

File No. 160378 Committee Item No. 3
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight Date April 21, 2016

Board of Supervisors Meeting Date _____

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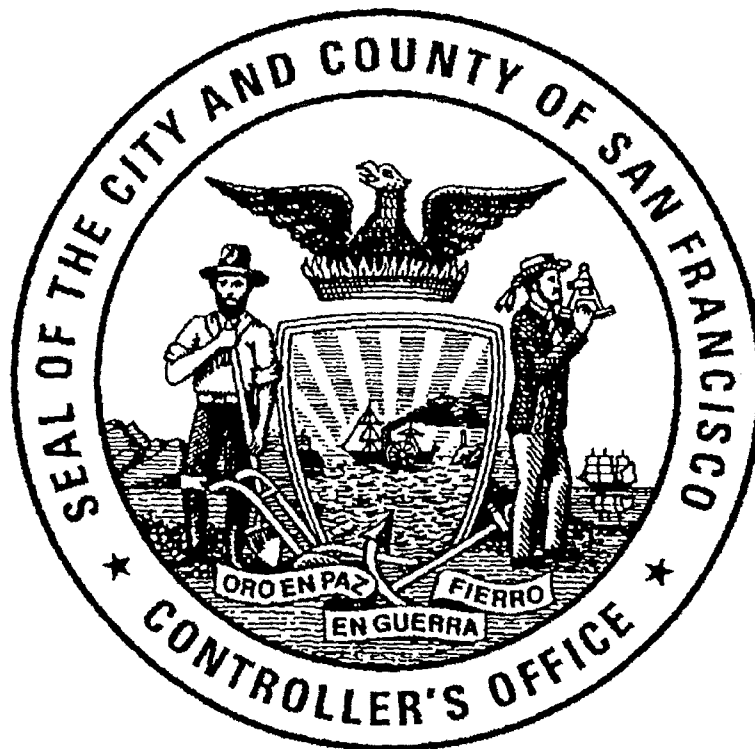
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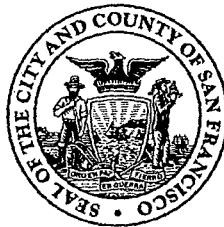
CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2015



Prepared by:
Office of the Controller

Ben Rosenfield
Controller



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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report

Year Ended June 30, 2015

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November 23, 2015

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2015, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in the Basic Financial Statements in this CAFR. The CAFR also incorporates financial statements of various City enterprise funds and component units, including the San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City and County of San Francisco Finance Corporation, the San Francisco County Transportation Authority, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, and the Successor Agency to the San Francisco Redevelopment Agency.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditor's report.

KEY FINANCIAL REPORT SECTIONS:

The **Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The **Financial Section** includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial and other statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financial statements are blended with the City's, such as the San Francisco County Transportation Authority and the San Francisco Finance Corporation. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the Treasure Island Development Authority, financial reporting is shown separately. Supplemental combining statements and schedules for non-major governmental funds, internal service funds and fiduciary funds are also presented in the financial section.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting statistical information. This section may be of special interest to citizens and prospective investors in our bonds.

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

An educated workforce and easy access to transit and financial capital continue to drive business investment in the City. San Francisco's economy has fully recovered losses from the most recent recession, and growth continues to outpace that of the state and national economies. The City's unemployment rate in fiscal year 2014-15 declined to a rate of 3.9%, a drop of 1.0% from the prior fiscal year's rate of 4.9%. In comparison, average unemployment rates for California and the nation for fiscal year 2014-15 stood at 6.8% and 5.7%, respectively. Most importantly, this fall in unemployment rate is due to a strengthening labor market as opposed to people dropping out of the labor force. In fiscal year 2014-15, private nonfarm employment in the San Francisco Metropolitan Division grew 5.0% over the prior fiscal year, compared to 3.3% growth for the state overall.

The resident population also continued to grow, reaching a new historical high of 852,469 in 2014 according to the U.S. Census Bureau. This represents a 1.3% increase versus the prior year, and cumulative growth of 91,144 or 12% over the last decade.

Several local economic indicators have shown marked improvement over the past fiscal year. Housing prices, residential and commercial rents, hotel room and occupancy rates, and retail sales have all shown significant growth. San Francisco's taxable sales grew by 4.8% in fiscal year 2014-15, down from the 9.4% growth rate for the prior fiscal year. Average annual hotel occupancy grew to 87.3%, a new historical high, while average room rates grew by 9.7% over the prior year.

Several key indicators of the City's real estate market exhibited similar strength in fiscal year 2014-15. Commercial and residential rents and median home prices all increased to new historical highs. The average asking monthly rent for apartments in San Francisco rose to \$3,444 in fiscal year 2014-15, an increase of 10.7%. Monthly per square foot rental rates for Class A commercial space jumped to \$65.9 in fiscal year 2014-15, a 10.3% increase versus the prior fiscal year. The average median home price in the fiscal year grew to a new annual high of approximately \$1,027,063 up 15.9% from the previous fiscal year.

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. A large amount of private construction was completed or underway during the last fiscal year, with 4,374 housing units completed and 8,130 additional units under construction at the end of the fiscal year. Building permits for nearly 7.5 million square feet of construction were issued during the year. Much of this development is shaped by major area planning efforts that the City has completed in recent years, including in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. The City has also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

The City and County of San Francisco was established by Charter in 1850, and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time, and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

San Francisco's Budgetary Process

The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. As of fiscal year 2014-15 there were seven departments on a two-year fixed budget.

As further required by these amendments, the Board of Supervisors and Mayor adopt a five-year financial plan every two years. The most recent plan was adopted in March 2015. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

Internal and Budgetary Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for

purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are carried forward and are not reappropriated in the following year's budget.

Pension and Retiree Health Trust Fund Operations

The City has a defined benefit retirement plan in which a substantial majority of full-time employees participate. The plan's most recent actuarial calculations, as of July 1, 2014, estimate the plan is 85.3% funded, up from 80.6% as of that date in 2013. The market value of assets increased by approximately \$2.9 billion, reflecting higher than expected returns—18.8% actual return versus the assumed return of 7.5%. As a result, the value of the unfunded liability decreased by approximately \$2.0 billion. Member contributions to the plan increased 11.7% from the prior year primarily as a result of the employee cost-sharing provisions of Proposition C, which went into effect on July 1, 2012.

The City's unfunded retiree health benefit liability has been calculated at \$3.98 billion as of July 1, 2012. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning in fiscal year 2016-17, employees hired before January 10, 2009 will also start contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary and rising to 2.0% of salary by fiscal year 2019-20. As of June 30, 2015, the Trust Fund had a balance of \$73.0 million, an increase of 49% versus the prior year. Given increasing pay-as-you-go and prefunding contributions and reductions in the benefit level for recently-hired employees, the City expects to fund the Annual Required Contribution (ARC) by fiscal year 2019-20.

General Fund Financial Position Highlights

The City's General Fund financial position continued to post significant improvement during this most recent fiscal year, continuing trends from recent years.

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2014-15 at \$1,145 million, up \$310 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2014-15, rising to a new year-end peak of \$1.3 billion, up \$0.25 billion from June 30, 2014.

Strong revenue growth and the City's reserve policies have caused General Fund rainy day and budget stabilization reserves to grow to \$247 million as of June 30, 2015, a \$32 million increase from the prior year ending balance of \$215 million.

The majority of fund balance available for appropriation on a budgetary basis totaled \$390.8 million or \$16.6 million more than had been previously projected and appropriated by the Mayor and Board as a source in the adopted two-year budget for fiscal years 2015-16 and 2016-17.

Key Government Initiatives

San Francisco's economy depends on investments in infrastructure and services that benefit City residents, workers, visitors, and businesses. These economic foundations range from housing and commercial development, to transportation infrastructure, investments in health and human services, and the City's quality of life. The City is taking steps to strengthen this infrastructure, to support San Francisco's economic recovery and long-term prosperity. Some important initiatives are described below:

Improving the City's Public Transportation Systems

San Francisco is ideally situated to serve the Bay Area's need to rapidly bring a large numbers of workers into a transit-accessible employment center, and efficiently navigate the dense City on foot, mass transit, taxi or bicycle.

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet this regional need. The center is designed to provide expanded bus, commuter train, and ultimately high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The \$2.3 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources; including federal stimulus funding, land sale proceeds, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site.

The City is currently constructing the Central Subway project, the second phase of a program designed to create a light-rail line running from Chinatown, under the heart of downtown, and connecting to the most-recent extension of the light-rail system to the Southeast portion of the City. The subway will connect to Bay Area Rapid Transit (BART) and Caltrain, the region's two largest regional commuter rail services. The Central Subway project, with an estimated budget of \$1.6 billion and a targeted completion date of 2018, is estimated to provide approximately 35,000 daily boardings at four stations along the new 1.7 mile line. Once in active service in 2019, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City is also implementing a street repair and improvement program, funded with a \$248 million general obligation bond, as well as state and local revenue sources. Under this program, over 2,500 blocks are expected to be repaved or preserved, 1,900 curb ramps for disabled access will be constructed, and over 125,000 square feet of public sidewalk will be repaired. In commercial corridors, and along busy routes, the program is enabling the City to build complete streets that enhance pedestrian and bicycle safety and enhance the vibrancy of urban neighborhoods. The program also provides funds to rehabilitate existing traffic signal infrastructure and allow transit signal priority along key transit routes, improving transit efficiency and relieving traffic congestion. During the last two years, the City has repaved or maintained more than 1,700 blocks, built 1,400 curb ramps, repaired 21 street structures, inspected and repaired more than 300,000 square feet of sidewalk.

These improvements to the City's transportation infrastructure will be accelerated given voter approval of a \$500 million general obligation bond in November 2014, the first of four funding measures recommended by a Mayoral taskforce convened during fiscal year 2013-14 to prioritize critical transportation infrastructure projects and recommend funding strategies to meet these needs. Projects planned for the bond include investments designed to improve reliability and travel time on mass transit, improve pedestrian safety, improve accessibility, and address priority deferred maintenance needs.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2014-15 as part of an approved capital plan of \$2.6 billion over the next five years. Completed projects during the fiscal year include runway safety area improvements and a new cargo facility, with work to construct a new air traffic control tower and renovations to Terminal 3 in construction. The plan also includes funds for programming, planning, and construction of the initial phases of the Terminal 1 Renovation Program, which has a projected cost of \$2.2 billion and anticipated phased completion dates through 2023. These projects are necessitated by the continued growth in passenger volumes at SFO, which accounts for 95% of international air travel and 71% of all air travel into the Bay Area.

Completing Critical Infrastructure Upgrades for Water, Power, and Sewer Services

Service reliability and disaster preparedness are also priorities of the City's Public Utilities Commission (PUC), as evidenced in the historic levels of infrastructure investment being deployed and planned in all three enterprises the PUC operates.

As of the end of fiscal year 2014-15, the City was over 89% complete on a \$4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco

counties, collectively serving some 2.6 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

The PUC is also underway with a \$6.9 billion, three-phased 20-year program to upgrade of the City's wastewater infrastructure, the Sewer System Improvement Program (SSIP). The first phase, totaling \$2.7 billion, includes \$1.7 billion in improvements to the Southeast Treatment Plant and funding for sustainable, green infrastructure and urban watershed assessment projects to minimize stormwater impact on the sewer system. The SSIP will upgrade the City's combined sewer system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, today many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

Hetch Hetchy Water and Power, which includes upcountry water operations and the City's power enterprise, is in the midst of an upcountry rehabilitation program for its aging reservoirs, powerhouses, switchyards, pipelines, tunnels and in-city power assets. Upcountry water and power facilities are being assessed and rehabilitated where needed, including investments in reservoirs, powerhouses, switchyards, and substations, 170 miles of pipelines and tunnels, 160 miles of transmission lines, watershed land, and right-of-way property. Improvements in San Francisco include piloted replacement of old, outdated streetlight fixtures and poles with modern, energy-efficient ones. These new fixtures will have wireless controls, enabling the City to achieve cost-efficiency and higher performance through the ability to monitor and control them remotely. Over the next ten years, \$1.2 billion of critical infrastructure investment is planned.

Expanding Access to Healthcare

Public health and human services are important to the long-term health and well-being of City residents, and to the overall productivity of the City's workforce. The City offers a host of health and safety net services, including operation of two public hospitals, the administration of federal, state, and local entitlement programs, and a vast array of community-based health and human services.

January 2014 marked the beginning of full-scale implementation of the Affordable Care Act (ACA), including the launch of Covered California and the Medi-Cal expansion. In preparation, the City conducted extensive outreach through various agencies, and the Department of Public Health (DPH) created the San Francisco Health Network, consolidating the department's full continuum of direct health care services. The San Francisco Health Network is an integrated health care delivery system that improves the department's ability to provide and manage care for insured patients that select our network, organize the elements of the delivery system, improve system efficiency, and improve the patient experience.

Over 97,000 San Franciscans have enrolled in new health insurance options since the launch of the ACA in 2014, including more than 56,000 in Medi-Cal and over 41,000 in Covered California. Paralleling the increased insurance enrollment is a continued reduction in enrollment in Healthy San Francisco, the City's health access program for the uninsured, which declined from nearly 58,000 participants prior to ACA implementation to 15,000 as of June 2015. However, Healthy San Francisco does not account for all uninsured San Franciscans, and the City estimates that 35,000 to 40,000 residents continue to remain without insurance. The residually uninsured include those ineligible for the insurance expansions offered under the ACA and those who are eligible but who, for a variety of reasons, do not enroll. The City will continue to be a key provider of safety net services for these individuals.

Amidst these changes, the City is on schedule to replace and modernize the City's two public hospitals. The voters approved a general obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This \$887 million project is required given changes to state law governing seismic requirements for hospitals. It will replace the current facility with a new nine-story building on the existing hospital campus. The hospital is the only trauma center in San Francisco, and also acts as the safety net hospital for our residents. Construction of the project is underway, with completion expected in fiscal year 2015-16. This project follows substantial completion of the reconstruction of the City's skilled nursing facility, Laguna Honda Hospital, in fiscal year 2011-12.

Modernizing the City's Parks and Libraries

San Francisco voters have approved a number of bond measures to fund capital improvements to the City's parks and libraries during the past decade, including the most recent approval in November 2012 of a \$195 million general obligation bond for improvements to neighborhood parks. Once implemented, the City will have completed substantial renovations of 13 recreation centers, 52 playgrounds, and 9 swimming pools during a ten year period.

The City substantially completed a comprehensive branch library improvement program in fiscal year 2013-14 that renovated 16 branch libraries, replaced seven branches with new buildings, and constructed a new branch library in Mission Bay. The \$196 million program, funded with a mix of general obligation and lease-revenue bonds, state funds, and other local sources, focused on seismic safety, accessibility, and modernization for current uses.

Delivering Public and Private Waterfront Improvements

The Port of San Francisco, a department of the City, is custodian to seven and one-half miles of maritime industrial and urban waterfront property. The City utilizes public-private partnerships to marshal private sector creativity and financial resources to rehabilitate historic Port assets or develop new facilities for maximum public benefit. Current public-private partnership projects include the rehabilitation of the Pier 70 area which contemplates continued ship repair, historic preservation, new waterfront parks, housing, and up to two million square feet of new commercial and office space; a state of the art multi-purpose venue for the Golden State Warriors basketball organization in the Mission Bay redevelopment area; and a new mixed-use neighborhood with waterfront parks and a rehabilitated Pier 48 adjacent to the Giants baseball stadium. Public-private partnerships complement the City's public works project-delivery mechanism, which were recently used to deliver parks and open space projects along the waterfront and the new James R. Herman Cruise Terminal at Pier 27, which opened in September 2014.

Improving Public Safety and Earthquake Preparedness

In June 2014, San Francisco voters approved a \$400 million Earthquake Safety and Emergency Response Bond (ESER 2014) to continue vital work done in the ESER program and to pay for repairs and improvements that will allow San Francisco to quickly respond to a major earthquake or disaster. The first face of the ESER program was approved by voters in June 2010 and since the program began, the City has completed the new Public Safety Building, made improvements to neighborhood firehouses, and upgraded the emergency firefighting water system.

Other Long-Term Challenges Remain

Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant initiatives outlined above, several long-term financial challenges and risks remain unresolved.

While significant investments are proposed in the City's adopted ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$10 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades.

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other postemployment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial accrued liabilities of over \$7 billion for these benefits, comprised of \$4.0 billion for retiree health obligations and \$3.1 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree

health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, further progress is still needed. Economic stabilization reserves have grown significantly during the last four fiscal years, exceeding pre-recession peaks in the prior year. By the end of the fiscal year, these reserves were funded up to 6.0% of discretionary General Fund revenues, below the adopted target of 10%. Further progress towards the targeted level in future fiscal years will allow the City to better weather inevitable negative variances that will be driven by future economic volatility.

OTHER INFORMATION:

Independent Audit

The City's Charter requires an annual audit of the Controller's records. These records, represented in the basic financial statements included in the CAFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The Independent Auditor's Report on our current year's financial statements is presented in the Financial Section.

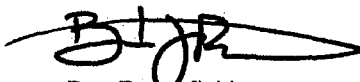
Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This was the 33rd consecutive year, beginning with the fiscal year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

Respectfully submitted,



Ben Rosenfield
Controller



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City and County of San Francisco
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

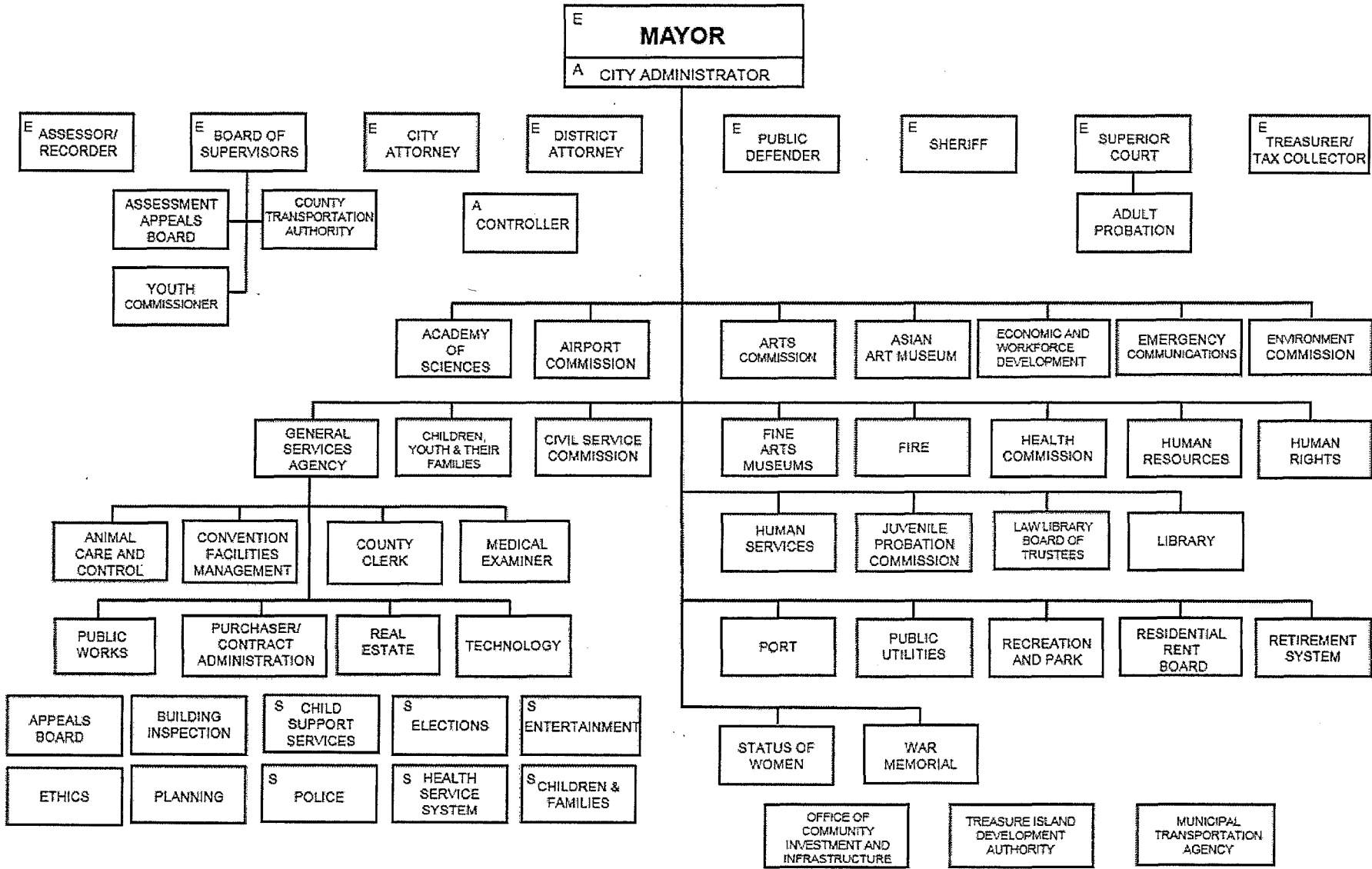
Executive Director/CEO



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City and County of San Francisco Organization Chart

(As of June 30, 2015)



A = Appointed by Mayor and confirmed by Board of Supervisors / E = Elected / S = Shared – appointed by various elected officials.

CITY AND COUNTY OF SAN FRANCISCO

**List of Principal Officials
As of June 30, 2015**

ELECTED OFFICIALS

Mayor	Edwin M. Lee
Board of Supervisors:	
President	London Breed
Supervisor.....	Eric L. Mar
Supervisor.....	Mark Farrell
Supervisor.....	Julie Christensen
Supervisor.....	Katy Tang
Supervisor.....	Jane Kim
Supervisor.....	Norman Yee
Supervisor.....	Scott Wiener
Supervisor.....	David Campos
Supervisor.....	Malia Cohen
Supervisor.....	John Avalos
Assessor/Recorder.....	Carmen Chu
City Attorney.....	Dennis J. Herrera
District Attorney.....	George Gascón
Public Defender.....	Jeff Adachi
Sheriff.....	Ross Mirkarimi
Superior Courts	
Presiding Judge	Judge John K. Stewart
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator.....	Naomi Kelly
Controller.....	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport.....	John L. Martin
Appeals Board.....	Cynthia Goldstein
Arts Commission.....	Tom DeCaigny
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority.....	Tilly Chang
Building Inspection.....	Tom Hui
California Academy of Sciences	Jonathan Foley, Ph.D.
Child Support Services.....	Karen M. Roye
Children, Youth and Their Families.....	María Su
Civil Service	Michael L. Brown
Economic and Workforce Development.....	Todd Rufo
Elections.....	John Arntz
Emergency Management	Anne Kronenberg
Entertainment.....	Jocelyn Kane
Environment.....	Deborah Raphael
Ethics.....	John St. Croix
Fine Arts Museums	Richard Benefield (Interim)
Fire	Joanne Hayes-White

CITY AND COUNTY OF SAN FRANCISCO

**List of Principal Officials
As of June 30, 2015**

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	John Noguchi
County Clerk	Karen Hong Yee
Medical Examiner	Michael Hunter
Public Works	Mohammed Nuru
Purchaser/Contract Administration	Jaci Fong
Real Estate	John Updike
Department of Technology	Miquel A. Gamino, Jr.
Health Service System	Catherine Dodd
Human Resources	Micki Callahan
Human Rights	Theresa Sparks
Human Services	Trent Rhorer
Aging and Adult Services	Anne Hinton
Juvenile Probation	Allen A. Nance
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Ed Reiskin
Planning	John Rahaim
Police	Greg Suhr
Office of Citizen Complaints	Joyce M. Hicks
Port	Monique Moyer
Public Health	Barbara A. Garcia
Public Utilities	Harlan Kelly
Recreation and Park	Phil Ginsburg
Residential Rent Board	Delene Wolf
Retirement System	Jay Huish
Small Business	Regina Dick-Endrizzi
Status of Women	Emily M. Murase
Successor Agency to the Redevelopment Agency	Tiffany Bohee
Superior Court	T. Michael Yuen
Adult Probation	Karen L. Fletcher
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck
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Newport Beach

San Diego

Independent Auditor's Report

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

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, 2015, 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 County Transportation Authority, 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), 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
Governmental activities	1.6%	1.6%	2.8%
Business-type activities	90.5%	92.7%	71.7%
Aggregate remaining fund information	1.0%	0.9%	13.9%

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the 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, 2015, 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.

Emphasis of Matters

As discussed in Note 2(s) to the basic financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

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, 2014, from which such partial and summarized information was derived.

We have previously audited the City's 2014 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 discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated November 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 schedule of the City's proportionate share of the net pension liability, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions – pension plans, and the schedules of funding progress and employer contributions – other postemployment healthcare benefits, 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 GASB 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 combining fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 23, 2015

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2013-14 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2014-15 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately \$6.57 billion (net position). Of this balance, \$7.52 billion represents the City's net investment in capital assets, \$1.40 billion represents restricted net position, and unrestricted net position has a deficit of \$2.36 billion. The City's total net position decreased by \$1.79 billion, or 21.5 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$488.0 million or 6.9 percent and \$141.2 million or 11.2 percent, respectively. Unrestricted net position declined from \$67.8 million to a deficit of \$2.36 billion, a total reduction of \$2.42 billion.

The City's governmental funds reported total revenues of \$5.35 billion, which is a \$439.5 million or 9.0 percent increase over the prior year. Within this, revenues from property taxes, hotel room tax, real property transfer tax, intergovernmental grants and business taxes grew by approximately \$124.9 million, \$84.2 million, \$52.7 million, \$75.1 million, and \$48.5 million, respectively. At the same time, there was a decline in revenues from interest of \$1.1 million and other revenues of \$11.3 million. Governmental funds expenditures totaled \$4.79 billion for this period, a \$218.3 million or 4.8 percent increase, reflecting increases in demand for governmental services of \$242.3 million, an increase in debt service of \$13.0 million and a decrease in capital outlay of \$37.0 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$2.29 billion, an increase of \$352.0 million or 18.2 percent from prior year, primarily due to a strong growth in most revenues 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 \$297.1 million during this fiscal year. The City issued a total of \$1.60 billion in bonds and loans this year. Of this amount, \$155.6 million in general obligation bonds were issued to fund the earthquake safety and response projects and \$293.9 million in general obligation refunding bonds for debt service savings. The City also borrowed \$2.1 million for the renovation of the City's west harbor marina and \$134.7 million in a revolving loan to refinance the San Francisco County Transportation Authority's short-term commercial paper notes. The San Francisco International Airport issued \$473.6 million in revenue bonds to refinance and finance the completion of ongoing projects such as the air traffic control tower and baggage handling system modernization, runway safety area improvement, Terminal 1 and 3 redevelopment and other projects in the Airport's five-year Capital Plan. The San Francisco Municipal Transportation Agency issued a total of \$70.6 million of revenue bonds to provide new money for various transit and capital projects and Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement projects on the Hetch Hetchy facilities. The San Francisco Water Enterprise issued \$429.6 million water revenue refunding bonds for an economic gain. The balance of commercial paper issued to finance and refinance capital projects decreased by \$123.2 million in this fiscal year. Of this decrease, \$18.0 million represented governmental activities while \$105.2 million represented business-type activities.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of July 1, 2014. The City restated the July 1, 2014 net position to include the net pension liability as well as deferred outflows of resources related to pensions. The total impact of this change was a \$3.25 billion reduction in the City's beginning net position.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 Comprehensive Annual Financial Report are related as shown in the graphic below.

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

CAFR	Introductory Section	INTRODUCTORY SECTION			
		+			
	Financial Section	Management's Discussion and Analysis (MD&A)			
		Government-wide Financial Statements	Fund Financial Statements		
				Governmental Funds	Proprietary Funds
		Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
			Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	
		Statement of activities	Budgetary comparison statement	Statement of cash flows	Statement of changes in fiduciary net position
			Notes to the Financial Statements		
		Required Supplementary Information Other Than MD&A			
Information on individual nonmajor funds and other supplementary information that is not required					
	+				
Statistical Section	STATISTICAL SECTION				

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether 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

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

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, transportation system (including parking), water and power operations, an acute care hospital, a long-term care hospital, and sewer operations.

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 (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 (Successor 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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

The City adopts a rolling two-year budget for its General Fund. 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), San Francisco Municipal Transportation Agency (SFMTA), 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, retirees' health care, the Successor 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 net pension liability, pension contributions and progress in funding its obligation to provide other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets.....	\$3,635,676	\$3,327,511	\$ 4,774,416	\$ 4,680,939	\$ 8,410,092	\$ 8,008,450
Capital assets.....	4,874,710	4,462,714	14,750,206	13,997,489	19,624,916	18,460,203
Total assets.....	<u>8,510,386</u>	<u>7,790,225</u>	<u>19,524,622</u>	<u>18,678,428</u>	<u>28,035,008</u>	<u>26,468,653</u>
Deferred outflows of resources	<u>346,493</u>	<u>11,701</u>	<u>445,609</u>	<u>176,314</u>	<u>792,102</u>	<u>188,015</u>
 Liabilities:						
Current liabilities.....	1,345,352	1,391,609	1,892,224	1,884,942	3,237,576	3,276,551
Noncurrent liabilities.....	5,340,775	4,068,411	12,111,306	10,934,203	17,452,081	15,002,614
Total liabilities.....	<u>6,686,127</u>	<u>5,460,020</u>	<u>14,003,530</u>	<u>12,819,145</u>	<u>20,689,657</u>	<u>18,279,165</u>
Deferred inflows of resources	<u>883,538</u>	<u>275</u>	<u>688,451</u>	<u>17,737</u>	<u>1,571,989</u>	<u>18,012</u>
 Net position:						
Net investment in capital assets*.....	2,684,808	2,483,086	5,117,679	4,832,659	7,520,698	7,032,674
Restricted *.....	961,387	862,706	495,654	452,465	1,400,246	1,259,065
Unrestricted (deficit) *.....	<u>(2,358,981)</u>	<u>(1,004,161)</u>	<u>(335,083)</u>	<u>732,736</u>	<u>(2,355,480)</u>	<u>67,752</u>
Total net position.....	<u>\$1,287,214</u>	<u>\$2,341,631</u>	<u>\$ 5,278,250</u>	<u>\$ 6,017,860</u>	<u>\$ 6,565,464</u>	<u>\$ 8,359,491</u>

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

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was \$6.57 billion at the end of fiscal year 2014-15, a 21.5 percent decrease over the prior year. The City's governmental activities account for \$1.29 billion of this total and \$5.28 billion stem from its business-type activities.

The largest portion of the City's net position is the \$7.52 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$488.0 million or 6.9 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except LHH. 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 is the \$1.40 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$2.36 billion, which consists of a \$2.36 billion deficit in governmental activities and \$335.1 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to the required adjustments to record the net pension liability and related items pursuant to new accounting pension standards (See note 2(s)). The governmental activities deficit also included \$338.6 million in long-term bonds liabilities that fund the LHH rebuild 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 SFMTA (see Note 2(k)).

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Changes in Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services.....	\$ 612,983	\$ 568,528	\$ 3,134,814	\$ 3,102,934	\$ 3,747,797	\$ 3,671,462
Operating grants and contributions.....	1,165,340	1,142,094	191,101	190,351	1,356,441	1,332,445
Capital grants and contributions.....	48,233	39,379	357,819	515,445	406,052	554,824
General revenues:						
Property taxes.....	1,640,383	1,521,471	-	-	1,640,383	1,521,471
Business taxes.....	611,932	563,406	-	-	611,932	563,406
Sales and use tax.....	240,424	227,636	-	-	240,424	227,636
Hotel room tax.....	394,262	310,052	-	-	394,262	310,052
Utility users tax.....	98,979	86,810	-	-	98,979	86,810
Other local taxes.....	451,994	391,638	-	-	451,994	391,638
Interest and investment income.....	20,737	21,887	25,999	29,843	46,736	51,730
Other.....	46,906	70,024	200,148	82,737	247,054	152,761
Total revenues.....	<u>5,332,173</u>	<u>4,942,925</u>	<u>3,909,881</u>	<u>3,921,310</u>	<u>9,242,054</u>	<u>8,864,235</u>
Expenses						
Public protection.....	1,108,200	1,229,591	-	-	1,108,200	1,229,591
Public works, transportation and commerce.....	270,454	200,712	-	-	270,454	200,712
Human welfare and neighborhood development.....	1,073,652	1,009,190	-	-	1,073,652	1,009,190
Community health.....	735,040	786,761	-	-	735,040	786,761
Culture and recreation.....	355,676	357,620	-	-	355,676	357,620
General administration and finance.....	249,823	298,563	-	-	249,823	298,563
General City responsibilities.....	94,577	85,239	-	-	94,577	85,239
Unallocated interest on long-term debt.....	115,030	115,880	-	-	115,030	115,880
Airport.....	-	-	853,338	827,658	853,338	827,658
Transportation.....	-	-	1,018,251	1,037,368	1,018,251	1,037,368
Port.....	-	-	88,436	88,551	88,436	88,551
Water.....	-	-	438,885	470,200	438,885	470,200
Power.....	-	-	149,438	137,639	149,438	137,639
Hospitals.....	-	-	996,395	1,011,452	996,395	1,011,452
Sewer.....	-	-	239,556	243,466	239,556	243,466
Market.....	-	-	-	120	-	120
Total expenses.....	<u>4,002,452</u>	<u>4,083,556</u>	<u>3,784,299</u>	<u>3,816,454</u>	<u>7,786,751</u>	<u>7,900,010</u>
Increase/(decrease) in net position before transfers and extraordinary items.....	1,329,721	859,369	125,582	104,856	1,455,303	964,225
Transfers.....	(504,791)	(311,627)	504,791	311,627	-	-
Extraordinary gain/(loss).....	-	-	-	(6,843)	-	(6,843)
Change in net position.....	<u>824,930</u>	<u>547,742</u>	<u>630,373</u>	<u>409,640</u>	<u>1,455,303</u>	<u>957,382</u>
Net position at beginning of year, as restated.....	462,284	1,793,889	4,647,877	5,608,220	5,110,161	7,402,109
Net position at end of year.....	<u>\$ 1,287,214</u>	<u>\$ 2,341,631</u>	<u>\$ 5,278,250</u>	<u>\$ 6,017,860</u>	<u>\$ 6,565,464</u>	<u>\$ 8,359,491</u>

Analysis of Changes in Net Position

The City's total change in net position increased by \$497.9 million in fiscal year 2014-15, a 52.0 percent increase over the prior fiscal year, as noted above. This was the fifth consecutive year of increase. The increase in the change in net position included \$277.2 million from governmental activities and \$220.7 million from business-type activities.

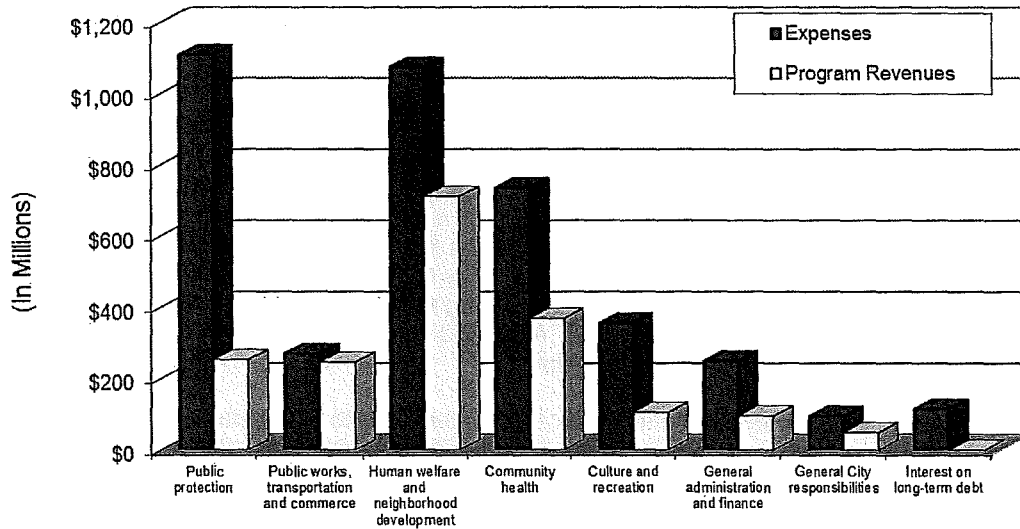
The City's governmental activities experienced a \$389.2 million or 7.9 percent growth in total revenues. This included increases in nearly all of the general city revenues: \$44.5 million in charges for services, \$23.2 million in operating grants and contributions, \$118.9 million in property taxes, \$84.2 million in hotel room tax, \$48.5 million in business taxes and \$12.2 million in utility users tax. Sales and use tax and other local taxes also had a combined growth of \$73.1 million. These improvements were partly offset by a decline in other revenue sources, including a \$1.2 million decrease in interest and investment income and a \$23.1 million drop in other general revenues. The City's governmental activities expenses reported a

CITY AND COUNTY OF SAN FRANCISCO

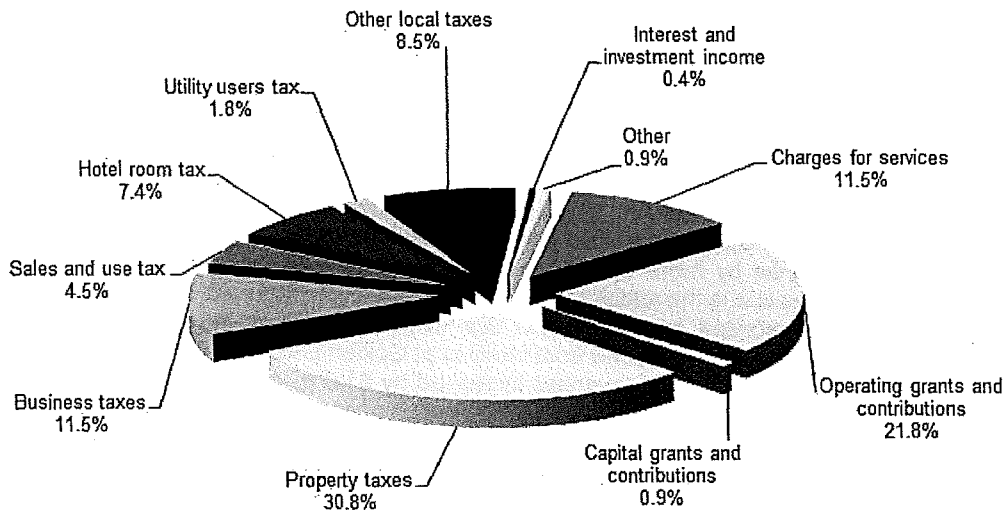
Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

decrease of \$81.1 million or 2.0 percent this fiscal year. The net transfer to business-type activities increased by \$193.2 million. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Governmental activities. Governmental activities increased the City's total net position by approximately \$824.9 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$5.33 billion, a \$389.2 million or 7.9 percent increase over the prior year. For the same period, expenses totaled \$4.00 billion before transfers of \$504.8 million, resulting in a total net position increase of \$824.9 million by June 30, 2015.

Property tax revenues increased by \$118.9 million or 7.8 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to a lower than expected deposit for the Assessment Appeals Board reserve fund. An increase in real property transfer tax by \$52.7 million made up the majority of the growth in other local taxes of \$60.4 million.

Revenues from business and sales and use taxes totaled approximately \$852.4 million, a growth of \$61.3 million over the prior year. Business taxes grew by \$48.5 million due to an increase in payroll tax revenue resulting from a 5.2 percent increase in employment and a 7.9 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition E passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by \$12.8 million, reflecting 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.

Hotel room tax revenues grew by \$84.2 million, or 27.2 percent, due to strong demand from all segments of the market (tourist, convention, and business) while no additions to inventory led to increased occupancy and the average daily room rate. In addition, the City passed legislation to create oversight on short-term rentals. The City began collecting hotel tax for short-term rentals in November 2014, which increases the hotel tax base.

Operating grants and contributions increased \$23.2 million. This was largely due to the increases from state sources, including \$9.9 million for human welfare programs, \$17.9 million for community health program grants, and \$26.9 million for public works programs. These were offset primarily by combined decreases of \$31.5 million in other governmental activities.

Total charges for services increased \$44.5 million, or 7.8 percent, while other revenues decreased \$23.1 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. The more significant increases are discussed below. The Department of Public Health's patient charges increased by \$23.2 million due to the expansion of Medi-Cal eligibility under the Affordable Care Act and other State and Federal legislation expanding coverage. Fire Department charges for services increased by \$1.7 million due to services provided to the Presidio under a Cooperative Agreement. The Sheriff's Department's services revenues increased by \$1.1 million due to the increased fees in a U.S. Marshal contract for Federal Prison Boarding. The Planning Department's revenues grew by more than \$6.6 million from large project file application, which are assessed larger intake fees due to the additional reviews and approvals required. The Recreation and Park Department's revenues increased by \$3.6 million due to revenues from the Candlestick Park lease amendment and strong admissions revenues from facilities at Golden Gate Park and elsewhere in the City. In addition, the Treasurer Department's revenues increased by \$1.8 million due to a new charge to San Francisco Unified School District and City College for collection of special assessments, a consolidation of licensing increased collections and Property Tax auction of 30,000 units processed. The decrease in other revenues is related to decrease in housing inclusion fees and loan principal repayment received from the affordable housing project.

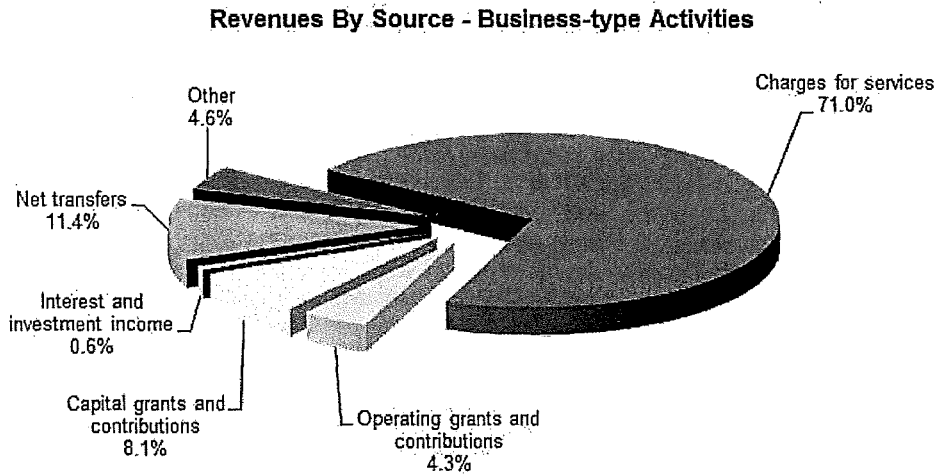
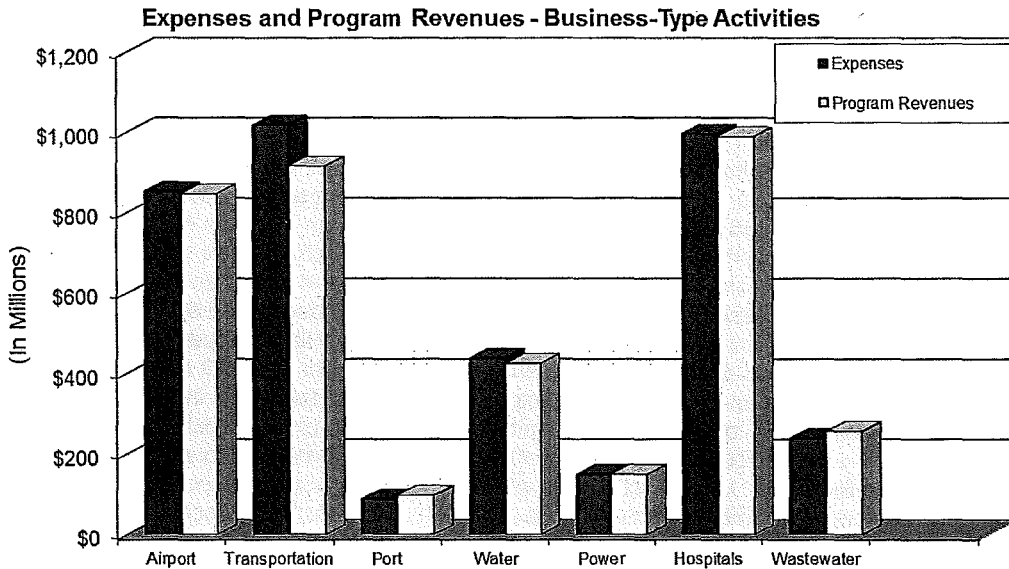
Interest and investment income revenue decreased by \$1.2 million, or 5.3 percent, due to decreased cash balances in the pool due to planned prepayment of employer contributions to the Retirement System.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

Net transfers from the governmental activities to business-type activities were \$504.8 million, a 62.0 percent or \$193.2 million increase from the prior year. This was mainly due to increased operating subsidies of \$33.9 million from the General Fund to SFMTA, \$33.6 million to SFGH and \$33.7 million to LHH. In addition, Water received \$51.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System.

The decrease of total governmental expenses of \$81.1 million, or 2.0 percent, was primarily due to a decrease in pension expense for reporting purposes related to implementation of GASB Statement Nos. 68 and 71. (See also Note 9 to the Basic Financial Statements for additional pension related information).



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

Business-type activities increased the City's net position by \$630.4 million and key factors contributing to this increase are described below. One key factor affecting all business-type activities was the City's adoption of GASB Statement Nos. 68 and 71 as of July 1, 2014. As permitted by the transition provisions of these statements when a restatement of all prior periods is not practical, the cumulative effect of applying this accounting change is reported as a restatement of beginning position as of July 1, 2014. As a result, for all business-type activities the restatement (reduction) of beginning net position was \$1.37 billion to record the net pension liability offset by the deferred outflows of resources related to contributions made subsequent to the measurement date (see Note 2(s)). In addition, prior to GASB Statement Nos. 68 and 71, pension cost was recorded based on payments made at actuarially determined funding contribution levels. Commencing fiscal year 2014-15, pension expense reflects the change in net pension liability and the amortization of pension related deferred outflows and inflows of resources determined in accordance with the new standards. This change in measurement of pension cost resulted in an overall decrease in business-type activities expenses in fiscal year 2014-15. More detailed information concerning net pension liability, pension contributions and pension expense is in Note 9 to the Basic Financial Statements.

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$56.1 million, compared to a \$5.5 million decrease in the prior year, a \$61.6 million difference. Operating revenues totaled \$815.4 million for fiscal year 2014-15, an increase of \$44.7 million or 5.8 percent over the prior year and included increases of \$23.4 million, \$8.2 million, \$8.4 million, and \$4.7 million in aviation, concession, parking and transportation, and net sales and services revenues, respectively. For the same period, the Airport's operating expenses decreased by \$16.7 million, or 2.7 percent, for a net operating income of \$206.3 million for the period. Net non-operating activities saw a deficit of \$141.8 million versus \$203.6 million deficit in the prior year, a \$61.8 million decrease. The decrease in both operating and non-operating expenses is due to decreases in personnel, write-offs and loss on disposal, and a decrease in capital improvement project costs that did not meet capitalization requirements. Excluding the effect of the changes in pension accounting, personnel costs increased \$6.9 million due to cost of living adjustments and additional positions. Also, capital contributions decreased by \$58.9 million due to a reduction in federal grants received.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$97.4 million at the end of fiscal year 2014-15, compared to a decrease of \$45.4 million at the end of the previous year, a \$142.8 million difference. Revenues totaled \$485.3 million, expenses totaled \$438.9 million, and the net increase from capital contributions and transfers was \$50.3 million. Compared to the prior year, total revenues increased \$61.2 million, which included \$45.2 million more in water service revenues and \$15.0 million more in non-operating revenues. These increases were offset by decreases of \$5.1 million from interest and investment income. The primary reason for the increase in water service revenues was an adopted rate increase of 19.6 percent for wholesale customers and 12.0 percent for retail customers. Within expenses, the enterprise reported a total decrease of \$31.3 million in fiscal year 2014-15. This included a \$30.1 million decrease in general and administrative and other expenses, and a \$20.7 million decrease in personnel services due to a reduction in pension costs from the change in accounting as discussed above. These decreases were offset by increases of \$6.4 million in depreciation expense from increased capitalized assets, \$5.5 million in legal services provided by the City Attorney and an increase in water assessment fees paid to Hetch Hetchy Water, \$1.8 million in contractual services due to higher construction and engineering services, and \$0.5 million in materials and supplies, mainly for fuel.
- Hetch Hetchy Water and Power ended fiscal year 2014-15 with a net position increase of \$11.1 million, compared to a \$4.6 million decrease the prior year, a difference of \$15.7 million. This change consisted of increases in operating income of \$5.5 million, non-operating income of \$1.7 million, and transfers from (to) the City of \$1.7 million. This enterprise consists of two segments: Hetchy Water upcountry operations and water system, which reported a \$0.003 million decrease in change in net position, and Hetchy Power (also known as the Power Enterprise), which reported a \$11.1 million increase in change in net position. Hetchy Water total revenues increased by \$2.8 million due to a \$3.5 million increase in water assessment fee revenue from the Water Enterprise, although interest and investment income decreased by \$0.6 million. Total expenses rose by \$3.9 million. Hetchy Power's total revenues

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

increased by \$13.6 million mostly due to the adopted power rate increase which resulted in a \$10.1 million increase in charges for services. On the operating expenses side, Hetchy Power reported an increase of \$4.2 million due to increases of \$3.2 million in capital project spending, \$3.8 million increase in contractual services, \$2.7 million increase in depreciation expense, and \$1.6 million increase in claim settlement. These increases were offset by decreases of \$4.2 million in power distribution costs, \$1.8 million decrease in purchased electricity, \$1.0 million decrease in materials and supplies, and \$0.5 million decrease in pension costs from the change in accounting as previously discussed.

- The City's Wastewater Enterprise's net position increased by \$29.3 million, compared to a \$33.1 million increase the prior year, a \$3.8 million positive change. Operating revenues decreased by \$4.1 million due to decreased capacity fees resulting from a rate structure change starting in July 2014. Interest and investment income declined by \$1.2 million due to lower cash balances from higher spending on SSIP projects and an unrealized loss from declines in fair values of investments. Other decreases included \$0.1 million less sewer service revenues due to reduction of sanitary flow. Total expenses were \$239.6 million, which reflected a decrease of \$3.9 million due mostly to a decrease of \$4.3 in interest expense. Operating expenses increased by \$0.1 million due to increases of \$7.6 million in general and administration costs, \$1.9 million in depreciation and \$0.9 million in services provided by other departments, which were offset by decreases of \$8.7 million in personnel and fringe benefits due to reduced pension costs from the change in accounting as previously discussed, and a \$1.0 million decrease in materials and supplies.
- The Port ended fiscal year 2014-15 with a net position increase of \$11.8 million, compared to an \$8.7 million increase in the previous year, a \$3.1 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2014-15, operating revenues increased \$10.3 million and included an increase in property rentals of \$7.1 million and an increase in parking revenues of \$2.6 million. Operating expenses increased \$0.03 million over the prior year. This was due in part to a \$2.4 million increase in depreciation and amortization, a \$1.5 million increase in the cost of services from other departments, and a net decrease of \$4.8 million in personnel and other expenses. The above changes were offset by a decrease of \$8.2 million in capital contributions in the form of federal, state, and local grants.
- The SFMTA had an increase in net position of \$294.7 million at the end of fiscal year 2014-15, compared to an increase of \$421.6 million in the prior year, a \$126.9 million change. SFMTA's total revenues and general fund subsidies were \$1.33 billion while total expenses reached \$1.02 billion, a decrease of \$136.6 million and \$19.1 million, respectively. This is due to decreases in operating revenue and capital contributions offset by a slight increase in non-operating revenue and net transfers. Operating revenue decreased by \$22.0 million compared to prior year and is mainly due to lower taxi medallion revenue by \$25.8 million, parking fees by \$3.0 million, and parking fines and penalties by \$2.1 million; offset by total increase of \$1.6 million in passenger fares, advertising revenue by \$0.9 million, charges for services by \$4.2 million; rental income by \$1.0 million, and permits revenue by \$0.5 million. The taxi medallion revenue decrease is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2014-15. The decrease of capital contributions of \$147.9 million is due to federal grants received in the prior year mostly related to Central Subway and other large projects which were completed in the prior year. This was offset by an increase in net transfers of \$19.2 million mostly due to the increase in the City's General Fund baseline allocation of \$33.6 million offset by more funding transfers mostly to the City's Street Improvement fund by \$9.1 million compared to the prior year. On the expenses side, the decrease of \$12.8 million for personnel is attributable to a reduction in pension costs from the change in accounting previously discussed. The decrease of \$14.6 million for general and administrative costs is mainly due to lower judgments and claims compared to prior year; the decreases were offset by increases in contractual services of \$8.6 million and \$5.8 million in depreciation expenses.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$6.6 million at the end of fiscal year 2014-15, compared to a decrease of \$11.8 million at the end of the previous year, an \$18.4 million difference. The LHH's loss before capital contributions and transfers for the year was \$61.5 million versus a loss of \$50.9 million for the prior year. This change of \$10.6 million was due to a \$3.2 million decrease in operating revenues, a \$6.6 million decrease in operating expenses, and a \$14.0 million decrease in other non-operating revenue. This was offset by a \$28.9 million increase in net transfers from the City this fiscal year.
- SFGH, the City's acute care hospital, ended fiscal year 2014-15 with a net position increase of \$123.4 million, compared to a \$25.3 million increase the prior year, a \$98.1 million positive change. This increase was due to capital contributions of \$57.4 million, in addition to net transfers in of \$51.4 million compared to prior year's net transfers out of \$44.8 million and no capital contributions. The increase in capital contributions was due to a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. However, SFGH incurred an operating loss of \$23.6 million, which was a \$44.9 million decrease from the prior year. This was due to a \$53.1 million decrease in operating revenues, largely related to net patient services revenues. This was offset in part by a reduction in operating expenses of \$8.3 million, comprised of a decrease of \$20.2 million in personal services, a \$4.4 million increase in services of other departments, and a \$3.9 million rise in contractual services.

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 2014-15, the City governmental funds reported combined fund balances of \$2.29 billion, an increase of \$352.0 million or 18.2 percent over the prior year. Of the total fund balances, \$771.8 million is assigned and \$123.4 million is unassigned. The total of \$895.2 million or 39.1 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 \$705.1 million. The remainder of the governmental funds fund balances includes \$25.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, \$1.23 billion restricted for programs at various levels and \$142.8 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 \$862.6 million while total fund balance reached \$1.15 billion. Combined assigned and unassigned fund balances represent 27.8 percent of total expenditures, while total fund balance represents 36.9 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.01 billion, before transfers and other items of \$703.5 million, resulting in total fund balance increasing by \$309.6 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room 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.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 with some additional detail.

At the end of fiscal year 2014-15, the unrestricted net position for the proprietary funds was as follows: Airport: \$17.6 million, Water Enterprise: \$74.6 million, Hetch Hetchy Water and Power: \$136.4 million, Wastewater Enterprise: \$32.8 million, and the Port: \$31.0 million. In addition, SFMTA, SFGH, and LHH had deficits in unrestricted net position of \$29.4 million, \$397.5 million, and \$200.6 million, respectively.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$630.4 million due to the 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.....	\$ 815,364	\$ 609,029	\$ 206,335	\$ (141,826)	\$ 32,119	\$ (40,480)	\$ 56,148
Water.....	426,047	296,950	129,097	(82,732)	-	50,995	97,360
Hetch Hetchy.....	147,803	143,923	3,880	5,216	-	2,043	11,139
Municipal Transportation Agency....	499,584	1,011,401	(511,817)	166,761	266,765	372,957	294,666
General Hospital.....	738,236	761,869	(23,633)	38,274	57,375	51,383	123,399
Wastewater Enterprise.....	256,002	216,485	39,517	(9,953)	-	(232)	29,332
Port.....	95,296	83,623	11,673	(1,565)	1,560	107	11,775
Laguna Honda Hospital.....	156,482	227,215	(70,733)	9,269	-	68,018	6,554
Total.....	<u>\$ 3,134,814</u>	<u>\$ 3,350,495</u>	<u>\$ (215,681)</u>	<u>\$ (16,556)</u>	<u>\$ 357,819</u>	<u>\$ 504,791</u>	<u>\$ 630,373</u>

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 2014-15, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled \$20.58 billion, representing a \$520.1 million increase over the prior year, and 2.6 percent change. The increase is a result of net investment income of investments offset by benefit payments greater than contributions. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$425.4 million at year's end. This 7.9 percent, or \$36.6 million, decrease in the net deficit is due to increases in developer payments and redevelopment property tax revenues. The Successor Agency also restated its beginning net position to be \$22.4 million less than previously reported due to the cumulative effect of implementing GASB Statement Nos. 68 and 71. The Investment Trust Fund's net position was \$540.0 million at year's end, and the 12.7 percent decrease represents the excess of distributions over contributions to external participants.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 \$196.4 million higher than the final budget. The City realized \$79.6 million, \$75.9 million, \$39.7 million, \$37.2 million, and \$24.4 million more revenue than budgeted in real property transfer tax, hotel tax, property taxes, business taxes, and other grants and subventions, respectively. These increases were partly offset by reductions of \$37.1 million, \$16.0 million, \$15.8 million, and \$13.2 million, in transfers from other funds, health and mental health subventions, health and welfare realignment, and other resources, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$177.3 million in expenditure savings. Major factors include:

- \$53.0 million in savings from the Department of Public Health due to savings from reduced county participation in intergovernmental transfer programs, and patient census and delays in hiring for vacant positions creating additional salary and fringe benefit savings.
- \$41.6 million in savings from the Human Services Agency, due largely to operating savings from changes in state child care rates and allocations, and lower than expected caseload uptake levels.
- \$14.7 million in salary and benefit savings mainly in the Police Department, Adult Probation, Superior Court, and other departments in public protection.
- \$6.3 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 works, transportation and commerce, culture and recreation, and general city responsibilities.

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 \$390.8 million at the end of fiscal year 2014-15. The City's fiscal year 2015-16 and 2016-17 Adopted Original Budget assumed an available balance of \$374.3 million fully appropriated in fiscal year 2015-16 and fiscal year 2016-17 leaving \$16.5 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional budgetary 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, 2015, increased by \$1.16 billion, 6.3 percent, to \$19.62 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 \$412.0 million or 35.4 percent to this total while \$752.7 million or 64.6 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land.....	\$ 299,911	\$ 274,163	\$ 217,441	\$ 217,518	\$ 517,352	\$ 491,681
Construction in progress.....	1,245,064	1,178,392	3,104,166	3,362,438	4,349,230	4,540,830
Facilities and Improvement.....	2,544,116	2,326,314	9,716,578	8,708,923	12,260,694	11,035,237
Machinery and equipment.....	76,202	62,392	926,979	896,508	1,003,181	958,900
Infrastructure.....	659,502	575,746	719,240	739,728	1,378,742	1,315,474
Intangible assets.....	49,915	45,707	65,802	72,374	115,717	118,081
Total	<u>\$ 4,874,710</u>	<u>\$ 4,462,714</u>	<u>\$ 14,750,206</u>	<u>\$ 13,997,489</u>	<u>\$ 19,624,916</u>	<u>\$ 18,460,203</u>

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by \$412.0 million or 9.2 percent. The City issued \$155.6 million in general obligation bonds for the Earthquake Safety and Emergency Response (ESER) Program to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The majority of the increase in net capital assets came from construction and capital improvement activities related to the ESER Program. The Public Safety Building and various neighborhood fire stations was substantially completed and capitalized. Construction in progress has started on the building sites for the Office of the Chief Medical Examiner, Traffic Control and Forensics Services Division and various neighborhood fire stations and police facilities. Other major capital projects under construction in progress include the Veterans Building Seismic Upgrade, the Moscone Center Expansion, and various street and park improvements. Also included in the City's governmental capital assets under construction in progress are the activities related to the rebuild of the San Francisco General Hospital (SFGH) funded by the \$887.4 million General Obligation Bond. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.
- The Water Enterprise's net capital assets increased by \$325.7 million or 7.5 percent. Close to \$425.1 million, or 15.1 percent, of the change reflects the net increase in construction and capital improvement activities in the enterprise's ten-year capital plan, including the Water System Improvement Program. Major additions to construction work included Bay Division Pipeline Reliability Upgrade, Harry Tracy Water Treatment Plant, Irvington Tunnel Alternatives, Calaveras Dam Replacement, Irvington Tunnel Alternatives and other projects of the Water System Improvement Program (WSIP). As of June 30, 2015, the PUC's Water Enterprise is 89.6% through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems. The program consists of 35 local projects within San Francisco and 48 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2015, 33 local projects are completed and the target completion date is March, 2016. For regional projects, 32 are completed and the expected completion date is May 2019. The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$205.2 million or 8.1 percent mainly from construction in progress of \$203.9 million for the Central Subway Project, Central Control System Upgrades and Rail Replacement Project. The remaining of \$1.3 million is from the acquisition for various equipment and non-revenue vehicles. Construction in progress is made up of various transit, pedestrian, and bike projects. The five projects that have the highest balances on June 30, 2015 are the Central Subway, Central Control System Upgrades, Muni Forward, Rail Replacement, and Radio Replacement. The Central Subway Project will link the existing 5.4 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is over 50 percent complete and the two rail tunnels are bored through from end to end. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. On October 11, 2012, the Federal Transit 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 FTA allocations of \$85.0 million to the project for fiscal year 2011-12, \$141.8 million for fiscal year 2012-13 and \$150.0 million for fiscal year 2013-14. The remaining funds will be awarded annually at up to \$150.0 million per year. The California Transportation Commission awarded the full amount of control from the State Transportation Improvement Program (STIP) with an additional \$75.5 million pending in future STIP funding cycles. Caltrans awarded an additional \$309.1 million of Prop. 1B PTMISEA funds for ROW, final design, vehicles and construction.
- Laguna Honda Hospital's net capital assets decreased by \$11.3 million or 2.1 percent due primarily higher depreciation expense and lower new construction in progress related to the completion of the new hospital facility. The new Laguna Honda Hospital provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. The new 500,000 square foot facility received silver

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2015

certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets increased by \$24.0 million or 23.9 percent primarily due to the increases in construction in progress on the capital project to rebuild the hospital. The total amount approved by the voters for the rebuild project is \$887.4 million. As of June 30, 2014, general obligation bonds, in the amount of \$887.4 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 increased its net investment in capital assets by \$127.2 million or 7.0 percent, due to the additions of facilities, improvements, machinery and equipment, and construction work in progress. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes pump stations, machinery, and equipment. The \$6.93 billion Sewer System Improvement Program (SSIP) 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 projects were 5.6 percent completed as of June 2015. Major additions to construction work in progress included various projects for assessment SSIP validation, sewer repair and replacement, and system improvements. Facilities, improvements, machinery, and equipment increase is primarily due to the Spot Sewer Replacement Project.
- Hetch Hetchy's increased its net capital assets by \$10.8 million or 3.0% to \$373.3 million primarily due to additions of facilities, improvements, machinery, and equipment for Kirkwood Powerhouse Governor Control Replacement Units and Holm Transformer Replacement. The Hetchy System Improvement Program is a long-term capital program from 2012 to 2025 and includes projects, varying in scope and complexity, to address necessary work on water transmission, hydroelectric generation and power transmission facilities in Tuolumne, Mariposa, Stanislaus, San Joaquin and Alameda counties, essential to continued delivery of both water and power.
- The Airport's net capital assets increased \$66.7 million or 1.7 percent primarily due to the capitalization of capital improvement project costs. The Airport has five- and ten-year Capital Plans to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects continuing in fiscal year 2015-16 include the Terminal 3 East and Terminal 3 West Improvement Projects, and the T1 Redevelopment Program, which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system. Other notable fiscal year 2015-16 continuing projects include the Southfield Tenant Relocation Project, the Boarding Area A 400 Hertz System and Infrastructure Improvement Project, and the new Industrial Waste Treatment Plant.
- The Port's net capital assets increased by \$4.3 million or 1.0 percent. The most significant capital asset activity in the recent period is the September 2014 opening of the James R. Herman Cruise Terminal at Pier 27. Pier 27 has been developed as the primary cruise terminal to meet modern ship and current operational requirements of the cruise industry. The cruise terminal building is designed to allow for special event and meeting uses when the facility is not occupied for cruise purposes. The current cruise terminal building was completed under Phase 1. Phase 2 will cover additional build-out of the cruise terminal and the Cruise Terminal Plaza (previously designated as the Northeast Wharf Plaza in planning documents), an approximately 2 ¾ acre public open space located along the west end of Pier 27, along the Embarcadero Promenade. The Blue Greenway is a City and Port project to improve and expand the public open space network along the central and southern waterfront, extending from China Basin Channel to the San Francisco southern county line. When fully completed, this network is

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

envisioned to consist of thirteen miles of contiguous pedestrian and bicycling routes with a series of parks and respite areas at which to enjoy and access the Bay.

