds	(483,059)	-	178	(147)	-	(483,028)
Issuance of bonds and loans:						
Face value of bonds issued	557,490	-	-	-	(557,490)	-
Face value of loans issued	5,890	-	-	-	(5,890)	-
Premium on issuance of bonds	64,469	-	-	-	(64,469)	-
Other financing sources-capital leases	13,470	-	-	(13,470)	-	-
Total other financing sources (uses)/changes in net position	158,260	-	178	(13,617)	(627,849)	(483,028)
Extraordinary loss from dissolution of the Redevelopment Agency	(172,651)	-	(29,019)	-	-	(201,670)
Net change for the year	$ 131,480	$ (141,382)	$355,953	$ 4,708	$ (450,610)	$ (99,851)

(Dollars in Thousands)

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. $ (6,696)

Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities. (4,894)

$ (11,590)

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. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. $ (145,009)

Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net position and, therefore, the related expenditures are not reported in the statement of activities. 15,217

$ (129,792)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 480,870
Depreciation expense	(98,677)
Loss on disposal of capital assets	(32)
Transfer of asset from enterprise fund	178
Write off construction of progress	(3,367)
Capital assets acquired by donation or funded by other revenues	6,000
Extraordinary loss from dissolution of the Redevelopment Agency	(29,019)
Difference	$ 355,953

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. $ 4,708

(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net position and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments	$ 14,560

(Dollars in Thousands)

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	$ 2,913
Amortization of bond issuance costs	(1,158)
Difference	$ 1,755

Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. $ (64,469)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 154,542

Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	$ (521,915)
Certificates of participation	(35,575)
Loans	(5,890)
	(563,380)
	$ (408,838)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond discounts, premiums and refunding losses are not expended within the fund statements.

Increase in accrued interest	$ (1,222)
Interest payment on capital lease obligations on the Moscone Convention Center	(1,878)
Amortization of bond premiums, discounts and refunding losses	9,482
	$ 6,382

(Dollars in Thousands)

(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 120-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2013 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 674,637
Unrealized Gains/ (Losses) on Investments	(1,140)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(38,210)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(93,910)
Deferred amounts on loan receivables	(20,067)
Pre-paid lease revenue	(4,293)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	23,854
Fund Balance - GAAP basis	$ 540,871

General Fund budget basis fund balance as of June 30, 2013 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 23,329	
Rainy Day - One Time Spending Account	3,010	
Committed Fund Balance:		
Budget Stabilization Reserve	121,580	
Recreation and Parks Expenditure Saving Reserve	15,907	
Assigned for Encumbrances	74,815	
Assigned for Appropriation Carryforward	112,327	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	24,819	
Salaries and benefits costs (MOU)	6,338	
Subtotal		$ 382,125
Available for appropriations:		
Assigned for Litigation and Contingences	30,254	
Assigned for General Reserve	21,818	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2013-14	122,689	
Unassigned - Available for future appropriations	117,751	
Subtotal		292,512
Fund Balance, June 30, 2013 - Budget basis		$ 674,637

(Dollars in Thousands)

(5) Deposits and Investments

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury............................	$ 2,110,054	$ 1,806,112	$ 849,080	$ 4,765,246	$ 6,429
Deposits and investments outside City Treasury............................	72,417	9,808	17,268,737	17,350,962	-
Restricted assets:					
Deposits and investments with City Treasury........................	-	1,609,969	-	1,609,969	-
Deposits and investments outside City Treasury........................	60,114	762,477	-	822,591	-
Invested securities lending collateral...	-	-	1,004,266	1,004,266	-
Total deposits & investments	$ 2,242,585	$ 4,188,366	$ 19,122,083	$ 25,553,034	$ 6,429
Cash and deposits....................				$ 323,727	$ -
Investments..............................				25,229,307	6,429
Total deposits and investments.....				$ 25,553,034	$ 6,429

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2013, $0.3 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on investments. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

(Dollars in Thousands)

Although the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments, the City's investment policy requires that investments in federal agencies should not exceed 85 percent of the total portfolio at the time of purchase. The investment policy also places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements.

The table below identifies the investment types that are authorized by the City's investment policy dated October 2012. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	85% *	100%
State and Local Government Agency Obligations	5 years	20%	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10% *
Medium Term Notes	24 months *	15% *	10%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market Funds	N/A	None	N/A
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts, derivative instruments, and alternative investments, which include investments in a variety of commingled partnership vehicles.

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separate account is authorized to use repurchase arrangements. As of June 30, 2013, $326 million (or 32.5% of cash collateral) consisted of such agreements.

(c) Investment Risks

Interest Rate Risk

Interest rate risk is the risk that changes in market 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 to changes in market interest rates. Information about the sensitivity to the fair values of the City's investments to market interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Employees' Retirement System's interest rate risk information is discussed in section (e) of this note.

(Dollars in Thousands)

	S & P Rating	Fair Value	Investment Maturities: Less than 1 year	Investment Maturities: 1 to 5 years
Primary Government:				
Investments in City Treasury:				
Pooled investments:				
U.S. Treasury Notes	AA+	$ 857,756	$ 25,118	$ 832,638
U.S. Agencies - Coupon	NR - AA+	4,009,344	436,193	3,573,151
State/Local Agencies	A - AA+	140,255	83,424	56,831
Negotiable certificates of deposit	A+ - AA-	375,059	375,059	
Public time deposits	NR	720	720	
Corporate notes	A - AAA	404,752	158,255	246,497
Money market mutual funds	AAAm	360,047	360,047	
Less: Treasure Island Development Authority Investments with City Treasury	n/a	(6,429)	(6,429)	-
Less: Employees' Retirement System Investments with City Treasury	n/a	(7,769)		(7,769)
Subtotal pooled investments		6,133,735	1,432,387	4,701,348
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	NR	4,500		4,500
Subtotal investments in City Treasury		6,138,235	$ 1,432,387	$ 4,705,848
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Bills	NR	223,291.00	$ 223,291	$ -
U.S. Treasury Notes	NR/AAA	81,346	46,240	35,106
U.S. Agencies - Coupon	AA+	141,776	53,150	88,626
U.S. Agencies - Discount	A-1+	124,074	124,074	-
Certificate of Deposit	NR	413	413	-
Money Market Mutual Funds	AAAm/AAA	465,518	465,518	-
Investment Derivative Instrument	NR	5,166	727	4,439
Subtotal investments outside City Treasury		1,041,584	$ 913,413	$ 128,171
Employees' Retirement System investments		18,049,488		
Total Primary Government		25,229,307		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	6,429	$ 6,429	$ -
Total Investments		**$ 25,235,736**		

As of June 30, 2013, the investments in the City Treasury had a weighted average maturity of 880 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

(Dollars in Thousands)

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2013, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal National Mortgage Association	19.4%
Federal Home Loan Bank	17.9%
Federal Farm Credit Bank	11.6%
Federal Home Loan Mortgage Corporation	10.0%
Federal Agriculture Mortgage Corporation	6.4%

In addition, the following major funds hold investments with trustees that represent 5% or more of the funds' investments outside City Treasury as of June 30, 2013:

Airport:	
Federal National Mortgage Association	34.9%
Water Enterprise:	
Federal Home Loan Mortgage Corporation	23.2%
Federal Farm Credit Bank	8.6%
Hetch Hetchy:	
Federal Home Loan Bank	38.1 %
Wastewater Enterprise:	
Federal Home Loan Mortgage Corporation	17.6%

Airport's Forward Purchase and Sale Agreements

Objective and Terms – The Airport's Senior Trustee invests a portion of the Airport's debt service fund deposits and debt service reserve funds in investments delivered in accordance with two Forward Purchase and Sale Agreements (FPSAs) that are intended to produce guaranteed earnings rates of 4.329% - 4.349%, depending on the agreement. The two FPSAs are 10-year agreements that expire between November 2013 and November 2014. The Airport had a third FPSA (with Citigroup Financial Products, Inc.) that expired on May 1, 2013. The reserve funds that were invested in the Citigroup FPSA have not been reinvested in a new FPSA.

Under each FPSA, the Senior Trustee purchases a predetermined amount and type of investment security from the provider at prices that will result in the guaranteed fixed rate of return. Under the FPSA with Morgan Stanley Capital Services, the Senior Trustee is required to purchase between \$10.9 million and \$23.5 million of investment securities every month for the debt service fund, depending on the amount of deposits into the fund. Of the \$257.2 million principal amount of investments purchased during the fiscal year ended June 30, 2013, \$235.4 million have matured and the proceeds thereof have been used to pay debt service on the Airport's bonds, leaving \$21.8 million invested as of June 30, 2013. Under the FPSA with Merrill Lynch Capital Services, the Senior Trustee is required to purchase \$100.0 million of investment securities every six months, maturing on the following May 1 or November 1, as applicable, for the bond reserve fund. The amounts of unmatured investment securities purchased under the two FPSAs and held by the Senior Trustee as of June 30, 2013, are shown in the following table:

(Dollars in Thousands)

Provider	Purpose	Amount	Fixed Rate	Start Date	End Date
Merrill Lynch Capital Services	Reserve Funds	$100,000	4.329%	12/10/2004	11/1/2014
Morgan Stanley Capital Services	Debt Service	21,862	4.349%	1/29/2004	11/1/2013

' The amount invested varies depending on principal and interest deposits on the outstanding bonds.

All investments under the FPSAs are made with the intention that securities will be held to maturity, and all are invested only in specified eligible securities pursuant to the California Government Code and as defined by the Airport's 1991 Master Resolution. These investments are scheduled to mature on or before each debt service payment date on the associated bonds.

If necessary, the Airport may direct the Senior Trustee to sell the securities at any time prior to their maturity in the open market and use the proceeds of such sale for the permitted purposes of the applicable fund. The securities are recorded at their fair value as of June 30, 2013, and not at the guaranteed rate of return of the FPSA under which the investments were delivered. As of June 30, 2013, the accrued interest was recorded in the interest receivable account.

The Airport accounted for and disclosed the FPSAs as investment derivatives in accordance with GASB 53 as of and for the year ended June 30, 2013.

Fair Value – The fair value of each FPSA takes into consideration the prevailing interest rate environment and the specific terms and conditions of the FPSA. All fair values were estimated using the zero-coupon discounting method. This method calculates the future earnings under each FPSA, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve and compared to the future earnings at the guaranteed rate, also discounted using the spot rates implied by the current yield curve.

As of June 30, 2013, the fair values of the FPSAs are as follows:

Provider	June 30, 2013
Merrill Lynch Capital Services	$ 4,439
Morgan Stanley Capital Services	727
Total FPSAs	$ 5,166

Credit Risk – The provider under each FPSA sells the specified investment securities to the Senior Trustee on a "delivery-versus-payment" basis. Therefore, at any given time, the Senior Trustee holds either cash or the delivered investments. The Airport has received bankruptcy opinions of counsel of the respective providers to the effect that, subject to customary qualifications, investment securities purchased by the Senior Trustee would not constitute part of the bankruptcy estate of the provider. Thus, the Airport believes that the principal amounts invested in accordance with the FPSAs are not at risk in the event of the bankruptcy or insolvency of the respective providers. In the event a provider fails to perform, the Airport can invest its funds in alternative investments available at that time, which would likely produce a different rate of return. If an FPSA is terminated, the Airport would receive or pay a termination amount approximately equivalent to the fair value of the FPSA at that time, depending on market conditions. As of June 30, 2013, the fair value of each FPSA was positive to the Airport as shown above.

(Dollars in Thousands)

The providers and guarantors of the FPSAs and their credit ratings are as follows:

Provider	Guarantor	Guarantor Credit Ratings June 30, 2013 (Moody's/S&P)
Merrill Lynch Capital Services	Merrill Lynch & Company	Baa2/A-
Morgan Stanley Capital Services	Morgan Stanley	Baa1/A-

Termination Risk – Under the terms of the FPSAs, if an investment provider is downgraded below "A-" by Standard & Poor's or "A3" by Moody's, a "Downgrade Event" occurs, and the provider must take corrective action by either assigning the FPSA to a more highly rated investment provider, obtaining a guaranty from a more highly rated guarantor, or collateralizing its obligations under the FPSA. If the provider fails to cure the Downgrade Event within 10 business days, the Airport has a 45-day option to terminate the FPSA and make or receive a cash payment, depending on the then market value of the FPSA. The downgrade of any FPSA provider increases the risk to the Airport that the provider will not perform under the FPSA.

Merrill Lynch & Co. was downgraded by Moody's on September 21, 2011 to "Baa1" (and subsequently to "Baa2") resulting in a Downgrade Event. Consequently, Merrill Lynch Capital Services (MLCS) entered into a collateral agreement in January 2012 with the Senior Trustee for the benefit of the Airport to post collateral equal to 105% of the fair value (or "termination amount") calculated on a weekly basis to secure MLCS' obligations under the FPSA. The collateral delivered by MLCS is held by U.S. Bank National Association, as custodian (the Custodian). If an event of default by MLCS occurs under the FPSA and the FPSA is terminated, the Senior Trustee is entitled to instruct the Custodian to transfer the collateral to the Senior Trustee or to liquidate the collateral and transfer the proceeds to the Senior Trustee.

Morgan Stanley was downgraded by Moody's to "Baa1" on June 21, 2012, resulting in a Downgrade Event. The Airport and Morgan Stanley continue to negotiate an appropriate cure to this Downgrade Event.

(d) **Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2013:

Statement of Net Position

Net position held in trust for all pool participants	$ 6,381,644
Equity of internal pool participants	$ 5,956,466
Equity of separately managed account participant	97,202
Equity of external pool participants	327,976
Total equity	$ 6,381,644

Statement of Changes in Net Position

Net position at July 1, 2012	$ 5,707,347
Net change in investments by pool participants	674,297
Net position at June 30, 2013	$ 6,381,644

(Dollars in Thousands)

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2013:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
US government securities	0.48% - 2.00%	01/15/14 - 04/30/18	$ 860,000	$ 857,756
US Agencies - Coupon	0.10% - 2.31%	09/03/13 - 05/22/18	3,997,493	4,009,344
State and local agencies	0.32% - 1.04%	07/26/13 - 08/01/16	137,485	140,255
Negotiable certificates of deposits	0.12% - 0.38%	07/01/13 - 06/24/14	375,000	375,059
Public time deposits	0.47% - 0.49%	02/07/14 - 04/09/14	720	720
Corporate notes	0.27% - 0.66%	09/20/13 - 04/08/15	403,405	404,752
Money market mutual funds	0.01% - 0.05%	07/01/13 - 07/01/13	360,047	360,047
			$ 6,134,150	6,147,933
Segregated account:				
Local agencies	3.50%	12/1/2016	$ 4,500	4,500
Carrying amount of deposits with Treasurer				229,211
Total cash and investments with Treasurer				$ 6,381,644

(e) **Retirement System Investments**

The Retirement System's investments as of June 30, 2013 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	$ 572,556
Investments with City Treasury	7,769
Debt securities:	
U.S. Government and agencies	966,411
Other debt securities	3,324,166
Subtotal debt securities	4,290,577
Total fixed income investments	4,870,902
Equity securities:	
Domestic	4,576,833
International	4,044,601
Total equity securities	8,621,434
Real estate holdings	1,430,711
Alternative investments	2,129,578
Foreign currency contracts, net	(7,403)
Investment in lending agent's short-term investment pool	1,004,266
Total Retirement System Investments	$ 18,049,488

(Dollars in Thousands)

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk.

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2013:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset Backed Securities	$ 194,581	$ 305	$ 97,482	$ 9,221	$ 87,573
Bank Loans	22,143	6,320	15,311	512	-
City Investment Pool	7,769	-	7,769	-	-
Collateralized Bonds	17,250	-	379	-	16,871
Commercial Mortgage-Backed	594,746	2,271	81,163	23,140	488,172
Commercial Paper	3,765	3,765	-	-	-
Commingled and other fixed income funds	349,205	363,520	17	-	(14,332)
Corporate Bonds	1,587,605	577,150	357,728	475,067	177,660
Corporate Convertible Bonds	266,206	29,450	135,058	23,711	77,987
Government Agencies	301,281	276,122	17,776	6,682	701
Government Bonds	400,662	33,432	250,480	45,513	71,237
Government Mortgage-Backed Securities	352,028	103,855	3,982	8,797	235,394
Index Linked Government Bonds	3,071	-	-	-	3,071
Foreign Currencies and Cash Equivalents	248,745	248,745	-	-	-
Mortgages	49	-	49	-	-
Municipal/Provincial Bonds	56,315	4,772	8,559	5,654	37,330
Non-Government Backed Collateralized Mortgage Obligations	146,053	-	7,459	2,240	136,354
Options	(261)	(261)	-	-	-
Short-Term Investment Funds	320,046	320,046	-	-	-
Swaps	(357)	-	162	-	(519)
Total	$ 4,870,902	$ 1,969,492	$ 983,374	$ 600,537	$ 1,317,499

Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

(Dollars in Thousands)

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2013. Investments issued or explicitly guaranteed by the U.S. government of $926.1 million as of June 30, 2013 are not considered to have credit risk and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 283,141	7.2%
AA	173,085	4.4%
A	298,781	7.6%
BBB	579,060	14.7%
BB	215,932	5.5%
B	312,311	7.9%
CCC	156,362	4.0%
CC	6,605	0.2%
C	5,064	0.1%
D	85	0.0%
Not Rated	1,914,364	48.4%
Total	$ 3,944,790	100.0%

The securities listed as "Not Rated" include short-term investment funds, U.S. government agency securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these securities, the "Not Rated" component of credit would be approximately 13.0% for 2013.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Guidelines for investment managers typically restrict a position to become no more than 5% (at fair value) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2013, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System net position.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2013, $76.7 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name. Cash received as securities lending collateral is invested in a separately managed account using investment guidelines approved by the Retirement System and held with the System's custodial bank.

For fiscal year 2013, cash received as securities lending collateral is invested in a separately managed account using investment guidelines approved by the Retirement System and held by the custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

(Dollars in Thousands)

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, alternative investments, real estate, and swap investments. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2013 are as follows:

Currency	Cash	Equities	Fixed Income	Alternative Investments	Real Estate	Foreign Currency Contracts	Total
Australian dollar	$ 1,244	$ 100,546	$ 31,709	$ 14,818	$ -	$ (45,951)	$ 102,366
Brazilian real	43	28,104	31,851	-	-	12,853	72,851
British pound sterling	180	540,682	7,525	-	-	(36,085)	512,302
Canadian dollar	50	47,750	8,794	-	-	(54,989)	1,605
Chilean peso	-	-	-	-	-	12,170	12,170
Chinese yuan renminbi	-	-	-	-	-	27,628	27,628
Colombian peso	-	-	-	-	-	2,614	2,614
Czech koruna	-	1,121	-	-	-	(18,854)	(17,733)
Danish krone	1	22,772	-	-	-	(1,265)	21,508
Euro	41,831	692,954	34,375	255,304	-	3,790	1,028,254
Hong Kong dollar	668	199,136	-	-	-	974	200,778
Hungarian forint	-	742	-	-	-	(509)	233
Indian rupee	-	-	-	-	-	12,374	12,374
Indonesian rupiah	35	24,623	-	-	-	8,788	33,446
Japanese yen	2,859	542,967	-	-	51,523	(59,515)	537,834
Malaysian ringgit	-	4,756	-	-	-	(13,055)	(8,299)
Mexican peso	24	16,164	31,347	-	-	20,577	68,112
New Israeli shekel	33	6,187	-	-	-	6,650	12,870
New Romanian leu	-	-	-	-	-	8,829	8,829
New Russian ruble	-	-	-	-	-	3,194	3,194
New Taiwan dollar	360	23,669	-	-	-	(49,985)	(25,956)
New Zealand dollar	(32)	-	-	-	-	(36,930)	(36,962)
Norwegian krone	222	22,987	-	-	-	12,895	36,104
Peruvian nuevo sol	-	-	-	-	-	(14,342)	(14,342)
Philippine peso	-	816	-	-	-	(27,181)	(26,365)
Polish zloty	-	181	-	-	-	3,075	3,256
Singapore dollar	197	50,586	-	-	-	(63,942)	(13,159)
South African rand	-	12,974	-	-	-	(240)	12,734
South Korean won	1,235	82,837	-	-	-	(14,449)	69,623
Swedish krona	638	58,933	-	-	-	222	59,793
Swiss franc	69	213,106	-	-	-	(15,707)	197,468
Thai baht	-	25,430	-	-	-	(18,238)	7,192
Turkish lira	-	18,414	-	-	-	13,987	32,401
Total	$ 49,657	$ 2,738,437	$ 145,601	$ 270,122	$ 51,523	$ (320,617)	$ 2,934,723

(Dollars in Thousands)

Derivative Instruments

As of June 30, 2013, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2013:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ (7,411)	$ (7,411)
Other Contracts	(a)	101	101
Options			
Foreign Exchange Contracts	2,837	(261)	(649)
Swaps			
Credit Contracts	2,837	(357)	521
Rights/Warrants			
Equity Contracts	890 shares	1,051	(30)
Total		$ (6,877)	$ (7,468)

(a) The Retirement System's investment managers enter into a wide variety of forward foreign exchange and other contracts, which frequently do not involve the US dollar. As a result, a U.S. dollar-based notional value is not included.

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statements of changes in plan net position.

(Dollars in Thousands)

Counterparty Credit Risk

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2013, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were $5.6 million and $13.3 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 97.5% of the positions while 2.5% were rated below A as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch).

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2013, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2013.

Derivative Type / Contracts	Fair Value	Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Other Contracts	$ 101	$ 101	$ -	$ -	$ -
Swaps					
Credit Contracts	(357)	-	161	-	(518)
Total	$ (256)	$ 101	$ 161	$ -	$ (518)

At June 30, 2013, there were no derivative instruments which were highly sensitive to interest rate changes.

(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2013, the Retirement System is exposed to foreign currency risk on its investments in forwards, options, rights, and warrants denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2013:

Currency	Forwards	Options	Rights / Warrants	Total
Australian dollar	$ 1,139	$ (270)	$ 2	$ 871
Brazilian real	(1,120)	-	151	(969)
British pound sterling	188	-	-	188
Canadian dollar	424	-	-	424
Chilean peso	(775)	-	-	(775)
Chinese yuan renminbi	200	-	-	200
Colombian peso	(28)	-	-	(28)
Czech koruna	36	-	-	36
Danish krone	15	-	-	15
Euro	(505)	-	-	(505)
Hong Kong dollar	1	-	-	1
Hungarian forint	(12)	-	-	(12)
Indian rupee	(920)	-	-	(920)
Indonesian rupiah	(264)	-	-	(264)
Japanese yen	848	-	-	848
Malaysian ringgit	(301)	-	-	(301)
Mexican peso	(294)	-	-	(294)
New Israeli shekel	(45)	-	-	(45)
New Romanian Leu	(96)	-	-	(96)
New Russian ruble	(203)	-	-	(203)
New Taiwan dollar	(59)	-	-	(59)
New Zealand dollar	(235)	(33)	-	(268)
Norwegian krone	(876)	-	-	(876)
Peruvian nuevo sol	310	-	-	310
Philippine peso	(78)	-	-	(78)
Polish zloty	(230)	-	-	(230)
Singapore dollar	625	-	-	625
South African rand	(469)	-	-	(469)
South Korean won	(107)	-	-	(107)
Swedish krona	(398)	-	-	(398)
Swiss franc	(195)	-	-	(195)
Thai baht	213	-	-	213
Turkish lira	(490)	-	-	(490)
Total	$ (3,701)	$ (303)	$ 153	$ (3,851)

Contingent Features

At June 30, 2013, the Retirement System held no positions in derivatives containing contingent features.

Currency Management Program

The Retirement System's currency management program is managed by two investment managers. The objective of the currency management program is to produce a risk-adjusted return of approximately 100 basis points.

The Retirement System's international equity managers do not actively manage the underlying currency risk. Currency risk can be reduced through an active currency management program.

Each currency manager manages currency risk through foreign exchange spot and forward contracts, and currency options. Only international equities are subject to the currency management program. The Retirement System's international fixed income currency exposure is actively managed by four developed market bond managers and two emerging market bond managers. All four developed bond managers have discretion to invest in U.S. or international developed markets.

As of June 30, 2013, the Retirement System's allocation to international equities (including cash and other assets) was primarily denominated in foreign currencies and totaled $4.3 billion, which represented 25.2% of plan net position. For the year ended June 30, 2013, the currency overlay program lost $11.2 million or 0.26% of the international equity portfolio (including cash and other assets) and 0.07% of the Retirement System's average total portfolio value.

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% and 105% of the market value of domestic securities and international securities lent, respectively. There are no restrictions on the amount of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10%) of total fund assets on loan at any time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2013, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2013, the Retirement System lent $1.3 billion in securities and received collateral of $1.0 billion and $0.3 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account by the lending agent using investment guidelines approved by the Retirement System. Due to the decline in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $1.0 billion. The net unrealized loss of $895 is presented as part of the net depreciation in fair value of investments in the statement of changes in the fiduciary net position. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held by the account.

(Dollars in Thousands)

The Retirement System's securities lending transactions as of June 30, 2013, are summarized in the following table:

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Securities Collateral
Securities Loaned for Cash Collateral:			
International Corporate Fixed Income	$ 8,400	$ 8,873	$ -
International Equities	77,863	82,809	-
International Government Fixed Income	3,846	3,970	
U.S. Corporate Fixed Income	160,374	164,134	-
U.S. Equities	437,396	448,319	-
U.S. Government Fixed Income	291,450	297,056	-
Securities Loaned with Non-Cash Collateral:			
International Corporate Fixed Income	2,367	-	2,464
International Equities	295,696	-	314,030
International Government Fixed Income	10,047	-	10,534
U.S. Corporate Fixed Income	12	-	12
U.S. Equities	9,980	-	10,246
U.S. Government Fixed Income	1,125	-	1,146
Total	$ 1,298,556	$ 1,005,161	$ 338,432

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2013.

Investment Type	Fair Value	Maturities less than 1 year
Commercial Paper	$ 43,968	$ 43,968
Government Agencies	35,013	35,013
Negotiable Certificates of Deposits	204,013	204,013
Repurchase Agreements	326,400	326,400
Short Term Investment Funds	394,872	394,872
Total	$ 1,004,266	$ 1,004,266

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2013 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 35,013	3.5%
AA	485,749	48.4%
A	483,421	48.1%
Not Rated	83	0.0%
Total	$ 1,004,266	100.0%

(Dollars in Thousands)

Investments in Real Estate Holdings

Real estate investments represent the Retirement System's interests in real estate limited partnerships. The changes in these investments during the year ended June 30, 2013 are summarized as follows:

Investments:		
Beginning of the year	$	1,403,412
Capital investments		145,023
Equity in net earnings		80,643
Net appreciation in fair value		62,011
Capital distributions		(260,378)
End of the year	$	1,430,711

(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $176.9 million for the year ended June 30, 2013.

Taxable valuation for the year ended June 30, 2013 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $153 billion, an increase of 1.4%. The secured tax rate was $1.1691 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.1691 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.10% and 5.32%, respectively, of the current year tax levy, for an average delinquency rate of 1.35% of the current year tax levy.

(Dollars in Thousands)

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2013 was $18.3 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2013 was as follows:

Governmental Activities:

	Balance July 1, 2012	Increases *	Decreases *	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 281,858	$ 4,250	$ (29,019) **	$ 257,089
Intangible assets	35,889	7,236	(35,593)	7,532
Construction in progress	573,461	452,829	(163,210)	863,080
Total capital assets, not being depreciated	891,208	464,315	(227,822)	1,127,701
Capital assets, being depreciated:				
Facilities and improvements	3,137,795	74,979	(240)	3,212,534
Machinery and equipment	359,342	23,291	(2,403)	380,230
Infrastructure	475,245	86,302	-	561,547
Intangible assets	3,029	35,593	-	38,622
Total capital assets, being depreciated	3,975,411	220,165	(2,643)	4,192,933
Less accumulated depreciation for:				
Facilities and improvements	794,673	63,255	(240)	857,688
Machinery and equipment	310,281	17,788	(2,371)	325,698
Infrastructure	72,735	17,381	-	90,116
Intangible assets	684	1,800	-	2,484
Total accumulated depreciation	1,178,373	100,224	(2,611)	1,275,986
Total capital assets, being depreciated, net	2,797,038	119,941	(32)	2,916,947
Governmental activities capital asssets, net	$ 3,688,246	$ 584,256	$ (227,854)	$ 4,044,648

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

** Assets in the amount of $29.0 million were transferred from the City as of July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2013, was as follows:

San Francisco International Airport

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 3,074	$ -	$ -	$ 3,074
Construction in progress	85,852	181,041	(39,615)	227,278
Total capital assets, not being depreciated	88,926	181,041	(39,615)	230,352
Capital assets, being depreciated:				
Facilities and improvements	5,633,273	60,464	(263,719)	5,430,018
Machinery and equipment	187,006	6,241	(6,147)	187,100
Intangible assets	141,348	6,881	-	148,229
Total capital assets, being depreciated	5,961,627	73,586	(269,866)	5,765,347
Less accumulated depreciation for:				
Facilities and improvements	2,140,483	152,136	(211,760)	2,080,859
Machinery and equipment	73,305	17,172	(5,981)	84,496
Intangible assets	102,339	7,214	-	109,553
Total accumulated depreciation	2,316,127	176,522	(217,741)	2,274,908
Total capital assets, being depreciated, net	3,645,500	(102,936)	(52,125)	3,490,439
Capital assets, net	$ 3,734,426	$ 78,105	$ (91,740)	$ 3,720,791

San Francisco Water Enterprise

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 24,711	$ 96	$ (500)	$ 24,307
Intangible assets	679	-	-	679
Construction in progress	1,385,860	697,544	(557,715)	1,525,689
Total capital assets, not being depreciated	1,411,250	697,640	(558,215)	1,550,675
Capital assets, being depreciated:				
Facilities and improvements	2,374,579	540,425	-	2,915,004
Machinery and equipment	243,561	19,839	(530)	262,870
Intangible assets	11,834	524	-	12,358
Total capital assets, being depreciated	2,629,974	560,788	(530)	3,190,232
Less accumulated depreciation for:				
Facilities and improvements	681,704	60,096	-	741,800
Machinery and equipment	122,673	13,026	(527)	135,172
Intangible assets	2,681	2,326	-	5,007
Total accumulated depreciation	807,058	75,448	(527)	881,979
Total capital assets, being depreciated, net	1,822,916	485,340	(3)	2,308,253
Capital assets, net	$ 3,234,166	$ 1,182,980	$ (558,218)	$ 3,858,928

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

Hetch Hetchy Water and Power

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 4,720	$ -	$ -	$ 4,720
Intangible assets	1,437	-	-	1,437
Construction in progress	66,139	29,358	(7,917)	87,580
Total capital assets, not being depreciated	72,296	29,358	(7,917)	93,737
Capital assets, being depreciated:				
Facilities and improvements	493,462	4,629	-	498,091
Machinery and equipment	78,081	2,998	(237)	80,842
Intangible assets	45,715	-	-	45,715
Total capital assets, being depreciated	617,258	7,627	(237)	624,648
Less accumulated depreciation for:				
Facilities and improvements	294,403	10,597	-	305,000
Machinery and equipment	41,773	4,377	(141)	46,009
Intangible assets	17,983	483	-	18,466
Total accumulated depreciation	354,159	15,457	(141)	369,475
Total capital assets, being depreciated, net	263,099	(7,830)	(96)	255,173
Capital assets, net	$ 335,395	$ 21,528	$ (8,013)	$ 348,910

Municipal Transportation Agency

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 41,495	$ -	$ (465)	$ 41,030
Construction in progress	422,361	231,311	(109,080)	544,592
Total capital assets, not being depreciated	463,856	231,311	(109,545)	585,622
Capital assets, being depreciated:				
Facilities and improvements	633,377	34,418	-	667,795
Machinery and equipment	1,212,258	31,113	(14,072)	1,229,299
Infrastructure	1,175,203	14,866	(71)	1,189,998
Total capital assets, being depreciated	3,020,838	80,397	(14,143)	3,087,092
Less accumulated depreciation for:				
Facilities and improvements	227,733	15,790	-	243,523
Machinery and equipment	703,068	72,876	(11,364)	764,580
Infrastructure	438,187	33,813	(71)	471,929
Total accumulated depreciation	1,368,988	122,479	(11,435)	1,480,032
Total capital assets, being depreciated, net	1,651,850	(42,082)	(2,708)	1,607,060
Capital assets, net	$ 2,115,706	$ 189,229	$ (112,253)	$ 2,192,682

(Dollars in Thousands)

San Francisco General Hospital Medical Center

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	37,772	8,516	(3,660)	42,628
Total capital assets, not being depreciated	38,314	8,516	(3,660)	43,170
Capital assets, being depreciated:				
Facilities and improvements	139,402	4,711	-	144,113
Machinery and equipment	65,138	4,172	-	69,310
Total capital assets, being depreciated	204,540	8,883	-	213,423
Less accumulated depreciation for:				
Facilities and improvements	114,474	3,100	-	117,574
Machinery and equipment	56,073	2,601	-	58,674
Total accumulated depreciation	170,547	5,701	-	176,248
Total capital assets, being depreciated, net	33,993	3,182	-	37,175
Capital assets, net	$ 72,307	$ 11,698	$ (3,660)	$ 80,345

San Francisco Wastewater Enterprise

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 21,210	$ 14,527	$ -	$ 35,737
Intangible assets	3,046	-	-	3,046
Construction in progress	134,703	176,592	(134,584)	176,711
Total capital assets, not being depreciated	158,959	191,119	(134,584)	215,494
Capital assets, being depreciated:				
Facilities and improvements	2,294,336	110,862	-	2,405,198
Machinery and equipment	71,265	5,656	(224)	76,697
Intangible assets	3,931	-	-	3,931
Total capital assets, being depreciated	2,369,532	116,518	(224)	2,485,826
Less accumulated depreciation for:				
Facilities and improvements	957,872	40,989	-	998,861
Machinery and equipment	35,100	4,572	(224)	39,448
Intangible assets	1,382	786	-	2,168
Total accumulated depreciation	994,354	46,347	(224)	1,040,477
Total capital assets, being depreciated, net	1,375,178	70,171	-	1,445,349
Capital assets, net	$ 1,534,137	$ 261,290	$ (134,584)	$ 1,660,843

(Dollars in Thousands)

Port of San Francisco

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 105,582	$ -	$ -	$ 105,582
Construction in progress	44,039	128,482	(162,749)	9,772
Total capital assets, not being depreciated	149,621	128,482	(162,749)	115,354
Capital assets, being depreciated:				
Facilities and improvements	356,730	162,632	(3,890)	515,472
Machinery and equipment	16,922	2,172	(1,019)	18,075
Infrastructure	27,937	1,119	-	29,056
Intangible assets	4,854	-	-	4,854
Total capital assets, being depreciated	406,443	165,923	(4,909)	567,457
Less accumulated depreciation for:				
Facilities and improvements	240,754	13,555	(2,915)	251,394
Machinery and equipment	11,864	993	(1,019)	11,838
Infrastructure	5,901	1,359	-	7,260
Intangible assets	2,827	460	-	3,287
Total accumulated depreciation	261,346	16,367	(3,934)	273,779
Total capital assets, being depreciated, net	145,097	149,556	(975)	293,678
Capital assets, net	$ 294,718	$ 278,038	$ (163,724)	$ 409,032

Laguna Honda Hospital

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Construction in progress	$ 11	$ 23,790	$ (23,801)	$ -
Total capital assets, not being depreciated	11	23,790	(23,801)	-
Capital assets, being depreciated:				
Facilities and improvements	574,884	23,801	(914)	597,771
Machinery and equipment	31,583	1,045	(5,868)	26,760
Property Held Under Lease	771	-	(74)	697
Intangible assets	273	158	-	431
Total capital assets, being depreciated	607,511	25,004	(6,856)	625,659
Less accumulated depreciation for:				
Facilities and improvements	36,834	11,488	(914)	47,408
Machinery and equipment	16,055	4,228	(5,868)	14,415
Property Held Under Lease	766	5	(74)	697
Intangible assets	79	71	-	150
Total accumulated depreciation	53,734	15,792	(6,856)	62,670
Total capital assets, being depreciated, net	553,777	9,212	-	562,989
Capital assets, net	$ 553,788	$ 33,002	$ (23,801)	$ 562,989

(Dollars in Thousands)

Other Fund – San Francisco Market Corporation

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Construction in progress	$ 2,772	$ 517	$ -	$ 3,289
Total capital assets, not being depreciated	2,772	517	-	3,289
Capital assets, being depreciated:				
Facilities and improvements	9,742	3	(15)	9,730
Machinery and equipment	71	1	(2)	70
Total capital assets, being depreciated	9,813	4	(17)	9,800
Less accumulated depreciation for:				
Facilities and improvements	6,418	265	(15)	6,668
Machinery and equipment	37	15	(2)	50
Total accumulated depreciation	6,455	280	(17)	6,718
Total capital assets, being depreciated, net	3,358	(276)	-	3,082
Capital assets, net	$ 6,130	$ 241	$ -	$ 6,371

Total Business-type Activities

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	$ 201,334	$ 14,623	$ (965)	$ 214,992
Intangible assets	5,162	-	-	5,162
Construction in progress	2,179,509	1,477,151	(1,039,121)	2,617,539
Total capital assets, not being depreciated	2,386,005	1,491,774	(1,040,086)	2,837,693
Capital assets, being depreciated:				
Facilities and improvements	12,509,785	941,945	(268,538)	13,183,192
Machinery and equipment	1,905,885	73,237	(28,099)	1,951,023
Infrastructure	1,203,140	15,985	(71)	1,219,054
Property Held Under Lease	771	-	(74)	697
Intangible assets	207,955	7,563	-	215,518
Total capital assets, being depreciated	15,827,536	1,038,730	(296,782)	16,569,484
Less accumulated depreciation for:				
Facilities and improvements	4,700,675	308,016	(215,604)	4,793,087
Machinery and equipment	1,059,948	119,860	(25,126)	1,154,682
Infrastructure	444,088	35,172	(71)	479,189
Property Held Under Lease	766	5	(74)	697
Intangible assets	127,291	11,340	-	138,631
Total accumulated depreciation	6,332,768	474,393	(240,875)	6,566,286
Total capital assets, being depreciated, net	9,494,768	564,337	(55,907)	10,003,198
Capital assets, net	$11,880,773	$ 2,056,111	$(1,095,993)	$ 12,840,891

(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public protection	$ 14,240
Public works transportation and commerce	18,466
Human welfare and neighborhood development	496
Community Health	1,055
Culture and recreation	42,263
General administration and finance	22,157
Capital assets held by the City's internal service funds charged to the various functions on a prorated bases	1,547
Total depreciation expense - governmental activities	$ 100,224
Business-type activities:	
Airport	$ 176,522
Water	75,448
Power	15,457
Transportation	122,479
Hospitals	21,493
Wastewater	46,347
Port	16,367
Market	280
Total depreciation expense - business-type activities	$ 474,393

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the MTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, and pier substructures of the Port, which totaled $2.60 billion as of June 30, 2013. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.7 million as of June 30, 2013. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2013.

In fiscal year 2012-13, the Airport had write-offs and loss on disposal in the amount of $52.4 million primarily due to disposal and write-off of immaterial items that should have been expensed in prior years.

During fiscal year ended June 30, 2013, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $2.4 million, $1.6 million, and $5.6 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2013, the City's enterprise funds incurred total interest expense and interest income of approximately $455.9 million and $1.0 million, respectively. Of these amounts, interest expense of approximately $88.8 million was capitalized.

(Dollars in Thousands)

(8) Bonds, Loans, Capital Leases and Other Payables

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2013, are as follows:

Type of Obligation	July 1, 2012	Additional Obligation	Current Maturities	June 30, 2013
Governmental activities:				
Commercial paper				
San Francisco County Transportation Authority......	$ 150,000	$ 6	$ -	$ 150,006
Multiple Capital Projects....................................	46,834	285,703	(280,997)	51,540
Governmental activities short-term obligations....	$ 196,834	$ 285,709	$ (280,997)	$ 201,546
Business-type activities:				
Commercial paper				
San Francisco International Airport......................	$ 10,450	$ 170,075	$ -	$ 180,525
San Francisco Water Enterprise..........................	174,000	-	-	174,000
San Francisco Wastewater Enterprise.................	-	85,000	(85,000)	-
Business-type activities short-term obligations....	$ 184,450	$ 255,075	$ (85,000)	$ 354,525

San Francisco County Transportation Authority

In April 2004, the San Francisco County Transportation Authority (SFCTA) issued an initial tranche of $50.0 million and in September 2004, the SFCTA issued the second tranche of $100.0 million of a programmed $200.0 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide a source of financing for the SFCTA's voter-approved Proposition K Expenditure Plan. Under this program, the SFCTA is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable line of credit (LOC) issued by Landesbank Baden–Württemberg, New York Branch (Landesbank) in the amount up to $217.8 million at a fee of 90 basis points based on SFCTA's AA credit rating. In July 2012, SFCTA entered into a new three-year credit facility with Wells Fargo Bank, National Association, in an amount equal to $217.8 million to replace the LOC issued by Landesbank. The credit facility will expire on July 10, 2015 and has a fee of 45 basis points of the annual maximum debt service amount. The commercial paper notes are secured by a first lien gross pledge of the SFCTA's Sales Tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2013, $150.0 million in commercial paper notes were outstanding and maturing 40 to 56 days after year-end with interest rates at 0.17%. For the year ended June 30, 2013, the SFCTA paid $1.0 million to Wells Fargo Bank and $44 to Landesbank in LOC fees.

City and County of San Francisco Lease Revenue Commercial Paper Certificates of Participation

In March 2009, the Board of Supervisors authorized the issuance of tax-exempt and taxable lease revenue commercial paper certificates of participation (CP) in an aggregate principal amount not to exceed $150.0 million to provide short term financing to 1) pay for acquisition, construction and rehabilitation of certain capital improvements within the City and the financing of vehicles and equipment; 2) fund capitalized interest with respect to the CP; 3) fund capitalized fees and expenses as defined in the trust agreement; and 4) pay for costs incurred in connection with the sale and delivery of the CP. In June 2010, the City obtained irrevocable lines of credit (LOC) issued by JP Morgan Chase Bank, National Association with a maximum available amount of $50.0 million and U.S. Bank, National Association with a maximum available amount of $50.0 million. Both LOCs expire on June 10, 2016.

The City issued commercial paper notes totaling $285.7 million and retired commercial paper notes totaling $281.0 million in fiscal year 2013 to provide interim financing for capital projects and capital equipment acquisitions, with each project receiving prior approval from the Board of Supervisors: Moscone Center Improvements, the Department of Public Works equipment purchase, the War Memorial Veterans Building project, the Port Facilities Improvement project and the HOPE SF, a project of rebuilding severely distressed housing sites, increasing affordable housing and improving the quality of life for existing residents and the surrounding communities.

As of June 30, 2013, the outstanding principal amount of taxable and non-taxable commercial paper notes was $35.6 million and $15.9 million, respectively. The taxable commercial paper notes with LOC issued by JP Morgan and U.S. Bank N.A. bear interest rate of 0.17% and 0.16%, respectively, and the tax-exempt commercial paper notes bear interest rates of 0.15%. The taxable and non-taxable commercial paper notes matured on July 2, 2013. In June 2013, commercial paper notes in the amount of $37.6 million for Moscone Center improvement were refunded through the issuance of Certificates of Participation (Moscone Center Improvement) Series 2013A.

San Francisco International Airport

In May 1997, the Airport authorized the issuance of subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of $400.0 million or the stated amount of the letter of credit securing the CP. The Airport's CP are secured by two $100.0 million direct-pay letters of credit from State Street Bank and Trust Company and from Barclays Bank that expire on May 2, 2014. The direct-pay letter of credit from Barclays was terminated on July 3, 2013. During fiscal year 2013, the Airport obtained two additional $100.0 million direct pay letters of credit from Wells Fargo Bank, National Association, and Royal Bank of Canada that expire on June 17, 2016 and May 20, 2016, respectively. Each of these letters of credit supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of $400.0 million. The amount was reduced to $300.0 million following the termination of the Barclays letter of credit on July 3, 2013.

During the fiscal year 2013, the Airport issued $170.1 million of new money CP to fund capital improvement projects. For fiscal year 2013, the interest rates on taxable CP ranged from 0.13% to 0.24%, on private activity CP (AMT) ranged from 0.13% to 0.25% and on tax-exempt governmental purpose CP (Non-AMT) ranged from 0.11% to 0.24%.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $250.0 million in CP pursuant to the voter-approved 2002 Proposition A and $250.0 million in CP pursuant to the voter-approved 2002 Proposition E for a combined total authorization of $500.0 million. As of June 30, 2013, $174.0 million in CP was outstanding under Proposition E. The CP interest rate ranged from 0.16% to 0.24%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the next five years, at which time outstanding CP will be refunded with long-term revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $300.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. During fiscal year 2013, the Wastewater Enterprise had up to $85.0 million of CP outstanding, which was subsequently refunded with the Wastewater Enterprise 2013 Series B revenue bonds issuance in February 2013. The Wastewater Enterprise had no commercial paper outstanding as of June 30, 2013.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2013:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS (a):			
Earthquake safety and emergency response	2035	3.00% - 5.00%	$ 292,765
Branch libraries	2028	4.00% - 4.50%	25,460
Parks and playgrounds	2033	2.00% - 6.26%	217,075
Road repaving and street safety	2033	2.00% - 5.00%	191,255
San Francisco General Hospital	2032	4.00% - 6.26%	556,960
Seismic safety loan program	2031	3.36% - 5.83%	26,323
Refunding	2030	3.50% - 5.00%	579,845
General Obligation Bonds - governmental activities			1,889,683
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b), (e) & (f)	2034	0.06% - 5.75% *	262,070
Lease revenue bonds - governmental activities			262,070
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c) & (d)	2041	2.00% - 5.00%	551,555
Loans (c), (d) & (f)	2034	2.00% - 5.74%	19,184
Capital leases payable (c) & (f)	2018	3.17% - 7.05%	9,741
Accrued vacation and sick leave (d) & (f)			152,167
Accrued workers' compensation (d) & (f)			229,332
Estimated claims payable (d) & (f)			111,001
Other postemployment benefits obligation			899,970
Other long-term obligations - governmental activities			1,972,950
DEFERRED AMOUNTS:			
Bond issuance premiums			190,084
Bond issuance discounts			(1,726)
Bond refunding			(16,235)
Deferred amounts			172,123
Governmental activities total long-term obligations			$ 4,296,826

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008-1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2013 for Series 2008-1 & 2 was 0.07% and 0.06%, respectively.

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2040	0.95% - 6.00%*	$ 3,906,395
San Francisco Water Enterprise:			
Revenue bonds	2050	1.80% - 6.90%	4,193,550
Certificates of participation	2042	2.00% - 6.49%	117,746
Accreted interest	2019	-	4,767
Hetch Hetchy Water and Power:			
Clean Renewable Energy bonds	2028	4.74%	18,519
Certificates of participation	2042	2.00% - 6.49%	16,030
Municipal Transportation Agency:			
Revenue bonds	2042	2.0% - 5.00%	60,720
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	20,874
Capital leases	2017	2.41% - 3.61%	3,482
San Francisco Wastewater Enterprise:			
Revenue bonds	2043	1.00% - 5.82%	764,550
Certificates of participation	2042	2.00% - 6.49%	31,134
Port of San Francisco:			
Revenue bonds	2040	4.60% - 7.41%	34,800
Notes, loans and other payables	2029	4.50%	2,603
Laguna Honda Hospital:			
Certificates of participation	2031	4.00 - 5.25%	148,545
Capital leases	2015	3.00% - 4.00%	124
Accrued vacation and sick leave			99,434
Accrued workers' compensation			148,444
Estimated claims payable			63,581
Other postemployment benefits obligation			658,008
Deferred Amounts:			
Bond issuance premiums			369,028
Bond issuance discounts			(662)
Bond refunding			(136,159)
Business-type activities total long-term obligations			$ 10,525,513

* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2013, the average interest rate on Issue 36A, 36B, 36C and 37C was 0.14%, 0.14%, 0.14% and 0.14%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.14%, 0.15% and 0.15%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance
There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin
As of June 30, 2013, the City's debt limit (3% of valuation subject to taxation) was $5.03 billion. The total amount of debt applicable to the debt limit was $1.89 billion. The resulting legal debt margin was $3.14 billion.

Arbitrage
Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bond and certificates of participation issuance and no arbitrage liability was recognized as of June 30, 2013. The Finance Corporation has evaluated their lease revenue bonds and no liability was reported in the Internal Service Fund as of June 30, 2013. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

San Francisco Sustainable Financing
The Improvement Area No.1 of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds was formed in accordance with Ordinance 16-10 to implement the "GreenFinanceSF" program to provide financing for renewable energy, energy efficiency and water efficiency improvements on private or public property in the City. Under the program, the Special District issued bonded indebtedness for the improvement area in an aggregate principal amount to exceed $1.4 million and an appropriation limit for the Improvement Area of $1.4 million. The bonded indebtedness shall be paid out of the special tax levied and collected on the leasehold interest on the property located in Pier 1, San Francisco, California. The Improvement Area is owned by the City and leased to AMB Pier One LLC through the Port. The bonds mature from September 2013 through September 2032. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the leasehold interest on the parcels within the Special Tax District No. 2009-1. Accordingly, the debt has not been included in the basic financial statements.