At the end of the year, the City's business-type activities had approximately \$1.12 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$407.2 million, SFMTA had \$465.9 million, Wastewater had \$124.7 million, Airport had \$58.3 million, Hetch Hetchy had \$48.4 million, Port had \$9.8 million, LHH had \$0.4 million and the SFGH had \$3.2 million. In addition, there was approximately \$95.9 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 current fiscal year. 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 the June 30, 2015, the City had total long-term and commercial paper debt outstanding of \$13.88 billion. Of this amount, \$1.88 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 \$12.0 billion is revenue bonds, commercial paper, certificates of participation 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 \$297.1 million or 2.19 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was \$41.9 million primarily due to the \$134.7 million revolving loan by the San Francisco County Transportation Authority to refinance its short-term commercial paper notes. The City took advantage of favorable interest rates to reduce debt payments by issuing \$293.9 million general obligation refunding bonds and issued \$155.6 million in general obligation bonds to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The City also drew an additional loan for \$2.1 million for the renovation of the City's west harbor marina.

The business-type activities net debt increase was \$255.2 million primarily due to issuance of revenue bonds. The Airport issued \$473.6 million in revenue bonds to finance capital projects and retire outstanding balance of commercial paper notes and the SFMTA issued \$70.6 million to finance its various transit and parking projects. The Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement of existing facilities of the Hetch Hetchy project. The Water Enterprise issued \$429.6 million revenue refunding bonds for debt service savings.

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 assessed value of taxable property in the City – estimated at \$182.75 billion in value as of the close of the fiscal year. As of June 30, 2015, the City had \$2.10 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2015, there were an additional \$1.29 billion 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 1.77 percent of gross (1.85 percent of net) taxable assessed value of property.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

The City's underlying ratings on general obligation bonds as of June 30, 2015 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 Standard & Poor's affirmed the City's ratings of "Aa1" and "AA+", respectively, with Stable Outlook. Fitch Ratings maintained its rating of "AA", and revised the rating outlook from Stable to Positive on all the City's outstanding general obligation bonds.

The City's enterprise activities carried upgraded underlying debt ratings for the SFMTA of "Aa2" and "AA" from Moody's and Standard & Poor's, respectively. 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 Water Enterprise and Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard & Poor's, respectively, as of June 30, 2015.

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 during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2015-16 and 2016-17. 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, SFMTA, the Port of San Francisco, Retirement System, Child Support Services, and the Library, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2014-15 was 3.9 percent, a decrease of 1.0 percent from the average unemployment rate in fiscal year 2013-14.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2014-15 was \$1.0 million up 15.9 percent from the previous fiscal year. Residential and commercial rents also grew by 10.7 percent and 10.4 percent, respectively, from the prior fiscal year.
- The hotel sector saw continued growth in fiscal year 2014-15 over the prior year. Annual average hotel room occupancy grew to 87.3 percent in fiscal year 2014-15 while average daily room rates grew by 9.7 percent over the prior year.
- The City's taxable sales have also continued to grow, with fiscal year 2014-15 sales tax revenue up 5.6 percent over fiscal year 2013-14.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2015-16 and 2016-17 in July 2015, which assumes use of prior year fund balance from General Fund of \$180.2 million and \$194.1 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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

Port of San Francisco

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

San Francisco Water Enterprise

Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue
San Francisco, CA 94102

Laguna Honda Hospital

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

Municipal Transportation Agency

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

Health Service System

Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

San Francisco General Hospital Medical Center

Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees' Retirement System

Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Successor Agency to the

San Francisco Redevelopment Agency

1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

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, 2015

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 5,078,801	\$ 9,825
Deposits and investments outside City Treasury.....	107,539	16,355	123,894	-
Receivables (net of allowance for uncollectible amounts of \$195,398 for the primary government):				
Property taxes and penalties.....	65,313	-	65,313	-
Other local taxes.....	278,396	-	278,396	-
Federal and state grants and subventions.....	257,568	197,321	454,889	-
Charges for services.....	89,704	214,880	304,584	724
Interest and other.....	32,255	78,565	110,820	11
Due from component units.....	3,926	213	4,139	-
Inventories.....	-	94,189	94,189	-
Other assets.....	9,674	1,714	11,388	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	213,672	213,672	-
Deposits and investments outside City Treasury.....	28,242	177,978	206,220	-
Grants and other receivables.....	-	30,215	30,215	-
Total current assets.....	<u>3,511,084</u>	<u>3,465,436</u>	<u>6,976,520</u>	<u>10,560</u>
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$1,004,667).....	76,700	-	76,700	-
Advance to component units.....	42,965	3,027	45,992	-
Other assets.....	262	8,130	8,392	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	705,802	705,802	-
Deposits and investments outside City Treasury.....	4,665	558,543	563,208	-
Grants and other receivables.....	-	33,478	33,478	-
Capital assets:				
Land and other assets not being depreciated.....	1,553,691	3,333,650	4,887,341	5,529
Facilities, infrastructure and equipment, net of depreciation.....	3,321,019	11,416,556	14,737,575	22
Total capital assets.....	<u>4,874,710</u>	<u>14,750,206</u>	<u>19,624,916</u>	<u>5,551</u>
Total noncurrent assets.....	<u>4,999,302</u>	<u>16,059,186</u>	<u>21,058,488</u>	<u>5,551</u>
Total assets.....	<u>8,510,386</u>	<u>19,524,622</u>	<u>28,035,008</u>	<u>* 16,111</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	19,539	118,867	138,406	-
Deferred outflows on derivative instruments.....	-	66,809	66,809	-
Deferred outflows related to pensions.....	326,954	259,933	586,887	-
Total deferred outflows of resources.....	<u>\$ 346,493</u>	<u>\$ 445,609</u>	<u>\$ 792,102</u>	<u>\$ -</u>

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, 2015

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 316,321	\$ 241,510	\$ 557,831	\$ 151
Accrued payroll.....	70,468	56,627	127,095	-
Accrued vacation and sick leave pay.....	90,405	65,754	156,159	-
Accrued workers' compensation.....	38,046	28,188	66,234	-
Estimated claims payable.....	52,797	50,390	103,187	-
Bonds, loans, capital leases, and other payables.....	336,217	526,282	862,499	-
Accrued interest payable.....	12,497	53,202	65,699	-
Unearned grant and subvention revenues.....	19,304	-	19,304	-
Due to primary government.....	-	-	-	546
Internal balances.....	8,327	(8,327)	-	-
Unearned revenues and other liabilities.....	400,970	638,191	1,039,161	1,576
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	70,694	70,694	-
Accrued interest payable.....	-	33,587	33,587	-
Other.....	-	136,126	136,126	-
Total current liabilities.....	<u>1,345,352</u>	<u>1,892,224</u>	<u>3,237,576</u>	<u>2,273</u>
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	59,469	38,906	98,375	-
Accrued workers' compensation.....	185,638	143,702	329,340	-
Other postemployment benefits obligation.....	1,114,636	814,608	1,929,244	-
Estimated claims payable.....	104,863	56,780	161,643	-
Bonds, loans, capital leases, and other payables.....	2,806,182	10,137,573	12,943,755	-
Advance from primary government.....	-	-	-	8,531
Unearned revenues and other liabilities.....	2,467	89,096	91,563	-
Derivative instruments liabilities.....	-	80,722	80,722	-
Net pension liability.....	<u>1,067,520</u>	<u>749,919</u>	<u>1,817,439</u>	<u>-</u>
Total noncurrent liabilities.....	<u>5,340,775</u>	<u>12,111,306</u>	<u>17,452,081</u>	<u>8,531</u>
Total liabilities.....	<u>6,686,127</u>	<u>14,003,530</u>	<u>20,689,657</u>	<u>10,804</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	256	393	649	-
Unamortized gain on leaseback transaction.....	-	16,141	16,141	-
Deferred inflows related to pensions.....	<u>883,282</u>	<u>671,917</u>	<u>1,555,199</u>	<u>-</u>
Total deferred inflows of resources.....	<u>883,538</u>	<u>688,451</u>	<u>1,571,989</u>	<u>-</u>
NET POSITION				
Net investment in capital assets, Note 2(k).....	2,684,808	5,117,679	7,520,698	5,551
Restricted for:				
Reserve for rainy day.....	114,969	-	114,969	-
Debt service.....	87,772	100,923	188,695	-
Capital projects, Note 2(k).....	28,263	358,745	330,213	-
Community development.....	297,094	-	297,094	-
Transportation Authority activities.....	13,486	-	13,486	-
Building inspection programs.....	109,512	-	109,512	-
Children and families.....	100,892	-	100,892	-
Culture and recreation.....	94,108	-	94,108	-
Grants.....	82,214	-	82,214	-
Other purposes.....	33,077	35,986	69,063	-
Total restricted.....	<u>961,387</u>	<u>495,654</u>	<u>1,400,246</u>	<u>-</u>
Unrestricted (deficit), Note 2(k).....	<u>(2,358,981)</u>	<u>(335,083)</u>	<u>(2,355,480)</u>	<u>(244)</u>
Total net position.....	<u>\$ 1,287,214</u>	<u>\$ 5,278,250</u>	<u>\$ 6,565,464</u>	<u>\$ 5,307</u>

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, 2015
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business- Type Activities		
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,108,200	\$ 70,444	\$ 182,318	\$ -	\$ (855,438)	\$ -	\$ (855,438)	\$ -
Public works, transportation and commerce.....	270,454	128,661	75,545	42,108	(24,140)	-	(24,140)	-
Human welfare and neighborhood development.....	1,073,652	96,012	614,657	-	(362,983)	-	(362,983)	-
Community health.....	735,040	93,130	274,141	650	(387,119)	-	(387,119)	-
Culture and recreation.....	355,676	98,302	1,368	5,475	(250,531)	-	(250,531)	-
General administration and finance.....	249,823	89,403	5,407	-	(155,013)	-	(155,013)	-
General City responsibilities.....	94,577	37,031	11,904	-	(45,642)	-	(45,642)	-
Unallocated interest on long- term debt and cost of issuance..	115,030	-	-	-	(115,030)	-	(115,030)	-
Total governmental activities.....	4,002,452	612,983	1,165,340	48,233	(2,175,896)	-	(2,175,896)	-
Business-type activities:								
Airport.....	853,338	815,364	-	32,119	-	(5,855)	(5,855)	-
Transportation.....	1,018,251	499,584	150,550	266,765	-	(101,352)	(101,352)	-
Port.....	88,436	95,296	458	1,560	-	8,878	8,878	-
Water.....	438,885	426,047	17	-	-	(12,821)	(12,821)	-
Power.....	149,438	147,803	1,827	-	-	192	192	-
Hospitals.....	996,395	894,718	37,174	57,375	-	(7,128)	(7,128)	-
Sewer.....	239,556	256,002	1,075	-	-	17,521	17,521	-
Total business-type activities.....	3,784,299	3,134,814	191,101	357,819	-	(100,565)	(100,565)	-
Total primary government.....	\$ 7,786,751	\$ 3,747,797	\$ 1,356,441	\$ 406,052	(2,175,896)	(100,565)	(2,276,461)	-
Component unit:								
Treasure Island Development Authority.....	\$ 7,866	\$ 14,235	\$ 5	\$ 5,529	-	-	-	\$ 11,903
General Revenues								
Taxes:								
Property taxes.....					1,640,383	-	1,640,383	-
Business taxes.....					611,932	-	611,932	-
Sales and use tax.....					240,424	-	240,424	-
Hotel room tax.....					394,262	-	394,262	-
Utility users tax.....					98,979	-	98,979	-
Parking tax.....					87,209	-	87,209	-
Real property transfer tax.....					314,603	-	314,603	-
Other local taxes.....					50,182	-	50,182	-
Interest and investment income.....					20,737	25,999	46,736	69
Other.....					46,906	200,148	247,054	-
Transfers - internal activities of primary government.....					(504,791)	504,791	-	-
Total general revenues and transfers.....					3,000,626	730,938	3,731,764	69
Change in net position.....					824,930	630,373	1,455,303	11,972
Net position at beginning of year, as previously reported.....								
					2,341,631	6,017,860	8,359,491	(6,665)
Cumulative effect of accounting change.....								
					(1,879,347)	(1,369,983)	(3,249,330)	-
Net position at beginning of year, as restated.....								
					462,284	4,647,877	5,110,161	(6,665)
Net position at end of year.....								
					\$ 1,287,214	\$ 5,278,250	\$ 6,565,464	\$ 5,307

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, 2015

(With comparative financial information as of June 30, 2014)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2015	2014	2015	2014	2015	2014
Assets:						
Deposits and investments with City Treasury.....	\$ 1,292,562	\$ 1,053,040	\$ 1,308,000	\$ 1,332,623	\$ 2,600,562	\$ 2,385,663
Deposits and investments outside City Treasury.....	8,880	2,311	98,659	65,991	107,539	68,302
Receivables (net of allowance for uncollectible amounts of \$155,505 in 2015; \$163,588 in 2014):						
Property taxes and penalties.....	53,171	52,282	12,142	10,228	65,313	62,510
Other local taxes.....	249,887	218,551	28,509	17,704	278,396	236,255
Federal and state grants and subventions.....	161,373	179,065	96,195	120,296	257,568	299,361
Charges for services.....	68,318	44,550	21,326	13,517	89,644	58,067
Interest and other.....	28,184	4,249	3,327	3,829	31,511	8,078
Due from other funds.....	5,848	12,511	6,334	5,873	12,182	18,384
Due from component unit.....	948	878	2,978	545	3,926	1,423
Advance to component unit.....	23,212	21,670	19,753	10,606	42,965	32,276
Loans receivable (net of allowance for uncollectible amounts of \$1,004,667 in 2015; \$962,170 in 2014)...	3,560	1,332	73,140	70,747	76,700	72,079
Other assets.....	1,193	3,458	7,570	13,638	8,763	17,096
Total assets.....	\$ 1,897,136	\$ 1,593,897	\$ 1,677,933	\$ 1,665,597	\$ 3,575,069	\$ 3,259,494
Liabilities:						
Accounts payable.....	\$ 171,002	\$ 177,241	\$ 136,739	\$ 151,808	\$ 307,741	\$ 329,049
Accrued payroll.....	57,045	118,012	12,067	25,181	69,112	143,193
Unearned grant and subvention revenues.....	5,902	9,748	13,402	8,333	19,304	18,081
Due to other funds.....	639	701	19,681	20,910	20,320	21,611
Unearned revenues and other liabilities.....	347,054	249,566	53,806	55,412	400,860	304,978
Bonds, loans, capital leases, and other payables.....	-	-	157,766	175,760	157,766	175,760
Total liabilities.....	581,642	555,268	393,461	437,404	975,103	992,672
Deferred inflows of resources.....	170,298	203,067	140,725	126,776	311,023	329,843
Fund balances:						
Nonspendable.....	24,786	24,022	329	441	25,115	24,463
Restricted.....	114,969	83,194	1,110,836	1,115,226	1,225,805	1,198,420
Committed.....	142,815	145,126	-	-	142,815	145,126
Assigned.....	705,076	508,903	66,740	50,733	771,816	559,636
Unassigned.....	157,550	74,317	(34,158)	(64,983)	123,392	9,334
Total fund balances.....	1,145,196	835,562	1,143,747	1,101,417	2,288,943	1,936,979
Total liabilities, deferred inflows of resources and fund balances.....	\$ 1,897,136	\$ 1,593,897	\$ 1,677,933	\$ 1,665,597	\$ 3,575,069	\$ 3,259,494

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, 2015
(In Thousands)

Fund balances – total governmental funds	\$2,288,943
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.	4,865,138
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,389,722)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized in the governmental funds.	311,023
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,068)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	18,112
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,594,984)
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>(200,228)</u>
Net position of governmental activities	<u>\$1,287,214</u>

CITY AND COUNTY OF SAN FRANCISCO

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2015

(With comparative financial information as of June 30, 2014)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2015	2014	2015	2014	2015	2014
Revenues:						
Property taxes.....	\$ 1,272,623	\$ 1,178,277	\$ 369,536	\$ 338,984	\$ 1,642,159	\$ 1,517,261
Business taxes.....	609,614	562,896	2,318	510	611,932	563,406
Sales and use tax.....	140,146	133,705	100,278	93,931	240,424	227,636
Hotel room tax.....	394,262	310,052	-	-	394,262	310,052
Utility users tax.....	98,979	86,810	-	-	98,979	86,810
Parking tax.....	87,209	83,476	-	-	87,209	83,476
Real property transfer tax.....	314,603	261,925	-	-	314,603	261,925
Other local taxes.....	50,182	46,237	-	-	50,182	46,237
Licenses, permits and franchises.....	27,789	26,975	15,170	15,396	42,959	42,371
Fines, forfeitures, and penalties.....	6,369	5,281	21,785	23,144	28,154	28,425
Interest and investment income.....	7,867	7,866	12,716	13,812	20,583	21,678
Rents and concessions.....	24,339	25,501	74,763	65,211	99,102	90,712
Intergovernmental:						
Federal.....	230,434	215,682	234,762	210,632	465,196	426,314
State.....	620,877	609,877	130,697	111,858	751,574	721,735
Other.....	3,153	2,191	12,621	7,217	15,774	9,408
Charges for services.....	215,036	180,850	144,008	153,054	359,044	333,904
Other.....	9,162	9,760	114,443	125,163	123,605	134,923
Total revenues.....	4,112,644	3,747,361	1,233,097	1,158,912	5,345,741	4,906,273
Expenditures:						
Current:						
Public protection.....	1,148,405	1,096,839	61,752	75,658	1,210,157	1,172,497
Public works, transportation and commerce.....	87,452	78,249	206,547	153,756	293,999	232,005
Human welfare and neighborhood development.....	786,362	720,787	309,057	274,405	1,095,419	995,192
Community health.....	650,741	668,701	103,091	92,738	753,832	761,439
Culture and recreation.....	119,278	113,019	233,574	218,895	352,852	331,914
General administration and finance.....	208,695	190,335	42,675	43,642	251,370	233,977
General City responsibilities.....	98,620	86,968	38	28	98,658	86,996
Debt service:						
Principal retirement.....	-	-	200,497	190,266	200,497	190,266
Interest and other fiscal charges.....	-	-	121,371	119,142	121,371	119,142
Bond issuance costs.....	-	-	2,734	2,185	2,734	2,185
Capital outlay.....	-	-	412,740	449,726	412,740	449,726
Total expenditures.....	3,099,553	2,954,898	1,694,076	1,620,441	4,793,629	4,575,339
Excess (deficiency) of revenues over (under) expenditures...	1,013,091	792,463	(460,979)	(461,529)	552,112	330,934
Other financing sources (uses):						
Transfers in.....	164,712	216,449	391,575	346,834	556,287	563,283
Transfers out.....	(873,741)	(720,806)	(187,345)	(154,490)	(1,061,086)	(875,296)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	449,530	257,175	449,530	257,175
Face value of loans issued.....	-	-	136,763	8,735	136,763	8,735
Premium on issuance of bonds.....	-	-	69,833	19,773	69,833	19,773
Payment to refunded bond escrow agent.....	-	-	(359,225)	(49,055)	(359,225)	(49,055)
Other financing sources-capital leases.....	5,572	6,585	2,178	6,284	7,750	12,869
Total other financing sources (uses).....	(703,457)	(497,772)	503,309	435,256	(200,148)	(62,516)
Net changes in fund balances.....	309,634	294,691	42,330	(26,273)	351,964	268,418
Fund balances at beginning of year.....	835,562	540,871	1,101,417	1,127,690	1,936,979	1,668,561
Fund balances at end of year.....	\$ 1,145,196	\$ 835,562	\$ 1,143,747	\$ 1,101,417	\$ 2,288,943	\$ 1,936,979

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, 2015
(In Thousands)

Net changes in fund balances - total governmental funds	\$351,964
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.	411,702
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.	(112,465)
Property tax revenues recognized under the full accrual method of accounting were less because deferred revenues in the prior year exceeded current year deferrals under the 60-day rule.	(1,776)
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.	(21,530)
Governmental funds report expenditures pertaining to certain long-term loans made. These deferred outflow of resources are not reported on the statement of net position and therefore the corresponding expense is not reported on the statement of activities.	4,564
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	250,365
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.	3,480
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.	(26,571)
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.	(69,833)
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 and gains.	14,097
The activities of internal service funds are reported with governmental activities.	<u>20,933</u>
Change in net position of governmental activities	<u>\$ 824,930</u>

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, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	\$ 193,583	\$ 941,702	\$ 941,702	\$ -
Resources (Inflows):				
Property taxes.....	1,232,927	1,232,927	1,272,623	39,696
Business taxes.....	572,385	572,385	609,614	37,229
Other local taxes:				
Sales and use tax.....	136,080	136,080	140,146	4,066
Hotel room tax.....	318,350	318,350	394,262	75,912
Utility users tax.....	91,740	91,740	98,979	7,239
Parking tax.....	84,880	84,880	87,209	2,329
Real property transfer tax.....	235,000	235,000	314,603	79,603
Other local taxes.....	44,380	44,380	50,182	5,802
Licenses, permits and franchises:				
Licenses and permits.....	10,105	10,105	11,178	1,073
Franchise tax.....	17,024	17,024	16,611	(413)
Fines, forfeitures, and penalties.....	4,242	4,242	6,369	2,127
Interest and investment income.....	6,853	6,853	11,670	4,817
Rents and concessions:				
Garages - Recreation and Park.....	10,682	10,682	11,937	1,255
Rents and concessions - Recreation and Park.....	9,480	9,480	9,637	157
Other rents and concessions.....	2,529	2,529	2,956	427
Intergovernmental:				
Federal grants and subventions.....	234,922	229,741	225,880	(3,861)
State subventions:				
Social service subventions.....	111,126	109,700	98,943	(10,757)
Health / mental health subventions.....	138,900	138,774	122,807	(15,967)
Health and welfare realignment.....	233,922	233,922	218,160	(15,762)
Public safety sales tax.....	91,380	91,380	93,972	2,592
Other grants and subventions.....	49,033	49,044	73,465	24,421
Other.....	2,650	3,775	3,153	(622)
Charges for services:				
General government service charges.....	62,106	62,088	60,863	(1,225)
Public safety service charges.....	33,900	34,104	38,594	4,490
Recreation charges - Recreation and Park.....	20,064	20,064	21,671	1,607
MediCal, MediCare and health service charges.....	93,739	93,764	95,280	1,516
Other financing sources:				
Transfers from other funds.....	179,282	199,175	162,058	(37,117)
Repayment of loan from Component Unit.....	1,026	1,026	-	(1,026)
Other resources (inflows).....	20,538	21,532	8,361	(13,171)
Subtotal - Resources (Inflows)	4,049,245	4,064,746	4,261,183	196,437
Total amounts available for appropriation.....	4,242,828	5,006,448	5,202,885	196,437

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, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 27,543	\$ 28,497	\$ 24,560	\$ 3,937
District Attorney.....	42,923	43,011	42,808	203
Emergency Communications.....	48,364	48,415	48,136	279
Fire Department.....	318,089	319,521	319,339	182
Juvenile Probation.....	36,884	32,418	32,231	187
Police Department.....	462,709	463,002	455,758	7,244
Public Defender.....	30,131	30,118	29,575	543
Sheriff.....	173,180	161,849	160,949	900
Superior Court.....	31,960	31,940	30,677	1,263
Subtotal - Public Protection	<u>1,171,783</u>	<u>1,158,771</u>	<u>1,144,033</u>	<u>14,738</u>
Public Works, Transportation and Commerce				
Board of Appeals.....	964	950	875	75
Business and Economic Development.....	25,504	22,585	21,354	1,231
General Services Agency - Public Works.....	101,514	63,890	63,633	257
Public Utilities Commission.....	-	1,310	894	416
Municipal Transportation Agency.....	-	535	535	-
Subtotal - Public Works, Transportation and Commerce	<u>127,982</u>	<u>89,270</u>	<u>87,291</u>	<u>1,979</u>
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	29,807	31,544	31,155	389
Commission on the Status of Women.....	5,595	5,477	5,440	37
County Education Office.....	116	116	116	-
Environment.....	-	127	127	-
Human Rights Commission.....	2,147	2,248	2,040	208
Human Services.....	761,640	758,811	717,252	41,559
Mayor - Housing/Neighborhoods.....	31,899	30,232	30,232	-
Subtotal - Human Welfare and Neighborhood Development	<u>831,204</u>	<u>828,555</u>	<u>786,362</u>	<u>42,193</u>
Community Health				
Public Health.....	<u>736,916</u>	<u>703,569</u>	<u>650,537</u>	<u>53,032</u>
Culture and Recreation				
Academy of Sciences.....	4,548	4,413	4,413	-
Arts Commission.....	8,712	7,830	7,741	89
Asian Art Museum.....	8,768	8,612	8,408	204
Fine Arts Museum.....	14,565	14,226	13,910	316
Law Library.....	1,536	1,536	1,354	182
Recreation and Park Commission.....	88,798	82,434	82,434	-
Subtotal - Culture and Recreation	<u>126,927</u>	<u>119,051</u>	<u>118,260</u>	<u>791</u>

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, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder.....	\$ 20,720	\$ 18,689	\$ 18,048	\$ 641
Board of Supervisors.....	13,326	13,588	13,277	311
City Attorney.....	12,057	12,394	12,350	44
City Planning.....	34,118	32,317	32,148	169
Civil Service.....	809	805	680	125
Controller.....	13,368	13,106	12,783	323
Elections.....	15,556	13,068	11,696	1,372
Ethics Commission.....	4,574	2,680	2,595	85
General Services Agency - Administrative Services.....	61,476	53,200	52,054	1,146
General Services Agency - Technology.....	2,407	1,936	1,870	66
Health Service System.....	452	274	-	274
Human Resources.....	12,137	13,731	13,593	138
Mayor.....	5,217	5,183	5,150	33
Retirement Services.....	1,205	781	781	-
Treasurer/Tax Collector.....	35,706	33,195	31,609	1,586
Subtotal - General Administration and Finance	<u>233,128</u>	<u>214,947</u>	<u>208,634</u>	<u>6,313</u>
General City Responsibilities				
General City Responsibilities.....	107,723	116,322	98,086	18,236
Other financing uses:				
Debt service.....	2,194	11	-	11
Transfers to other funds.....	835,253	873,592	873,592	-
Budgetary reserves and designations.....	69,718	39,966	-	39,966
Total charges to appropriations.....	<u>4,242,828</u>	<u>4,144,054</u>	<u>3,966,795</u>	<u>177,259</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 862,394</u>	<u>\$ 1,236,090</u>	<u>\$ 373,696</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 1,236,090	
Reserves and designations made from budgetary fund balance not available for appropriation			(650,711)	
Reserves for Litigation and Contingencies and General Reserves			<u>(194,549)</u>	
Net Available Budgetary Fund Balance, June 30			<u>\$ 390,830</u>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 5,202,885	
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.....			(941,702)	
Change in unrealized gain/(loss) on investments.....			205	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....			(4,008)	
Interest earnings from other funds assigned to General Fund as other revenues.....			1,503	
Grants, subventions and other receivables received after 90-day recognition period.....			16,010	
Prepaid lease revenue, Civic Center Garage.....			(191)	
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.....			(162,058)	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 4,112,644</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 3,966,795	
Difference - budget to GAAP:				
Capital asset purchases funded under capital leases with Finance Corporation and other vendors.....			5,572	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund.....			778	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....			(873,592)	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 3,099,553</u>	

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds		
	Major Funds											
	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	Total	2015	2014	2015
ASSETS												
Current Assets:												
Deposits and investments with City Treasury.....	\$ 403,522	\$ 353,983	\$ 194,711	\$ 872,466	\$ 358,360	\$ 148,153	\$ 109,139	\$ -	\$ 2,440,334	\$ 1,944,883	\$ 37,905	\$ 37,885
Deposits and investments outside City Treasury....	6,445	108	10	9,688	10	87	5	2	16,355	13,530	-	-
Receivables (net of allowance for uncollectible amounts of \$39,893 and \$38,344 in 2015 and 2014, respectively):												
Federal and state grants and subventions.....	-	43	1,810	99,509	1,028	4,643	784	89,504	197,321	241,515	-	-
Charges for services.....	38,895	35,733	6,594	6,587	75,321	24,933	3,843	22,874	214,880	211,871	60	34
Interest and other.....	1,075	658	178	7,983	67,676	136	773	88	78,565	115,782	744	599
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	19,227	22,128
Due from other funds.....	-	197	10,144	4,001	26	46	-	14	14,428	18,233	-	-
Due from component unit.....	-	-	200	13	-	-	-	-	213	200	-	-
Inventories.....	42	7,724	384	73,419	8,302	2,590	757	1,001	94,189	82,500	-	-
Other assets.....	619	-	226	514	-	122	233	-	1,714	6,598	-	225
Restricted assets:												
Deposits and investments with City Treasury.....	141,013	-	-	-	-	-	23,678	48,981	213,672	227,894	-	-
Deposits and Investments outside City Treasury...	74,491	69,562	7,316	-	-	12,250	11,365	2,994	177,978	173,886	28,242	40,417
Grants and other receivables.....	30,215	-	-	-	-	-	-	-	30,215	71,103	-	-
Total current assets.....	696,317	468,008	221,671	1,074,180	510,723	192,930	150,577	165,458	3,479,864	3,107,795	86,178	101,288
Noncurrent assets:												
Other assets.....	1,952	978	2,473	-	-	1,272	1,455	-	8,130	7,679	-	-
Capital lease receivable.....	-	-	-	-	-	-	-	-	-	-	193,622	218,983
Advance to component unit.....	-	-	3,027	-	-	-	-	-	3,027	3,227	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	259,152	303,767	45,890	31,852	-	65,141	-	-	705,802	957,616	-	-
Deposits and investments outside City Treasury...	382,146	142,457	-	18,299	2,609	-	-	13,032	558,543	590,343	4,665	4,730
Grants and other receivables.....	438	11,895	98	2,324	-	4,018	-	14,907	33,478	32,512	-	-
Capital assets:												
Land and other assets not being depreciated.....	369,752	1,204,295	92,779	1,076,128	64,728	400,893	124,897	180	3,333,650	3,591,999	-	-
Facilities, infrastructure, and equipment, net of depreciation.....	3,566,674	3,448,989	280,557	1,671,093	59,597	1,531,895	319,208	538,543	11,416,556	10,405,490	9,572	9,278
Total capital assets.....	3,936,426	4,653,284	373,336	2,747,219	124,325	1,932,788	444,105	538,723	14,750,206	13,997,489	9,572	9,278
Total noncurrent assets.....	4,580,112	5,112,181	424,824	2,799,694	126,934	2,003,219	445,560	566,662	16,059,186	15,588,866	207,859	232,991
Total assets.....	5,276,429	5,580,189	646,495	3,873,874	637,657	2,196,149	596,137	732,120	19,539,050	18,696,661	294,037	334,279
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt.....	78,388	39,224	-	-	-	1,255	-	-	118,867	111,350	1,171	1,250
Deferred outflows on derivative instruments.....	66,809	-	-	-	-	-	-	-	66,809	64,964	-	-
Deferred outflows related to pensions.....	37,517	28,280	6,883	88,450	56,871	12,608	5,555	23,769	259,933	-	6,189	-
Total deferred outflows of resources.....	182,714	67,504	6,883	88,450	56,871	13,863	5,555	23,769	445,609	176,314	7,370	1,250

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds			
	Major Funds								Total					
	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						
LIABILITIES														
Current liabilities:														
Accounts payable.....	\$ 55,734	\$ 17,145	\$ 15,844	\$ 100,425	\$ 39,241	\$ 7,190	\$ 3,477	\$ 2,454	\$ 241,510	\$ 226,467	\$ 8,580	\$ 9,316		
Accrued payroll.....	7,370	4,790	1,578	19,375	13,672	3,141	1,103	5,498	58,827	115,579	1,356	2,735		
Accrued vacation and sick leave pay.....	9,860	6,462	2,197	21,711	14,143	3,889	1,367	6,125	65,754	57,653	1,744	1,508		
Accrued workers' compensation.....	1,363	1,608	495	17,191	3,861	978	408	2,281	28,188	25,774	350	322		
Estimated claims payable.....	2,427	6,706	1,228	34,979	-	3,994	1,056	-	50,390	39,491	-	-		
Due to other funds.....	-	79	-	3,627	681	1,542	172	-	6,101	12,499	189	2,507		
Unearned revenues and other liabilities.....	55,704	17,309	1,163	179,237	270,654	2,092	13,243	98,789	638,191	441,458	28,632	39,866		
Accrued interest payable.....	-	37,668	426	3,102	102	8,557	1,656	1,691	53,202	51,480	1,429	1,578		
Bonds, loans, capital leases, and other payables.....	153,471	217,894	1,631	7,340	5,997	131,696	2,370	5,883	526,282	409,495	18,795	20,440		
Liabilities payable from restricted assets:														
Bonds, loans, capital leases, and other payables..	70,694	-	-	-	-	-	-	-	70,694	278,147	-	-		
Accrued interest payable.....	33,587	-	-	-	-	-	-	-	33,587	31,007	-	-		
Other.....	50,330	54,390	258	1,046	-	28,717	-	1,387	136,126	214,125	-	-		
Total current liabilities.....	440,540	364,051	24,921	388,033	348,351	191,798	24,852	124,108	1,906,652	1,903,175	61,075	78,270		
Noncurrent liabilities:														
Accrued vacation and sick leave pay.....	6,433	4,303	1,347	10,971	9,111	2,469	853	3,419	38,906	44,039	1,150	1,272		
Accrued workers' compensation.....	4,718	7,654	2,131	85,793	24,166	4,542	2,374	12,324	143,702	135,355	1,593	1,445		
Other postemployment benefits obligation.....	115,297	104,263	22,845	220,297	212,950	41,980	20,091	76,885	814,608	734,434	21,867	19,789		
Estimated claims payable.....	1,345	13,004	2,107	30,501	-	9,473	350	-	58,780	51,717	-	-		
Unearned revenue and other liabilities.....	-	10,898	-	-	-	571	77,627	-	89,096	96,672	-	-		
Bonds, loans, capital leases, and other payables.....	4,480,730	4,387,084	74,156	207,109	17,340	745,812	91,526	133,816	10,137,573	9,791,751	197,733	223,063		
Derivative instruments liabilities.....	80,722	-	-	-	-	-	-	-	80,722	80,235	-	-		
Net pension liability.....	111,932	84,374	20,537	238,296	169,675	37,615	16,574	70,916	749,919	-	18,494	-		
Total noncurrent liabilities.....	4,801,177	4,611,580	123,123	792,967	433,242	842,462	209,395	297,360	12,111,305	10,934,203	240,837	245,569		
Total liabilities.....	5,241,717	4,975,631	148,044	1,181,000	781,593	1,034,258	234,247	421,468	14,017,958	12,837,378	301,912	323,839		
DEFERRED INFLOWS OF RESOURCES														
Unamortized gain on refunding of debt.....	-	-	-	393	-	-	-	-	393	449	-	-		
Unamortized gain on leaseback transaction.....	-	-	-	16,141	-	-	-	-	16,141	17,288	-	-		
Deferred inflows related to pensions.....	100,290	75,597	18,400	213,510	152,028	33,702	14,850	63,540	671,917	-	16,569	-		
Total deferred inflows of resources.....	100,290	75,597	18,400	230,044	152,028	33,702	14,850	63,540	688,451	17,737	16,569	-		
NET POSITION														
Net investment in capital assets.....	(103,109)	425,073	345,814	2,529,275	102,233	1,088,552	315,037	414,804	5,117,679	4,832,659	9,572	9,278		
Restricted:														
Debt service.....	37,427	1,053	302	18,299	-	349	-	43,493	100,923	64,143	-	-		
Capital projects.....	165,224	95,735	4,434	-	56,221	20,327	6,511	10,293	358,745	363,601	-	-		
Other purposes.....	-	-	-	33,130	-	-	-	2,856	35,986	24,721	-	-		
Unrestricted (deficit).....	17,594	74,604	136,384	(29,424)	(397,547)	32,824	31,047	(200,565)	(335,083)	732,736	(26,649)	2,412		
Total net position.....	\$ 117,136	\$ 596,465	\$ 486,934	\$ 2,551,280	\$ (239,093)	\$ 1,142,052	\$ 352,595	\$ 270,881	\$ 5,278,250	\$ 6,017,880	\$ (17,074)	\$ 11,690		

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds		
	Major Funds									Total			
	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	2015			2014	2015
Operating revenues:													
Aviation.....	\$ 464,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,610	\$ 441,259	\$ -	\$ -	
Water and power service.....	-	400,023	147,572	-	-	-	-	-	547,595	489,041	-	-	
Passenger fees.....	-	-	-	213,328	-	-	-	-	213,328	211,684	-	-	
Net patient service revenue.....	-	-	-	-	731,050	-	-	155,140	886,190	943,761	-	-	
Sewer service.....	-	-	-	-	-	244,604	-	-	244,604	244,705	-	-	
Rents and concessions.....	144,781	12,284	231	8,554	2,434	821	69,718	-	238,823	219,809	156	142	
Parking and transportation.....	125,087	-	-	213,278	-	-	22,312	-	360,677	354,130	-	-	
Other charges for services.....	-	-	-	21,786	-	-	-	-	21,786	17,761	128,670	118,424	
Other revenues.....	80,886	13,740	-	42,638	4,752	10,577	3,265	1,342	157,201	180,784	-	-	
Total operating revenues.....	815,364	426,047	147,803	499,584	738,236	255,002	95,296	156,482	3,134,814	3,102,934	128,826	118,566	
Operating expenses:													
Personal services.....	226,790	99,192	44,797	616,056	434,671	76,396	29,406	174,078	1,701,386	1,800,214	45,629	47,660	
Contractual services.....	67,491	12,729	8,646	101,707	195,492	13,841	4,978	7,398	412,282	393,938	45,180	39,865	
Light, heat and power.....	22,296	-	20,296	-	-	-	2,395	-	44,987	49,108	-	-	
Materials and supplies.....	14,592	12,667	2,360	73,043	76,612	9,815	1,689	19,401	210,179	222,799	18,875	18,152	
Depreciation and amortization.....	216,146	95,384	17,887	126,756	6,346	50,254	22,787	16,541	552,101	539,137	2,451	1,957	
General and administrative.....	5,132	16,613	41,979	43,732	932	29,967	4,266	-	142,621	168,178	540	382	
Services provided by other departments.....	17,958	60,365	7,958	52,802	47,073	36,212	17,037	9,797	249,202	237,685	6,987	7,298	
Other.....	38,624	-	-	(2,695)	743	-	1,065	-	37,737	20,648	5,083	1,405	
Total operating expenses.....	609,029	295,950	143,923	1,011,401	761,869	216,485	83,623	227,215	3,350,495	3,431,707	124,745	116,819	
Operating income (loss).....	206,335	129,097	3,880	(511,817)	(23,633)	39,517	11,673	(70,733)	(215,681)	(328,773)	4,081	1,747	
Nonoperating revenues (expenses):													
Operating grants:													
Federal.....	-	17	1,827	13,887	-	1,075	458	43	17,307	11,365	-	-	
State / other.....	-	-	-	136,653	37,131	-	-	-	173,794	178,986	-	-	
Interest and investment income.....	9,118	5,789	1,179	5,756	1,499	1,207	970	481	25,999	29,843	4,708	5,279	
Interest expense.....	(210,608)	(137,106)	(1,815)	(6,850)	(356)	(22,791)	(4,387)	(6,953)	(390,866)	(384,747)	(5,022)	(5,568)	
Other nonoperating revenues.....	93,365	53,397	7,725	17,305	-	10,835	1,820	15,700	200,148	128,205	1,459	518	
Other nonoperating expenses.....	(33,701)	(4,829)	(3,700)	-	-	(280)	(426)	(2)	(42,938)	(45,468)	-	-	
Total nonoperating revenues (expenses).....	(141,826)	(82,732)	5,216	166,761	38,274	(9,953)	(1,565)	9,269	(16,556)	(81,816)	1,145	229	
Income (loss) before capital contributions and transfers:													
contributions and transfers.....	64,509	46,365	9,096	(345,056)	14,641	29,564	10,108	(61,464)	(232,237)	(410,589)	5,226	1,976	
Capital contributions.....	32,119	-	-	266,765	57,375	-	1,560	-	357,819	515,445	-	-	
Transfers in.....	-	52,143	2,075	387,033	155,038	-	167	72,844	669,300	549,141	150	1,242	
Transfers out.....	(40,480)	(1,148)	(32)	(14,076)	(103,655)	(232)	(60)	(4,826)	(164,609)	(237,514)	(142)	(178)	
Change in net position before extraordinary loss.....	56,148	97,360	11,139	294,666	123,399	29,332	11,775	6,554	630,373	416,483	5,234	3,040	
Extraordinary loss.....	-	-	-	-	-	-	-	-	-	(6,843)	-	-	
Change in net position.....	56,148	97,360	11,139	294,666	123,399	29,332	11,775	6,554	630,373	409,640	5,234	3,040	
Net position at beginning of year,													
as previously reported.....	266,757	654,212	513,550	2,686,060	(50,570)	1,181,867	371,289	394,695	6,017,860	5,608,220	11,690	8,650	
Cumulative effect of accounting change.....	(205,769)	(155,107)	(37,755)	(429,446)	(311,922)	(69,147)	(30,469)	(130,368)	(1,389,983)	-	(33,998)	-	
Net position at beginning of year, as restated.....	60,988	499,105	475,795	2,256,614	(362,492)	1,112,720	340,820	264,327	4,647,877	5,608,220	(22,308)	8,650	
Net position at end of year.....	\$ 117,136	\$ 596,465	\$ 486,934	\$ 2,551,280	\$ (239,093)	\$ 1,142,052	\$ 352,595	\$ 270,881	\$ 5,278,250	\$ 6,017,860	\$ (17,074)	\$ 11,690	

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds		
	Major Funds											
	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	Total	2015	2014	2015
Cash flows from operating activities:												
Cash received from customers, including cash deposits.....	\$ 835,229	\$ 398,127	\$ 151,500	\$ 540,496	\$ 892,631	\$ 261,079	\$ 18,411	\$ 169,093	\$ 3,266,566	\$ 3,150,166	\$ 159,542	\$ 143,692
Cash received from tenants for rent.....	-	11,754	227	8,630	2,434	831	89,205	-	113,081	86,837	-	-
Cash paid for employees' services.....	(253,502)	(116,550)	(48,486)	(670,562)	(471,861)	(83,467)	(33,161)	(192,095)	(1,869,684)	(1,691,947)	(49,772)	(45,066)
Cash paid to suppliers for goods and services.....	(168,295)	(99,365)	(65,072)	(303,639)	(320,245)	(80,333)	(34,238)	(35,782)	(1,106,969)	(1,103,540)	(87,781)	(77,186)
Cash paid for judgments and claims.....	-	(3,852)	(5,004)	(15,558)	-	(2,897)	-	-	(27,311)	(29,621)	-	-
Net cash provided by (used in) operating activities.....	413,432	190,114	33,165	(440,633)	102,959	95,213	40,217	(58,784)	375,683	411,995	21,989	21,440
Cash flows from noncapital financing activities:												
Operating grants.....	-	151	17	149,736	36,299	16,237	228	43	202,711	184,339	-	-
Transfers in.....	-	52,143	2,075	360,448	155,038	-	-	72,844	642,548	488,902	150	1
Transfers out.....	(40,480)	(1,148)	(32)	(14,076)	(103,655)	(232)	(60)	(4,826)	(164,509)	(210,315)	(142)	(178)
Other noncapital financing increases.....	1,323	15,066	7,019	16,343	-	1,509	1,686	-	42,946	25,475	-	-
Other noncapital financing decreases.....	(25,597)	(2,073)	(2,254)	-	(264)	(280)	-	(6,945)	(37,413)	(58,505)	-	-
Net cash provided by (used in) noncapital financing activities.....	(64,754)	64,139	6,825	512,451	87,418	17,234	1,854	61,116	686,283	429,896	8	(177)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes...	65,789	-	-	352,179	57,375	-	7,676	16,060	499,079	401,405	-	-
Transfers in.....	-	-	-	26,585	-	-	167	-	26,752	59,561	-	1,241
Transfers out.....	-	-	-	-	-	-	-	-	-	(27,199)	-	-
Bond sale proceeds and loans received.....	268,420	459,230	44,412	80,393	-	-	-	-	852,455	593,825	-	-
Proceeds from sale/transfer of capital assets.....	-	8,120	27	33	-	1	5	-	8,186	102	-	-
Proceeds from commercial paper borrowings.....	40,000	-	-	3,761	100,000	-	-	-	143,761	251,350	-	-
Proceeds from passenger facility charges.....	92,702	-	-	-	-	-	-	-	92,702	86,868	-	-
Acquisition of capital assets.....	(325,039)	(376,165)	(34,659)	(338,204)	(24,989)	(169,572)	(34,409)	(4,953)	(1,307,990)	(1,855,433)	(2,745)	(5,316)
Retirement of capital leases, bonds and loans.....	(182,645)	(498,845)	(1,608)	(7,695)	(2,551)	(31,452)	(2,704)	(5,650)	(733,150)	(418,881)	(26,440)	(21,143)
Bond issue costs paid.....	-	(1,453)	(941)	(681)	-	-	-	-	(3,075)	(1,261)	(15)	(146)
Interest paid on debt.....	(221,630)	(210,671)	(1,586)	(6,377)	(1,408)	(35,373)	(4,635)	(7,154)	(488,834)	(485,635)	(5,171)	(5,639)
Federal interest income subsidy from Build America Bonds.....	-	24,111	703	-	-	3,980	-	-	28,794	28,786	-	-
Other capital financing decreases.....	-	-	-	-	-	-	(2,911)	(10)	(2,921)	(259)	-	-
Net cash provided by (used in) capital and related financing activities.....	(262,403)	(595,673)	6,348	106,233	32,188	(132,416)	(36,811)	(1,707)	(884,241)	(1,155,771)	(34,371)	(31,003)
Cash flows from investing activities:												
Purchases of investments with trustees.....	(808,824)	(364,301)	(2,770)	-	-	(93,825)	-	-	(1,269,820)	(2,959,523)	-	(23)
Proceeds from sale of investments with trustees.....	764,511	402,625	3,732	-	-	106,977	-	1,341	1,279,186	2,946,353	-	4,870
Interest and investment income.....	8,016	6,521	1,208	5,805	1,499	1,334	986	375	25,744	28,838	154	291
Other investing activities.....	-	-	-	-	-	-	-	-	-	189	65	(1)
Net cash provided by (used in) investing activities.....	(36,397)	44,845	2,170	5,805	1,499	14,886	986	1,716	35,110	15,857	219	5,137
Net increase (decrease) in cash and cash equivalents.....	49,878	(296,576)	48,508	183,856	224,064	(5,483)	6,246	2,341	212,835	(298,023)	(12,155)	(4,603)
Cash and cash equivalents-beginning of year.....	759,954	1,084,135	199,288	748,449	136,915	224,448	137,607	49,810	3,340,606	3,639,630	78,302	82,905
Cash and cash equivalents-end of year.....	\$ 809,832	\$ 787,560	\$ 247,796	\$ 932,305	\$ 360,979	\$ 218,965	\$ 143,853	\$ 52,151	\$ 3,553,441	\$ 3,340,607	\$ 66,147	\$ 78,302

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended June 30, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds		
	Major Funds												
	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	Total	2015	2014	2015	2014
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss).....	\$ 206,335	\$ 129,097	\$ 3,880	\$ (511,817)	\$ (23,633)	\$ 39,517	\$ 11,673	\$ (70,733)	\$ (216,681)	\$ (328,773)	\$ 4,081	\$ 1,747	
Adjustments for non-cash and other activities:													
Depreciation and amortization.....	216,146	95,384	17,887	126,756	6,346	50,254	22,787	16,541	552,101	539,137	2,451	1,957	
Provision for uncollectibles.....	86	107	-	24	-	(24)	(166)	-	27	(41)	-	-	
Write-off of capital assets.....	-	2,701	5,144	-	-	1,543	-	-	9,388	3,236	-	-	
Other.....	2,049	-	-	-	-	-	-	-	2,049	8,093	1,003	52	
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:													
Receivables, net.....	(1,954)	7,339	1,836	(1,678)	6,217	5,932	(195)	13,977	31,474	(9,204)	26,270	20,828	
Due from other funds.....	-	(118)	1,172	-	129	64	-	(48,970)	(47,723)	1,072	-	-	
Inventories.....	14	11	(40)	(11,350)	(551)	(88)	253	61	(11,690)	(4,275)	-	-	
Other assets.....	62	-	4,024	1	-	(64)	25	-	4,048	(1,970)	-	-	
Accounts payable.....	17,336	7,421	2,584	8,192	(6,148)	(279)	(507)	754	29,253	55	(823)	3,899	
Accrued payroll.....	(7,915)	(5,602)	(1,763)	(18,651)	(13,799)	(3,759)	(1,166)	(5,592)	(58,247)	12,163	(1,379)	343	
Accrued vacation and sick leave pay.....	341	(705)	95	1,951	890	319	(72)	150	2,969	2,257	116	47	
Accrued workers' compensation.....	411	527	162	7,833	1,469	422	8	(71)	10,761	12,685	176	259	
Other postemployment benefits obligation.....	11,514	9,501	2,722	21,092	21,340	4,828	2,000	7,177	80,174	76,426	2,078	1,942	
Estimated claims payable.....	-	846	441	5,779	-	6,935	(424)	-	13,577	27,802	-	-	
Due to other funds.....	-	70	(8)	274	-	(130)	-	-	206	(158)	(9)	(114)	
Unearned revenue and other liabilities.....	71	(33,049)	730	(2,949)	157,789	181	10,701	47,603	181,077	73,490	(6,841)	(9,520)	
Net pension liability and pension related deferred outflows and inflows of resources.....	(31,064)	(23,416)	(5,701)	(66,090)	(47,090)	(10,438)	(4,500)	(19,681)	(208,080)	-	(5,134)	-	
Total adjustments.....	207,097	61,017	29,285	71,184	126,592	55,696	28,544	11,849	591,364	740,768	17,908	19,693	
Net cash provided by (used in) operating activities.....	\$ 413,432	\$ 190,114	\$ 33,165	\$ (440,633)	\$ 102,959	\$ 95,213	\$ 40,217	\$ (58,784)	\$ 375,683	\$ 411,995	\$ 21,989	\$ 21,440	
Reconciliation of cash and cash equivalents to the statement of net position:													
Deposits and investments with City Treasury:													
Unrestricted.....	\$ 403,522	\$ 353,983	\$ 194,711	\$ 872,466	\$ 358,360	\$ 148,153	\$ 109,139	\$ -	\$ 2,440,334	\$ 1,944,883	\$ 37,905	\$ 37,885	
Restricted.....	400,165	303,767	45,890	31,852	-	65,141	23,678	48,981	919,474	1,185,510	-	-	
Deposits and investments outside City Treasury:													
Unrestricted.....	6,445	108	10	9,688	10	87	5	2	16,355	13,530	-	-	
Restricted.....	455,637	212,019	7,316	18,299	2,609	12,250	11,365	16,026	736,521	764,029	32,907	45,147	
Total deposits and investments.....	1,266,769	869,877	247,927	932,305	360,979	225,631	144,187	65,009	4,112,684	3,907,952	70,812	83,032	
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(456,837)	(82,317)	(131)	-	-	(6,666)	(334)	(12,858)	(569,243)	(567,345)	(4,665)	(4,730)	
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 809,832	\$ 787,560	\$ 247,796	\$ 932,305	\$ 360,979	\$ 218,965	\$ 143,853	\$ 52,151	\$ 3,553,441	\$ 3,340,607	\$ 66,147	\$ 78,302	
Non-cash capital and related financing activities:													
Acquisition of capital assets on accounts payable and capital lease.....	\$ 43,890	\$ 54,390	\$ 256	\$ -	\$ 4,836	\$ 28,717	\$ 1,056	\$ 627	\$ 133,772	\$ 210,181	\$ 424	\$ 2,703	
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	400	-	400	2,861	-	-	
Net capitalized interest.....	9,961	75,200	(26)	1,166	1,045	12,327	370	-	100,043	105,282	-	-	
Donated inventory.....	-	-	-	-	7,306	-	-	-	7,306	2,746	-	-	
Capital contributions and other noncash capital items.....	-	(2,960)	(553)	-	-	-	(815)	-	(4,326)	1,374	-	-	
Bond refunding.....	249,527	-	-	-	-	-	-	-	249,527	209,127	-	-	
Interfund loan.....	-	79	-	-	-	1,542	-	-	1,621	1,488	-	-	

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, 2015
(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.....	\$ 182,019	\$ 539,404	\$ 270,466	\$ 190,217
Deposits and investments outside City Treasury:				
Cash and deposits.....	31,969	105	5,339	37
Short-term investments.....	656,185	-	150,484	-
Debt securities.....	4,967,128	-	-	-
Equity securities.....	10,454,530	-	-	-
Real assets.....	1,975,926	-	-	-
Private equity.....	2,484,299	-	-	-
Foreign currency contracts, net.....	722	-	-	-
Invested in securities lending collateral.....	1,001,231	-	-	-
Receivables:				
Employer and employee contributions.....	27,925	-	-	30,822
Brokers, general partners and others.....	226,201	-	-	-
Federal and state grants and subventions.....	-	-	352	-
Interest and other.....	41,732	550	6,394	207,252
Other assets.....	-	-	-	45,538
Capital assets:				
Land and other assets not being depreciated.....	-	-	55,402	-
Facilities, infrastructure and equipment, net of depreciation.....	-	-	132,694	-
Total assets.....	<u>22,049,867</u>	<u>540,059</u>	<u>621,131</u>	<u>473,866</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	-	-	1,573	-
Unamortized loss on refunding of debt.....	-	-	1,722	-
Total deferred outflows of resources.....	<u>-</u>	<u>-</u>	<u>3,295</u>	<u>-</u>
LIABILITIES				
Accounts payable.....	59,190	43	19,307	62,243
Estimated claims payable.....	29,343	-	-	-
Due to the primary government.....	-	-	1,820	-
Agency obligations.....	-	-	-	411,623
Bond interest payable.....	-	-	20,104	-
Payable to brokers.....	374,001	-	-	-
Deferred Retirement Option Program.....	1,491	-	-	-
Payable to borrowers of securities.....	1,001,546	-	-	-
Other liabilities.....	1,677	-	1,292	-
Advance from primary government.....	-	-	39,234	-
Long-term obligations.....	-	-	944,415	-
Net pension liability.....	-	-	15,870	-
Total liabilities.....	<u>1,467,248</u>	<u>43</u>	<u>1,042,042</u>	<u>473,866</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	-	-	7,793	-
NET POSITION				
Held in trust for:				
Pension and other employee benefits	20,582,619	-	-	-
External pool participants.....	-	540,016	-	-
Redevelopment Agency dissolution.....	-	-	(425,409)	-
Total net position.....	<u>\$ 20,582,619</u>	<u>\$ 540,016</u>	<u>\$ (425,409)</u>	<u>\$ -</u>

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, 2015
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private- Purpose Trust Fund
Additions:			
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 124,791
Charges for services.....	-	-	69,419
Contributions:			
Employees' contributions.....	438,514	-	-
Employer contributions.....	1,256,993	-	-
Contributions to pooled investments.....	-	2,637,138	-
Total contributions.....	1,695,507	2,637,138	194,210
Investment income:			
Interest.....	210,580	3,649	2,045
Dividends.....	214,636	-	-
Net appreciation in fair value of investments.....	378,507	-	-
Securities lending income.....	4,869	-	-
Total investment income.....	808,592	3,649	2,045
Less investment expenses:			
Securities lending borrower rebates and expenses.....	796	-	-
Other investment expenses.....	(44,911)	-	-
Total investment expenses.....	(44,115)	-	-
Other additions.....	-	-	6,851
Total additions, net.....	2,459,984	2,640,787	203,106
Deductions:			
Neighborhood development.....	-	-	95,345
Depreciation.....	-	-	5,638
Interest on debt.....	-	-	57,183
Benefit payments.....	1,907,969	-	-
Refunds of contributions.....	12,339	-	-
Distribution from pooled investments.....	-	2,719,361	-
Administrative expenses.....	19,502	-	8,305
Total deductions.....	1,939,810	2,719,361	166,471
Change in net position.....	520,174	(78,574)	36,635
Net position at beginning of year, as previously reported.....	20,062,445	618,590	(439,637)
Cumulative effect of accounting change.....	-	-	(22,407)
Net position at beginning of year, as restated	20,062,445	618,590	(462,044)
Net position at end of year.....	\$ 20,582,619	\$ 540,016	\$ (425,409)

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements

June 30, 2015

(Dollars in Thousands)

(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 (Transportation Authority) – The voters of the City created the Transportation Authority 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 Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority 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 (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 (SFMTA) 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 SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8th Floor, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 1 Avenue of the Palms, Suite 241, 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 the 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 revenues 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 90 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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, charges for services, rents and concessions, 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 (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets (previously named the 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. 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 SFMTA. 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 **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 (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 until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- 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 and other governmental agencies; employees for payroll deductions; and 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

(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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 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, 2015, involuntary participants accounted for approximately 95.2% of the pool. Voluntary participants accounted for 4.8% 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, 2015, \$540.0 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 7.6%. Internal participants accounted for 92.4% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments, such as collateralized certificates of deposit and public time deposits, that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. 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.

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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. Securities 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 \$639.6 million including \$51.7 million in recourse debt at June 30, 2015. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. 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.

Private equity investments represent the Retirement System's interest in limited partnerships. The fair values of private equity 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 purchase and sale 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, and therefore, is not reported in the Retirement System's financial statements.

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, 2015 was 61 days. 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, 2015, the weighted average maturity of the reinvested cash collateral account was 24 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said 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.

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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. 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, SFMTA, 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, 2015, it was determined that \$1,004.7 million of the \$1,081.4 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 inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

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(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

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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. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance 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.

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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.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables.....	\$ 24,786	\$ 137	\$ 24,923
Gift Fund Principal.....	-	192	192
Total Nonspendable.....	<u>24,786</u>	<u>329</u>	<u>25,115</u>
Restricted			
Rainy Day.....	114,969	42,104	157,073
Public Protection:			
Police.....	-	18,583	18,583
Sheriff.....	-	969	969
Other Public Protection.....	-	11,208	11,208
Public Works, Transportation & Commerce.....	-	243,716	243,716
Human Welfare & Neighborhood Development.....	-	178,946	178,946
Affordable Housing.....	-	149,219	149,219
Community Health.....	-	33,068	33,068
Culture & Recreation.....	-	125,343	125,343
General Administration & Finance.....	-	9,792	9,792
Capital Projects.....	-	176,601	176,601
Debt Service.....	-	121,287	121,287
Total Restricted.....	<u>114,969</u>	<u>1,110,836</u>	<u>1,225,805</u>
Committed			
Budget Stabilization.....	132,264	-	132,264
Recreation and Parks Expenditure Savings.....	10,551	-	10,551
Total Committed.....	<u>142,815</u>	<u>-</u>	<u>142,815</u>
Assigned			
Public Protection:			
Police.....	3,758	763	4,521
Sheriff.....	2,877	2,062	4,939
Other Public Protection.....	8,693	-	8,693
Public Works, Transportation & Commerce.....	19,750	39,986	59,736
Human Welfare & Neighborhood Development.....	28,897	4,382	33,279
Affordable Housing.....	14,254	-	14,254
Community Health.....	56,093	-	56,093
Culture & Recreation.....	5,808	8,229	14,037
General Administration & Finance.....	68,040	11,318	79,358
General City Responsibilities.....	40,002	-	40,002
Capital Projects.....	90,661	-	90,661
Litigation and Contingencies.....	131,970	-	131,970
Subsequent Year's Budget.....	234,273	-	234,273
Total Assigned.....	<u>705,076</u>	<u>66,740</u>	<u>771,816</u>
Unassigned.....	157,550	(34,158)	123,392
Total.....	<u>\$ 1,145,196</u>	<u>\$ 1,143,747</u>	<u>\$ 2,288,943</u>

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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, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). 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. Seventy-five percent of the deposit is placed in the City Reserve and 25 percent is placed in the School 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 City 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 City 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 School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District’s Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. 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 2015-16 through 2019-20.

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 2015-16 through 2016-20.

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, 2015, encumbrances recorded in the General Fund and nonmajor governmental funds were \$137.6 million and \$215.0 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.

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- *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, including debt related deferred outflows and inflows of resources, 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, 2015, the government-wide statement of net position reported restricted net position of \$961.4 million in governmental activities and \$495.7 million in business-type activities, of which \$13.5 million and \$33.1 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 SFMTA. 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 \$338.6 million of unrestricted net position of governmental activities, of which \$281.8 million reduced net investment in capital assets and \$56.8 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 \$0.3 million as of June 30, 2015. The deficit relates to increases of unavailable revenue in various programs, which is expected to be collected beyond 90 days of the end of fiscal year 2015.

The Moscone Convention Center Fund had a \$33.8 million deficit as of June 30, 2015. The deficit will be covered as hotel tax revenues are realized.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$12.8 million and \$6.4 million, respectively, as of June 30, 2015 mainly due to the other postemployment benefits liability accrued per GASB Statement No. 45 and the net pension liability and pension-related deferred inflows per GASB Statement No. 68. The operating 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, 2015, the Successor Agency has a deficit of \$425.4 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.

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(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

In governmental and business-type activities, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(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) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System ("CalPERS") plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2013 and were rolled forward to June 30, 2014. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD).....	June 30, 2013 updated to June 30, 2014
Measurement Date (MD).....	June 30, 2014
Measurement Period (MP)...	July 1, 2013 to June 30, 2014

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(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 2013-14 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2014-15 basic financial statements.

(s) Effects of New Pronouncements

During fiscal year 2015, the City implemented the following accounting standards:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Also, in November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The provisions of the Statement Nos. 68 and 71 are effective for fiscal years beginning after June 15, 2014. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2014. As of July 1, 2014, the City restated its net position to record beginning net pension liability and beginning deferred outflows of resources related to pensions as follows:

	<u>Net Position, at Beginning of Year</u>		
	<u>As Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>As Restated</u>
Primary Government:			
Governmental Activities.....	\$ 2,341,631	\$ (1,879,347)	\$ 462,284
Business-Type Activities:			
San Francisco International Airport.....	266,757	(205,769)	60,988
San Francisco Water Enterprise.....	654,212	(155,107)	499,105
Hetch Hetchy Water and Power.....	513,550	(37,755)	475,795
Municipal Transportation Agency.....	2,686,060	(429,446)	2,256,614
General Hospital Medical Center.....	(50,570)	(311,922)	(362,492)
San Francisco Wastewater Enterprise.....	1,181,867	(69,147)	1,112,720
Port of San Francisco.....	371,289	(30,469)	340,820
Laguna Honda Hospital.....	394,695	(130,368)	264,327
Total Business-Type Activities.....	<u>6,017,860</u>	<u>(1,369,983)</u>	<u>4,647,877</u>
Total Primary Government.....	<u>\$ 8,359,491</u>	<u>\$ (3,249,330)</u>	<u>\$ 5,110,161</u>
Successor Agency Private-Purpose Trust Fund.....	<u>\$ (439,637)</u>	<u>\$ (22,407)</u>	<u>\$ (462,044)</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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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. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2015.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement changes how fair value is measured and provides guidance for applying fair value and requires certain disclosures. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in this statement are effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for the City's fiscal year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 74 revises and establishes new accounting and financial reporting requirements for postemployment benefit plans other than pensions (OPEB). Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. Statement No. 74 is effective for periods beginning after June 15, 2016 and is effective for the City's fiscal year ending June 30, 2017. Statement No. 75 is effective for periods beginning after June 15, 2017 and is effective for the City's fiscal year ending June 30, 2018.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(t) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds 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.