Assessment District
During June 1996, the City issued $1.0 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. As of June 30, 2013, the principal amount of bonds outstanding was $0.7 million.

Mortgage Revenue Bonds
In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2013, the aggregate outstanding obligation of such bonds was $174.3 million.

(Dollars in Thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2013, are as follows:

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,506,330	$ 521,915	$ (138,562)	$ 1,889,683	$ 150,279
Lease revenue bonds	273,460	11,125	(22,515)	262,070	20,780
Certificates of participation	531,376	35,575	(15,396)	551,555	28,235
Less deferred amounts:					
For issuance premiums	136,897	65,227	(12,040)	190,084	-
For issuance discounts	(1,792)	-	66	(1,726)	-
On refunding	(18,383)	-	2,148	(16,235)	-
Total bonds payable	2,427,888	633,842	(186,299)	2,875,431	199,294
Loans	13,878	5,890	(584)	19,184	1,724
Capital leases	22,878	1,878	(15,015)	9,741	1,234
Accrued vacation and sick leave pay	150,072	105,137	(103,042)	152,167	78,428
Accrued workers' compensation	226,428	39,503	(36,599)	229,332	39,759
Estimated claims payable	112,394	15,522	(16,915)	111,001	37,374
Other postemployment benefits obligation	754,501	231,913	(86,444)	899,970	-
Governmental activity long-term obligations	$ 3,708,039	$ 1,033,685	$ (444,898)	$ 4,296,826	$ 357,813

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013, are as follows:

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,062,265	$ 84,675	$ (240,545)	$ 3,906,395	$ 418,935
Less deferred amounts:					
For issuance premiums	149,544	4,200	(14,412)	139,332	-
For issuance discounts	(301)	-	7	(294)	-
On refunding	(127,868)	-	19,287	(108,581)	-
Total bonds payable	4,083,640	88,875	(235,663)	3,936,852	418,935
Accrued vacation and sick leave pay	15,629	11,589	(11,619)	15,599	8,167
Accrued workers' compensation	5,075	2,244	(2,086)	5,233	1,121
Estimated claims payable	1,332	307	(77)	1,562	755
Other postemployment benefits obligation	75,824	14,889	-	90,713	-
Long-term obligations	$ 4,181,500	$ 117,904	$ (249,445)	$ 4,049,959	$ 428,978
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 4,335,810	$ 24,040	$ (166,300)	$ 4,193,550	$ 20,825
Certificates of participation	119,717	-	(1,971)	117,746	2,035
Less deferred amounts:					-
For issuance premiums	171,495	3,036	(14,822)	159,709	-
On refunding	(16,237)	(856)	(5,653)	(22,746)	-
Total bonds payable	4,610,785	26,220	(188,746)	4,448,259	22,860
Accreted interest payable	4,450	317	-	4,767	-
Accrued vacation and sick leave pay	12,543	7,945	(8,771)	11,717	6,044
Accrued workers' compensation	7,964	3,232	(2,697)	8,499	1,364
Estimated claims payable	9,095	5,812	(4,022)	10,885	2,976
Other postemployment benefits obligation	73,009	20,695	(7,875)	85,829	-
Long-term obligations	$ 4,717,846	$ 64,221	$ (212,111)	$ 4,569,956	$ 33,244
Hetch Hetchy Water and Power					
Bonds payable:					
Clean renewable energy bonds	$ 19,528	$ -	$ (1,009)	$ 18,519	$ 1,308
Certificates of participation	16,298	-	(268)	16,030	277
Less deferred amounts:					-
For issuance premiums	273	-	(49)	224	-
For issuance discounts	(144)	-	14	(130)	-
Total bonds payable	35,955	-	(1,312)	34,643	1,585
Accrued vacation and sick leave pay	3,084	1,709	(1,495)	3,298	1,761
Accrued workers' compensation	2,321	610	(508)	2,423	418
Estimated claims payable	2,671	2,698	(1,932)	3,437	1,152
Other postemployment benefits obligation	14,302	4,796	(1,539)	17,559	-
Long-term obligations	$ 58,333	$ 9,813	$ (6,786)	$ 61,360	$ 4,916

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013 are as follows (continued):

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 37,615	$ 63,795	$ (40,690)	$ 60,720	$ 3,315
Lease revenue bonds	5,075	-	(5,075)	-	-
Less deferred amounts:					
For issuance premiums	661	7,256	(1,230)	6,687	-
On refunding	-	(898)	163	(735)	-
Total bonds payable	43,351	70,153	(46,832)	66,672	3,315
Accrued vacation and sick leave pay	28,279	21,021	(20,146)	29,154	17,207
Accrued workers' compensation	87,839	18,216	(16,853)	89,202	14,366
Estimated claims payable	33,731	9,232	(5,326)	37,637	15,301
Other postemployment benefits obligation	153,369	53,272	(25,984)	180,657	-
Long-term obligations	$ 346,569	$ 171,894	$ (115,141)	$ 403,322	$ 50,189
San Francisco General Hospital Medical Center					
Bonds payable:					
Certificates of participation	$ 22,006	$ -	$ (1,132)	$ 20,874	$ 1,196
Capital leases	2,923	1,776	(1,217)	3,482	1,223
Accrued vacation and sick leave pay	20,895	15,536	(14,771)	21,660	12,027
Accrued workers' compensation	21,995	5,125	(4,693)	22,427	3,433
Other postemployment benefits obligation	142,198	45,480	(16,202)	171,476	-
Long-term obligations	$ 210,017	$ 67,917	$ (38,015)	$ 239,919	$ 17,879
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 446,765	$ 524,985	$ (207,200)	$ 764,550	$ 32,805
Certificates of participation	31,655	-	(521)	31,134	538
Less deferred amounts:					
For issuance premiums	19,558	60,203	(19,054)	60,707	-
On refunding	(11,668)	(5,009)	12,580	(4,097)	-
Total bonds payable	486,310	580,179	(214,195)	852,294	33,343
State of California - revolving fund loans	36,898	-	(36,898)	-	-
Accrued vacation and sick leave pay	5,698	3,137	(2,822)	6,013	3,176
Accrued workers' compensation	3,927	2,042	(1,638)	4,331	748
Estimated claims payable	8,538	2,869	(3,029)	8,378	2,768
Other postemployment benefits obligation	26,513	8,508	(2,456)	32,565	-
Long-term obligations	$ 567,884	$ 596,735	$ (261,038)	$ 903,581	$ 40,035

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013 are as follows (continued):

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 35,495	$ -	$ (695)	$ 34,800	$ 725
Less deferred amounts:					
For issuance discounts	(246)	-	8	(238)	-
Total bonds payable	35,249	-	(687)	34,562	725
Notes, loans, and other payables	2,713	-	(110)	2,603	115
Accrued vacation and sick leave pay	2,314	620	(604)	2,330	1,239
Accrued workers' compensation	2,797	809	(891)	2,715	390
Estimated claims payable	1,626	411	(355)	1,682	1,332
Other postemployment benefits obligation	13,390	4,002	(1,336)	16,056	-
Long-term obligations	$ 58,089	$ 5,842	$ (3,983)	$ 59,948	$ 3,801
Laguna Honda Hospital					
Bonds payable:					
Certificates of participation	$ 153,650	$ -	$ (5,105)	$ 148,545	$ 5,360
Less deferred amounts:					
For issuance premiums	2,502	-	(133)	2,369	-
Total bonds payable	156,152	-	(5,238)	150,914	5,360
Capital leases	232	-	(108)	124	83
Accrued vacation and sick leave pay	9,746	6,762	(6,845)	9,663	5,398
Accrued workers' compensation	12,538	4,527	(3,451)	13,614	2,162
Other postemployment benefits obligation	53,612	9,541	-	63,153	-
Long-term obligations	$ 232,280	$ 20,830	$ (15,642)	$ 237,468	$ 13,003
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 8,917,950	$ 697,495	$ (655,430)	$ 8,960,015	$ 476,605
Clean renewable energy bonds	19,528	-	(1,009)	18,519	1,308
Certificates of Participation	343,326	-	(8,997)	334,329	9,406
Lease revenue bonds	5,075	-	(5,075)	-	-
Less deferred amounts:					
For issuance premiums	344,033	74,695	(49,700)	369,028	-
For issuance discounts	(691)	-	29	(662)	-
On refunding	(155,773)	(6,763)	26,377	(136,159)	-
Total bonds payable	9,473,448	765,427	(693,805)	9,545,070	487,319
Accreted interest payable	4,450	317	-	4,767	-
State of California - Revolving fund loans	36,898	-	(36,898)	-	-
Notes, loans, and other payables	2,713	-	(110)	2,603	115
Capital leases	3,155	1,776	(1,325)	3,606	1,306
Accrued vacation and sick leave pay	98,188	68,319	(67,073)	99,434	55,019
Accrued workers' compensation	144,456	36,805	(32,817)	148,444	24,002
Estimated claims payable	56,993	21,329	(14,741)	63,581	24,284
Other postemployment benefits obligation	552,217	161,183	(55,392)	658,008	-
Long-term obligations	$10,372,518	$ 1,055,156	$ (902,161)	$10,525,513	$ 592,045

(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2013 for governmental activities are as follows:

Governmental Activities [1]

Fiscal Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest [3]	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest [2]	Other Long-Term Obligations Principal [4]	Other Long-Term Obligations Interest	Total Principal	Total Interest
2014............	$ 150,279	$ 88,438	$ 20,780	$ 6,525	$ 31,193	$ 24,976	$ 202,252	$ 119,939
2015............	151,980	81,666	20,440	6,041	43,230	24,509	215,650	112,216
2016............	105,753	74,344	18,795	5,486	39,294	22,949	163,842	102,779
2017............	97,779	69,400	14,025	5,002	37,427	21,219	149,231	95,621
2018............	98,593	64,698	10,880	4,629	38,499	19,432	147,972	88,759
2019-2023...	476,326	256,244	64,670	18,707	102,436	79,695	643,432	354,646
2024-2028...	486,769	141,334	73,905	10,367	96,021	58,045	656,695	209,746
2029-2033...	311,799	33,788	36,240	2,890	109,678	34,941	457,717	71,619
2034-2038...	10,405	787	2,335	134	58,102	11,379	70,842	12,300
2039-2043...	-	-	-	-	24,600	1,693	24,600	1,693
Total.........	$ 1,889,683	$ 810,699	$ 262,070	$ 59,781	$ 580,480	$ 298,838	$2,732,233	$1,169,318

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.065%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.

(3) The interest is before the federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately $43.9 million and $9.0 million, respectively, through the year ending 2030. The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013, was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

(4) Includes approximately $9.4 million in lease payments to the Successor Agency for the Moscone Convention Center through fiscal year 2018.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2013 for each enterprise fund is as follows:

San Francisco International Airport [1]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest
2014............	$ 163,095	$ 188,918
2015...............	181,670	182,738
2016...............	187,230	175,095
2017...............	181,140	166,652
2018...............	197,270	158,360
2019-2023....	1,207,605	628,046
2024-2028....	1,091,125	331,089
2029-2033....	421,000	126,459
2034-2038....	211,670	55,568
2039-2040....	64,590	4,325
Total...........	$ 3,906,395	$ 2,017,250

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(Dollars in Thousands)

The table below presents the Airport's revenue bond debt service requirements in the event the letters of credit securing the Airport's outstanding variable rate bonds had to be drawn upon to pay such bonds and the amount drawn had to be repaid by Airport pursuant to the terms of the related agreements with the banks providing such letters of credit:

San Francisco International Airport [(1)]

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest
2014...........	$ 418,535	$ 186,832
2015..............	216,620	170,646
2016..............	275,875	158,562
2017..............	264,025	147,414
2018..............	173,415	138,174
2019-2023....	1,052,250	544,791
2024-2028....	881,015	287,756
2029-2033....	348,400	122,260
2034-2038....	211,670	55,568
2039-2040....	64,590	4,325
Total..........	$ 3,906,395	$ 1,816,328

San Francisco Water Enterprise [(1)]

Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest [(2)]	Principal	Interest [(2)]	Principal	Interest
2014..............	$ 20,825	$ 215,594	$ 2,035	$ 7,132	$ 22,860	$ 222,726
2015..............	25,850	214,508	2,106	7,060	27,956	221,568
2016..............	33,700	213,068	2,199	6,968	35,899	220,036
2017..............	53,625	210,954	2,313	6,856	55,938	217,810
2018..............	59,715	208,346	2,431	6,737	62,146	215,083
2019-2023.....	495,215	982,162	14,163	31,681	509,378	1,013,843
2024-2028.....	649,270	840,366	17,761	27,108	667,031	867,474
2029-2033.....	817,995	653,798	21,834	20,808	839,829	674,606
2034-2038....	1,001,445	414,806	26,918	12,940	1,028,363	427,746
2039-2043	791,940	162,053	25,986	3,460	817,926	165,513
2044-2048....	169,080	46,415	-	-	169,080	46,415
2049-2051....	74,890	7,965	-	-	74,890	7,965
Total..........	$ 4,193,550	$ 4,170,035	$ 117,746	$ 130,750	$ 4,311,296	$ 4,300,785

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) The interest is gross of federal interest subsidy. The subsidy on Revenue Bonds 2010 Series B, E and G represent 35% of the bonds interest, which is approximately $541.6 million through the year ending 2051. The subsidy on the Certificates of Participation Series D (Taxable) is approximately $43.4 million through the year ending 2042. The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

(Dollars in Thousands)

Hetch Hetchy Water and Power (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest (2) (4)	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest (3) (4)	Total Principal	Total Interest
2014..............	$ 1,308	$ 667	$ 277	$ 970	$ 1,585	$ 1,637
2015..............	1,321	625	287	961	1,608	1,586
2016..............	1,332	582	299	948	1,631	1,530
2017..............	1,344	539	315	933	1,659	1,472
2018..............	1,356	496	331	917	1,687	1,413
2019-2023.....	6,964	1,801	1,928	4,314	8,892	6,115
2024-2028.....	4,894	612	2,418	3,691	7,312	4,303
2029-2033.....	-	-	2,972	2,833	2,972	2,833
2034-2038....	-	-	3,665	1,762	3,665	1,762
2039-2042....	-	-	3,538	471	3,538	471
Total...........	$ 18,519	$ 5,322	$ 16,030	$ 17,800	$ 34,549	$ 23,122

Municipal Transportation Agency (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest
2014............	$ 3,315	$ 2,844
2015.............	3,415	2,744
2016.............	3,555	2,608
2017.............	3,715	2,430
2018.............	3,505	2,244
2019-2023....	9,160	9,351
2024-2028....	6,310	7,673
2029-2033....	7,860	6,117
2034-2038....	9,970	4,023
2039-2042....	9,915	1,270
Total...........	$ 60,720	$ 41,304

San Francisco General Hospital (1)

Fiscal Year Ending June 30	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest
2014............	$ 2,419	$ 1,383
2015.............	2,479	1,314
2016.............	2,159	1,164
2017.............	1,627	970
2018.............	1,488	849
2019-2023....	8,796	2,893
2024-2026....	5,388	457
Total...........	$ 24,356	$ 9,030

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) Interest payments are not required on Clean Renewable Energy Bonds (CREBS) since the effective equivalent of interest on the bonds is paid in the form of Federal tax credits in lieu of interest paid by the issuer. Interest on Qualified Energy Conservation Bonds (QECBs) includes $2.1 million of federal interest subsidy through fiscal year ending 2028 and New Clean Renewable Energy Bonds (NCREBs) includes $1.7 million Federal interest subsidy through fiscal year ending 2028.

(3) The interest is before the federal interest subsidy for the Certificates of Participation 2009 Series D (Taxable), which amounts to approximately $5.9 million through the year ending 2042.

(4) The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

(Dollars in Thousands)

San Francisco Wastewater Enterprise (1)

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest (2) (4)	Principal	Interest (3) (4)	Principal	Interest
2014..............	$ 32,805	$ 35,518	$ 538	$ 1,886	$ 33,343	$ 37,404
2015..............	30,895	33,473	557	1,867	31,452	35,340
2016..............	31,115	32,383	581	1,843	31,696	34,226
2017..............	20,870	31,384	612	1,813	21,482	33,197
2018..............	20,015	30,481	643	1,781	20,658	32,262
2019-2023.....	109,585	137,288	3,745	8,376	113,330	145,664
2024-2028.....	92,160	113,379	4,696	7,168	96,856	120,547
2029-2033.....	114,510	86,929	5,774	5,502	120,284	92,431
2034-2038....	141,050	55,154	7,117	3,422	148,167	58,576
2039-2043....	171,545	18,807	6,871	915	178,416	19,722
Total..........	$ 764,550	$ 574,796	$ 31,134	$ 34,573	$ 795,684	$ 609,369

Port of San Francisco (1)

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014..............	$ 725	$ 2,122	$ 115	$ 117	$ 840	$ 2,239
2015..............	755	2,088	120	112	875	2,200
2016..............	795	2,051	125	107	920	2,158
2017..............	835	2,008	131	101	966	2,109
2018..............	885	1,960	136	95	1,021	2,055
2019-2023.....	5,330	8,898	781	377	6,111	9,275
2024-2028.....	7,450	6,769	974	185	8,424	6,954
2029-2033.....	7,350	3,896	221	10	7,571	3,906
2034-2038....	7,235	2,031	-	-	7,235	2,031
2039-2040....	3,440	266	-	-	3,440	266
Total..........	$ 34,800	$ 32,089	$ 2,603	$ 1,104	$ 37,403	$ 33,193

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(2) Interest before subsidy amounts include the interest for the 2010 Series A and B and 2013 Series A and B bonds. The Federal interest subsidy represents 35% of the interest for the 2010 Series B revenue bonds, which is approximately $74.4 million through the year ending 2043.

(3) The interest is before the Wastewater Enterprise's portion of the Federal interest subsidy for the Certificates of Participation Series 2009 D (Taxable), which amounts to approximately $11.5 million through the year ending 2042.

(4) The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

Laguna Honda Hospital [1]

Fiscal Year Ending June 30	Other Long-Term Obligations	
	Principal	Interest
2014...........	$ 5,443	$ 7,411
2015..............	5,641	7,162
2016..............	5,875	6,875
2017..............	6,140	6,611
2018..............	6,440	6,309
2019-2023....	37,145	26,607
2024-2028....	47,400	16,348
2029-2031....	34,585	3,665
Total..........	$ 148,669	$ 80,988

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

Total Business-type Activities

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014............	$ 222,073	$ 445,663	$ 10,827	$ 18,899	$ 232,900	$ 464,562
2015............	243,906	436,176	11,190	18,476	255,096	454,652
2016............	257,727	425,787	11,238	17,905	268,965	443,692
2017............	261,529	413,967	11,138	17,284	272,667	431,251
2018............	282,746	401,887	11,469	16,688	294,215	418,575
2019-2023...	1,833,859	1,767,546	66,558	74,248	1,900,417	1,841,794
2024-2028...	1,851,209	1,299,888	78,637	54,957	1,929,846	1,354,845
2029-2033...	1,368,715	877,199	65,386	32,818	1,434,101	910,017
2034-2038...	1,371,370	531,582	37,700	18,124	1,409,070	549,706
2039-2043...	1,041,430	186,721	36,395	4,846	1,077,825	191,567
2044-2048...	169,080	46,415	-	-	169,080	46,415
2049-2051...	74,890	7,965	-	-	74,890	7,965
Total.........	$ 8,978,534	$6,840,796	$ 340,538	$ 274,245	$ 9,319,072	$7,115,041

(Dollars in Thousands)

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2013, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2012	$ 1,077,590
Increases in authorization this fiscal year:	
Clean and Safe Neighborhood Parks	195,000
Bonds issued:	
San Francisco General Hospital Improvement Series 2012D	(251,100)
Earthquake Safety and Emergency Response Bonds Series 2012E	(38,265)
Clean and Safe Neighborhood Parks Bonds Series 2013A	(71,970)
Earthquake Safety and Emergency Response Bonds Series 2013B	(31,020)
Road Repaving and Street Safety Bonds Series 2013C	(129,560)
Net authorized and unissued as of June 30, 2013	$ 750,675

The increase in authorized amount of $195.0 million of 2012 Clean and Safe Neighborhood Parks General Obligation Bonds was approved by at least two-thirds votes of the City electorate voting on Proposition B at an election held on November 6, 2012. The bonds will be issued to provide funds to improve parks, playgrounds, public spaces along the waterfront and trail reconstruction.

In August 2012, the City issued General Obligation Bonds Series 2012D (San Francisco General Hospital Improvement) in the amount of $251.1 million and Series 2012E (Earthquake Safety and Emergency Response) in the amount of $38.3 million. Both series bear interest rates ranging from 4.0% to 5.0% and mature from June 2013 through June 2032. The Series 2012D bonds were issued to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center and to pay certain costs related to the issuance of the Series 2012D bonds. The Series 2012E bonds were issued to finance the improvements of fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters, to improve neighborhood fire stations, to replace the seismically unsafe emergency command center and to pay certain costs related to the issuance of the Series 2012E bonds.

In June 2013, the City issued the following series of General Obligation Bonds: Series 2013A (Clean and Safe Neighborhood Parks) in the amount of $72.0 million, Series 2013B (Earthquake Safety and Emergency Response) in the amount of $31.0 million and Series 2013C (Road Repaving and Street Safety) in the amount of $129.6 million. Series 2013A, 2013B and 2013C bonds bear interest rates ranging from 4.0% to 5.0% and mature from June 2014 through June 2033. The proceeds of the Series 2013A bonds will be used to finance improvements to park, open space and recreational facilities within the City. The proceeds of the Series 2013B bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructures. The proceeds of the Series 2013C bonds will be used for improvements to various streets, stairways, bridges, overpasses and other traffic infrastructure within the City. The proceeds of Series 2013A, 2013B and 2013C bonds will also be used to pay certain costs related to the issuance of the respective series.

The debt service payments are funded through ad valorem taxes on property.

Certificates of Participation

In May 2013, the City issued City and County of San Francisco Certificates of Participation Series 2013A (Moscone Center Improvements) for $35.6 million to provide funds to retire certain commercial paper the proceeds of which financed the cost of acquisition, construction, renovation, reconstruction and equipping of improvements to the existing site and facilities of Moscone Center, to fund the reserve fund established under the agreement and to pay costs of execution and delivery of the certificates. The Series 2013A certificates mature from September 2013 through September 2017 with interest rates ranging from 4.0% to 5.0%.

(Dollars in Thousands)

At June 30, 2013, the City has a total of $551.6 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. Total debt service payments remaining on the certificates of participation are $831.3 million payable through September 1, 2040. For the fiscal year ended June 30, 2013, principal and interest paid by the City totaled $15.4 million and $23.3 million, respectively.

Lease Revenue Bonds

The changes in governmental activities – lease revenue bonds related to the equipment program for the year ended June 30, 2013 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2012	$ 136,404
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	2,786
Current year maturities in Finance Corporation's equipment program	9,360
Bond Issued:	
Series 2013A, San Francisco Finance Corporation	(11,125)
Net authorized and unissued as of June 30, 2013	$ 137,425

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits in the internal service fund until such time as they are used for their intended purposes. The deferred credits are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bond is $321.9 million payable through June 2034. For the fiscal year ended June 30, 2013, principal and interest paid by the Corporation and the total lease payments made by the City totaled $22.5 million and $5.9 million, respectively.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2013, the cumulative amount authorized was $58.5 million, of which $35.2 million remains outstanding.

In June 2013, the Finance Corporation issued its twentieth series of equipment lease revenue bonds, Series 2013A in the amount of $11.1 million with interest rates ranging from 2.0% to 4.0%. The bonds mature from April 2014 through April 2019.

San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Park Department entered into a loan agreement with the Department of Boating and Waterways of the State of California. Under the Small Craft Harbor Construction Loan agreement, the Department of Boating and Waterways will advance the City a total amount of $16.5 million in four phases of its construction project. Repayment of principal and interest begins on August 1, immediately after the final loan draw and annually thereafter until August 2045. Interest shall be compounded continuously at the rate of 4.5% on the unpaid balance. The loan repayment shall be made from project area gross revenues. Primary collateral for the loan consists of a lease/leaseback of the marina between the City and the Department of Boating and Waterways with an assignment of rents and leases on marina revenues. In addition, the Department of Boating and Waterways will receive a first lien position on the City's marina account surplus revenues to cover any payment shortfall after construction completion. In January 2011, the Department of Boating and Waterways authorized to fund Phase V of the project for $7 million by an amendment to the loan agreement. Under the amended agreement, the City will provide and maintain a reserve fund that will act as security of the loan. At a minimum, a reserve of two annual payments ($2.9 million) will be accumulated during the first ten years of the loan repayment terms and thereafter be maintained at that level. During the year ended June 30, 2013, the City drew down $5.9 million and as of June 30, 2013 the amount of loan outstanding is $12.7 million.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions approved in fiscal years 2008 and 2012, the Airport has authorized the issuance of up to $1.2 billion of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, and for paying costs of issuance.