(u) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance consists as of June 30, 2015 of the following unavailable resources:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Grant and subvention revenues.....	\$ 50,406	\$ 43,747	\$ 94,153
Property taxes.....	45,790	9,589	55,379
Teeter Plan.....	37,303	-	37,303
California Senate Bill 90.....	6,999	-	6,999
Advances to Successor Agency.....	23,212	14,249	37,461
Franchise tax and other.....	3,028	-	3,028
Loans.....	3,560	73,140	76,700
Total.....	<u>\$ 170,298</u>	<u>\$ 140,725</u>	<u>\$ 311,023</u>

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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, \$2,288,943, differs from net position of governmental activities, \$1,287,214, 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 sheet.

	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.....	\$ 2,600,562	\$ -	\$ 37,905	\$ -	\$2,638,467
Deposits and investments outside City Treasury.....	107,539	-	32,907	-	140,446
Receivables, net					
Property taxes and penalties.....	65,313	-	-	-	65,313
Other local taxes.....	278,396	-	-	-	278,396
Federal and state grants and subventions.....	257,568	-	-	-	257,568
Charges for services.....	89,644	-	60	-	89,704
Interest and other.....	31,511	-	744	-	32,255
Due from other funds.....	12,182	-	-	(12,182)	-
Due from component unit.....	3,926	-	-	-	3,926
Advance to component unit.....	42,965	-	-	-	42,965
Loans receivable, net.....	76,700	-	-	-	76,700
Capital assets, net.....	-	4,865,138	9,572	-	4,874,710
Other assets.....	8,763	-	1,173	-	9,936
Total assets.....	<u>3,575,069</u>	<u>4,865,138</u>	<u>82,361</u>	<u>(12,182)</u>	<u>8,510,386</u>
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	18,368	1,171	-	19,539
Deferred outflows related to pensions.....	-	320,755	6,199	-	326,954
Total deferred outflows of resources.....	<u>-</u>	<u>339,123</u>	<u>7,370</u>	<u>-</u>	<u>346,493</u>
Liabilities					
Accounts payable.....	307,741	-	8,580	-	316,321
Accrued payroll.....	69,112	-	1,356	-	70,468
Accrued vacation and sick leave pay.....	-	146,980	2,894	-	149,874
Accrued workers' compensation.....	-	221,741	1,943	-	223,684
Other postemployment benefits obligation.....	-	1,092,769	21,867	-	1,114,636
Estimated claims payable.....	-	157,660	-	-	157,660
Accrued interest payable.....	-	11,068	1,429	-	12,497
Unearned grant and subvention revenues.....	19,304	-	-	-	19,304
Due to other funds.....	20,320	-	189	(12,182)	8,327
Unearned revenue and other liabilities.....	400,860	2,467	110	-	403,437
Net pension liability.....	-	1,049,026	18,494	-	1,067,520
Bonds, loans, capital leases, and other payables.....	157,766	2,768,105	216,528	-	3,142,399
Total liabilities.....	<u>975,103</u>	<u>5,449,816</u>	<u>273,390</u>	<u>(12,182)</u>	<u>6,686,127</u>
Deferred inflows of resources					
Unavailable revenues.....	311,023	(311,023)	-	-	-
Unamortized gain on refunding of debt.....	-	256	-	-	256
Deferred inflows related to pensions.....	-	866,713	16,569	-	883,282
Total deferred inflows of resources.....	<u>311,023</u>	<u>555,946</u>	<u>16,569</u>	<u>-</u>	<u>883,538</u>
Fund balances/ net position					
Total fund balances/ net position.....	<u>\$ 2,288,943</u>	<u>\$ (801,501)</u>	<u>\$ (200,228)</u>	<u>\$ -</u>	<u>\$1,287,214</u>

CITY AND COUNTY OF SAN FRANCISCO
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(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	\$ 6,309,991
Accumulated depreciation	<u>(1,444,853)</u>
	<u>\$ 4,865,138</u>

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	\$ (146,980)
Accrued workers' compensation.....	(221,741)
Other postemployment benefits obligation.....	(1,092,769)
Estimated claims payable.....	(157,660)
Unearned revenue and other liabilities.....	(2,467)
Bonds, loans, capital leases, and other payables.....	<u>(2,768,105)</u>
	<u>\$ (4,389,722)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	<u>\$ (11,068)</u>
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Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt.....	\$ 18,368
Unamortized gain on refunding of debt.....	<u>(256)</u>
	<u>\$ 18,112</u>

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability.....	\$(1,049,026)
Deferred outflows of resources related to pensions.....	320,755
Deferred inflows of resources related to pensions.....	<u>(866,713)</u>
	<u>\$ (1,594,984)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 90 days of the end of the current fiscal period ...	<u>\$ 311,023</u>
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CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
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(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	\$ (17,074)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(212,849)
Other assets	1,173
Unearned revenue and other liabilities	<u>28,522</u>
	<u>\$ (200,228)</u>

In addition, intrafund receivables and payables among various internal service funds of \$76 are eliminated.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
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(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, \$351,964, differs from the change in net position for governmental activities, \$824,930, 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	\$ 1,642,159	\$ (1,776)	\$ -	\$ -	\$ -	\$1,640,383
Business taxes	611,932	-	-	-	-	611,932
Sales and use tax	240,424	-	-	-	-	240,424
Hotel room tax	394,262	-	-	-	-	394,262
Utility user tax	98,979	-	-	-	-	98,979
Parking tax	87,209	-	-	-	-	87,209
Real property transfer tax	314,603	-	-	-	-	314,603
Other local taxes	50,182	-	-	-	-	50,182
Licenses, permits and franchises	42,959	17	-	-	-	42,976
Fines, forfeitures, and penalties	28,154	13	-	-	-	28,167
Interest and investment income	20,583	-	-	154	-	20,737
Rents and concessions	99,102	1,542	-	-	-	100,644
Intergovernmental:						
Federal	465,196	(11,507)	-	-	-	453,689
State	751,574	(35,501)	-	-	-	716,073
Other	15,774	20,972	-	-	-	36,746
Charges for services	359,044	2,285	-	-	-	361,329
Other	123,605	649	4,612	1,459	-	130,325
Total revenues	<u>5,345,741</u>	<u>(23,306)</u>	<u>4,612</u>	<u>1,613</u>	<u>-</u>	<u>5,328,660</u>
Expenditures/Expenses						
Current:						
Public protection	1,210,157	(54,294)	(41,117)	(6,548)	-	1,108,200
Public works, transportation and commerce	293,999	(13,459)	(8,730)	(1,356)	-	270,454
Human welfare and neighborhood development	1,095,419	(21,722)	411	(456)	-	1,073,652
Community health	753,832	(18,895)	103	-	-	735,040
Culture and recreation	352,852	(10,567)	37,522	(20,651)	(3,480)	355,676
General administration and finance	251,370	(23,527)	20,974	1,006	-	249,823
General City responsibilities	98,658	-	-	(4,081)	-	94,577
Debt service:						
Principal retirement	200,497	-	-	-	(200,497)	-
Interest and other fiscal charges	121,371	-	-	5,022	(14,097)	112,296
Bond issuance costs	2,734	-	-	-	-	2,734
Capital outlay	412,740	-	(412,740)	-	-	-
Total expenditures/expenses	<u>4,793,629</u>	<u>(142,464)</u>	<u>(403,577)</u>	<u>(27,062)</u>	<u>(218,074)</u>	<u>4,002,452</u>
Excess (deficiency) of revenues over (under) expenditures	552,112	119,158	408,189	28,675	218,074	1,326,208
Other financing sources (uses)/ change in net position						
Net transfers in (out)	(504,799)	-	-	8	-	(504,791)
Issuance of bonds and loans:						
Face value of bonds issued	449,530	-	-	-	(449,530)	-
Face value of loans issued	136,763	-	-	-	(136,763)	-
Premiums on issuance of bonds	69,833	-	-	-	(69,833)	-
Payments to refunded bond escrow agent	(359,225)	-	-	-	359,225	-
Other financing sources	7,750	-	3,513	(7,750)	-	3,513
Total other financing sources (uses)	<u>(200,148)</u>	<u>-</u>	<u>3,513</u>	<u>(7,742)</u>	<u>(296,901)</u>	<u>(501,278)</u>
Net change for the year	<u>\$ 351,964</u>	<u>\$ 119,158</u>	<u>\$ 411,702</u>	<u>\$ 20,933</u>	<u>\$ (78,827)</u>	<u>\$ 824,930</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
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(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. \$ (1,776)

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. (21,530)
\$ (23,306)

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. \$ (112,465)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 250,365

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds. 4,564
\$ 142,464

(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.....	\$ 530,443
Depreciation expense.....	(116,706)
Loss on disposal of capital assets.....	(4)
Capital assets contributed from enterprise funds.....	3,513
Capital assets acquired by other revenues.....	4,612
Write off construction of progress.....	<u>(10,156)</u>
Difference.....	<u>\$ 411,702</u>

(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. \$ 20,933

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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.....	\$ <u>3,480</u>
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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.....

	\$ <u>(69,833)</u>
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Repayment of bond principal and payment to escrow for refunding of debt are 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 and payments were made to escrow for refunded debt.

Principal payments made	\$ 200,497
Payments to escrow for refunded debt.....	<u>359,225</u>
	<u>559,722</u>

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.....	(449,530)
Loans	<u>(136,763)</u>
	<u>(586,293)</u>
	\$ <u>(26,571)</u>

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 and gains are not expended within the fund statements.

Decrease in accrued interest.....	\$ 114
Loss on refunding	13,204
Interest payment on capital lease obligations on the Moscone Convention Center	(395)
Amortization of bond premiums, discounts, refunding losses and gains	<u>1,174</u>
	<u>\$ 14,097</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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 90-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2015 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget basis.....	\$ 1,236,090
Unrealized Gains/ (Losses) on Investments.....	1,141
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(37,303)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(50,406)
Deferred amounts on loan receivables.....	(23,212)
Pre-paid lease revenue.....	(5,900)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....	<u>24,786</u>
Fund Balance - GAAP basis.....	<u>\$ 1,145,196</u>

General Fund budget basis fund balance as of June 30, 2015 is composed of the following:

Not available for appropriations:	
Restricted Fund Balance:	
Rainy Day - Economic Stabilization Reserve.....	\$ 71,904
Rainy Day - One Time Spending Account.....	43,065
Committed Fund Balance:	
Budget Stabilization Reserve.....	132,264
Recreation and Parks Expenditure Saving Reserve	10,551
Assigned Fund Balance:	
Assigned for Encumbrances.....	137,641
Assigned for Appropriation Carryforward.....	201,192
Assigned for Subsequent Years' Budgets:	
Budget Savings Incentive Program City-wide.....	33,939
Salaries and benefits costs (MOU).....	<u>20,155</u>
Subtotal.....	\$ 650,711
Available for appropriations:	
Assigned for Litigation and Contingences.....	131,970
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2015-16.....	180,179
Unassigned for General Reserve.....	62,579
Unassigned - Budget for use in fiscal year 2016-17.....	194,082
Unassigned - Available for future appropriations.....	<u>16,569</u>
Subtotal.....	<u>585,379</u>
Fund Balance, June 30, 2015 - Budget basis.....	<u>\$ 1,236,090</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 1,182,106	\$ 6,260,907	\$ 9,825
Deposits and investments outside					
City Treasury.....	107,539	16,355	20,726,724	20,850,618	-
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	919,474	-	919,474	-
Deposits and investments outside					
City Treasury.....	32,907	736,521	-	769,428	-
Invested securities lending collateral...	-	-	1,001,231	1,001,231	-
Total deposits & investments	<u>\$ 2,778,913</u>	<u>\$ 4,112,684</u>	<u>\$ 22,910,061</u>	<u>\$29,801,658</u>	<u>\$ 9,825</u>
Cash and deposits.....				\$ 341,865	\$ -
Investments.....				29,459,793	9,825
Total deposits and investments.....				<u>\$29,801,658</u>	<u>\$ 9,825</u>

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, 2015, \$2.6 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

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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.

The investment policy 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 2014. 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 Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	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 *	25% *	10% *
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market Funds	N/A	10% *	N/A
Supranationals (effective as of January 1, 2015)	5 years	5% *	None
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.

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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 Board's asset allocation policies for the year ended June 30, 2015 are as follows:

<u>Asset Class</u>	<u>Target Allocation through January 2015</u>	<u>Target Allocation since February 2015</u>
Global Equity	47.0%	40.0%
Fixed Income	25.0%	20.0%
Private Equity	16.0%	18.0%
Absolute Return/ Real Assets	12.0%	17.0%
Hedge Funds	0%	5.0%
	<u>100.0%</u>	<u>100.0%</u>

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 separately managed account is authorized to use repurchase arrangements. As of June 30, 2015, \$503 million (or 50.2% of cash collateral) consisted of such agreements.

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(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 Retirement System's interest rate risk information is discussed in section (e) of this note.

	S & P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
Pooled Investments:				
U.S. Treasury Notes	AA+	\$ 477,867	\$ 175,906	\$ 301,961
U.S. Agencies - Coupon	NR - AA+	4,166,102	945,487	3,220,615
State/Local Agencies	A - AA+	318,651	186,858	131,793
Public time deposits	NR	960	960	-
Negotiable certificates of deposits	A+ - AA-	724,755	274,920	449,835
Commercial paper	A-1	400,000	400,000	-
Corporate notes	A - AA+	613,894	179,531	434,363
Money market mutual funds	AAAm	285,115	285,115	-
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(9,825)	-	(9,825)
Subtotal pooled investments		6,977,519	2,448,777	4,528,742
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	n/a	1,995	-	1,995
Subtotal investments in City Treasury		6,979,514	\$ 2,448,777	\$ 4,530,737
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	\$ 264,086	\$ 15,513	\$ 248,573
U.S. Agencies - Coupon	AA+	10,376	10,376	-
U.S. Agencies - Discount	AA+/A-1+	262,770	119,314	143,456
Certificates of Deposit	NR	334	334	-
Commercial Paper	A-1+/A-1	17,602	17,602	-
Money Market Mutual Funds	AAAm	292,047	292,047	-
U.S. Treasury Money Market Funds	AAAm	93,043	93,043	-
Subtotal Investments outside City Treasury		940,258	\$ 548,229	\$ 392,029
Employees' Retirement System investments		21,540,021		
Total Primary Government		\$ 29,459,793		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	9,825	\$ -	\$ 9,825
Total Investments		\$ 29,469,618		

As of June 30, 2015, the investments in the City Treasury had a weighted average maturity of 536 days.

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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 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.

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, 2015, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Farm Credit Bank.....	17.3%
Federal Home Loan Bank.....	14.8%
Federal Home Loan Mortgage Corporation.....	13.1%
Federal Agricultural Mortgage Corporation.....	9.1%
Federal National Mortgage Association.....	5.3%

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, 2015:

Airport:	
Federal National Mortgage Association.....	16.5%
Federal Home Loan Bank.....	16.3%
Federal Home Loan Mortgage Corporation.....	9.3%
Water Enterprise:	
Federal Home Loan Mortgage Corporation.....	26.0%
Hetch Hetchy:	
Federal Home Loan Bank.....	13.1%

Airport's Forward Purchase and Sale Agreements

Objective and Terms – During fiscal year 2015, a portion of the Airport's debt service reserve fund was invested by the Senior Trustee in investments delivered in accordance with a ten-year Forward Purchase and Sale Agreement (FPSA) with Merrill Lynch Capital Services that was intended to produce guaranteed earnings at a rate of 4.349%. Under this FPSA, the Senior Trustee was required to

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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 final delivery of securities for purchase occurred on May 1, 2014. This agreement expired on November 1, 2014. Since the expiration of this agreement the Airport has not entered into any new FPSAs.

(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, 2015:

Statement of Net Position

Net position held in trust for all pool participants.....	<u>\$7,190,206</u>
Equity of internal pool participants.....	\$6,648,189
Equity of separately managed account participant.....	2,001
Equity of external pool participants.....	<u>540,016</u>
Total equity.....	<u>\$7,190,206</u>

Statement of Changes in Net Position

Net position at July 1, 2014.....	\$6,740,783
Net change in investments by pool participants.....	<u>449,423</u>
Net position at June 30, 2015.....	<u>\$7,190,206</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2015:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes.....	0.61% - 2.00%	10/31/15 - 03/31/17	\$ 475,000	\$ 477,867
U.S. Agencies - Coupon.....	0.07% - 2.31%	07/22/15 - 06/02/20	4,153,548	4,166,102
State and local agencies.....	0.11% - 1.66%	07/01/15 - 10/01/19	316,375	318,651
Public time deposits.....	0.56% - 0.60%	03/21/16 - 06/29/16	960	960
Negotiable certificates of deposit..	0.27% - 0.56%	12/01/15 - 09/25/17	725,000	724,755
Commercial paper.....	0.06% - 0.18%	07/01/15 - 07/01/15	400,000	400,000
Corporate notes.....	0.26% - 0.81%	07/02/15 - 02/16/17	612,729	613,894
Money market mutual funds.....	0.01% - 0.04%	07/01/15 - 07/01/15	285,115	285,115
			<u>\$ 6,968,727</u>	<u>6,987,344</u>
Segregated account:				
Local agencies.....	3.50%	12/1/2016	<u>\$ 1,995</u>	1,995
Carrying amount of deposits with Treasurer.....				<u>200,867</u>
Total cash and investments with Treasurer.....				<u>\$ 7,190,206</u>

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(e) Retirement System's Investments

The Retirement System's investments as of June 30, 2015 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	\$ 656,185
Debt securities:	
U.S. Government and agencies	1,074,204
Other debt securities	3,892,924
Subtotal debt securities	4,967,128
Total fixed income investments	5,623,313
Equity securities:	
Domestic	5,320,353
International	5,134,177
Total equity securities	10,454,530
Real assets	1,975,926
Private equity	2,484,299
Foreign currency contracts, net	722
Investment in lending agent's short-term investment pool	1,001,231
Total Retirement System Investments	\$ 21,540,021

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, 2015:

Investments at Fair Value as of June 30, 2015

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	\$ 140,493	\$ 2,605	\$ 53,240	\$ 18,596	\$ 66,052
Bank Loans	115,885	3,192	82,628	30,065	-
Collateralized Bonds	969	-	-	-	969
Commercial Mortgage-Backed Commingled and Other	647,322	-	16,138	6,330	624,854
Fixed Income Funds	405,805	396,657	574	54	8,520
Corporate Bonds	1,937,753	690,752	337,996	542,131	366,874
Corporate Convertible Bonds	308,367	15,824	181,592	44,384	66,567
Foreign Currencies and Cash Equivalents	332,610	332,610	-	-	-
Government Agencies	335,438	317,253	9,861	6,338	1,986
Government Bonds	517,527	16,256	323,157	119,474	58,640
Government Mortgage Backed Securities	333,078	108,159	5,260	12,698	206,961
Index Linked Government Bonds	15,287	-	8,980	2,473	3,834
Mortgages	5	5	-	-	-
Municipal/Provincial Bonds	45,922	-	1,004	4,070	40,848
Non-Government Backed Collateralized Mortgage Obligations	162,844	-	1,894	7,318	153,632
Options	18	19	(1)	-	-
Short Term Investment Funds	323,267	323,267	-	-	-
Swaps	723	(2)	785	(17)	(43)
Total	\$ 5,623,313	\$ 2,206,597	\$ 1,023,108	\$ 793,914	\$ 1,599,694

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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.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2015. Investments issued or explicitly guaranteed by the U.S. government of \$1.0 billion as of June 30, 2015 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	\$ 212,642	4.6%
AA	148,151	3.2%
A	275,303	6.0%
BBB	792,990	17.2%
BB	346,598	7.5%
B	453,086	9.9%
CCC	83,710	1.8%
CC	2,245	0.0%
C	4,806	0.1%
D	4,033	0.1%
Not Rated	2,275,102	49.6%
Total	\$ 4,598,666	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed 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 19.8% for 2015.

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, 2015, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or 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, 2015, \$150.4 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.

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For fiscal year 2015, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

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, 2015 are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Australian dollar	\$ 544	\$ 103,354	\$ 8,020	\$ 13,694	\$ -	\$ 60,897	\$ 186,509
Brazilian real	714	30,380	29,679	-	-	(18,590)	42,183
British pound sterling	2,359	639,515	21,261	-	-	(139,036)	524,099
Canadian dollar	171	88,056	15,912	-	-	(30,971)	73,168
Chilean peso	-	1,148	-	-	-	140	1,288
Colombian peso	324	-	6,111	-	-	750	7,185
Czech koruna	-	1,579	-	-	-	-	1,579
Danish krone	401	45,755	-	-	-	(3,774)	42,382
Euro	6,890	899,087	111,446	195,466	383	(9,779)	1,203,493
Hong Kong dollar	(1,077)	242,251	-	-	-	3,444	244,618
Hungarian forint	243	372	615	-	-	183	1,413
Indian rupee	-	-	-	-	-	4,277	4,277
Indonesian rupiah	409	14,589	9,371	-	-	8,521	32,890
Japanese yen	12,571	675,019	-	-	16,215	154,642	858,447
Malaysian ringgit	16	19,398	7,587	-	-	2,637	29,638
Mexican peso	506	15,878	19,895	-	-	(6,239)	30,040
New Israeli shekel	(125)	8,130	-	-	-	3,927	11,932
New Romanian leu	-	-	1,408	-	-	879	2,287
New Taiwan dollar	1,288	64,514	-	-	-	(145)	65,657
New Zealand dollar	12	3,610	11,991	-	-	(20,255)	(4,642)
Nigerian naira	186	-	309	-	-	-	495
Norwegian krone	279	16,688	-	-	-	(30,421)	(13,454)
Peruvian nuevo sol	-	-	1,487	-	-	(326)	1,161
Philippine peso	69	2,689	571	-	-	(130)	3,199
Polish zloty	16	1,069	11,231	-	-	1,331	13,647
Qatari rial	-	6,256	-	-	-	-	6,256
Russian ruble	3	-	4,796	-	-	62	4,861
Singapore dollar	163	21,740	-	-	-	5,416	27,319
South African rand	1,306	29,314	9,244	-	-	309	40,173
South Korean won	750	95,641	-	-	-	(1,006)	95,385
Swedish krona	582	75,637	-	-	-	15,510	91,729
Swiss franc	886	234,990	153	-	-	(56,846)	179,183
Thai baht	(188)	6,871	2,220	-	-	4,261	13,164
Turkish lira	-	16,353	7,462	-	-	2,926	26,741
United Arab Emirates dirham	-	10,161	-	-	-	-	10,161
Total	\$ 29,298	\$ 3,370,044	\$ 280,769	\$ 209,160	\$ 16,598	\$ (47,406)	\$ 3,858,463

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Derivative Instruments

As of June 30, 2015, 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, 2015:

<u>Derivative Type / Contracts</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Net Appreciation (Depreciation) in Fair Value</u>
Forwards			
Foreign Exchange Contracts	(a)	\$ 749	\$ 749
Other Contracts	(a)	(308)	(308)
Options			
Foreign Exchange Contracts	\$ (6,939)	18	33
Swaps			
Credit Contracts	121,400	837	659
Interest Rate Contracts	40,315	(114)	(47)
Rights/Warrants			
Equity Contracts	6,059 shares	5,333	(2,407)
Total		<u>\$ 6,515</u>	<u>\$ (1,321)</u>

(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 U.S. 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 fiduciary net position.

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Counterparty Credit Risk

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2015, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were \$1.7 million and \$0.9 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 99.3% of the positions as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch) while 0.7% were not rated.

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, 2015, 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, 2015.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Other Contracts	\$ (308)	\$ (308)	\$ -	\$ -	\$ -
Swaps					
Credit Contracts	837	1	879	-	(43)
Interest Rate Contracts	(114)	(2)	(94)	(18)	-
Total	<u>\$ 415</u>	<u>\$ (309)</u>	<u>\$ 785</u>	<u>\$ (18)</u>	<u>\$ (43)</u>

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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2015:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 11.61%, Pay Variable 1-Day BIDOR	\$ 1,586	\$ (66)
Interest Rate Swap	Receive Fixed 12.055%, Pay Variable 1-Day BIDOR	334	(5)
Interest Rate Swap	Receive Fixed 12.18%, Pay Variable 1-Day BIDOR	370	(10)
Interest Rate Swap	Receive Fixed 12.23%, Pay Variable 1-Day BIDOR	718	(8)
Interest Rate Swap	Receive Fixed 12.36%, Pay Variable 1-Day BIDOR	4,754	(94)
Interest Rate Swap	Receive Fixed 12.85%, Pay Variable 1-Day BIDOR	370	18
Interest Rate Swap	Receive Fixed 13.68%, Pay Variable 1-Day BIDOR	3,899	(14)
Interest Rate Swap	Receive Fixed 13.775%, Pay Variable 1-Day BIDOR	414	(1)
Interest Rate Swap	Receive Fixed 13.82%, Pay Variable 1-Day BIDOR	2,447	(4)
Interest Rate Swap	Receive Fixed 2%, Pay Variable 6-Month WIBOR	160	(14)
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	711	(15)
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	669	3
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	225	(2)
Interest Rate Swap	Receive Fixed 4.36%, Pay Variable 28-Day MXIBR	2,396	9
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	635	2
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	642	(16)
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	2,027	(4)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,185	(6)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	402	3
Interest Rate Swap	Receive Fixed 6.2%, Pay Variable 3-Month CIBR	162	1
Interest Rate Swap	Receive Fixed 6.22%, Pay Variable 3-Month CIBR	169	(1)
Interest Rate Swap	Receive Fixed 6.53%, Pay Variable 28-Day MXIBR	76	1
Interest Rate Swap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	140	(3)
Interest Rate Swap	Receive Fixed 7.5%, Pay Variable 3-Month JIBAR	1,046	(27)
Interest Rate Swap	Receive Fixed 8.5%, Pay Variable 3-Month JIBAR	453	4
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 10.91%	290	13
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	99	7
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.32%	1,305	12
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.225%	857	9
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.255%	4,805	49
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 13.9%	5,968	2
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 5.66%	924	44
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	77	(1)
Total Interest Rate Swaps		<u>\$ 40,315</u>	<u>\$ (114)</u>

CITY AND COUNTY OF SAN FRANCISCO
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Foreign Currency Risk

At June 30, 2015, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2015:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	\$ 116	\$ -	\$ -	\$ 116
Brazilian real	565	-	(91)	474
British pound sterling	(4,585)	-	-	(4,585)
Canadian dollar	189	-	-	189
Chilean peso	(9)	-	-	(9)
Colombian peso	(18)	-	(14)	(32)
Euro	(60)	84	28	52
Hong Kong dollar	(517)	-	-	(517)
Hungarian forint	(3)	-	-	(3)
Indian rupee	5	-	-	5
Indonesian rupiah	96	-	-	96
Japanese yen	2,443	-	-	2,443
Malaysian ringgit	(26)	-	-	(26)
Mexican peso	219	-	47	266
New Israeli shekel	65	-	-	65
New Romanian leu	(1)	-	-	(1)
New Russian ruble	(1)	-	-	(1)
New Zealand dollar	1,505	-	-	1,505
Norwegian krone	152	-	-	152
Peruvian nuevo sol	8	-	-	8
Polish zloty	15	-	(14)	1
Singapore dollar	16	-	-	16
South African rand	83	-	(27)	56
Swedish krona	(257)	-	-	(257)
Swiss franc	374	-	-	374
Thai baht	(29)	-	(15)	(44)
Turkish lira	96	-	-	96
Total	\$ 441	\$ 84	\$ (86)	\$ 439

Contingent Features

At June 30, 2015, the Retirement System held no positions in derivatives containing contingent features.

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 fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number 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.

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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, 2015, 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. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2015, the Retirement System lent \$1.4 billion in securities and received collateral of \$1.0 billion and \$0.5 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 Board. 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 \$0.3 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. 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 in the account.

The Retirement System's securities lending transactions as of June 30, 2015, 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	\$ 14,704	\$ 15,559	\$ -
International Equities	40,737	43,286	-
International Government Fixed Income	1,952	2,110	-
U.S. Government Agencies	260	265	-
U.S. Corporate Fixed Income	187,469	191,358	-
U.S. Equities	443,154	452,384	-
U.S. Government Fixed Income	290,880	296,584	-
Securities Loaned with Non-Cash Collateral			
International Corporate Fixed Income	6,415	-	6,776
International Equities	352,198	-	381,165
International Government Fixed Income	13,491	-	13,965
U.S. Corporate Fixed Income	12,370	-	12,624
U.S. Equities	78,423	-	81,279
U.S. Government Fixed Income	240	-	244
Total	\$ 1,442,293	\$ 1,001,546	\$ 496,053

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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, 2015.

Investment Type	Fair Value	Maturities less than 1 year
Commercial Paper	\$ 51,095	\$ 51,095
Negotiable Certificates of Deposits	401,996	401,996
Repurchase Agreements	503,000	503,000
Short Term Investment Funds	45,140	45,140
Total	\$ 1,001,231	\$ 1,001,231

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2015 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AA	\$ 165,124	16.5%
A	406,006	40.5%
Not Rated *	430,101	43.0%
Total	\$ 1,001,231	100.0%

* Repurchase agreements of \$430.0 million are not rated, but are held by counterparties with an S&P rating of A.

Investments in Real Assets Holdings

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2015 are summarized as follows:

Investments:	
Beginning of the year	\$ 1,784,244
Capital investments	255,252
Equity in net earnings	40,378
Net appreciation in fair value	258,911
Capital distributions	(362,859)
End of the year	\$ 1,975,926

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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 \$228 million for the year ended June 30, 2015.

Taxable valuation for the year ended June 30, 2015 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$166 billion, an increase of 4.4%. The secured tax rate was \$1.1743 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 \$0.1743 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.80% and 6.42%, respectively, of the current year tax levy, for an average delinquency rate of 1.17% of the current year tax levy.

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, 2015 was \$20.6 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.

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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases *	Decreases *	Balance June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 274,163	\$ 30,530	\$ (4,782)	\$ 299,911
Intangible assets.....	5,936	4,810	(2,030)	8,716
Construction in progress.....	1,178,392	470,386	(403,714)	1,245,064
Total capital assets, not being depreciated.....	<u>1,458,491</u>	<u>505,726</u>	<u>(410,526)</u>	<u>1,553,691</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,248,584	285,419	-	3,534,003
Machinery and equipment.....	400,830	33,519	(3,542)	430,807
Infrastructure.....	686,857	112,907	-	799,764
Intangible assets.....	44,299	4,112	-	48,411
Total capital assets, being depreciated.....	<u>4,380,570</u>	<u>435,957</u>	<u>(3,542)</u>	<u>4,812,985</u>
Less accumulated depreciation for:				
Facilities and improvements.....	922,270	67,617	-	989,887
Machinery and equipment.....	338,438	19,705	(3,538)	354,605
Infrastructure.....	111,111	29,151	-	140,262
Intangible assets.....	4,528	2,684	-	7,212
Total accumulated depreciation.....	<u>1,376,347</u>	<u>119,157</u>	<u>(3,538)</u>	<u>1,491,966</u>
Total capital assets, being depreciated, net.....	<u>3,004,223</u>	<u>316,800</u>	<u>(4)</u>	<u>3,321,019</u>
Governmental activities capital assets, net.....	<u>\$ 4,462,714</u>	<u>\$ 822,526</u>	<u>\$ (410,530)</u>	<u>\$ 4,874,710</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 217,518	\$ -	\$ (77)	\$ 217,441
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	3,362,438	1,224,667	(1,482,939)	3,104,166
Total capital assets, not being depreciated.....	<u>3,591,999</u>	<u>1,224,667</u>	<u>(1,483,016)</u>	<u>3,333,650</u>
Capital assets, being depreciated:				
Facilities and improvements.....	13,751,792	1,377,581	(14,445)	15,114,928
Machinery and equipment.....	2,152,966	172,249	(36,173)	2,289,042
Infrastructure.....	1,254,473	16,151	-	1,270,624
Property held under lease.....	697	-	-	697
Intangible assets.....	210,312	4,498	-	214,810
Total capital assets, being depreciated.....	<u>17,370,240</u>	<u>1,570,479</u>	<u>(50,618)</u>	<u>18,890,101</u>
Less accumulated depreciation for:				
Facilities and improvements.....	5,042,869	363,700	(8,219)	5,398,350
Machinery and equipment.....	1,256,458	140,692	(35,087)	1,362,063
Infrastructure.....	514,745	36,639	-	551,384
Property held under lease.....	697	-	-	697
Intangible assets.....	149,981	11,070	-	161,051
Total accumulated depreciation.....	<u>6,964,750</u>	<u>552,101</u>	<u>(43,306)</u>	<u>7,473,545</u>
Total capital assets, being depreciated, net.....	<u>10,405,490</u>	<u>1,018,378</u>	<u>(7,312)</u>	<u>11,416,556</u>
Business-Type activities capital assets, net.....	<u>\$ 13,997,489</u>	<u>\$ 2,243,045</u>	<u>\$ (1,490,328)</u>	<u>\$ 14,750,206</u>

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

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

Governmental Activities:	
Public protection.....	\$ 18,037
Public works transportation and commerce.....	27,781
Human welfare and neighborhood development.....	575
Community health.....	1,230
Culture and recreation.....	47,790
General administration and finance.....	21,293
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	2,451
Total depreciation expense - governmental activities.....	\$ 119,157
Business-Type Activities:	
Airport.....	\$ 216,146
Water.....	95,384
Power.....	17,887
Transportation.....	126,756
Hospitals.....	22,887
Wastewater.....	50,254
Port.....	22,787
Total depreciation expense - business-type activities.....	\$ 552,101

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 SFMTA, 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 SFMTA, and pier substructures of the Port, which totaled \$3.55 billion as of June 30, 2015. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled \$45.6 million as of June 30, 2015. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2015.

In fiscal year 2014-15, the Airport had write-offs and loss on disposal in the amount of \$8.1 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, 2015, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$2.7 million, \$5.1 million, and \$1.5 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2015, the City's enterprise funds incurred total interest expense and interest income of approximately \$490.7 million and \$26.0 million, respectively. Of these amounts, interest expense of approximately \$100.0 million was capitalized.

CITY AND COUNTY OF SAN FRANCISCO
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(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, 2015, are as follows:

Type of Obligation	July 1, 2014	Additional Obligation	Current Maturities	June 30, 2015
Governmental Activities:				
Commercial paper				
San Francisco County Transportation Authority.....	\$ 135,000	\$ -	\$ (135,000)	\$ -
Multiple Capital Projects.....	40,760	583,306	(466,300)	157,766
Governmental activities short-term obligations...	<u>\$ 175,760</u>	<u>\$ 583,306</u>	<u>\$ (601,300)</u>	<u>\$ 157,766</u>
Business-Type Activities:				
Commercial paper				
San Francisco International Airport.....	\$ 249,000	\$ 40,000	\$ (249,000)	\$ 40,000
San Francisco Water Enterprise.....	186,000	186,000	(186,000)	186,000
San Francisco General Hospital Medical Center....	-	3,761	-	3,761
San Francisco Wastewater Enterprise.....	-	100,000	-	100,000
Business-type activities short-term obligations..	<u>\$ 435,000</u>	<u>\$ 329,761</u>	<u>\$ (435,000)</u>	<u>\$ 329,761</u>

San Francisco County Transportation Authority

In June 2015, the Transportation Authority substituted its \$200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a \$140.0 million tax-exempt revolving credit loan agreement (Revolving Loan). In the same month, Moody's raised the Transportation Authority's rating to "Aa1" from "Aa2" and S&P's and Fitch reaffirmed issuer ratings for the Transportation Authority with "AA" and "AA+" respectively. The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month London Interbank Offered Rate (LIBOR) plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement June 8, 2018. The Revolving Loan will be repaid from sales tax revenues and is secured by a first lien gross pledge of the Transportation Authority's sales tax. As of June 30, 2015, \$134.7 million of the Revolving Loan was outstanding, with an interest rate of 0.432%.

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09, approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased to \$250.0 million from \$150 million. The City currently has letters of credit supporting a \$200.0 million program. The City has the option to upsize the program from its current size of \$200.0 million to \$250.0 million, when and as necessary.

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The CP is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days. The CP notes are supported by a LOC issued by JP Morgan and U.S. Bank N.A. with a LOC fee of 0.50% and 0.45%, respectively, and a LOC issued by State Street Bank with a LOC fee of 0.50%. The JP Morgan and U.S. Bank N.A. LOC is scheduled to expire in June 2016 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2015, the City retired \$466.3 million and issued \$587.1 million CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the Department of Public Works and the San Francisco General Hospital, rebuilding of severely distressed public housing sites while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (HOPE SF), War Memorial Veterans Building seismic retrofit, Moscone Center expansion, and 900 Inness Avenue property acquisition. As of June 30, 2015, the outstanding principal amount of tax exempt and taxable CP was \$118.1 million and \$43.4 million, respectively. The tax exempt and taxable CP bear interest rates ranging from 0.06% to 0.08% and 0.12% to 0.13%, respectively.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, (the Note Resolution) as amended and supplemented, authorizing 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(s) of credit securing the CP. The Airport issues CP in three series that are subdivided into nine subseries according to tax status and that are secured by three direct-pay letters of credit (LOC). Two \$100.0 million direct-pay LOC are issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, with expiration dates of May 2, 2019, and June 17, 2016, respectively. The third LOC issued by Royal Bank of Canada in the amount of \$200.0 million expires May 19, 2017. Each of these LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of \$400.0 million as of June 30, 2015.

In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the Senior Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation and control of the Airport (not including certain specified amounts), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution. As of June 30, 2015, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2015, the Airport issued \$40.0 million of new money CP (AMT) to fund capital improvement projects. As of June 30, 2015, the interest rates on taxable AMT CP was 0.08% to 0.09%.

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San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. Prior to June 2014, the \$500.0 million CP authorization was comprised of \$250.0 million pursuant to the voter-approved 2002 Proposition A, and \$250.0 million pursuant to the voter-approved Proposition E. As of June 30, 2015, \$186.0 million in CP was outstanding under Proposition E. The CP interest rates ranged from 0.1% to 0.2%.

With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with 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 authorized the issuance of up to \$500.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise had \$100.0 million CP outstanding as of June 30, 2015.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP notes in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and a letter of credit fee of 0.535%. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP notes have drawn or outstanding as of June 30, 2015.

CITY AND COUNTY OF SAN FRANCISCO
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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2015:

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%	\$ 386,505
Parks and playgrounds	2033	2.00% - 6.26%	146,950
Road repaving and street safety	2033	2.00% - 5.00%	139,505
San Francisco General Hospital.....	2033	3.25% - 6.26%	602,615
Seismic safety loan program	2031	3.36% - 5.83%	24,010
Refunding	2030	3.00% - 5.00%	581,525
General obligation bonds.....			1,881,110
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (e) & (f)}	2034	0.065% - 5.75% *	214,850
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c) & (d)}	2041	2.50% - 5.00%	487,215
LOANS PAYABLE:			
Revolving Loan ^(c)	2018	0.432%	134,664
Loans ^{(c), (d), & (f)}	2043	2.00% - 5.74%	29,173
Loans payable.....			163,837
Governmental activities total long-term obligations.....			\$ 2,747,012

* 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, 2015 for Series 2008-1 & 2 was 0.06% and 0.07%, respectively.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
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BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *.....	2044	1.92% - 6.00%*	\$ 4,496,390
San Francisco Water Enterprise:			
Revenue bonds	2051	1.80% - 6.95%	4,105,585
Certificates of participation	2042	2.00% - 6.49%	113,605
Accreted interest.....	2019	-	5,471
Hetch Hetchy Water and Power:			
Clean renewable energy bonds	2046	0.00% - 5.00%	55,445
Certificates of participation.....	2042	2.00% - 6.49%	15,466
Municipal Transportation Agency:			
Revenue bonds.....	2044	3.00% - 5.00%	193,175
San Francisco General Hospital Medical Center:			
Certificates of participation.....	2026	5.55%	18,415
Capital leases.....	2017	2.41% - 2.66%	1,161
San Francisco Wastewater Enterprise:			
Revenue bonds	2043	1.00% - 5.82%	700,850
Certificates of participation	2042	2.00% - 6.49%	30,039
Port of San Francisco:			
Revenue bonds	2044	0.95% - 7.408%	55,350
Certificates of participation.....	2043	4.00% - 5.25%	34,355
Loans payable	2029	4.50%	2,369
Laguna Honda Hospital:			
Certificates of participation	2031	4.00% - 5.25%	137,585
Capital leases.....	2017	3.00% - 4.00%	13
Business-type activities total long-term obligations.....			<u>\$ 9,965,274</u>

* 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, 2015, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.04%, 0.03%, 0.04% and 0.04%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.05%, 0.04% and 0.04%, 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

The City believes it is in compliance with all significant limitations and restrictions contained in the limitations and restrictions in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2015, the City's debt limit (3% of valuation subject to taxation) was \$5.48 billion. The total amount of debt applicable to the debt limit was \$2.10 billion. The resulting legal debt margin was \$3.38 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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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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 issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2015. 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 City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) 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 issues bonded indebtedness for the improvement area, payable solely from special taxes levied and collected on property in the improvement area, and are not considered obligations of the City. Assessments collected for the 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 District No. 2009-1.

In October 2012, the City issued \$1.4 million Special Tax Bonds Series A for the Area No.1 and in November 2014, the City issued \$1.8 million Special Tax Bonds Series A for the Area No. 2 of the Special District. As of June 30, 2015, the amount outstanding on the Area No. 1 and No. 2 bonds was \$1.3 million and \$1.8 million, respectively.

Assessment District

In 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 to finance the construction of a new public right-of-way and are not considered obligation of the City. The bonds mature from September 1998 through September 2026 bearing interest rates ranging from 6.0% to 6.85%. 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, 2015, the principal amount of bonds outstanding was \$0.6 million.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency, has issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage for first time homebuyers in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2015, the total obligation outstanding was \$625.0 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligation, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds.....	\$ 1,938,085	\$ 449,530	\$ (506,505)	\$ 1,881,110	\$ 123,173
Lease revenue bonds.....	241,290	-	(26,440)	214,850	18,795
Certificates of participation.....	521,485	-	(34,270)	487,215	35,705
Issuance premiums/discounts:					
Add: unamortized premiums.....	195,004	69,833	(25,622)	239,215	-
Less: unamortized discounts.....	(1,659)	-	65	(1,594)	-
Total bonds payable, net.....	2,894,205	519,363	(592,772)	2,820,796	177,673
Loans.....	27,441	136,763	(367)	163,837	778
Capital leases.....	3,085	395	(3,480)	-	-
Accrued vacation and sick leave pay.....	148,280	110,200	(108,606)	149,874	90,405
Accrued workers' compensation.....	222,747	44,141	(43,204)	223,684	38,046
Estimated claims payable.....	155,851	43,136	(41,327)	157,660	52,797
Governmental activities long-term obligations	\$ 3,451,609	\$ 853,998	\$ (789,756)	\$ 3,515,851	\$ 359,699
Business-Type Activities:					
Bonds payable:					
Revenue bonds.....	\$ 9,295,910	\$ 973,815	\$ (718,375)	\$ 9,551,350	\$ 253,540
Clean renewable energy bonds.....	17,211	39,555	(1,321)	55,445	1,332
Certificates of participation.....	360,358	-	(10,893)	349,465	11,308
Issuance premiums/discounts:					
Add: unamortized premiums.....	361,438	124,897	(46,221)	440,114	-
Less: unamortized discounts.....	(632)	-	31	(601)	-
Total bonds payable, net.....	10,034,285	1,138,267	(776,779)	10,395,773	266,180
Accreted interest payable.....	5,107	364	-	5,471	-
Notes, loans and other payables.....	2,489	-	(120)	2,369	125
Capital leases.....	2,512	-	(1,338)	1,174	910
Accrued vacation and sick leave pay.....	101,692	54,935	(51,965)	104,662	65,754
Accrued workers' compensation.....	161,129	50,256	(39,495)	171,890	28,188
Estimated claims payable.....	91,208	44,698	(28,736)	107,170	50,390
Business-type activities long-term obligations	\$ 10,398,422	\$ 1,288,520	\$ (898,433)	\$ 10,788,509	\$ 411,547

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2015 for governmental and business-type activities are as follows:

Governmental Activities ⁽¹⁾								
Fiscal Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal ⁽⁴⁾	Interest	Principal	Interest
2016.....	\$ 123,173	\$ 86,766	\$ 18,795	\$ 5,488	\$ 36,483	\$ 23,427	\$ 178,451	\$ 115,681
2017.....	111,929	81,282	14,025	4,973	36,718	21,759	162,672	108,014
2018.....	108,828	75,766	10,880	4,578	172,576	19,890	292,284	100,234
2019.....	108,071	70,557	12,595	4,287	27,730	17,757	148,396	92,601
2020.....	106,636	65,251	6,110	3,992	19,466	16,616	132,212	85,859
2021-2025.....	549,937	252,548	68,690	15,234	97,223	69,738	715,850	337,520
2026-2030.....	563,988	118,247	75,140	6,678	97,994	48,609	737,122	173,534
2031-2035.....	208,548	17,627	8,615	1,267	102,533	25,145	319,696	44,039
2036-2040.....	-	-	-	-	45,355	8,606	45,355	8,606
2041-2045.....	-	-	-	-	14,974	1,102	14,974	1,102
Total.....	\$ 1,881,110	\$ 768,044	\$ 214,850	\$ 46,497	\$ 651,052	\$ 252,649	\$ 2,747,012	\$ 1,067,190

Business-Type Activities								
Fiscal Year Ending June 30	Clean Renewable Energy				Other Long-Term Obligations		Total	
	Revenue Bonds		Bonds/ Certificates of Participation		Principal	Interest	Principal	Interest
	Principal	Interest ⁽⁵⁾	Principal	Interest ⁽⁶⁾				
2016.....	\$ 253,540	\$ 478,946	\$ 12,640	\$ 21,704	\$ 1,035	\$ 274	\$ 267,215	\$ 500,924
2017.....	265,515	466,742	13,193	21,223	395	144	279,103	488,109
2018.....	279,235	454,568	14,504	20,578	137	95	293,876	475,241
2019.....	322,180	441,479	15,145	19,907	143	89	337,468	461,475
2020.....	393,945	425,759	15,837	19,177	149	82	409,931	445,018
2021-2025.....	1,948,400	1,843,369	88,604	54,011	853	306	2,037,857	1,897,686
2026-2030.....	1,823,425	1,357,230	92,971	64,122	831	95	1,917,227	1,421,447
2031-2035.....	1,472,195	932,631	57,725	42,883	-	-	1,529,920	975,514
2036-2040.....	1,606,320	538,541	56,801	28,441	-	-	1,663,121	566,982
2041-2045.....	1,046,310	160,577	35,030	12,205	-	-	1,081,340	172,782
2046-2050.....	114,185	29,626	2,460	949	-	-	116,645	30,575
2051-2055.....	26,100	907	-	-	-	-	26,100	907
Total.....	\$ 9,551,350	\$ 7,130,375	\$ 404,910	\$ 305,200	\$ 3,543	\$ 1,085	\$ 9,959,803	\$ 7,436,660

- (1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.
- (2) The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately \$35.6 million and \$7.3 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.
- (3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear 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 rate payment in this table.
- (4) The San Francisco County Transportation Authority variable interest rate revolving loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of the 1-month LIBOR plus 0.30%. An assumed rate of 0.432% was used to project the interest rate payment in this table.
- (5) Interest is presented assuming 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 the Airport pursuant to the terms of the related agreements with banks providing such letters of credit. If not, the total interest through fiscal year 2044 would be \$143.0 million less.
- (6) The interest is before federal subsidy for the Water Enterprise, Wastewater and Hetch Hetchy Water and Power of \$3.85 billion, \$536.6 million and \$57.9 million through the year ending, 2051 respectively. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.

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Notes to Basic Financial Statements (Continued)
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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, 2015, are as follows:

Governmental Activities - General Obligation Bonds	
Authorized and unissued as of June 30, 2014.....	\$ 940,720
Increases in authorization this fiscal year:	
Transportation and Road Improvement.....	500,000
Bonds issued:	
Series 2014C Earthquake and Emergency Response.....	(54,950)
Series 2014D Earthquake and Emergency Response.....	(100,670)
Net authorized and unissued as of June 30, 2015.....	<u>\$ 1,285,100</u>

The increase in authorized amount of \$500.0 million of 2014 Transportation and Road Improvement General Obligation Bonds was approved by at least two-third votes on Proposition A at an election held on November 4, 2014. The bonds will be used to provide funds to improve and repair streets, sidewalks, and street structures.

In October 2014, the City issued Earthquake Safety and Emergency Response General Obligation Bonds Series 2014C in the amount of \$55.0 million and Series 2014D for \$100.7 million to finance the improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure and to pay certain costs related to the issuance of the 2014C and 2014D bonds. Both series bear interest rates ranging from 2.0% to 5.0% and mature from June 2015 through June 2034.

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

Bond Refunding

In February 2015, the City issued the General Obligation Bonds Series 2015-R1 (the Bonds) in the amount of \$293.9 million with interest rates ranging 2.0% to 5.0% and principal maturing from June 2015 through June 2030 to refund all or a portion of the outstanding general obligation bonds as follows:

General Obligation Refunding Bonds, Series 2015-R1				
Description of Bonds	Amount Refunded	Interest Rate	Redemption Price	Redemption Date
Refunding Series 2006-R1.....	\$ 45,725	4.00% - 5.00%	100%	2/25/2015
Refunding Series 2006-R2.....	25,650	3.50% - 4.00%	100%	2/25/2015
2000 Branch Library Facilities, Series 2008A.....	22,875	4.00% - 4.50%	100%	6/15/2015
2008 Clean and Safe Neighborhood Parks, Series 2008B.....	31,645	4.00% - 4.50%	100%	6/15/2015
Refunding Series 2008-R3 (Laguna Honda Hospital).....	118,130	4.625% - 5.00%	100%	6/15/2015
2008 SF General Hospital, Series 2009A.....	73,940	5.00% - 5.25%	100%	6/15/2019
2010 Earthquake Safety Series, 2010E.....	22,680	5.00%	100%	6/15/2020
Total	<u>\$ 340,645</u>			

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of \$287.9 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of \$3.1 million were deposited with U.S. Bank National Association, as escrow agent. The funds deposited and held with the escrow agent are sufficient, together with investment earnings thereon, to

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pay principal and interest on the Series 2009A and Series 2010E to be redeemed on the respective redemption dates specified on the table above. The amounts deposited were invested in United States Treasury securities. Upon such deposit, all obligations of the City with respect to the Advance Refunded Bonds were legally defeased except for the City's obligation to pay the principal and interest on the Advance Refunded Bonds from such funds deposited with the Escrow Agent. Accordingly, the liability for the refunded bonds has been removed from the statement of net position.

The refunding resulted in the recognition of accounting loss of \$13.2 million for the year ended June 30, 2015. The City in effect reduced its aggregate debt service payments by \$54.5 million and obtained a net present value savings of \$47.0 million or 13.79% of the refunded bonds.

Certificates of Participation

At June 30, 2015, the City has a total of \$487.2 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 \$716.2 million payable through September 1, 2040. For the fiscal year ended June 30, 2015, principal and interest paid by the City totaled \$34.3 million and \$22.8 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2015 were as follows:

Authorized and unissued as of June 30, 2014.....	\$ 151,215
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.....	3,072
Current year maturities in Finance Corporation's equipment program.....	10,145
Net authorized and unissued as of June 30, 2015.....	\$ 164,432

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 amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time as it is used for its intended purpose. The unearned amounts 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 \$261.3 million payable through June 2034. For the fiscal year ended June 30, 2015, principal and interest paid by the Corporation in the form of lease payments made by the City totaled \$26.4 million and \$5.2 million, respectively.

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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, 2015, the cumulative amount authorized, repaid and outstanding was \$64.5 million, \$10.1 million and \$14.2 million, respectively.

San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Parks Department entered into a loan agreement with the Department of Boating and Waterways of the State of California (State). Under the Small Craft Harbor Construction Loan agreement, the State 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 State with an assignment of rents and leases on marina revenues. In addition, the State 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 State authorized to fund Phase V of the project for \$7.0 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. The City made the final loan draw of \$2.1 million in September 2014. The amount of loan outstanding as of June 30, 2015 was \$23.5 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, 2012 and 2014, the Airport has authorized the issuance of up to \$4.8 billion of San Francisco International Airport Second Series Revenue Bonds to finance and refinance 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 (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2015, \$3.2 billion of the authorized capital plan bonds remained unissued.

In September 24, 2014, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2014A (AMT/Private Activity), and Series 2014B (Non-AMT/Governmental Purpose) in the total amount of \$473.6 million. The Series 2014A/B Bonds are uninsured, long-term, fixed rate bonds. The Series 2014A Bonds mature between May 1, 2039 and May 1, 2044 with an interest rate of 5.0%. The Series 2014B Bonds mature on May 1, 2044, with an interest rate of 5.0%.

The net proceeds of \$460.1 million (comprised of a \$473.6 million bond principal amount, less \$1.5 million in underwriting fees, deposits to the capitalized interest accounts and the reserve account, and payment of costs of issuance, together with \$44.3 million in net original issue premium) were used to retire the outstanding balance of subordinate commercial paper notes (\$249.0 million), and make a deposit into the Airport's construction accounts to fund capital projects at the Airport (\$211.1 million).

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Second Series Revenue Refunding Bonds

Pursuant to sale resolutions approved between fiscal years 2005 through 2011, the Airport has authorized the issuance of up to \$8.4 billion of Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying cost of issuance, including any related bond redemption premiums. As of June 30, 2015, net of the expired sale authorizations, \$1.4 billion of such refunding bonds remained unissued. During fiscal year 2015, no new refunding bonds were issued and no refunding bonds were remarketed.

Variable Rate Demand Bonds

As of June 30, 2015, the Airport had outstanding aggregate principal amount of \$479.1 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), 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 LOC issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below.

Amounts drawn under a LOC 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 LOC range between 0.520% and 0.570% per annum. As of June 30, 2015, there were no unreimbursed draws under these facilities.

In January 2015, the Airport closed a four-year extension of the irrevocable letter of credit issued by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) supporting the Second Series Variable Rate Revenue Refunding Bonds, Issue 37C. The letter of credit will expire January 28, 2019. The extension of the letter of credit did not require a remarketing of the bonds.

The primary terms of the LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2015, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Issue 2010A
Principal Amount	\$100,000	\$40,620	\$36,145	\$89,080	\$213,295
Expiration Date	October 26, 2016	April 25, 2018	April 25, 2018	January 28, 2019	December 14, 2016
Credit Provider	U.S. Bank National Association	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	MUFG Union Bank	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 notional 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

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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 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.

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As of June 30, 2015, 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, 2015.

#	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2015	Effective Date
1	36A/B	\$ 70,000	\$ 70,000	2/10/2005
2	36A/B	69,930	69,930	2/10/2005
3	36C	30,000	30,000	2/10/2005
4	2010A*	79,684	78,965	5/15/2008
5	37C	89,856	89,045	5/15/2008
6	2010A	143,947	142,927	2/1/2010
	Total	\$ 483,417	\$ 480,867	

* The swap previously associated with Issue 37B is now indirectly hedging Series 2010A-3 and the unhedged portions of Issue 36A/B/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 bond due on the date of each future net settlement payment on the swaps.

As of June 30, 2015, 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 June 30, 2015
1	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	\$ (8,101)
2	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.445%	(8,102)
3	36C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	(3,472)
4	2010A*	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	A+/Aa3/NR	3.773%	(14,262)
5	37C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.898%	(17,083)
6	2010A	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	A-/Aa3/A	3.925%	(29,483)
	Total			Total	\$ (80,503)

* The ratings for the 2010A swaps are the ratings of the guarantor.

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The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2015 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2014	\$ 64,964	\$ 80,235
Change in fair value to year end	1,845	487
Balance as of June 30, 2015	<u>\$ 66,809</u>	<u>\$ 80,722</u>

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 outflow asset (if out of the money) or inflow liability (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, 2015.

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, 2015, the Airport paid a total of \$1.9 million less in interest on its variable rate bonds than the floating rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk - As of June 30, 2015, 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

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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 2015, 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.

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:

#	Current Bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)
1	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	36C	Assured Guaranty Municipal Corporation	AA/A2/NR
4	2010A*	None	N/A
5	37C	Assured Guaranty Municipal Corporation	AA/A2/NR
6	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 or its guarantor 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.

The Airport's swap guarantor Goldman Sachs Group, Inc. was upgraded by one of the rating agencies during the year ended June 30, 2015. The Airport's swap counterparties Goldman Sachs Bank USA, Merrill Lynch Capital Services and JPMorgan Chase Bank, National Association, were each upgraded by one or more of the rating agencies during the year ended June 30, 2015.

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

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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, 2015, the fair value of each swap was negative to the Airport as shown above.

San Francisco Water Enterprise

In April 2015, the Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of \$429.6 million for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.00% to 5.00% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.25%. Unamortized 2006 Series A bond issuance costs were \$1.4 million and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of \$25.4 million, gross debt service savings of \$28.1 million over the next twenty two-year terms, and an economic gain of \$48.6 million or 10.3% of refunded principal. As of June 30, 2015, the principal amount of 2015 Series A bonds outstanding was \$429.6 million.

Hetch Hetchy Water and Power

In May 2015, the Hetch Hetchy Power Enterprise issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of \$32.0 million with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of \$7.5 million with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the PUC's Hetch Hetchy Project, to fund capitalized interest on the 2015 Series A/B Bonds, to fund a debt service reserve account for the 2015 Series A/B Bonds, and to pay costs of issuance of the 2015 Series A/B bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. The bonds mature through November 1, 2045. The true interest cost is 3.95%. As of June 30, 2015, the principal outstanding for the 2015 Series A and B bonds is \$32.0 million and \$7.5 million, respectively.

Municipal Transportation Agency

In November 2014, the SFMTA issued its Revenue Bonds, Series 2014 in the amount of \$70.6 million. The net proceeds were used to pay \$0.7 million in costs of issuance, deposit \$4.5 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2014 bonds bear interest at fixed rates ranging from 1.0% to 5.0% and have final maturity on March 1, 2044.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. 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 SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained by writing to the San

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Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan. Some employees of the San Francisco County Transportation Authority, a blended component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS PEPPA Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Successor Agency to the Redevelopment Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- **Miscellaneous Non-Safety Members** – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- **Sheriff's Department and Miscellaneous Safety Members** – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- **Firefighter Members** – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- **Police Members** – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one 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.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit 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.

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Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) 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.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-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.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit 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.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. Effective July 1, 2012, the SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan and the SFERS Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including the Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

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CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees’ Retirement Law. The California Public Employees’ Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as “PEPRA” members.

The CalPERS’ provisions and benefits in effect at June 30, 2015, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60	2% @ 62	2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	5.00%	6.50%	7.00% to 9.00%	10.00% to 12.25%
Required employer contribution rates	9.792%	9.792%	22.02%	22.02%

	Transportation Authority Miscellaneous Plans		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.25%
Required employer contribution rates	18.189%	18.189%	12.15%	6.25%

At June 30, 2015, the CalPERS’ Safety Plan had a total of 2,312 members who were covered by these benefits, which includes 887 inactive employees or beneficiaries currently receiving benefits, 333 inactive employees entitled to but not yet receiving benefits, and 1,092 active employees.

Contributions

For the years ended June 30, 2015 and 2014, the City’s actuarial determined contributions were as follows:

	2015	2014
SFERS Plan.....	\$ 565,091	\$ 508,377
City CalPERS Miscellaneous Plan.....	31	30
City CalPERS Safety Plan.....	20,616	20,613
Transportation Authority CalPERS Miscellaneous.....	345	342
Transportation Authority CalPERS PEPRA Miscellaneous.....	55	23
Successor Agency CalPERS Miscellaneous.....	598	592
Total	\$ 586,736	\$ 529,977

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2015 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2015, 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, 2013 actuarial report, the required employer contribution rates for fiscal year 2015 were 22.26% to 26.76%.

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CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2015, is distributed.

	Net Pension Liability
Governmental activities.....	\$ 1,067,520
Business-type activities.....	749,919
Fiduciary funds.....	15,870
Total.....	\$ 1,833,309

As of June 30, 2015, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	93.7829%	\$ 1,660,365
City CalPERS Miscellaneous Plan.....	0.1829%	(11,381)
City CalPERS Safety Plan.....	n/a	167,156
Transportation Authority CalPERS Miscellaneous Plan.....	0.0208%	1,297
Transportation Authority CalPERS PEPRM Miscellaneous Plan.....	0.00003%	2
Successor Agency CalPERS Miscellaneous Plan.....	0.2550%	15,870
Total.....		\$ 1,833,309

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL of each of its cost-sharing plans is measured as of June 30, 2014, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

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The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2013 and 2014 were as follows:

	June 30, 2014 (Measurement Date)		June 30, 2013		Change (Decrease)
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	
SFERS Plan.....	93.7829%	\$ 1,660,365	94.1225%	\$ 3,552,075	\$ (1,891,710)
City CalPERS Miscellaneous Plan.....	0.1829%	(11,381)	n/a	(7,823)	(3,558)
Transportation Authority CalPERS Miscellaneous Plan.....	0.0208%	1,297	n/a	1,714	(417)
Transportation Authority CalPERS PEPRM Miscellaneous Plan.....	0.00003%	2	n/a	3	(1)
Successor Agency CalPERS Miscellaneous Plan.....	0.2550%	15,870	n/a	22,998	(7,128)
Total.....		<u>\$ 1,666,153</u>		<u>\$ 3,568,967</u>	<u>\$ (1,902,814)</u>

The City's NPL for the City CalPERS Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2013 (VD).....	\$ 1,020,049	\$ 787,301	\$ 232,748
Change in year:			
Service cost.....	32,688	-	32,688
Interest on the total pension liability.....	76,177	-	76,177
Contributions from the employer.....	-	20,613	(20,613)
Contributions from employees.....	-	15,216	(15,216)
Net investment income ⁽¹⁾	-	138,628	(138,628)
Benefit payments, including refunds of employee contributions.....	(41,387)	(41,387)	-
Net changes during measurement period.....	<u>67,478</u>	<u>133,070</u>	<u>(65,592)</u>
Balance at June 30, 2014 (MD)	<u>\$ 1,087,527</u>	<u>\$ 920,371</u>	<u>\$ 167,156</u>

⁽¹⁾ Net of administrative expenses.

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Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
SFERS Plan.....	\$ 52,482	\$ 43,228	\$ -	\$ 95,710
City CalPERS Miscellaneous Plan.....	(1,149)	-	-	(1,149)
City CalPERS Safety Plan.....	19,060	-	-	19,060
Transportation Authority CalPERS Miscellaneous Plan.....	308	-	-	308
Transportation Authority CalPERS PEPRA Miscellaneous Plan.....	5	-	-	5
Successor Agency CalPERS Miscellaneous Plan.....	-	-	282	282
Total pension expense	<u>\$ 70,706</u>	<u>\$ 43,228</u>	<u>\$ 282</u>	<u>\$ 114,216</u>

At June 30, 2015, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plan		City CalPERS Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 565,091	\$ -	\$ 1,029	\$ -	\$ 20,616	\$ -	\$ 586,736	\$ -
Change in assumptions.....	-	55,006	976	783	-	-	976	55,789
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	-	10,263	748	1,415	-	-	748	11,678
Net differences between projected and actual earnings on plan investments.....	-	1,422,399	-	9,088	-	64,038	-	1,495,525
Total	<u>\$ 565,091</u>	<u>\$ 1,487,668</u>	<u>\$ 2,753</u>	<u>\$ 11,286</u>	<u>\$ 20,616</u>	<u>\$ 64,038</u>	<u>\$ 588,460</u>	<u>\$ 1,562,992</u>

At June 30, 2015, the City reported \$586.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2016.....	\$ (390,369)
2017.....	(390,369)
2018.....	(390,334)
2019.....	(390,196)
Total	<u>\$ (1,561,268)</u>

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2014 is provided below, including any assumptions that differ from those used in the July 1, 2013 actuarial valuation.