No new capital plan bonds were issued during fiscal year 2013. As of June 30, 2013, $605.9 million of the authorized capital plan bonds remained unissued.

Second Series Revenue Refunding Bonds (Remarketing)

In December 2012, the Airport remarketed its Second Series Revenue Refunding Bonds, Series 2009D (Non-AMT/Private Activity) in the principal amount of $84.7 million as long-term bonds with fixed interest rates to their respective maturity dates. The Series 2009D bonds were originally issued in November 2009 with a May 2029 nominal final maturity date but were scheduled to become due in a single "balloon" payment in December 2012 via a mandatory tender by bondholders for purchase by the Airport.

The Series 2009D bonds were remarketed at premium with $88.9 million in remarketing proceeds and $0.2 million in the related interest account being used to pay the purchase price of the bonds on the December 4, 2012 mandatory tender date. $0.2 million of Airport funds were used to refund a portion of the Series 2009D bonds in connection with a voluntary closing agreement with the Internal Revenue Service. When originally issued, the Series 2009D bonds were secured by a separate reserve account. Following the remarketing, the Series 2009D bonds are secured by the Airport's parity reserve (the Issue 1 Reserve Account). The entire $8.8 million released from the 2009D reserve account was deposited into the Issue 1 Reserve Account.

(Dollars in Thousands)

In April 2013, the Airport remarketed its long-term Second Series Variable Rate Revenue Refunding Bonds, Issue 36A (Non-AMT/Private Activity) with a new letter of credit from U.S. Bank National Association expiring in October 2016. The bonds were originally secured by a letter of credit from Wells Fargo Bank, National Association, that expired in May 2013. The Issue 36A bonds were remarketed with the original maturity date of May 1, 2026 and no changes to principal amortization.

Variable Rate Demand Bonds

As of June 30, 2013, the Airport had outstanding aggregate principal amount of $482.6 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C, and Issue 37C, and Series 2010A, (collectively the "Variable Rate Bonds") with final maturity dates of May 1, 2026 (Issue 36A/B/C), and May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal and purchase price of and interest on the Variable Rate Bonds is secured by separate irrevocable direct-pay letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below. Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.57% and 1.05% per annum. As of June 30, 2013, there were no unreimbursed draws under these facilities.

If the Airport is unable to secure a replacement credit facility or remarket the bonds on or prior to the applicable letter of credit expiration date, the related bank is required to purchase the bonds under the expiring letter of credit, subject to reimbursement by the Airport in accordance to the terms of "Repayment Obligations" under the 1991 Master Resolution.

The primary terms of the letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2013, are as follows:

	Issue 36A	Issue 36 C	Issue 37C
Principal Amount	$100,000	$36,145	$89,895
Expiration Date	October 26, 2016	July 11, 2014	July 13, 2015
Credit Provider	U.S. Bank National Association	U.S. Bank National Association	Union Bank, N.A.

(Dollars in Thousands)

The primary terms of the letters of credit securing the Variable Rate Bonds included in current liabilities as of June 30, 2013, are as follows:

	Issue 36B	**Series 2010A**
Principal Amount	$40,620	$215,970
Expiration Date	May 2, 2014	January 31, 2014
Credit Provider	U.S. Bank National Association	JP Morgan Chase Bank, N.A.

Interest Rate Swaps

Objective and Terms – In December, 2004, the Airport entered into seven forward starting interest rate swaps (the "2004 swaps") with an aggregate notational amount of $405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026.

In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, in May 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the 2010 swaps). The expiration dates of the 2007 and 2010 swaps are May 1, 2029 and May 1, 2030, respectively.

In the spring of 2008, the Airport refunded several issues of auction rate and variable rate bonds, including Issue 32 and Issue 33. The 2004 swaps associated with these issues then became associated with the Second Series Variable Rate Revenue Refunding Bonds, Issues 36A-D and Issue 37A. Subsequently, in October and December 2008, the Airport refunded Issues 37A and Issue 37B, respectively. Concurrently with the refunding of Issue 37A, the three associated swaps, with an aggregate notional amount of $205.1 million, were terminated. The swap associated with Issue 37B was not terminated upon the refunding of Issue 37B.

In December 2010, the Airport terminated the swap associated with the Series 2010A-3 bonds, with a notional amount of $72.0 million. The Airport paid a termination amount of $6.7 million to the counterparty, Depfa Bank plc. The payment was funded with taxable commercial paper, which was subsequently retired with Airport operating funds in March 2011. Following the termination of the Depfa swap, the Series 2010A-3 bonds, which are variable rate, were no longer hedged with an interest rate swap. The swap associated with the Issue 37B bonds, however, is now associated with the Series 2010A-3 bonds and the unhedged portions of Issue 36A/B/C.

In September 2011, the Airport refunded the Issue 36D bonds with proceeds of the Airport Second Series Revenue Bonds, Series 2011H and terminated the swap associated with Issue 36D, which had an initial notional amount of $30.0 million and JP Morgan Chase Bank, N.A. as counterparty. The Airport paid a termination fee of $4.6 million to the counterparty.

Under the 2004 swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.5% of USD LIBOR BBA plus 0.29%. Under the 2007 and 2010 swaps, the Airport receives 61.85% of USD LIBOR BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below which commenced on the date of issuance of the related bonds. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds. All of the outstanding interest rate swaps are terminable at their market value at any time solely at the option of the Airport.

(Dollars in Thousands)

As of June 30, 2013, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2013.

#	Current Bonds	Notional Amount	Effective Date
1	36AB	$ 70,000	2/10/2005
2	36AB	69,930	2/10/2005
3	36C	30,000	2/10/2005
4	2010A*	79,684	5/15/2008
5	37C	89,856	5/15/2008
6	2010A	143,947	2/1/2010
	Total	$ 483,417	

* The swap previously associated with Issue 37B is now indirectly hedging Series 2010A-3 and the unhedged portions of the Issue 36A-C.

Fair Value – The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bonds due on the date of each future net settlement payment on the swaps.

As of June 30, 2013, the fair value of the Airport's six outstanding swaps, counterparty credit ratings and fixed rate payable by the Airport are as follows:

#	Current Bonds	Counterparty/guarantor	Counterparty credit ratings (S&P/Moody's/Fitch)	Fixed rate payable by Airport	Fair value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	$ (8,994)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.445%	(8,992)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	(3,854)
4	2010A	Merrill Lynch Capital Services, Inc,/Merrill Lynch & Co.	A-/Baa2/A	3.898%	(13,919)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.898%	(16,856)
6	2010A	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc	A-/A3/A	3.925%	(28,376)
		Total			$ (80,991)

The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2013 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance, June 30, 2012.............	$ 98,979	$ 116,859
Change in fair value to year end...	(34,236)	(35,521)
Balance June 30, 2013...............	$ 64,743	$ 81,338

The fair value of the interest rate swap portfolio is recorded as a liability (since the swaps are out of the money from the perspective of the Airport) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflows of resources (if out of the money) or inflow of resources (if in the money). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflows/outflows values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows of resources and derivative instruments above is the unamortized off-market portions of the swaps as of June 30, 2013.

Basis Risk – The Airport has chosen a variable rate index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. During the fiscal year ended June 30, 2013, the Airport received $1.3 million in excess payments from its counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2013, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

Counterparty Risk – The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at its fair value, which may result in a payment to the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30 2013, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated). Although the Airport was not exposed to the credit of any counterparty with respect to termination amounts, the maximum net termination exposure limits in the Airport's swap policy were exceeded with respect to several counterparties. Following the consultation required by the Airport's swap policy, the Airport Director determined not to terminate, transfer or substitute such swaps.

(Dollars in Thousands)

Termination Risk – All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps except the swaps associated with the Series 2010A Bonds, from the following insurers:

#	Swap	Swap Insurer	Insurer credit ratings June 30, 2013 (S&P/Moody's)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/Baa1
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/Baa1
3	Issue 36C	Assured Guaranty Municipal Corp.	AA-/A2
4	Series 2010A	None	N/A
5	Issue 37C	Assured Guaranty Municipal Corp.	AA-/A2
6	Series 2010A	None	N/A

If the Airport is rated between Baa1/BBB+/BBB+ and Baa3/BBB-/BBB- (Moody's/S&P/Fitch), and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable replacement credit enhancement, assign the Airport's interest in the swaps to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB-/BBB- (Moody's/S&P/Fitch) or its ratings are withdrawn or suspended, and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any. With respect to the Series 2010A swaps with no swap insurance, the counterparty termination provisions and the Airport rating thresholds are the same as described above.

Additional Termination Events under the swap documents with respect to the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer rating downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade. Additional Termination Events under the swap documents with respect to a counterparty include a rating downgrade below A3/A1/A1 (Moody's/S&P/Fitch), followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

Each of the Airport's three bank counterparties, Goldman Sachs Group Inc., JPMorgan Chase Bank N.A. and Merrill Lynch & Co. was downgraded by one or more of the rating agencies during the year ending June 30, 2012. During the fiscal year 2013, the rating agencies did not take a rating action on any of the banks acting as swap counter party or guarantor.

Merrill Lynch & Co. was downgraded by Moody's on September 21, 2011 to "Baa1" (and subsequently to "Baa2" in June 2012). This downgrade constituted an Additional Termination Event (ATE) under the interest rate swap agreement. On December 14, 2012, the Merrill Lynch swap was amended to cure the ATE by lowering the fixed rate from 3.898% to 3.773% effective as of October 1, 2012, and adding a new guarantee from Merrill Lynch Derivative Products AG effective as of December 18, 2012. Merrill Lynch also reimbursed the Airport $0.02 million for excess payments from October 1 through November 30, 2012.

The downgrades to Goldman Sachs and JPMorgan did not constitute an Additional Termination Events under the swap agreement with either counterparty. The downgrade of any swap counterparty increases the risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment approximately equal to the fair value of such swap, depending on market conditions at the time. As of June 30, 2013, the fair value of each swap was negative to the Airport as shown above.

San Francisco Water Enterprise

In August 2012, the San Francisco Water Enterprise issued tax-exempt revenue bonds, 2012 Series D in the amount of $24.0 million for the purpose of refunding the remaining portion of the outstanding 2002 Series B bonds maturing on and after November 1, 2013. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2012 Series D refunding bonds include serial bonds with interest rates varying from 1.8% to 5.0% with principal amortizing from November 2018 through November 2019. The Series D bonds have a true interest cost of 1.34%. The refunding resulted in the recognition of a deferred accounting loss of $0.9 million, a $0.1 million gross debt service savings over the next seven-year terms and an economic gain of $1.4 million or 5.8% of the refunded principal.

In February 2013, the Wholesale Water Customers through Bay Area Water Supply and Conservation Agency (BAWSCA) made an early repayment to the Water Enterprise towards the capital cost recovery payments in the amount of $356.1 million. Of this repayment amount, $247.1 million was deposited with the City Treasury for Retail Fund Balance accounts and regional and local capital projects to be spent in fiscal years 2013, 2014 and 2015; $109.0 million was deposited to the Escrow Account (U.S. Bank National Association) for advance refunding/defeasance of a portion of water revenue bonds 2006 Series A, 2009 Series A and B, 2010 Series A, D, and F, and 2011 Series B and C. The Escrow Agent shall apply interest payments on the refunded bonds when they become due and to the principal amounts of the refunded bonds on their respective maturity dates, based on the Escrow Agreement. The defeasance of the refunded bonds and the deposit of monies with the escrow agent pursuant to the escrow agreement are authorized by and comply with the conditions and terms of the Enterprise Prepayment and Collection Agreement entered into between BAWSCA and the Enterprise, as well as the Water Enterprise Indenture. Accordingly, liability for the refunded bonds has been removed from the statement of net position. As of June 30, 2013, the balance of the defeased debt was $96.4 million.

Municipal Transportation Agency

Revenue Bonds Series 2012A and 2012B

In July 2012, the San Francisco Municipal Transportation Agency (MTA) issued Revenue Refunding Bonds, Series 2012A in the total amount of $38.0 million to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation. The Series 2012A bonds bear interest ranging from 2.0% to 5.0% and mature through March 2032.

(Dollars in Thousands)

The net proceeds of $46.0 (consisting of the $38.0 million par amount of the Series 2012A bonds plus original issue premium of $5.1 million, plus $2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay $0.5 million in costs of issuance, make a $2.7 million deposit into Reserve Account, and deposit $42.7 million into irrevocable escrow funds with the Trustee to defease and refund $42.3 million in revenue bonds described below.

	Refunded	Rate	Price
Series Revenue Bond:			
1999 Parking Meters Refunding	$ 13,080	4.70% - 5.00%	100%
2000A North Beach	5,075	5.00% - 5.50%	100%
2001 Uptown Parking	15,465	5.50% - 6.00%	101%
2002 Ellis Parking	2,535	4.20% - 4.70%	100%
2002 Downtown Parking	6,095	4.50% - 5.38%	100%
Total	$ 42,250		

The refunded bonds were defeased and redeemed on July 27, 2012. Accordingly, the liability for these bonds has been removed from the statements of net position. Although the refunding resulted in the recognition of a deferred accounting loss of $0.9 million, the MTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of $6.7 million or 15.8% of the refunded bonds.

In July 2012, the MTA issued its Revenue Bonds, Series 2012B in the amount of $25.8 million to finance the various transit and parking capital projects of the MTA and to pay certain costs related to the issuance of the Series 2012B bonds. Series 2012B included serial and term bonds with interest rates ranging from 3.0% to 5.0% and maturity of March 2023 through March 2042.

<u>San Francisco Wastewater Enterprise</u>

Wastewater Revenue Bonds 2013 Series A

In January 2013, the San Francisco Wastewater Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of $193.4 million for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds have a true interest cost of 1.2%. The 2013 Series A bonds also refunded the remaining portion of the outstanding State revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of $5.0 million. The refunding resulted in $35.1 million gross debt service savings over the next 13 years, and an economic gain of $32.8 million or 15.4% of the refunded principal. All of the outstanding 2003 Series A bonds were refunded on April 1, 2013, at a redemption price equal to their outstanding principal amount, plus accrued interest to the redemption rate, without premium.

Wastewater Revenue Bonds 2013 Series B

In February 2013, the Enterprise issued revenue bonds 2013 Series B in the amount of $331.6 million with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off all outstanding Wastewater commercial paper notes, and to pay the costs of issuing the bonds. The bonds were rated “Aa3” and “AA-” by Moody’s and S&P, respectively. Bonds mature through October 1, 2042. The true interest cost is 3.6%.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plan

The City maintains a cost-sharing multiple-employer defined benefit pension plan (the Plan), which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges. Due to the relative insignificance of the other employers in the Plan, the City presents disclosure information for the Plan as if it were a single-employer plan. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees' Retirement System (PERS), agent or cost-sharing multiple-employer, public employee pension plans, which cover certain employees in public safety functions, the Port, the Airport, the San Francisco County Transportation Authority and the former Redevelopment Agency and the Successor Agency.

Employees' Retirement System

Plan Description – Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2013 was approximately $2.4 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Legislative Changes to the Plan – In June 2010, the voters of the City approved a Charter amendment to create new benefit plans for miscellaneous employees and firefighter and police employees who are hired on or after July 1, 2010. The new benefit plan covering miscellaneous employees hired on or after July 1, 2010 provides for a service retirement benefit, which is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation. The two new benefit plans covering firefighter and police employees hired on or after July 1, 2010 provide for: a) an increase in required employee contributions from 7.5% of covered compensation in the previous safety plans to 9% of covered compensation, and b) a service retirement benefit, which is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Deferred Retirement Option Program – In February 2008, the voters of the City and County approved a Charter amendment to provide a Deferred Retirement Option Program (DROP) for certain Police members of the Plan to be effective July 1, 2008. An eligible police officer could elect to participate in DROP for a specified period of time up to a maximum of three years depending on the rank of the police officer. While participating in DROP, the police officer continues to work and receive pay as a police officer and accrues monthly DROP distributions posted to a nominal account maintained by the Retirement System. The monthly DROP distribution is equal to the participant's monthly service retirement allowance calculated as of the participant's entry into DROP. Interest at an annual effective rate of 4% and applicable COLAs are posted to the participant's DROP account during participation in DROP. Upon exiting from DROP, the participant receives a lump sum distribution from his or her DROP account and begins to receive a monthly service retirement allowance calculated using age, covered compensation and service frozen as of the date of his or her entry into DROP. DROP was closed to new applicants on June 30, 2011.

(Dollars in Thousands)

Changes in DROP liabilities during the year ended June 30, 2013 are as follows:

DROP liability, beginning of year	$ 27,257
Additions	21,265
Distributions	(28,020)
DROP liability, end of year	$ 20,502

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2012-13 varied from 7% to 9% as a percentage of gross salary. For fiscal year ended June 30, 2013, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2011 actuarial report, the required employer contribution rate for fiscal year 2012-13 ranges from 17.71% to 20.71%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost – The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2011. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.66%; (2) cost of living adjustments of 2% to 5%; and (3) projected wage increases of 3.91% with additional for merit and promotion of 0.85% to 15.00% based on a participant's years of service and membership group The actuarial value of Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and losses assumptions and supplemental COLAs are amortized as a level percentage of pay over an open 15-year period. Plan amendments and changes in interest crediting rate are amortized over a closed 20-year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 308,823	100%	$ -
6/30/2012	410,797	100%	-
6/30/2013	442,870	100%	-

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial value of assets was $16.0 billion; the actuarial accrued liability was $19.4 billion; the total unfunded actuarial accrued liability was $3.4 billion; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 82.6%; the annual covered payroll was $2.4 billion; and the ratio of the unfunded actuarial liability to annual covered payroll was 140.6%. The actuarial assumptions used were the same as described in the Annual Pension Cost section above except the assumptions for the investment rate of return of 7.58% and projected wage increases of 3.83%. The Retirement System's unfunded actuarial accrued liability from its July 1, 2011 actuarial valuation increased $1.1 billion from a deficit of $2.3 billion to a deficit of $3.4 billion primarily due to investment experience during the year ended June 30, 2009. The actuarial value of assets is "smoothed" in order to mitigate the impact of investment performance volatility on employer contribution rates. Under the 5 years smoothing policy adopted by the Retirement Board, the investment losses from fiscal year 2008-09 will not be fully recognized until the July 1, 2013 actuarial valuation, which determines contribution rates for fiscal year 2014-15. As a result, the City's contribution rate is expected to continue to increase over the next three fiscal years even if the fund achieves its investment return assumptions. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Dollars in Thousands)

California Public Employees' Retirement System

Various City public safety, Port, and all Successor Agency and San Francisco County Transportation Authority employees are eligible to participate in PERS. Disclosures for the San Francisco County Transportation Authority and Successor Agency are included in the separately issued financial statements.

Plan Description – The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 100 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy – Miscellaneous plan – Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2012-13 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan – Cost for PERS for fiscal year 2012-13 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ -	N/A	$ -
6/30/2012	-	N/A	-
6/30/2013	-	N/A	-

Safety Plan

Funding Policy – Safety plan – Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 21.58%. The contribution requirements of plan members and the City are established and may be amended by PERS.

(Dollars in Thousands)

Annual Pension Cost – Safety Plan – The cost for PERS for fiscal year 2012-13 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2010 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.55% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% payroll growth. The inflation rate is 3.00%. For the June 30, 2010 actuarial valuation, the average remaining period is 29 years. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	$ 16,664	100%	$ -
6/30/2012	23,888	100%	-
6/30/2013	23,811	100%	-

Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial valuation date, the actuarial value of assets was $788.6 million; the actuarial accrued liability was $836.2 million; the total unfunded actuarial accrued liability was $47.6 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 94.3%; the annual covered payroll was $105.6 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 45.1%. The assumptions included in the June 30, 2011 actuarial valuation were: (a) 7.50% investment rate of return (net of administrative expenses), (b) 3.30% to 14.20% projected annual salary increases that vary by age, service and type of employment, and (c) 3.00% payroll growth The inflation rate is 2.75%. For the June 30, 2011 actuarial valuation, the average remaining period is 32 years. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(b) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) **Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $630.1 million in fiscal year 2012-13. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $193.9 million to provide postemployment health care benefits for 25,141 retired participants, of which $155.9 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(Dollars in Thousands)

(d) **Postemployment Health Care Benefits**

City (excluding the San Francisco County Transportation Authority and the San Francisco Redevelopment Agency)

Plan Description – The City maintains a single-employer, defined benefit other postemployment benefits plan, which provides health care benefits to employees, retired employees, and surviving spouses, through the City's Health Service System outlined above. Health care benefits are provided to members of the Health Service System through three plan choices: City Health Plan, Kaiser, and Blue Shield. The City does not issue a separate report on its other postemployment benefit plan.

The City established the Retiree Health Care Trust Fund to receive contributions for the purpose of providing a funding source for certain postemployment benefits other than pension. The Retiree Health Care Trust Fund is administered by a Retiree Health Care Board of Administration governed by five trustees, one selected by the City Controller, one by the City Treasurer, one by the Executive Director of the San Francisco Employees' Retirement System, and two elected by the active and retired members of the City's Health Service System.

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For fiscal year ended June 30, 2013, the City paid approximately $160.3 million on behalf of its retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation.

The net OPEB obligations are reflected in the statements of net position of the governmental activities, business-type activities, and fiduciary funds. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 408,735
Interest on Net OPEB obligation	57,328
Adjustment to annual required contribution	(47,524)
Annual OPEB cost	418,539
Contribution made	(160,292)
Increase in net OPEB obligation	258,247
Net OPEB obligation - beginning of year	1,348,883
Net OPEB obligation - end of year	$ 1,607,130

The table below shows how the total net OPEB obligation as of June 30, 2013, is distributed.

Governmental activities	$ 899,970
Business-type activities	658,008
Fiduciary funds	49,152
Net OPEB obligation - end of year	$ 1,607,130

(Dollars in Thousands)

Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 392,151	37.2%	$ 1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty year period. As of July 1, 2010, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.1%. The actuarial accrued liability for benefits was $4.42 billion, and the actuarial value of assets was $3.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.42 billion. As of July 1, 2010, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.39 billion and the ratio of the UAAL to the covered payroll was 184.6%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements for the City, SFCTA, and the Successor Agency present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2010, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). Unfunded liabilities are amortized using the level percentage of expected payroll over an open 30-year period. The actuarial assumptions included a 4.25% investment rate of return on investment; 4.0% payroll growth; and an ultimate medical inflation rate of 4.75% over 18 years.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City and County of San Francisco. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities. The RHCTF may not pay benefits from the Trust before January 1, 2020.

(Dollars in Thousands)

Proposition A was passed by voters on November 5, 2013, and will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board to make payments toward City retiree health care cost from the City's account in the fund only when Trust Fund is fully funded or only under certain circumstances. The City and its employees make contributions to the Fund. The Trust Board may not use these contributions to pay for retiree health care costs until January 1, 2020.

The Charter amendment will prohibit withdrawals from the Trust Fund until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the Trust Fund balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the Retiree Health Care Trust Fund Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The San Francisco County Transportation Authority (SFCTA) maintains a separate single-employer defined benefit OPEB plan for retiree health care benefits and reported a net OPEB obligation of $0 as of June 30, 2013. As of June 30, 2011, the most recent actuarial valuation date, the plan's actuarial accrued liability (AAL) was $0.7 million, actuarial value of plan assets was $0.4 million, and unfunded actuarial accrued liability (UAAL) was $0.3 million, resulting in a funded ratio of 60.4%. The SFCTA's covered payroll was $3.3 million, and its UAAL as a percentage of covered payroll was 8.2%. Details of SFCTA's OPEB plan may be found in its financial statements for the year ended June 30, 2013. Financial statements for SFCTA can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

As of June 30, 2013, the SFCTA's annual OPEB expense of $163 was equal to the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 113	100%	$ -
6/30/2012	158	100%	-
6/30/2013	163	100%	-

Successor Agency

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by PERS and provides monthly retiree medical benefit contributions. Premiums in excess of the above Successor Agency contributions are paid by the retirees. Benefits provisions are established and may be amended by the Successor Agency.

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by PERS and is an agent multiple-employer trust. Copies of PERS' financial report may be obtained from PERS website at www.calpers.ca.gov or from PERS at 400 "Q" Street, Sacramento, California 95811.

(Dollars in Thousands)

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2013, the Successor Agency contributed $1.0 million to the plan for current benefit payments.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. The Successor Agency's annual required contribution for the year ended June 30, 2013 is the sum of (a) normal cost and (b) a 25-year level percentage amortization of the June 30, 2012 unfunded liability.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2013, and the changes in the net OPEB obligation:

Annual required contribution	$ 1,320
Interest on Net OPEB obligation	67
Adjustment to annual required contribution	(81)
Annual OPEB cost	1,306
Contribution made	(1,006)
Increase in net OPEB obligation	300
Net OPEB obligation - beginning of year	921
Net OPEB obligation - end of year	$ 1,221

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011 *	$ 1,346	113%	$ 470
1/31/2012 **	747	65%	733
6/30/2012 ***	533	65%	921
6/30/2013	1,306	77%	1,221

* Represents trend information for the former Agency for the fiscal year.
** Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.
*** Represents trend information for the Successor Agency for the period February 1, 2012 through June 30, 2012.