	<u>SFERS Plan Actuarial Assumptions</u>	<u>CalPERS Miscellaneous and Safety Plans</u>
Valuation date.....	June 30, 2013 updated to June 30, 2014	June 30, 2013 updated to June 30, 2014
Measurement date.....	June 30, 2014	June 30, 2014
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.56%, net of pension plan investment and administrative expense, including inflation	7.50%, net of pension plan investment expense, including inflation
Municipal bond yield.....	4.39% as of June 30, 2013 4.31% as of June 30, 2014 Bond Buyer 20-Bond GO Index, July 3, 2013 and July 2, 2014	
Inflation.....	3.33%	2.75%
Projected salary increases.....	3.83% plus merit component based on employee classification and years of service	3.30% to 14.20% depending on age, service, and type of employment
Discount rate.....	7.52% as of June 30, 2013 Net of pension plan, investment and administrative expenses, including inflation	7.50% as of June 30, 2013 Net of pension plan, investment and administrative expenses, including inflation
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 3.00% Chapters A8.595 and A8.596.... 4.00% Chapters A8.559 and A8.585.... 5.00%	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power Applies, 2.75% thereafter

Mortality rates for SFERS active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for SFERS healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020. Refer to SFERS's July 1, 2013 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System website.

The actuarial assumptions used in the SFERS June 30, 2013 valuation were based upon the results of a demographic experience study for the period July 1, 2004 through June 30, 2009 and an economic experience study as of July 1, 2013.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rates

SFERS – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.52% as of June 30, 2013 and 7.58% as of June 30, 2014.

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The discount rate used to measure SFERS's total pension liability as of June 30, 2014 was 7.58%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 15-year closed amortization of Charter amendments as a level percentage of payment and closed 20-year amortization as a level percentage of payroll of experience gains and losses and assumption changes. Supplemental COLAs are amortized over a closed 5-year period from the date they are granted. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the actuarial liability in the valuation do not anticipate any Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLA's for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2014, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for member with a 2.00% basic COLA for sample years.

<u>Year Ending</u> <u>June 30</u>	<u>Assumption</u>
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
2035+	0.375%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2083 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2014 is 7.58%.

The long-term expected rate of return on pension plan investments was 7.58%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by

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weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.3%
Fixed income	25%	1.8%
Private equity	16%	8.8%
Real assets	12%	5.8%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the City. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 - 10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

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

The following presents the City's proportionate share of the NPL for each of the City's retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.58%	Current Share of NPL @ 7.58%	1% Increase Share of NPL @ 8.58%
SFERS.....	\$ 4,112,843	\$ 1,660,365	\$ (399,044)
	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
City CalPERS Miscellaneous Plan.....	\$ (8,407)	\$ (11,381)	\$ (13,849)
Transportation Authority:			
CalPERS Miscellaneous Plan.....	2,221	1,297	530
CalPERS Miscellaneous PEPRA Plan.....	4	2	1
Successor Agency:			
CalPERS Miscellaneous Plan.....	30,294	15,870	3,899

The following presents the NPL, calculated using the discount rate of 7.50% in effect as of the measurement date, as well as what the NPL would be if they were calculated using discount rates that are 1.00% lower (6.50%) or 1.00% higher (8.50%) than the rates used, for the City's agent-multiple employer plan:

Agent Pension Plan	1% Decrease @ 6.50%	Measurement Date @ 7.50%	1% Increase @ 8.50%
City CalPERS Safety Plan - Net Pension Liability.....	\$ 313,384	\$ 167,156	\$ 46,153

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Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

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.

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 \$656.4 million in fiscal year 2014-15. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$196.1 million to provide postemployment health care benefits for 26,454 retired participants, of which \$159.3 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 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor 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 the year ended June 30, 2015, the City paid \$159.3 million for postemployment healthcare benefits on behalf of its retirees and contributed \$7.9 million to the Retiree Health Care Trust Fund.

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

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unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2012 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	\$ 350,389
Interest on Net OPEB obligation	79,741
Adjustment to annual required contribution	<u>(66,487)</u>
Annual OPEB cost	363,643
Contribution made	<u>(167,241)</u>
Increase in net OPEB obligation	196,402
Net OPEB obligation - beginning of year	<u>1,793,753</u>
Net OPEB obligation - end of year	<u><u>\$ 1,990,155</u></u>

The table below shows how the total net OPEB obligation as of June 30, 2015, is distributed.

Governmental activities	\$ 1,114,636
Business-type activities	814,608
Fiduciary funds	<u>60,911</u>
Net OPEB obligation - end of year	<u><u>\$ 1,990,155</u></u>

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
6/30/2013	\$ 418,539	38.3%	\$ 1,607,130
6/30/2014	353,251	47.2%	1,793,753
6/30/2015	363,643	46.0%	1,990,155

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, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.4%. The actuarial accrued liability for benefits was \$4.00 billion, and the actuarial value of assets was \$17.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.98 billion. As of July 1, 2012, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.46 billion and the ratio of the UAAL to the covered payroll was 161.9%.

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend

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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, 2012, 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 payroll over a rolling 30-year period. The actuarial assumptions included a 4.45% investment rate of return on investment; 3.33% inflation rate; 3.83% payroll growth; and actual medical premiums from 2013 through 2014 and an ultimate medical inflation rate of 8.0% to 4.50% from 2016 through 2030.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City. 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 Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF 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 RHCTF 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 RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and did not have a net OPEB obligation as of June 30, 2015. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2013, covering the year ended June 30, 2015. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 67.6% funded and the unfunded actuarial accrued liability was \$0.4 million. As of June 30, 2013, the estimated covered payroll was \$3.3 million and the ratio of the UAAL was 11.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2015. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103 or the Transportation Authority's website.

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As of June 30, 2015, the Transportation Authority's annual OPEB expense of \$138.4 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
6/30/2013	\$ 163.0	100%	\$ -
6/30/2014	138.4	100%	-
6/30/2015	138.4	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) healthcare plan, which is administered by CalPERS. The Successor Agency pays monthly retiree medical benefit contributions to PEMHCA. 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 CalPERS and is an agent multiple-employer trust. Copies of CalPERS' financial report may be obtained from CalPERS website at www.calpers.ca.gov or from CalPERS at 400 "Q" Street, Sacramento, California 95811.

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, 2015, the Successor Agency contributed \$1.0 million to this plan.

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.

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The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2015, and the changes in the net OPEB obligation:

Annual required contribution		\$	932
Interest on Net OPEB obligation			63
Adjustment to annual required contribution			(77)
Annual OPEB cost			918
Contribution made			(952)
Decrease in net OPEB obligation			(34)
Net OPEB obligation - beginning of year			867
Net OPEB obligation - end of year		\$	833

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 1,306	77%	\$ 1,221
6/30/2014	912	139%	867
6/30/2015	918	104%	833

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)		\$	11,378
Actuarial value of plan assets			2,154
Unfunded actuarial accrued liability (UAAL)		\$	9,224
Funded ratio (actuarial value of plan assets/AAL)			18.9%
Covered payroll (active plan members)		\$	4,048
UAAL as a percentage of covered payroll			227.9%

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 for the year ended June 30, 2015 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) medical costs trend increases of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS mortality

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for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority 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 (Plan), which was approved as part of Proposition B. The Transportation Authority 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. The Transportation Authority administers the following programs:

Sales Tax Program. 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 Muni Metro Network; B) construction of the Muni 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 (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time 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 Transportation Authority 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.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority 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 Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

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

Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the Transportation Authority 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

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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 for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the Transportation Authority 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 Transportation Authority could use up to 5% of the funds for administrative costs.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as TIMMA's Board of Commissioners as such TIMMA is included as a blended component unit in the Transportation Authority fund financial statements.

(11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the 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 the 2014 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and eighteenth in terms of cargo. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in the bond resolutions) to repay the following obligations, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds), (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2015, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 473,610
Bond principal and interest remaining due at end of the fiscal year	7,206,612
Commercial paper issued with subordinate revenue pledge	40,000
Commercial paper principal and interest remaining due at end of the fiscal year ...	40,001
Net revenues	439,381
Bond principal and interest paid in the fiscal year	384,427
Commercial paper principal and interest paid in the fiscal year	3,418

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Debt Service Requirement – 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.

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 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 the annual service payment 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 GAAP 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 \$610.5 million was approved by the FAA in October 2013. The authority to impose PFCs is estimated to end June 1, 2023. In November 2014, the FAA approved an amendment that increased the \$610.5 million to \$741.7 million and changed the end date from June 1, 2023 to October 1, 2024. In June 2015, the FAA approved the Airport's sixth PFC application (PFC #6) for \$141.1 million and estimates the charge expiration date for PFC #6 to be March 1, 2026. For the year ended June 30, 2015, the Airport reported approximately \$92.0 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 \$78.1 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2015, 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. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

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Purchase commitments for construction, material and services as of June 30, 2015 are as follows:

Construction	\$	58,296
Operating		<u>16,213</u>
Total.....	\$	<u>74,509</u>

Transactions with Other Funds – 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 (net of certain adjustments), but not less than \$5.0 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, 2015 was \$40.5 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, 2015 was \$135.8 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the fiscal year ended June 30, 2015, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines.....	23.5%
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(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 its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 13% 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 \$99.7 million. The principal and interest payments made in 2015 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2015 were \$32.6 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 \$3.2 million. Annual principal and interest payments were \$0.23 million in 2015 and pledged harbor revenues were \$0.14 million for the year ended June 30, 2015.

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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 \$0.5 million. Insurance proceeds totaling \$14.1 million have been received pursuant to preliminary claims filed by the Port through June 30, 2015. The Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled.

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, 2015, the Port had purchase commitments for construction-related services, materials and supplies, and other services were \$9.8 million for capital projects and \$2.4 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, 2015, \$48.8 million of Port funds have been appropriated and \$46.6 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.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2015, the \$17.0 million in services provided by other City departments included \$2.6 million of insurance premiums and \$0.6 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. In 2015, the Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

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 additional berthing rate increases are likely required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately \$7.9 million, including certain structural repairs, soft costs and recommended contingencies.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, 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

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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.

A 65-acre area commonly known as "Pier 70" 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. 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. 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.

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. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides 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 impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at \$10.7 million at June 30, 2015.

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.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2015, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2014	\$ 10,625	\$ 129	\$ 10,754
Current year claims and changes in estimates	78	(8)	70
Vendor payments	-	(50)	(50)
Environmental liabilities at June 30, 2015	<u>\$ 10,703</u>	<u>\$ 71</u>	<u>\$ 10,774</u>

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(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. In fiscal year 2015, the Water Enterprise sold water, approximately 69,162 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).

The San Francisco Public Utilities Commission (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 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 4,887,570
Bond principal and interest remaining due at end of the fiscal year	7,840,700
Net revenues	196,635
Bond principal and interest paid in the fiscal year	192,312
Funds available for revenue debt service	445,025

During fiscal year 2015, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$210.3 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, 2015, the City owed the Wholesale Customers \$2.2 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2015, the Water Enterprise had outstanding commitments with third parties of \$407.2 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2015, the total pollution remediation liability was \$10.9 million, consisting of \$9.7 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area and \$1.2 million for the 17th and Folsom site.

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 \$36.8 million and \$8.7 million, respectively, for the year ended June 30, 2015, 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 \$14.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(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. Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power 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.

Approximately 87% 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 13 percent 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.

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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.....	\$ 41,467	\$ 169,860	\$ 211,327
Receivables from other funds and component units.....	-	13,371	13,371
Noncurrent restricted cash and investments.....	4,626	41,264	45,890
Other noncurrent assets.....	178	2,393	2,571
Capital assets.....	104,330	269,006	373,336
Total assets.....	150,601	495,894	646,495
Deferred outflows of resources related to pensions	3,097	3,786	6,883
Liabilities:			
Current liabilities.....	5,493	19,428	24,921
Noncurrent liabilities.....	19,514	103,609	123,123
Total liabilities.....	25,007	123,037	148,044
Deferred inflows of resources related to pensions	8,280	10,120	18,400
Net position:			
Net investment in capital assets.....	104,330	241,484	345,814
Restricted for capital projects.....	4,434	-	4,434
Restricted for debt service.....	-	302	302
Unrestricted.....	11,647	124,737	136,384
Total net position.....	\$ 120,411	\$ 366,523	\$ 486,934

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Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy		Total
	Water	Power	
Operating revenues.....	\$ 38,835	\$ 108,968	\$ 147,803
Depreciation expense.....	(4,102)	(13,785)	(17,887)
Other operating expenses.....	(34,599)	(91,437)	(126,036)
Operating income	134	3,746	3,880
Nonoperating revenues (expenses):			
Federal grants.....	8	1,819	1,827
Interest and investment income (loss).....	(74)	1,253	1,179
Interest expense.....	-	(1,815)	(1,815)
Other nonoperating revenues (expenses)	(71)	4,096	4,025
Transfers in (out), net.....	-	2,043	2,043
Change in net position.....	(3)	11,142	11,139
Net position at beginning of year, as restated.....	120,414	355,381	475,795
Net position at end of year.....	<u>\$ 120,411</u>	<u>\$ 366,523</u>	<u>\$ 486,934</u>

Condensed Statements of Cash Flows	Hetch Hetchy		Total
	Water	Power	
Net cash provided by (used in):			
Operating activities.....	\$ 4,552	\$ 28,613	\$ 33,165
Noncapital financing activities.....	177	6,648	6,825
Capital and related financing activities.....	(14,966)	21,314	6,348
Investing activities.....	(37)	2,207	2,170
Increase (decrease) in cash and cash equivalents.....	(10,274)	58,782	48,508
Cash and cash equivalents at beginning of year.....	55,813	143,475	199,288
Cash and cash equivalents at end of year.....	<u>\$ 45,539</u>	<u>\$ 202,257</u>	<u>\$ 247,796</u>

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 2046.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2015, and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 60,771
Bond principal and interest remaining due at end of the fiscal year	97,485
Net revenues.....	37,341
Bond principal and interest paid in the fiscal year	1,946
Funds available for revenue debt service	51,372

Commitments and Contingencies – As of June 30, 2015, Hetch Hetchy Water and Power had outstanding commitments with third parties of \$48.4 million for various capital projects and other purchase agreements for materials and services.

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Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) 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 \$4.6 million in fiscal year 2015. 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, Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with MID and TID. Both Agreements expire on June 30, 2015. On April 28, 2015, the Commission approved extension of the Agreement for one year to June 30, 2016. The Agreement with MID has been amended, effective January 1, 2008, removing Hetchy Power's obligation to provide firm power and eliminated MID's rights to excess energy from the project. In April 2005, Hetchy Power amended the terms of the Agreement with TID, terminating Hetchy Power's obligation to provide TID firm power, and retaining TID's rights to excess energy from the project through the term of the Agreement.

The PUC will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the PUC's municipal load obligations. The City and PG&E are currently engaged in negotiations at the Federal Energy Regulatory Commission. For fiscal years 2015, energy sales to the Districts totaled 115,026 Megawatt hours (MWh) or \$4,517.

In 1987 the City entered into an interconnection agreement with PG&E to provide transmission, supplemental energy services and distribution services on PG&E's system to deliver power to the City's customers. The agreement was renegotiated in 2007 and expired on July 1, 2015. During fiscal year 2015, Hetchy Power purchased \$13,617 of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The Interconnection Agreement with PG&E also contains a contractual provision allowing Hetch Hetchy to bank Hetchy Power produced in excess of its load obligations, with a maximum of 110,000 MWh. During fiscal year 2015, Hetchy Power generated 976,199 MWh of power, banked (deposited) in the Deferred Delivery Account (DDA) 35,391 MWh and used (withdrew) 114,082 MWh. At June 30, 2015, the balance in the bank was zero MWh or \$0.

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 \$36.8 million and purchased electricity for \$8.7 million for the year ended June 30, 2015. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. Included in 2015 operating revenues are sales of power to departments within the City of \$80 million.

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 \$8.0 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA includes the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street 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.

The SFMTA was established by voter approval of the addition of Article VIII A to the Charter of the City (the "Charter") in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which approved \$500 million in General Obligation Bonds for transportation and street infrastructure, and (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 219 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. Of the five nonprofit parking garages, three corporations provide operational oversight of four garages. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three nonprofit corporations provide operational oversight to four parking garages: Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four parking garages, Union Square and Portsmouth are owned by the City's Recreation and Park Department but managed by the SFMTA. The activities of these parking garages are accounted for in SFMTA's parking garage accounts.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA 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 SFMTA revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2044.

Annual principal and interest payments for fiscal year 2015 were 14.8% 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 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 209,840
Bond principal and interest remaining due at end of the fiscal year	328,011
Net revenues	84,547
Bond principal and interest paid in the fiscal year	14,640
Funds available for revenue debt service	99,187

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Operating and Capital Grants and Subsidies – The City’s Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA 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 SFMTA was \$344.6 million in fiscal year 2015. The General Fund subsidy includes a total revenue baseline transfer of \$272.3 million, as required by the City Charter, \$69.8 million from an allocation of the City’s parking tax, and \$2.5 million from district allocation projects.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2015, SFMTA had approved capital grants with unused balances amounting to \$920.8 million. Capital grants receivable and capital program receivables from other nonmajor governmental funds as of June 30, 2015 totaled \$72.0 million and \$4.0 million, respectively.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2015, the SFMTA had various operating grants receivable of \$27.5 million. In fiscal year 2015, the SFMTA’s operating assistance from BART’s Americans with Disability Act (ADA) related support of \$1.5 million and other federal, state and local grants of \$12.4 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 SFMTA received cash totaling \$95.5 million in fiscal year 2015 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 Budget Act of 2013 further extended the date to June 30, 2018. 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 2015, \$89.1 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately \$465.9 million with third parties, for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately \$45.6 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA 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, SFMTA Board of Directors, and the City’s Board of Supervisors, Muni 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, Muni 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, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni 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. Muni 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. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment

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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 S&P and "Aaa" by 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 Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni 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 SFMTA as of June 30, 2015. On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million.

The terms of the SILO documents require Muni 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 were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. Since January 17, 2013, when Moody's downgraded AGM's rating to A2, there has not been a change in the S&P rating, which is AA or the Moody's rating, which is A2. Failure of Muni 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 equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni 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, 2015 after giving effect to the market value of the securities in the escrow accounts, would approximate \$58.9 million. The scheduled termination costs increase over the next several years. As of June 30, 2015, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$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, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. The deferred inflows of resources amortized amounts were \$1.0 million and \$0.2 million for the Tranche 1 Equipment and the Tranche 2 Equipment in fiscal year 2015, respectively.

As of June 30, 2015, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the Tranche 1 Equipment and \$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(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

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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, 2015, the subsidy for LHH was \$69.8 million.

Net Patient Service Revenue - Net patient service 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 (DRG) 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.

During the year ended June 30, 2015, LHH's patient receivables and charges for services were as follows:

	Patient Receivables, net			
	Medi-Cal	Medicare	Other	Total
Gross accounts receivables.....	\$ 57,819	\$ 4,321	\$ 2,744	\$ 64,884
Less:				
Provision for contractual allowances.....	(37,436)	(2,798)	(1,776)	(42,010)
Total, net.....	<u>\$ 20,383</u>	<u>\$ 1,523</u>	<u>\$ 968</u>	<u>\$ 22,874</u>

	Net Patient Service Revenues			
	Medi-Cal	Medicare	Other	Total
Gross revenues.....	\$ 333,610	\$ 20,192	\$ 12,822	\$ 366,624
Less:				
Provision for contractual allowances.....	(183,590)	(14,872)	(13,022)	(211,484)
Total, net.....	<u>\$ 150,020</u>	<u>\$ 5,320</u>	<u>\$ (200)</u>	<u>\$ 155,140</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2015, LHH accrued and recognized \$90 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2015, LHH recorded approximately \$99 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges

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total approximately \$9.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

Commitments and Contingencies – In September 2015, the Centers for Medicare and Medicaid Services (CMS) notified LHH that it disallowed \$56.1 million in Distinct Part/Nursing Facility Construction and Renovation and Reimbursement Program payments made by the California Department of Health Care Costs (DHCS) to LHH for debt service payments related to its facility made between July 1, 2004 and November 18, 2010. The City and DHCS are currently in discussions with CMS regarding this disallowance and whether a different interpretation or approach may be applied, but cannot predict the final outcome of the discussions.

As of June 30, 2015, LHH has entered into various purchase contracts totaling approximately \$0.4 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital (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, 2015, the subsidy for SFGH was \$155.0 million.

Net Patient Service Revenue - Net patient service 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 contractuels, 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.

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 investigation 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.

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During the year ended June 30, 2015, SFGH's patient receivables and charges for services were as follows:

	Patient Receivables, net			
	Medi-Cal	Medicare	Other	Total
Gross accounts receivables.....	\$ 252,619	\$ 109,246	\$ 121,163	\$ 483,028
Less:				
Provision for contractual allowances.....	(196,203)	(99,138)	(78,352)	(373,693)
Provision for bad debts.....	-	-	(34,014)	(34,014)
Total, net.....	<u>\$ 56,416</u>	<u>\$ 10,108</u>	<u>\$ 8,797</u>	<u>\$ 75,321</u>

	Net Patient Service Revenues			
	Medi-Cal	Medicare	Other	Total
Gross revenues.....	\$ 1,516,247	\$ 580,739	\$ 871,084	\$ 2,968,070
Less:				
Provision for contractual allowances.....	(1,393,977)	(457,102)	(306,871)	(2,157,950)
Provision for bad debt.....	-	-	(79,070)	(79,070)
Total, net.....	<u>\$ 122,270</u>	<u>\$ 123,637</u>	<u>\$ 485,143</u>	<u>\$ 731,050</u>

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 (LIHP). 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 \$188.1 million for the year ended June 30, 2015.

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 LIHP ended on December 31, 2013. Individuals who fell under the LIHP program either transitioned to Medi-Cal or purchased health insurance through California's health benefit exchange (Covered California). Fiscal year 2014-2015 was the first full year of expanded Medi-Cal coverage and Covered California.

On October 31, 2015, the Section 1115 Medicaid Waiver, originally set to expire on October 31, 2015, was extended temporarily to December 31, 2015. In addition, the DHCS and CMS arrived at a conceptual agreement that outlines the major components of the waiver renewal, with the details of the renewal currently being finalized. The conceptual agreement includes the following core elements: (a) Global Payment Program for services to the uninsured in designated public hospital systems (DPH); (b) Delivery System Transformation and Alignment Incentive Program for DPHs and district/municipal hospitals, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (c) Dental Transformation Incentive Program; (d) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; (e) Independent assessment of access to care and network adequacy for Medi-Cal managed care beneficiaries; and (f) Independent studies of uncompensated care and hospital financing. The financial impact of the new Waiver in future years is not yet known.

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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, 2015, reimbursement under the Short-Doyle Program amounted to approximately \$5.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2015, SFGH recorded approximately \$270.7 million in unearned credits and other liabilities, which was comprised of \$240.7 million in unearned credits related to receipts under Safety Net Care Pool, the LIHP, and AB915 programs, and \$30.0 million in Third-Party Settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to SFGH and charge amounts designed to recover those departments' costs. These charges total approximately \$47.1 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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 \$213.6 million and estimated costs and expenses to provide charity care were \$61.6 million in fiscal year 2014-15.

Other Revenues - SFGH recognized \$34.4 million of realignment funding for the year ended June 30, 2015. With California implementing a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% (70% for fiscal year 2013-14) of the savings realized by the county. The State predetermined an amount of health realignment to be redirected of \$3.9 million in fiscal year 2014-15 for the City and withheld those amounts from health realignment remittances to the City. A reconciliation using actual experience will be concluded within two years after June 30, 2015 for fiscal year 2014-15.

Contracts 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, 2015, was approximately \$149.7 million.

SFGH Rebuild - In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). 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 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 the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at \$887.4 million.

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The majority of the funding would 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, 2015, General Obligation Bonds in the amount of \$887.4 million have been sold to fund the hospital rebuild. The current schedule indicates that substantial completion will be achieved in the upcoming quarter, with the final completion targeted for December 2015. The General Obligation Bonds are accounted for as 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.

During the year ended June 30, 2015, the SFGH received a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. The unspent balance in the amount of \$56.2 million is reported as net position restricted for capital projects at June 30, 2015 in the statement of net position.

Commitments and Contingencies – As of June 30, 2015, SFGH had outstanding commitments with third parties for capital projects totaling \$3.2 million.

(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 147,486 residential accounts, which discharge about 16.5 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,200 non-residential accounts, which discharge about 8.2 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 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 2015, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 764,550
Bond principal and interest remaining due at end of the fiscal year	1,206,655
Net revenues	96,547
Bond principal and interest paid in the fiscal year	60,901
Funds available for revenue debt service	230,960

Commitments and Contingencies – As of June 30, 2015, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$124.7 million.

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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, 2015.

Transactions with Other Funds –The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$26.3 million for the year ended June 30, 2015 and have been included in services provided by other departments.

(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 unit, an entity 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 California Department of Finance (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 months 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 submitted it to DOF. The Successor Agency received feedback and comments on the submitted LRPMP from the DOF during September 2015. The Successor Agency will make revisions to the LRPMP, obtain approval from the Commission and the Oversight Board, and resubmit the LRPMP to DOF for final approval by December 2015.

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(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2015, a summary of changes in capital assets was as follows:

	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Capital assets not being depreciated:				
Land held for lease	\$ 59,381	\$ -	\$ (4,612)	\$ 54,769
Construction in progress	2,822	632	(2,821)	633
Total capital assets not being depreciated	62,203	632	(7,433)	55,402
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	225,022	-	2,821	227,843
Total capital assets being depreciated	233,166	-	2,821	235,987
Less accumulated depreciation for:				
Furniture and equipment	(8,076)	(17)	-	(8,093)
Building and improvements	(89,579)	(5,621)	-	(95,200)
Total accumulated depreciation	(97,655)	(5,638)	-	(103,293)
Total capital assets being depreciated, net	135,511	(5,638)	2,821	132,694
Total capital assets, net	\$ 197,714	\$ (5,006)	\$ (4,612)	\$ 188,096

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

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	4.00% - 5.00%	\$ 37,470
Tax allocation revenue bonds ^(b)	2044	0.57% - 9.00%	849,709
South Beach Harbor Variable Rate Refunding bonds ^(c)	2017	3.50%	1,995
California Department of Boating and Waterways Loan ^(d)	2037	4.50%	7,075
Total long-term bonds and loans			<u>\$ 896,249</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
- (b) Redevelopment property tax revenues and existing debt service/escrow trust funds.
- (c) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
- (d) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency. On December 11, 2014, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2014 B (2014 Series B Bonds) for \$68.0 million and 2) Tax Allocation Refunding Bonds Series 2014 C (2014 Series C Bonds) for \$75.9 million. Proceeds from the 2014 Series B Bonds were used to partially or fully refund 2004 Series D, 2005 Series C, and 2006 Series A Bonds in the amount of \$25.0 million, \$29.4 million, and \$10.4 million, respectively. The refunding resulted in gross savings of \$14.8 million or net present value savings of \$5.0 million and an accounting loss of \$0.3 million, which is being amortized over the life of the bonds. The 2014 Series B Bonds bear fixed interest rates ranging from 0.57% to 4.87% and have a final maturity of August 1, 2035. Proceeds from the 2014 Series C Bonds, including original issue premium of \$8.7 million and funds on hand from the refunded bonds in the amount of \$2.2 million, were used to partially or fully refund 1993 Series B, 1998 Series D, 2003 Series C, 2004 Series A, 2004

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Series C, and 2005 Series A Bonds in the amount of \$4.6 million, \$3.2 million, \$4.4 million, \$56.7 million, \$5.9 million, and \$9.9 million, respectively. The refunding resulted in net present value savings of \$7.7 million and an accounting loss of \$0.3 million. The 2014 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2029.

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 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.57 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2015 was \$124.8 million as against the total debt service payment of \$98.8 million.

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 \$48.1 million. The hotel tax revenue recognized during the year ended June 30, 2015 was \$5.1 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015
Bonds payable:				
Tax revenue bonds	\$ 946,508	\$ 143,900	\$ (201,234)	\$ 889,174
Lease revenue bonds	1,426	-	(1,426)	-
Less unamortized amounts:				
For issuance premiums	7,333	8,661	(2,436)	13,558
For issuance discounts	(4,951)	-	586	(4,365)
Total bonds payable	950,316	152,561	(204,510)	898,367
Accreted interest payable.....	39,385	4,741	(6,625)	37,501 ⁽¹⁾
Notes, loans, and other payables.....	7,283	-	(208)	7,075
Accrued vacation and sick leave pay.....	1,325	275	(961)	639
Other postemployment benefits obligation.....	867	918	(952)	833
Successor Agency - long term obligations...	\$ 999,176	\$ 158,495	\$ (213,256)	\$ 944,415

(1) Amounts represents interest accretion Capital Appreciation Bonds.

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As of June 30, 2015, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016.....	\$ 56,460	\$ 47,871	\$ 218	\$ 318	\$ 56,678	\$ 48,189
2017.....	55,135	45,140	227	309	55,362	45,449
2018.....	57,150	42,647	238	298	57,388	42,945
2019.....	65,205	39,874	248	288	65,453	40,162
2020.....	45,757	40,259	259	276	46,016	40,535
2021-2025.....	158,323	211,438	1,483	1,196	159,806	212,634
2026-2030.....	122,138	143,739	1,849	831	123,987	144,570
2031-2035.....	139,589	105,773	2,304	376	141,893	106,149
2036-2040.....	127,957	49,362	249	13	128,206	49,375
2041-2044.....	61,460	5,761	-	-	61,460	5,761
Total.....	\$ 889,174	\$ 731,864	\$ 7,075	\$ 3,905	\$ 896,249	\$ 735,769

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 property tax 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. In accordance with HSC Section 34191.4(b)(3), signed into law in September 2015, interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have continued to accrue interest at the LAIF rate as of June 30, 2015. For the year ended June 30, 2015, the City advanced \$3.8 million in property tax revenues to the Successor Agency for debt service payments. 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 \$2.3 million to the City. At June 30, 2015, the outstanding payable balance due to the General Fund was \$23.2 million, which was comprised of principal of \$22.5 million and accrued interest of \$0.7 million.

During the year ended June 30, 2015, the Oversight Board and the DOF approved future repayments of the SERAF borrowing from the City for up to the maximum amount of \$16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of \$18.8 million, which was comprised of principal of \$16.5 million and accrued interest of \$2.3 million. For the year ended June 30, 2015, interest in the amount of \$203 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,951 to the City. At June 30, 2015, the outstanding payable balance was \$16,022, which was comprised of principal of \$13,532 and accrued interest of \$2,490.

At June 30, 2015, the Successor Agency also has a payable to the City in the amount of \$1,820 which consists of \$948 for Jessie Square cost reimbursements and \$872 for other services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2015, the Successor Agency had outstanding encumbrances totaling approximately \$80.7 million.

Risk Management - 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.

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Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

<u>Fiscal Years</u>				<u>Fiscal Years</u>	
2016.....	\$	1,311		2026-2030.....	\$ 4,351
2017.....		870		2031-2035.....	4,351
2018.....		870		2036-2040.....	4,351
2019.....		870		2041-2045.....	4,351
2020.....		870		2046-2050.....	4,351
2021-2025.....		4,351		2051.....	217
				Total.....	<u>\$ 31,114</u>

Rent payments totaling \$1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2015.

The Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows (in thousands):

<u>Fiscal Years</u>				<u>Fiscal Years</u>	
2016.....	\$	4,660		2026-2030.....	\$ 22,148
2017.....		4,362		2031-2035.....	23,612
2018.....		4,287		2036-2040.....	19,782
2019.....		4,153		2041-2045.....	21,069
2020.....		4,034		2046-2050.....	7,121
2021-2025.....		20,652		Total.....	<u>\$ 135,880</u>

For the year ended June 30, 2015, operating lease rental income for noncancelable operating leases was \$11.8 million. Within the operating lease rental income, \$6.6 million represents contingent rental income received. At June 30, 2015, the leased assets had a net book value of \$40.4 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds 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 financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. As of June 30, 2015, the Successor Agency had outstanding community facility district bonds totaling \$197.9 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency

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entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2015, the Successor Agency received \$2.5 million from a developer and distributed the funds to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(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.

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On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 290 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Demolition of existing structures on Yerba Buena Island will begin in December 2015 and the first phase of infrastructure construction should begin in the first quarter of 2016 with vertical construction beginning in 2017 and the first new homes ready for occupancy before the end of 2018. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, and amended several times over the intervening years, the Transportation Authority 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 Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed \$18.8 million. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid. The repayment to the Transportation Authority was structured to be paid by TIDA in three installments with the first installment equal to 50% of the current balance being due 30 days after the first close of escrow for transfer of the Naval Station Treasure Island to TIDA from the Navy. The second installment is due on the anniversary of the first installment in an amount of 50% of the then current balance, and a final payment of the remaining balance of the loan is due on December 31, 2016.

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. Under the Disposition and Development Agreement between TIDA and Treasure Island Community Development, LLC (TICD), the master developer for Treasure Island and Yerba Buena Island, TICD is committed to fulfill TIDA's obligations under the loan agreement between TIDA and the Transportation Authority. On June 26, 2015, TICD made a payment directly to the Transportation Authority on TIDA's behalf in the amount of \$5.4 million.

As of June 30, 2015, TIDA has an outstanding balance in the amount of \$5.0 million on loan with the Transportation Authority and accrued \$0.5 million in interest. At June 30, 2015, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	\$ -	\$ 5,504	\$ 5,504
SFCTA	YBI and mobility management expenses	346	-	346
Hetch Hetchy	Utility operations under MOU	200	428	628
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 546</u>	<u>\$ 8,531</u>	<u>\$ 9,077</u>

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(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, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 5,848
Nonmajor Governmental Funds	General Fund	266
	Nonmajor Governmental Funds	2,168
	San Francisco Water Enterprise	79
	Municipal Transportation Agency	3,627
	San Francisco Wastewater Enterprise	19
	Internal Service Funds	175
		<u>6,334</u>
General Hospital Medical Center	Nonmajor Governmental Funds	26
Laguna Honda Hospital	Internal Service Funds	14
San Francisco Water Enterprise	General Fund	190
	Nonmajor Governmental Funds	7
		<u>197</u>
Hetch Hetchy Water and Power Enterprise	General Fund	175
	Nonmajor Governmental Funds	7,593
	General Hospital Medical Center	681
	San Francisco Wastewater Enterprise	1,523
	Port of San Francisco	172
		<u>10,144</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	4,001
San Francisco Wastewater Enterprise	General Fund	8
	Nonmajor Governmental Funds	38
		<u>46</u>
Total		<u><u>\$ 26,610</u></u>

In addition to 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 fund. At June 30, 2015, Hetch Hetchy loaned \$8.8 million to other City funds. Hetch Hetchy is also due \$1.3 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of \$4.0 million for capital and operating grants.

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Due from component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 200 (1)
Nonmajor Governmental Funds	Component unit – TIDA	346 (1)
General Fund	Successor Agency	948 (2)
Nonmajor Governmental Funds	Successor Agency	2,632 (2)
Municipal Transportation Agency	Successor Agency	13 (2)

Advance to component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 3,027 (1)
Nonmajor Governmental Funds	Component unit – TIDA	5,504 (1)
General Fund	Successor Agency	23,212 (2)
Nonmajor Governmental Funds	Successor Agency	14,249 (2)

(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: Funds	Transfers In: Funds									Total
	General Fund	Nonmajor Govern- mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta- tion Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	
General Fund.....	\$ -	\$301,239	\$ 80	\$ 15	\$ -	\$ 344,584	\$ 155,038	\$ -	\$72,785	\$ 873,741
Nonmajor governmental funds.....	20,357	70,099	70	52,128	2,075	42,449	-	167	-	187,345
Internal Service Funds.....	142	-	-	-	-	-	-	-	-	142
San Francisco International Airport.....	40,480	-	-	-	-	-	-	-	-	40,480
Water Enterprise.....	-	1,148	-	-	-	-	-	-	-	1,148
Hetch Hetchy Water and Power Enterprise.....	-	32	-	-	-	-	-	-	-	32
Municipal Transportation Agency.....	100	13,976	-	-	-	-	-	-	-	14,076
San Francisco General Hospital Medical Center.....	103,596	-	-	-	-	-	-	59	-	103,655
Wastewater Enterprise.....	-	232	-	-	-	-	-	-	-	232
Port of San Francisco.....	-	60	-	-	-	-	-	-	-	60
Laguna Honda Hospital.....	37	4,789	-	-	-	-	-	-	-	4,826
Total transfers out	<u>\$164,712</u>	<u>\$391,575</u>	<u>\$ 150</u>	<u>\$ 52,143</u>	<u>\$ 2,075</u>	<u>\$ 387,033</u>	<u>\$ 155,038</u>	<u>\$ 167</u>	<u>\$72,844</u>	<u>\$1,225,737</u>

The \$873.7 million General Fund transfer out includes a total of \$572.4 million in operating subsidies to SFMTA, SFGH, and LHH (note 11). The transfer of \$301.2 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 Funds, 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.

The \$20.4 million nonmajor governmental funds transfer to the General Fund represents \$10.1 million reimbursements from Caltrans on the 4th Street Bridge project, \$7.1 million from the public library operating surplus, \$2.2 million in reimbursements from grants to the fire department, and \$1.0 million in interest transfers.

San Francisco International Airport transferred \$40.5 million to the General Fund, representing a portion of concession revenues (note 11(a)). The General Fund received transfers in of \$102.0 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program

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 (Dollars in Thousands)

intergovernmental transfers matching program reimbursement and \$1.6 million for interest earned by the SFGH but credited to the General Fund (note 11(g)).

SFMTA received \$42.4 million transfers from nonmajor governmental funds, of which \$26.6 million was for capital activities, \$12.2 million was for operating activities, and \$3.6 million to fund various street improvement projects. In turn, the SFMTA transferred \$14.0 million to nonmajor governmental funds to pay for various street improvement projects.

The Water Enterprise received \$52.1 million from transfers in, of which included \$51.1 million in general obligation bond proceeds for the Auxiliary Water Supply System Earthquake Safety and Emergency Response project and \$1.0 million from the San Francisco Recreation and Parks Department as the final payment for the acquisition of the 17th and Folsom Street property. On the other hand, the Water Enterprise transferred \$1.1 million to the San Francisco Recreation and Parks Department for water saving improvements at Alamo Square Park.

Laguna Honda Hospital transferred \$4.8 million of Senate Bill No. 1128 Medi-Cal reimbursement to nonmajor governmental funds for debt service payments on its facility.

(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 the Airport subsequent to an initial audit by the U.S. Department of Transportation Office of Inspector General Office of Investigations began and is continuing a review of the American Recovery and Reinvestment Act and other Airport and Improvement grants received by the Airport and has to date identified approximately \$0.9 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2016.....	\$	36,944
2017.....		35,601
2018.....		30,816
2019.....		23,504
2020.....		20,025
2021-2025.....		57,182
2026-2030.....		2,965
2031-2035.....		377
	<u>\$</u>	<u>207,414</u>

Operating leases expense incurred for fiscal year 2014-15 was approximately \$28.6 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency	Total Business-Type Activities
2016.....	\$ 162	\$ 2,846	\$ 11,778	\$ 14,786
2017.....	87	2,753	10,393	13,233
2018.....	87	2,753	10,658	13,498
2019.....	-	2,753	11,006	13,759
2020.....	-	2,753	11,001	13,754
2021-2025.....	-	13,764	57,719	71,483
2026-2030.....	-	13,764	65,824	79,588
2031-2035.....	-	13,764	64,687	78,451
2036-2040.....	-	13,764	59,097	72,861
2041-2045.....	-	13,764	68,032	81,796
2046-2050.....	-	11,241	-	11,241
Total.....	<u>\$ 336</u>	<u>\$ 93,919</u>	<u>\$ 370,195</u>	<u>\$ 464,450</u>

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2014-15 was \$0.2 million, \$2.9 million, and \$16.1 million, respectively.

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	
2016.....	\$ 2,471
2017.....	2,386
2018.....	1,730
2019.....	684
2020.....	582
2021-2025.....	1,250
2026-2030.....	533
2031-2035.....	50
Total.....	<u>\$ 9,686</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-Type Activities
2016.....	\$ 97,139	\$ 38,496	\$ 1,469	\$ 3,667	\$ 140,771
2017.....	93,117	30,469	1,513	3,036	128,135
2018.....	75,966	27,629	1,558	2,860	108,013
2019.....	37,894	24,482	1,605	2,519	66,500
2020.....	14,667	23,735	1,653	1,680	41,735
2021-2025.....	34,861	97,878	9,040	8,025	149,804
2026-2030.....	-	79,236	-	6,315	85,551
2031-2035.....	-	72,413	-	6,250	78,663
2036-2040.....	-	45,979	-	6,250	52,229
2041-2045.....	-	35,893	-	6,250	42,143
2046-2050.....	-	28,071	-	6,250	34,321
2051-2055.....	-	16,648	-	6,250	22,898
2056-2060.....	-	15,727	-	833	16,560
2061-2065.....	-	11,545	-	-	11,545
2066-2070.....	-	5,616	-	-	5,616
2071-2075.....	-	4,522	-	-	4,522
2076-2080.....	-	310	-	-	310
Total.....	<u>\$ 353,644</u>	<u>\$ 558,649</u>	<u>\$ 16,838</u>	<u>\$ 60,185</u>	<u>\$ 989,316</u>

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 \$29.5 million and \$17.8 million, respectively, in fiscal year 2014-15. The Airport also exercised a new five-year car rental lease agreement option effective January 1, 2014. 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 \$43.2 million for fiscal year 2014-15.

Other Commitments

The Retirement System has commitments to contribute capital for real assets and private equity investments in the aggregate amount of approximately \$2.6 billion at June 30, 2015.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

(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 SFMTA); 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 \$1.0 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. The Airport carries public officials liability and employment practices liability coverage of \$5.0 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 and target range liability for San Francisco Police Department firearms range located at the Airport. 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 \$100.0 million, subject to a deductible of \$100 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 \$1.0 billion and a deductible of \$750 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, property damage for certain high value Port vehicles, water pollution and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA 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. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA'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, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchased insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchased insurance
e. Directors and Officers	Purchased insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA 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 \$3.0 million. As of June 30, 2015, the reserve was \$17.7 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(Dollars in Thousands)

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, 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. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and 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, 2015 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014.....	\$ 174,582	\$ 121,586	\$ (49,109)	\$ 247,059
2014-2015.....	247,059	87,834	(70,063)	264,830

Breakdown of the estimated claims payable at June 30, 2015 is follows:

Governmental Activities	
Current portion of estimated claims payable.....	\$ 52,797
Long-term portion of estimated claims payable.....	104,863
Total.....	<u>\$ 157,660</u>
Business-type Activities	
Current portion of estimated claims payable.....	\$ 50,390
Long-term portion of estimated claims payable.....	56,780
Total.....	<u>\$ 107,170</u>

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2015 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, 2015 was \$395.6 million which is reported in the appropriate individual funds in accordance with the City's accounting policies.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

Changes in the reported accrued workers' compensation since July 1, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014.....	\$ 377,776	\$ 78,663	\$ (72,563)	\$ 383,876
2014-2015.....	383,876	94,397	(82,699)	395,574

Breakdown of the accrued workers' compensation liability at June 30, 2015 is as follows:

<u>Governmental Activities</u>	
Current portion of estimated claims payable.....	\$ 38,046
Long-term portion of estimated claims payable.....	185,638
Total.....	<u>\$ 223,684</u>
<u>Business-type Activities</u>	
Current portion of estimated claims payable.....	\$ 28,188
Long-term portion of estimated claims payable.....	143,702
Total.....	<u>\$ 171,890</u>

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2015, the City issued \$32.5 million taxable and \$57.4 million tax-exempt commercial paper (CP) with interest rates at 0.12% and 0.06% respectively to refund maturing CP. The CP was issued to provide interim funding for the War Memorial Veterans Building seismic retrofit project and the rebuilding of distressed public housing sites to increase affordable housing (HOPE SF). The above CP was refinanced on July 28, 2015 by issuing \$15.6 million taxable and \$1.6 tax-exempt CP which bear interest rates at 0.18% and 0.04% respectively and matured on September 1, 2015.

In July 2015, the City issued Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements) Series 2015A in the amount of \$112.1 million and Series 2015B in the amount of \$22.2 million (the Certificates). The proceeds of the Certificates will be used to finance the seismic retrofit, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and located at 401 Van Ness Avenue, fund capitalized interest payable with respect to the Certificates through September 22, 2015, fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates and pay the cost of issuance of the Certificates. The proceeds were also used to retire portion of the CP which was issued for the same purpose. Series 2015A bears interest rates of 4.0% and 5.0% and matures from April 2023 through April 2045. Series 2015B bears interest rates ranging from 2.0% to 4.0% and matures from April 2016, through April 2024.

In July 2015, the City issued General Obligation Bonds Series 2015B (Transportation and Road Improvement) in the amount of \$67.0 million to construct, redesign, and rebuild streets and sidewalks, and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety and improve disability access and to pay certain costs related to the issuance of the Series 2015B bonds. The bonds mature from June 2016 through June 2035 with interest rates ranging from 2.0% to 5.0%. Debt service payments for the bonds are funded through ad valorem taxes on property.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

In July 2015, Hetch Hetchy Power redeemed \$2.5 million of taxable New Clean Renewable Energy Bonds related to the April 2012 issuance of \$6.6 million to be spent within three years. The unspent proceeds are due to the completion of a solar project and the cancelation of a hydro project.

In August 2015, the City issued by private placement, General Obligation Bonds Series 2015A, (1992 Seismic Safety Loan Program) in the amount of \$24.0 million. The proceeds of the bonds will be used to provide funds for loans for seismic strengthening of privately-owned unreinforced masonry buildings within the City and for related administrative costs. The Series 2015A bonds bears variable interest rate and matures from June 2019 through June 2035. Debt service payments for the bonds are funded through ad valorem taxes on property and debt payments from borrowers of the loan program.

In August 2015, the City issued \$34.3 million tax-exempt and \$3.7 million taxable CP with interest rates at 0.03% to 0.5% and 0.15% and maturity of September 22, 2015 and November 10, 2015, respectively. The CP were issued to provide interim funding for the Moscone Expansion project, real property acquisition at 900 Innes Avenue, acquisition of furniture, fixtures and equipment of the San Francisco General Hospital and partial pay down of CP issued for the War Memorial Veterans Building project.

In September 2015, the City refinanced \$17.1 million maturing CP by issuing \$1.6 million tax-exempt and \$15.5 million taxable CP that bear interest rates at 0.02% and 0.19% respectively and scheduled to mature on October 1, 2015. The CP issued on August 13, 2015 was also refinanced by the City in September 2015 with \$38.8 million tax-exempt CP with interest rate at 0.04% and maturity of December 3, 2015.

In September 2015, the Airport authorized the issuance of an additional \$243.0 million of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) and \$225.0 million of San Francisco International Airport Hotel Special Facility Revenue Bonds to finance the development and construction of a new Airport-owned hotel and related AirTrain station. The Airport also designated the planned hotel as a "special facility" under the 1991 Master Resolution, which will allow the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds. In order to obtain the lowest cost of financing, the Airport does not plan to sell the Hotel Special Facility Bonds to investors, but will purchase them itself with a portion of the proceeds of the Capital Plan Bonds, which will be sold to investors. The total net proceeds of the two bond issuances are expected to be approximately \$243.0 million, which will be applied to the \$225.0 million construction costs of the hotel and AirTrain station, capitalized interest and other costs of issuance. The bonds require the approval of the City's Board of Supervisors before they can be issued.

The San Francisco Wastewater Enterprise is authorized to issue up to \$500.0 million in commercial paper, with \$100.0 million issued as of June 30, 2015. In September 2015, an additional \$35.0 million of commercial paper was issued for the Sewer System improvement Program projects, totaling \$135.0 million issued against the authorization.

In October 2015, Hetch Hetchy Power issued \$4.1 million federal tax subsidy bonds to fund two new solar energy facilities.

In October 2015, the City paid down \$10.7 million taxable and refinanced \$6.4 million maturing CP by issuing \$1.6 million tax-exempt and \$4.8 million taxable CP that bear interest rate at 0.03% and 0.25%, respectively. The City also issued \$5.0 million tax-exempt CP with interest rate at 0.02% for additional short-term funding of the Moscone Expansion District project. The three CP notes are scheduled to mature on December 3, 2015.

In October 2015, the City issued Refunding Certificates of Participation Series 2015-R1 (City Office Buildings-Multiple Properties Project) for \$123.6 million. The proceeds of the Series 2015-R1 certificates will be used to refund certain outstanding Certificate of Participation Series 2007A (City Office Buildings-Multiple Properties Project) and to pay costs of execution and delivery of the Series

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

2015-R1 certificates. The Series 2015-R1 certificates mature from September 2016 through September 2040 and bear interest rates of 4.0% and 5.0%. The refunding resulted in the recognition of deferred accounting loss of \$2.5 million and reduced the aggregate debt service payment by \$18.1 million over 26 years and obtained net present value savings of 9.0% over refunded bonds.

(b) Credit Rating Changes

In September 2015, Fitch upgraded the credit rating on the Airport Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC), Series 1997A, and San Francisco International Airport 1997 Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC), Series 2000A, from "BBB+" to "A-" (Stable Outlook).

(c) Transportation Changes

In November 2014, voters of the City approved Proposition B, which amended the San Francisco Charter to require the City to increase the base contribution to the SFMTA by a percentage equal to the City's annual population increase, taking into account daytime and nighttime population as determined by the City Controller's Office. Proposition B requires the SFMTA to use 75% of any population-based increases in the Base Amount to improve SFMTA's reliability, frequency of service and capacity, and to pay for transit state of good repair. The other 25% would be used for capital expenditures to improve street safety. The SFMTA received \$25.9 million in fiscal year 2016 from the new General Fund allocation based on population growth.

The Board of Supervisors has pending before it, legislation that would amend the City's Planning Code by establishing a new Section 411A, imposing a citywide transportation fee, the Transportation Sustainability Fee (TSF). The TSF if approved, will replace the current Transit Impact Development Fee (TIDF), and will apply to additional types of development and cover a larger universe of transportation projects. The amended legislation will require sponsors of development projects to pay a fee that is reasonably related to the financial burden such projects impose on the City's transportation network. In November 2015, the Board of Supervisors is evaluating the proposed legislation.

(d) Elections

On November 3, 2015 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that would allow the City to borrow up to \$310.0 million by issuing general obligation bonds to build, buy, improve and rehabilitate affordable housing in San Francisco.

Proposition B – A Charter amendment that would allow each parent to take maximum amount of paid parental leave for which they qualify for the birth, adoption or foster parenting of the same child, if both parents are City employees; and provide City employees the opportunity to keep up to 40 hours of sick leave at the end of paid parental leave.

Proposition C – An ordinance that would require expenditure lobbyists to register with the Ethics Commission, pay a five hundred dollar registration fee, and file monthly disclosures regarding their lobbying activities. Employees of nonprofit organizations would not be subject to the five hundred dollar registration fee. The ordinance would also allow the City to change these requirements without further voter approval if the change would further the purposes of the ordinance. The Ethics Commission would be required to approve the changes by a four-fifths vote, and the Board of Supervisors would be required to approve them by a two-thirds vote. Voters would retain the right to amend the ordinance.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

Proposition J – An ordinance that would create a Legacy Business Historic Preservation Fund which would give grants to legacy businesses and to building owners who lease property to those businesses for at least 10 years. Legacy businesses could receive an annual grant of up to five hundred dollar per full-time equivalent employee in San Francisco. Building owners who lease space in San Francisco buildings to legacy businesses for terms of at least 10 years could receive an annual grant of up to \$4.50 per foot of leased space. Proposition J would also expand the definition of Legacy Business to include businesses and nonprofits that have operated in San Francisco for more than 20 years, have significantly contributed to the history or identity of a neighborhood and, if not included in the Registry, would face a significant risk of displacement because of increased rents or lease terminations.



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CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of the City's Proportionate Share of the Net Pension Liability
June 30, 2015 *
(Dollars in Thousands)

	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority - Classic	Transportation Authority - PEPRA	Successor Agency
Proportion of net pension liability	93.7829%	0.1829%	0.0208%	0.00003%	0.2550%
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,297	\$ 2	\$ 15,870
Covered-employee payroll	\$ 2,582,622	\$ 311	\$ 3,097	\$ 167	\$ 6,695
Proportionate share of the net pension liability as a percentage of covered-employee payroll	64.29%	-3659.49%	41.88%	1.22%	237.04%
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	80.43%

Notes to Schedule:

SFERS Plan

Benefits - There were no changes in benefits during the year.

Changes in assumptions – In 2015, amounts reported as changes in assumptions resulted primarily from a change in the discount rate and a change in the Supplemental COLA assumption.

CalPERS Miscellaneous Plans

Benefits - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015 *
(Dollars in Thousands)

<u>City CalPERS Safety Plan</u>	<u>2015</u>
Total pension liability:	
Service cost.....	\$ 32,688
Interest on the total pension liability.....	76,177
Benefit payments, including refunds of.....	
employee contributions.....	(41,387)
Net change in total pension liability.....	67,478
Total pension liability, beginning.....	1,020,049
Total pension liability, ending.....	<u>\$ 1,087,527</u>
Plan fiduciary net position:	
Contributions from the employer.....	\$ 20,613
Contributions from employees.....	15,216
Net investment income (1).....	138,628
Benefit payments, including refunds of.....	
employee contributions.....	(41,387)
Net change in plan fiduciary net position.....	133,070
Plan fiduciary net position, beginning.....	787,301
Plan fiduciary net position, ending.....	<u>\$ 920,371</u>
Plan net pension liability, ending.....	<u>\$ 167,156</u>
Plan fiduciary net position as a percentage of the total pension liability.....	84.63%
Covered-employee payroll.....	\$ 117,772
Plan net pension liability as a percentage of the covered-employee payroll	141.93%

⁽¹⁾ Net of administrative expenses.

Notes to Schedule:

Benefit changes –The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans
June 30, 2015 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 565,091	\$ 31	\$ 400	\$ 598	\$ 20,616
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(565,091)	(31)	(400)	(598)	(20,616)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,723,515	\$ 327	\$ 3,737	\$ 6,477	\$ 122,221
Contributions as a percentage of covered-employee payroll	20.75%	9.48%	10.70%	9.23%	16.87%

⁽¹⁾ Contractually required contribution is an actuarial determined contribution for all cost-sharing plans.

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%
	0.00% to 15.00% depending on age, service, and type of employment

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2012
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Level percent of payroll
Remaining amortization period.....	7 years as of the valuation date (Miscellaneous Plan) 25 years as of the valuation date (Safety Plan)
Asset valuation method.....	15 year smoothed market
Investment rate of return.....	7.50% (net of administrative expenses)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits
June 30, 2015
(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 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.

Schedule of Funding Progress – City and County of San Francisco

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/08	\$ -	\$ 4,364,273	\$ (4,364,273)	0.0%	\$ 2,296,336	190.1%
07/01/10 ⁽¹⁾	-	4,420,146	(4,420,146)	0.0%	2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%

⁽¹⁾ 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.

Schedule of Employer Contributions – City and County of San Francisco

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 408,735	39.2%
2014	341,377	48.8%
2015	350,389	47.7%

Schedule of Funding Progress – San Francisco County Transportation Authority

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/10	\$ 173	\$ 374	\$ (201)	46.3%	\$ 2,858	7.0%
06/30/11 ⁽²⁾	405	671	(266)	60.4%	3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%

⁽¹⁾ The actuarial valuation report is conducted once every two years.

⁽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, 2013.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)
June 30, 2015
(Dollars in Thousands)

Schedule of Funding Progress – Successor Agency

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	\$ 493	\$ 13,790	(13,297)	3.6%	\$ 10,515	126.5%
06/30/11	1,856	14,390	(12,534)	12.9%	4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%

⁽¹⁾ The actuarial valuation report is conducted once every two years.



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CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued)

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the \$100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

**CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS**

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2015
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury.....	\$ 863,894	\$ 99,588	\$ 337,039	\$ 7,479	\$ 1,308,000
Deposits and investments outside City Treasury.....	45,501	29,958	23,200	-	98,659
Receivables:					
Property taxes and penalties.....	5,065	7,077	-	-	12,142
Other local taxes.....	28,509	-	-	-	28,509
Federal and state grants and subventions.....	91,696	-	4,499	-	96,195
Charges for services.....	14,971	-	6,355	-	21,326
Interest and other.....	2,725	244	352	6	3,327
Due from other funds.....	4,288	-	2,046	-	6,334
Due from component unit.....	2,942	-	36	-	2,978
Advance to component unit.....	19,753	-	-	-	19,753
Loans receivable (net of allowance for uncollectible amounts).....	73,140	-	-	-	73,140
Other assets.....	7,570	-	-	-	7,570
Total assets.....	<u>\$ 1,160,054</u>	<u>\$ 136,867</u>	<u>\$ 373,527</u>	<u>\$ 7,485</u>	<u>\$ 1,677,933</u>
Liabilities:					
Accounts payable.....	\$ 80,855	\$ 3	\$ 55,836	\$ 45	\$ 136,739
Accrued payroll.....	10,951	-	1,116	-	12,067
Unearned grant and subvention revenue.....	12,883	-	519	-	13,402
Due to other funds.....	10,753	35	8,893	-	19,681
Unearned revenues and other liabilities.....	40,682	9,976	3,148	-	53,806
Bonds, loans, capital leases, and other payables.....	6,118	-	151,648	-	157,766
Total liabilities.....	<u>162,242</u>	<u>10,014</u>	<u>221,160</u>	<u>45</u>	<u>393,461</u>
Deferred inflows of resources.....	<u>125,583</u>	<u>5,566</u>	<u>9,576</u>	<u>-</u>	<u>140,725</u>
Fund balances:					
Nonspendable.....	329	-	-	-	329
Restricted.....	805,508	121,287	176,601	7,440	1,110,836
Assigned.....	66,740	-	-	-	66,740
Unassigned.....	(348)	-	(33,810)	-	(34,158)
Total fund balances.....	<u>872,229</u>	<u>121,287</u>	<u>142,791</u>	<u>7,440</u>	<u>1,143,747</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 1,160,054</u>	<u>\$ 136,867</u>	<u>\$ 373,527</u>	<u>\$ 7,485</u>	<u>\$ 1,677,933</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2015
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes.....	\$ 142,360	\$ 227,176	\$ -	\$ -	\$ 369,536
Business taxes.....	2,318	-	-	-	2,318
Sales and use tax.....	100,278	-	-	-	100,278
Licenses, permits, and franchises.....	15,170	-	-	-	15,170
Fines, forfeitures, and penalties.....	6,745	15,040	-	-	21,785
Interest and investment income.....	9,004	1,149	2,512	51	12,716
Rents and concessions.....	73,034	705	311	713	74,763
Intergovernmental:					
Federal.....	220,632	-	14,130	-	234,762
State.....	128,006	801	1,890	-	130,697
Other.....	12,470	-	151	-	12,621
Charges for services.....	144,008	-	-	-	144,008
Other.....	109,875	3,730	798	40	114,443
Total revenues.....	963,900	248,601	19,792	804	1,233,097
Expenditures:					
Current:					
Public protection.....	61,752	-	-	-	61,752
Public works, transportation and commerce.....	206,547	-	-	-	206,547
Human welfare and neighborhood development.....	309,057	-	-	-	309,057
Community health.....	103,091	-	-	-	103,091
Culture and recreation.....	232,675	-	-	899	233,574
General administration and finance.....	42,675	-	-	-	42,675
General City responsibilities.....	38	-	-	-	38
Debt service:					
Principal retirement.....	-	200,497	-	-	200,497
Interest and other fiscal charges.....	2,245	117,830	1,296	-	121,371
Bond issuance costs.....	-	1,606	1,128	-	2,734
Capital outlay.....	-	-	412,740	-	412,740
Total expenditures.....	958,080	319,933	415,164	899	1,694,076
Excess (deficiency) of revenues over (under) expenditures.....	5,820	(71,332)	(395,372)	(95)	(460,979)
Other financing sources (uses):					
Transfers in.....	286,143	77,064	28,368	-	391,575
Transfers out.....	(110,456)	-	(76,882)	(7)	(187,345)
Issuance of bonds and loans:					
Face value of bonds issued.....	-	293,910	155,620	-	449,530
Face value of loans issued.....	136,763	-	-	-	136,763
Premium on issuance of bonds.....	-	54,366	15,467	-	69,833
Payment to refunded bond escrow agent.....	-	(359,225)	-	-	(359,225)
Other financing sources-capital leases.....	1,451	-	727	-	2,178
Total other financing sources (uses).....	313,901	66,115	123,300	(7)	503,309
Net changes in fund balances.....	319,721	(5,217)	(272,072)	(102)	42,330
Fund balances at beginning of year.....	552,508	126,504	414,863	7,542	1,101,417
Fund balances at end of year.....	\$ 872,229	\$ 121,287	\$ 142,791	\$ 7,440	\$ 1,143,747

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2015
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Assets:						
Deposits and investments with City Treasury.....	\$ 136,101	\$ 115,011	\$ 232,207	\$ 36,061	\$ 28,484	\$ -
Deposits and investments outside City Treasury.....	4	-	4,094	-	-	-
Receivables:						
Property taxes and penalties.....	-	1,899	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	-	8,212	12,369	24,414	-	-
Charges for services.....	350	2	-	9	1,984	143
Interest and other.....	120	107	518	26	-	-
Due from other funds.....	-	-	2,653	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	249	-	72,445	-	-	-
Other assets.....	-	-	514	-	-	-
Total assets.....	\$ 136,824	\$ 125,231	\$ 324,800	\$ 60,510	\$ 30,468	\$ 143
Liabilities:						
Accounts payable.....	\$ 3,207	\$ 18,946	\$ 9,166	\$ 12,415	\$ 1,184	\$ 6
Accrued payroll.....	1,123	440	457	1,018	14	-
Unearned grant and subvention revenues.....	-	764	734	3,459	-	-
Due to other funds.....	-	-	-	439	-	87
Unearned revenues and other liabilities.....	22,733	2,680	459	782	1,493	-
Bonds, loans, capital leases, and other payables.....	-	-	3,068	-	-	-
Total liabilities.....	27,063	22,830	13,884	18,113	2,691	93
Deferred inflows of resources.....	249	7,753	73,998	9,329	-	-
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	109,512	94,648	233,297	33,068	27,777	50
Assigned.....	-	-	3,621	-	-	-
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	109,512	94,648	236,918	33,068	27,777	50
Total liabilities, deferred inflows of resources and fund balances.....	\$ 136,824	\$ 125,231	\$ 324,800	\$ 60,510	\$ 30,468	\$ 143

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2015
(In Thousands)**

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets:						
Deposits and investments with City Treasury.....	\$ 12,553	\$ 1,627	\$ 24,061	\$ 19,147	\$ 13,686	\$ 3,551
Deposits and investments outside City Treasury.....	518	1,307	-	-	193	-
Receivables:						
Property taxes and penalties.....	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	85	614	3,216	257	8	-
Charges for services.....	151	-	667	1,885	49	1,369
Interest and other.....	4	-	22	791	1	3
Due from other funds.....	-	47	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	-	-
Other assets.....	-	-	-	-	-	-
Total assets.....	\$ 13,311	\$ 3,595	\$ 27,966	\$ 22,080	\$ 13,937	\$ 4,923
Liabilities:						
Accounts payable.....	\$ 1,825	\$ 646	\$ 1,298	\$ 1,569	\$ 111	\$ 467
Accrued payroll.....	132	122	633	254	23	148
Unearned grant and subvention revenues.....	253	1,787	-	662	156	-
Due to other funds.....	-	-	-	-	-	-
Unearned revenues and other liabilities.....	1	-	1	125	-	-
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	2,211	2,555	1,932	2,610	290	615
Deferred inflows of resources.....	28	67	-	117	-	-
Fund balances:						
Nonspendable.....	-	-	-	-	192	-
Restricted.....	8,330	973	26,034	8,035	13,455	-
Assigned.....	2,742	-	-	11,318	-	4,308
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	11,072	973	26,034	19,353	13,647	4,308
Total liabilities, deferred inflows of resources and fund balances.....	\$ 13,311	\$ 3,595	\$ 27,966	\$ 22,080	\$ 13,937	\$ 4,923

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2015
(In Thousands)**

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury.....	\$ -	\$ 38,188	\$ 31,049	\$ 39,842	\$ 28,258	\$ 44,378
Deposits and investments outside City Treasury.....	-	-	12	-	-	26
Receivables:						
Property taxes and penalties.....	-	-	1,583	1,583	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	6,462	-	-	-	18,414	111
Charges for services.....	203	1,089	-	10	3,190	3,869
Interest and other.....	-	23	26	37	139	-
Due from other funds.....	-	-	-	-	-	254
Due from component unit.....	-	1,773	-	-	-	823
Advance to component unit.....	-	14,249	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	446	-	-	-	-
Other assets.....	86	4,168	208	-	-	2,457
Total assets.....	\$ 6,751	\$ 59,936	\$ 32,878	\$ 41,472	\$ 50,001	\$ 51,918
Liabilities:						
Accounts payable.....	\$ 1,723	\$ 1,251	\$ 433	\$ 2,900	\$ 4,630	\$ 1,949
Accrued payroll.....	34	33	665	2,132	694	1,932
Unearned grant and subvention revenues.....	109	-	-	-	4,918	-
Due to other funds.....	3,828	-	-	-	-	116
Unearned revenues and other liabilities.....	-	2,701	2,235	2,807	60	4,500
Bonds, loans, capital leases, and other payables.....	-	-	3,050	-	-	-
Total liabilities.....	5,694	3,985	6,383	7,839	10,302	8,497
Deferred inflows of resources.....	201	14,695	1,257	1,257	6,164	3,139
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	95	41,256	25,238	31,197	30,710	296
Assigned.....	761	-	-	1,179	2,825	39,986
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	856	41,256	25,238	32,376	33,535	40,282
Total liabilities, deferred inflows of resources and fund balances.....	\$ 6,751	\$ 59,936	\$ 32,878	\$ 41,472	\$ 50,001	\$ 51,918

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2015
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury.....	\$ 3,256	\$ 44,081	\$ -	\$ 12,353	\$ 863,894
Deposits and investments outside City Treasury.....	419	38,928	-	-	45,501
Receivables:					
Property taxes and penalties.....	-	-	-	-	5,065
Other local taxes.....	-	28,509	-	-	28,509
Federal and state grants and subventions.....	-	16,954	580	-	91,696
Charges for services.....	1	-	-	-	14,971
Interest and other.....	-	901	-	7	2,725
Due from other funds.....	63	1,271	-	-	4,288
Due from component unit.....	-	346	-	-	2,942
Advance to component unit.....	-	5,504	-	-	19,753
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	73,140
Other assets.....	-	137	-	-	7,570
Total assets.....	\$ 3,739	\$ 136,631	\$ 580	\$ 12,360	\$ 1,160,054
Liabilities:					
Accounts payable.....	\$ 1,330	\$ 15,277	\$ 420	\$ 102	\$ 80,855
Accrued payroll.....	647	171	27	252	10,951
Unearned grant and subvention revenues.....	-	-	41	-	12,883
Due to other funds.....	-	6,191	92	-	10,753
Unearned revenues and other liabilities.....	5	-	-	100	40,682
Bonds, loans, capital leases, and other payables.....	-	-	-	-	6,118
Total liabilities.....	1,982	21,639	580	454	162,242
Deferred inflows of resources.....	-	6,981	348	-	125,583
Fund balances:					
Nonspendable.....	-	137	-	-	329
Restricted.....	1,757	107,874	-	11,906	805,508
Assigned.....	-	-	-	-	66,740
Unassigned.....	-	-	(348)	-	(348)
Total fund balances.....	1,757	108,011	(348)	11,906	872,229
Total liabilities, deferred inflows of resources and fund balances.....	\$ 3,739	\$ 136,631	\$ 580	\$ 12,360	\$ 1,160,054

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2015
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes.....	\$ -	\$ 53,385	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	2,318	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,647	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	1	2,724	-	32
Interest and investment income.....	839	512	4,029	196	162	-
Rents and concessions.....	-	-	406	-	26,340	-
Intergovernmental:						
Federal.....	-	8,813	46,572	59,544	-	-
State.....	-	16,412	10,341	44,922	-	-
Other.....	-	-	254	-	-	-
Charges for services.....	65,476	-	8,730	4,967	-	2,572
Other.....	8	569	83,636	481	245	-
Total revenues.....	72,970	79,691	156,287	112,834	26,747	2,604
Expenditures:						
Current:						
Public protection.....	-	-	-	-	-	373
Public works, transportation and commerce.....	61,341	-	12,471	78	857	-
Human welfare and neighborhood development.....	-	175,447	75,661	-	100	-
Community health.....	-	-	-	101,623	-	-
Culture and recreation.....	-	-	222	-	51,844	-
General administration and finance.....	-	-	2,274	-	523	-
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges.....	-	-	-	-	-	-
Total expenditures.....	61,341	175,447	90,628	101,701	53,324	373
Excess (deficiency) of revenues over (under) expenditures.....	11,629	(95,756)	65,659	11,133	(26,577)	2,231
Other financing sources (uses):						
Transfers in.....	-	136,661	844	-	41,727	5
Transfers out.....	(45)	(3)	(8,303)	(16)	(24,094)	(2,344)
Issuance of bonds and loans						
Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....						
Total other financing sources (uses).....	(45)	136,658	(7,459)	(16)	17,633	(2,339)
Net changes in fund balances.....	11,584	40,902	58,200	11,117	(8,944)	(108)
Fund balances at beginning of year.....	97,928	53,746	178,718	21,951	36,721	158
Fund balances at end of year.....	\$ 109,512	\$ 94,648	\$ 236,918	\$ 33,068	\$ 27,777	\$ 50

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	183	-	-	2,673	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	178	-
Interest and investment income.....	71	-	146	62	61	20
Rents and concessions.....	385	-	-	1,221	-	4,180
Intergovernmental:						
Federal.....	9	323	-	18	-	-
State.....	152	5,928	32,163	56	-	-
Other.....	-	82	-	-	-	-
Charges for services.....	7,367	-	666	1,949	44	7,058
Other.....	941	519	2	1,345	9,037	-
Total revenues.....	9,108	6,852	32,977	7,324	9,320	11,258
Expenditures:						
Current:						
Public protection.....	-	-	-	199	29	-
Public works, transportation and commerce.....	2,006	-	29,799	63	145	-
Human welfare and neighborhood development.....	25	6,657	-	-	74	-
Community health.....	-	-	-	-	1,468	-
Culture and recreation.....	10,340	-	-	1,119	660	13,372
General administration and finance.....	11,976	10	-	2,799	86	-
General City responsibilities.....	-	-	-	38	-	-
Debt service:						
Interest and other fiscal charges.....	741	-	-	-	-	-
Total expenditures.....	25,088	6,667	29,799	4,218	2,462	13,372
Excess (deficiency) of revenues over (under) expenditures.....	(15,980)	185	3,178	3,106	6,858	(2,114)
Other financing sources (uses):						
Transfers in.....	17,033	158	1,613	193	-	4,962
Transfers out.....	(159)	-	(2,454)	(70)	(382)	(1,180)
Issuance of bonds and loans						
Face value of loans issued.....	2,099	-	-	-	-	-
Other financing sources-capital leases.....	-	-	1,408	-	-	-
Total other financing sources (uses).....	18,973	158	567	123	(382)	3,782
Net changes in fund balances.....	2,993	343	3,745	3,229	6,476	1,668
Fund balances at beginning of year.....	8,079	630	22,289	16,124	7,171	2,640
Fund balances at end of year.....	\$ 11,072	\$ 973	\$ 26,034	\$ 19,353	\$ 13,647	\$ 4,308

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ 44,487	\$ 44,488	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	301	-	-	-	504	-
Fines, forfeitures, and penalties.....	10	-	-	-	3,429	371
Interest and investment income.....	-	1,604	98	175	158	325
Rents and concessions.....	-	3,461	-	9	-	99
Intergovernmental:						
Federal.....	20,589	-	-	10	44,389	-
State.....	148	-	168	255	12,827	-
Other.....	75	5,403	-	-	8	1,233
Charges for services.....	350	-	-	759	14,086	29,659
Other.....	26	11,012	-	-	242	466
Total revenues.....	<u>21,499</u>	<u>21,480</u>	<u>44,753</u>	<u>45,696</u>	<u>75,643</u>	<u>32,153</u>
Expenditures:						
Current:						
Public protection.....	-	-	-	-	61,151	-
Public works, transportation and commerce.....	-	-	692	4,031	-	12,304
Human welfare and neighborhood development.....	22,910	7,038	-	-	3,176	11,187
Community health.....	-	-	-	-	-	-
Culture and recreation.....	-	-	43,319	100,522	-	3
General administration and finance.....	-	-	82	110	2,171	32
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges.....	-	-	36	-	-	-
Total expenditures.....	<u>22,910</u>	<u>7,038</u>	<u>44,129</u>	<u>104,663</u>	<u>66,498</u>	<u>23,526</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(1,411)</u>	<u>14,442</u>	<u>624</u>	<u>(58,967)</u>	<u>9,145</u>	<u>8,627</u>
Other financing sources (uses):						
Transfers in.....	2,707	1	1,180	67,740	-	1,035
Transfers out.....	-	-	-	(7,111)	(2,195)	(325)
Issuance of bonds and loans Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
Total other financing sources (uses).....	<u>2,707</u>	<u>1</u>	<u>1,180</u>	<u>60,629</u>	<u>(2,195)</u>	<u>710</u>
Net changes in fund balances.....	1,296	14,443	1,804	1,662	6,950	9,337
Fund balances at beginning of year.....	(440)	26,813	23,434	30,714	26,585	30,945
Fund balances at end of year.....	<u>\$ 856</u>	<u>\$ 41,256</u>	<u>\$ 25,238</u>	<u>\$ 32,376</u>	<u>\$ 33,535</u>	<u>\$ 40,282</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 142,360
Business taxes.....	-	-	-	-	2,318
Sales and use tax.....	-	100,278	-	-	100,278
Licenses, permits, and franchises.....	-	4,862	-	-	15,170
Fines, forfeitures, and penalties.....	-	-	-	-	6,745
Interest and investment income.....	-	463	1	82	9,004
Rents and concessions.....	34,557	-	-	2,376	73,034
Intergovernmental:					
Federal.....	-	34,804	5,561	-	220,632
State.....	-	3,799	835	-	128,006
Other.....	441	4,974	-	-	12,470
Charges for services.....	5	-	-	320	144,008
Other.....	1,010	180	156	-	109,875
Total revenues.....	<u>36,013</u>	<u>149,360</u>	<u>6,553</u>	<u>2,778</u>	<u>963,900</u>
Expenditures:					
Current:					
Public protection.....	-	-	-	-	61,752
Public works, transportation and commerce.....	312	81,627	-	821	206,547
Human welfare and neighborhood development.....	-	-	6,782	-	309,057
Community health.....	-	-	-	-	103,091
Culture and recreation.....	-	-	-	11,274	232,675
General administration and finance.....	22,612	-	-	-	42,675
General City responsibilities.....	-	-	-	-	38
Debt service:					
Interest and other fiscal charges.....	-	1,468	-	-	2,245
Total expenditures.....	<u>22,924</u>	<u>83,095</u>	<u>6,782</u>	<u>12,095</u>	<u>958,080</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>13,089</u>	<u>66,265</u>	<u>(229)</u>	<u>(9,317)</u>	<u>5,820</u>
Other financing sources (uses):					
Transfers in.....	58	-	14	10,212	286,143
Transfers out.....	(13,191)	(48,526)	-	(58)	(110,456)
Issuance of bonds and loans					
Face value of loans issued.....	-	134,664	-	-	136,763
Other financing sources-capital leases.....	43	-	-	-	1,451
Total other financing sources (uses).....	<u>(13,090)</u>	<u>86,138</u>	<u>14</u>	<u>10,154</u>	<u>313,901</u>
Net changes in fund balances.....	(1)	152,403	(215)	837	319,721
Fund balances at beginning of year.....	1,758	(44,392)	(133)	11,069	552,508
Fund balances at end of year.....	<u>\$ 1,757</u>	<u>\$ 108,011</u>	<u>\$ (348)</u>	<u>\$ 11,906</u>	<u>\$ 872,229</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2015
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 51,615	\$ 51,615	\$ 53,385	\$ 1,770
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,696	6,696	6,647	(49)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	559	559	794	235	378	423	502	79
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	10,406	9,165	8,813	(352)
State.....	-	-	-	-	16,429	17,011	16,831	(180)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	58,830	58,829	65,476	6,647	-	-	-	-
Other.....	-	-	8	8	-	569	569	-
Total revenues.....	66,085	66,084	72,925	6,841	78,828	78,783	80,100	1,317
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	92,312	67,941	61,341	6,600	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	188,483	175,644	175,446	198
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	92,312	67,941	61,341	6,600	188,483	175,644	175,446	198
Excess (deficiency) of revenues over (under) expenditures.....	(26,227)	(1,857)	11,584	13,441	(109,655)	(96,861)	(95,346)	1,515
Other financing sources (uses):								
Transfers in.....	-	-	-	-	93,315	136,661	136,661	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	-	-	-	93,315	136,661	136,661	-
Net changes in fund balances.....	(26,227)	(1,857)	11,584	13,441	(16,340)	39,800	41,315	1,515
Budgetary fund balances, July 1.....	26,227	97,827	97,827	-	16,340	59,481	59,481	-
Budgetary fund balances, June 30.....	\$ -	\$ 95,970	\$ 109,411	\$ 13,441	\$ -	\$ 99,281	\$ 100,796	\$ 1,515

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	1,000	1,000	2,318	1,318	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	2,373	2,373	2,724	351
Interest and investment income.....	9	3,070	3,865	795	220	222	178	(44)
Rents and concessions.....	-	82	406	324	-	-	-	-
Intergovernmental:								
Federal.....	6,629	44,087	44,087	-	61,692	59,721	59,721	-
State.....	844	8,836	8,836	-	39,062	44,982	44,982	-
Other.....	-	253	253	-	-	-	-	-
Charges for services.....	6,400	6,400	8,730	2,330	100	4,945	4,967	22
Other.....	18,077	68,603	83,636	15,033	273	481	481	-
Total revenues.....	32,959	132,331	152,131	19,800	103,720	112,724	113,053	329
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	15,032	12,471	12,471	-	-	78	78	-
Human welfare and neighborhood development.....	7,572	76,595	76,175	420	-	-	-	-
Community health.....	-	-	-	-	103,720	101,622	101,622	-
Culture and recreation.....	7,053	222	222	-	-	-	-	-
General administration and finance.....	4,586	2,302	2,302	-	-	-	-	-
Total expenditures.....	34,243	91,590	91,170	420	103,720	101,700	101,700	-
Excess (deficiency) of revenues over (under) expenditures.....	(1,284)	40,741	60,961	20,220	-	11,024	11,353	329
Other financing sources (uses):								
Transfers in.....	1	560	560	-	-	-	-	-
Transfers out.....	(10)	(8,165)	(8,165)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	(30)	(30)	-	-	-	-	-
Total other financing sources (uses).....	(9)	(7,635)	(7,635)	-	-	-	-	-
Net changes in fund balances.....	(1,293)	33,106	53,326	20,220	-	11,024	11,353	329
Budgetary fund balances, July 1.....	1,293	192,481	192,481	-	-	31,027	31,027	-
Budgetary fund balances, June 30.....	\$ -	\$ 225,587	\$ 245,807	\$ 20,220	\$ -	\$ 42,051	\$ 42,380	\$ 329

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	24	24	32	8
Interest and investment income.....	-	-	5	5	-	-	-	-
Rents and concessions.....	26,138	26,138	26,340	202	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	2,794	2,794	2,572	(222)
Other.....	150	150	245	95	-	-	-	-
Total revenues.....	26,288	26,288	26,590	302	2,818	2,818	2,604	(214)
Expenditures:								
Current:								
Public protection.....	-	-	-	-	2,818	474	368	106
Public works, transportation and commerce.....	-	856	856	-	-	-	-	-
Human welfare and neighborhood development.....	-	100	100	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	77,970	55,914	51,844	4,070	-	-	-	-
General administration and finance.....	-	523	523	-	-	-	-	-
Total expenditures.....	77,970	57,393	53,323	4,070	2,818	474	368	106
Excess (deficiency) of revenues over (under) expenditures.....	(51,682)	(31,105)	(26,733)	4,372	-	2,344	2,236	(108)
Other financing sources (uses):								
Transfers in.....	41,727	41,727	41,727	-	-	-	-	-
Transfers out.....	-	(23,432)	(23,432)	-	-	(2,344)	(2,344)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	(506)	(506)	(506)	-	-	-	-	-
Total other financing sources (uses).....	41,221	17,789	17,789	-	-	(2,344)	(2,344)	-
Net changes in fund balances.....	(10,461)	(13,316)	(8,944)	4,372	-	-	(108)	(108)
Budgetary fund balances, July 1.....	10,461	41,487	41,487	-	-	167	167	-
Budgetary fund balances, June 30.....	\$ -	\$ 28,171	\$ 32,543	\$ 4,372	\$ -	\$ 167	\$ 59	\$ (108)

CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)**

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	335	184	183	(1)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	25	25	27	2	-	-	-	-
Rents and concessions.....	343	343	385	42	-	-	-	-
Intergovernmental:								
Federal.....	-	9	9	-	-	374	374	-
State.....	-	166	166	-	465	5,245	5,245	-
Other.....	60	-	-	-	398	87	87	-
Charges for services.....	7,605	7,764	7,362	(402)	-	-	-	-
Other.....	800	1,608	941	(667)	1,518	2,042	524	(1,518)
Total revenues.....	<u>9,168</u>	<u>10,099</u>	<u>9,073</u>	<u>(1,026)</u>	<u>2,381</u>	<u>7,748</u>	<u>6,230</u>	<u>(1,518)</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	725	2,005	2,005	-	-	-	-	-
Human welfare and neighborhood development.....	-	25	25	-	2,181	8,173	6,657	1,516
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	11,500	10,619	10,340	279	-	-	-	-
General administration and finance.....	12,733	11,976	11,976	-	200	10	10	-
Total expenditures.....	<u>24,958</u>	<u>24,625</u>	<u>24,346</u>	<u>279</u>	<u>2,381</u>	<u>8,183</u>	<u>6,667</u>	<u>1,516</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(15,790)</u>	<u>(14,526)</u>	<u>(15,273)</u>	<u>(747)</u>	<u>-</u>	<u>(435)</u>	<u>(437)</u>	<u>(2)</u>
Other financing sources (uses):								
Transfers in.....	16,840	17,033	17,033	-	-	158	158	-
Transfers out.....	-	(116)	(116)	-	-	-	-	-
Issuance of loans.....	-	2,099	2,099	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	(6)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	<u>(1,726)</u>	<u>(1,676)</u>	<u>(1,030)</u>	<u>646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>15,108</u>	<u>17,340</u>	<u>17,986</u>	<u>646</u>	<u>-</u>	<u>158</u>	<u>158</u>	<u>-</u>
Net changes in fund balances.....	<u>(682)</u>	<u>2,814</u>	<u>2,713</u>	<u>(101)</u>	<u>-</u>	<u>(277)</u>	<u>(279)</u>	<u>(2)</u>
Budgetary fund balances, July 1.....	<u>682</u>	<u>12,744</u>	<u>12,744</u>	<u>-</u>	<u>-</u>	<u>1,318</u>	<u>1,318</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 15,558</u>	<u>\$ 15,457</u>	<u>\$ (101)</u>	<u>\$ -</u>	<u>\$ 1,041</u>	<u>\$ 1,039</u>	<u>\$ (2)</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	2,974	2,974	2,673	(301)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	41	42	147	105	45	45	61	16
Rents and concessions.....	-	-	-	-	-	1,221	1,221	-
Intergovernmental:								
Federal.....	-	-	-	-	-	135	135	-
State.....	34,692	35,152	32,163	(2,989)	-	56	56	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	800	800	666	(134)	2,358	2,382	1,949	(433)
Other.....	-	-	2	2	1,392	536	733	197
Total revenues.....	35,533	35,994	32,978	(3,016)	6,769	7,349	6,828	(521)
Expenditures:								
Current:								
Public protection.....	-	-	-	-	280	199	199	-
Public works, transportation and commerce.....	37,146	28,559	28,391	168	-	63	63	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	1,119	1,119	-
General administration and finance.....	-	-	-	-	6,635	2,870	2,870	-
Total expenditures.....	37,146	28,559	28,391	168	6,915	4,251	4,251	-
Excess (deficiency) of revenues over (under) expenditures.....	(1,613)	7,435	4,587	(2,848)	(146)	3,098	2,577	(521)
Other financing sources (uses):								
Transfers in.....	1,613	1,613	1,613	-	159	155	155	-
Transfers out.....	-	(2,454)	(2,454)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	(13)	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	1,613	(841)	(841)	-	146	155	155	-
Net changes in fund balances.....	-	6,594	3,746	(2,848)	-	3,253	2,732	(521)
Budgetary fund balances, July 1.....	-	22,272	22,272	-	-	16,741	16,741	-
Budgetary fund balances, June 30.....	\$ -	\$ 28,866	\$ 26,018	\$ (2,848)	\$ -	\$ 19,994	\$ 19,473	\$ (521)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	174	178	4	-	-	-	-
Interest and investment income.....	-	10	12	2	20	20	20	-
Rents and concessions.....	-	-	-	-	3,035	4,335	4,180	(155)
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	35	44	9	6,727	6,227	7,058	831
Other.....	962	5,192	8,973	3,781	-	-	-	-
Total revenues.....	962	5,411	9,207	3,796	9,782	10,582	11,258	676
Expenditures:								
Current:								
Public protection.....	-	29	29	-	-	-	-	-
Public works, transportation and commerce.....	-	145	145	-	-	-	-	-
Human welfare and neighborhood development.....	481	73	73	-	-	-	-	-
Community health.....	-	1,468	1,468	-	-	-	-	-
Culture and recreation.....	481	661	661	-	13,564	13,675	13,372	303
General administration and finance.....	-	86	86	-	-	-	-	-
Total expenditures.....	962	2,462	2,462	-	13,564	13,675	13,372	303
Excess (deficiency) of revenues over (under) expenditures.....	-	2,949	6,745	3,796	(3,782)	(3,093)	(2,114)	979
Other financing sources (uses):								
Transfers in.....	-	-	-	-	4,962	4,962	4,962	-
Transfers out.....	-	(331)	(331)	-	(1,180)	(1,180)	(1,180)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(331)	(331)	-	3,782	3,782	3,782	-
Net changes in fund balances.....	-	2,618	6,414	3,796	-	689	1,668	979
Budgetary fund balances, July 1.....	-	7,220	7,220	-	-	2,641	2,641	-
Budgetary fund balances, June 30.....	\$ -	\$ 9,838	\$ 13,634	\$ 3,796	\$ -	\$ 3,330	\$ 4,309	\$ 979

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	220	220	301	81	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	10	10	-	-	-	-
Interest and investment income.....	-	-	-	-	-	-	1,600	1,600
Rents and concessions.....	-	-	-	-	5,500	5,500	3,461	(2,039)
Intergovernmental:								
Federal.....	25,978	19,051	19,051	-	-	-	-	-
State.....	265	140	140	-	-	-	-	-
Other.....	120	78	78	-	3,536	5,403	5,403	-
Charges for services.....	161	337	350	13	-	-	-	-
Other.....	352	25	25	-	-	-	12,988	12,988
Total revenues.....	27,096	19,851	19,855	104	9,036	10,903	23,452	12,549
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-
Human welfare and neighborhood development.....	29,795	22,886	22,884	2	9,036	6,931	6,931	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	29,795	22,886	22,884	2	9,036	6,931	6,931	-
Excess (deficiency) of revenues over (under) expenditures.....	(2,699)	(3,035)	(2,929)	106	-	3,972	16,521	12,549
Other financing sources (uses):								
Transfers in.....	2,681	2,681	2,681	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	2,681	2,681	2,681	-	-	-	-	-
Net changes in fund balances.....	(18)	(354)	(248)	106	-	3,972	16,521	12,549
Budgetary fund balances, July 1.....	18	1,303	1,303	-	-	26,799	26,799	-
Budgetary fund balances, June 30.....	\$ -	\$ 949	\$ 1,055	\$ 106	\$ -	\$ 30,771	\$ 43,320	\$ 12,549

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ 43,020	\$ 43,020	\$ 44,487	\$ 1,467	\$ 43,020	\$ 43,020	\$ 44,488	\$ 1,468
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	452	452	98	(354)	222	222	133	(89)
Rents and concessions.....	-	-	-	-	1,284	1,284	9	(1,275)
Intergovernmental:								
Federal.....	-	-	-	-	-	10	10	-
State.....	170	170	168	(2)	220	257	255	(2)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	751	751	759	8
Other.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>43,642</u>	<u>43,642</u>	<u>44,753</u>	<u>1,111</u>	<u>45,497</u>	<u>45,544</u>	<u>45,654</u>	<u>110</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	692	692	-	-	4,032	4,032	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	45,538	46,738	43,319	3,419	107,843	106,266	100,522	5,744
General administration and finance.....	-	82	82	-	-	110	110	-
Total expenditures.....	<u>45,538</u>	<u>47,512</u>	<u>44,093</u>	<u>3,419</u>	<u>107,843</u>	<u>110,408</u>	<u>104,664</u>	<u>5,744</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(1,896)</u>	<u>(3,870)</u>	<u>660</u>	<u>4,530</u>	<u>(62,346)</u>	<u>(64,864)</u>	<u>(59,010)</u>	<u>5,854</u>
Other financing sources (uses):								
Transfers in.....	1,180	1,180	1,180	-	61,630	67,740	67,740	-
Transfers out.....	-	-	-	-	-	(7,070)	(7,070)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
issuance of commercial paper.....	-	3,050	3,050	-	-	-	-	-
Budget reserves and designations.....	(148)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	(36)	(36)	-	-	-	-	-
Total other financing sources (uses).....	<u>1,032</u>	<u>4,194</u>	<u>4,194</u>	<u>-</u>	<u>61,630</u>	<u>60,670</u>	<u>60,670</u>	<u>-</u>
Net changes in fund balances.....	<u>(864)</u>	<u>324</u>	<u>4,854</u>	<u>4,530</u>	<u>(716)</u>	<u>(4,194)</u>	<u>1,660</u>	<u>5,854</u>
Budgetary fund balances, July 1.....	864	23,409	23,409	-	716	33,451	33,451	-
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 23,733</u>	<u>\$ 28,263</u>	<u>\$ 4,530</u>	<u>\$ -</u>	<u>\$ 29,257</u>	<u>\$ 35,111</u>	<u>\$ 5,854</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	501	501	504	3	-	-	-	-
Fines, forfeitures, and penalties.....	2,154	2,154	3,429	1,275	-	200	367	167
Interest and investment income.....	52	83	65	(18)	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	99	99
Intergovernmental:								
Federal.....	29,369	40,620	40,620	-	-	-	-	-
State.....	13,184	12,830	12,830	-	257	257	-	(257)
Other.....	4	8	8	-	-	1,233	1,233	-
Charges for services.....	1,534	13,528	14,117	589	14,355	23,710	30,185	6,475
Other.....	-	243	243	-	-	107	466	359
Total revenues.....	46,798	69,967	71,816	1,849	14,612	25,507	32,350	6,843
Expenditures:								
Current:								
Public protection.....	43,159	60,201	60,201	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	2,551	14,837	12,304	2,533
Human welfare and neighborhood development.....	3,299	3,177	3,177	-	11,908	11,438	11,186	252
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	3	3	-
General administration and finance.....	4,499	2,171	2,171	-	-	32	32	-
Total expenditures.....	50,957	65,549	65,549	-	14,459	26,310	23,525	2,785
Excess (deficiency) of revenues over (under) expenditures.....	(4,159)	4,418	6,267	1,849	153	(803)	8,825	9,628
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	1,035	1,035	-
Transfers out.....	(1,898)	(2,103)	(2,103)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	(153)	(162)	(107)	55
Total other financing sources (uses).....	(1,898)	(2,103)	(2,103)	-	(153)	873	928	55
Net changes in fund balances.....	(6,057)	2,315	4,164	1,849	-	70	9,753	9,683
Budgetary fund balances, July 1.....	6,057	36,097	36,097	-	-	32,033	32,033	-
Budgetary fund balances, June 30.....	\$ -	\$ 38,412	\$ 40,261	\$ 1,849	\$ -	\$ 32,103	\$ 41,786	\$ 9,683

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	91,826	98,823	100,278	1,455
Licenses, permits, and franchises.....	-	-	-	-	4,728	4,728	4,862	134
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	392	346	463	117
Rents and concessions.....	1,359	34,403	34,557	154	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	42,668	36,966	34,804	(2,162)
State.....	-	-	-	-	5,329	4,556	3,799	(757)
Other.....	481	441	441	-	4,199	7,862	4,974	(2,888)
Charges for services.....	-	-	5	5	-	-	-	-
Other.....	-	-	1,010	1,010	5,615	5,636	180	(5,456)
Total revenues.....	<u>1,840</u>	<u>34,844</u>	<u>36,013</u>	<u>1,169</u>	<u>154,757</u>	<u>158,917</u>	<u>149,360</u>	<u>(9,557)</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	312	312	-	225,436	196,885	131,621	65,264
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	3,592	22,558	22,511	47	-	-	-	-
Total expenditures.....	<u>3,592</u>	<u>22,870</u>	<u>22,823</u>	<u>47</u>	<u>225,436</u>	<u>196,885</u>	<u>131,621</u>	<u>65,264</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(1,752)</u>	<u>11,974</u>	<u>13,190</u>	<u>1,216</u>	<u>(70,679)</u>	<u>(37,968)</u>	<u>17,739</u>	<u>55,707</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(13,191)	(13,191)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	140,000	134,664	(5,336)
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(13,191)</u>	<u>(13,191)</u>	<u>-</u>	<u>-</u>	<u>140,000</u>	<u>134,664</u>	<u>(5,336)</u>
Net changes in fund balances.....	<u>(1,752)</u>	<u>(1,217)</u>	<u>(1)</u>	<u>1,216</u>	<u>(70,679)</u>	<u>102,032</u>	<u>152,403</u>	<u>50,371</u>
Budgetary fund balances, July 1.....	<u>1,752</u>	<u>1,341</u>	<u>1,341</u>	<u>-</u>	<u>(44,392)</u>	<u>(44,392)</u>	<u>(44,392)</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 124</u>	<u>\$ 1,340</u>	<u>\$ 1,216</u>	<u>\$(115,071)</u>	<u>\$ 57,640</u>	<u>\$ 108,011</u>	<u>\$ 50,371</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Senior Citizens' Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	1	1	-	-	19	19	-
Rents and concessions.....	-	-	-	-	1,760	2,143	2,376	233
Intergovernmental:								
Federal.....	4,675	5,795	5,795	-	-	-	-	-
State.....	1,560	835	835	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	188	236	320	84
Other.....	48	137	137	-	-	-	-	-
Total revenues.....	6,283	6,768	6,768	-	1,948	2,398	2,715	317
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	820	820	-
Human welfare and neighborhood development.....	6,283	6,768	6,768	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	13,362	12,042	11,274	768
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	6,283	6,768	6,768	-	13,362	12,862	12,094	768
Excess (deficiency) of revenues over (under) expenditures.....	-	-	-	-	(11,414)	(10,464)	(9,379)	1,085
Other financing sources (uses):								
Transfers in.....	-	-	-	-	10,212	10,212	10,212	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	(174)	(174)	-	174
Total other financing sources (uses).....	-	-	-	-	10,038	10,038	10,212	174
Net changes in fund balances.....	-	-	-	-	(1,376)	(426)	833	1,259
Budgetary fund balances, July 1.....	-	2	2	-	1,376	11,028	11,028	-
Budgetary fund balances, June 30.....	\$ -	\$ 2	\$ 2	\$ -	\$ -	\$ 10,602	\$ 11,861	\$ 1,259

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Total			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property taxes.....	\$ 137,655	\$ 137,655	\$ 142,360	\$ 4,705
Business taxes.....	1,000	1,000	2,318	1,318
Sales and use tax.....	91,826	98,823	100,278	1,455
Licenses, permits, and franchises.....	15,454	15,303	15,170	(133)
Fines, forfeitures, and penalties.....	4,551	4,925	6,740	1,815
Interest and investment income.....	2,415	5,539	7,990	2,451
Rents and concessions.....	39,419	75,449	73,034	(2,415)
Intergovernmental:				
Federal.....	181,417	215,933	213,419	(2,514)
State.....	112,477	130,493	126,306	(4,187)
Other.....	8,798	15,365	12,477	(2,888)
Charges for services.....	102,603	128,738	144,560	15,822
Other.....	29,187	85,329	111,161	25,832
Total revenues.....	<u>726,802</u>	<u>914,552</u>	<u>955,813</u>	<u>41,261</u>
Expenditures:				
Current:				
Public protection.....	46,257	60,903	60,797	106
Public works, transportation and commerce.....	373,202	329,696	255,131	74,565
Human welfare and neighborhood development.....	259,038	311,810	309,422	2,388
Community health.....	103,720	103,090	103,090	-
Culture and recreation.....	277,311	247,259	232,676	14,583
General administration and finance.....	32,245	42,720	42,673	47
Total expenditures.....	<u>1,091,773</u>	<u>1,095,478</u>	<u>1,003,789</u>	<u>91,689</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(364,971)</u>	<u>(180,926)</u>	<u>(47,976)</u>	<u>132,950</u>
Other financing sources (uses):				
Transfers in.....	234,320	285,717	285,717	-
Transfers out.....	(3,088)	(60,386)	(60,386)	-
Issuance of loans.....	-	142,099	136,763	(5,336)
Issuance of commercial paper.....	-	3,050	3,050	-
Budget reserves and designations.....	(167)	-	-	-
Loan repayments and other financing sources (uses).....	<u>(2,559)</u>	<u>(2,584)</u>	<u>(1,709)</u>	<u>875</u>
Total other financing sources (uses).....	<u>228,506</u>	<u>367,896</u>	<u>363,435</u>	<u>(4,461)</u>
Net changes in fund balances.....	<u>(136,465)</u>	<u>186,970</u>	<u>315,459</u>	<u>128,489</u>
Budgetary fund balances, July 1.....	21,394	606,477	606,477	-
Budgetary fund balances, June 30.....	<u>\$ (115,071)</u>	<u>\$ 793,447</u>	<u>\$ 921,936</u>	<u>\$ 128,489</u>

CITY AND COUNTY OF SAN FRANCISCO

**Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2015
(In Thousands)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection.....	\$ 92,312	\$ 65,372	\$ 58,772	\$ 6,600
Public Works.....	-	2,569	2,569	-
Total Building Inspection Fund.....	<u>92,312</u>	<u>67,941</u>	<u>61,341</u>	<u>6,600</u>
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	12,941	12,586	12,388	198
Children and Families Commission.....	49,146	41,221	41,221	-
Mayor's Office.....	126,396	121,837	121,837	-
Total Children and Families Fund.....	<u>188,483</u>	<u>175,644</u>	<u>175,446</u>	<u>198</u>
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	5,929	12,236	12,236	-
Public Works.....	9,103	235	235	-
	<u>15,032</u>	<u>12,471</u>	<u>12,471</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Human Services.....	60	281	281	-
Mayor's Office.....	981	69,834	69,834	-
Rent Arbitration Board.....	6,531	6,480	6,060	420
	<u>7,572</u>	<u>76,595</u>	<u>76,175</u>	<u>420</u>
Culture and Recreation				
Arts Commission.....	20	19	19	-
Public Library.....	1,140	-	-	-
Recreation and Park Commission.....	5,893	203	203	-
	<u>7,053</u>	<u>222</u>	<u>222</u>	<u>-</u>
General Administration and Finance				
Administrative Services.....	1,000	856	856	-
City Planning.....	3,586	1,446	1,446	-
	<u>4,586</u>	<u>2,302</u>	<u>2,302</u>	<u>-</u>
Total Community / Neighborhood Development Fund.....	<u>34,243</u>	<u>91,590</u>	<u>91,170</u>	<u>420</u>
COMMUNITY HEALTH SERVICES FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	78	78	-
Community Health				
Community Health Network.....	103,720	101,622	101,622	-
Total Community Health Services Fund.....	<u>103,720</u>	<u>101,700</u>	<u>101,700</u>	<u>-</u>
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	-	7	7	-
Public Utilities Commission.....	-	71	71	-
Public Works.....	-	778	778	-
	<u>-</u>	<u>856</u>	<u>856</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	100	100	-
Culture and Recreation				
Arts Commission.....	-	52	52	-
Administrative Services.....	77,970	55,862	51,792	4,070
	<u>77,970</u>	<u>55,914</u>	<u>51,844</u>	<u>4,070</u>
General Administration and Finance				
City Planning.....	-	523	523	-
	<u>-</u>	<u>523</u>	<u>523</u>	<u>-</u>
Total Convention Facilities Fund.....	<u>77,970</u>	<u>57,393</u>	<u>53,323</u>	<u>4,070</u>

CITY AND COUNTY OF SAN FRANCISCO

**Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts.....	\$ 2,818	\$ 474	\$ 368	\$ 106
Total Court's Fund.....	<u>2,818</u>	<u>474</u>	<u>368</u>	<u>106</u>
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	725	1,290	1,290	-
Public Works.....	-	715	715	-
	<u>725</u>	<u>2,005</u>	<u>2,005</u>	<u>-</u>
Culture and Recreation				
Arts Commission.....	4,422	4,449	4,449	-
Asian Art Museum.....	681	435	435	-
Fine Arts Museums.....	2,859	2,757	2,757	-
Recreation and Park Commission.....	3,538	2,978	2,699	279
	<u>11,500</u>	<u>10,619</u>	<u>10,340</u>	<u>279</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	25	25	-
General Administration and Finance				
Administrative Services.....	12,733	11,976	11,976	-
Total Culture and Recreation Fund.....	<u>24,958</u>	<u>24,625</u>	<u>24,346</u>	<u>279</u>
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	2,181	8,173	6,657	1,516
General Administration and Finance				
City Planning.....	200	10	10	-
Total Environmental Protection Fund.....	<u>2,381</u>	<u>8,183</u>	<u>6,667</u>	<u>1,516</u>
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency.....	-	643	643	-
Public Utilities Commission.....	-	1,137	1,137	-
Public Works.....	37,146	26,779	26,611	168
Total Gasoline Tax Fund.....	<u>37,146</u>	<u>28,559</u>	<u>28,391</u>	<u>168</u>
GENERAL SERVICES FUND				
Public Protection				
District Attorney.....	-	29	29	-
Trial Courts.....	280	170	170	-
	<u>280</u>	<u>199</u>	<u>199</u>	<u>-</u>
Public Works, Transportation and Commerce				
Public Works.....	-	63	63	-
Culture and Recreation				
Fine Arts Museum.....	-	1,119	1,119	-
General Administration and Finance				
Administrative Services.....	552	281	281	-
Assessor/Recorder.....	1,874	1,340	1,340	-
Board of Supervisors.....	18	21	21	-
Elections.....	-	18	18	-
Mayor's Office.....	431	304	304	-
Telecommunications and Information Services.....	3,018	671	671	-
Treasurer/Tax Collector.....	742	235	235	-
	<u>6,635</u>	<u>2,870</u>	<u>2,870</u>	<u>-</u>
Total General Services Fund.....	<u>6,915</u>	<u>4,251</u>	<u>4,251</u>	<u>-</u>

CITY AND COUNTY OF SAN FRANCISCO

**Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney.....	\$ -	\$ 1	\$ 1	\$ -
Fire Department.....	-	16	16	-
Police Department.....	-	12	12	-
	-	29	29	-
Public Works, Transportation and Commerce				
Public Works.....	-	145	145	-
	-	145	145	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	18	18	-
Social Services.....	481	48	48	-
Commission on Status of Women.....	-	7	7	-
	481	73	73	-
Community Health				
Community Health Network.....	-	1,468	1,468	-
Culture and Recreation				
Arts Commission.....	-	30	30	-
Fine Arts Museums.....	-	69	69	-
Public Library.....	10	37	37	-
Recreation and Park Commission.....	471	419	419	-
War Memorial.....	-	106	106	-
	481	661	661	-
General Administration and Finance				
Administrative Services.....	-	83	83	-
Board of Supervisors.....	-	2	2	-
Telecommunications and Information Services.....	-	1	1	-
	-	86	86	-
General City Responsibilities				
Controller.....	-	-	-	-
Total Gift and Other Expendable Trusts Fund.....	<u>962</u>	<u>2,462</u>	<u>2,462</u>	<u>-</u>
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission.....	13,564	13,675	13,372	303
Total Golf Fund.....	<u>13,564</u>	<u>13,675</u>	<u>13,372</u>	<u>303</u>
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	238	211	209	2
Social Services.....	29,557	22,675	22,675	-
Total Human Welfare Fund.....	<u>29,795</u>	<u>22,886</u>	<u>22,884</u>	<u>2</u>
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	9,036	6,931	6,931	-
Total Low and Moderate Income Housing Asset Fund.....	<u>9,036</u>	<u>6,931</u>	<u>6,931</u>	<u>-</u>

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	\$ -	\$ 124	\$ 124	\$ -
Public Works.....	-	568	568	-
	-	692	692	-
Culture and Recreation				
Arts Commission.....	-	133	133	-
Recreation and Park Commission.....	45,538	46,605	43,186	3,419
	45,538	46,738	43,319	3,419
General Administration and Finance				
City Planning.....	-	82	82	-
Total Open Space and Park Fund.....	45,538	47,512	44,093	3,419
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	15	15	-
Public Works.....	-	4,017	4,017	-
	-	4,032	4,032	-
Culture and Recreation				
Arts Commission.....	-	6	6	-
Public Library.....	107,843	106,260	100,516	5,744
	107,843	106,266	100,522	5,744
General Administration and Finance				
Telecommunications and Information Services.....	-	110	110	-
Total Public Library Fund.....	107,843	110,408	104,664	5,744
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation.....	3,214	1,364	1,364	-
District Attorney.....	4,694	5,236	5,236	-
Emergency Communications Department.....	23,912	27,752	27,752	-
Fire Department.....	-	3,841	3,841	-
Juvenile Probation.....	1,655	1,726	1,726	-
Mayor's Office.....	-	4	4	-
Police Commission.....	6,300	17,026	17,026	-
Public Defender.....	103	474	474	-
Sheriff.....	3,281	2,778	2,778	-
	43,159	60,201	60,201	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	3,299	3,121	3,121	-
Commission on Status of Women.....	-	56	56	-
	3,299	3,177	3,177	-
General Administration and Finance				
City Attorney.....	4,499	2,171	2,171	-
Total Public Protection Fund.....	50,957	65,549	65,549	-

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works.....	\$ 2,551	\$ 14,837	\$ 12,304	\$ 2,533
Human Welfare and Neighborhood Development				
Mayor's Office.....	11,908	11,438	11,186	252
Culture and Recreation				
Arts Commission.....	-	3	3	-
General Administration and Finance				
City Planning.....	-	32	32	-
Total Public Works, Transportation and Commerce Fund.....	<u>14,459</u>	<u>26,310</u>	<u>23,525</u>	<u>2,785</u>
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission.....	-	154	154	-
Public Works.....	-	158	158	-
	-	312	312	-
General Administration and Finance				
Administrative Services.....	3,592	22,558	22,511	47
Total Real Property Fund.....	<u>3,592</u>	<u>22,870</u>	<u>22,823</u>	<u>47</u>
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors.....	225,436	196,885	131,621	65,264
Total SF County Transportation Authority Fund.....	<u>225,436</u>	<u>196,885</u>	<u>131,621</u>	<u>65,264</u>
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department.....	6,283	6,768	6,768	-
Total Senior Citizens' Program Fund.....	<u>6,283</u>	<u>6,768</u>	<u>6,768</u>	<u>-</u>
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial.....	13,362	12,042	11,274	768
Public Works, Transportation and Commerce				
Public Works.....	-	820	820	-
Total War Memorial Fund.....	<u>13,362</u>	<u>12,862</u>	<u>12,094</u>	<u>768</u>
 Total Special Revenue Funds With Legally Adopted Budgets ..	 <u>\$1,091,773</u>	 <u>\$1,095,478</u>	 <u>\$1,003,789</u>	 <u>\$ 91,689</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2015
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury.....	\$ 99,585	\$ -	\$ 3	\$ 99,588
Deposits and investments outside City Treasury.....	-	29,958	-	29,958
Receivables:				
Property taxes and penalties.....	7,077	-	-	7,077
Interest and other.....	207	37	-	244
Total assets.....	<u>\$ 106,869</u>	<u>\$ 29,995</u>	<u>\$ 3</u>	<u>\$ 136,867</u>
Liabilities:				
Accounts payable.....	\$ -	\$ -	\$ 3	\$ 3
Due to other funds.....	35	-	-	35
Unearned revenues and other liabilities.....	9,976	-	-	9,976
Total liabilities.....	10,011	-	3	10,014
Deferred inflows of resources.....	5,566	-	-	5,566
Fund balances:				
Restricted.....	91,292	29,995	-	121,287
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 106,869</u>	<u>\$ 29,995</u>	<u>\$ 3</u>	<u>\$ 136,867</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2015
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes.....	\$ 227,176	\$ -	\$ -	\$ 227,176
Fines, forfeitures, and penalties.....	15,040	-	-	15,040
Interest and investment income.....	1,086	63	-	1,149
Rents and concessions.....	-	705	-	705
Intergovernmental				
State.....	801	-	-	801
Other.....	3,730	-	-	3,730
Total revenues.....	<u>247,833</u>	<u>768</u>	<u>-</u>	<u>248,601</u>
Expenditures:				
Debt service:				
Principal retirement.....	165,860	34,270	367	200,497
Interest and other fiscal charges.....	94,715	22,820	295	117,830
Bond issuance costs.....	1,541	65	-	1,606
Total expenditures.....	<u>262,116</u>	<u>57,155</u>	<u>662</u>	<u>319,933</u>
Deficiency of revenues under expenditures.....	<u>(14,283)</u>	<u>(56,387)</u>	<u>(662)</u>	<u>(71,332)</u>
Other financing sources (uses):				
Transfers in.....	21,073	55,329	662	77,064
Issuance of bonds and loans:				
Face value of bonds issued.....	293,910	-	-	293,910
Premium on issuance of bonds.....	54,366	-	-	54,366
Payment to refunded bond escrow agent.....	<u>(359,225)</u>	<u>-</u>	<u>-</u>	<u>(359,225)</u>
Total other financing sources, net.....	<u>10,124</u>	<u>55,329</u>	<u>662</u>	<u>66,115</u>
Net changes in fund balances.....	(4,159)	(1,058)	-	(5,217)
Fund balances at beginning of year.....	95,451	31,053	-	126,504
Fund balances at end of year.....	<u>\$ 91,292</u>	<u>\$ 29,995</u>	<u>\$ -</u>	<u>\$ 121,287</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2015
(In Thousands)

	<u>General Obligation Bond Fund</u>			Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Property taxes.....	\$ 229,493	\$ 229,493	\$ 227,176	\$ (2,317)
Fines, forfeitures, and penalties.....	15,149	15,149	15,040	(109)
Interest and investment income.....	-	-	1,096	1,096
Intergovernmental				
State.....	800	800	801	1
Other.....	-	<u>3,732</u>	<u>3,730</u>	<u>(2)</u>
Total revenues.....	<u>245,442</u>	<u>249,174</u>	<u>247,843</u>	<u>(1,331)</u>
Expenditures:				
Debt service:				
Principal retirement.....	242,255	168,306	165,860	2,446
Interest and other fiscal charges.....	10,989	94,715	94,715	-
Bond issuance costs.....	-	640	640	-
Total expenditures.....	<u>253,244</u>	<u>263,661</u>	<u>261,215</u>	<u>2,446</u>
Deficiency of revenues under expenditures.....	<u>(7,802)</u>	<u>(14,487)</u>	<u>(13,372)</u>	<u>1,115</u>
Other financing sources:				
Transfers in.....	4,790	21,073	21,073	-
Issuance of bonds and loans:				
Face value of bonds issued.....	-	2,500	2,500	-
Payment to refunded bond escrow agent.....	-	<u>(14,349)</u>	<u>(14,349)</u>	-
Total other financing sources.....	<u>4,790</u>	<u>9,224</u>	<u>9,224</u>	-
Net changes in fund balances.....	(3,012)	(5,263)	(4,148)	1,115
Budgetary fund balance, July 1.....	<u>3,012</u>	<u>103,537</u>	<u>103,537</u>	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 98,274</u>	<u>\$ 99,389</u>	<u>\$ 1,115</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2015
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:				
Deposits and investments with City Treasury.....	\$ 171,347	\$ 17	\$ 7,432	\$ -
Deposits and investments outside City Treasury.....	18,215	-	-	1,861
Receivables:				
Federal and state grants and subventions.....	-	-	-	-
Charges for services.....	6,355	-	-	-
Interest and other.....	184	-	7	-
Due from other funds.....	-	-	-	-
Due from component unit.....	-	-	-	36
Total assets.....	<u>\$ 196,101</u>	<u>\$ 17</u>	<u>\$ 7,439</u>	<u>\$ 1,897</u>
Liabilities:				
Accounts payable.....	\$ 32,445	\$ -	\$ -	\$ 8,830
Accrued payroll.....	320	-	-	39
Unearned grant and subvention revenue.....	-	-	-	-
Due to other funds.....	35	-	-	8,858
Unearned revenues and other liabilities.....	2,032	-	-	-
Bonds, loans, capital leases, and other payables.....	133,668	-	-	17,980
Total liabilities.....	<u>168,500</u>	<u>-</u>	<u>-</u>	<u>35,707</u>
Deferred inflows of resources.....	<u>6,354</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted.....	21,247	17	7,439	-
Unassigned.....	-	-	-	(33,810)
Total fund balances.....	<u>21,247</u>	<u>17</u>	<u>7,439</u>	<u>(33,810)</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 196,101</u>	<u>\$ 17</u>	<u>\$ 7,439</u>	<u>\$ 1,897</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2015
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets:				
Deposits and investments with City Treasury.....	\$ 912	\$ 63,222	\$ 94,109	\$ 337,039
Deposits and investments outside City Treasury.....	-	-	3,124	23,200
Receivables:				
Federal and state grants and subventions.....	-	2,411	2,088	4,499
Charges for services.....	-	-	-	6,355
Interest and other.....	1	68	92	352
Due from other funds.....	51	125	1,870	2,046
Due from component unit.....	-	-	-	36
Total assets.....	<u>\$ 964</u>	<u>\$ 65,826</u>	<u>\$ 101,283</u>	<u>\$ 373,527</u>
Liabilities:				
Accounts payable.....	\$ 69	\$ 4,288	\$ 10,204	\$ 55,836
Accrued payroll.....	-	201	556	1,116
Unearned grant and subvention revenue.....	-	519	-	519
Due to other funds.....	-	-	-	8,893
Unearned revenues and other liabilities.....	-	24	1,092	3,148
Bonds, loans, capital leases, and other payables.....	-	-	-	151,648
Total liabilities.....	<u>69</u>	<u>5,032</u>	<u>11,852</u>	<u>221,160</u>
Deferred inflows of resources.....	-	1,722	1,500	9,576
Fund balances:				
Restricted.....	895	59,072	87,931	176,601
Unassigned.....	-	-	-	(33,810)
Total fund balances.....	<u>895</u>	<u>59,072</u>	<u>87,931</u>	<u>142,791</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 964</u>	<u>\$ 65,826</u>	<u>\$ 101,283</u>	<u>\$ 373,527</u>

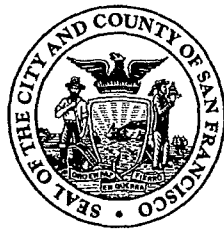
CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds
Year Ended June 30, 2015
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income.....	\$ 1,308	\$ -	\$ 48	\$ -
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	-	-	-
State.....	-	-	-	-
Other.....	-	-	-	-
Other.....	-	-	-	-
Total revenues.....	<u>1,308</u>	<u>-</u>	<u>48</u>	<u>-</u>
Expenditures:				
Debt service:				
Interest and other fiscal charges.....	1,086	-	-	210
Bond issuance costs.....	1,128	-	-	-
Capital outlay.....	<u>278,835</u>	<u>-</u>	<u>2</u>	<u>26,468</u>
Total expenditures.....	<u>281,049</u>	<u>-</u>	<u>2</u>	<u>26,678</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(279,741)</u>	<u>-</u>	<u>46</u>	<u>(26,678)</u>
Other financing sources (uses):				
Transfers in.....	356	-	-	512
Transfers out.....	(66,790)	-	-	-
Issuance of bonds and loans:				
Face value of bonds issued.....	155,620	-	-	-
Premium on issuance of bonds.....	15,467	-	-	-
Other financing sources-capital leases.....	-	-	-	-
Total other financing sources, net.....	<u>104,653</u>	<u>-</u>	<u>-</u>	<u>512</u>
Net changes in fund balances.....	<u>(175,088)</u>	<u>-</u>	<u>46</u>	<u>(26,166)</u>
Fund balances at beginning of year.....	196,335	17	7,393	(7,644)
Fund balances at end of year.....	<u>\$ 21,247</u>	<u>\$ 17</u>	<u>\$ 7,439</u>	<u>\$ (33,810)</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Interest and investment income.....	\$ 6	\$ 497	\$ 653	\$ 2,512
Rents and concessions.....	-	-	311	311
Intergovernmental:				
Federal.....	-	164	13,966	14,130
State.....	-	1,798	92	1,890
Other.....	-	-	151	151
Other.....	-	313	485	798
Total revenues.....	<u>6</u>	<u>2,772</u>	<u>15,658</u>	<u>19,792</u>
Expenditures:				
Debt service:				
Interest and other fiscal charges.....	-	-	-	1,296
Bond issuance costs.....	-	-	-	1,128
Capital outlay.....	<u>494</u>	<u>37,581</u>	<u>69,360</u>	<u>412,740</u>
Total expenditures.....	<u>494</u>	<u>37,581</u>	<u>69,360</u>	<u>415,164</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(488)</u>	<u>(34,809)</u>	<u>(53,702)</u>	<u>(395,372)</u>
Other financing sources (uses):				
Transfers in.....	-	1,261	26,239	28,368
Transfers out.....	-	-	(10,092)	(76,882)
Issuance of bonds and loans:				
Face value of bonds issued.....	-	-	-	155,620
Premium on issuance of bonds.....	-	-	-	15,467
Other financing sources-capital leases.....	<u>431</u>	<u>296</u>	<u>-</u>	<u>727</u>
Total other financing sources, net.....	<u>431</u>	<u>1,557</u>	<u>16,147</u>	<u>123,300</u>
Net changes in fund balances.....	<u>(57)</u>	<u>(33,252)</u>	<u>(37,555)</u>	<u>(272,072)</u>
Fund balances at beginning of year.....	<u>952</u>	<u>92,324</u>	<u>125,486</u>	<u>414,863</u>
Fund balances at end of year.....	<u>\$ 895</u>	<u>\$ 59,072</u>	<u>\$ 87,931</u>	<u>\$ 142,791</u>



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CITY AND COUNTY OF SAN FRANCISCO
INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Net Position
Internal Service Funds**

June 30, 2015
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury.....	\$ 3,123	\$ -	\$ 2,031	\$ 32,751	\$ 37,905
Receivables:					
Charges for services.....	-	-	60	-	60
Interest and other.....	-	28	-	716	744
Due from other funds.....	-	76	-	-	76 ⁽¹⁾
Capital leases receivable.....	-	19,227	-	-	19,227
Restricted assets:					
Deposits and investments outside City Treasury	-	28,242	-	-	28,242
Total current assets.....	3,123	47,573	2,091	33,467	86,254
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury	-	4,665	-	-	4,665
Capital leases receivable.....	-	193,622	-	-	193,622
Capital assets:					
Facilities and equipment, net of depreciation.....	548	-	424	8,600	9,572
Total noncurrent assets.....	548	198,287	424	8,600	207,859
Total assets.....	3,671	245,860	2,515	42,067	294,113
Deferred outflows of resources:					
Unamortized loss on refunding of debt.....	-	1,171	-	-	1,171
Deferred outflows related to pensions.....	1,748	-	-	4,451	6,199
Total deferred outflows of resources.....	1,748	1,171	-	4,451	7,370
Liabilities:					
Current liabilities:					
Accounts payable.....	2,165	287	304	5,824	8,580
Accrued payroll.....	375	-	51	930	1,356
Accrued vacation and sick leave pay.....	469	-	-	1,275	1,744
Accrued workers' compensation.....	-	-	-	350	350
Bonds, loans, capital leases, and other payables..	-	18,795	-	-	18,795
Accrued interest payable.....	-	1,429	-	-	1,429
Due to other funds.....	37	189	-	39	265 ⁽¹⁾
Unearned revenues and other liabilities.....	-	28,598	-	34	28,632
Total current liabilities.....	3,046	49,298	355	8,452	61,151
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	281	-	-	869	1,150
Accrued workers' compensation.....	-	-	-	1,593	1,593
Other postemployment benefits obligation.....	5,038	-	-	16,829	21,867
Bonds, loans, capital leases, and other payables..	-	197,733	-	-	197,733
Net pension liability.....	5,214	-	-	13,280	18,494
Total noncurrent liabilities.....	10,533	197,733	-	32,571	240,837
Total liabilities.....	13,579	247,031	355	41,023	301,988
Deferred inflows of resources:					
Deferred inflows related to pensions.....	4,671	-	-	11,898	16,569
Net position:					
Net investment in capital assets.....	548	-	424	8,600	9,572
Unrestricted (deficit).....	(13,379)	-	1,736	(15,003)	(26,646)
Total net position.....	\$ (12,831)	\$ -	\$ 2,160	\$ (6,403)	\$ (17,074)

Notes:

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary funds on pages 33-34.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2015
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 30,228	\$ -	\$ 7,597	\$ 90,845	\$ 128,670
Rents and concessions.....	-	-	-	156	156
Total operating revenues.....	<u>30,228</u>	<u>-</u>	<u>7,597</u>	<u>91,001</u>	<u>128,826</u>
Operating expenses:					
Personal services.....	12,703	-	1,789	31,137	45,629
Contractual services.....	2,883	-	4,510	37,787	45,180
Materials and supplies.....	12,378	-	246	6,251	18,875
Depreciation and amortization.....	120	-	72	2,259	2,451
General and administrative.....	118	-	2	420	540
Services provided by other departments..	1,411	-	445	5,131	6,987
Other.....	311	-	52	4,720	5,083
Total operating expenses.....	<u>29,924</u>	<u>-</u>	<u>7,116</u>	<u>87,705</u>	<u>124,745</u>
Operating income.....	<u>304</u>	<u>-</u>	<u>481</u>	<u>3,296</u>	<u>4,081</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	4,566	5	137	4,708
Interest expense.....	-	(5,022)	-	-	(5,022)
Other, net.....	3	456	13	987	1,459
Total nonoperating revenues (expenses)	<u>3</u>	<u>-</u>	<u>18</u>	<u>1,124</u>	<u>1,145</u>
Income before transfers.....	307	-	499	4,420	5,226
Transfers in.....	70	-	-	80	150
Transfers out.....	-	-	(5)	(137)	(142)
Change in net position.....	<u>377</u>	<u>-</u>	<u>494</u>	<u>4,363</u>	<u>5,234</u>
Net position at beginning of year,					
as previously reported.....	<u>(3,623)</u>	<u>-</u>	<u>1,666</u>	<u>13,647</u>	<u>11,690</u>
Cumulative effect of accounting change.....	<u>(9,585)</u>	<u>-</u>	<u>-</u>	<u>(24,413)</u>	<u>(33,998)</u>
Net position at beginning of year,					
as restated.....	<u>(13,208)</u>	<u>-</u>	<u>1,666</u>	<u>(10,766)</u>	<u>(22,308)</u>
Net position at end of year.....	<u>\$ (12,831)</u>	<u>\$ -</u>	<u>\$ 2,160</u>	<u>\$ (6,403)</u>	<u>\$ (17,074)</u>

CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2015
(In Thousands)**

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 30,265	\$ 29,883	\$ 7,555	\$ 91,839	\$ 159,542
Cash paid for employees' services.....	(14,116)	-	(1,828)	(33,828)	(49,772)
Cash paid to suppliers for goods and services.....	(16,282)	(10,509)	(5,043)	(55,947)	(87,781)
Net cash provided by (used in) operating activities.....	(133)	19,374	684	2,064	21,989
Cash flows from noncapital financing activities:					
Transfers in.....	70	-	-	80	150
Transfers out.....	-	-	(5)	(137)	(142)
Net cash provided by (used in) noncapital financing activities.....	70	-	(5)	(57)	8
Cash flows from capital and related financing activities:					
Acquisition of capital assets.....	(474)	-	(410)	(1,861)	(2,745)
Retirement of capital lease obligation.....	-	(26,440)	-	-	(26,440)
Bond issue costs paid.....	-	(15)	-	-	(15)
Interest paid on long-term debt.....	-	(5,171)	-	-	(5,171)
Net cash used in capital and related financing activities.....	(474)	(31,626)	(410)	(1,861)	(34,371)
Cash flows from investing activities:					
Interest and investment income.....	-	12	5	137	154
Other investing activities.....	-	65	-	-	65
Net cash provided by investing activities.....	-	77	5	137	219
Change in cash and cash equivalents.....	(537)	(12,175)	274	283	(12,155)
Cash and cash equivalents at beginning of year.....	3,660	40,417	1,757	32,468	78,302
Cash and cash equivalents at end of year.....	\$ 3,123	\$ 28,242	\$ 2,031	\$ 32,751	\$ 66,147

Reconciliation of operating income to net cash provided by operating activities:					
Operating income.....	\$ 304	\$ -	\$ 481	\$ 3,296	\$ 4,081
Adjustments for non-cash and other activities:					
Depreciation and amortization.....	120	-	72	2,259	2,451
Other.....	3	-	13	987	1,003
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net.....	34	26,440	(55)	(149)	26,270
Accounts payable.....	557	-	212	(1,592)	(823)
Accrued payroll.....	(389)	-	(39)	(951)	(1,379)
Accrued vacation and sick leave pay.....	(3)	-	-	119	116
Accrued workers' compensation.....	-	-	-	176	176
Other postemployment benefits obligation.....	427	-	-	1,651	2,078
Due to other funds.....	37	-	-	(46)	(9)
Unearned revenue and other liabilities.....	225	(7,066)	-	-	(6,841)
Net pension liability and pension related deferred outflows and inflows of resources.....	(1,448)	-	-	(3,686)	(5,134)
Total adjustments.....	(437)	19,374	203	(1,232)	17,908
Net cash provided by (used in) operating activities.....	\$ (133)	\$ 19,374	\$ 684	\$ 2,064	\$ 21,989

Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted.....	\$ 3,123	\$ -	\$ 2,031	\$ 32,751	\$ 37,905
Deposits and investments outside City Treasury:					
Restricted.....	-	32,907	-	-	32,907
Total deposits and investments.....	3,123	32,907	2,031	32,751	70,812
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	-	(4,665)	-	-	(4,665)

Cash and cash equivalents at end of year on statement of cash flows.....	\$ 3,123	\$ 28,242	\$ 2,031	\$ 32,751	\$ 66,147
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Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease.....	\$ -	\$ 424	\$ -	\$ -	\$ 424

CITY AND COUNTY OF SAN FRANCISCO
FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2015
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Other Post- employment Benefit Trust Fund</u>	<u>Total</u>
	<u>Employees' Retirement System</u>	<u>Health Service System</u>	<u>Retiree Health Care</u>	
Assets				
Deposits and investments with City Treasury.....	\$ -	\$ 109,836	\$ 72,183	\$ 182,019
Deposits and investments outside City Treasury:				
Cash and deposits.....	31,969	-	-	31,969
Short term investments.....	656,185	-	-	656,185
Debt securities.....	4,967,128	-	-	4,967,128
Equity securities.....	10,454,530	-	-	10,454,530
Real assets.....	1,975,926	-	-	1,975,926
Private equity.....	2,484,299	-	-	2,484,299
Foreign currency contracts, net.....	722	-	-	722
Invested in securities lending collateral.....	1,001,231	-	-	1,001,231
Receivables:				
Employer and employee contributions.....	8,078	19,073	774	27,925
Brokers, general partners and others.....	226,201	-	-	226,201
Interest and other.....	39,553	2,116	63	41,732
Total assets.....	<u>21,845,822</u>	<u>131,025</u>	<u>73,020</u>	<u>22,049,867</u>
Liabilities				
Accounts payable.....	40,715	18,475	-	59,190
Estimated claims payable.....	-	29,343	-	29,343
Payable to brokers.....	374,001	-	-	374,001
Deferred Retirement Option Program.....	1,491	-	-	1,491
Payable to borrowers of securities.....	1,001,546	-	-	1,001,546
Other liabilities.....	-	1,677	-	1,677
Total liabilities.....	<u>1,417,753</u>	<u>49,495</u>	<u>-</u>	<u>1,467,248</u>
Net Position				
Held in trust for pension benefits and other purposes	<u>\$ 20,428,069</u>	<u>\$ 81,530</u>	<u>\$ 73,020</u>	<u>\$ 20,582,619</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2015
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Other Post- employment Benefit Trust Fund</u>	
	<u>Employees' Retirement System</u>	<u>Health Service System</u>	<u>Retiree Health Care</u>	<u>Total</u>
Additions:				
Employees' contributions.....	\$ 301,682	\$ 120,935	\$ 15,897	\$ 438,514
Employer contributions.....	592,643	656,403	7,947	1,256,993
Total contributions.....	<u>894,325</u>	<u>777,338</u>	<u>23,844</u>	<u>1,695,507</u>
Investment income/loss:				
Interest.....	209,520	672	388	210,580
Dividends.....	214,636	-	-	214,636
Net appreciation (depreciation) in fair value of investments...	378,519	(23)	11	378,507
Securities lending income.....	4,869	-	-	4,869
Total investment income.....	<u>807,544</u>	<u>649</u>	<u>399</u>	<u>808,592</u>
Less investment expenses:				
Securities lending borrower rebates and expenses.....	796	-	-	796
Other investment expenses.....	(44,911)	-	-	(44,911)
Total investment expenses.....	<u>(44,115)</u>	<u>-</u>	<u>-</u>	<u>(44,115)</u>
Total additions, net.....	<u>1,657,754</u>	<u>777,987</u>	<u>24,243</u>	<u>2,459,984</u>
Deductions:				
Benefit payments.....	1,118,691	789,278	-	1,907,969
Refunds of contributions.....	12,339	-	-	12,339
Administrative expenses.....	19,262	-	240	19,502
Total deductions.....	<u>1,150,292</u>	<u>789,278</u>	<u>240</u>	<u>1,939,810</u>
Change in net position.....	507,462	(11,291)	24,003	520,174
Net position at beginning of year.....	<u>19,920,607</u>	<u>92,821</u>	<u>49,017</u>	<u>20,062,445</u>
Net position at end of year.....	<u>\$20,428,069</u>	<u>\$ 81,530</u>	<u>\$ 73,020</u>	<u>\$20,582,619</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2015
(In Thousands)

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 23,304	\$ 3,492	\$ 6,032	\$ 20,764
Deposits and investments outside City Treasury..	14	-	14	-
Receivables:				
Interest and other.....	28	137	145	20
Total assets.....	<u>\$ 23,346</u>	<u>\$ 3,629</u>	<u>\$ 6,191</u>	<u>\$ 20,784</u>
Liabilities				
Accounts payable.....	\$ 1,566	\$ 1,316	\$ 2,871	\$ 11
Agency obligations.....	21,780	5,311	6,318	20,773
Total liabilities.....	<u>\$ 23,346</u>	<u>\$ 6,627</u>	<u>\$ 9,189</u>	<u>\$ 20,784</u>
Deposits Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 17,085	\$ 45,921	\$ 47,851	\$ 15,155
Deposits and investments outside City Treasury..	-	36	-	36
Receivables:				
Interest and other.....	84	53	111	26
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 62,707</u>	<u>\$ 46,010</u>	<u>\$ 47,962</u>	<u>\$ 60,755</u>
Liabilities				
Accounts payable.....	\$ 3,482	\$ 15,072	\$ 17,188	\$ 1,366
Agency obligations.....	59,225	44,802	44,638	59,389
Total liabilities.....	<u>\$ 62,707</u>	<u>\$ 59,874</u>	<u>\$ 61,826</u>	<u>\$ 60,755</u>
Payroll Deduction Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 15,921	\$ 39,943	\$ -	\$ 55,864
Receivables:				
Employer and employee contributions.....	66,007	676	35,861	30,822
Total assets.....	<u>\$ 81,928</u>	<u>\$ 40,619</u>	<u>\$ 35,861</u>	<u>\$ 86,686</u>
Liabilities				
Accounts payable.....	\$ 7,631	\$ 57,238	\$ 13,315	\$ 51,554
Agency obligations.....	74,297	39,128	78,293	35,132
Total liabilities.....	<u>\$ 81,928</u>	<u>\$ 96,366</u>	<u>\$ 91,608</u>	<u>\$ 86,686</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 3,632	\$ 3,669	\$ 6,314	\$ 987
Deposits and investments outside City Treasury..	-	1	-	1
Receivables:				
Interest and other.....	-	1	1	-
Total assets.....	<u>\$ 3,632</u>	<u>\$ 3,671</u>	<u>\$ 6,315</u>	<u>\$ 988</u>
Liabilities				
Accounts payable.....	\$ 276	\$ 6,250	\$ 6,266	\$ 260
Agency obligations.....	3,356	3,666	6,294	728
Total liabilities.....	<u>\$ 3,632</u>	<u>\$ 9,916</u>	<u>\$ 12,560</u>	<u>\$ 988</u>
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 58,821	\$3,554,117	\$3,555,538	\$ 57,400
Deposits and investments outside City Treasury..	1,076	-	1,076	-
Receivables:				
Interest and other.....	144,262	2,141,947	2,079,223	206,986
Total assets.....	<u>\$204,159</u>	<u>\$5,696,064</u>	<u>\$5,635,837</u>	<u>\$264,386</u>
Liabilities				
Accounts payable.....	\$ 2,599	\$ 71,049	\$ 71,870	\$ 1,778
Agency obligations.....	201,560	2,663,773	2,602,725	262,608
Total liabilities.....	<u>\$204,159</u>	<u>\$2,734,822</u>	<u>\$2,674,595</u>	<u>\$264,386</u>
Transit Fund				
Assets				
Deposits and investments with City Treasury.....	\$ 4,316	\$ 71,576	\$ 68,840	\$ 7,052
Receivables:				
Interest and other.....	3	20	20	3
Total assets.....	<u>\$ 4,319</u>	<u>\$ 71,596</u>	<u>\$ 68,860</u>	<u>\$ 7,055</u>
Liabilities				
Accounts payable.....	\$ 2,209	\$ 21,540	\$ 21,811	\$ 1,938
Agency obligations.....	2,110	51,875	48,868	5,117
Total liabilities.....	<u>\$ 4,319</u>	<u>\$ 73,415</u>	<u>\$ 70,679</u>	<u>\$ 7,055</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2015
(In Thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Other Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 34,791	\$ 291,473	\$ 293,269	\$ 32,995
Deposits and investments outside City Treasury..	80	-	80	-
Receivables:				
Interest and other.....	449	263	495	217
Total assets.....	<u>\$ 35,320</u>	<u>\$ 291,736</u>	<u>\$ 293,844</u>	<u>\$ 33,212</u>
Liabilities				
Accounts payable.....	\$ 9,881	\$ 94,851	\$ 99,396	\$ 5,336
Agency obligations.....	25,439	286,415	283,978	27,876
Total liabilities.....	<u>\$ 35,320</u>	<u>\$ 381,266</u>	<u>\$ 383,374</u>	<u>\$ 33,212</u>
Total Agency Funds				
Assets				
Deposits and investments with City Treasury.....	\$ 157,870	\$ 4,010,191	\$ 3,977,844	\$ 190,217
Deposits and investments outside City Treasury..	1,170	37	1,170	37
Receivables:				
Employer and employee contributions.....	66,007	676	35,861	30,822
Interest and other.....	144,826	2,142,421	2,079,995	207,252
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 415,411</u>	<u>\$ 6,153,325</u>	<u>\$ 6,094,870</u>	<u>\$ 473,866</u>
Liabilities				
Accounts payable.....	\$ 27,644	\$ 267,316	\$ 232,717	\$ 62,243
Agency obligations.....	387,767	3,094,970	3,071,114	411,623
Total liabilities.....	<u>\$ 415,411</u>	<u>\$ 3,362,286</u>	<u>\$ 3,303,831</u>	<u>\$ 473,866</u>

CITY AND COUNTY OF SAN FRANCISCO

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY AND COUNTY OF SAN FRANCISCO
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 ⁽¹⁾	2014	2015 ⁽²⁾
Governmental activities										
Net investment in capital assets.....	\$ 1,438,010	\$ 1,454,614	\$ 1,436,842	\$ 1,725,203	\$ 1,833,733	\$ 1,910,341	\$ 2,199,316	\$ 2,275,963	\$ 2,483,086	\$ 2,684,808
Restricted for:										
Reserve for rainy day.....	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969
Debt service.....	63,076	28,310	23,130	30,724	34,308	38,805	48,202	98,754	91,900	87,772
Capital projects.....	10,589	19,128	-	-	63,323	82,315	91,997	154,502	110,608	28,263
Community development.....	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094
Transportation Authority activities.....	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486
Building inspection programs.....	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512
Children and families.....	42,849	45,531	43,666	46,273	40,866	45,827	53,632	56,170	59,572	100,892
Culture, recreation, grants and other purposes.....	84,531	113,606	112,219	116,032	113,917	155,152	150,383	158,973	206,368	209,399
Unrestricted (deficit).....	(72,038)	(14,448)	(281,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,961)
Total governmental activities net position.....	\$ 1,794,618	\$ 1,871,011	\$ 1,685,056	\$ 1,905,203	\$ 1,152,965	\$ 1,310,279	\$ 1,920,010	\$ 1,820,159	\$ 2,341,631	\$ 1,287,214
Business-type activities										
Net investment in capital assets.....	\$ 3,438,397	\$ 3,795,006	\$ 3,935,008	\$ 4,204,644	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579	\$ 4,832,659	\$ 5,117,679
Restricted for:										
Debt service.....	256,055	249,656	282,187	58,716	71,128	62,421	53,951	58,970	64,143	100,923
Capital projects.....	148,957	75,771	111,463	140,832	188,580	161,580	176,570	299,942	363,601	358,745
Other purposes.....	32,354	23,709	28,254	31,459	18,854	18,741	18,913	13,046	24,721	35,966
Unrestricted.....	536,670	567,122	491,437	324,395	259,533	268,328	242,842	610,565	732,736	(335,083)
Total business-type activities net position.....	\$ 4,412,433	\$ 4,711,264	\$ 4,848,349	\$ 4,760,146	\$ 4,615,894	\$ 4,992,474	\$ 5,031,266	\$ 5,674,102	\$ 6,017,860	\$ 5,278,250
Primary government										
Net investment in capital assets.....	\$ 4,876,407	\$ 5,249,620	\$ 5,371,850	\$ 5,630,550	\$ 5,735,644	\$ 5,993,892	\$ 6,459,434	\$ 6,692,499	\$ 7,032,674	\$ 7,520,698
Restricted for:										
Reserve for rainy day.....	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969
Debt service.....	309,131	277,966	305,317	89,440	105,436	99,226	102,153	157,724	156,043	188,695
Capital projects.....	159,546	94,899	111,463	140,832	239,209	223,694	246,027	356,002	418,103	330,213
Community development.....	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094
Transportation Authority activities.....	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486
Building inspection programs.....	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512
Children and families.....	42,849	45,531	43,666	46,273	40,866	45,827	53,632	56,170	59,572	100,892
Culture, recreation, grants and other purposes.....	116,885	137,315	140,473	147,491	132,771	173,893	169,296	172,019	231,089	245,385
Unrestricted (deficit).....	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,870)	67,752	(2,355,480)
Total primary activities net position.....	\$ 6,207,051	\$ 6,582,276	\$ 6,433,405	\$ 6,065,349	\$ 5,968,879	\$ 6,302,753	\$ 6,951,276	\$ 7,494,281	\$ 8,359,491	\$ 6,585,464

Notes:

- (1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.
- (2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.



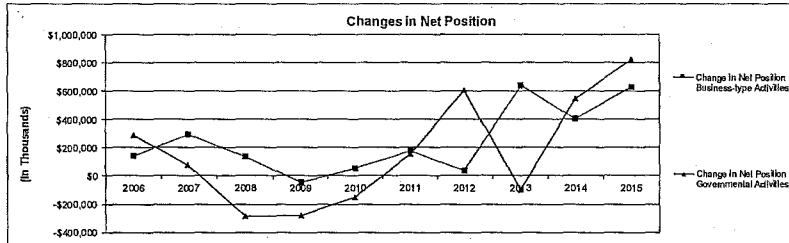
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CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (In Thousands)

Expenses	Fiscal Year									
	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014	2015 ⁽²⁾
Governmental activities:										
Public protection.....	\$ 780,642	\$ 881,689	\$ 1,020,457	\$ 1,109,311	\$ 1,089,309	\$ 1,099,791	\$ 1,158,618	\$ 1,236,922	\$ 1,229,591	\$ 1,108,200
Public works, transportation and commerce.....	272,397	309,095	342,411	254,955	225,589	239,230	210,415	189,124	200,712	270,454
Human welfare and neighborhood development.....	858,396	751,034	848,195	908,449	933,039	885,194	942,523	946,562	1,009,190	1,073,652
Community health.....	478,844	516,321	587,410	608,733	599,741	613,883	673,905	751,491	786,781	735,040
Culture and recreation.....	244,423	290,547	347,433	319,994	310,063	318,063	307,289	338,042	357,620	355,676
General administration and finance.....	167,490	184,653	250,295	238,661	221,471	224,027	237,818	249,271	298,563	249,823
General City responsibilities.....	49,054	67,948	80,887	72,634	80,246	84,444	98,147	83,895	85,239	94,577
Unallocated interest on long-term debt and cost of issuance (1).....	94,823	94,060	97,694	93,367	102,635	110,142	110,145	107,790	110,880	115,030
Total governmental activities expenses.....	2,946,169	3,085,347	3,654,762	3,806,064	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452
Business-type activities:										
Altpof.....	633,102	624,832	651,581	683,335	662,347	690,875	746,610	756,961	827,658	853,339
Transportation.....	695,593	726,053	830,411	863,218	905,694	905,218	659,088	1,026,726	1,037,368	1,018,251
Port.....	55,329	61,937	67,495	71,778	73,573	68,661	72,307	81,422	86,551	88,436
Water.....	213,684	236,824	252,802	277,162	325,242	362,802	431,248	445,804	470,200	438,865
Power.....	119,146	95,020	109,436	96,228	119,109	119,282	130,709	129,790	137,639	149,438
Hospitals.....	646,149	714,349	812,399	820,238	842,488	885,294	954,566	992,587	1,011,452	996,395
Sewer.....	160,701	168,954	182,712	184,977	201,403	201,629	214,593	223,727	243,466	239,566
Market.....	1,035	1,061	1,052	1,144	1,119	1,152	1,138	1,231	120	-
Total business-type activities expenses.....	2,524,639	2,829,030	2,997,888	2,996,078	3,130,975	3,234,813	3,510,259	3,658,348	3,816,454	3,784,229
Total primary government expenses.....	\$ 5,470,808	\$ 6,114,377	\$ 6,652,650	\$ 6,802,142	\$ 6,693,068	\$ 6,809,607	\$ 7,247,099	\$ 7,561,445	\$ 7,900,010	\$ 7,786,751
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection.....	\$ 51,874	\$ 58,979	\$ 66,343	\$ 90,044	\$ 58,980	\$ 62,105	\$ 61,412	\$ 60,190	\$ 69,673	\$ 70,444
Public works, transportation and commerce.....	113,861	111,364	115,939	72,267	71,288	101,846	93,809	105,981	135,842	128,661
Human welfare and neighborhood development.....	29,181	56,367	108,956	33,968	25,813	56,628	68,794	69,997	99,848	96,012
Community health.....	52,183	50,266	52,455	60,708	65,756	64,419	58,864	60,856	67,690	93,130
Culture and recreation.....	64,720	85,407	70,576	74,477	81,655	75,528	78,828	93,612	89,369	96,302
General administration and finance.....	55,799	10,502	20,376	33,530	35,190	57,691	44,558	75,903	66,071	89,403
General City responsibilities.....	31,647	29,604	28,980	27,377	37,806	29,316	29,142	50,121	39,445	37,031
Operating Grants and Contributions.....	859,919	927,256	926,089	809,685	897,091	1,040,118	998,701	1,086,154	1,142,094	1,165,340
Capital Grants and Contributions.....	248,329	50,479	36,079	44,048	50,349	57,719	41,174	29,718	39,379	48,233
Total governmental activities program revenues.....	1,507,513	1,360,224	1,423,793	1,346,154	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,828,566
Business-type activities:										
Charges for services:										
Altpof.....	455,342	503,914	535,771	551,283	578,041	607,323	668,672	726,358	770,691	815,364
Transportation.....	210,692	222,115	257,341	257,083	311,311	334,140	350,464	494,805	521,628	499,584
Port.....	58,588	81,193	64,498	66,438	66,579	72,266	77,260	80,202	85,019	95,296
Water.....	201,833	216,531	234,216	265,781	265,218	268,395	342,101	371,470	379,862	426,047
Power.....	149,500	106,224	119,855	115,274	128,590	140,035	127,309	133,927	134,458	147,803
Hospitals.....	472,327	515,062	556,167	568,210	606,276	726,522	740,909	865,244	951,038	894,718
Sewer.....	164,703	193,411	202,549	208,654	209,843	229,218	244,155	252,554	260,097	256,002
Market.....	1,503	1,567	1,564	1,546	1,661	1,655	1,672	1,716	141	-
Operating Grants and Contributions.....	188,672	183,301	181,725	186,805	182,672	204,153	200,318	224,382	190,351	191,101
Capital Grants and Contributions.....	110,403	150,080	152,511	107,118	180,253	213,364	173,976	251,753	615,445	357,819
Total business-type activities program revenues.....	2,013,563	2,155,428	2,308,197	2,328,192	2,530,364	2,817,069	2,926,846	3,755,410	3,806,730	3,883,734
Total primary government program revenues.....	\$ 3,521,076	\$ 3,515,652	\$ 3,731,990	\$ 3,674,346	\$ 3,954,492	\$ 4,343,347	\$ 4,401,928	\$ 5,388,942	\$ 5,556,731	\$ 5,510,290

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION (Continued)
 Last Ten Fiscal Years
 (Accrual basis of accounting)
 (In Thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Net (expenses)/revenue										
Governmental activities.....	\$ (1,438,656)	\$ (1,725,123)	\$ (2,130,989)	\$ (2,259,910)	\$ (2,137,965)	\$ (2,048,516)	\$ (2,261,758)	\$ (2,269,565)	\$ (2,333,555)	\$ (2,175,896)
Business-type activities.....	(511,076)	(473,602)	(699,691)	(665,888)	(500,611)	(417,844)	(583,413)	97,062	(7,724)	(100,585)
Total primary government net expenses.....	\$ (1,949,732)	\$ (2,198,725)	\$ (2,730,680)	\$ (2,925,798)	\$ (2,738,576)	\$ (2,466,360)	\$ (2,845,171)	\$ (2,172,503)	\$ (2,341,279)	\$ (2,276,481)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes.....	\$ 1,016,220	\$ 1,128,992	\$ 1,189,511	\$ 1,302,071	\$ 1,345,040	\$ 1,340,690	\$ 1,355,855	\$ 1,415,068	\$ 1,521,471	\$ 1,640,383
Business taxes.....	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406	611,832
Sales and use tax.....	175,138	184,723	190,867	172,784	164,769	181,474	198,236	208,025	227,636	240,424
Hotel room tax.....	173,923	194,290	216,089	214,460	186,849	209,962	238,567	238,782	310,052	394,262
Utility users tax.....	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979
Other local taxes.....	170,159	211,082	155,951	128,017	194,070	251,285	353,746	359,808	391,638	451,994
Interest and investment income.....	71,129	88,233	57,929	35,434	27,877	17,645	31,453	7,882	21,887	20,737
Other.....	56,022	33,048	25,939	44,086	54,410	58,524	91,235	52,855	70,024	46,905
Transfers - internal activities of primary government.....	(323,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)
Extraordinary gain (loss).....	-	-	-	-	-	-	323,130	(291,870)	-	-
Total governmental activities.....	1,732,182	1,801,516	1,845,034	1,980,057	1,965,747	2,205,810	2,671,469	2,169,714	2,661,297	3,000,826
Business-type activities:										
Interest and investment income.....	53,161	85,892	67,217	49,891	44,471	42,299	82,533	1,009	29,843	25,999
Other.....	272,873	218,184	233,244	181,759	176,064	214,993	286,584	61,737	62,737	200,148
Special item.....	-	17,386	(41,026)	-	-	-	-	-	-	-
Transfers - internal activities of primary government.....	329,996	451,171	477,341	393,259	435,824	337,132	251,088	483,028	311,627	504,791
Extraordinary gain (loss).....	-	-	-	-	-	-	-	-	(6,843)	-
Total business-type activities.....	656,030	772,433	736,776	624,709	656,359	594,424	622,205	545,774	417,364	730,938
Total primary government.....	\$ 2,388,222	\$ 2,573,949	\$ 2,581,810	\$ 2,604,766	\$ 2,642,106	\$ 2,800,234	\$ 3,493,694	\$ 2,715,488	\$ 3,298,661	\$ 3,731,764
Change in Net Position										
Governmental activities.....	\$ 293,536	\$ 76,393	\$ (285,955)	\$ (279,853)	\$ (152,218)	\$ 157,284	\$ 609,731	\$ (99,851)	\$ 547,742	\$ 824,930
Business-type activities.....	144,954	298,831	137,085	(45,177)	55,748	176,560	38,792	642,836	409,640	630,373
Total primary government.....	\$ 438,490	\$ 375,224	\$ (148,870)	\$ (325,030)	\$ (96,470)	\$ 333,874	\$ 648,523	\$ 542,985	\$ 957,382	\$ 1,455,303



Notes:

(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency – Technology’s function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

CITY AND COUNTY OF SAN FRANCISCO
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	Fiscal Year					
	2006	2007	2008	2009		
General Fund						
Reserved for rainy day.....	\$ 121,978	\$ 133,622	\$ 117,792	\$ 98,297		
Reserved for assets not available for appropriation.....	10,710	12,665	11,358	11,307		
Reserved for encumbrances.....	38,159	60,948	63,068	65,902		
Reserved for appropriation carryforward.....	124,009	161,127	99,959	91,075		
Reserved for subsequent years' budgets.....	27,461	32,062	36,341	6,891		
Unreserved.....	<u>138,971</u>	<u>141,037</u>	<u>77,117</u>	<u>28,203</u>		
Total general fund.....	<u>\$ 461,276</u>	<u>\$ 541,461</u>	<u>\$ 405,635</u>	<u>\$ 301,675</u>		
All other governmental funds						
Reserved for assets not available for appropriation.....	\$ 20,202	\$ 19,413	\$ 19,814	\$ 19,781		
Reserved for debt service.....	57,429	51,299	47,334	75,886		
Reserved for encumbrances.....	423,120	288,948	193,461	167,169		
Reserved for appropriation carryforward.....	284,340	282,234	314,051	501,008		
Reserved for subsequent years' budgets.....	8,004	8,004	13,504	11,245		
Unreserved reported in:						
Special revenue funds.....	35,243	47,445	(27,758)	(69,468)		
Capital projects funds.....	13,662	(373)	2,126	(26,153)		
Permanent fund.....	<u>2,308</u>	<u>3,508</u>	<u>3,502</u>	<u>3,871</u>		
Total other governmental funds.....	<u>\$ 854,308</u>	<u>\$ 710,478</u>	<u>\$ 566,034</u>	<u>\$ 683,337</u>		
General Fund						
Nonspendable.....	\$ 14,674	\$ 20,501	\$ 19,598	\$ 23,854	\$ 24,022	\$ 24,786
Restricted.....	39,582	33,439	34,109	26,339	83,194	114,989
Committed.....	4,677	33,431	79,276	137,487	145,128	142,815
Assigned.....	132,645	240,635	305,413	353,191	508,903	705,076
Unassigned.....	-	-	17,329	-	74,317	157,550
Total general fund.....	<u>\$ 191,778</u>	<u>\$ 328,005</u>	<u>\$ 455,725</u>	<u>\$ 540,871</u>	<u>\$ 835,562</u>	<u>\$ 1,145,196</u>
All other governmental funds						
Nonspendable.....	\$ 192	\$ 192	\$ 1,104	\$ 274	\$ 441	\$ 329
Restricted.....	861,188	831,289	1,189,102	1,191,189	1,115,226	1,110,836
Assigned.....	27,493	27,622	28,006	30,759	50,733	66,740
Unassigned.....	<u>(81,566)</u>	<u>(59,523)</u>	<u>(136,856)</u>	<u>(94,532)</u>	<u>(64,983)</u>	<u>(34,158)</u>
Total other governmental funds.....	<u>\$ 807,307</u>	<u>\$ 799,560</u>	<u>\$ 1,081,356</u>	<u>\$ 1,127,690</u>	<u>\$ 1,101,417</u>	<u>\$ 1,143,747</u>

Notes:
 (1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.



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CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	Fiscal Year									
	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014	2015
Revenues:										
Property taxes.....	\$ 1,008,151	\$ 1,107,864	\$ 1,179,688	\$ 1,272,385	\$ 1,331,957	\$ 1,380,356	\$ 1,352,857	\$ 1,421,764	\$ 1,517,261	\$ 1,642,159
Business taxes.....	323,153	337,592	395,025	388,653	354,019	391,779	437,678	480,131	563,406	611,932
Sales and use tax.....	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636	240,424
Hotel room tax.....	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052	394,262
Utility users tax.....	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979
Other local taxes.....	170,159	211,082	155,951	126,017	194,070	251,285	353,889	359,808	391,638	451,994
Licenses, permits and franchises.....	27,662	27,428	30,943	32,153	33,625	35,977	39,770	40,901	42,371	42,959
Fines, forfeitures and penalties.....	14,449	8,871	13,217	9,694	22,255	11,770	30,090	49,841	28,425	28,154
Interest and investment income.....	70,046	83,846	54,256	33,547	27,038	17,041	31,371	7,489	21,678	20,583
Rent and concessions.....	52,426	52,493	70,160	77,014	78,527	78,995	89,183	98,770	90,712	99,102
Intergovernmental:										
Federal.....	350,985	381,688	328,315	362,582	448,890	484,704	420,974	420,775	426,314	465,196
State.....	565,989	582,666	561,095	575,774	552,641	581,119	588,532	656,141	721,735	751,574
Other.....	23,500	15,689	15,907	15,186	7,397	32,017	33,181	41,789	9,408	15,774
Charges for services.....	263,994	273,057	288,689	280,407	243,128	258,015	264,856	296,059	333,904	359,044
Other.....	61,565	44,084	81,321	30,318	51,023	97,194	83,634	81,014	134,923	123,605
Total revenues.....	3,357,584	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273	5,345,741
Expenditures										
Public protection.....	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157
Public works, transportation and commerce.....	274,669	280,907	236,569	248,161	243,454	226,920	250,879	223,218	232,005	293,999
Human welfare and neighborhood development.....	697,102	740,171	828,903	886,686	918,301	870,091	918,414	945,106	995,192	1,095,419
Community health.....	471,741	509,844	543,046	578,828	581,392	595,222	653,263	734,736	761,439	753,832
Culture and recreation.....	256,979	286,135	309,612	313,442	303,134	310,392	311,156	328,794	331,914	352,852
General administration and finance.....	161,195	167,505	215,054	190,680	187,221	191,641	203,157	211,138	233,977	251,370
General City responsibilities.....	53,763	57,532	71,205	73,147	86,498	85,463	96,150	81,775	86,996	98,658
Debt service:										
Principal retirement.....	86,970	98,169	106,580	126,501	154,051	148,231	167,465	154,542	190,266	200,497
Interest and fiscal charges.....	75,975	71,266	75,844	74,466	89,946	101,716	103,706	108,189	119,142	121,371
Bond issuance costs.....	1,933	3,683	1,090	4,746	2,145	2,161	5,386	2,913	2,185	2,734
Capital outlay.....	153,493	283,370	133,155	152,473	182,448	214,817	270,094	410,994	449,726	412,740
Total expenditures.....	3,021,218	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339	4,793,626
Excess (deficiency) of revenues over (under) expenditures.....	336,366	219,964	133,317	32,137	20,630	325,536	196,621	145,871	330,934	552,115

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (In Thousands)

	Fiscal Year									
	2006	2007	2008	2009 ⁽¹⁾	2010	2011	2012	2013	2014	2015
Other financing sources (uses):										
Transfers in.....	224,523	217,298	244,770	352,693	302,790	304,882	335,600	447,734	563,283	556,287
Transfers out.....	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,091,086)
Issuance of bonds and loans:										
Face value of bonds issued.....	219,120	312,955	310,155	456,935	393,010	232,965	804,090	557,490	257,175	449,530
Face value of loans issued.....	5,359	141	1,829	-	599	1,813	4,359	5,890	8,735	136,763
Premium on issuance of bonds.....	10,233	3,521	13,071	12,875	16,647	16,799	89,336	64,469	19,773	69,833
Discount on issuance of bonds.....	-	(1,856)	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent.....	-	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-	(49,055)	(359,225)
Other financing sources - capital leases.....	6,882	12,789	24,254	24,881	20,746	19,769	12,304	13,470	12,869	7,750
Total other financing sources (uses).....	(89,038)	(283,609)	(413,587)	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)
Extraordinary gain (loss).....	-	-	-	-	-	-	197,314	(172,651)	-	-
Net change in fund balances.....	<u>\$ 247,328</u>	<u>\$ (63,645)</u>	<u>\$ (280,270)</u>	<u>\$ 13,343</u>	<u>\$ 14,073</u>	<u>\$ 128,481</u>	<u>\$ 409,515</u>	<u>\$ 131,480</u>	<u>\$ 288,418</u>	<u>\$ 351,964</u>
Debt service as a percentage of noncapital expenditures.....	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%
Debt service as a percentage of total expenditures.....	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%

Notes:

⁽¹⁾ In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)
Last Ten Fiscal Years
(In Thousands)

Fiscal Year (4)	Assessed Value			Exemptions (2)			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reim- bursable	Reim- bursable	Redevelopment Tax Increments		
2006.....	\$ 114,767,252	\$ 3,465,752	\$ 118,233,004	\$ 4,246,112	\$ 657,834	\$ 6,453,299	\$ 106,875,759	1.00%
2007.....	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008.....	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009.....	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010.....	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011.....	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012.....	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013.....	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014.....	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015.....	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%

Source:

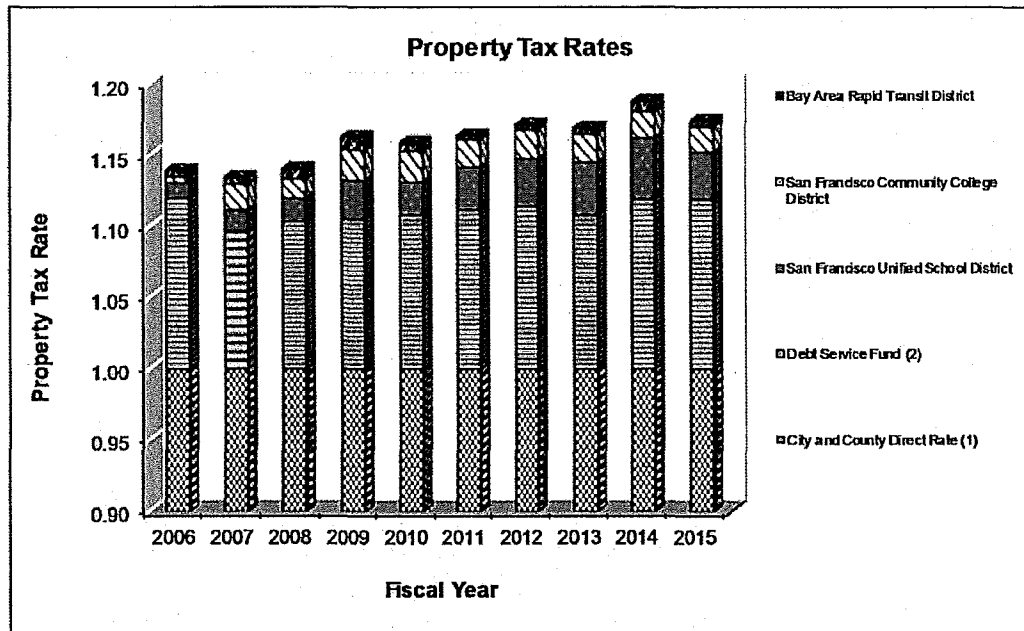
Controller, City and County of San Francisco

Notes:

- (1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.
- (2) Exemptions are summarized as follows:
 - (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
 - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
 - (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.
- (3) Based on certified assessed values.
- (4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
 Last Ten Fiscal Years
 (Rate Per \$1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate (1)	Overlapping Rates				Total
		Debt Service Fund (2)	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743



Notes:

- (1) Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.
- (2) On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO
PRINCIPAL PROPERTY ASSESSEES
 Current Fiscal Year and Nine Fiscal Years Ago
 (Dollar in Thousands)

Assessee	Type of Business	Fiscal Year 2015			Fiscal Year 2006		
		Taxable Assessed Value ⁽¹⁾	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽²⁾
HWA 555 Owners LLC	Office, Commercial	\$ 945,282	1	0.48%	\$ -	-	-
PPF Paramount One Market Plaza Owner LP	Office, Commercial	774,392	2	0.40%	-	-	-
Union Investment Real Estate GMBH	Office, Commercial	457,498	3	0.23%	-	-	-
Emporium Mall LLC	Retail, Commercial	432,617	4	0.22%	-	-	-
SPF China Basin Holdings LLC	Office, Commercial	425,167	5	0.22%	-	-	-
SHC Embarcadero LLC	Office, Commercial	399,011	6	0.20%	-	-	-
Wells REIT II - 333 Market St LLC	Office, Commercial	397,044	7	0.00%	389,743	6	0.36%
Post-Montgomery Associates	Office, Commercial	389,025	8	0.20%	-	-	-
PPF Off One Maritime Plaza LP	Office, Commercial	369,052	9	0.19%	-	-	-
SF Hilton Inc.	Hotel	368,599	10	0.19%	-	-	-
Embarcadero Center Venture	Office, Commercial	-	-	-	1,224,728	1	1.15%
Pacific Gas & Electric Company	Utilities	-	-	-	1,094,861	2	1.02%
555 California Street Partners	Office, Commercial	-	-	-	795,000	3	0.74%
EOP - One Market LLC	Office, Commercial	-	-	-	424,443	4	0.40%
Marriott Hotel	Hotel	-	-	-	389,795	5	0.36%
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-	-	-	363,007	7	0.36%
Olympic View Realty LLC (Park Merced)	Apartments	-	-	-	342,426	8	0.32%
SBC California (Formerly Pacific Bell)	Utilities, Communications	-	-	-	337,477	9	0.32%
101 California Venture	Office, Commercial	-	-	-	281,980	10	0.26%
Total		\$ 4,957,687		2.72%	\$ 5,663,460		5.29%

Source: Assessor, City and County of San Francisco

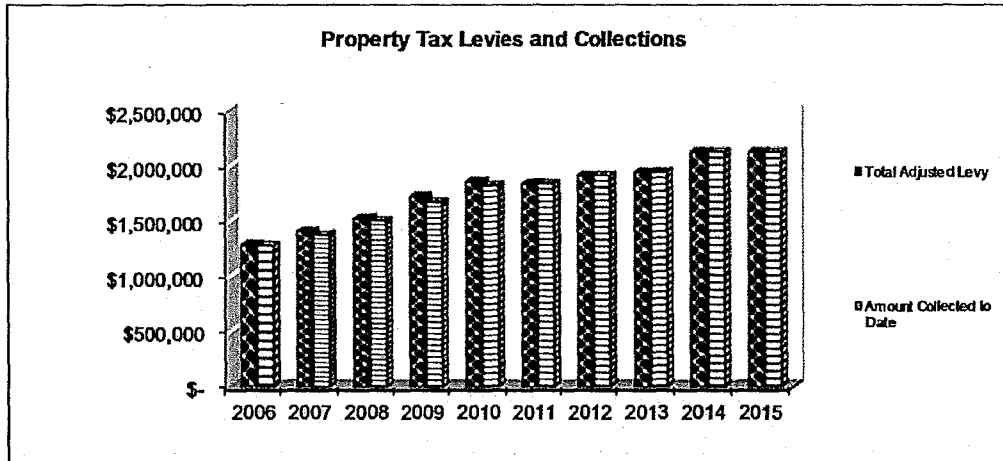
Notes:

(1) Data for fiscal year 2014-2015 updated as of July 1, 2014.

(2) Assessed values for fiscal years 2014-2015 and 2005-2006 are from the tax rolls of calendar years 2014 and 2005, respectively.

CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS ^{(1) (2)}
 Last Ten Fiscal Years
 (In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Original Levy	Collections in Subsequent Years (3)	Amount	Percentage of Adjusted Levy	
2006	\$1,291,491	\$ 1,263,396	97.82%	\$ 17,524	\$ 1,280,920	99.18%	
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65	
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56	
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02	
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85	
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79	
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94	
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90	
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91	
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82	



Source: Controller, City and County of San Francisco

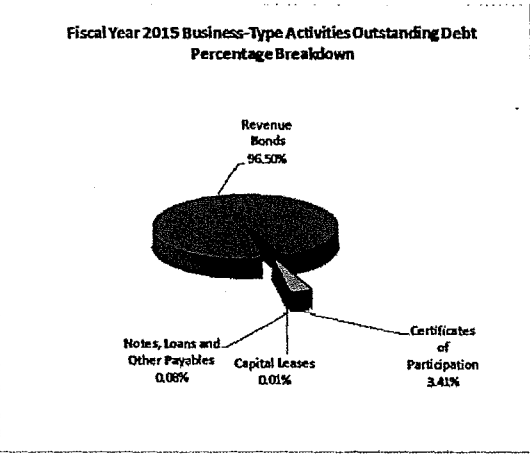
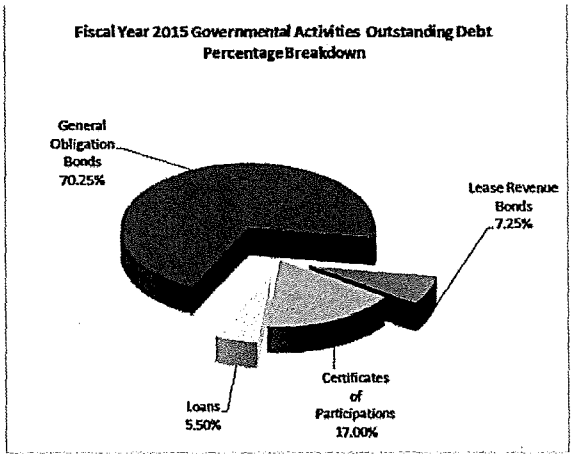
Notes:

- (1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.
- (2) Does not include SB-813 supplemental property taxes.
- (3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
 (In Thousands, except per capita amount)

Fiscal Year ⁽¹⁾	Governmental Activities						
	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligation ⁽²⁾	Subtotal
2006	\$ 1,256,045	\$ 231,497	\$ 274,407	\$ 12,377	\$ 190,279	\$ 33,278	\$ 1,997,883
2007	1,181,588	250,095	417,063	11,640	185,736	27,353	2,073,475
2008	1,135,205	283,469	408,745	12,495	174,149	20,779	2,034,842
2009	1,208,353	294,973	564,754	11,329	164,383	14,019	2,257,811
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	2,490,699
2011	1,411,769	283,155	587,121	10,072	141,377	-	2,433,494
2012	1,617,397	275,876	552,998	13,878	22,878	-	2,483,027
2013	2,052,155	264,828	574,683	19,184	9,741	-	2,920,591
2014	2,105,885	243,503	544,817	27,441	3,085	-	2,924,731
2015	2,096,765	216,527	507,504	163,837	-	-	2,984,633

Fiscal Year ⁽¹⁾	Business-Type Activities							Total Primary Government	Percentage of Personal Income ⁽⁴⁾	Per Capita ⁽⁴⁾
	Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation ⁽³⁾	Notes, Loans and Other Payables	Capital Leases	Subtotal				
2006.....	\$ 5,553,738	\$ 118,868	\$ -	\$ 22,962	\$ 5,522	\$ 5,701,090	\$ 7,698,973	14.28	\$ 9,793	
2007.....	5,437,855	102,438	-	18,447	4,499	5,563,239	7,636,714	13.56	9,556	
2008.....	5,373,878	89,101	-	13,749	3,843	5,480,571	7,515,413	12.91	9,301	
2009.....	4,928,729	75,339	-	324,042	2,635	5,330,745	7,588,556	13.54	9,307	
2010.....	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.60	12,386	
2011.....	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	18.42	13,284	
2012.....	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	20.25	14,723	
2013.....	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	19.78	14,995	
2014.....	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	20.34	15,214	
2015.....	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	20.40	15,489	



Notes:
⁽¹⁾ In compliance with GASB Statement No. 65, the amount of outstanding obligations for fiscal year 2006-2013 was restated to exclude refunding gain or loss.
⁽²⁾ The amount for fiscal year 2006 to 2010 was restated to exclude commercial paper issued by the San Francisco County Transportation Authority.
⁽³⁾ Certificates of Participation of \$22,550 was presented in FY 2010 in Capital Leases.
⁽⁴⁾ See Demographic and Economic Statistics, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years
 (In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds ⁽¹⁾	Less: Amounts Restricted for Debt Service ⁽¹⁾	Total	Per Capita ^{(2) (3)}	Percentage of Taxable Assessed Value ⁽⁴⁾
2006	\$ 1,256,045	\$ 46,929	\$ 1,209,116	\$ 1,538	1.06%
2007	1,181,588	35,249	1,146,339	1,434	0.92
2008	1,135,205	31,883	1,103,322	1,365	0.82
2009	1,208,353	40,907	1,167,446	1,432	0.78
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,318	1.16
2014	2,105,885	95,451	2,010,434	2,358	1.14
2015	2,096,765	91,292	2,005,473	2,320	1.10

Notes:

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
- (2) Population data can be found in Demographic and Economic Statistics.
- (3) FY 2013 and FY 2014 are updated with newly available data.
- (4) Taxable property data can be found in Assessed Value of Taxable Property and represents total assessed value less non-reimbursable exemptions.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt limit	\$ 3,419,607	\$ 3,749,434	\$ 4,050,223	\$ 4,497,000	\$ 4,853,760
Total net debt applicable to limit ⁽¹⁾	1,256,045	1,181,588	1,135,205	1,208,353	1,442,448
Legal debt margin	<u>\$ 2,163,562</u>	<u>\$ 2,567,846</u>	<u>\$ 2,915,018</u>	<u>\$ 3,288,647</u>	<u>\$ 3,411,312</u>
Total net debt applicable to the limit as a percentage of debt limit	36.73%	31.51%	28.03%	26.87%	29.72%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	\$ 4,785,098	\$ 4,962,746	\$ 5,030,049	\$ 5,279,242	\$ 5,482,482
Total net debt applicable to limit ⁽¹⁾	1,411,769	1,617,397	2,052,155	2,105,885	2,096,765
Legal debt margin	<u>\$ 3,373,329</u>	<u>\$ 3,345,349</u>	<u>\$ 2,977,894</u>	<u>\$ 3,173,357</u>	<u>\$ 3,385,717</u>
Total net debt applicable to the limit as a percentage of debt limit	29.50%	32.59%	40.80%	39.89%	38.24%

Legal Debt Margin Calculation for Fiscal Year 2015

Total assessed value	\$ 190,922,988
Less: non-reimbursable exemptions ⁽²⁾	8,173,599
Assessed value ⁽²⁾	<u>\$ 182,749,389</u>
Debt limit (three percent of valuation subject to taxation ⁽³⁾)	\$ 5,482,482
Debt applicable to limit - general obligation bonds	2,096,765
Legal debt margin	<u>\$ 3,385,717</u>

Notes:

⁽¹⁾ Per outstanding general obligation bonds and reinstated to exclude refunding gain or loss.

⁽²⁾ Source: Assessor, City and County of San Francisco

⁽³⁾ City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.

"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING DEBT
June 30, 2015

Debts	Total Debt Outstanding (In thousands)	Estimated Percentage Applicable to City and County ⁽¹⁾	Estimated Share of Overlapping Debt (In thousands)
General Obligation Bonds			
City and County of San Francisco direct debt			\$ 2,096,765
San Francisco Unified School District.....	\$ 835,934	100.00%	835,934
San Francisco Community College District.....	321,355	100.00%	321,355
Bay Area Rapid Transit District.....	630,795	32.00%	201,854
Total General Obligation Bonds.....			<u>3,455,908</u>
Other Debt			
Lease Revenue Bonds.....	216,527	100.00%	216,527
Certificates of Participation.....	507,504	100.00%	507,504
Loans.....	163,837	100.00%	163,837
Total Other Debt.....			<u>887,868</u>
Total Direct and Overlapping Debt.....			<u>\$ 4,343,776</u>

Assessed valuation (net of non- reimbursable exemption) (In thousands).....	\$ 182,749,389
Population - 2015 ⁽²⁾	864,421

Ratio of direct and overlapping general obligation debt per assessed valuation.....	1.89%
Ratio of total direct and overlapping debt per assessed valuation.....	2.38%
Estimated total direct and overlapping total debt per capita.....	\$5.025

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

⁽¹⁾ The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts's boundaries and dividing it the City's total taxable assessed value.

⁽²⁾ Sources: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(In Thousands)

San Francisco International Airport ⁽¹⁾

Fiscal Year	Operating Revenues ⁽²⁾	Less:		Net Available Revenue	Debt Service			Coverage
		Operating Expenses ⁽³⁾			Principal	Interest	Total	
2006	\$ 480,673	\$ 267,387		\$ 213,286	\$ 79,125	\$ 199,419	\$ 278,544	0.77
2007	540,186	284,692		255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849		269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823		269,290	88,205	178,372	266,577	1.01
2010	597,429	305,995		291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399		291,434	134,800	177,581	288,205	1.01
2012	701,025	369,376		331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543		347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176		373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361		432,121	181,645	211,804	393,449	1.10

- (1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.
- (2) Operating revenues consist of Airport operating revenues and interest and investment income.
- (3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department ⁽⁴⁾

Fiscal Year	Gross Revenues ⁽⁵⁾	Less:		Net Available Revenue	Debt Service			Coverage
		Operating Expenses ⁽⁶⁾	Adjustments ⁽⁸⁾		Principal	Interest	Total	
2006	\$ 213,499	\$ 186,934	\$ 110,638	\$ 137,203	\$ 14,790	\$ 20,585	\$ 35,375	3.88
2007	241,078	202,498	112,101	150,681	16,160	48,955	65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 ⁽⁷⁾	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 ⁽⁷⁾	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 ⁽⁷⁾	139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476 ⁽⁷⁾	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462 ⁽⁷⁾	192,312	2.31

- (4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
- (5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
- (6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.
- (7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2015 also includes "springing" amendments.
- (8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges ⁽⁹⁾⁽¹⁰⁾	Less:		Net Available Revenue	Debt Service			Coverage
		Operating Expenses ⁽¹¹⁾⁽¹²⁾			Principal	Interest	Total	
2006	\$ 31,116	\$ 14,960		\$ 16,156	\$ 5,471	\$ 2,317	\$ 7,788	2.07
2007	31,801	16,907		14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038		15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879		15,053	5,165	1,395	6,560	2.29
2010	39,538	19,018		20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077		20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419		28,391	1,685	995	2,680	10.59
2013	607,125	471,490		135,635	3,075	1,856	4,931	27.51
2014	642,614	509,762		132,853	5,895	3,686	9,581	13.87
2015	626,312	527,125		99,187	7,695	6,945	14,640	6.78

- (9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.
- (10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107")), and State Transit Assistance.
- (11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.
- (12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE (Continued)
 Last Ten Fiscal Years
 (In Thousands)

San Francisco Wastewater Enterprise ⁽¹³⁾

Fiscal Year	Gross Revenues ⁽¹⁴⁾	Less:		Net		Debt Service		Coverage ⁽¹⁷⁾
		Operating Expenses ⁽¹⁵⁾	Adjustments ⁽¹⁶⁾	Available Revenue ⁽¹⁷⁾	Principal	Interest ⁽¹⁷⁾	Total ⁽¹⁷⁾	
2006	\$ 170,517	\$ 140,954	\$ 35,788	\$ 65,351	\$ -	\$ 17,219	\$ 17,219	3.80
2007	199,160	151,600	49,600	97,160	33,445	16,718	50,163	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563 ⁽¹⁸⁾	44,883	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,180 ⁽¹⁸⁾	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655 ⁽¹⁸⁾	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047 ⁽¹⁸⁾	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006 ⁽¹⁸⁾	60,901	3.79

- (13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
- (14) Gross revenue consists of charges for services, rental income and other income.
- (15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.
- (16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.
- (17) Restated to match the published Annual Disclosure Reports for FY 2007, 2008, 2009.
- (18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2015 also includes a "springing" amendment.

Port of San Francisco ⁽¹⁹⁾

Fiscal Year	Total Operating Revenues ⁽²⁰⁾	Less:		Net		Debt Service		Coverage
		Operating Expenses ⁽²¹⁾	Available Revenue	Principal	Interest	Total		
2006	\$ 61,581	\$ 44,893	\$ 16,688	\$ 3,390	\$ 554	\$ 3,944	4.23	
2007	65,416	50,887	14,529	3,975	453	4,428	3.28	
2008	68,111	56,406	11,705	4,070	348	4,418	2.65	
2009	68,722	57,574	11,148	4,185	222	4,407	2.53	
2010	68,892	58,756	10,136	4,320	75	4,395	2.31	
2011	73,774	51,788	21,986	485	2,358	2,843	7.73	
2012	79,819	55,470	24,349	670	2,175	2,845	8.56	
2013	81,536	63,615	17,921	695	2,151	2,846	6.30	
2014	87,213	63,410	23,803	725	2,122	2,847	8.36	
2015	96,266	60,836	35,430	1,400	2,771	4,171	8.49	

- (19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
- (20) Total revenues consist of operating revenues and interest and investment income.
- (21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

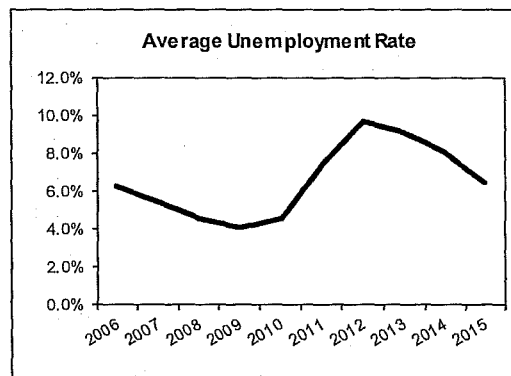
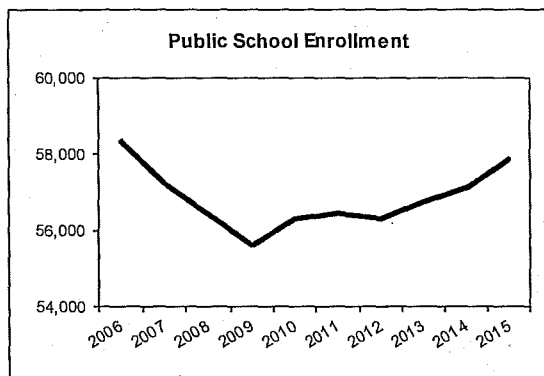
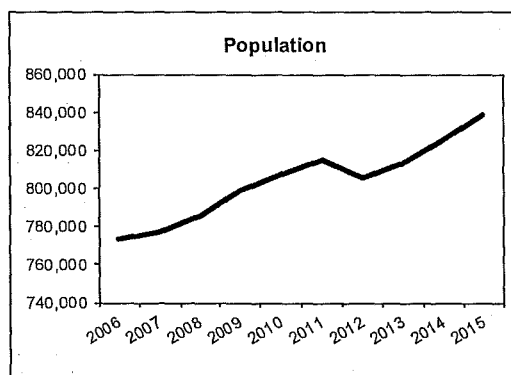
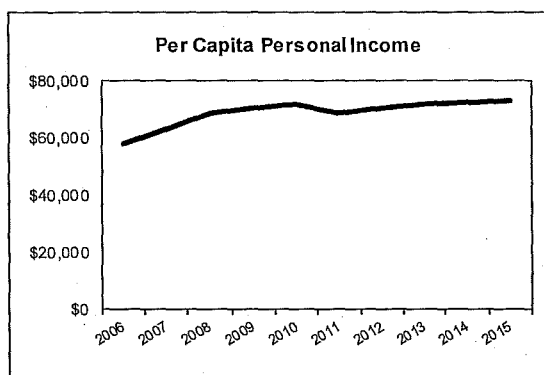
Hetch Hetchy Water and Power ^{(22) (23)}

Fiscal Year	Gross Revenues ⁽²⁴⁾	Less:		Net		Debt Service		Coverage
		Operating Expenses ⁽²⁵⁾	Adjustments ⁽²⁶⁾	Available Revenue	Principal	Interest	Total	
2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	48,334	422	-	422	114.54
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33
2015	117,704	105,222	38,890	51,372	1,321	625	1,946	26.40

- (22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
- (23) There were no Hetch Hetchy bonds from 2006 to 2008.
- (24) Gross revenues consists of charges for power services, rental income and other income.
- (25) Operating expenses only include power operating expense.
- (26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

CITY AND COUNTY OF SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Fiscal Year	Population ⁽¹⁾	Personal Income (In Thousands) ⁽²⁾	Per Capita Personal Income ⁽²⁾	Median Age ⁽³⁾	Public School Enrollment ⁽⁴⁾	Average Unemployment Rate ⁽⁵⁾
2006	786,149	\$ 53,902,906	\$ 68,566	39.4	57,276	4.6%
2007	799,185	56,306,703	70,455	39.4	56,459	4.1%
2008	808,001	58,199,006	72,028	40.0	55,590	4.6%
2009	815,358	56,037,063	68,727	40.4	56,315	7.4%
2010	805,235	56,665,228	70,371	38.5	56,454	9.7%
2011	812,826	58,619,926	72,119	37.3	56,299	9.2%
2012	825,863	60,059,972	72,724	38.5	56,758	8.1%
2013	841,138	63,777,061	75,822	37.9	57,105	6.5%
2014	852,469 ⁽⁶⁾	63,775,311 ⁽⁷⁾	74,812 ⁽⁸⁾	37.4 ⁽⁹⁾	57,860	5.2%
2015	864,421 ⁽⁶⁾	65,635,719 ⁽⁷⁾	75,930 ⁽⁸⁾	37.4 ⁽⁹⁾	58,414	3.9%



Sources:

- (1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data
- (2) US Bureau of Economic Analysis
- (3) US Census Bureau, American Community Survey
- (4) California Department of Education
- (5) California Employment Development Department

Notes:

- (6) 2014 is updated from last year's CAFR with newly available data. 2015 population was estimated by multiplying the estimated 2013 population by the 2012 - 2013 population growth rate.
- (7) Personal income was estimated by assuming that its percentage of state personal income in 2014 and 2015 remained at the 2013 level of 3.28 percent. Fiscal year 2014 is updated from last year's CAFR with newly available data.
- (8) Per capita personal income for 2014 and 2015 was estimated by dividing the estimated personal income for 2014 and 2015 by the reported and estimated population in 2013 and 2014, respectively. Fiscal year 2014 is updated from last year's CAFR with newly available data.
- (9) Median age in 2014 and 2015 was estimated by averaging the median age in 2012 and 2013. 2013 is updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

**Principal Employers
Current Year and Nine Years Ago**

Employer	Year 2014 (1)			Year 2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco.....	26,207	1	5.15%	28,220	1	5.36%
University of California, San Francisco..	20,600	2	4.04%	19,138	2	3.63%
San Francisco Unified School District...	8,497	3	1.67%	7,241	4	1.37%
Wells Fargo & Co.....	8,300	4	1.63%	7,581	3	1.44%
California Pacific Medical Center.....	5,837	5	1.15%	5,000	7	0.95%
Salesforce.....	5,000	6	0.98%	-	-	-
Gap, Inc.....	4,438	7	0.87%	4,180	9	0.79%
PG&E Corporation.....	4,297	8	0.84%	4,629	8	0.88%
State of California.....	4,078	9	0.80%	6,115	5	-
Kaiser Permanente	3,500	10	0.69%	3,860	10	0.73%
United States Postal Service.....	-	-	-	5,234	6	0.99%
Total.....	90,754		17.82%	91,198		17.31%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employment Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:

- (1) The latest data as of calendar year-end 2014 is presented.

CITY AND COUNTY OF SAN FRANCISCO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION ⁽¹⁾
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Protection										
Fire Department.....	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464	1,494
Police.....	2,664	2,765	2,870	2,949	2,757	2,681	2,665	2,655	2,727	2,784
Sheriff.....	944	939	951	1,016	1,048	953	1,010	1,013	984	1,015
Other.....	958	978	1,019	996	981	969	956	1,021	1,032	1,049
Total Public Protection.....	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207	6,342
Public Works, Transportation and Commerce										
Municipal Transportation Agency.....	4,232	4,374	4,358	4,528	4,358	4,160	4,141	4,388	4,484	4,685
Airport Commission.....	1,248	1,220	1,228	1,248	1,233	1,294	1,377	1,443	1,460	1,473
Department of Public Works.....	1,035	1,040	1,060	1,030	822	791	783	808	825	852
Public Utilities Commission.....	1,573	1,596	1,609	1,580	1,549	1,584	1,616	1,620	1,621	2,002
Other.....	532	538	543	565	490	508	536	583	612	626
Total Public Works, Transportation and Commerce.....	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002	9,638
Community Health										
Public Health.....	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284
Total Community Health.....	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284
Human Welfare and Neighborhood Development										
Human Services.....	1,663	1,745	1,812	1,810	1,662	1,685	1,691	1,750	1,855	1,964
Other.....	306	313	312	309	296	284	269	244	244	246
Total Human Welfare and Neighborhood Development.....	1,969	2,058	2,124	2,119	1,958	1,969	1,960	1,994	2,099	2,210
Culture and Recreation										
Recreation and Park Commission.....	916	922	942	919	898	851	834	841	870	905
Public Library.....	606	631	641	649	649	645	628	640	652	661
War Memorial.....	95	96	96	97	63	63	63	63	57	58
Other.....	200	199	204	203	199	201	199	210	213	214
Total Culture and Recreation.....	1,817	1,848	1,883	1,868	1,809	1,760	1,724	1,754	1,792	1,838
General Administration and Finance										
Administrative Services.....	378	438	505	539	647	616	637	723	716	751
City Attorney.....	321	324	327	318	306	300	299	303	308	308
Telecommunications and Information Services.....	261	270	307	265	252	210	196	199	216	209
Controller.....	179	184	188	198	180	194	201	198	204	219
Human Resources.....	151	156	155	144	138	119	123	124	135	157
Treasurer/Tax Collector.....	199	208	208	212	220	211	208	202	211	225
Mayor.....	48	51	57	55	49	42	37	49	49	50
Other.....	491	520	571	547	554	540	567	561	602	615
Total General Administration and Finance.....	2,028	2,151	2,318	2,278	2,346	2,232	2,268	2,359	2,441	2,534
General City Responsibility.....	3	-	-	-	-	-	-	-	-	-
Subtotal annually funded positions.....	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667	28,846
Capital project funded positions.....	1,588	1,628	1,750	1,519	1,928	1,885	1,892	1,486	1,569	1,310
Total annually funded positions.....	28,253	28,788	29,635	29,321	28,649	27,994	28,073	28,387	29,236	30,156

Source: Controller, City and County of San Francisco

Note:

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	8:01	8:04	7:36	7:06	7:10	7:19	7:18	7:30	7:57	8:12
Police										
Average time from dispatch to arrival on scene for highest priority calls ⁽¹⁾	3:09	3:15	4:08	3:49	3:33	4:07	4:15	4:59	4:20	4:55
Number of homicides per 100,000 population ⁽²⁾	12.8	9.6	11.8	8.2	5.3	6.3	7.4	6.2	4.7	6.6
Percentage of San Franciscans who report feeling safe or very safe crossing the street	N/A	48%	N/A	56%	N/A	N/A	N/A	N/A	N/A	N/A
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	N/A	49%	N/A	50%	N/A	52%	N/A	N/A	N/A	54%
Number of blocks of City streets repaved	267	243	334	310	312	427	346	521	323	474
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	N/A	2.84	N/A	2.98	N/A	3.55	3.02	3.38	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%
Percentage of scheduled service hours delivered ⁽³⁾	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%
Airport										
Percent change in air passenger volume	1.5%	2.8%	8.4%	-0.6%	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	67%	69%	70%	72%	77%	78%	80%	N/A	N/A	N/A
Culture and Recreation										
Recreation and Park										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good	N/A	57%	N/A	65%	N/A	N/A	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected	83%	86%	88%	89%	91%	90%	91%	91%	91%	85%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	N/A	75%	N/A	79%	N/A	79%	N/A	85%	N/A	92%
Circulation of materials at San Francisco libraries	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums ⁽⁴⁾	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076

Source: Controller, City and County of San Francisco

Notes:

- (1) Measure changed from median time to average time in FY 2008. Values for FY 2004 through FY 2007 reflect median time, FY 2008 through FY 2015 reflects average time.
- (2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.
- (3) Values for FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
- (4) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police protection ⁽¹⁾										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164	2,130	2,203
Fire protection ⁽²⁾										
Number of stations.....	48	42	42	42	42	46	46	46	46	47
Number of firefighters.....	1,333	1,012	978	809	768	778	718	817	896	907
Public works										
Miles of street ⁽³⁾	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315	1,299	1,287
Number of streetlights ⁽⁴⁾	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655	44,656	44,907
Water ⁽⁴⁾										
Number of services.....	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744	173,970	174,111
Average daily consumption (million gallons).....	236.3	247.1	247.5	236.6	219.9	213.6	212.0	215.1	217	190
Miles of water mains.....	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488	1,488	1,499
Sewers ⁽⁴⁾										
Miles of collecting sewers.....	993	993	993	993	993	993	959	986	993	993
Miles of transport/storage sewers..	15	15	17	17	17	17	17	24	17	17
Recreation and cultures										
Number of parks ⁽⁵⁾	220	209	222	222	220	220	220	221	221	220
Number of libraries ⁽⁶⁾	27	28	28	28	28	28	28	28	28	28
Number of library volumes (million) ⁽⁶⁾	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5	3.6	3.6
Public school education ⁽⁷⁾										
Attendance centers.....	117	112	112	112	115	115	115	115	116	116
Number of classrooms.....	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877	3,135	3,160
Number of teachers, full-time equivalent.....	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129	3,129	3,281
Number of students.....	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970	57,620	58,414

Sources:

- (1) Police Commission, City and County of San Francisco
- (2) Fire Commission, City and County of San Francisco
- (3) Department of Public Works, City and County of San Francisco
- (4) Public Utilities Commission, City and County of San Francisco
- (5) Parks and Recreation Commission, City and County of San Francisco
- (6) Library Commission, City and County of San Francisco
- (7) San Francisco Unified School District

CITY AND COUNTY OF SAN FRANCISCO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2015



Certified
Public
Accountants

**CITY AND COUNTY OF SAN FRANCISCO
 BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
 FOR THE YEAR ENDED JUNE 30, 2015**

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Sacramento
Walnut Creek
San Francisco
Oakland
Los Angeles
Century City
Newport Beach
San Diego

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, 2015, 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 County Transportation Authority, 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), 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
Governmental activities	1.6%	1.6%	2.8%
Business-type activities	90.5%	92.7%	71.7%
Aggregate remaining fund information	1.0%	0.9%	13.9%

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, 2015, 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.