Funded Status and Funding Progress – The funded status of the plan of the former Agency as of June 30, 2011, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	$	14,390
Actuarial value of plan assets		1,856
Unfunded actuarial accrued liability (UAAL)	$	12,534
Funded ratio (actuarial value of plan assets/AAL)		12.9%
Covered payroll (active plan memebers)	$	4,185
UAAL as a percentage of covered payroll		299.5%

As of June 30, 2013, no actuarial valuation was performed for the Successor Agency's postemployment healthcare plan.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution of the plan was determined based on the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) a discount rate of 7.25%, (b) PERS 1997–2007 Experience Study for Males and Females, (c) actual PEMCHA premiums, (d) pre-Medicare healthcare cost increases: 8.5% for 2014 graded down to 5.0% over 7 years, (e) post-Medicare healthcare cost increases: 8.9% graded down to 5.0% over 7 years, (e) 3.25% for projected payroll growth. The Successor Agency's unfunded actuarial accrued liability is being amortized as a level dollar amount over 26 years remaining on June 30, 2011.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The San Francisco County Transportation Authority (SFCTA) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax are set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The SFCTA was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MTA Metro Network; B) construction of the MTA Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (reenvisioned as the Presidio Parkway). After 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the SFCTA may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the SFCTA Board may adopt an updated Expenditure Plan anytime after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the SFCTA directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax. In addition to the sales tax program, the SFCTA also administers the following programs:

Congestion Management Agency Programs. On November 6, 1990, the SFCTA was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the SFCTA is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the SFCTA was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the Transportation Fund for Clean Air (TFCA) program. Funds from this program, administered by the Bay Area Air Quality Management District (BAAQMD) come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the SFCTA recommends projects that benefit air quality by reducing motor vehicle emissions.

Prop AA Program. On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the SFCTA to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis following the category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the SFCTA Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17).The Prop AA program is a pay-as-you-go program. The SFCTA could use up to 5% of the funds for administrative costs.

(11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (Airport), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2012 from the Airports Council International (ACI), the Airport is one of the largest airports in the United States both in terms of passengers (seventh) and air cargo (eighteenth). The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Pledged Revenues under the 1991 Master Resolution – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

(Dollars in Thousands)

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(a) Net revenues (as defined in the bond resolutions) in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make all payments required to be made to the City and

(b) Net revenues, together with any transfer from the contingency account to the revenue account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from the U.S. generally accepted accounting principles used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of $609.1 million was approved by the FAA in September 2006. The current authority to impose PFCs is estimated to end January 1, 2017. For the year ended June 30, 2013, the Airport reported approximately $84.3 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were $87.0 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2013, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2013 are as follows:

Construction	$ 35,909
Operating	7,724
Total	$ 43,633

Transactions with Other Funds and Business Concentrations – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment, to the City's General Fund, equal to 15% of concession revenue, but not less than $5 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2013 was $36.5 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City

Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2013 was $118.3 million.

In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. During the year ended June 30, 2013, revenues realized from the following Airport tenants exceeded five percent of the Airport's total operating revenues:

United Airlines 22.2%

(b) **Port of San Francisco**

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay $36.7 million in Revenue Bonds issued in 2010. Annual principal and interest payments through 2040 are expected to require less than 16% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is $66.9 million. The principal and interest payments made in 2013 were $2.8 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2013 were $18.6 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is $3.7 million. Annual principal and interest payments were $0.2 million in 2013 and pledged harbor revenues were $0.1 million for the year ended June 30, 2013.

The Exploratorium – The Port's lease with the Exploratorium for Piers 15-17 commenced on November 3, 2010. Project construction, including substructure repair and seismic work valued in excess of $65 million, has been completed. In consideration for performing certain substructure repair and other work, the Port has granted to the tenant rent credits equivalent to 100% of Pier 15 minimum rent due under the lease for the first fifty years. The Exploratorium opened to the public in April 2013.

Pier 29 Fire – On June 20, 2012, a fire caused damage to the Pier 29 bulkhead and shed building. Required repair, replacement and certain improvement work, including code upgrades, is covered by insurance, after a deductible of $500,000. The total value of the insured loss has not yet been determined and the Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled. Insurance proceeds totaling $11.4 million have been received pursuant to preliminary claims filed by the Port through June 30, 2013.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2013, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $11.0 million for capital projects and $3.1 million for general operations.

The San Francisco Clean and Safe Neighborhood Parks Bond general obligation bond issued in 2012 included $34.5 million and in 2008 $33.5 million for funding allocated for parks and open space projects currently in progress on Port property. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2013, $46.6 million of Port funds have been appropriated and $27.1 million has been expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

Related Party Transactions – The Port receives from, and provides services to, various City departments. In 2013, the $17.2 million in services provided by other City departments included $1.8 million of insurance premiums and $0.8 million in workers' compensation expense. In 2012 the $16.4 million in services provided by other City departments included $1.7 million of insurance premiums and $0.5 million in workers' compensation expense.

South Beach Harbor Project Obligations – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. The Port and the Successor Agency are in discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and associated obligations, if any.

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service, but berthing rate increases are required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Certain public access and other improvements required under BCDC Permit Amendment No. 17 for the South Beach Harbor Project have not been completed by the Successor Agency to the Redevelopment Agency. The required improvements, last estimated in 2004 to cost $6.2 million, must be completed by December 31, 2017.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

The Port undertook a public planning process to produce a preferred master plan for an underutilized 65-acre area commonly known as "Pier 70". A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. The 65-acre site has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

The environmental investigation work includes preparation of a feasibility study to evaluate potential remedial action; a remedial action plan, which will establish institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impacts to the environment. Future development will likely cover existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The contractor prepared an earlier report in 2009 describing potential remediation scenarios for Pier 70 site and probability of certain contamination being encountered in soil, soil vapor or groundwater, and various degrees of remediation that would be required. The model calculation estimated that soil, groundwater, and soil vapor remediation and/or management (excluding hazardous building materials such as asbestos or lead-based paint) would cost between $15.0 million and $50.0 million, with a most likely probability-weighted estimated cost of $27.5 million. The investigation work, completed in 2011, reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan.

After stakeholder and regulatory reviews, the final report, "Feasibility Study and Remedial Action Plan, Pier 70 Master Plan Area", was issued on May 31, 2012. In August 2012, the Port received the Regional Water Quality Control Board's official approval of the final report and its direction to proceed with preparing a risk management plan to implement the remedial action alternative that consisted of durable covers and institutional controls as described in the report. Using the two most likely discrete remediation scenarios (that entail the use of durable covers), Port management was able to reduce the probability-weighted remediation cost estimated as of June 30, 2012 to $13.5 million. The public comment period for the draft Risk Management Plan concluded on March 29, 2013. The final draft plan contemplates the selection of one specific remedial action alternative. Final approval by the RWQCB is pending. At June 30, 2013, the accrued cost for pollution remediation is reduced to $10.7 million based on likely acceptance and implementation of that alternative.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State. Certain Port facility projects in 2013 included costs for remediation or mitigation work, including $0.6 million for the removal of various transformers at Pier 70 in connection with shoreside power project, over $0.7 million in connection with the insurance-funded Pier 29 fire repair building stabilization work, and $0.2 million in connection with Pier 36 demolition and removal. Before releasing facilities for use under AC34 venue leases, the Port completed approximately $0.2 million of lead abatement work.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2013, is as follows (in thousands):

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2012	$ 13,503	$ 93	$ 13,596
Current year claims and changes in estimates	(2,811)	83	(2,728)
Vendor payments	(22)	(13)	(35)
Environmental liabilities at June 30, 2013	$ 10,670	$ 163	$ 10,833

(c) **San Francisco Water Enterprise**

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Enterprise sold water, approximately 78,500 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

(Dollars in Thousands)

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2013 and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	$ 4,457,970
Principal and interest remaining due at the end of the year	8,363,585
Principal and interest paid during the year	248,530
Net revenue for the year ended June 30	548,224
Funds available for revenue bond debt service	574,968

During fiscal year 2013, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $174.7 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2013, the City owed the Wholesale Customers $23.5 million or $19.4 million net of receivable under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2013, the Water Enterprise had outstanding commitments with third parties of $712.7 million for various capital projects and for materials and supplies.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $35.1 million and $8.4 million, respectively, for the year ended June 30, 2013, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $14.2 million for the year ended June 30, 2013 and have been included in services provided by other departments.

(d) Hetch Hetchy Water and Power Enterprise

San Francisco Hetch Hetchy Water and Power was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power (aka the Power Enterprise) and Hetch Hetchy Water, a portion of the Water Enterprise's operations, specifically the up-country water supply and transmission service for the latter. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource.

(Dollars in Thousands)

Approximately 73% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 27% balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or deposited into an energy bank account under the City's agreement with Pacific Gas and Electric Company (PG&E). Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, State and Federal power matters before the California Public Utilities Commission (CPUC), the California Independent System Operator (CAISO), and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. Both the Hetch Hetchy Water fund and the Hetch Hetchy Power fund are reported for in a single enterprise (i.e., Hetch Hetchy Water and Power Enterprise). However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position

	Hetch Hetchy Water	Hetch Hetchy Power	Total
Assets:			
Current assets	$ 50,756	$ 163,240	$ 213,996
Receivables from other funds and component units	-	16,417	16,417
Noncurrent restricted cash and investments	8,420	7,196	15,616
Other noncurrent assets	4	397	401
Capital assets	91,228	257,682	348,910
Total assets	150,408	444,932	595,340
Liabilities:			
Current liabilities	3,432	16,987	20,419
Noncurrent liabilities	8,083	48,361	56,444
Total liabilities	11,515	65,348	76,863
Net position:			
Net investment in capital assets	91,228	232,209	323,437
Restricted for capital projects	7,752	-	7,752
Unrestricted	39,913	147,375	187,288
Total net position	$ 138,893	$ 379,584	$ 518,477

(Dollars in Thousands)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Hetch Hetchy Water	Hetch Hetchy Power	Total
Operating revenues	$ 37,394	$ 96,533	$ 133,927
Depreciation expense	(4,378)	(11,079)	(15,457)
Other operating expenses	(30,523)	(82,180)	(112,703)
Net operating income	2,493	3,274	5,767
Nonoperating revenues (expenses):			
Federal grants	-	373	373
Interest and investment income (loss)	(344)	139	(205)
Interest expense	-	(1,630)	(1,630)
Other nonoperating revenues (expenses)	222	1,494	1,716
Transfers in (out), net	-	(196)	(196)
Change in net position	2,371	3,454	5,825
Net position at beginning of year	136,522	376,130	512,652
Net position at end of year	$ 138,893	$ 379,584	$ 518,477

Condensed Statements of Cash Flows

	Hetch Hetchy Water	Hetch Hetchy Power	Total
Net cash provided by (used in):			
Operating activities	$ 8,080	$ 10,685	$ 18,765
Noncapital financing activities	-	97	97
Capital and related financing activities	(8,133)	(21,251)	(29,384)
Investing activities	(322)	395	73
Change in net position	(375)	(10,074)	(10,449)
Cash and cash equivalents at beginning of year	58,769	164,441	223,210
Cash and cash equivalents at end of year	$ 58,394	$ 154,367	$ 212,761

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay bonds, issued since fiscal year 2009. Proceeds from the bonds provided financing for various capital construction projects. These bonds are payable solely from net power revenues of Hetch Hetchy Power and are payable through the year ending 2028.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2013, and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	$ 21,216
Principal and interest remaining due at the end of the year	23,841
Principal and interest paid during the year	1,907
Funds available for revenue bond debt service	14,697

Commitments and Contingencies **–** As of June 30, 2013, Hetch Hetchy Water and Power had outstanding commitments with third parties of $27.0 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto and Turlock Irrigation Districts (the Districts) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were $4.4 million in fiscal year 2013. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

Hetch Hetchy Power

In April 1988, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007. The renegotiated agreement with MID became effective January 1, 2008, removed Hetch Hetchy's obligation to provide firm power, and eliminated MID's rights to excess energy from the project. This agreement expires June 30, 2015. In April 2005, Hetch Hetchy Power amended the terms of the agreement with Turlock Irrigation District (TID). The settlement agreement, between the City and TID, restates and amends the power sales agreement and terminates Hetch Hetchy's obligation to provide firm power at below market costs to TID to the end of the agreement's term on June 30, 2015. Hetch Hetchy will continue to comply with the Raker Act by making water system generated hydropower available at cost to MID and TID for its agricultural pumping and municipal loads as energy is available. For fiscal year 2012-13, energy sales to the Districts totaled 227,544 megawatt hours (MWh) or $8.3 million.

Effective September 2007, the City renegotiated the Interconnection Agreement (agreement) with PG&E to provide transmission and distribution services on PG&E's system where needed to deliver the Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides supplemental power and energy banking and other support services to Hetch Hetchy Power. The PG&E agreement provides audit rights to allow PG&E to review past billings paid by Hetch Hetchy Power and to retroactively (up to two years) adjust these payments as determined necessary. During fiscal year 2012-13, Hetch Hetchy purchased $13.9 million of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The PG&E agreement contains a contractual provision allowing Hetch Hetchy Power to bank excess power produced, with a maximum of 110,000 of MWh. During fiscal year 2012-13, Hetch Hetchy Power generated 1,304,498 MWh of power, banked (deposited) in Deferred Delivery Account (DDA) 98,364 MWh and used (withdrew) 105,071 MWh. At June 30, 2013, the balance in the bank was 95,598 MWh or $3.0 million.

Hetch Hetchy is exposed to risks that could negatively impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the financial results of Hetch Hetchy are sensitive to variability in watershed hydrology and market prices for energy.

Transactions with Other Funds –The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $35.1 million and purchased electricity for $8.4 million for the year ended June 30, 2013. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $8.4 million for the year ended June 30, 2013.

(Dollars in Thousands)

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately $6.7 million for the year ended June 30, 2013 and have been included in services provided by other departments.

(e) **Municipal Transportation Agency**

The San Francisco Municipal Transportation Agency (MTA) is governed by the MTA Board of Directors. The MTA includes the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (MUNI), traffic and parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter-entity transactions have been eliminated.

Proposition E passed by the San Francisco voters in November 1999 amended the City Charter, calling for the creation of the MTA by consolidating MUNI and Department of Parking and Traffic (now named as Sustainable Streets) by July 1, 2002. The incorporation is intended to support the City's Transit First Policy. The MTA's Sustainable Streets manages 40 City-owned garages and metered parking lots. It also manages all traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. In March 2009, the former Taxi Commission was merged with the MTA, which then has assumed responsibility for taxi regulation to advance industry reforms. Two non-profit garage corporations (Ellis O'Farrell Parking Corporation and Downtown Parking Corporation) did not enter into a new lease executed by MTA in June, 2012, and opted to dissolve. In January 2013, all operations and financial reporting of these two garages have been transferred to Sustainable Streets. Three remaining non-profit parking garage corporations operate to provide operational oversight of four garages.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the MTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the MTA Board of Directors and concurrence by the Board of Supervisors. The MTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all MTA revenues except for City General Fund allocations and restricted sources.

In fiscal year 2013, the MTA issued its first revenue bonds, Serial 2012A and 2012B. Series 2012A Bonds were issued to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation. Series 2012B Bonds is new money to finance a portion of the costs of various capital projects for the MTA.

Annual principal and interest payments for fiscal year 2013 were less than 4% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2013 and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	$ 63,795
Principal and interest remaining due at the end of the year	102,024
Principal and interest paid during the year	4,848
Net revenue for the year	128,090
Fund available for revenue bond debt service	133,021

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MTA and Sustainable Streets as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the MTA was $287.9 million in fiscal year 2012-13. The General Fund subsidy includes a total revenue baseline transfer of $222.6 million, as required by the City Charter and $65.3 million from an allocation of the City's parking tax.

The MTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2013, MTA had approved capital grants with unused balances amounting to $878.0 million. Capital grants receivable as of June 30, 2013 totaled $82.9 million.

The MTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2013, the MTA had various operating grants receivable of $19.6 million. In fiscal year 2013, the MTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.1 million and other federal, state and local grants of $9.1 million to fund project expenses that are operating in nature.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The MTA received cash totaling $136.5 million in fiscal year 2013 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2013, $41.4 million drawdowns were made from the funds for various eligible projects costs.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs, in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MTA from parking revenues and the General Fund.

Commitments and Contingencies – The MTA has outstanding contract commitments of approximately $349.5 million, with third parties, for various capital projects. Grant funding is available for a majority of this amount. The MTA also has outstanding commitments of approximately $63.5 million, with third parties, for non-capital expenditures. Various local funding sources are used to finance these expenditures. The MTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2
In April 2002 and in September 2003, following the approval of the Federal Transit Administration, MTA Board of Directors, and the City's Board of Supervisors, MTA entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, MTA may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, MTA maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

MTA received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. MTA deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. MTA also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of MTA's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that MTA will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the MTA as of June 30, 2013. The terms of the SILO documents require MTA to replace AGM, as successor to FSA, if its ratings are downgraded below "BBB+" by S&P or "Baa1" by Moody's. AGM's current ratings of "AA-" from S&P and "A2" from Moody's satisfy this requirement.

In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction was terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require MTA to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. On January 17, 2013, Moody's downgraded AGM's rating to A2. Failure of MTA to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an investor could allow such investor, in effect, to issue a default notice to MTA. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, MTA could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2013 after giving effect to the market value of the securities in the escrow accounts, would approximate $87.56 million. The scheduled termination costs increase over the next several years. As of June 30, 2013, no investor has demanded the replacement of AGM as the surety provider.

MTA recorded deferred revenue of $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, for the difference between the amounts received of $388.2 million and $72.6 million, respectively, and the amounts paid to the escrows and the debt payment undertaker of $352.7 million and $67.5 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million and $0.2 million in fiscal year 2012-13.

(f) Laguna Honda Hospital

General Fund Subsidy – The Laguna Honda Hospital (LHH) is a skilled nursing facility, which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2013, the subsidy for LHH was $84.2 million.

Net Patient Services Revenue – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements – LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

(Dollars in Thousands)

During the year ended June 30, 2013, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable................	$ 46,777	$ 3,203	$ 1,328	$ 51,308
Less:				-
Contractual Allowances..................	(28,135)	(1,927)	(824)	(30,886)
Total, net..................................	$ 18,642	$ 1,276	$ 504	$ 20,422

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross revenue..................................	$ 264,502	$ 16,623	$ 7,111	$ 288,236
Less:				
Contractual allowances......................	(135,043)	(12,355)	(8,318)	(155,716)
Total, net....................................	$ 129,459	$ 4,268	$ (1,207)	$ 132,520

Because Medi-Cal reimbursement rates are less than LHH's established rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2013, LHH accrued and recognized $36.6 million of revenue as a result of matching federal funds to local funds.

Deferred Credits and Other Liabilities – As of June 30, 2013, LHH recorded approximately $28.0 million in other liabilities for third-party payor settlements payable.

As of June 30, 2013, LHH has entered into various purchase contracts totaling approximately $8.7 million that are related to the old building remodel phase of the Replacement Project.

(g) **San Francisco General Hospital Medical Center**

General Fund Subsidy – San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2013, the subsidy for SFGH was $129.1 million.

Net Patient Services Revenue – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

(Dollars in Thousands)

Third-Party Payor Agreements – SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2013, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 223,338	$ 94,445	$ 121,064	$ 438,847
Less:				
Contractual Allowances	(196,902)	(80,533)	(60,320)	(337,755)
Bad Debt	-	-	(38,286)	(38,286)
Total, Net Accounts Receivable	$ 26,436	$ 13,912	$ 22,458	$ 62,806

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 791,801	$ 440,369	$ 1,443,096	$ 2,675,266
Less:				
Contractual Allowances	(666,347)	(346,850)	(825,056)	(1,838,253)
Bad Debt	-	-	(108,302)	(108,302)
Total, Net Patient Service Revenue.	$ 125,454	$ 93,519	$ 509,738	$ 728,711

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program. The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated $233.0 million for the year ended June 30, 2013.

The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes. The Low Income Health Program (LIHP) is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program builds off and expands the previous Health Care Coverage Initiative (HCCI). Revenues recognized under the LIHP approximated $27.5 million for the year ended June 30, 2013. The LIHP covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco

Program section below. In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2013, reimbursement under the Short-Doyle Program amounted to approximately $5.4 million and is included in net patient service revenue.

Deferred Credits and Other Liabilities – As of June 30, 2013, SFGH recorded approximately $83.2 million in deferred credits and other liabilities, which was comprised of $54.9 million in deferred credits related to receipts under Safety Net Care Pool and AB915 programs, and $28.3 million in third-party payor settlements payable.

Charity Care – SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $414.6 million and estimated costs and expenses to provide charity care were $135.0 million in fiscal year 2013.

Other Nonoperating Revenues – The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. For the year ended June 30, 2013, SFGH recognized $48.7 million as other nonoperating revenue for realignment funding.

Contract with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2013, was approximately $ 141.6 million.

SFGH Rebuild – In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in fiscal year 2007. Schematic design of the new building is complete and the project cost is estimated at $887.4 million.

The majority of the funding for the Rebuild will be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2013, General Obligation Bonds, in the amount of $677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

Healthy San Francisco Program – In July 2007, the City's Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Uninsured San Francisco residents between the ages of 18-64 with incomes at or below 500% of the federal poverty level (FPL) are eligible for the HSF. Participants with household income above 100% FPL pay a quarterly fee based on their income.

(Dollars in Thousands)

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH is a new federally-supported health access program that provides affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. On December 31, 2013, all enrolled participants will transition automatically to Medi-Cal or have the opportunity to purchase health insurance through California's health benefit exchange (Covered California). The Department estimates that over 12,000 individuals will transition seamlessly into Medi-Cal effective January 1, 2014. SF PATH will continue to enroll participants through the end of the year, but will close on December 31, 2013. Healthy San Francisco will still be needed for those San Francisco residents who do not qualify for new health insurance options under the Affordable Care Act (ACA) and will continue to enroll eligible participants.

As of June 30, 2013, over 51,161 uninsured adult residents were enrolled in HSF. Combined with the nearly 10,000 participants in SF PATH, both programs provided care to approximately 73% of the estimated 84,000 uninsured adult residents. In addition to increasing access by serving more uninsured adults, the program also expanded access by increasing the number of primary care medical homes that participate in the program. HSF ended fiscal year 2013 with 37 primary care medical homes – a 37% increase from fiscal year 2007-08 (the program's first year).

Commitments and Contingencies – At the end of the fiscal year, SFGH has approximately $4.3 million in commitments for various capital projects.

(h) **San Francisco Wastewater Enterprise**

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,308 residential accounts, which discharge about 18.0 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,137 non-residential accounts, which discharge about 8.5 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net power revenues of Wastewater Enterprise and are payable through fiscal year ending 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2013, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 764,550
Principal and interest remaining due at the end of the year	1,339,346
Principal and interest paid during the year	38,750
Net revenues for the year	74,047
Funds available for bond debt service	154,141

Commitments and Contingencies **–** As of June 30, 2013, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $130.4 million.

Pollution Remediation Obligations **–** The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs. The liability balance remained at $571 as of June 30, 2013.

(i) **San Francisco Market Corporation**

The City of San Francisco Market Corporation (Corporation) is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

On February 1, 2013, the Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing SFWPM stakeholders separate from the City. The SFWPM constituted the primary activities of the Corporation. It is expected that the Corporation will wind down and dissolve in December 2013 or early 2014.

(12) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan ("LRPMP") to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six month of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and will submit it to DOF prior to the deadline of November 29, 2013.

(Dollars in Thousands)

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2013, a summary of changes in capital assets was as follows:

	Balance July 1, 2012	Additions	Balance June 30, 2013
Capital assets not being depreciated:			
Land held for lease	$ 30,363	$ 29,019 *	$ 59,382
Construction in progress	-	1,291	1,291
Total capital assets not being depreciated	30,363	30,310	60,673
Capital assets being depreciated:			
Furniture and equipment	8,144	-	8,144
Building and improvements	223,474	1,547	225,021
Total capital assets being depreciated	231,618	1,547	233,165
Less accumulated depreciation for:			
Furniture and equipment	(8,028)	(27)	(8,055)
Building and improvements	(78,622)	(5,479)	(84,101)
Total accumulated depreciation	(86,650)	(5,506)	(92,156)
Total capital assets being depreciated, net	144,968	(3,959)	141,009
Total capital assets, net	$ 175,331	$ 26,351	$ 201,682

* Amount represents assets transferred from the City on July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Lease Revenue Bonds:			
Moscone Convention Center [(a)]	2015	7.05%	$ 4,347
Hotel tax revenue bonds [(b)]	2025	2.00% - 5.00%	41,750
Financing Authority Bonds:			
Tax allocation revenue bonds [(c)]	2042	2.92% - 9.00%	889,979
South Beach Harbor Variable Rate Refunding bonds [(d)]	2017	3.50%	4,500
California Department of Boating and Waterways Loan [(e)]	2037	4.50%	7,482
Total long-term bonds and loans			$ 948,058

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.

(b) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.

(c) Redevelopment property tax revenues and existing debt service/escrow trust funds.

(d) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.

(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.66 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2013 was $114.0 million as against the total debt service payment of $94.8 million.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately $19.5 million. The lease payments received during the year ended through June 30, 2013 was $12.8 million, which equaled the total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $56.3 million. The hotel tax revenue recognized during the year ended June 30, 2013 was $3.2 million as against the total debt service payment of $3.2 million.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2013, are as follows:

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013
Bonds payable:				
Tax revenue bonds	$ 979,896	$ -	$ (43,667)	$ 936,229
Lease revenue bonds	7,478	-	(3,131)	4,347
Less deferred amounts:				
For issuance premiums	7,165	-	(842)	6,323
For issuance discounts	(5,461)	-	255	(5,206)
On refunding	(3,851)	-	463	(3,388)
Total bonds payable	985,227	-	(46,922)	938,305
Accreted interest payable	52,121	6,042	(11,881)	46,282
Notes, loans, and other payables	7,673	-	(191)	7,482
Accrued vacation and sick leave pay	988	812	(558)	1,242
Other postemployment benefits obligation	921	1,306	(1,006)	1,221
Successor Agency - long-term obligations	$ 1,046,930	$ 8,160	$ (60,558)	$ 994,532

As of June 30, 2013, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows (in thousands):

Fiscal Year Ending June 30	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2014	$ 45,966	$ 53,704	$ 2,921	$ 9,899	$ 199	$ 337	$ 49,086	$ 63,940
2015	51,875	50,484	1,426	5,279	208	328	53,509	56,091
2016	53,375	46,583	-	-	218	318	53,593	46,901
2017	54,380	43,879	-	-	227	309	54,607	44,188
2018	56,750	41,093	-	-	238	298	56,988	41,391
2019-2023	208,562	192,389	-	-	1,358	1,321	209,920	193,710
2024-2028	126,233	168,163	-	-	1,693	987	127,926	169,150
2029-2033	128,093	112,023	-	-	2,110	570	130,203	112,593
2034-2038	134,175	67,781	-	-	1,231	100	135,406	67,881
2039-2042	76,820	11,019	-	-	-	-	76,820	11,019
Total	$ 936,229	$ 787,118	$ 4,347	$ 15,178	$ 7,482	$ 4,568	$ 948,058	$ 806,864

Mortgage Revenue Bonds and Other Conduit Debt – In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $358 million as of June 30, 2013 have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

(Dollars in Thousands)

Due to/Advances from the Primary Government – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. As of June 30, 2013, the long-term balance due to the City's General Fund was $20.1 million. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. During the year ended June 30, 2013, the City advanced $5.7 million in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of $0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $2.2 million to the City.

The short-term balance of $2.4 million consists of $0.9 million in Jessie Square reimbursement payments due to the City's General Fund and $1.5 million in payments for services provided by the City, of which $1.3 million is due to the General Fund and $0.2 million is due to other nonmajor governmental funds.

The amounts due to the City are offset by $0.3 million due from the City's Low and Moderate Income Housing Asset nonmajor governmental fund to the Successor Agency.

(c) Commitments and Contingencies Related to the Successor Agency

At June 30, 2013, the Successor Agency had outstanding encumbrances totaling approximately $2.8 million.

During the fiscal year ended June 30, 2013, the Successor Agency carried property insurance with a $0.3 million deductible (reduced to $0.05 million beginning July 1, 2013) and workers' compensation insurance through the State Compensation Insurance Fund up to statutorily determined limits. Prior to dissolution in 2012, the Successor Agency obtained liability insurance through membership in the Bay Cities Joint Powers Insurance Authority. During the fiscal year ended June 30, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

The Successor Agency has noncancelable operating leases for its office sites, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

Fiscal Years			Fiscal Years		
2014	$	1,311	2024-2028	$	4,351
2015		870	2029-2033		4,351
2016		870	2034-2038		4,351
2017		870	2039-2043		4,351
2018		870	2044-2048		4,350
2019-2023		4,351	2049-2051		1,958
			Total	$	32,854

Rent payments totaling $0.9 million are included in the Successor Agency's financial statements for the year ended June 30, 2013.

The Successor Agency assumed noncancelable operating leases from the former Agency on various facilities within the Yerba Buena Center, Western Addition and Hunters Point, South of Market, Mission Bay North, and South Beach Harbor project areas. The minimum future rental income are as follows (in thousands):

Fiscal Years			Fiscal Years		
2014	$	4,222	2024-2028	$	22,508
2015		4,280	2029-2033		22,626
2016		4,240	2034-2038		21,582
2017		3,985	2039-2043		19,904
2018		3,866	2044-2048		14,444
2019-2023		19,682	2049-2050		988
			Total	$	142,327

For the year ended June 30, 2013, operating lease rental income for noncancelable operating leases was $9.7 million. Within the operating lease rental income, $5.4 million represents contingent rental income received. At June 30, 2013, the leased assets had a net book value of $41.2 million.

The former Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Successor Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $47.7 million. As of June 30, 2013, management has assigned approximately $4.8 million for the standby payment agreements. It is management's intent to assign 10% of the estimated maximum obligation.

(13) Treasure Island Development Authority

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's history. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the

Treasure Island Homeless Development Initiative (TIHDI). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones in the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a major milestone in moving the project closer towards implementation.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, jobs and equal opportunity programs, community facilities and project financing, and provide a holistic picture of the future development. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report as well as approved project entitlements. These project approvals were a key milestone in realizing a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring. Pending property transfer from the Navy, the first phase of infrastructure construction should begin in the fourth quarter of 2014 with vertical construction beginning in 2015. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, amended in November 2011 and later in July 2013, the SFCTA entered into a loan agreement with TIDA in the amount of $11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the SFCTA for all project costs incurred by the SFCTA and accrued interest, less federal government reimbursements to the SFCTA. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the SFCTA's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the SFCTA for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18.8 million. The repayment to the SFCTA may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2013. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the SFCTA for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the SFCTA's borrowing rate, whichever is applicable, beginning on the date of the SFCTA's reimbursement claim to Caltrans until the SFCTA costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy.

As of June 30, 2013, TIDA has drawn down $9.9 million on the loan with the SFCTA and accrued $0.4 million in interest. At June 30, 2013, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	$ -	$ 10,336	$ 10,336
SFCTA	YBI expenses	220	-	220
Hetch Hetchy	Utility operations under MOU	200	828	1,028
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 420	$ 13,763	$ 14,183

(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2013 is as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 11,681
	Internal Service Funds	32
	San Francisco Water Enterprise	40
		11,753
Nonmajor Governmental Funds	General Fund	395
	Nonmajor Governmental Funds	316
	Internal Service Funds	1,931
	Municipal Transportation Agency	33
	Port of San Francisco	26,785
		29,460
San Francisco Water Enterprise	Nonmajor Governmental Funds	268
Hetch Hetchy Water and Power Enterprise	General Fund	475
	Nonmajor Governmental Funds	8,606
	Port of San Francisco	505
	General Hospital Medical Center	1,198
	San Francisco Wastewater Enterprise	2,006
		12,790
Municipal Transportation Agency	Nonmajor Governmental Funds	6,462
Port of San Francisco	Nonmajor Governmental Funds	435
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	88
Total		$ 61,256

(Dollars in Thousands)

In addition to the routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA. At June 30, 2013, Hetch Hetchy loaned $11.2 million to other City funds. Hetch Hetchy is also due $1.6 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for living machine equipment.

The Port also has an obligation to General Fund of $26.8 million, which represents the total amount of commercial paper draws used to fund the expenditures incurred to date on authorized Port projects and related costs. The due from nonmajor governmental fund of $0.4 million is for a capital project reimbursement due from the SFCTA. The Port also received an advance of $0.5 million from Hetch Hetchy Water and Power Enterprise for an energy efficiency project.

The MTA has a receivable from nonmajor governmental fund of $6.5 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise (1)	Component unit - Treasure Island Development Authority	$ 200
Primary government - Nonmajor Governmental Fund (1)	Component unit - Treasure Island Development Authority	220
Primary government - General fund (2)	Successor Agency	2,179
Primary government - Nonmajor Governmental Fund (2)	Successor Agency	237
Successor Agency (2)	Primary government - Nonmajor Governmental Fund	280

Advance to component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise (1)	Component unit - Treasure Island Development Authority	$ 3,427
Primary government - Nonmajor Governmental Fund (1)	Component unit - Treasure Island Development Authority	10,336
Primary government - General fund (2)	Successor Agency	20,067

(1) See discussion at Note 13.
(2) See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In:									
	Funds									
Funds	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Municipal Transportation Agency	San Francisco General Hospital	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General fund..................	$ -	$ 138,545	$ 177	$ 800	$ 287,860	$ 129,069	$ -	$ 1,310	$ 89,151	$ 646,912
Nonmajor governmental funds.....	4,937	102,196	-	65,575	91,971	-	919	18,255	28	283,881
Internal Service Funds....	324	-	-	-	-	-	-	-	-	324
San Francisco International Airport.....	36,464	-	-	-	-	-	-	-	-	36,464
Water Enterprise...........	-	2,891	-	-	-	-	-	-	-	2,891
Hetch Hetchy................	173	23	-	-	-	-	-	-	-	196
Municipal Transportation Agency.	-	3,811	-	-	-	-	-	-	-	3,811
San Francisco General Hospital.........	153,349	-	-	-	-	-	-	-	127	153,476
Wastewater Enterprise...	-	31	-	-	-	-	-	-	-	31
Port of San Francisco....	-	-	-	-	-	-	-	-	-	-
Laguna Honda Hospital...	25	4,965	-	-	-	9,287	-	-	-	14,277
Total transfers out	$ 195,272	$ 252,462	$ 177	$ 66,375	$ 379,831	$ 138,356	$ 919	$ 19,565	$ 89,306	$ 1,142,263

The $646.9 million General Fund transfer out includes a total of $501.1 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). Laguna Honda Hospital also received operating transfer in of $5.0 million from General Fund. The transfer of $138.5 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

In connection with a memorandum of understanding, the General Fund reimbursed the Port $1.3 million for certain lost revenues (payment in lieu of rents) during the America's Cup events. Also, Port received $18.3 million from the first sale of the 2012 San Francisco Clean and Safe Neighborhood Parks Bond for parks and open space on Port property.

San Francisco International Airport transferred $36.5 million to the General Fund, representing a portion of concession revenue (note 11(a)). The General Fund received transfers in of $123.9 million from San Francisco General Hospital Medical Center for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT) matching program reimbursement, $7.2 million for Low Income Health Program (LIHP) reimbursement for Primary Care clinics, $21.4 million for Healthy San Francisco reimbursement, and $0.8 million for Child Health Initiative reimbursement (note 11(g)).

Wastewater enterprise received a transfer in of $0.9 million from nonmajor governmental funds for performing emergency work on the Great Highway that was funded by a grant given to City's Department of Public Works.

MTA received $92.0 million transfers, of which $69.4 million was for capital activities and $11.7 million was for operating activities from nonmajor governmental funds. Nonmajor governmental funds also transferred $10.9 million in bond proceeds to MTA to fund various street improvement projects and in turn the MTA transferred $3.8 million to pay for various street improvement projects.

Laguna Honda Hospital (LHH) transferred $5.0 million of Senate Bill No. 1128 MediCal reimbursements to nonmajor governmental funds for the debt service payment of the LHH general obligation bonds and to SFGH the supplemental surplus revenue in the amount of $9.3 million to fund SFGH's budgetary cost overruns.

The Water Enterprise received $66.4 million from transfers in, which included $63.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System Earthquake Safety and Emergency Response project, $2.5 million for the second payment of the 17th and Folsom property with the remaining balance of $2.3 million will be paid over a period of five years, and $0.8 million from the San Francisco Recreation and Parks Department for the Lake Merced boat house renovation. On the other hand, the Water Enterprise transferred $2.9 million to other City departments, including $0.4 million to San Francisco Recreation and Parks Department for a landscape and irrigation project, $2.5 million to the Arts commission for art work at 525 Golden Gate Headquarters, and $31 to a nonmajor special revenue fund for the City Surety Bond Program.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

The City has noncancellable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2014	$	28,252
2015		25,726
2016		22,600
2017		21,077
2018		17,071
2019-2023		36,720
2024-2028		310
Total	$	151,756

Operating lease expense incurred for fiscal year 2012-2013 was approximately $19.4 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2014	$ 193	$ 2,861	$ 11,224	$ 14,278
2015	75	2,861	11,475	14,411
2016	-	2,794	11,765	14,559
2017	-	2,702	11,635	14,337
2018	-	2,702	11,880	14,582
2019-2023	-	13,508	64,865	78,373
2024-2028	-	13,508	75,211	88,719
2029-2933	-	13,508	83,698	97,206
2034-2038	-	13,508	79,268	92,776
2039-2943	-	13,508	-	13,508
2044-2048	-	13,508	-	13,508
2049-2050	-	2,927	-	2,927
Total	$ 268	$ 97,895	$ 361,021	$ 459,184

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2012-2013 was $0.2 million, $2.8 million, and $13.4 million, respectively.

(Dollars in Thousands)

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years		
2014...........	$	2,472
2015...........		2,189
2016...........		1,859
2017...........		1,773
2018...........		1,124
2019-2023....		906
2024-2028....		666
2029-2033....		250
Total...........	$	11,239

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2014............	$ 87,444	$ 39,344	$ 1,268	$ 5,006	$ 82	$ 133,144
2015............	84,568	34,507	1,306	3,824	-	124,205
2016............	80,827	29,974	1,346	2,615	-	114,762
2017............	77,514	23,639	1,386	1,690	-	104,229
2018............	96,535	21,459	1,428	1,512	-	120,934
2019-2023.....	-	94,017	7,807	7,275	-	109,099
2024-2028.....	-	70,844	-	6,335	-	77,179
2029-2033.....	-	63,111	-	6,250	-	69,361
2034-2038.....	-	54,439	-	6,250	-	60,689
2039-2043.....	-	39,678	-	6,250	-	45,928
2044-2048.....	-	34,715	-	6,250	-	40,965
2049-2053.....	-	20,895	-	6,250	-	27,145
2054-2058.....	-	16,055	-	3,333	-	19,388
2059-2063.....	-	16,014	-	-	-	16,014
2064-2068.....	-	12,894	-	-	-	12,894
2069-2073.....	-	8,991	-	-	-	8,991
2074-2077.....	-	6,011	-	-	-	6,011
Total............	$ 426,888	$ 586,587	$ 14,541	$ 62,840	$ 82	$ 1,090,938

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $21.7 million and $14.2 million, respectively, in fiscal year 2012-13. In addition, the Airport has a car rental agreement that will expire on December 31, 2013, with the option to extend for five years. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual Enplanements achieved during a one-month period is less than 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately $38.8 million for fiscal year 2012-13.

Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.3 billion at June 30, 2013.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(16) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for MTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $1 billion, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a deductible of $500 per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts naming the Airport as additional insured. The Airport carries public officials liability and employment practices liability coverage of $5 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of $50 million, subject to a deductible of $75 per occurrence; 2) hull and machinery liability coverage of $3.5 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1 billion and a deductible of $500 per occurrence; and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, and property damage for certain high value Port vehicles, water pollution and data processing equipment. In addition, the Port requires its tenants, licensees and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The MTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. MTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, MTA purchases insurance as necessary or required.

	Risks	Coverage
a.	General/Transit Liability	Self-Insure
b.	Property	Self-Insure and Purchase Insurance
c.	Workers' Compensation	Self-Insure
d.	Employee (Transit Operators)	Purchase Insurance
e.	Directors and Officers	Purchase Insurance

The MTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the MTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $2.0 million. As of June 30, 2013, the reserve was $10.0 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors. MTA's workers' compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims' future exposure based on current costs and estimation for injuries that may have occurred but not yet reported. The workers' compensation claims and payouts are handled by a third-party administrator under MTA's oversight and management. MTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, injury investigation and medical treatment bill review.

The MTA purchases property insurance on scheduled facilities and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For MTA contractors, MTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and MTA's property.

MTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per Memorandum of Understanding with Transport Workers' Union and starting in fiscal year 2012, has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2013 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

(Dollars in Thousands)

Changes in the reported estimated claims payable since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	$ 224,481	$ 26,579	$ (81,673)	$ 169,387
2012-2013	169,387	36,851	(31,656)	174,582

Breakdown of the estimated claims payable at June 30, 2013 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 37,374
Long-term portion of estimated claims payable	73,627
Total	$ 111,001
Business-type activities:	
Current portion of estimated claims payables	$ 24,284
Long-term portion of estimated claims payable	39,297
Total	$ 63,581

During the year ended June 30, 2013, the Retirement System was involved in various petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System, which management does not expect to have a material impact on the net position available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and accordingly, are eventually considered in establishing the City's required annual contributions.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2013 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2013 was $377.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	$ 371,014	$ 74,600	$ (74,730)	$ 370,884
2012-2013	370,884	76,308	(69,416)	377,776

(Dollars in Thousands)

Breakdown of the accrued workers' compensation liability at June 30, 2013 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability......	$ 39,759
Long-term portion of accrued workers' compensation liability..	189,573
Total	$ 229,332
Business-type activities:	
Current portion of accrued workers' compensation liability......	$ 24,002
Long-term portion of accrued workers' compensation liability..	124,442
Total	$ 148,444

(17) SUBSEQUENT EVENTS

a) Long-term Debt Issuance

In July 2013, the Airport terminated the $100.0 million direct-pay letter of credit from Barclays, which supported a subseries of the Airport commercial paper.

In July 2013, the City issued $35.8 million taxable and $16.2 million tax-exempt commercial paper to refund maturing $35.7 million taxable and $15.9 million tax-exempt commercial paper. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.10% and 0.12%. The taxable and tax-exempt notes are scheduled to mature on August 13, 2013. In August 2013, the City issued $37.2 million taxable and $18.0 million tax-exempt commercial paper to refund the July 2013 issuance and to provide $3.0 million and $0.3 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.09% and are all scheduled to mature on October 3, 2013.

In July 2013, the Airport issued its Second Series Revenue Bonds, Series 2013A-C in the amount of $461.1 million to finance and refinance (through the payment of subordinate commercial paper notes) a portion of the Capital Plan. The Series 2013A-C bonds are uninsured, long-term fixed rate bonds. The Series 2013A (AMT) bonds mature from May 2020 through May 2038 with interest rates ranging from 5.00% to 5.50%. The Series 2013B (Non-AMT/Governmental Purpose) bonds mature in May 2043, with an interest rate of 5.00%. The Series 2013C (Taxable) bonds mature from May 2017 through May 2019 with interest rates ranging from 2.12% to 2.86%. The bonds were issued to repay the entire outstanding balance of commercial paper notes, to finance the Airport's capital projects and to pay certain costs related to the issuance of the Series 2013A-C bonds.

In August 2013, the San Francisco Water Enterprise issued $12.0 million of Series A-1-T taxable commercial paper. The proceeds of this issuance will provide the initial deposit to a special endowment fund that was created to provide long-term funding to benefit the Bioregional Habitat Restoration (BHR) Program of the San Francisco Water Enterprise. The BHR program is a Water System Improvement Program (WSIP) capital project. The commercial paper notes bear an interest rate at 0.19% and will mature on November 14, 2013.

In March 2013, Deutsche Bank National Trust Company sold its Municipal Bond Trustee Business, including the Trust Agreement with the City for San Francisco General Hospital Emergency Backup Generator Project, to U.S. Bank National Association. In connection with the sale, Deutsche Bank resigned as trustee under the Trust Indenture and U.S. Bank National Association was appointed as successor trustee and assumes all of the duties, obligations and responsibilities of the trustee under the Trust Indenture effective August 23, 2013.

In September 2013, based on approval by the MTA Board of Directors and concurrence by the Board of Supervisors, the MTA obtained an irrevocable, direct pay letter of credit issued by State Street

Bank that will support the MTA's issuance of up to $100.0 million in Commercial Paper (CP) Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or to finance state of good repair and other capital projects. Such CP Notes, and the MTA's obligation to reimburse State Street Bank for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Series 2013 Bonds. The letter of credit issued by State Street Bank is scheduled to expire on September 10, 2018, subject to prior termination pursuant to its terms and as provided for in the related reimbursement agreement.

In September 2013, the Board of Supervisors approved the authorization by the MTA's Board of Directors to issue MTA revenue bonds not exceeding $165.0 million to finance certain transportation projects. MTA will issue Revenue Bonds Series 2013 in December 2013 with par value of $85.0 million, with the US Bank as trustee, to finance a portion of the cost of various capital projects for the MTA, to make a deposit to the Series 2013 reserve account of the reserve fund and pay the costs of issuance of the Series 2013 revenue bonds.

In October 2013, the Port Commission issued Certificates of Participation (COPs) in the total amount of $37.7 million. The COPs were issued to finance the construction, reconstruction, equipping and improvement and rehabilitation of certain facilities to be operated by the Port, as well as to refinance commercial paper previously issued by the City for the same purpose. The COPs are issued in two series, consisting of Series 2013B (Non-AMT) in the amount of $4.8 million and Series 2013C (AMT) in the amount of $32.9 million. Series 2013B will mature March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C will mature March 2014 through March 2043 with coupon rates ranging from 4.00% to 5.25%.

In October 2013, the City issued $39.4 million taxable and $27.8 million tax-exempt commercial paper to refund the August 2013 issuance and to provide $9.9 million and $1.7 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.15% and the tax-exempt notes at 0.07% and are all scheduled to mature on November 20, 2013.

In November 2013, the City issued $8.3 million taxable and $24.1 million tax-exempt commercial paper to refund the October 2013 issuance for the interim financing of the War Memorial Veterans Building Retrofit project, the Department of Public Works equipment purchase, and the HOPE SF affordable housing project. The taxable and tax-exempt notes are scheduled to mature on March 5, 2014 and bear interest rate at 0.18% and 0.10%, respectively.

(b) San Francisco General Hospital

SFGH participated in California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration Project), which paid selected hospitals for providing care to Medi-cal and uninsured patients. Payments under the Demonstration Project consisted of fee-for-service cost-based reimbursement, Disproportionate Share Hospital payments, and distribution from a pool of funding for uninsured care, known as the Safety Net Care Pool. The Demonstration Project began in fiscal year 2005-06 and participating hospitals are paid an estimated amount from each of these pools of funds, which is subject to a final reconciliation as determined by the Department of Health Care Services. Subsequent to year end, SFGH received notice of the final reconciliation amounts owed to SFGH for fiscal year 2005-06 and recognized revenue of previously deferred cash receipts of $9.0 million from fiscal year 2005-06 in fiscal year 2012-13. SFGH will record the remaining $10.2 million it is still owed in fiscal year 2013-14 when it receives the related cash.

(c) Rim Fire

In August 2013, the Rim Fire, one of the largest in California history was a massive wildfire in Tuolumne County and the Stanislaus National Forest, began and burned over 257,135 acres. It passed through an area containing two of Hetch Hetchy Power's generating stations and reaching the southern edge of the Hetch Hetchy Reservoir, which supplies 85% of San Francisco's drinking water. The City has critical assets in the area, managed by San Francisco Public Utilities Commission and the Recreation and Parks Department. Other critical infrastructure, inclusive of power transmission and distribution lines, switch yards and structures were in the wildfire's direct path.

The City declared a State of Emergency, followed by Governor Jerry Brown's declaration of a State of Emergency for San Francisco, on August 23, 2013. Emergency response teams were immediately deployed to protect the City's resources and assets upcountry. There was no impact to drinking water quality despite some ash being observed falling onto the reservoir. The City's hydroelectric power generation system was interrupted by the fire, forcing Hetch Hetchy Power to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E.

The fire was fully contained on October 24, 2013. The Rim Fire has inflicted approximately $40.0 million in damage to parts of the City's water and power infrastructure located upcountry in the region. SFPUC retail and wholesale customers remained unaffected; water and power continued to be supplied with consistent quality and quantity. Cost recovery alternatives being considered include Federal Emergency Management Agency and California Emergency Management Agency assistance as well as purchased property insurance coverage for mission-critical assets. Both the Hetch Hetchy and Water Enterprise funds have available reserves, which may also be considered for use to backfill unrecovered costs.