Emphasis of Matters

As discussed in Note 2(s) to the basic financial statements, effective July 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

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, 2014, from which such partial and summarized information was derived.

We have previously audited the City's 2014 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 discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated November 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 schedule of the City's proportionate share of the net pension liability, the schedule of changes in the net pension liability and related ratios, the schedule of employer contributions – pension plans, and the schedules of funding progress and employer contributions – other postemployment healthcare benefits, 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 GASB 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 23, 2015 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 23, 2015, except for our report on the schedule of expenditures of federal awards, as to which the date is January 29, 2016

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2013-14 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2014-15 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately \$6.57 billion (net position). Of this balance, \$7.52 billion represents the City's net investment in capital assets, \$1.40 billion represents restricted net position, and unrestricted net position has a deficit of \$2.36 billion. The City's total net position decreased by \$1.79 billion, or 21.5 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$488.0 million or 6.9 percent and \$141.2 million or 11.2 percent, respectively. Unrestricted net position declined from \$67.8 million to a deficit of \$2.36 billion, a total reduction of \$2.42 billion.

The City's governmental funds reported total revenues of \$5.35 billion, which is a \$439.5 million or 9.0 percent increase over the prior year. Within this, revenues from property taxes, hotel room tax, real property transfer tax, intergovernmental grants and business taxes grew by approximately \$124.9 million, \$84.2 million, \$52.7 million, \$75.1 million, and \$48.5 million, respectively. At the same time, there was a decline in revenues from interest of \$1.1 million and other revenues of \$11.3 million. Governmental funds expenditures totaled \$4.79 billion for this period, a \$218.3 million or 4.8 percent increase, reflecting increases in demand for governmental services of \$242.3 million, an increase in debt service of \$13.0 million and a decrease in capital outlay of \$37.0 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$2.29 billion, an increase of \$352.0 million or 18.2 percent from prior year, primarily due to a strong growth in most revenues 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 \$297.1 million during this fiscal year. The City issued a total of \$1.60 billion in bonds and loans this year. Of this amount, \$155.6 million in general obligation bonds were issued to fund the earthquake safety and response projects and \$293.9 million in general obligation refunding bonds for debt service savings. The City also borrowed \$2.1 million for the renovation of the City's west harbor marina and \$134.7 million in a revolving loan to refinance the San Francisco County Transportation Authority's short-term commercial paper notes. The San Francisco International Airport issued \$473.6 million in revenue bonds to refinance and finance the completion of ongoing projects such as the air traffic control tower and baggage handling system modernization, runway safety area improvement, Terminal 1 and 3 redevelopment and other projects in the Airport's five-year Capital Plan. The San Francisco Municipal Transportation Agency issued a total of \$70.6 million of revenue bonds to provide new money for various transit and capital projects and Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement projects on the Hetch Hetchy facilities. The San Francisco Water Enterprise issued \$429.6 million water revenue refunding bonds for an economic gain. The balance of commercial paper issued to finance and refinance capital projects decreased by \$123.2 million in this fiscal year. Of this decrease, \$18.0 million represented governmental activities while \$105.2 million represented business-type activities.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of July 1, 2014. The City restated the July 1, 2014 net position to include the net pension liability as well as deferred outflows of resources related to pensions. The total impact of this change was a \$3.25 billion reduction in the City's beginning net position.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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 basic financial statements are related as shown in the graphic below.

Organization of City and County of San Francisco basic financial statements

Financial Section	Management's Discussion and Analysis (MD&A)			
	Government - wide Financial Statements	Fund Financial Statements		
	Statement of net position	Governmental Funds	Proprietary Funds	Fiduciary Funds
		Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	Statement of changes in fiduciary net position
		Budgetary comparison statement	Statement of cash flows	
	Notes to the Financial Statements			
	Required Supplementary Information Other Than MD&A			

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows 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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether 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

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

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, transportation system (including parking), water and power operations, an acute care hospital, a long-term care hospital, and sewer operations.

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 (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 (Successor 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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

The City adopts a rolling two-year budget for its General Fund. 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), San Francisco Municipal Transportation Agency (SFMTA), 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, retirees' health care, the Successor 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 net pension liability, pension contributions and progress in funding its obligation to provide other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets.....	\$3,635,676	\$3,327,511	\$ 4,774,416	\$ 4,680,939	\$ 8,410,092	\$ 8,008,450
Capital assets.....	4,874,710	4,462,714	14,750,206	13,997,489	19,624,916	18,460,203
Total assets.....	<u>8,510,386</u>	<u>7,790,225</u>	<u>19,524,622</u>	<u>18,678,428</u>	<u>28,035,008</u>	<u>26,468,653</u>
Deferred outflows of resources	<u>346,493</u>	<u>11,701</u>	<u>445,609</u>	<u>176,314</u>	<u>792,102</u>	<u>188,015</u>
Liabilities:						
Current liabilities.....	1,345,352	1,391,609	1,892,224	1,884,942	3,237,576	3,276,551
Noncurrent liabilities.....	5,340,775	4,068,411	12,111,306	10,934,203	17,452,081	15,002,614
Total liabilities.....	<u>6,686,127</u>	<u>5,460,020</u>	<u>14,003,530</u>	<u>12,819,145</u>	<u>20,689,657</u>	<u>18,279,165</u>
Deferred inflows of resources	<u>883,538</u>	<u>275</u>	<u>688,451</u>	<u>17,737</u>	<u>1,571,989</u>	<u>18,012</u>
Net position:						
Net investment in capital assets*.....	2,684,808	2,483,086	5,117,679	4,832,659	7,520,698	7,032,674
Restricted *.....	961,387	862,706	495,654	452,465	1,400,246	1,259,065
Unrestricted (deficit) *.....	(2,358,981)	(1,004,161)	(335,083)	732,736	(2,355,480)	67,752
Total net position.....	<u>\$1,287,214</u>	<u>\$2,341,631</u>	<u>\$ 5,278,250</u>	<u>\$ 6,017,860</u>	<u>\$ 6,565,464</u>	<u>\$ 8,359,491</u>

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

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was \$6.57 billion at the end of fiscal year 2014-15, a 21.5 percent decrease over the prior year. The City's governmental activities account for \$1.29 billion of this total and \$5.28 billion stem from its business-type activities.

The largest portion of the City's net position is the \$7.52 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$488.0 million or 6.9 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except LHH. 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 is the \$1.40 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$2.36 billion, which consists of a \$2.36 billion deficit in governmental activities and \$335.1 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to the required adjustments to record the net pension liability and related items pursuant to new accounting pension standards (See note 2(s)). The governmental activities deficit also included \$338.6 million in long-term bonds liabilities that fund the LHH rebuild 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 SFMTA (see Note 2(k)).

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Changes in Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues:						
Charges for services.....	\$ 612,983	\$ 568,528	\$ 3,134,814	\$ 3,102,934	\$ 3,747,797	\$ 3,671,462
Operating grants and contributions.....	1,165,340	1,142,094	191,101	190,351	1,356,441	1,332,445
Capital grants and contributions.....	48,233	39,379	357,819	515,445	406,052	554,824
General revenues:						
Property taxes.....	1,640,383	1,521,471	-	-	1,640,383	1,521,471
Business taxes.....	611,932	563,406	-	-	611,932	563,406
Sales and use tax.....	240,424	227,636	-	-	240,424	227,636
Hotel room tax.....	394,262	310,052	-	-	394,262	310,052
Utility users tax.....	98,979	86,810	-	-	98,979	86,810
Other local taxes.....	451,994	391,638	-	-	451,994	391,638
Interest and investment income.....	20,737	21,887	25,999	29,843	46,736	51,730
Other.....	46,906	70,024	200,148	82,737	247,054	152,761
Total revenues.....	<u>5,332,173</u>	<u>4,942,925</u>	<u>3,909,881</u>	<u>3,921,310</u>	<u>9,242,054</u>	<u>8,864,235</u>
Expenses						
Public protection.....	1,108,200	1,229,591	-	-	1,108,200	1,229,591
Public works, transportation and commerce.....	270,454	200,712	-	-	270,454	200,712
Human welfare and neighborhood development.....	1,073,652	1,009,190	-	-	1,073,652	1,009,190
Community health.....	735,040	786,761	-	-	735,040	786,761
Culture and recreation.....	355,676	357,620	-	-	355,676	357,620
General administration and finance.....	249,823	298,563	-	-	249,823	298,563
General City responsibilities.....	94,577	85,239	-	-	94,577	85,239
Unallocated interest on long-term debt.....	115,030	115,880	-	-	115,030	115,880
Airport.....	-	-	853,338	827,658	853,338	827,658
Transportation.....	-	-	1,018,251	1,037,368	1,018,251	1,037,368
Port.....	-	-	88,436	88,551	88,436	88,551
Water.....	-	-	438,885	470,200	438,885	470,200
Power.....	-	-	149,438	137,639	149,438	137,639
Hospitals.....	-	-	996,395	1,011,452	996,395	1,011,452
Sewer.....	-	-	239,556	243,466	239,556	243,466
Market.....	-	-	-	120	-	120
Total expenses.....	<u>4,002,452</u>	<u>4,083,556</u>	<u>3,784,299</u>	<u>3,816,454</u>	<u>7,786,751</u>	<u>7,900,010</u>
Increase/(decrease) in net position before transfers and extraordinary items.....	1,329,721	859,369	125,582	104,856	1,455,303	964,225
Transfers.....	(504,791)	(311,627)	504,791	311,627	-	-
Extraordinary gain/(loss).....	-	-	-	(6,843)	-	(6,843)
Change in net position.....	<u>824,930</u>	<u>547,742</u>	<u>630,373</u>	<u>409,640</u>	<u>1,455,303</u>	<u>957,382</u>
Net position at beginning of year, as restated.....	462,284	1,793,889	4,647,877	5,608,220	5,110,161	7,402,109
Net position at end of year.....	<u>\$ 1,287,214</u>	<u>\$ 2,341,631</u>	<u>\$ 5,278,250</u>	<u>\$ 6,017,860</u>	<u>\$ 6,565,464</u>	<u>\$ 8,359,491</u>

Analysis of Changes in Net Position

The City's total change in net position increased by \$497.9 million in fiscal year 2014-15, a 52.0 percent increase over the prior fiscal year, as noted above. This was the fifth consecutive year of increase. The increase in the change in net position included \$277.2 million from governmental activities and \$220.7 million from business-type activities.

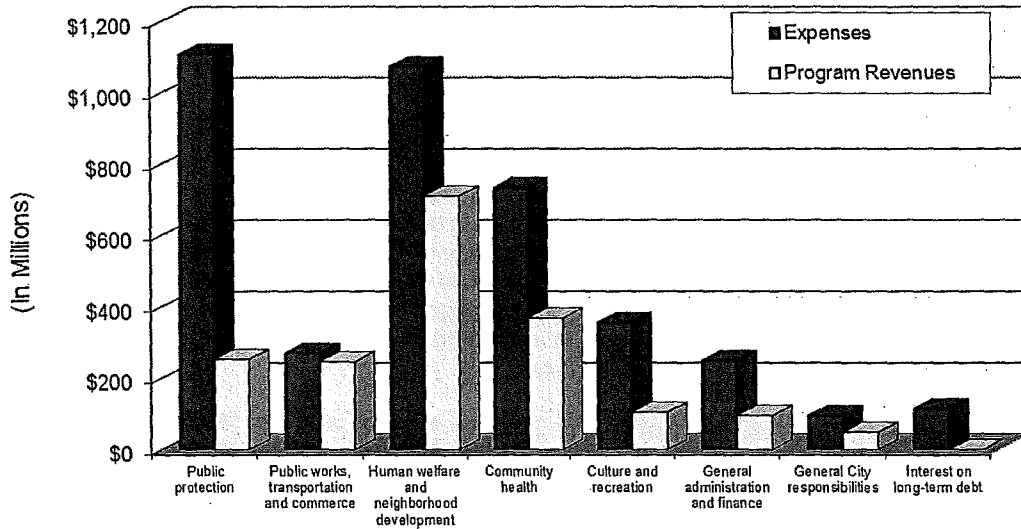
The City's governmental activities experienced a \$389.2 million or 7.9 percent growth in total revenues. This included increases in nearly all of the general city revenues: \$44.5 million in charges for services, \$23.2 million in operating grants and contributions, \$118.9 million in property taxes, \$84.2 million in hotel room tax, \$48.5 million in business taxes and \$12.2 million in utility users tax. Sales and use tax and other local taxes also had a combined growth of \$73.1 million. These improvements were partly offset by a decline in other revenue sources, including a \$1.2 million decrease in interest and investment income and a \$23.1 million drop in other general revenues. The City's governmental activities expenses reported a

CITY AND COUNTY OF SAN FRANCISCO

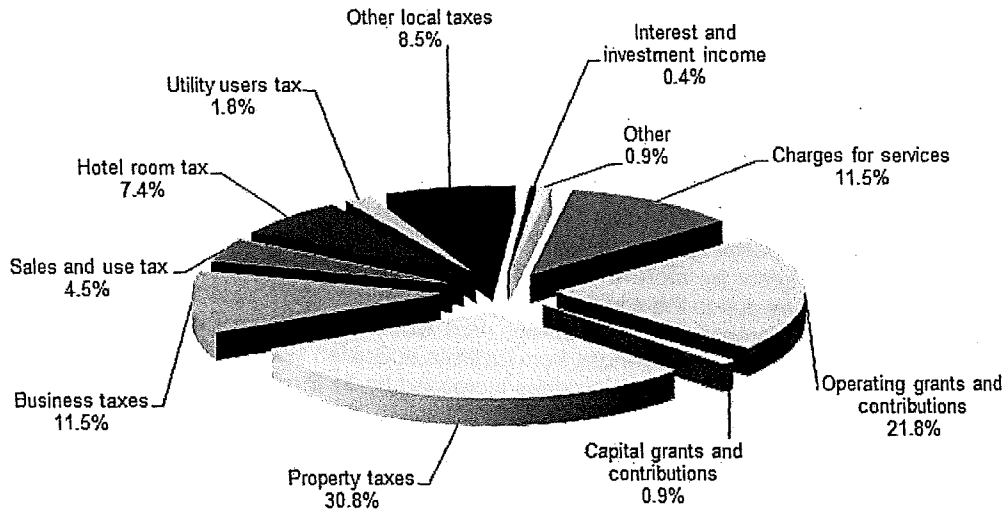
Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

decrease of \$81.1 million or 2.0 percent this fiscal year. The net transfer to business-type activities increased by \$193.2 million. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

Governmental activities. Governmental activities increased the City's total net position by approximately \$824.9 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$5.33 billion, a \$389.2 million or 7.9 percent increase over the prior year. For the same period, expenses totaled \$4.00 billion before transfers of \$504.8 million, resulting in a total net position increase of \$824.9 million by June 30, 2015.

Property tax revenues increased by \$118.9 million or 7.8 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to a lower than expected deposit for the Assessment Appeals Board reserve fund. An increase in real property transfer tax by \$52.7 million made up the majority of the growth in other local taxes of \$60.4 million.

Revenues from business and sales and use taxes totaled approximately \$852.4 million, a growth of \$61.3 million over the prior year. Business taxes grew by \$48.5 million due to an increase in payroll tax revenue resulting from a 5.2 percent increase in employment and a 7.9 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition E passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by \$12.8 million, reflecting 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.

Hotel room tax revenues grew by \$84.2 million, or 27.2 percent, due to strong demand from all segments of the market (tourist, convention, and business) while no additions to inventory led to increased occupancy and the average daily room rate. In addition, the City passed legislation to create oversight on short-term rentals. The City began collecting hotel tax for short-term rentals in November 2014, which increases the hotel tax base.

Operating grants and contributions increased \$23.2 million. This was largely due to the increases from state sources, including \$9.9 million for human welfare programs, \$17.9 million for community health program grants, and \$26.9 million for public works programs. These were offset primarily by combined decreases of \$31.5 million in other governmental activities.

Total charges for services increased \$44.5 million, or 7.8 percent, while other revenues decreased \$23.1 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. The more significant increases are discussed below. The Department of Public Health's patient charges increased by \$23.2 million due to the expansion of Medi-Cal eligibility under the Affordable Care Act and other State and Federal legislation expanding coverage. Fire Department charges for services increased by \$1.7 million due to services provided to the Presidio under a Cooperative Agreement. The Sheriff's Department's services revenues increased by \$1.1 million due to the increased fees in a U.S. Marshal contract for Federal Prison Boarding. The Planning Department's revenues grew by more than \$6.6 million from large project file application, which are assessed larger intake fees due to the additional reviews and approvals required. The Recreation and Park Department's revenues increased by \$3.6 million due to revenues from the Candlestick Park lease amendment and strong admissions revenues from facilities at Golden Gate Park and elsewhere in the City. In addition, the Treasurer Department's revenues increased by \$1.8 million due to a new charge to San Francisco Unified School District and City College for collection of special assessments, a consolidation of licensing increased collections and Property Tax auction of 30,000 units processed. The decrease in other revenues is related to decrease in housing inclusion fees and loan principal repayment received from the affordable housing project.

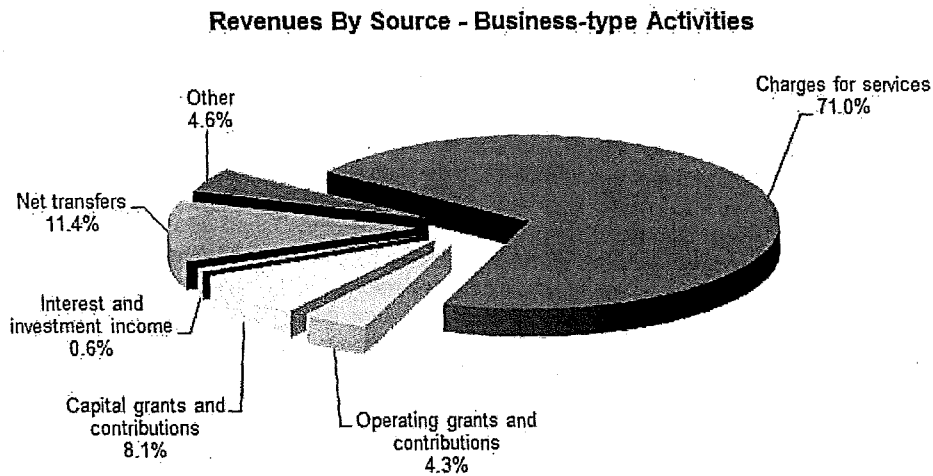
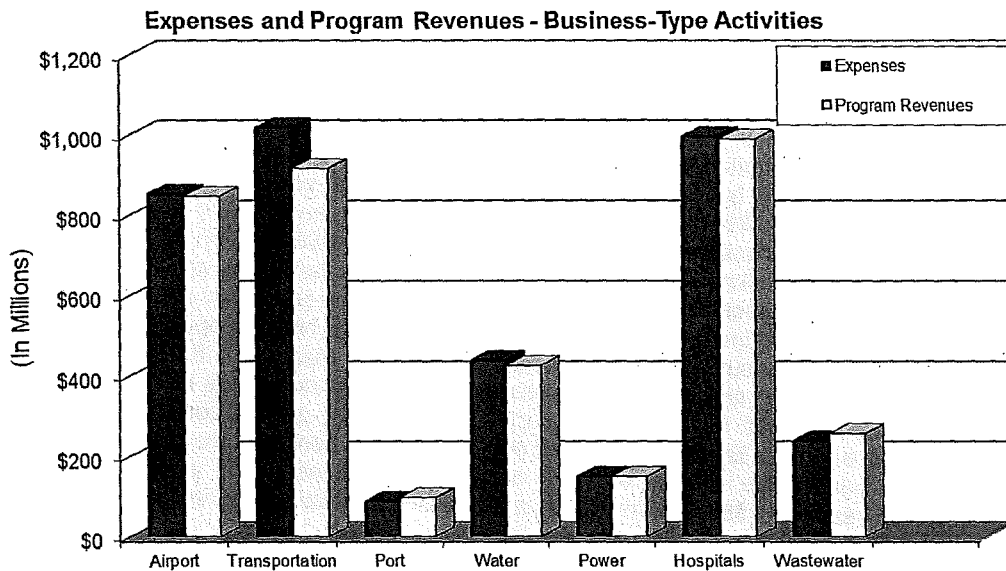
Interest and investment income revenue decreased by \$1.2 million, or 5.3 percent, due to decreased cash balances in the pool due to planned prepayment of employer contributions to the Retirement System.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

Net transfers from the governmental activities to business-type activities were \$504.8 million, a 62.0 percent or \$193.2 million increase from the prior year. This was mainly due to increased operating subsidies of \$33.9 million from the General Fund to SFMTA, \$33.6 million to SFGH and \$33.7 million to LHH. In addition, Water received \$51.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System.

The decrease of total governmental expenses of \$81.1 million, or 2.0 percent, was primarily due to a decrease in pension expense for reporting purposes related to implementation of GASB Statement Nos. 68 and 71. (See also Note 9 to the Basic Financial Statements for additional pension related information).



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

Business-type activities increased the City's net position by \$630.4 million and key factors contributing to this increase are described below. One key factor affecting all business-type activities was the City's adoption of GASB Statement Nos. 68 and 71 as of July 1, 2014. As permitted by the transition provisions of these statements when a restatement of all prior periods is not practical, the cumulative effect of applying this accounting change is reported as a restatement of beginning position as of July 1, 2014. As a result, for all business-type activities the restatement (reduction) of beginning net position was \$1.37 billion to record the net pension liability offset by the deferred outflows of resources related to contributions made subsequent to the measurement date (see Note 2(s)). In addition, prior to GASB Statement Nos. 68 and 71, pension cost was recorded based on payments made at actuarially determined funding contribution levels. Commencing fiscal year 2014-15, pension expense reflects the change in net pension liability and the amortization of pension related deferred outflows and inflows of resources determined in accordance with the new standards. This change in measurement of pension cost resulted in an overall decrease in business-type activities expenses in fiscal year 2014-15. More detailed information concerning net pension liability, pension contributions and pension expense is in Note 9 to the Basic Financial Statements.

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$56.1 million, compared to a \$5.5 million decrease in the prior year, a \$61.6 million difference. Operating revenues totaled \$815.4 million for fiscal year 2014-15, an increase of \$44.7 million or 5.8 percent over the prior year and included increases of \$23.4 million, \$8.2 million, \$8.4 million, and \$4.7 million in aviation, concession, parking and transportation, and net sales and services revenues, respectively. For the same period, the Airport's operating expenses decreased by \$16.7 million, or 2.7 percent, for a net operating income of \$206.3 million for the period. Net non-operating activities saw a deficit of \$141.8 million versus \$203.6 million deficit in the prior year, a \$61.8 million decrease. The decrease in both operating and non-operating expenses is due to decreases in personnel, write-offs and loss on disposal, and a decrease in capital improvement project costs that did not meet capitalization requirements. Excluding the effect of the changes in pension accounting, personnel costs increased \$6.9 million due to cost of living adjustments and additional positions. Also, capital contributions decreased by \$58.9 million due to a reduction in federal grants received.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$97.4 million at the end of fiscal year 2014-15, compared to a decrease of \$45.4 million at the end of the previous year, a \$142.8 million difference. Revenues totaled \$485.3 million, expenses totaled \$438.9 million, and the net increase from capital contributions and transfers was \$50.3 million. Compared to the prior year, total revenues increased \$61.2 million, which included \$45.2 million more in water service revenues and \$15.0 million more in non-operating revenues. These increases were offset by decreases of \$5.1 million from interest and investment income. The primary reason for the increase in water service revenues was an adopted rate increase of 19.6 percent for wholesale customers and 12.0 percent for retail customers. Within expenses, the enterprise reported a total decrease of \$31.3 million in fiscal year 2014-15. This included a \$30.1 million decrease in general and administrative and other expenses, and a \$20.7 million decrease in personnel services due to a reduction in pension costs from the change in accounting as discussed above. These decreases were offset by increases of \$6.4 million in depreciation expense from increased capitalized assets, \$5.5 million in legal services provided by the City Attorney and an increase in water assessment fees paid to Hetch Hetchy Water, \$1.8 million in contractual services due to higher construction and engineering services, and \$0.5 million in materials and supplies, mainly for fuel.
- Hetch Hetchy Water and Power ended fiscal year 2014-15 with a net position increase of \$11.1 million, compared to a \$4.6 million decrease the prior year, a difference of \$15.7 million. This change consisted of increases in operating income of \$5.5 million, non-operating income of \$1.7 million, and transfers from (to) the City of \$1.7 million. This enterprise consists of two segments: Hetchy Water upcountry operations and water system, which reported a \$0.003 million decrease in change in net position, and Hetchy Power (also known as the Power Enterprise), which reported a \$11.1 million increase in change in net position. Hetchy Water total revenues increased by \$2.8 million due to a \$3.5 million increase in water assessment fee revenue from the Water Enterprise, although interest and investment income decreased by \$0.6 million. Total expenses rose by \$3.9 million. Hetchy Power's total revenues

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

increased by \$13.6 million mostly due to the adopted power rate increase which resulted in a \$10.1 million increase in charges for services. On the operating expenses side, Hetchy Power reported an increase of \$4.2 million due to increases of \$3.2 million in capital project spending, \$3.8 million increase in contractual services, \$2.7 million increase in depreciation expense, and \$1.6 million increase in claim settlement. These increases were offset by decreases of \$4.2 million in power distribution costs, \$1.8 million decrease in purchased electricity, \$1.0 million decrease in materials and supplies, and \$0.5 million decrease in pension costs from the change in accounting as previously discussed.

- The City's Wastewater Enterprise's net position increased by \$29.3 million, compared to a \$33.1 million increase the prior year, a \$3.8 million positive change. Operating revenues decreased by \$4.1 million due to decreased capacity fees resulting from a rate structure change starting in July 2014. Interest and investment income declined by \$1.2 million due to lower cash balances from higher spending on SSIP projects and an unrealized loss from declines in fair values of investments. Other decreases included \$0.1 million less sewer service revenues due to reduction of sanitary flow. Total expenses were \$239.6 million, which reflected a decrease of \$3.9 million due mostly to a decrease of \$4.3 million in interest expense. Operating expenses increased by \$0.1 million due to increases of \$7.6 million in general and administration costs, \$1.9 million in depreciation and \$0.9 million in services provided by other departments, which were offset by decreases of \$8.7 million in personnel and fringe benefits due to reduced pension costs from the change in accounting as previously discussed, and a \$1.0 million decrease in materials and supplies.
- The Port ended fiscal year 2014-15 with a net position increase of \$11.8 million, compared to an \$8.7 million increase in the previous year, a \$3.1 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2014-15, operating revenues increased \$10.3 million and included an increase in property rentals of \$7.1 million and an increase in parking revenues of \$2.6 million. Operating expenses increased \$0.03 million over the prior year. This was due in part to a \$2.4 million increase in depreciation and amortization, a \$1.5 million increase in the cost of services from other departments, and a net decrease of \$4.8 million in personnel and other expenses. The above changes were offset by a decrease of \$8.2 million in capital contributions in the form of federal, state, and local grants.
- The SFMTA had an increase in net position of \$294.7 million at the end of fiscal year 2014-15, compared to an increase of \$421.6 million in the prior year, a \$126.9 million change. SFMTA's total revenues and general fund subsidies were \$1.33 billion while total expenses reached \$1.02 billion, a decrease of \$136.6 million and \$19.1 million, respectively. This is due to decreases in operating revenue and capital contributions offset by a slight increase in non-operating revenue and net transfers. Operating revenue decreased by \$22.0 million compared to prior year and is mainly due to lower taxi medallion revenue by \$25.8 million, parking fees by \$3.0 million, and parking fines and penalties by \$2.1 million; offset by total increase of \$1.6 million in passenger fares, advertising revenue by \$0.9 million, charges for services by \$4.2 million; rental income by \$1.0 million, and permits revenue by \$0.5 million. The taxi medallion revenue decrease is due to fewer sales of taxi medallions and waiver of certain taxi fees in fiscal year 2014-15. The decrease of capital contributions of \$147.9 million is due to federal grants received in the prior year mostly related to Central Subway and other large projects which were completed in the prior year. This was offset by an increase in net transfers of \$19.2 million mostly due to the increase in the City's General Fund baseline allocation of \$33.6 million offset by more funding transfers mostly to the City's Street Improvement fund by \$9.1 million compared to the prior year. On the expenses side, the decrease of \$12.8 million for personnel is attributable to a reduction in pension costs from the change in accounting previously discussed. The decrease of \$14.6 million for general and administrative costs is mainly due to lower judgments and claims compared to prior year; the decreases were offset by increases in contractual services of \$8.6 million and \$5.8 million in depreciation expenses.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2015

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$6.6 million at the end of fiscal year 2014-15, compared to a decrease of \$11.8 million at the end of the previous year, an \$18.4 million difference. The LHH's loss before capital contributions and transfers for the year was \$61.5 million versus a loss of \$50.9 million for the prior year. This change of \$10.6 million was due to a \$3.2 million decrease in operating revenues, a \$6.6 million decrease in operating expenses, and a \$14.0 million decrease in other non-operating revenue. This was offset by a \$28.9 million increase in net transfers from the City this fiscal year.
- SFGH, the City's acute care hospital, ended fiscal year 2014-15 with a net position increase of \$123.4 million, compared to a \$25.3 million increase the prior year, a \$98.1 million positive change. This increase was due to capital contributions of \$57.4 million, in addition to net transfers in of \$51.4 million compared to prior year's net transfers out of \$44.8 million and no capital contributions. The increase in capital contributions was due to a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. However, SFGH incurred an operating loss of \$23.6 million, which was a \$44.9 million decrease from the prior year. This was due to a \$53.1 million decrease in operating revenues, largely related to net patient services revenues. This was offset in part by a reduction in operating expenses of \$8.3 million, comprised of a decrease of \$20.2 million in personal services, a \$4.4 million increase in services of other departments, and a \$3.9 million rise in contractual services.

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 2014-15, the City governmental funds reported combined fund balances of \$2.29 billion, an increase of \$352.0 million or 18.2 percent over the prior year. Of the total fund balances, \$771.8 million is assigned and \$123.4 million is unassigned. The total of \$895.2 million or 39.1 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 \$705.1 million. The remainder of the governmental funds fund balances includes \$25.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, \$1.23 billion restricted for programs at various levels and \$142.8 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 \$862.6 million while total fund balance reached \$1.15 billion. Combined assigned and unassigned fund balances represent 27.8 percent of total expenditures, while total fund balance represents 36.9 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.01 billion, before transfers and other items of \$703.5 million, resulting in total fund balance increasing by \$309.6 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room 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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
 Year Ended June 30, 2015

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 with some additional detail.

At the end of fiscal year 2014-15, the unrestricted net position for the proprietary funds was as follows: Airport: \$17.6 million, Water Enterprise: \$74.6 million, Hetch Hetchy Water and Power: \$136.4 million, Wastewater Enterprise: \$32.8 million, and the Port: \$31.0 million. In addition, SFMTA, SFGH, and LHH had deficits in unrestricted net position of \$29.4 million, \$397.5 million, and \$200.6 million, respectively.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$630.4 million due to the 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.....	\$ 815,364	\$ 609,029	\$ 206,335	\$ (141,826)	\$ 32,119	\$ (40,480)	\$ 56,148
Water.....	426,047	296,950	129,097	(82,732)	-	50,995	97,360
Hetch Hetchy.....	147,803	143,923	3,880	5,216	-	2,043	11,139
Municipal Transportation Agency....	499,584	1,011,401	(511,817)	166,761	266,765	372,957	294,666
General Hospital.....	738,236	761,869	(23,633)	38,274	57,375	51,383	123,399
Wastewater Enterprise.....	256,002	216,485	39,517	(9,953)	-	(232)	29,332
Port.....	95,296	83,623	11,673	(1,565)	1,560	107	11,775
Laguna Honda Hospital.....	156,482	227,215	(70,733)	9,269	-	68,018	6,554
Total.....	<u>\$ 3,134,814</u>	<u>\$ 3,350,495</u>	<u>\$ (215,681)</u>	<u>\$ (16,556)</u>	<u>\$ 357,819</u>	<u>\$ 504,791</u>	<u>\$ 630,373</u>

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 2014-15, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled \$20.58 billion, representing a \$520.1 million increase over the prior year, and 2.6 percent change. The increase is a result of net investment income of investments offset by benefit payments greater than contributions. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$425.4 million at year's end. This 7.9 percent, or \$36.6 million, decrease in the net deficit is due to increases in developer payments and redevelopment property tax revenues. The Successor Agency also restated its beginning net position to be \$22.4 million less than previously reported due to the cumulative effect of implementing GASB Statement Nos. 68 and 71. The Investment Trust Fund's net position was \$540.0 million at year's end, and the 12.7 percent decrease represents the excess of distributions over contributions to external participants.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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 \$196.4 million higher than the final budget. The City realized \$79.6 million, \$75.9 million, \$39.7 million, \$37.2 million, and \$24.4 million more revenue than budgeted in real property transfer tax, hotel tax, property taxes, business taxes, and other grants and subventions, respectively. These increases were partly offset by reductions of \$37.1 million, \$16.0 million, \$15.8 million, and \$13.2 million, in transfers from other funds, health and mental health subventions, health and welfare realignment, and other resources, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$177.3 million in expenditure savings. Major factors include:

- \$53.0 million in savings from the Department of Public Health due to savings from reduced county participation in intergovernmental transfer programs, and patient census and delays in hiring for vacant positions creating additional salary and fringe benefit savings.
- \$41.6 million in savings from the Human Services Agency, due largely to operating savings from changes in state child care rates and allocations, and lower than expected caseload uptake levels.
- \$14.7 million in salary and benefit savings mainly in the Police Department, Adult Probation, Superior Court, and other departments in public protection.
- \$6.3 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 works, transportation and commerce, culture and recreation, and general city responsibilities.

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 \$390.8 million at the end of fiscal year 2014-15. The City's fiscal year 2015-16 and 2016-17 Adopted Original Budget assumed an available balance of \$374.3 million fully appropriated in fiscal year 2015-16 and fiscal year 2016-17 leaving \$16.5 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional budgetary 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, 2015, increased by \$1.16 billion, 6.3 percent, to \$19.62 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 \$412.0 million or 35.4 percent to this total while \$752.7 million or 64.6 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land.....	\$ 299,911	\$ 274,163	\$ 217,441	\$ 217,518	\$ 517,352	\$ 491,681
Construction in progress.....	1,245,064	1,178,392	3,104,166	3,362,438	4,349,230	4,540,830
Facilities and Improvement.....	2,544,116	2,326,314	9,716,578	8,708,923	12,260,694	11,035,237
Machinery and equipment.....	76,202	62,392	926,979	896,508	1,003,181	958,900
Infrastructure.....	659,502	575,746	719,240	739,728	1,378,742	1,315,474
Intangible assets.....	49,915	45,707	65,802	72,374	115,717	118,081
Total	<u>\$4,874,710</u>	<u>\$4,462,714</u>	<u>\$14,750,206</u>	<u>\$13,997,489</u>	<u>\$19,624,916</u>	<u>\$18,460,203</u>

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by \$412.0 million or 9.2 percent. The City issued \$155.6 million in general obligation bonds for the Earthquake Safety and Emergency Response (ESER) Program to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The majority of the increase in net capital assets came from construction and capital improvement activities related to the ESER Program. The Public Safety Building and various neighborhood fire stations was substantially completed and capitalized. Construction in progress has started on the building sites for the Office of the Chief Medical Examiner, Traffic Control and Forensics Services Division and various neighborhood fire stations and police facilities. Other major capital projects under construction in progress include the Veterans Building Seismic Upgrade, the Moscone Center Expansion, and various street and park improvements. Also included in the City's governmental capital assets under construction in progress are the activities related to the rebuild of the San Francisco General Hospital (SFGH) funded by the \$887.4 million General Obligation Bond. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.
- The Water Enterprise's net capital assets increased by \$325.7 million or 7.5 percent. Close to \$425.1 million, or 15.1 percent, of the change reflects the net increase in construction and capital improvement activities in the enterprise's ten-year capital plan, including the Water System Improvement Program. Major additions to construction work included Bay Division Pipeline Reliability Upgrade, Harry Tracy Water Treatment Plant, Irvington Tunnel Alternatives, Calaveras Dam Replacement, Irvington Tunnel Alternatives and other projects of the Water System Improvement Program (WSIP). As of June 30, 2015, the PUC's Water Enterprise is 89.6% through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems. The program consists of 35 local projects within San Francisco and 48 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2015, 33 local projects are completed and the target completion date is March, 2016. For regional projects, 32 are completed and the expected completion date is May 2019. The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$205.2 million or 8.1 percent mainly from construction in progress of \$203.9 million for the Central Subway Project, Central Control System Upgrades and Rail Replacement Project. The remaining of \$1.3 million is from the acquisition for various equipment and non-revenue vehicles. Construction in progress is made up of various transit, pedestrian, and bike projects. The five projects that have the highest balances on June 30, 2015 are the Central Subway, Central Control System Upgrades, Muni Forward, Rail Replacement, and Radio Replacement. The Central Subway Project will link the existing 5.4 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro along Market Street, Union Square, and Chinatown to the north. Construction is over 50 percent complete and the two rail tunnels are bored through from end to end. The final construction contract for all stations, track, and systems was awarded and issued a Notice to Proceed. On October 11, 2012, the Federal Transit 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 FTA allocations of \$85.0 million to the project for fiscal year 2011-12, \$141.8 million for fiscal year 2012-13 and \$150.0 million for fiscal year 2013-14. The remaining funds will be awarded annually at up to \$150.0 million per year. The California Transportation Commission awarded the full amount of control from the State Transportation Improvement Program (STIP) with an additional \$75.5 million pending in future STIP funding cycles. Caltrans awarded an additional \$309.1 million of Prop. 1B PTMISEA funds for ROW, final design, vehicles and construction.
- Laguna Honda Hospital's net capital assets decreased by \$11.3 million or 2.1 percent due primarily higher depreciation expense and lower new construction in progress related to the completion of the new hospital facility. The new Laguna Honda Hospital provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. The new 500,000 square foot facility received silver

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets increased by \$24.0 million or 23.9 percent primarily due to the increases in construction in progress on the capital project to rebuild the hospital. The total amount approved by the voters for the rebuild project is \$887.4 million. As of June 30, 2014, general obligation bonds, in the amount of \$887.4 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 increased its net investment in capital assets by \$127.2 million or 7.0 percent, due to the additions of facilities, improvements, machinery and equipment, and construction work in progress. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes pump stations, machinery, and equipment. The \$6.93 billion Sewer System Improvement Program (SSIP) 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 projects were 5.6 percent completed as of June 2015. Major additions to construction work in progress included various projects for assessment SSIP validation, sewer repair and replacement, and system improvements. Facilities, improvements, machinery, and equipment increase is primarily due to the Spot Sewer Replacement Project.
- Hetch Hetchy's increased its net capital assets by \$10.8 million or 3.0% to \$373.3 million primarily due to additions of facilities, improvements, machinery, and equipment for Kirkwood Powerhouse Governor Control Replacement Units and Holm Transformer Replacement. The Hetchy System Improvement Program is a long-term capital program from 2012 to 2025 and includes projects, varying in scope and complexity, to address necessary work on water transmission, hydroelectric generation and power transmission facilities in Tuolumne, Mariposa, Stanislaus, San Joaquin and Alameda counties, essential to continued delivery of both water and power.
- The Airport's net capital assets increased \$66.7 million or 1.7 percent primarily due to the capitalization of capital improvement project costs. The Airport has five- and ten-year Capital Plans to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects continuing in fiscal year 2015-16 include the Terminal 3 East and Terminal 3 West Improvement Projects, and the T1 Redevelopment Program, which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system. Other notable fiscal year 2015-16 continuing projects include the Southfield Tenant Relocation Project, the Boarding Area A 400 Hertz System and Infrastructure Improvement Project, and the new Industrial Waste Treatment Plant.
- The Port's net capital assets increased by \$4.3 million or 1.0 percent. The most significant capital asset activity in the recent period is the September 2014 opening of the James R. Herman Cruise Terminal at Pier 27. Pier 27 has been developed as the primary cruise terminal to meet modern ship and current operational requirements of the cruise industry. The cruise terminal building is designed to allow for special event and meeting uses when the facility is not occupied for cruise purposes. The current cruise terminal building was completed under Phase 1. Phase 2 will cover additional build-out of the cruise terminal and the Cruise Terminal Plaza (previously designated as the Northeast Wharf Plaza in planning documents), an approximately 2 ¾ acre public open space located along the west end of Pier 27, along the Embarcadero Promenade. The Blue Greenway is a City and Port project to improve and expand the public open space network along the central and southern waterfront, extending from China Basin Channel to the San Francisco southern county line. When fully completed, this network is

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2015

envisioned to consist of thirteen miles of contiguous pedestrian and bicycling routes with a series of parks and respite areas at which to enjoy and access the Bay.

At the end of the year, the City's business-type activities had approximately \$1.12 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$407.2 million, SFMTA had \$465.9 million, Wastewater had \$124.7 million, Airport had \$58.3 million, Hetch Hetchy had \$48.4 million, Port had \$9.8 million, LHH had \$0.4 million and the SFGH had \$3.2 million. In addition, there was approximately \$95.9 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 current fiscal year. 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 the June 30, 2015, the City had total long-term and commercial paper debt outstanding of \$13.88 billion. Of this amount, \$1.88 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 \$12.0 billion is revenue bonds, commercial paper, certificates of participation 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 \$297.1 million or 2.19 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was \$41.9 million primarily due to the \$134.7 million revolving loan by the San Francisco County Transportation Authority to refinance its short-term commercial paper notes. The City took advantage of favorable interest rates to reduce debt payments by issuing \$293.9 million general obligation refunding bonds and issued \$155.6 million in general obligation bonds to fund the repairs and seismic improvements to better prepare San Francisco for a major earthquake or natural disaster. The City also drew an additional loan for \$2.1 million for the renovation of the City's west harbor marina.

The business-type activities net debt increase was \$255.2 million primarily due to issuance of revenue bonds. The Airport issued \$473.6 million in revenue bonds to finance capital projects and retire outstanding balance of commercial paper notes and the SFMTA issued \$70.6 million to finance its various transit and parking projects. The Hetch Hetchy Power Enterprise issued \$39.5 million revenue bonds to finance the improvement of existing facilities of the Hetch Hetchy project. The Water Enterprise issued \$429.6 million revenue refunding bonds for debt service savings.

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 assessed value of taxable property in the City – estimated at \$182.75 billion in value as of the close of the fiscal year. As of June 30, 2015, the City had \$2.10 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2015, there were an additional \$1.29 billion 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 1.77 percent of gross (1.85 percent of net) taxable assessed value of property.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

The City's underlying ratings on general obligation bonds as of June 30, 2015 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 Standard & Poor's affirmed the City's ratings of "Aa1" and "AA+", respectively, with Stable Outlook. Fitch Ratings maintained its rating of "AA", and revised the rating outlook from Stable to Positive on all the City's outstanding general obligation bonds.

The City's enterprise activities carried upgraded underlying debt ratings for the SFMTA of "Aa2" and "AA" from Moody's and Standard & Poor's, respectively. 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 Water Enterprise and Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard & Poor's, respectively, as of June 30, 2015.

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 during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2015-16 and 2016-17. 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, SFMTA, the Port of San Francisco, Retirement System, Child Support Services, and the Library, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2014-15 was 3.9 percent, a decrease of 1.0 percent from the average unemployment rate in fiscal year 2013-14.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2014-15 was \$1.0 million up 15.9 percent from the previous fiscal year. Residential and commercial rents also grew by 10.7 percent and 10.4 percent, respectively, from the prior fiscal year.
- The hotel sector saw continued growth in fiscal year 2014-15 over the prior year. Annual average hotel room occupancy grew to 87.3 percent in fiscal year 2014-15 while average daily room rates grew by 9.7 percent over the prior year.
- The City's taxable sales have also continued to grow, with fiscal year 2014-15 sales tax revenue up 5.6 percent over fiscal year 2013-14.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2015-16 and 2016-17 in July 2015, which assumes use of prior year fund balance from General Fund of \$180.2 million and \$194.1 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2015

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

Port of San Francisco

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

***San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise***

Chief Financial Officer
525 Golden Gate Avenue
San Francisco, CA 94102

Laguna Honda Hospital

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

Municipal Transportation Agency

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

Health Service System

Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

San Francisco General Hospital Medical Center

Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees' Retirement System

Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

***Successor Agency to the
San Francisco Redevelopment Agency***

1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

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, 2015

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 5,078,801	\$ 9,825
Deposits and investments outside City Treasury.....	107,539	16,355	123,894	-
Receivables (net of allowance for uncollectible amounts of \$195,398 for the primary government):				
Property taxes and penalties.....	65,313	-	65,313	-
Other local taxes.....	278,396	-	278,396	-
Federal and state grants and subventions.....	257,568	197,321	454,889	-
Charges for services.....	89,704	214,880	304,584	724
Interest and other.....	32,255	78,565	110,820	11
Due from component units.....	3,926	213	4,139	-
Inventories.....	-	94,189	94,189	-
Other assets.....	9,674	1,714	11,388	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	213,672	213,672	-
Deposits and investments outside City Treasury.....	28,242	177,978	206,220	-
Grants and other receivables.....	-	30,215	30,215	-
Total current assets.....	<u>3,511,084</u>	<u>3,465,436</u>	<u>6,976,520</u>	<u>10,560</u>
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$1,004,667).....	76,700	-	76,700	-
Advance to component units.....	42,965	3,027	45,992	-
Other assets.....	262	8,130	8,392	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	705,802	705,802	-
Deposits and investments outside City Treasury.....	4,665	558,543	563,208	-
Grants and other receivables.....	-	33,478	33,478	-
Capital assets:				
Land and other assets not being depreciated.....	1,553,691	3,333,650	4,887,341	5,529
Facilities, infrastructure and equipment, net of depreciation.....	<u>3,321,019</u>	<u>11,416,556</u>	<u>14,737,575</u>	<u>22</u>
Total capital assets.....	<u>4,874,710</u>	<u>14,750,206</u>	<u>19,624,916</u>	<u>5,551</u>
Total noncurrent assets.....	<u>4,999,302</u>	<u>16,059,186</u>	<u>21,058,488</u>	<u>5,551</u>
Total assets.....	<u>8,510,386</u>	<u>19,524,622</u>	<u>28,035,008</u>	<u>16,111</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	19,539	118,867	138,406	-
Deferred outflows on derivative instruments.....	-	66,809	66,809	-
Deferred outflows related to pensions.....	326,954	259,933	586,887	-
Total deferred outflows of resources.....	<u>\$ 346,493</u>	<u>\$ 445,609</u>	<u>\$ 792,102</u>	<u>\$ -</u>

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, 2015

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 316,321	\$ 241,510	\$ 557,831	\$ 151
Accrued payroll.....	70,468	56,627	127,095	-
Accrued vacation and sick leave pay.....	90,405	65,754	156,159	-
Accrued workers' compensation.....	38,046	28,188	66,234	-
Estimated claims payable.....	52,797	50,390	103,187	-
Bonds, loans, capital leases, and other payables.....	336,217	526,282	862,499	-
Accrued interest payable.....	12,497	53,202	65,699	-
Unearned grant and subvention revenues.....	19,304	-	19,304	-
Due to primary government.....	-	-	-	546
Internal balances.....	8,327	(8,327)	-	-
Unearned revenues and other liabilities.....	400,970	638,191	1,039,161	1,576
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	70,694	70,694	-
Accrued interest payable.....	-	33,587	33,587	-
Other.....	-	136,126	136,126	-
Total current liabilities.....	<u>1,345,352</u>	<u>1,892,224</u>	<u>3,237,576</u>	<u>2,273</u>
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	59,469	38,906	98,375	-
Accrued workers' compensation.....	185,638	143,702	329,340	-
Other postemployment benefits obligation.....	1,114,636	814,608	1,929,244	-
Estimated claims payable.....	104,863	56,780	161,643	-
Bonds, loans, capital leases, and other payables.....	2,806,182	10,137,573	12,943,755	-
Advance from primary government.....	-	-	-	8,531
Unearned revenues and other liabilities.....	2,467	89,096	91,563	-
Derivative instruments liabilities.....	-	80,722	80,722	-
Net pension liability.....	1,067,520	749,919	1,817,439	-
Total noncurrent liabilities.....	<u>5,340,775</u>	<u>12,111,306</u>	<u>17,452,081</u>	<u>8,531</u>
Total liabilities.....	<u>6,686,127</u>	<u>14,003,530</u>	<u>20,689,657</u>	<u>10,804</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	256	393	649	-
Unamortized gain on leaseback transaction.....	-	16,141	16,141	-
Deferred inflows related to pensions.....	883,282	671,917	1,555,199	-
Total deferred inflows of resources.....	<u>883,538</u>	<u>688,451</u>	<u>1,571,989</u>	<u>-</u>
NET POSITION				
Net investment in capital assets, Note 2(k).....	2,684,808	5,117,679	7,520,698	5,551
Restricted for:				
Reserve for rainy day.....	114,969	-	114,969	-
Debt service.....	87,772	100,923	188,695	-
Capital projects, Note 2(k).....	28,263	358,745	330,213	-
Community development.....	297,094	-	297,094	-
Transportation Authority activities.....	13,486	-	13,486	-
Building inspection programs.....	109,512	-	109,512	-
Children and families.....	100,892	-	100,892	-
Culture and recreation.....	94,108	-	94,108	-
Grants.....	82,214	-	82,214	-
Other purposes.....	33,077	35,986	69,063	-
Total restricted.....	<u>961,387</u>	<u>495,654</u>	<u>1,400,246</u>	<u>-</u>
Unrestricted (deficit), Note 2(k).....	(2,358,981)	(335,083)	(2,355,480)	(244)
Total net position.....	<u>\$ 1,287,214</u>	<u>\$ 5,278,250</u>	<u>\$ 6,565,464</u>	<u>\$ 5,307</u>

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, 2015
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business- Type Activities		
Primary government								
Governmental activities:								
Public protection.....	\$ 1,108,200	\$ 70,444	\$ 182,318	\$ -	\$ (855,438)	\$ -	\$ (855,438)	\$ -
Public works, transportation and commerce.....	270,454	128,661	75,545	42,108	(24,140)	-	(24,140)	-
Human welfare and neighborhood development.....	1,073,652	96,012	614,657	-	(362,983)	-	(362,983)	-
Community health.....	735,040	93,130	274,141	650	(367,119)	-	(367,119)	-
Culture and recreation.....	355,676	98,302	1,368	5,475	(250,531)	-	(250,531)	-
General administration and finance.....	249,823	89,403	5,407	-	(155,013)	-	(155,013)	-
General City responsibilities.....	94,577	37,031	11,904	-	(45,642)	-	(45,642)	-
Unallocated interest on long- term debt and cost of issuance.....	115,030	-	-	-	(115,030)	-	(115,030)	-
Total governmental activities.....	4,002,452	612,983	1,165,340	48,233	(2,175,896)	-	(2,175,896)	-
Business-type activities:								
Airport.....	853,338	815,364	-	32,119	-	(5,855)	(5,855)	-
Transportation.....	1,018,251	499,584	150,550	268,765	-	(101,352)	(101,352)	-
Port.....	88,436	95,296	458	1,560	-	8,878	8,878	-
Water.....	438,885	426,047	17	-	-	(12,821)	(12,821)	-
Power.....	149,438	147,803	1,827	-	-	192	192	-
Hospitals.....	996,395	894,718	37,174	57,375	-	(7,128)	(7,128)	-
Sewer.....	239,556	256,002	1,075	-	-	17,521	17,521	-
Total business-type activities.....	3,784,299	3,134,814	191,101	357,819	-	(100,565)	(100,565)	-
Total primary government.....	\$ 7,786,751	\$ 3,747,797	\$ 1,356,441	\$ 406,052	(2,175,896)	(100,565)	(2,276,461)	-
Component unit:								
Treasure Island Development Authority.....	\$ 7,866	\$ 14,235	\$ 5	\$ 5,529				\$ 11,903
General Revenues								
Taxes:								
Property taxes.....					1,640,383	-	1,640,383	-
Business taxes.....					611,932	-	611,932	-
Sales and use tax.....					240,424	-	240,424	-
Hotel room tax.....					394,262	-	394,262	-
Utility users tax.....					98,979	-	98,979	-
Parking tax.....					87,209	-	87,209	-
Real property transfer tax.....					314,603	-	314,603	-
Other local taxes.....					50,182	-	50,182	-
Interest and investment income.....					20,737	25,999	46,736	69
Other.....					46,906	200,148	247,054	-
Transfers - internal activities of primary government.....					(504,791)	504,791	-	-
Total general revenues and transfers.....					3,000,826	730,938	3,731,764	69
Change in net position.....					824,930	630,373	1,455,303	11,972
Net position at beginning of year, as previously reported.....					2,341,631	6,017,860	8,359,491	(6,665)
Cumulative effect of accounting change.....					(1,879,347)	(1,369,983)	(3,249,330)	-
Net position at beginning of year, as restated.....					462,284	4,647,877	5,110,161	(6,665)
Net position at end of year.....					\$ 1,287,214	\$ 5,278,250	\$ 6,565,464	\$ 5,307

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2015	2014	2015	2014	2015	2014
Assets:						
Deposits and investments with City Treasury.....	\$ 1,292,562	\$ 1,053,040	\$ 1,308,000	\$ 1,332,623	\$ 2,600,562	\$ 2,385,663
Deposits and investments outside City Treasury.....	8,880	2,311	98,659	65,991	107,539	68,302
Receivables (net of allowance for uncollectible amounts of \$155,505 in 2015; \$163,588 in 2014):						
Property taxes and penalties.....	53,171	52,282	12,142	10,228	65,313	62,510
Other local taxes.....	249,887	218,551	28,509	17,704	278,396	236,255
Federal and state grants and subventions.....	161,373	179,065	96,195	120,296	257,568	299,361
Charges for services.....	68,318	44,550	21,326	13,517	89,644	58,067
Interest and other.....	28,184	4,249	3,327	3,829	31,511	8,078
Due from other funds.....	5,848	12,511	6,334	5,873	12,182	18,384
Due from component unit.....	948	878	2,978	545	3,926	1,423
Advance to component unit.....	23,212	21,670	19,753	10,606	42,965	32,276
Loans receivable (net of allowance for uncollectible amounts of \$1,004,667 in 2015; \$962,170 in 2014)...	3,560	1,332	73,140	70,747	76,700	72,079
Other assets.....	1,193	3,458	7,570	13,638	8,763	17,096
Total assets.....	\$ 1,897,136	\$ 1,593,897	\$ 1,677,933	\$ 1,665,597	\$ 3,575,069	\$ 3,259,494
Liabilities:						
Accounts payable.....	\$ 171,002	\$ 177,241	\$ 136,739	\$ 151,808	\$ 307,741	\$ 329,049
Accrued payroll.....	57,045	118,012	12,067	25,181	69,112	143,193
Unearned grant and subvention revenues.....	5,902	9,748	13,402	8,333	19,304	18,081
Due to other funds.....	639	701	19,681	20,910	20,320	21,611
Unearned revenues and other liabilities.....	347,054	249,566	53,806	55,412	400,860	304,978
Bonds, loans, capital leases, and other payables.....	-	-	157,766	175,760	157,766	175,760
Total liabilities.....	581,642	555,268	393,461	437,404	975,103	992,672
Deferred inflows of resources.....	170,298	203,067	140,725	126,776	311,023	329,843
Fund balances:						
Nonspendable.....	24,786	24,022	329	441	25,115	24,463
Restricted.....	114,969	83,194	1,110,836	1,115,226	1,225,805	1,198,420
Committed.....	142,815	145,126	-	-	142,815	145,126
Assigned.....	705,076	508,903	66,740	50,733	771,816	559,636
Unassigned.....	157,550	74,317	(34,158)	(64,983)	123,392	9,334
Total fund balances.....	1,145,196	835,562	1,143,747	1,101,417	2,288,943	1,936,979
Total liabilities, deferred inflows of resources and fund balances.....	\$ 1,897,136	\$ 1,593,897	\$ 1,677,933	\$ 1,665,597	\$ 3,575,069	\$ 3,259,494

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, 2015
(In Thousands)

Fund balances – total governmental funds	\$2,288,943
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.	4,865,138
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,389,722)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized in the governmental funds.	311,023
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,068)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	18,112
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,594,984)
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>(200,228)</u>
Net position of governmental activities	<u>\$1,287,214</u>

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2015	2014	2015	2014	2015	2014
Revenues:						
Property taxes.....	\$ 1,272,623	\$ 1,178,277	\$ 369,536	\$ 338,984	\$ 1,642,159	\$ 1,517,261
Business taxes.....	609,614	562,896	2,318	510	611,932	563,406
Sales and use tax.....	140,146	133,705	100,278	93,931	240,424	227,636
Hotel room tax.....	394,262	310,052	-	-	394,262	310,052
Utility users tax.....	98,979	86,810	-	-	98,979	86,810
Parking tax.....	87,209	83,476	-	-	87,209	83,476
Real property transfer tax.....	314,603	261,925	-	-	314,603	261,925
Other local taxes.....	50,182	46,237	-	-	50,182	46,237
Licenses, permits and franchises.....	27,789	26,975	15,170	15,396	42,959	42,371
Fines, forfeitures, and penalties.....	6,369	5,281	21,785	23,144	28,154	28,425
Interest and investment income.....	7,867	7,866	12,716	13,812	20,583	21,678
Rents and concessions.....	24,339	25,501	74,763	65,211	99,102	90,712
Intergovernmental:						
Federal.....	230,434	215,682	234,762	210,632	465,196	426,314
State.....	620,877	609,877	130,697	111,858	751,574	721,735
Other.....	3,153	2,191	12,621	7,217	15,774	9,408
Charges for services.....	215,036	180,850	144,008	153,054	359,044	333,904
Other.....	9,162	9,760	114,443	125,163	123,605	134,923
Total revenues.....	<u>4,112,644</u>	<u>3,747,361</u>	<u>1,233,097</u>	<u>1,158,912</u>	<u>5,345,741</u>	<u>4,906,273</u>
Expenditures:						
Current:						
Public protection.....	1,148,405	1,096,839	61,752	75,658	1,210,157	1,172,497
Public works, transportation and commerce.....	87,452	78,249	206,547	153,756	293,999	232,005
Human welfare and neighborhood development.....	786,362	720,787	309,057	274,405	1,095,419	995,192
Community health.....	650,741	668,701	103,091	92,738	753,832	761,439
Culture and recreation.....	119,278	113,019	233,574	218,895	352,852	331,914
General administration and finance.....	208,695	190,335	42,675	43,642	251,370	233,977
General City responsibilities.....	98,620	86,968	38	28	98,658	86,996
Debt service:						
Principal retirement.....	-	-	200,497	190,266	200,497	190,266
Interest and other fiscal charges.....	-	-	121,371	119,142	121,371	119,142
Bond issuance costs.....	-	-	2,734	2,185	2,734	2,185
Capital outlay.....	-	-	412,740	449,726	412,740	449,726
Total expenditures.....	<u>3,099,553</u>	<u>2,954,898</u>	<u>1,694,076</u>	<u>1,620,441</u>	<u>4,793,629</u>	<u>4,575,339</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,013,091</u>	<u>792,463</u>	<u>(460,979)</u>	<u>(461,529)</u>	<u>552,112</u>	<u>330,934</u>
Other financing sources (uses):						
Transfers in.....	164,712	216,449	391,575	346,834	556,287	563,283
Transfers out.....	(873,741)	(720,806)	(187,345)	(154,490)	(1,061,086)	(875,296)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	449,530	257,175	449,530	257,175
Face value of loans issued.....	-	-	136,763	8,735	136,763	8,735
Premium on issuance of bonds.....	-	-	69,833	19,773	69,833	19,773
Payment to refunded bond escrow agent.....	-	-	(359,225)	(49,055)	(359,225)	(49,055)
Other financing sources-capital leases.....	5,572	6,585	2,178	6,284	7,750	12,869
Total other financing sources (uses).....	<u>(703,457)</u>	<u>(497,772)</u>	<u>503,309</u>	<u>435,256</u>	<u>(200,148)</u>	<u>(62,516)</u>
Net changes in fund balances.....	<u>309,634</u>	<u>294,691</u>	<u>42,330</u>	<u>(26,273)</u>	<u>351,964</u>	<u>268,418</u>
Fund balances at beginning of year.....	<u>835,562</u>	<u>540,871</u>	<u>1,101,417</u>	<u>1,127,690</u>	<u>1,936,979</u>	<u>1,668,561</u>
Fund balances at end of year.....	<u>\$ 1,145,196</u>	<u>\$ 835,562</u>	<u>\$ 1,143,747</u>	<u>\$ 1,101,417</u>	<u>\$ 2,288,943</u>	<u>\$ 1,936,979</u>

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, 2015
(In Thousands)

Net changes in fund balances - total governmental funds \$351,964

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. 411,702

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. (112,465)

Property tax revenues recognized under the full accrual method of accounting were less because deferred revenues in the prior year exceeded current year deferrals under the 60-day rule. (1,776)

Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities. (21,530)

Governmental funds report expenditures pertaining to certain long-term loans made. These deferred outflow of resources are not reported on the statement of net position and therefore the corresponding expense is not reported on the statement of activities. 4,564

Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 250,365

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. 3,480

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. (26,571)

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. (69,833)

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 and gains. 14,097

The activities of internal service funds are reported with governmental activities. 20,933