(d) Claims

In July 2013, Asiana Airlines Flight 214 crashed on final approach to the Airport. The City anticipates litigation related to this matter but believes that any such litigation would not have a material financial impact. The City intends to tender all claims to Asiana Airlines and Asiana's insurance carriers. Under the Lease and Use Agreement, Asiana Airlines must defend, hold harmless and indemnify the City and the City is additionally insured under Asiana Airline's insurance policy. The City also believes that in the unlikely event that there is any potential liability not covered by Asiana Airlines and/or its insurance policies, the Airport's insurance policies will cover any such loss.

(e) Elections

On November 5, 2013, the San Francisco voters approved Propositions A, a charter amendment that will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board make payments toward City retiree health care costs from the City's account in the fund only when the Trust Fund is fully funded or only under certain circumstances as specified below.

Fiscal Impact: The City's ability to withdraw from the Trust Fund would be restricted. The restrictions would ensure that the Trust Fund more rapidly accumulates sufficient funding and investment earnings to pay for required City retiree health costs and would therefore reduce the burden of these costs on the City's annual budget. The City currently pays for the health care benefits of retired employees through the annual budget. These expenses are now approximately $150.0 million annually, or about 6% of payroll expenditures, but are expected to grow over time to approximately $250.0 million, or about 10% of payroll expenses. Instead of bearing this cost in the annual budget, as a sound financial management practice, employers can instead set-aside funds during a worker's career and use investment income from those funds to pay for the benefits.

Through earlier Charter amendments, the City established a Retiree Health Care Trust Fund into which both the City and the employees are required to contribute funds. Deposits are now required on behalf of employees hired after January 9, 2009 and, beginning in 2016, will be required on behalf of all employees. No withdrawals are currently permitted from the Trust Fund until 2020, ensuring that the balance will grow until that time, however no such prohibitions are in place following that date. The City's most recent actuarial analysis estimates that the cost of health benefits already earned by current and future retirees as of July 1, 2010 is $4.4 billion, of which only $3.2 million has been set aside to date.

The Charter amendment will prohibit withdrawals from the Trust Fund until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the Trust Fund balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the Retiree Health Care Trust Fund Board, two-thirds of the Board of Supervisors, and the Mayor.

The City's external actuary has estimated that given these proposed provisions, the Trust Fund would be fully funded in approximately 30 years. At that time, the City's annual costs would drop to approximately $50.0 million in current dollars or about 2% of the payroll expenses. Current and future projections of the benefit costs and of the Trust's status are dependent on assumptions of future medical inflation, investment returns, and other trends, which will likely differ from those assumed. Higher rates of medical inflation or lower rates of investment returns would delay the shift to a fully funded Trust Fund.

Proposition A also (1) further clarifies the required segregation of moneys within the Trust Fund into sub-trusts for other participating employers such as the School District, (2) limits withdrawals from these sub-trusts by other participating government employers until their governing board has adopted a funding strategy by a two-thirds vote, and (3) allows the Treasurer, Controller and General Manager of the Retirement System to serve on the Trust Fund Board, rather than appoint members to the Trust Fund Board.

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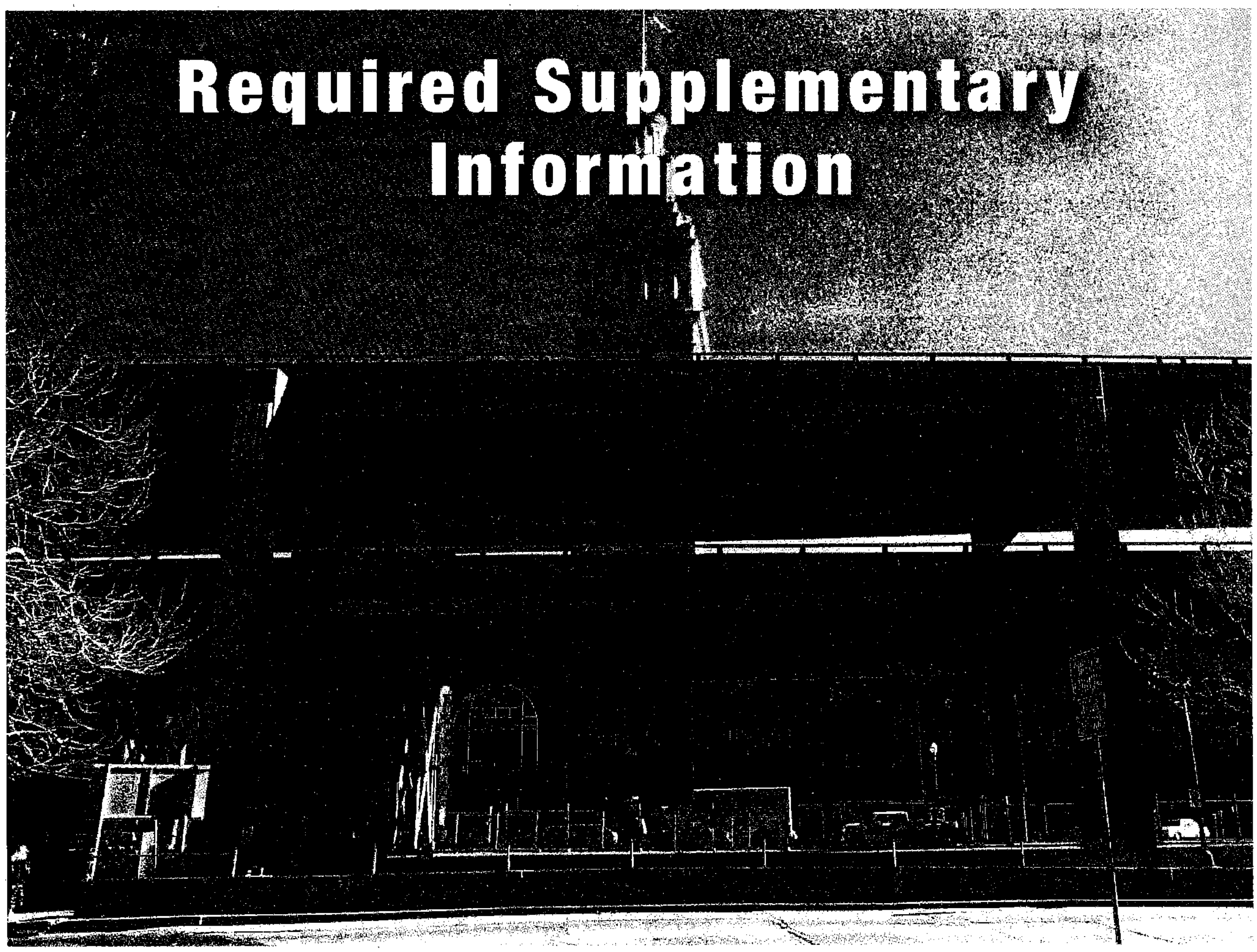
Required Supplementary Information



The Embarcadero Freeway covered the face of the Ferry Building from 1957 - 1991.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (unaudited)
June 30, 2013
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Employees' Retirement System – Pension Plan (1)

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Entry Age	(Under) funded AAL (O/UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
07/01/10	$ 16,069,058	$ 17,643,394	$ (1,574,336)	91.1%	$ 2,398,823	-65.6%
07/01/11	16,313,120	18,598,728	(2,285,608)	87.7%	2,360,413	-96.8%
07/01/12	16,027,683	19,393,854	(3,366,171)	82.6%	2,393,842	-140.6%

(1) As a result of the Retirement Board's decision to phase in a reduction of the Plan's assumed investment rate of return from 7.75% to 7.50% over three years, the assumed investment rate of return used for the most recent actuarial valuation as of July 1, 2012 was 7.58%. The unfunded actuarial liability (UAL) as of July 1, 2012 was $3.37 billion, an increase of $1.08 billion from the UAL of $2.29 billion as of July 1, 2011. This increase in the unfunded liability is primarily a result of the market value losses during fiscal year 2008-09 that are being recognized over five years as well as liability experience losses related to changes to the economic and demographic assumptions approved by the Retirement Board.

The July 1, 2012 valuation results incorporate the following significant assumption changes approved by the Retirement Board at its December 14, 2011 Board meeting:

- Investment Rate of Return Assumption – phase in reduction from 7.75% to 7.50% over three years (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; and fiscal year 2013-14 to 7.50%)
- Wage/inflation Assumption – phase in reduction from 4.00% to 3.75% over three years (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%)
- Long-term Consumer Price Index Assumption – phase in reduction from 3.50% to 3.25% over three years (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%)

California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	$ 707,615	$ 758,124	$ (50,509)	93.3%	$ 101,929	-49.6%
06/30/10	743,188	787,186	(43,998)	94.4%	104,072	-42.3%
06/30/11	788,580	836,171	(47,591)	94.3%	105,575	-45.1%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (unaudited) (continued)
June 30, 2013
(Dollars in Thousands)

Schedule of Funding Progress – City and County of San Francisco – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$ -	$ 4,036,324	$ (4,036,324)	0.0%	$ 2,066,866	-195.3%
07/01/08	-	4,364,273	(4,364,273)	0.0%	2,296,336	-190.1%
07/01/10(2)	-	4,420,146	(4,420,146)	0.0%	2,393,930	-184.6%

(1) The actuarial valuation report is conducted once every two years.

(2) As of July 1, 2010, the City set-aside approximately $3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010 and these assets will be reflected in the next actuarial valuation report.

Schedule of Employer Contributions – City and County of San Francisco – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2011	$ 384,334	37.9%
2012	397,862	39.2%
2013	408,735	39.2%

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/08	$ -	$ 182	$ (182)	0.0%	$ 1,978	-9.2%
01/01/10	173	374	(201)	46.3%	2,858	-7.0%
6/30/11 (2)	405	671	(266)	60.4%	3,251	-8.2%

(1) The actuarial valuation report is conducted once every two years. The SFCTA's next valuation is scheduled to be performed in fiscal year 2013-14.

(2) As of June 30, 2012, the SFCTA complied with GASB Statement No. 57 and completed an OPEB actuarial valuation based on a common date of its trust account with CalPERS. CalPERS requires June 30 valuations to be prepared for each odd numbered year. As such, the SFCTA performed its latest actuarial valuation as of June 30, 2011.

(Dollars in Thousands)

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/07	$ -	$ 13,829	$ (13,829)	0.0%	$ 9,634	-143.5%
06/30/09	493	13,790	(13,297)	3.6%	10,515	-126.5%
06/30/11 (2)	1,856	14,390	(12,534)	12.9%	4,185	-299.5%

(1) The actuarial valuation report is conducted once every two years.

(2) As of June 30, 2013, no actuarial valuation was performed.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Direct Program				
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	--	$ 526,595	$ -
Pass-Through California Department of Public Health				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	None	14,060	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10438	2,723,080	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	11-10239	225,175	
Pass-Through University of California San Francisco				
Special Supplemental Nutrition Program for Women, Infants and Children; Nutrition Education Innovations	10.586	7425sc	8,288	-
Pass-Through State of California Department of Aging				
Senior Farmers Market Nutrition Program	10.576	None	40,000	-
Pass-Through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	61,786	-
National School Lunch Program	10.555	None	96,259	-
Summer Food Service Program for Children	10.559	04029-SFSP-38, 38-8380-0V, 38-8380-0W	722,669	-
Subtotal Child Nutrition Cluster			880,714	-
Pass-Through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	28,368,830	1,111,678
Total pass-through programs			32,260,147	1,111,678
TOTAL U.S. DEPARTMENT OF AGRICULTURE			32,786,742	1,111,678
U.S. DEPARTMENT OF COMMERCE				
Direct Programs				
Economic Adjustment Assistance	11.307	--	588,613	-
ARRA-Broadband Technology Opportunities Program (BTOP)	11.557	--	3,388,080	2,032,810
TOTAL U.S. DEPARTMENT OF COMMERCE			3,976,693	2,032,810
U.S. DEPARTMENT OF DEFENSE				
Direct Programs				
Navy Cooperative Agreement for Hunters Point	12.unknown1	--	1,212,689	-
U.S. Department of the Army, Corps of Engineers	12.unknown2	--	22,804	-
TOTAL U.S. DEPARTMENT OF DEFENSE			1,235,493	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	--	17,639,072	10,757,824
Emergency Solutions Grant Program	14.231	--	2,081,862	1,962,729
Supportive Housing Program	14.235	--	7,513,224	6,156,199
Shelter Plus Care	14.238	--	7,851,259	-
Home Investment Partnerships Program	14.239	--	117,176,590	87,781
Housing Opportunities for Persons with AIDS	14.241	--	10,674,567	9,787,301
ARRA-Homelessness Prevention and Rapid Re-Housing Program	14.257	--	257	-
Continuum of Care Program	14.267		1,210,946	709,175
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	--	25,165	-
Lead Hazard Reduction Demonstration Grant Program	14.905	--	858,847	30,429
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			165,031,789	29,491,438
U.S. DEPARTMENT OF THE INTERIOR				
Direct Programs				
NPS Cooperative Agreement	15.unknown	--	803,929	-
Migratory Bird Conservation	15.647	--	13,210	-
Historic Preservation Fund Grants-In-Aid	15.904	--	12,529	-
Subtotal direct programs			829,668	-
Pass-Through California Department of Historic Preservation				
Historic Preservation Fund Grants-In-Aid	15.904	06-12-41911	125	-
Historic Preservation Fund Grants-In-Aid	15.904	C8953530	22,400	-
Pass-Through California Department of Parks and Recreation				
Outdoor Recreation - Acquisition, Development and Planning	15.916	06-01687	62,543	-
Total pass-through programs			85,068	-
TOTAL U.S. DEPARTMENT OF THE INTERIOR			914,736	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Federal Narcotics Forfeiture and Asset Seizure	16.unknown	--	$ 1,763,205	$ -
Supervised Visitation, Safe Havens for Children	16.527	--	136,504	118,933
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	--	29,835	28,696
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	--	187,750	-
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	--	419,326	401,097
Drug Court Discretionary Grant Program	16.585	--	29,443	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	55,623	55,623
State Criminal Alien Assistance Program	16.606	--	472,808	-
Bulletproof Vest Partnership Program	16.607	--	102,818	-
Public Safety Partnership and Community Policing Grants	16.710	--	193,592	-
ARRA-Public Safety Partnership and Community Policing Grants	16.710	--	3,748,902	-
Total Public Safety Partnership and Community Policing Grants			3,942,494	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	677,474	-
DNA Backlog Reduction Program	16.741	--	134,489	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	147,217	-
Economic High-Tech and Cyber Crime Prevention	16.752		135,285	-
Congressionally Recommended Awards	16.753	--	229,614	229,614
ARRA-Recovery Act - Edward Byrne Memorial JAG Program / Grants to Units of Local Government	16.804	--	650,752	-
ARRA-Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808	--	15,817	-
Second Chance Act Prisoner Reentry Initiative	16.812	--	1,588,556	-
Subtotal direct programs			10,719,010	833,963
Pass-Through Bureau of Justice Assistance				
ARRA-Recovery Act - Edward Byrne Memorial JAG Program / Grants to Units of Local Government	16.804	ZH09010380	48,064	-
Pass-Through State of California Board of Corrections				
Juvenile Accountability Block Grants	16.523	BSCC 170-12	117,819	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 364-11	57,245	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 387-11	143,392	-
Total Juvenile Justice and Delinquency Prevention - Allocation to States			200,637	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-12	218,456	-
Pass-Through State of California Emergency Management Agency				
Crime Victim Assistance	16.575	UV 11020380	14,592	-
Crime Victim Assistance	16.575	UV 12020380	85,528	-
Crime Victim Assistance	16.575	VW 12300308	228,740	-
Total Crime Victim Assistance			328,860	-
Violence Against Women Formula Grants	16.588	PU 11 02 0380	96,566	-
Violence Against Women Formula Grants	16.588	VW12040380	184,238	-
Total Violence Against Women Formula Grants			280,804	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-12	1,014	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	HF12010380	90,688	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ12080380	6,144	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ10070380	5,582	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ12020380	5,500	-
Total Paul Coverdell Forensic Sciences Improvement Grant Program			17,226	-
ARRA-Recovery Act - Edward Byrne Memorial JAG Program / Grants to Units of Local Government	16.804	ZP09010380	111,946	-
Total pass-through programs			1,415,514	-
TOTAL U.S. DEPARTMENT OF JUSTICE			12,134,524	833,963
U.S. DEPARTMENT OF LABOR				
Direct Program				
WIA Pilots, Demonstrations, and Research Projects	17.261	--	2,071,964	1,439,933
Workforce Innovation Fund	17.283	--	411,811	215,103
Subtotal direct programs			2,483,775	1,655,036

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF LABOR (continued)				
Pass-Through State of California Employment Development Department				
Employment Service/Wagner-Peyser Funded Activities	17.207	K285816	$ 209,568	$ 162,106
H-1B Job Training Grants	17.268	s12-053	601,362	501,297
Workforce Investment Act (WIA) Cluster				
WIA Adult Program	17.258	K178690	1	-
WIA Adult Program	17.258	K282500	1,632,925	1,046,439
WIA Adult Program	17.258	K386327	1,127,159	862,586
Total WIA Adult Program			2,760,085	1,909,025
WIA Youth Activities	17.259	K282500	315,313	204,785
WIA Youth Activities	17.259	K386327	1,470,976	961,965
Total WIA Youth Activities			1,786,289	1,166,750
WIA Dislocated Worker Formula Grants	17.278	K282500	1,307,312	726,617
WIA Dislocated Worker Formula Grants	17.278	K386327	953,204	649,298
Total WIA Dislocated Workers Formula Grants			2,260,516	1,375,915
Total WIA Cluster			6,806,890	4,451,690
Total pass-through programs			7,617,820	5,115,093
TOTAL U.S. DEPARTMENT OF LABOR			10,101,595	6,770,129
U.S. DEPARTMENT OF TRANSPORTATION				
Pass-Through State of California Department of Transportation				
Highway Planning and Construction	20.205	04-5934	2,373,903	-
Highway Planning and Construction	20.205	04-925395	56,158	-
Highway Planning and Construction	20.205	CML-6169(012)	24,627	-
Highway Planning and Construction	20.205	CML-6447(004)	237,657	161,974
Highway Planning and Construction	20.205	DEMO06L-5934(166)	603,771	-
Highway Planning and Construction	20.205	ER-4802(001)	1,390,882	-
Highway Planning and Construction	20.205	HPLUL5934(138)	20,919	-
Highway Planning and Construction	20.205	HPLUL-5934(154)	500,561	-
Highway Planning and Construction	20.205	RPSTPLE5934(159)	324	-
Highway Planning and Construction	20.205	RPSTPLE5934(162)	335,687	-
Highway Planning and Construction	20.205	STPL5934(165)	13,492	-
Highway Planning and Construction	20.205	STPLZ-5934(080)	392	-
Total Highway Planning and Construction			5,558,373	161,974
Pass-Through State of California Office of Traffic Safety				
State and Community Highway Safety	20.600	PS1308	71,884	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1363	25,165	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL0990	46,216	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC13368	56,972	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC10368	58,097	-
Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated			186,450	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			5,816,707	161,974
NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES				
Direct Program				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	--	63,000	-
Pass-Through Institute of Museum and Library Services				
National Leadership Grants	45.312	LG-48-12-0406-12	79,553	41,121
TOTAL NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES			142,553	41,121
NATIONAL SCIENCE FOUNDATION				
Direct Program				
Intergovernmental Personnel Act (IPA) award	47.unknown	--	103,449	-
TOTAL NATIONAL SCIENCE FOUNDATION			103,449	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Programs				
Congressionally Mandated Projects	66.202	--	510,383	-
Water Security Training and Technical Assistance and Water Security Initiative Contamination Warning System Pilots	66.478	--	1,995,400	-
Source Reduction Assistance	66.717	--	43,368	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	--	16,718	-
Total direct programs			2,565,869	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)				
Pass-Through Association of Bay Area Governments				
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	X7-00T04701	$ 26,174	$ -
Pass-Through State Water Resources Control Board				
Beach Monitoring and Notification Program Implementation Grants	66.472	12-028-250	16,568	-
Pass-Through California Department of Public Health				
Beach Monitoring and Notification Program Implementation Grants	66.472	11-10779	961	-
Total pass-through programs			43,703	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			2,609,572	-
U.S. DEPARTMENT OF ENERGY				
Direct Programs				
Conservation Research and Development	81.086	--	291,710	-
Renewable Energy Research and Development	81.087	--	460,096	-
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	--	231,012	-
Total direct programs			982,818	-
Pass-Through Research and Development Solutions, LLC				
Department of Energy Subcontract	81.unknown	5027-CCC-PPM4002	12,383	-
Pass-Through State of California Energy Commission				
ARRA - State Energy Program	81.041	400-09-019	930	-
Pass-Through California Department of Community Services and Development				
ARRA - Weatherization Assistance for Low-Income Persons	81.042	09C-1851	288,514	256,771
Pass-Through Private Sector				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-EE0005685	71,752	-
Pass-Through Bay Area Air Quality Management District				
ARRA-Conservation Research and Development	81.086	DE-EE0005588	16,803	-
Pass-Through Association of Bay Area Governments				
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-FG36-08GO88003	1,200,829	186,133
Total pass-through programs			1,591,211	442,904
TOTAL U.S. DEPARTMENT OF ENERGY			2,574,029	442,904
U.S. DEPARTMENT OF EDUCATION				
Pass-Through California Department of Education				
ARRA - Race to the Top – Early Learning Challenge	84.412	PCA#15181	290,830	214,938
Pass-Through California Department of Rehabilitation				
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	27768	86,239	-
TOTAL U.S. DEPARTMENT OF EDUCATION			377,069	214,938
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Environmental Public Health and Emergency Response	93.070	--	301,811	234,054
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	--	1,583,789	1,131,123
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	1,919,565	809,997
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	--	2,219,297	863,690
Adult Viral Hepatitis Prevention and Control	93.270	--	150,003	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	--	121,695	-
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	--	707,112	-
Child Abuse and Neglect Discretionary Activities	93.670	--	240,999	234,532
ARRA-National Center for Research Resources, Recovery Act Construction Support	93.702	--	2,746,959	-
Prevention Public Health Fund 2012: Viral Hepatitis Prevention	93.736	--	179,266	-
Health Care and Other Facilities	93.887	--	346,500	-
HIV Emergency Relief Project Grants	93.914	--	20,815,309	16,429,997
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	340,575	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Special Projects of National Significance	93.928	--	$ 331,906	$ -
HIV Prevention Activities - Health Department Based	93.940	--	7,670,746	2,018,725
HIV Demonstration, Research, Public and Professional Education Projects	93.941	--	96,591	-
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	--	839,870	90,244
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	1,890,056	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	--	1,659,459	81,048
Total direct programs			44,161,508	21,893,410
Pass-Through State of California Department of Aging				
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1213-06	15,491	15,491
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1213-06	32,592	32,592
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-1213-06	64,301	64,301
Aging Cluster				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP-1213-06	1,114,089	455,923
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AP-1213-06	1,606,585	1,606,585
Nutrition Services Incentive Program	93.053	AP-1213-06	1,276,400	1,276,400
Total Aging Cluster			3,997,074	3,338,908
National Family Caregiver Support, Title III, Part E	93.052	AP-1213-06	442,768	405,262
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-1213-06	127,314	127,314
Pass-Through State of California Department of Public Health				
Federal Negotiated Contract	93.unknown	None	151,025	-
Public Health Emergency Preparedness	93.069	EPO 12-38	731,715	-
Immunization Cooperative Agreements	93.268	11-10596	286,952	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	10-10177 A01	102,134	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	201238	937,256	-
Refugee and Entrant Assistance - State Administered Programs	93.566	11-90-90840-00	65,176	47,590
Refugee and Entrant Assistance - State Administered Programs	93.566	12-90-90840-00	176,180	68,570
Medical Assistance Program	93.778	None	1,761,207	-
Medical Assistance Program	93.778	11-10522	201,546	-
National Bioterrorism Hospital Preparedness Program	93.889	EPO 12-38	336,801	-
HIV Care Formula Grants	93.917	10-95286	2,970,062	1,499,691
Maternal and Child Health Services Block Grant to the States	93.994	201238	1,664,824	-
Pass-Through MDRC				
Community Services Block Grant_Discretionary Awards	93.570	None	14,594	-
Pass-Through California Secretary of State				
Voting Access for Individuals with Disabilities_Grants to States	93.617	09G26107	38,613	-
Pass-Through Private Sector				
ARRA-Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	93.048	CT-1213-11	10,632	10,632
Pass-Through State of California Department of Social Services				
ARRA-Guardianship Assistance	93.090	None	197,552	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	None	58,936	-
Promoting Safe and Stable Families	93.556	None	370,440	257,588
Temporary Assistance for Needy Families	93.558	None	43,277,419	10,783,831
Refugee and Entrant Assistance - State Administered Programs	93.566	None	429,109	219,558
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1106	103,271	-
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1206	118,447	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	TARL1108	15,280	15,280
Refugee and Entrant Assistance - Discretionary Grants	93.576	TART1106	5,592	5,592
Refugee and Entrant Assistance - Discretionary Grants	93.576	TARL1206	8,977	8,977
Subtotal Refugee and Entrant Assistance - Discretionary Grants			29,849	29,849
U.S. Repatriation	93.579	None	4,563	-
Community-Based Child Abuse Prevention Grants	93.590	None	25,500	25,500
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	1,614,345	4,472
Foster Care - Title IV-E	93.658	None	32,761,288	1,547

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Adoption Assistance	93.659	None	$ 9,443,539	$ 23,566
Chafee Foster Care Independence Program	93.674	None	523,105	335,533
Children's Health Insurance Program	93.767	None	468	-
Medical Assistance Program	93.778	None	51,141,581	2,593,712
ARRA-Medical Assistance Program	93.778	None	132	-
Pass-Through Regents of the University of California				
Global AIDS	93.067	5745SC	203,191	-
Global AIDS	93.067	5876SC	24,447	-
Global AIDS	93.067	6051SC	35,890	-
Global AIDS	93.067	6251SC	52,381	-
Global AIDS	93.067	6672SC	3,827	-
Global AIDS	93.067	6710SC	14,965	-
Global AIDS	93.067	6925SC	24,569	-
Global AIDS	93.067	7076SC	7,164	-
Global AIDS	93.067	7098SC	15,309	-
Global AIDS	93.067	7102SC	7,697	-
Global AIDS	93.067	7131SC	7,850	-
Global AIDS	93.067	7289SC	3,951	-
Total Global AIDS			401,241	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4899SC	92,033	-
Mental Health Research Grants	93.242	7238SC	44,588	-
Mental Health Research Grants	93.242	4945SC	4,353	-
Mental Health Research Grants	93.242	4857SC	1,033	-
Mental Health Research Grants	93.242	6819SC	9,327	-
Mental Health Research Grants	93.242	6913SC	47,260	-
Allergy, Immunology and Transplantation Research	93.855	5030SC	43,619	-
HIV Demonstration, Research, Public and Professional Education Projects	93.941	444932/29575-02	118,629	-
Pass-Through State of California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	None	569,623	253,825
Block Grants for Community Mental Health Services	93.958	None	2,621,396	390,872
Pass-Through Larkin Street Youth Services				
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	5H12HA00101-14-00	11,701	-
Pass-Through State of California Family Health Council				
Family Planning - Services	93.217	380-5320-7120-13	136,987	-
Pass-Through San Francisco Community Clinic Consortium				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	5H80CS00049-11	206,553	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	93.224	6H80CS00049-12	475,439	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	2H76HA00163-20	112,002	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5H76HA00163-21	81,467	-
Pass-Through Public Health Foundation Enterprise				
Mental Health Research Grants	93.242	2414	87,928	-
Mental Health Research Grants	93.242	2417	55,081	-
Mental Health Research Grants	93.242	2450	9,719	-
Adult Viral Hepatitis Prevention and Control	93.270	1U54PS003708-01	93,746	-
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	2369.001.001	97,797	
The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities	93.523	2369.002.001	262,982	-
ARRA-Trans-NIH Recovery Act Research Support	93.701	2316.001	46,476	-
Allergy, Immunology and Transplantation Research	93.855	0325	13,936	
Allergy, Immunology and Transplantation Research	93.855	2278	61,821	-
Allergy, Immunology and Transplantation Research	93.855	2461.001	57,491	-
HIV Prevention Activities_Health Department Based	93.940	2366.002.001	277,708	-
HIV Prevention Activities_Health Department Based	93.940	2369.002.001	119,264	-
Pass-Through Simon Fraser University				
Drug Abuse and Addiction Research Programs	93.279	SFU Ref#13184	4,647	-
Pass-Through The Office of Child Support Enforcement				
Child Support Enforcement	93.563	None	8,259,484	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Pass-Through State of California Department of Education				
CCDF Cluster				
Child Care and Development Block Grant	93.575	CLPC-2058	$ 523,242	$ -
Child Care and Development Block Grant	93.575	CRET-2034	56,647	40,470
Total for Child Care and Development Block Grant			579,889	40,470
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	70,826	70,826
Total CCDF Cluster			650,715	111,296
Pass-Through Standing Against Global Exploitation				
Services to Victims of a Severe Form of Trafficking	93.598	2001-ACF-ORR-ZV-0080	57,611	14,000
Pass-Through Partners In Care				
ARRA-Communities Putting Prevention to Work: Chronic Disease Self-Management Program	93.725	CT-1011-15	9	9
Pass-Through Blood Systems, Inc.				
Blood Diseases and Resources Research	93.839	10849-DPH-01	41,834	-
Pass-Through Fred Hutchinson Cancer Research Center				
Allergy, Immunology and Transplantation Research	93.855	0000747845	111,419	-
Allergy, Immunology and Transplantation Research	93.855	0000751940	124,893	-
Pass-Through Family Health International				
Allergy, Immunology and Transplantation Research	93.855	0080.0172/970	15,670	-
National Institutes of Health Acquired Immunodeficiency Syndrome Research Loan Repayment Program	93.936	0080.0167/965	13,172	-
Pass-Through State of California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	9,109,506	9,109,506
Total pass-through programs			178,777,961	29,765,015
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			222,939,469	51,658,425
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
Assistance to Firefighters Grant	97.044	--	1,514,184	-
Pass-Through State of California Department of Boating and Waterways				
Boating Safety Financial Assistance	97.012	11-204-768	73,000	-
Pass-Through State of California Emergency Management Agency				
Emergency Management Performance Grants	97.042	2012-0027	77,656	13,587
Emergency Management Performance Grants	97.042	2011-0048	9,239	-
Total Emergency Management Performance Grants			86,895	13,587
Pre-Disaster Mitigation	97.047	LPDM-09-CA-2008	105,077	-
Emergency Operations Centers	97.052	2010-0016	792,335	-
Interoperable Emergency Communications	97.055	2010-IP-T0-0016	548,641	405,390
Homeland Security Grant Program	97.067	2008-0006	17,919	-
Homeland Security Grant Program	97.067	2009-0019	421,110	2,311
Homeland Security Grant Program	97.067	2010-0085	23,536,840	14,143,275
Homeland Security Grant Program	97.067	2011-SS-0077	18,698,020	14,381,654
Homeland Security Grant Program	97.067	2012-SS-00123	2,717,105	2,361,496
Buffer Zone Protection Program (BZPP)	97.078	2009-0026	282,506	-
Buffer Zone Protection Program (BZPP)	97.078	2010-0020	585,000	-
Total Buffer Zone Protection Program (BZPP)			867,506	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2009-CA-T9-0003	292,745	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2010-CA-T0-0002	2,546,482	1,432,226
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	075-95017	125,042	-
Total Regional Catastrophic Preparedness Grant Program (RCPGP)			2,964,269	1,432,226
Pass-Through Marine Exchange of the San Francisco Bay				
Port Security Grant Program	97.056	2007-GB-T7-K274	464,390	-
Port Security Grant Program	97.056	2008-GB-T8-K063	529,908	-
Port Security Grant Program	97.056	2009-PU-T9-K032	848,057	-
Port Security Grant Program	97.056	2010-PU-T0-K050	2,184,440	-
Port Security Grant Program	97.056	2011-PU-K00351	316,483	-
Total Port Security Grant Program			4,343,278	-
Pass-Through California Volunteers				
Homeland Security Grant Program	97.067	DVP03Y1-02	3,391	-
Homeland Security Grant Program	97.067	DVP03Y2-04	103,433	-
Total pass-through programs			55,278,819	32,739,939
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			56,793,003	32,739,939
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 517,537,423	$ 125,499,319

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4). Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal or pass-through grantor title.

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the San Francisco Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Federal expenditures for these entities are separately audited.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the loan programs described in Note 5.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary-type funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (federal CFDA number 93.778).

5. LOANS OUTSTANDING

The City participates in certain federal award programs that sponsor revolving loan programs, which are administered by the City. These programs maintain servicing and trust arrangements with the City to collect loan repayments. The funds are returned to the programs upon repayment of the principal and interest. The federal government has imposed certain continuing compliance requirements with respect to the loans rendered under the Home Investment Partnerships (HOME) Program. The HOME Program reports $11,165,912 of new loans and $105,295,330 of loans from previous years outstanding as of June 30, 2013, which are included in the Schedule under CFDA number 14.239.

For purposes of completing the Schedule, revolving loan funds (RLF) for the Economic Adjustment Assistance Program are calculated as the federal share of the sum of loans outstanding at the end of the year, cash and investment balance in the RLF at the end of the year, administrative expenses paid out of RLF income during the year, and the unpaid principal of all loans written off during the year. As of June 30, 2013, the total outstanding RLF and cash and investments in the RLF were $492,409 and $222,739, respectively. There were no administrative expenses paid out of RLF income, and no write off of loans during the year. Total federal share of the RLF of $463,416 and the other non-loan program expenditures of $125,197 were included in the Schedule under CFDA number 11.307.

6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display state-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For state grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	CFDA No.	Expenditures State	 Federal
U.S. Department of Agriculture				
Passed through State of California, Department of Aging:				
Senior Farmers Market Nutrition Program	None	10.576	$ -	$ 40,000
U.S. Department of Health and Human Services				
Passed through State of California, Department of Aging:				
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	AP-1213-06	93.041	-	15,491
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-1213-06	93.042	-	32,592
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	AP-1213-06	93.043	-	64,301
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-1213-06	93.044	-	1,114,089
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-1213-06	93.045	468,082	1,606,585
National Family Caregiver Support, Title III, Part E	AP-1213-06	93.052	-	442,768
Nutritional Services Incentive Program	AP-1213-06	93.053	-	1,276,400
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	HI-1213-06	93.779	232,994	127,314
			701,076	$4,719,540
State Award - California Department of Aging				
Special Deposit Fund-Federal Citation Penalties Account, General Fund Allocation	AP-1213-06		27,114	
Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF) Allocation	AP-1213-06		28,197	
Total Expenditures of CDA Awards			$ 756,387	

7. STATE OF CALIFORNIA DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENDITURES

The City's funding agreement with the State of California Department of Community Services and Development (CSD) require the City to present a supplemental schedule of revenue and expenditures for CSD-funded contracts. The following schedule is presented to comply with these requirements and is presented using the modified accrual basis of accounting.

ARRA-Weatherization Assistance for Low-Income Persons Program (CFDA no. 81.042)
CSD Contract No. 09C-1851

	Actual Expenditures				Total Reported	Total
	FY 2010-11	FY 2011-12	FY 2012-13	Total	Expenditures[1]	Budget
Revenue:						
Grant Revenue	$ 159,285	$ 2,000,248	$ 288,514	$ 2,448,047		$ 2,648,536
Total Revenue	$ 159,285	$ 2,000,248	$ 288,514	$ 2,448,047		$ 2,648,536
Expenditures:						
Administration						
Salaries and Wages	$ 19,503	$ 104,885	$ -	$ 124,388		$ 124,388
Fringe Benefits	8,376	30,042	-	38,418		38,418
Professional Services	-	145	-	145		145
Delivery	-	65	-	65		65
City Attorney	6,824	540	-	7,364		9,869
Human Rights Commission	-	94	-	94		94
Subtotal Administration Costs	34,703	135,771	-	170,474	$ 171,140	172,979
Program						
Training and Technical Assistance	74,258	96,119	31,743	202,120	202,152	204,517
Intake	25,135	27,836	-	52,971	52,184	52,971
Outreach	21,374	19,741	-	41,115	41,109	41,116
Client Education	1,427	-	-	1,427	1,428	43,738
Direct Program Activities	2,388	1,720,781	256,771	1,979,940	1,963,936	2,133,215
Subtotal Program Costs	124,582	1,864,477	288,514	2,277,573	2,260,809	2,475,557
Total Expenditures	$ 159,285	$ 2,000,248	$ 288,514	$ 2,448,047	$ 2,431,949	$ 2,648,536

1 The reported column represents cumulative expenditures reported to the State of California Department of Community Services and Development for the period July 1, 2010 to June 30, 2013.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2013

8. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule. Expenditures funded by the American Recovery and Reinvestment Act of 2009 are denoted by the prefix "ARRA" in the federal or pass-through grantor title.

	CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(1)	**CFDA no. 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program**		
	State of California Department of Public Health	11-10239	$ 225,175
	State of California Department of Social Services	None	28,368,830
		Program Total	$ 28,594,005
(2)	**CFDA no. 15.904 - Historic Preservation Fund Grants-In-Aid**		
	U.S. Department of Interior	–	$ 12,529
	California Office of Historic Preservation	06-12-41911	125
	California Office of Historic Preservation	C8953530	22,400
		Program Total	$ 35,054
(3)	**JAG Program Cluster**		
	CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
	U.S. Department of Justice	–	$ 677,474
	State of California Board of Corrections	650-12	218,456
	State of California Emergency Management Agency	650-12	1,014
	State of California Emergency Management Agency	HF12010380	90,688
		Program Total	987,632
	CFDA no. 16.804 - ARRA-Recovery Act - Edward Byrne Memorial JAG Program / Grants to Units of Local Government		
	ARRA-U.S. Department of Justice	–	650,752
	ARRA-Bureau of Justice Assistance	ZH09010380	48,064
	ARRA-State of California Emergency Management Agency	ZP09010380	111,946
		Program Total	810,762
		Cluster Total	$ 1,798,394
(4)	**CFDA no. 66.472 - Beach Monitoring and Notification Program Implementation grants**		
	California State Water Resources Control Board	12-028-250	$ 16,568
	California State Department of Public Health	11-10779	961
		Program Total	$ 17,529
(5)	**CFDA no. 81.086 - Conservation Research and Development**		
	U.S. Department of Energy	–	$ 291,710
	ARRA-Bay Area Air Quality Management District	DE-EE0005588	16,803
		Program Total	$ 308,513
(6)	**CFDA no. 81.128 - ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)**		
	ARRA-U.S. Department of Energy	–	$ 231,012
	ARRA-Association of Bay Area Governments	DE-FG36-08GO88003	1,200,829
		Program Total	$ 1,431,841

8. PROGRAM TOTALS (Continued)

	CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number		Federal Expenditures
(7)	**CFDA no. 93.153 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth**			
	Regents of the University of California	4899SC	$	92,033
	Larkin Street Youth Services	5H12HA00101-14-00		11,701
		Program Total	$	103,734
(8)	**Health Centers Cluster**			
	CFDA no. 93.224 - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)			
	San Francisco Community Clinic Consortium	5H80CS00049-11	$	206,553
	San Francisco Community Clinic Consortium	6H80CS00049-12		475,439
		Program Total	$	681,992
(9)	**CFDA no. 93.242 - Mental Health Research Grants**			
	Regents of the University of California	7238SC	$	44,588
	Regents of the University of California	4945SC		4,353
	Regents of the University of California	4857SC		1,033
	Regents of the University of California	6819SC		9,327
	Regents of the University of California	6813SC		47,260
	Public Health Foundation Enterprise	2414		87,928
	Public Health Foundation Enterprise	2417		55,081
	Public Health Foundation Enterprise	2450		9,719
		Program Total	$	259,289
(10)	**CFDA no. 93.270 - Adult Viral Hepatitis Prevention and Control**			
	U.S. Department of Health And Human Services	--	$	150,003
	Public Health Foundation Enterprise	1U54PS003708-01		93,746
		Program Total	$	243,749
(11)	**CFDA no. 93.283 - Centers for Disease Control and Prevention - Investigations and Technical Assistance**			
	U.S. Department of Health And Human Services	--	$	121,695
	State of California Department of Health Services	10-10177 A 01		102,134
		Program Total	$	223,829
(12)	**CFDA no. 93.523 - The Affordable Care Act: Human Immunodeficiency Virus (HIV) Prevention and Public Health Fund Activities**			
	Public Health Foundation Enterprise	2369.001.001	$	97,797
	Public Health Foundation Enterprise	2369.002.001		262,982
		Program Total	$	360,779
(13)	**CFDA no. 93.566 - Refugee and Entrant Assistance - State Administered Programs**			
	California Department of Public Health	11-90-90840-00	$	65,176
	California Department of Public Health	12-90-90840-00		176,180
	State of California Department of Social Services	None		429,109
	State of California Department of Social Services	RESS1106		103,271
	State of California Department of Social Services	RESS1206		118,447
		Program Total	$	892,183

8. PROGRAM TOTALS (Continued)

	CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(14)	**Medicaid Cluster**		
	CFDA no. 93.778 - Medical Assistance Program		
	State of California Department of Public Health	11-10522	$ 201,546
	State of California Department of Public Health	None	1,761,207
	State of California Department of Social Services	None	51,141,581
	ARRA-State of California Department of Social Services	None	132
		Program Total	$ 53,104,466
(15)	**CFDA no. 93.855 - Allergy, Immunology and Transplantation Research**		
	Regents of the University of California	5030SC	$ 43,619
	Public Health Foundation Enterprise	0325	13,936
	Public Health Foundation Enterprise	2278	61,821
	Public Health Foundation Enterprise	2461.001	57,491
	Fred Hutchinson Cancer Research Center	0000747845	111,419
	Fred Hutchinson Cancer Research Center	0000751940	124,893
	Family Health International	0080.0172/970	15,670
		Program Total	$ 428,849
(16)	**CFDA no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease**		
	U.S. Department of Health and Human Services	--	$ 340,575
	San Francisco Community Clinic Consortium	2H76HA00163-20	112,002
	San Francisco Community Clinic Consortium	5H76HA00163-21	81,467
		Program Total	$ 534,044
(17)	**CFDA no. 93.940 - HIV Prevention Activities - Health Department Based**		
	U.S. Department of Health and Human Services	--	$ 7,670,746
	Public Health Foundation Enterprise	2366.002.001	277,708
	Public Health Foundation Enterprise	2369.002.001	119,264
		Program Total	$ 8,067,718
(18)	**CFDA no. 93.941 - HIV Demonstration, Research, Public and Professional Education Projects**		
	U.S. Department of Health and Human Services	--	$ 96,591
	Regents of the University of California	444932/29575-02	118,629
		Program Total	$ 215,220
(19)	**CFDA no. 97.067 - Homeland Security Grant Program**		
	State of California Emergency Management Agency	2008-0006	$ 17,919
	State of California Emergency Management Agency	2009-0019	421,110
	State of California Emergency Management Agency	2010-0085	23,536,840
	State of California Emergency Management Agency	2011-SS-0077	18,698,020
	State of California Emergency Management Agency	2012-SS-00123	2,717,105
	California Volunteers	DVP03Y1-02	3,391
	California Volunteers	DVP03Y2-04	103,433
		Program Total	$ 45,497,818

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Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925 274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Mayor Edwin Lee
The Honorable Members of the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City and County of San Francisco, California (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2013, except for our report on the schedule of expenditures of federal awards, for which the date is March 28, 2014. Our report includes a reference to other auditors who audited the financial statements of the San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency, San Francisco Wastewater Enterprise, San Francisco Market Corporation, and the Health Service System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 27, 2013

Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance

The Honorable Mayor Edwin Lee
The Honorable Members of the Board of Supervisors
City and County of San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the San Francisco Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), which expended $5,311,033, $22,877,839, $115,505,016, and $318,752, respectively, in federal awards. The expenditures of the Authority, the Airport, the MTA, and the Successor Agency, are not included in the schedule of expenditures of federal awards for the year ended June 30, 2013. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and report on the results separately to the Authority and the Successor Agency. The Airport and the MTA engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 28, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficieny(cies) identified?	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number(s)
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
ARRA-Broadband Technology Opportunities Program (BTOP)	11.557
Community Development Block Grants/Entitlement Grants	14.218
Home Investment Partnerships Program	14.239
ARRA - Public Safety Partnership and Community Policing Grants	16.710
Second Chance Act Prisoner Reentry Initiative	16.812
Highway Planning and Construction	20.205
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128
Aging Cluster	93.044, 93.045, 93.053
ARRA-National Center for Research Resources, Recovery Act Construction Support	93.702
HIV Emergency Relief Project Grants	93.914
HIV Prevention Activities - Health Department Based	93.940
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Port Security Grant Program	97.056
Homeland Security Grant Program	97.067
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111

Dollar threshold used to distinguish between Types A and B programs	$3,000,000
Auditee qualified as a low-risk auditee?	No

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

None Noted.

Section III – Federal Award Findings and Questioned Costs

Finding No. 2013-001 Subrecipient Monitoring

Federal Program Title:	Aging Cluster
Federal Catalog Numbers:	93.044, 93.045 and 93.053
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	State of California Department of Aging
Pass-Through Identifying Number:	AP-1213-06

Criteria:
Under the requirements of the Single Audit Act (31 USC 7502(f)(2)(B)) and the terms and conditions of the grant award, the pass-through agency is responsible for, at the time of the award, identifying to the subrecipient the Federal award information (i.e. CFDA title and number, award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition:
During our audit of the Aging Cluster administered by the City's Human Services Agency, we selected six subrecipients from a population of eight subrecipients. Our procedures identified that, of the required federal award information, the CFDA number of the federal grant was excluded from the required communication at the time of the awards to the subrecipients, although such information was included in the during-award-monitoring communication to the subrecipients.

Cause:
The Human Services Agency was not aware that the information is required to be communicated at the time of the award.

Effect:
Continued non-compliance may result in increased oversight by the federal grantor and may also lead to a reduction or discontinuance of federal assistance under these programs in future grant periods.

Questioned Costs:
There are no questioned costs for not providing the CFDA numbers at the time of the subawards. The Human Services Agency's monitoring procedures for those subrecipients did not identify any non-compliance.

Recommendation:
We recommend that the Human Services Agency reevaluate its subaward process to establish procedures to provide all required Federal award information prior to issuance of the subawards.

Management Response and Corrective Action:
The Human Services Agency (HSA) concurs with the finding relating to the Subrecipients Award Notification. HSA will include the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and the name of the Federal awarding agency) in the initial contract documents, in Appendix A – Services to be Provided.

Reference Number:	**2012-02 Subrecipient Monitoring**
Federal Catalog Number/ Program Name:	CFDA number 93.914, HIV Emergency Relief Project Grants CFDA number 93.940, HIV Prevention Activities – Health Department Based
Audit Finding:	The HIV Emergency Relief Project Grants and HIV Prevention Activities – Health Department Based programs were administered by the Department of Public Health (Department). During our audit, we selected 19 out of 31 subrecipients from HIV Emergency Relief Project Grants and 9 out of 21 subrecipient from HIV Prevention Activities – Health Department Based for testing, and noted that the Department did not obtain the DUNS number from subrecipients prior to the issuance of the subawards. The Department did not perform monitoring procedures for 1 out of the 9 tested subrecipients from the HIV Prevention Activities – Health Department Based program.
Corrective Action:	The Department will ask program managers to require the DUNS numbers for all direct subrecipients prior to issuance of subawards. The Department concurs with the recommendations to monitor all entities that receive pass-through federal grants. However, the entity in question was not scheduled to have a monitoring report for fiscal year 2011-12.
Status of Corrective Action:	Corrective action was implemented.

Reference Number:	**2012-03 Indirect Costs**
Federal Catalog Number/ Program Name:	CFDA number 81.128, ARRA – Energy Efficiency and Conservation Block Grant Program
Audit Finding:	The Retrofit California Program (Program), which is administered by the City's Department of Environment, receives Energy Efficiency and Conservation Block Grant funds under the American Recovery and Reinvestment Act (ARRA). The Program charged indirect costs at a rate of 123.6% of direct salaries and wages. Based on our review of supporting documentation, the indirect cost rate used was derived from an indirect rate cost proposal (IRCP) submitted to the State of California Department of Transportation, and was computed using an overall indirect cost rate of 169.47% minus the fringe benefit rate of 45.84%. The approved IRCP, however, adjusted the overall rate to be 130.37% inclusive of fringe benefits.
Corrective Action:	The Department of Environment is currently in the process of creating its own federal ICRP so this will not be an issue in the future. Until that is complete, we will task the Project Manager assigned to the grant with reconciling any budget information that did not originate with an executed document.
Status of Corrective Action:	Corrective action was implemented.

CITY AND COUNTY OF SAN FRANCISCO
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Reference Number:	**2012-04 Internal Control over Reporting**
Federal Catalog Number/ Program Name:	CFDA number 97.067, Homeland Security Grant Program
Audit Finding:	The Homeland Security Grant Program is administered by the City's Department of Emergency Management and the Bay Area Urban Areas Security Initiative (UASI). During our review of the City's internal controls over compliance with reporting requirements for the Homeland Security Grant, we noted a lack of secondary review on the accuracy and completeness of the CalEMA Financial Management Forms Workbook prepared by the Department of Emergency Management.
Corrective Action:	Moving forward, the Department of Emergency Management will include an additional manager in the payment request process to provide a secondary review of the CalEMA Financial Management Forms Workbook.
Status of Corrective Action:	Corrective action was implemented.