Change in net position of governmental activities \$ 824,930

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund
Year Ended June 30, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	\$ 193,583	\$ 941,702	\$ 941,702	\$ -
Resources (Inflows):				
Property taxes.....	1,232,927	1,232,927	1,272,623	39,696
Business taxes.....	572,385	572,385	609,614	37,229
Other local taxes:				
Sales and use tax.....	136,080	136,080	140,146	4,066
Hotel room tax.....	318,350	318,350	394,262	75,912
Utility users tax.....	91,740	91,740	98,979	7,239
Parking tax.....	84,880	84,880	87,209	2,329
Real property transfer tax.....	235,000	235,000	314,603	79,603
Other local taxes.....	44,380	44,380	50,182	5,802
Licenses, permits and franchises:				
Licenses and permits.....	10,105	10,105	11,178	1,073
Franchise tax.....	17,024	17,024	16,611	(413)
Fines, forfeitures, and penalties.....	4,242	4,242	6,369	2,127
Interest and investment income.....	6,853	6,853	11,670	4,817
Rents and concessions:				
Garages - Recreation and Park.....	10,682	10,682	11,937	1,255
Rents and concessions - Recreation and Park.....	9,480	9,480	9,637	157
Other rents and concessions.....	2,529	2,529	2,956	427
Intergovernmental:				
Federal grants and subventions.....	234,922	229,741	225,880	(3,861)
State subventions:				
Social service subventions.....	111,126	109,700	98,943	(10,757)
Health / mental health subventions.....	138,900	138,774	122,807	(15,967)
Health and welfare realignment.....	233,922	233,922	218,160	(15,762)
Public safety sales tax.....	91,380	91,380	93,972	2,592
Other grants and subventions.....	49,033	49,044	73,465	24,421
Other.....	2,650	3,775	3,153	(622)
Charges for services:				
General government service charges.....	62,106	62,088	60,863	(1,225)
Public safety service charges.....	33,900	34,104	38,594	4,490
Recreation charges - Recreation and Park.....	20,064	20,064	21,671	1,607
MediCal, MediCare and health service charges.....	93,739	93,764	95,280	1,516
Other financing sources:				
Transfers from other funds.....	179,282	199,175	162,058	(37,117)
Repayment of loan from Component Unit.....	1,026	1,026	-	(1,026)
Other resources (inflows).....	20,538	21,532	8,361	(13,171)
Subtotal - Resources (Inflows)	<u>4,049,245</u>	<u>4,064,746</u>	<u>4,261,183</u>	<u>196,437</u>
Total amounts available for appropriation.....	<u>4,242,828</u>	<u>5,006,448</u>	<u>5,202,885</u>	<u>196,437</u>

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, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 27,543	\$ 28,497	\$ 24,560	\$ 3,937
District Attorney.....	42,923	43,011	42,808	203
Emergency Communications.....	48,364	48,415	48,136	279
Fire Department.....	318,089	319,521	319,339	182
Juvenile Probation.....	36,884	32,418	32,231	187
Police Department.....	462,709	463,002	455,758	7,244
Public Defender.....	30,131	30,118	29,575	543
Sheriff.....	173,180	161,849	160,949	900
Superior Court.....	31,960	31,940	30,677	1,263
Subtotal - Public Protection	<u>1,171,783</u>	<u>1,158,771</u>	<u>1,144,033</u>	<u>14,738</u>
Public Works, Transportation and Commerce				
Board of Appeals.....	964	950	875	75
Business and Economic Development.....	25,504	22,585	21,354	1,231
General Services Agency - Public Works.....	101,514	63,890	63,633	257
Public Utilities Commission.....	-	1,310	894	416
Municipal Transportation Agency.....	-	535	535	-
Subtotal - Public Works, Transportation and Commerce	<u>127,982</u>	<u>89,270</u>	<u>87,291</u>	<u>1,979</u>
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	29,807	31,544	31,155	389
Commission on the Status of Women.....	5,595	5,477	5,440	37
County Education Office.....	116	116	116	-
Environment.....	-	127	127	-
Human Rights Commission.....	2,147	2,248	2,040	208
Human Services.....	761,640	758,811	717,252	41,559
Mayor - Housing/Neighborhoods.....	31,899	30,232	30,232	-
Subtotal - Human Welfare and Neighborhood Development	<u>831,204</u>	<u>828,555</u>	<u>786,362</u>	<u>42,193</u>
Community Health				
Public Health.....	<u>736,916</u>	<u>703,569</u>	<u>650,537</u>	<u>53,032</u>
Culture and Recreation				
Academy of Sciences.....	4,548	4,413	4,413	-
Arts Commission.....	8,712	7,830	7,741	89
Asian Art Museum.....	8,768	8,612	8,408	204
Fine Arts Museum.....	14,565	14,226	13,910	316
Law Library.....	1,536	1,536	1,354	182
Recreation and Park Commission.....	88,798	82,434	82,434	-
Subtotal - Culture and Recreation	<u>126,927</u>	<u>119,051</u>	<u>118,260</u>	<u>791</u>

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, 2015
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder.....	\$ 20,720	\$ 18,689	\$ 18,048	\$ 641
Board of Supervisors.....	13,326	13,588	13,277	311
City Attorney.....	12,057	12,394	12,350	44
City Planning.....	34,118	32,317	32,148	169
Civil Service.....	809	805	680	125
Controller.....	13,368	13,106	12,783	323
Elections.....	15,556	13,068	11,696	1,372
Ethics Commission.....	4,574	2,680	2,595	85
General Services Agency - Administrative Services.....	61,476	53,200	52,054	1,146
General Services Agency - Technology.....	2,407	1,936	1,870	66
Health Service System.....	452	274	-	274
Human Resources.....	12,137	13,731	13,593	138
Mayor.....	5,217	5,183	5,150	33
Retirement Services.....	1,205	781	781	-
Treasurer/Tax Collector.....	35,706	33,195	31,609	1,586
Subtotal - General Administration and Finance	<u>233,128</u>	<u>214,947</u>	<u>208,634</u>	<u>6,313</u>
General City Responsibilities				
General City Responsibilities.....	107,723	116,322	98,086	18,236
Other financing uses:				
Debt service.....	2,194	11	-	11
Transfers to other funds.....	835,253	873,592	873,592	-
Budgetary reserves and designations.....	69,718	39,966	-	39,966
Total charges to appropriations.....	<u>4,242,828</u>	<u>4,144,054</u>	<u>3,966,795</u>	<u>177,259</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 862,394</u>	<u>\$ 1,236,090</u>	<u>\$ 373,696</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 1,236,090	
Reserves and designations made from budgetary fund balance not available for appropriation			(650,711)	
Reserves for Litigation and Contingencies and General Reserves			<u>(194,549)</u>	
Net Available Budgetary Fund Balance, June 30			\$ 390,830	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 5,202,885	
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.....				
			(941,702)	
Change in unrealized gain/(loss) on investments.....				
			205	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....				
			(4,008)	
Interest earnings from other funds assigned to General Fund as other revenues.....				
			1,503	
Grants, subventions and other receivables received after 90-day recognition period.....				
			16,010	
Prepaid lease revenue, Civic Center Garage.....				
			(191)	
Transfers from other funds are inflows of budgetary resources, but are not				
revenues for financial reporting purposes.....				
			<u>(162,058)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 4,112,644</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 3,966,795	
Difference - budget to GAAP:				
Capital asset purchases funded under capital leases with				
Finance Corporation and other vendors.....				
			5,572	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for				
internal service fund.....				
			778	
Transfers to other funds are outflows of budgetary resources but are not				
expenditures for financial reporting purposes.....				
			<u>(873,592)</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 3,099,553</u>	

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total			
	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	2015	2014		
ASSETS												
Current Assets:												
Deposits and investments with City Treasury.....	\$ 403,522	\$ 353,983	\$ 194,711	\$ 872,466	\$ 358,360	\$ 148,153	\$ 109,139	\$ -	\$ 2,440,334	\$ 1,944,883	\$ 37,905	\$ 37,885
Deposits and investments outside City Treasury.....	6,445	108	10	9,688	10	87	5	2	16,355	13,530	-	-
Receivables (net of allowance for uncollectible amounts of \$39,893 and \$38,344 in 2015 and 2014, respectively):												
Federal and state grants and subventions.....	-	43	1,810	98,509	1,028	4,643	784	89,504	197,321	241,515	-	-
Charges for services.....	38,895	35,733	6,694	6,587	75,321	24,933	3,843	22,874	214,880	211,871	60	34
Interest and other.....	1,075	658	176	7,983	67,676	136	773	88	78,565	115,782	744	599
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	19,227	22,128
Due from other funds.....	-	197	10,144	4,001	26	46	-	14	14,428	18,233	-	-
Due from component unit.....	-	-	200	13	-	-	-	-	213	200	-	-
Inventories.....	42	7,724	384	73,419	8,302	2,560	757	1,001	94,189	82,500	-	-
Other assets.....	619	-	226	514	-	122	233	-	1,714	6,598	-	225
Restricted assets:												
Deposits and investments with City Treasury.....	141,013	-	-	-	-	-	23,678	48,981	213,672	227,894	-	-
Deposits and investments outside City Treasury...	74,491	69,562	7,316	-	-	12,250	11,365	2,994	177,978	173,686	28,242	40,417
Grants and other receivables.....	30,215	-	-	-	-	-	-	-	30,215	71,103	-	-
Total current assets.....	696,317	468,008	221,871	1,074,180	510,723	192,930	150,577	165,458	3,479,884	3,107,795	88,178	101,288
Noncurrent assets:												
Other assets.....	1,952	978	2,473	-	-	1,272	1,455	-	8,130	7,679	-	-
Capital lease receivable.....	-	-	-	-	-	-	-	-	-	-	193,622	218,983
Advance to component unit.....	-	-	3,027	-	-	-	-	-	3,027	3,227	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	259,152	303,767	45,890	31,852	-	65,141	-	-	705,802	957,616	-	-
Deposits and investments outside City Treasury...	382,146	142,457	-	18,299	2,609	-	-	13,032	558,543	590,343	4,665	4,730
Grants and other receivables.....	436	11,695	98	2,324	-	4,018	-	14,907	33,478	32,512	-	-
Capital assets:												
Land and other assets not being depreciated.....	369,752	1,204,295	92,779	1,076,126	64,728	400,893	124,897	180	3,333,650	3,591,969	-	-
Facilities, infrastructure, and equipment, net of depreciation.....	3,566,674	3,448,989	280,557	1,671,093	59,597	1,531,895	319,208	538,543	11,416,556	10,405,490	9,572	9,278
Total capital assets.....	3,936,426	4,653,284	373,336	2,747,219	124,325	1,932,788	444,105	538,723	14,750,206	13,997,469	9,572	9,278
Total noncurrent assets.....	4,580,112	5,112,181	424,824	2,799,894	126,934	2,003,219	445,560	566,662	16,059,186	15,588,866	207,859	232,991
Total assets.....	5,276,429	5,580,189	646,495	3,873,874	637,657	2,196,149	596,137	732,120	19,539,050	18,696,661	294,037	334,279
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt.....	78,388	39,224	-	-	-	1,255	-	-	118,867	111,350	1,171	1,250
Deferred outflows on derivative instruments.....	66,809	-	-	-	-	-	-	-	66,809	64,964	-	-
Deferred outflows related to pensions.....	37,517	28,280	6,883	88,450	56,871	12,608	5,555	23,769	259,933	-	6,199	-
Total deferred outflows of resources.....	182,714	67,504	6,883	88,450	56,871	13,863	5,555	23,769	445,609	176,314	7,370	1,250

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds		
	Major Funds											
	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	Total	2015	2014	2015
LIABILITIES												
Current liabilities:												
Accounts payable.....	\$ 55,734	\$ 17,145	\$ 15,844	\$ 100,425	\$ 39,241	\$ 7,190	\$ 3,477	\$ 2,454	\$ 241,510	\$ 226,467	\$ 8,580	\$ 9,316
Accrued payroll.....	7,370	4,790	1,678	19,375	13,672	3,141	1,103	5,498	56,627	115,579	1,356	2,735
Accrued vacation and sick leave pay.....	9,860	6,462	2,197	21,711	14,143	3,889	1,367	6,125	65,754	57,653	1,744	1,506
Accrued workers' compensation.....	1,363	1,608	498	17,191	3,861	978	408	2,281	28,188	25,774	350	322
Estimated claims payable.....	2,427	6,705	1,228	34,979	-	3,994	1,056	-	50,390	39,491	-	-
Due to other funds.....	-	79	-	3,627	681	1,542	172	-	6,101	12,499	189	2,507
Unearned revenues and other liabilities.....	55,704	17,309	1,163	179,237	270,654	2,092	13,243	98,789	638,191	441,458	28,632	39,866
Accrued interest payable.....	-	37,668	426	3,102	102	8,557	1,656	1,691	53,202	51,480	1,429	1,578
Bonds, loans, capital leases, and other payables.....	153,471	217,894	1,631	7,340	5,997	131,696	2,370	5,883	526,282	409,495	18,795	20,440
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables.....	70,694	-	-	-	-	-	-	-	70,694	278,147	-	-
Accrued interest payable.....	33,587	-	-	-	-	-	-	-	33,587	31,007	-	-
Other.....	50,330	54,390	256	1,046	-	28,717	-	1,387	136,126	214,125	-	-
Total current liabilities.....	440,540	364,051	24,921	388,033	348,351	191,796	24,852	124,108	1,908,652	1,903,175	61,075	78,270
Noncurrent liabilities:												
Accrued vacation and sick leave pay.....	6,433	4,303	1,347	10,971	9,111	2,469	853	3,419	38,906	44,039	1,150	1,272
Accrued workers' compensation.....	4,718	7,654	2,131	85,793	24,166	4,542	2,374	12,324	143,702	135,355	1,593	1,445
Other postemployment benefits obligation.....	115,297	104,263	22,845	220,297	212,950	41,980	20,091	76,885	814,608	734,434	21,867	19,789
Estimated claims payable.....	1,345	13,004	2,107	30,501	-	9,473	350	-	56,780	51,717	-	-
Unearned revenue and other liabilities.....	-	10,898	-	-	-	571	77,627	-	89,096	96,672	-	-
Bonds, loans, capital leases, and other payables.....	4,480,730	4,387,084	74,156	207,109	17,340	745,812	91,526	133,816	10,137,573	9,791,751	197,733	223,063
Derivative instruments liabilities.....	80,722	-	-	-	-	-	-	-	80,722	80,235	-	-
Net pension liability.....	111,932	84,374	20,537	238,296	169,675	37,615	16,574	70,916	749,919	-	18,494	-
Total noncurrent liabilities.....	4,801,177	4,611,580	123,123	792,967	433,242	842,462	209,395	297,360	12,111,306	10,934,203	240,837	245,599
Total liabilities.....	5,241,717	4,975,631	148,044	1,181,000	781,593	1,034,258	234,247	421,468	14,017,958	12,837,378	301,912	323,839
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt.....	-	-	-	393	-	-	-	-	393	449	-	-
Unamortized gain on leaseback transaction.....	-	-	-	16,141	-	-	-	-	16,141	17,288	-	-
Deferred inflows related to pensions.....	100,290	75,597	18,400	213,510	152,028	33,702	14,850	63,540	671,917	-	16,569	-
Total deferred inflows of resources.....	100,290	75,597	18,400	230,044	152,028	33,702	14,850	63,540	688,451	17,737	16,569	-
NET POSITION												
Net investment in capital assets.....	(103,109)	425,073	345,814	2,529,275	102,233	1,088,552	315,037	414,804	5,117,679	4,832,659	9,572	9,278
Restricted:												
Debt service.....	37,427	1,053	302	18,299	-	349	-	43,493	100,923	64,143	-	-
Capital projects.....	165,224	95,735	4,434	-	56,221	20,327	6,511	10,293	358,745	363,601	-	-
Other purposes.....	-	-	-	33,130	-	-	-	2,856	35,986	24,721	-	-
Unrestricted (deficit).....	17,594	74,604	136,384	(29,424)	(397,547)	32,824	31,047	(200,565)	(335,083)	732,736	(26,649)	2,412
Total net position.....	\$ 117,136	\$ 598,465	\$ 486,934	\$ 2,551,280	\$(239,093)	\$ 1,142,052	\$ 352,595	\$ 270,881	\$ 5,278,250	\$ 6,017,860	\$(17,074)	\$ 11,690

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental		
	Major Funds								Total		Activities - Internal Service Funds	
	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	2015	2014	2015	2014
Operating revenues:												
Aviation.....	\$ 464,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,610	\$ 441,259	\$ -	\$ -
Water and power service.....	-	400,023	147,572	-	-	-	-	-	547,595	489,041	-	-
Passenger fees.....	-	-	-	213,328	-	-	-	-	213,328	211,684	-	-
Net patient service revenue.....	-	-	-	-	731,050	-	-	155,140	886,190	943,761	-	-
Sewer service.....	-	-	-	-	-	244,604	-	-	244,604	244,705	-	-
Rents and concessions.....	144,781	12,284	231	8,554	2,434	821	69,718	-	238,823	219,809	156	142
Parking and transportation.....	125,087	-	-	213,278	-	-	22,312	-	360,677	354,130	-	-
Other charges for services.....	-	-	-	21,786	-	-	-	-	21,786	17,761	128,670	118,424
Other revenues.....	80,886	13,740	-	42,638	4,752	10,577	3,266	1,342	157,201	180,784	-	-
Total operating revenues.....	815,364	426,047	147,803	499,584	738,236	256,002	95,296	156,482	3,134,814	3,102,934	128,826	118,566
Operating expenses:												
Personal services.....	226,790	99,192	44,797	616,056	434,671	76,396	29,406	174,078	1,701,366	1,800,214	45,629	47,660
Contractual services.....	67,491	12,729	8,646	101,707	195,492	13,841	4,978	7,398	412,282	393,936	45,160	39,965
Light, heat and power.....	22,295	-	20,296	-	-	-	2,395	-	44,987	49,108	-	-
Materials and supplies.....	14,592	12,667	2,360	73,043	76,612	9,815	1,689	19,401	210,179	222,799	18,875	18,152
Depreciation and amortization.....	216,146	95,384	17,887	126,756	6,346	50,254	22,787	16,541	552,101	539,137	2,451	1,957
General and administrative.....	5,132	16,613	41,979	43,732	932	29,967	4,266	-	142,621	168,178	540	382
Services provided by other departments.....	17,958	60,365	7,958	52,802	47,073	36,212	17,037	9,797	249,202	237,685	6,987	7,298
Other.....	38,624	-	-	(2,695)	743	-	1,065	-	37,737	20,648	5,083	1,405
Total operating expenses.....	609,029	296,950	143,923	1,011,401	761,869	216,485	83,623	227,215	3,350,495	3,431,707	124,745	116,819
Operating income (loss).....	206,335	129,097	3,880	(511,817)	(23,633)	39,517	11,673	(70,733)	(215,681)	(328,773)	4,081	1,747
Nonoperating revenues (expenses):												
Operating grants:												
Federal.....	-	17	1,827	13,887	-	1,075	458	43	17,307	11,365	-	-
State / other.....	-	-	-	136,663	37,131	-	-	-	173,794	178,986	-	-
Interest and investment income.....	9,118	5,789	1,179	5,756	1,499	1,207	970	481	25,999	29,843	4,708	5,279
Interest expense.....	(210,608)	(137,106)	(1,815)	(6,850)	(356)	(22,791)	(4,387)	(6,953)	(390,866)	(384,747)	(5,022)	(5,568)
Other nonoperating revenues.....	93,365	53,397	7,725	17,305	-	10,836	1,820	15,700	200,148	128,205	1,459	518
Other nonoperating expenses.....	(33,701)	(4,829)	(3,700)	-	-	(280)	(426)	(2)	(42,938)	(45,468)	-	-
Total nonoperating revenues (expenses).....	(141,826)	(82,732)	5,216	166,761	38,274	(9,953)	(1,565)	9,269	(16,556)	(61,616)	1,145	229
Income (loss) before capital contributions and transfers.....	64,509	46,365	9,096	(345,056)	14,641	29,564	10,108	(61,464)	(232,237)	(410,589)	5,226	1,976
Capital contributions.....	32,119	-	-	266,765	57,375	-	1,560	-	357,819	515,445	-	-
Transfers in.....	-	52,143	2,075	387,033	155,038	-	167	72,844	669,300	549,141	150	1,242
Transfers out.....	(40,480)	(1,148)	(32)	(14,076)	(103,655)	(232)	(80)	(4,826)	(184,509)	(237,514)	(142)	(178)
Change in net position before extraordinary loss.....	56,148	97,360	11,139	294,666	123,399	29,332	11,775	6,554	630,373	416,483	5,234	3,040
Extraordinary loss.....	-	-	-	-	-	-	-	-	-	(6,843)	-	-
Change in net position.....	56,148	97,360	11,139	294,666	123,399	29,332	11,775	6,554	630,373	409,640	5,234	3,040
Net position at beginning of year, as previously reported.....	266,757	654,212	513,550	2,686,060	(50,570)	1,181,867	371,289	394,695	6,017,860	5,608,220	11,690	8,650
Cumulative effect of accounting change.....	(205,769)	(155,107)	(37,755)	(429,446)	(311,922)	(69,147)	(30,469)	(130,368)	(1,369,983)	-	(33,998)	-
Net position at beginning of year, as restated.....	60,988	499,105	475,795	2,256,614	(362,492)	1,112,720	340,820	264,327	4,647,877	5,608,220	(22,308)	8,650
Net position at end of year.....	\$ 117,136	\$ 596,465	\$ 486,934	\$ 2,551,280	\$ (239,093)	\$ 1,142,052	\$ 352,595	\$ 270,881	\$ 5,278,250	\$ 6,017,860	\$ (17,074)	\$ 11,690

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, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds								Total		Governmental Activities - Internal Service Funds	
	Major Funds											
	San Francisco 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	2015	2014	2015	2014
Cash flows from operating activities:												
Cash received from customers, including cash deposits.....	\$ 835,229	\$ 398,127	\$ 151,500	\$ 540,496	\$892,631	\$ 261,079	\$ 18,411	\$169,093	\$ 3,266,566	\$ 3,150,166	\$ 159,542	\$143,692
Cash received from tenants for rent.....	-	11,754	227	8,630	2,434	831	89,205	-	113,081	86,837	-	-
Cash paid for employees' services.....	(253,502)	(116,550)	(48,486)	(670,562)	(471,861)	(63,467)	(33,161)	(192,095)	(1,869,684)	(1,691,947)	(49,772)	(45,066)
Cash paid to suppliers for goods and services.....	(168,295)	(99,365)	(65,072)	(303,639)	(320,245)	(80,333)	(34,238)	(35,782)	(1,106,969)	(1,103,540)	(87,781)	(77,186)
Cash paid for judgments and claims.....	-	(3,852)	(5,004)	(15,558)	-	(2,897)	-	-	(27,311)	(29,521)	-	-
Net cash provided by (used in) operating activities.....	413,432	190,114	33,165	(440,633)	102,959	95,213	40,217	(58,784)	375,683	411,995	21,989	21,440
Cash flows from noncapital financing activities:												
Operating grants.....	-	151	17	149,736	36,299	16,237	228	43	202,711	184,339	-	-
Transfers in.....	-	52,143	2,075	360,448	155,038	-	-	72,844	642,548	488,902	150	1
Transfers out.....	(40,480)	(1,148)	(32)	(14,076)	(103,655)	(232)	(60)	(4,826)	(164,509)	(210,315)	(142)	(178)
Other noncapital financing increases.....	1,323	15,066	7,019	16,343	-	1,509	1,686	-	42,946	25,475	-	-
Other noncapital financing decreases.....	(25,597)	(2,073)	(2,254)	-	(264)	(280)	-	(6,945)	(37,413)	(58,509)	-	-
Net cash provided by (used in) noncapital financing activities.....	(64,754)	64,139	6,825	512,451	87,418	17,234	1,854	61,116	686,283	429,896	8	(177)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes.....	65,789	-	-	352,179	57,375	-	7,676	16,060	499,079	401,405	-	-
Transfers in.....	-	-	-	26,585	-	-	167	-	26,752	59,561	-	1,241
Transfers out.....	-	-	-	-	-	-	-	-	-	(27,199)	-	-
Bond sale proceeds and loans received.....	268,420	459,230	44,412	80,393	-	-	-	-	852,455	593,825	-	-
Proceeds from sale/transfer of capital assets.....	-	8,120	27	33	-	1	5	-	8,186	102	-	-
Proceeds from commercial paper borrowings.....	40,000	-	-	-	3,761	100,000	-	-	143,761	261,350	-	-
Proceeds from passenger facility charges.....	92,702	-	-	-	-	-	-	-	92,702	86,668	-	-
Acquisition of capital assets.....	(325,039)	(376,165)	(34,659)	(338,204)	(24,989)	(169,572)	(34,409)	(4,953)	(1,307,990)	(1,655,433)	(2,745)	(5,316)
Retirement of capital leases, bonds and loans.....	(182,645)	(498,845)	(1,608)	(7,695)	(2,551)	(31,452)	(2,704)	(5,650)	(733,150)	(418,881)	(26,440)	(21,143)
Bond issue costs paid.....	-	(1,453)	(941)	(681)	-	-	-	-	(3,075)	(1,261)	(15)	(146)
Interest paid on debt.....	(221,630)	(210,671)	(1,586)	(6,377)	(1,408)	(35,373)	(4,635)	(7,154)	(488,834)	(485,635)	(5,171)	(5,639)
Federal interest income subsidy from Build America Bonds.....	-	24,111	703	-	-	3,980	-	-	28,794	28,786	-	-
Other capital financing decreases.....	-	-	-	-	-	-	(2,911)	(19)	(2,921)	(259)	-	-
Net cash provided by (used in) capital and related financing activities.....	(262,403)	(595,673)	6,348	106,233	32,188	(132,416)	(36,811)	(1,707)	(884,241)	(1,156,771)	(34,371)	(31,003)
Cash flows from investing activities:												
Purchases of investments with trustees.....	(808,924)	(364,301)	(2,770)	-	-	(93,825)	-	-	(1,269,820)	(2,959,523)	-	(23)
Proceeds from sale of investments with trustees.....	764,511	402,625	3,732	-	-	106,977	-	1,341	1,279,186	2,946,353	-	4,870
Interest and investment income.....	8,016	6,521	1,208	5,805	1,499	1,334	986	375	25,744	28,838	154	291
Other investing activities.....	-	-	-	-	-	-	-	-	-	189	65	(1)
Net cash provided by (used in) investing activities.....	(36,397)	44,845	2,170	5,805	1,499	14,486	986	1,716	35,110	15,857	219	5,137
Net increase (decrease) in cash and cash equivalents.....	49,878	(296,575)	48,508	183,856	224,064	(5,463)	6,246	2,341	212,835	(299,023)	(12,155)	(4,603)
Cash and cash equivalents-beginning of year.....	759,954	1,084,135	199,288	748,449	136,915	224,448	137,607	49,810	3,340,606	3,639,630	78,302	82,905
Cash and cash equivalents-end of year.....	\$ 809,832	\$ 787,560	\$ 247,796	\$ 932,305	\$360,979	\$ 218,965	\$143,853	\$ 52,151	\$ 3,553,441	\$ 3,340,607	\$ 66,147	\$ 78,302

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended June 30, 2015
(With comparative financial information as of June 30, 2014)
(In Thousands)

	Business-Type Activities - Enterprise Funds								Total		Governmental Activities - Internal Service Funds	
	Major Funds											
	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	2015	2014	2015	2014
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss).....	\$ 206,335	\$ 129,097	\$ 3,880	\$ (511,817)	\$ (23,633)	\$ 39,517	\$ 11,673	\$ (70,733)	\$ (215,681)	\$ (328,773)	\$ 4,081	\$ 1,947
Adjustments for non-cash and other activities:												
Depreciation and amortization.....	216,146	95,384	17,887	126,756	6,346	50,254	22,787	16,541	552,101	539,137	2,451	1,957
Provision for uncollectibles.....	86	107	-	24	-	(24)	(166)	-	27	(41)	-	-
Write-off of capital assets.....	-	2,701	5,144	-	-	1,543	-	-	9,388	3,236	-	-
Other.....	2,049	-	-	-	-	-	-	-	2,049	8,093	1,003	52
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net.....	(1,954)	7,339	1,836	(1,678)	6,217	5,932	(195)	13,977	31,474	(9,204)	26,270	20,828
Due from other funds.....	-	(118)	1,172	-	129	64	-	(48,970)	(47,723)	1,072	-	-
Inventories.....	14	11	(40)	(11,350)	(551)	(88)	253	61	(11,690)	(4,275)	-	-
Other assets.....	62	-	4,024	1	-	(54)	25	-	4,048	(1,970)	-	-
Accounts payable.....	17,336	7,421	2,584	8,192	(6,148)	(279)	(607)	754	29,253	55	(823)	3,899
Accrued payroll.....	(7,915)	(5,602)	(1,763)	(18,651)	(13,799)	(3,759)	(1,168)	(5,592)	(58,247)	12,163	(1,379)	343
Accrued vacation and sick leave pay.....	341	(705)	95	1,951	890	319	(72)	150	2,969	2,257	116	47
Accrued workers' compensation.....	411	527	162	7,833	1,469	422	8	(71)	10,761	12,685	176	259
Other postemployment benefits obligation.....	11,514	9,501	2,722	21,092	21,340	4,828	2,000	7,177	80,174	76,426	2,078	1,942
Estimated claims payable.....	-	846	441	5,779	-	6,935	(424)	-	13,577	27,802	-	-
Due to other funds.....	-	70	(8)	274	-	(130)	-	-	206	(158)	(9)	(114)
Unearned revenue and other liabilities.....	71	(33,049)	730	(2,949)	157,789	181	10,701	47,603	181,077	73,490	(6,841)	(9,520)
Net pension liability and pension related deferred outflows and inflows of resources.....	(31,064)	(23,416)	(5,701)	(66,090)	(47,090)	(10,438)	(4,600)	(19,681)	(208,080)	-	(5,134)	-
Total adjustments.....	207,097	61,017	29,285	71,184	126,592	56,696	28,544	11,949	591,364	740,768	17,908	19,693
Net cash provided by (used in) operating activities.....	\$ 413,432	\$ 190,114	\$ 33,165	\$ (440,633)	\$102,959	\$ 95,213	\$ 40,217	\$ (58,784)	\$ 375,683	\$ 411,995	\$ 21,989	\$ 21,440
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted.....	\$ 403,522	\$ 353,983	\$ 194,711	\$ 872,466	\$358,360	\$ 148,153	\$109,139	\$ -	\$ 2,440,334	\$ 1,944,883	\$ 37,905	\$ 37,885
Restricted.....	400,165	303,767	45,890	31,852	-	65,141	23,678	48,981	919,474	1,185,510	-	-
Deposits and investments outside City Treasury:												
Unrestricted.....	6,445	108	10	9,688	10	87	5	2	16,355	13,530	-	-
Restricted.....	456,637	212,019	7,316	18,299	2,609	12,250	11,365	16,026	736,521	764,029	32,907	45,147
Total deposits and investments.....	1,266,769	869,877	247,927	932,305	360,979	225,631	144,187	65,009	4,112,664	3,907,952	70,812	83,032
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(456,937)	(82,317)	(131)	-	-	(6,666)	(334)	(12,858)	(559,243)	(567,345)	(4,665)	(4,730)
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 809,832	\$ 787,560	\$ 247,796	\$ 932,305	\$360,979	\$ 218,965	\$143,853	\$ 52,151	\$ 3,553,441	\$ 3,340,607	\$ 66,147	\$ 78,302
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease.....	\$ 43,890	\$ 54,390	\$ 256	\$ -	\$ 4,836	\$ 28,717	\$ 1,056	\$ 627	\$ 133,772	\$ 210,181	\$ 424	\$ 2,703
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	-	-	400	2,861	-	-
Net capitalized interest.....	9,961	75,200	(26)	1,166	1,045	12,327	370	-	100,043	105,282	-	-
Donated inventory.....	-	-	-	-	7,306	-	-	-	7,306	2,746	-	-
Capital contributions and other noncash capital items.....	-	(2,960)	(563)	-	-	-	(815)	-	(4,328)	1,374	-	-
Bond refunding.....	249,527	-	-	-	-	-	-	-	249,527	209,127	-	-
Interfund loan.....	-	79	-	-	-	1,542	-	-	1,621	1,488	-	-

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, 2015
(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.....	\$ 182,019	\$ 539,404	\$ 270,466	\$ 190,217
Deposits and investments outside City Treasury:				
Cash and deposits.....	31,969	105	5,339	37
Short-term investments.....	656,185	-	150,484	-
Debt securities.....	4,967,128	-	-	-
Equity securities.....	10,454,530	-	-	-
Real assets.....	1,975,926	-	-	-
Private equity.....	2,484,299	-	-	-
Foreign currency contracts, net.....	722	-	-	-
Invested in securities lending collateral.....	1,001,231	-	-	-
Receivables:				
Employer and employee contributions.....	27,925	-	-	30,822
Brokers, general partners and others.....	226,201	-	-	-
Federal and state grants and subventions.....	-	-	352	-
Interest and other.....	41,732	550	6,394	207,252
Other assets.....	-	-	-	45,538
Capital assets:				
Land and other assets not being depreciated.....	-	-	55,402	-
Facilities, infrastructure and equipment, net of depreciation.....	-	-	132,694	-
Total assets.....	<u>22,049,867</u>	<u>540,059</u>	<u>621,131</u>	<u>473,866</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions.....	-	-	1,573	-
Unamortized loss on refunding of debt.....	-	-	1,722	-
Total deferred outflows of resources.....	<u>-</u>	<u>-</u>	<u>3,295</u>	<u>-</u>
LIABILITIES				
Accounts payable.....	59,190	43	19,307	62,243
Estimated claims payable.....	29,343	-	-	-
Due to the primary government.....	-	-	1,820	-
Agency obligations.....	-	-	-	411,623
Bond interest payable.....	-	-	20,104	-
Payable to brokers.....	374,001	-	-	-
Deferred Retirement Option Program.....	1,491	-	-	-
Payable to borrowers of securities.....	1,001,546	-	-	-
Other liabilities.....	1,677	-	1,292	-
Advance from primary government.....	-	-	39,234	-
Long-term obligations.....	-	-	944,415	-
Net pension liability.....	-	-	15,870	-
Total liabilities.....	<u>1,467,248</u>	<u>43</u>	<u>1,042,042</u>	<u>473,866</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	-	-	7,793	-
NET POSITION				
Held in trust for:				
Pension and other employee benefits.....	20,582,619	-	-	-
External pool participants.....	-	540,016	-	-
Redevelopment Agency dissolution.....	-	-	(425,409)	-
Total net position.....	<u>\$ 20,582,619</u>	<u>\$ 540,016</u>	<u>\$ (425,409)</u>	<u>\$ -</u>

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, 2015
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private- Purpose Trust Fund
Additions:			
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 124,791
Charges for services.....	-	-	69,419
Contributions:			
Employees' contributions.....	438,514	-	-
Employer contributions.....	1,256,993	-	-
Contributions to pooled investments.....	-	2,637,138	-
Total contributions.....	1,695,507	2,637,138	194,210
Investment income:			
Interest.....	210,580	3,649	2,045
Dividends.....	214,636	-	-
Net appreciation in fair value of investments.....	378,507	-	-
Securities lending income.....	4,869	-	-
Total investment income.....	808,592	3,649	2,045
Less investment expenses:			
Securities lending borrower rebates and expenses.....	796	-	-
Other investment expenses.....	(44,911)	-	-
Total investment expenses.....	(44,115)	-	-
Other additions.....	-	-	6,851
Total additions, net.....	2,459,984	2,640,787	203,106
Deductions:			
Neighborhood development.....	-	-	95,345
Depreciation.....	-	-	5,638
Interest on debt.....	-	-	57,183
Benefit payments.....	1,907,969	-	-
Refunds of contributions.....	12,339	-	-
Distribution from pooled investments.....	-	2,719,361	-
Administrative expenses.....	19,502	-	8,305
Total deductions.....	1,939,810	2,719,361	166,471
Change in net position.....	520,174	(78,574)	36,635
Net position at beginning of year, as previously reported.....	20,062,445	618,590	(439,637)
Cumulative effect of accounting change.....	-	-	(22,407)
Net position at beginning of year, as restated	20,062,445	618,590	(462,044)
Net position at end of year.....	\$ 20,582,619	\$ 540,016	\$ (425,409)

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements

June 30, 2015

(Dollars in Thousands)

(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 (Transportation Authority) – The voters of the City created the Transportation Authority 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 Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority 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 (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 (SFMTA) 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 SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8th Floor, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 1 Avenue of the Palms, Suite 241, 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 the 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 revenues 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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 90 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
(Dollars in Thousands)

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, charges for services, rents and concessions, 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 (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets (previously named the 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. 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 SFMTA. 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 **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (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.

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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 (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 until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- 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 and other governmental agencies; employees for payroll deductions; and 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.

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(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.

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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 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, 2015, involuntary participants accounted for approximately 95.2% of the pool. Voluntary participants accounted for 4.8% 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, 2015, \$540.0 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 7.6%. Internal participants accounted for 92.4% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments, such as collateralized certificates of deposit and public time deposits, that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates. 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.

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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. Securities 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 \$639.6 million including \$51.7 million in recourse debt at June 30, 2015. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. 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.

Private equity investments represent the Retirement System's interest in limited partnerships. The fair values of private equity 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 purchase and sale 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, and therefore, is not reported in the Retirement System's financial statements.

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, 2015 was 61 days. 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, 2015, the weighted average maturity of the reinvested cash collateral account was 24 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said 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.

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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. 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, SFMTA, 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, 2015, it was determined that \$1,004.7 million of the \$1,081.4 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 inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

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(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

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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. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance 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.

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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.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables.....	\$ 24,786	\$ 137	\$ 24,923
Gift Fund Principal.....	-	192	192
Total Nonspendable.....	<u>24,786</u>	<u>329</u>	<u>25,115</u>
Restricted			
Rainy Day.....	114,969	42,104	157,073
Public Protection:			
Police.....	-	18,583	18,583
Sheriff.....	-	969	969
Other Public Protection.....	-	11,208	11,208
Public Works, Transportation & Commerce.....	-	243,716	243,716
Human Welfare & Neighborhood Development.....	-	178,946	178,946
Affordable Housing.....	-	149,219	149,219
Community Health.....	-	33,068	33,068
Culture & Recreation.....	-	125,343	125,343
General Administration & Finance.....	-	9,792	9,792
Capital Projects.....	-	176,601	176,601
Debt Service.....	-	121,287	121,287
Total Restricted.....	<u>114,969</u>	<u>1,110,836</u>	<u>1,225,805</u>
Committed			
Budget Stabilization.....	132,264	-	132,264
Recreation and Parks Expenditure Savings.....	10,551	-	10,551
Total Committed.....	<u>142,815</u>	<u>-</u>	<u>142,815</u>
Assigned			
Public Protection:			
Police.....	3,758	763	4,521
Sheriff.....	2,877	2,062	4,939
Other Public Protection.....	8,693	-	8,693
Public Works, Transportation & Commerce.....	19,750	39,986	59,736
Human Welfare & Neighborhood Development.....	28,897	4,382	33,279
Affordable Housing.....	14,254	-	14,254
Community Health.....	56,093	-	56,093
Culture & Recreation.....	5,808	8,229	14,037
General Administration & Finance.....	68,040	11,318	79,358
General City Responsibilities.....	40,002	-	40,002
Capital Projects.....	90,661	-	90,661
Litigation and Contingencies.....	131,970	-	131,970
Subsequent Year's Budget.....	234,273	-	234,273
Total Assigned.....	<u>705,076</u>	<u>66,740</u>	<u>771,816</u>
Unassigned.....	157,550	(34,158)	123,392
Total.....	<u>\$ 1,145,196</u>	<u>\$ 1,143,747</u>	<u>\$ 2,288,943</u>

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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, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). 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. Seventy-five percent of the deposit is placed in the City Reserve and 25 percent is placed in the School 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 City 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 City 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 School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District’s Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. 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 2015-16 through 2019-20.

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 2015-16 through 2016-20.

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, 2015, encumbrances recorded in the General Fund and nonmajor governmental funds were \$137.6 million and \$215.0 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.

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- *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, including debt related deferred outflows and inflows of resources, 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, 2015, the government-wide statement of net position reported restricted net position of \$961.4 million in governmental activities and \$495.7 million in business-type activities, of which \$13.5 million and \$33.1 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 SFMTA. 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 \$338.6 million of unrestricted net position of governmental activities, of which \$281.8 million reduced net investment in capital assets and \$56.8 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 \$0.3 million as of June 30, 2015. The deficit relates to increases of unavailable revenue in various programs, which is expected to be collected beyond 90 days of the end of fiscal year 2015.

The Moscone Convention Center Fund had a \$33.8 million deficit as of June 30, 2015. The deficit will be covered as hotel tax revenues are realized.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$12.8 million and \$6.4 million, respectively, as of June 30, 2015 mainly due to the other postemployment benefits liability accrued per GASB Statement No. 45 and the net pension liability and pension-related deferred inflows per GASB Statement No. 68. The operating 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, 2015, the Successor Agency has a deficit of \$425.4 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
 (Dollars in Thousands)

(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

In governmental and business-type activities, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(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) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System ("CalPERS") plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2013 and were rolled forward to June 30, 2014. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD).....	June 30, 2013 updated to June 30, 2014
Measurement Date (MD).....	June 30, 2014
Measurement Period (MP)...	July 1, 2013 to June 30, 2014

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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 2013-14 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2014-15 basic financial statements.

(s) Effects of New Pronouncements

During fiscal year 2015, the City implemented the following accounting standards:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, which is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Also, in November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

The provisions of the Statement Nos. 68 and 71 are effective for fiscal years beginning after June 15, 2014. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2014. As of July 1, 2014, the City restated its net position to record beginning net pension liability and beginning deferred outflows of resources related to pensions as follows:

	Net Position, at Beginning of Year		
	As Previously Reported	Change in Accounting Principle	As Restated
Primary Government:			
Governmental Activities.....	\$ 2,341,631	\$ (1,879,347)	\$ 462,284
Business-Type Activities:			
San Francisco International Airport.....	266,757	(205,769)	60,988
San Francisco Water Enterprise.....	654,212	(155,107)	499,105
Hetch Hetchy Water and Power.....	513,550	(37,755)	475,795
Municipal Transportation Agency.....	2,686,060	(429,446)	2,256,614
General Hospital Medical Center.....	(50,570)	(311,922)	(362,492)
San Francisco Wastewater Enterprise.....	1,181,867	(69,147)	1,112,720
Port of San Francisco.....	371,289	(30,469)	340,820
Laguna Honda Hospital.....	394,695	(130,368)	264,327
Total Business-Type Activities.....	6,017,860	(1,369,983)	4,647,877
Total Primary Government.....	\$ 8,359,491	\$ (3,249,330)	\$ 5,110,161
Successor Agency Private-Purpose Trust Fund....	\$ (439,637)	\$ (22,407)	\$ (462,044)

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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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. Implementation of this statement did not have a significant impact on the City for the year ended June 30, 2015.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement changes how fair value is measured and provides guidance for applying fair value and requires certain disclosures. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in this statement are effective for the City's fiscal year ending June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for the City's fiscal year ending June 30, 2017.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 74 revises and establishes new accounting and financial reporting requirements for postemployment benefit plans other than pensions (OPEB). Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. Statement No. 74 is effective for periods beginning after June 15, 2016 and is effective for the City's fiscal year ending June 30, 2017. Statement No. 75 is effective for periods beginning after June 15, 2017 and is effective for the City's fiscal year ending June 30, 2018.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 establishes the hierarchy of GAAP for state and local governments. The new standard is effective for periods beginning after June 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The new standard is effective for periods beginning after December 15, 2015. Application of this statement is effective for the City's fiscal year ending June 30, 2017.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2015
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(t) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds 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.

(u) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance consists as of June 30, 2015 of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues.....	\$ 50,406	\$ 43,747	\$ 94,153
Property taxes.....	45,790	9,589	55,379
Teeter Plan.....	37,303	-	37,303
California Senate Bill 90.....	6,999	-	6,999
Advances to Successor Agency.....	23,212	14,249	37,461
Franchise tax and other.....	3,028	-	3,028
Loans.....	3,560	73,140	76,700
Total.....	<u>\$ 170,298</u>	<u>\$ 140,725</u>	<u>\$ 311,023</u>

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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, \$2,288,943, differs from net position of governmental activities, \$1,287,214, 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 sheet.

	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.....	\$ 2,600,562	\$ -	\$ 37,905	\$ -	\$2,638,467
Deposits and investments outside City Treasury.....	107,539	-	32,907	-	140,446
Receivables, net					
Property taxes and penalties.....	65,313	-	-	-	65,313
Other local taxes.....	278,396	-	-	-	278,396
Federal and state grants and subventions.....	257,568	-	-	-	257,568
Charges for services.....	89,644	-	60	-	89,704
Interest and other.....	31,511	-	744	-	32,255
Due from other funds.....	12,182	-	-	(12,182)	-
Due from component unit.....	3,926	-	-	-	3,926
Advance to component unit.....	42,965	-	-	-	42,965
Loans receivable, net.....	76,700	-	-	-	76,700
Capital assets, net.....	-	4,865,138	9,572	-	4,874,710
Other assets.....	8,763	-	1,173	-	9,936
Total assets.....	<u>3,575,069</u>	<u>4,865,138</u>	<u>82,361</u>	<u>(12,182)</u>	<u>8,510,386</u>
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	18,368	1,171	-	19,539
Deferred outflows related to pensions.....	-	320,755	6,199	-	326,954
Total deferred outflows of resources.....	<u>-</u>	<u>339,123</u>	<u>7,370</u>	<u>-</u>	<u>346,493</u>
Liabilities					
Accounts payable.....	307,741	-	8,580	-	316,321
Accrued payroll.....	69,112	-	1,356	-	70,468
Accrued vacation and sick leave pay.....	-	146,980	2,894	-	149,874
Accrued workers' compensation.....	-	221,741	1,943	-	223,684
Other postemployment benefits obligation.....	-	1,092,769	21,867	-	1,114,636
Estimated claims payable.....	-	157,660	-	-	157,660
Accrued interest payable.....	-	11,068	1,429	-	12,497
Unearned grant and subvention revenues.....	19,304	-	-	-	19,304
Due to other funds.....	20,320	-	189	(12,182)	8,327
Unearned revenue and other liabilities.....	400,860	2,467	110	-	403,437
Net pension liability.....	-	1,049,026	18,494	-	1,067,520
Bonds, loans, capital leases, and other payables.....	157,766	2,768,105	216,528	-	3,142,399
Total liabilities.....	<u>975,103</u>	<u>5,449,816</u>	<u>273,390</u>	<u>(12,182)</u>	<u>6,686,127</u>
Deferred inflows of resources					
Unavailable revenues.....	311,023	(311,023)	-	-	-
Unamortized gain on refunding of debt.....	-	256	-	-	256
Deferred inflows related to pensions.....	-	866,713	16,569	-	883,282
Total deferred inflows of resources.....	<u>311,023</u>	<u>555,946</u>	<u>16,569</u>	<u>-</u>	<u>883,538</u>
Fund balances/ net position					
Total fund balances/ net position.....	<u>\$ 2,288,943</u>	<u>\$ (801,501)</u>	<u>\$ (200,228)</u>	<u>\$ -</u>	<u>\$1,287,214</u>

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(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	\$ 6,309,991
Accumulated depreciation	<u>(1,444,853)</u>
	<u>\$ 4,865,138</u>

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	\$ (146,980)
Accrued workers' compensation.....	(221,741)
Other postemployment benefits obligation.....	(1,092,769)
Estimated claims payable.....	(157,660)
Unearned revenue and other liabilities.....	(2,467)
Bonds, loans, capital leases, and other payables	<u>(2,768,105)</u>
	<u>\$ (4,389,722)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	<u>\$ (11,068)</u>
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Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt.....	\$ 18,368
Unamortized gain on refunding of debt.....	<u>(256)</u>
	<u>\$ 18,112</u>

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability.....	\$(1,049,026)
Deferred outflows of resources related to pensions.....	320,755
Deferred inflows of resources related to pensions	<u>(866,713)</u>
	<u>\$ (1,594,984)</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 90 days of the end of the current fiscal period ...	<u>\$ 311,023</u>
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CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
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(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	\$ (17,074)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(212,849)
Other assets	1,173
Unearned revenue and other liabilities	<u>28,522</u>
	<u>\$ (200,228)</u>

In addition, intrafund receivables and payables among various internal service funds of \$76 are eliminated.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(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, \$351,964, differs from the change in net position for governmental activities, \$824,930, 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.....	\$ 1,642,159	\$ (1,776)	\$ -	\$ -	\$ -	\$1,640,383
Business taxes.....	611,932	-	-	-	-	611,932
Sales and use tax.....	240,424	-	-	-	-	240,424
Hotel room tax.....	394,262	-	-	-	-	394,262
Utility user tax.....	98,979	-	-	-	-	98,979
Parking tax.....	87,209	-	-	-	-	87,209
Real property transfer tax.....	314,603	-	-	-	-	314,603
Other local taxes.....	50,182	-	-	-	-	50,182
Licenses, permits and franchises.....	42,959	17	-	-	-	42,976
Fines, forfeitures, and penalties.....	28,154	13	-	-	-	28,167
Interest and investment income.....	20,583	-	-	154	-	20,737
Rents and concessions.....	99,102	1,542	-	-	-	100,644
Intergovernmental:						
Federal.....	465,196	(11,507)	-	-	-	453,689
State.....	751,574	(35,501)	-	-	-	716,073
Other.....	15,774	20,972	-	-	-	36,746
Charges for services.....	359,044	2,285	-	-	-	361,329
Other.....	123,605	649	4,612	1,459	-	130,325
Total revenues.....	<u>5,345,741</u>	<u>(23,306)</u>	<u>4,612</u>	<u>1,613</u>	<u>-</u>	<u>5,328,660</u>
Expenditures/Expenses						
Current						
Public protection.....	1,210,157	(54,294)	(41,117)	(6,546)	-	1,108,200
Public works, transportation and commerce.....	293,999	(13,459)	(8,730)	(1,356)	-	270,454
Human welfare and neighborhood development.....	1,095,419	(21,722)	411	(456)	-	1,073,652
Community health.....	753,832	(18,895)	103	-	-	735,040
Culture and recreation.....	352,852	(10,567)	37,522	(20,651)	(3,480)	355,676
General administration and finance.....	251,370	(23,527)	20,974	1,006	-	249,823
General City responsibilities.....	98,658	-	-	(4,081)	-	94,577
Debt service:						
Principal retirement.....	200,497	-	-	-	(200,497)	-
Interest and other fiscal charges.....	121,371	-	-	5,022	(14,097)	112,296
Bond issuance costs.....	2,734	-	-	-	-	2,734
Capital outlay.....	412,740	-	(412,740)	-	-	-
Total expenditures/expenses.....	<u>4,793,629</u>	<u>(142,464)</u>	<u>(403,577)</u>	<u>(27,062)</u>	<u>(218,074)</u>	<u>4,002,452</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>552,112</u>	<u>119,158</u>	<u>408,189</u>	<u>28,675</u>	<u>218,074</u>	<u>1,326,208</u>
Other financing sources (uses)/ change in net position						
Net transfers in (out).....	(504,799)	-	-	8	-	(504,791)
Issuance of bonds and loans:						
Face value of bonds issued.....	449,530	-	-	-	(449,530)	-
Face value of loans issued.....	136,763	-	-	-	(136,763)	-
Premiums on issuance of bonds.....	69,833	-	-	-	(69,833)	-
Payments to refunded bond escrow agent.....	(359,225)	-	-	-	359,225	-
Other financing sources.....	7,750	-	3,513	(7,750)	-	3,513
Total other financing sources (uses).....	<u>(200,148)</u>	<u>-</u>	<u>3,513</u>	<u>(7,742)</u>	<u>(296,901)</u>	<u>(501,278)</u>
Net change for the year.....	<u>\$ 351,964</u>	<u>\$ 119,158</u>	<u>\$ 411,702</u>	<u>\$ 20,933</u>	<u>\$ (78,827)</u>	<u>\$ 824,930</u>

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(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. \$ (1,776)

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. (21,530)
\$ (23,306)

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. \$ (112,465)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 250,365

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds. 4,564
\$ 142,464

(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.....	\$ 530,443
Depreciation expense.....	(116,706)
Loss on disposal of capital assets.....	(4)
Capital assets contributed from enterprise funds.....	3,513
Capital assets acquired by other revenues.....	4,612
Write off construction of progress.....	<u>(10,156)</u>
Difference.....	<u>\$ 411,702</u>

(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. \$ 20,933

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
 June 30, 2015
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(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.....	\$ <u>3,480</u>
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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.....

	\$ <u>(69,833)</u>
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Repayment of bond principal and payment to escrow for refunding of debt are 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 and payments were made to escrow for refunded debt.

Principal payments made	\$ 200,497
Payments to escrow for refunded debt.....	<u>359,225</u>
	<u>559,722</u>

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.....	(449,530)
Loans	<u>(136,763)</u>
	<u>(586,293)</u>
	\$ <u>(26,571)</u>

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 and gains are not expensed within the fund statements.

Decrease in accrued interest.....	\$ 114
Loss on refunding	13,204
Interest payment on capital lease obligations on the Moscone Convention Center	(395)
Amortization of bond premiums, discounts, refunding losses and gains	<u>1,174</u>
	\$ <u>14,097</u>

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(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 90-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2015 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget basis.....	\$ 1,236,090
Unrealized Gains/ (Losses) on Investments.....	1,141
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(37,303)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(50,406)
Deferred amounts on loan receivables.....	(23,212)
Pre-paid lease revenue.....	(5,900)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....	<u>24,786</u>
Fund Balance - GAAP basis.....	<u>\$ 1,145,196</u>

General Fund budget basis fund balance as of June 30, 2015 is composed of the following:

Not available for appropriations:

Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 71,904
Rainy Day - One Time Spending Account.....	43,065

Committed Fund Balance:

Budget Stabilization Reserve.....	132,264
Recreation and Parks Expenditure Saving Reserve	10,551

Assigned Fund Balance:

Assigned for Encumbrances.....	137,641
Assigned for Appropriation Carryforward.....	201,192

Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	33,939
Salaries and benefits costs (MOU).....	<u>20,155</u>

Subtotal..... \$ 650,711

Available for appropriations:

Assigned for Litigation and Contingences.....	131,970
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2015-16.....	180,179
Unassigned for General Reserve.....	62,579
Unassigned - Budget for use in fiscal year 2016-17.....	194,082
Unassigned - Available for future appropriations.....	<u>16,569</u>

Subtotal..... 585,379

Fund Balance, June 30, 2015 - Budget basis..... \$ 1,236,090

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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 2,638,467	\$ 2,440,334	\$ 1,182,106	\$ 6,260,907	\$ 9,825
Deposits and investments outside					
City Treasury.....	107,539	16,355	20,726,724	20,850,618	-
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	919,474	-	919,474	-
Deposits and investments outside					
City Treasury.....	32,907	736,521	-	769,428	-
Invested securities lending collateral...	-	-	1,001,231	1,001,231	-
Total deposits & investments	<u>\$ 2,778,913</u>	<u>\$ 4,112,684</u>	<u>\$ 22,910,061</u>	<u>\$29,801,658</u>	<u>\$ 9,825</u>
Cash and deposits.....				\$ 341,865	\$ -
Investments.....				29,459,793	9,825
Total deposits and investments.....				<u>\$29,801,658</u>	<u>\$ 9,825</u>

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, 2015, \$2.6 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

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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.

The investment policy 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 2014. 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 Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	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 *	25% *	10% *
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market Funds	N/A	10% *	N/A
Supranationals (effective as of January 1, 2015)	5 years	5% *	None
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.

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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 Board's asset allocation policies for the year ended June 30, 2015 are as follows:

Asset Class	Target Allocation through January 2015	Target Allocation since February 2015
Global Equity	47.0%	40.0%
Fixed Income	25.0%	20.0%
Private Equity	16.0%	18.0%
Absolute Return/ Real Assets	12.0%	17.0%
Hedge Funds	0%	5.0%
	<u>100.0%</u>	<u>100.0%</u>

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 separately managed account is authorized to use repurchase arrangements. As of June 30, 2015, \$503 million (or 50.2% of cash collateral) consisted of such agreements.

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(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 Retirement System's interest rate risk information is discussed in section (e) of this note.

	S & P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
Pooled Investments:				
U.S. Treasury Notes	AA+	\$ 477,867	\$ 175,906	\$ 301,961
U.S. Agencies - Coupon	NR - AA+	4,166,102	945,487	3,220,615
State/Local Agencies	A - AA+	318,651	186,858	131,793
Public time deposits	NR	960	960	-
Negotiable certificates of deposits	A+ - AA-	724,755	274,920	449,835
Commercial paper	A-1	400,000	400,000	-
Corporate notes	A - AA+	613,894	179,531	434,363
Money market mutual funds	AAAm	285,115	285,115	-
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(9,825)	-	(9,825)
Subtotal pooled investments		6,977,519	2,448,777	4,528,742
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	n/a	1,995	-	1,995
Subtotal investments in City Treasury		6,979,514	\$ 2,448,777	\$ 4,530,737
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	\$ 264,086	\$ 15,513	\$ 248,573
U.S. Agencies - Coupon	AA+	10,376	10,376	-
U.S. Agencies - Discount	AA+/A-1+	262,770	119,314	143,456
Certificates of Deposit	NR	334	334	-
Commercial Paper	A-1+/A-1	17,602	17,602	-
Money Market Mutual Funds	AAAm	292,047	292,047	-
U.S. Treasury Money Market Funds	AAAm	93,043	93,043	-
Subtotal investments outside City Treasury		940,258	\$ 548,229	\$ 392,029
Employees' Retirement System investments		21,540,021		
Total Primary Government		\$ 29,459,793		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	9,825	\$ -	\$ 9,825
Total Investments		\$ 29,469,618		

As of June 30, 2015, the investments in the City Treasury had a weighted average maturity of 536 days.

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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 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.

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, 2015, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Farm Credit Bank.....	17.3%
Federal Home Loan Bank.....	14.8%
Federal Home Loan Mortgage Corporation.....	13.1%
Federal Agricultural Mortgage Corporation.....	9.1%
Federal National Mortgage Association.....	5.3%

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, 2015:

Airport:	
Federal National Mortgage Association.....	16.5%
Federal Home Loan Bank.....	16.3%
Federal Home Loan Mortgage Corporation.....	9.3%
Water Enterprise:	
Federal Home Loan Mortgage Corporation.....	26.0%
Hetch Hetchy:	
Federal Home Loan Bank.....	13.1%

Airport's Forward Purchase and Sale Agreements

Objective and Terms – During fiscal year 2015, a portion of the Airport's debt service reserve fund was invested by the Senior Trustee in investments delivered in accordance with a ten-year Forward Purchase and Sale Agreement (FPSA) with Merrill Lynch Capital Services that was intended to produce guaranteed earnings at a rate of 4.349%. Under this FPSA, the Senior Trustee was required to

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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 final delivery of securities for purchase occurred on May 1, 2014. This agreement expired on November 1, 2014. Since the expiration of this agreement the Airport has not entered into any new FPSAs.

(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, 2015:

Statement of Net Position

Net position held in trust for all pool participants.....	\$7,190,206
Equity of internal pool participants.....	\$6,648,189
Equity of separately managed account participant.....	2,001
Equity of external pool participants.....	540,016
Total equity.....	<u>\$7,190,206</u>

Statement of Changes in Net Position

Net position at July 1, 2014.....	\$6,740,783
Net change in investments by pool participants.....	449,423
Net position at June 30, 2015.....	<u>\$7,190,206</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2015:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes.....	0.61% - 2.00%	10/31/15 - 03/31/17	\$ 475,000	\$ 477,867
U.S. Agencies - Coupon.....	0.07% - 2.31%	07/22/15 - 06/02/20	4,153,548	4,166,102
State and local agencies.....	0.11% - 1.66%	07/01/15 - 10/01/19	316,375	318,651
Public time deposits.....	0.56% - 0.60%	03/21/16 - 06/29/16	960	960
Negotiable certificates of deposit..	0.27% - 0.56%	12/01/15 - 09/25/17	725,000	724,755
Commercial paper.....	0.06% - 0.18%	07/01/15 - 07/01/15	400,000	400,000
Corporate notes.....	0.26% - 0.81%	07/02/15 - 02/16/17	612,729	613,894
Money market mutual funds.....	0.01% - 0.04%	07/01/15 - 07/01/15	285,115	285,115
			<u>\$ 6,968,727</u>	<u>6,987,344</u>
Segregated account:				
Local agencies.....	3.50%	12/1/2016	\$ 1,995	1,995
Carrying amount of deposits with Treasurer.....				<u>200,867</u>
Total cash and investments with Treasurer.....				<u>\$ 7,190,206</u>

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(e) Retirement System's Investments

The Retirement System's investments as of June 30, 2015 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	\$ 656,185
Debt securities:	
U.S. Government and agencies	1,074,204
Other debt securities	3,892,924
Subtotal debt securities	4,967,128
Total fixed income investments	5,623,313
Equity securities:	
Domestic	5,320,353
International	5,134,177
Total equity securities	10,454,530
Real assets	1,975,926
Private equity	2,484,299
Foreign currency contracts, net	722
Investment in lending agent's short-term investment pool	1,001,231
Total Retirement System Investments	\$ 21,540,021

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, 2015:

Investments at Fair Value as of June 30, 2015

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	\$ 140,493	\$ 2,605	\$ 53,240	\$ 18,596	\$ 66,052
Bank Loans	115,885	3,192	82,628	30,065	-
Collateralized Bonds	969	-	-	-	969
Commercial Mortgage-Backed Commingled and Other	647,322	-	16,138	6,330	624,854
Fixed Income Funds	405,805	396,657	574	54	8,520
Corporate Bonds	1,937,753	690,752	337,996	542,131	366,874
Corporate Convertible Bonds	308,367	15,824	181,592	44,384	66,567
Foreign Currencies and Cash Equivalents	332,610	332,610	-	-	-
Government Agencies	335,438	317,253	9,861	6,338	1,986
Government Bonds	517,527	16,256	323,157	119,474	58,640
Government Mortgage Backed Securities	333,078	108,159	5,260	12,698	206,961
Index Linked Government Bonds	15,287	-	8,980	2,473	3,834
Mortgages	5	5	-	-	-
Municipal/Provincial Bonds	45,922	-	1,004	4,070	40,848
Non-Government Backed Collateralized Mortgage Obligations	162,844	-	1,894	7,318	153,632
Options	18	19	(1)	-	-
Short Term Investment Funds	323,267	323,267	-	-	-
Swaps	723	(2)	785	(17)	(43)
Total	\$ 5,623,313	\$ 2,206,597	\$ 1,023,108	\$ 793,914	\$ 1,599,694

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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.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2015. Investments issued or explicitly guaranteed by the U.S. government of \$1.0 billion as of June 30, 2015 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	\$ 212,642	4.6%
AA	148,151	3.2%
A	275,303	6.0%
BBB	792,990	17.2%
BB	346,598	7.5%
B	453,086	9.9%
CCC	83,710	1.8%
CC	2,245	0.0%
C	4,806	0.1%
D	4,033	0.1%
Not Rated	2,275,102	49.6%
Total	\$ 4,598,666	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed 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 19.8% for 2015.

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, 2015, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or 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, 2015, \$150.4 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.

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For fiscal year 2015, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

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, 2015 are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Australian dollar	\$ 544	\$ 103,354	\$ 8,020	\$ 13,694	\$ -	\$ 60,897	\$ 186,509
Brazilian real	714	30,380	29,679	-	-	(18,590)	42,183
British pound sterling	2,359	639,515	21,261	-	-	(139,036)	524,099
Canadian dollar	171	88,056	15,912	-	-	(30,971)	73,168
Chilean peso	-	1,148	-	-	-	140	1,288
Colombian peso	324	-	6,111	-	-	750	7,185
Czech koruna	-	1,579	-	-	-	-	1,579
Danish krone	401	45,755	-	-	-	(3,774)	42,382
Euro	6,890	899,087	111,446	195,466	383	(9,779)	1,203,493
Hong Kong dollar	(1,077)	242,251	-	-	-	3,444	244,618
Hungarian forint	243	372	615	-	-	183	1,413
Indian rupee	-	-	-	-	-	4,277	4,277
Indonesian rupiah	409	14,589	9,371	-	-	8,521	32,890
Japanese yen	12,571	675,019	-	-	16,215	154,642	858,447
Malaysian ringgit	16	19,398	7,587	-	-	2,637	29,638
Mexican peso	506	15,878	19,895	-	-	(6,239)	30,040
New Israeli shekel	(125)	8,130	-	-	-	3,927	11,932
New Romanian leu	-	-	1,408	-	-	879	2,287
New Taiwan dollar	1,288	64,514	-	-	-	(145)	65,657
New Zealand dollar	12	3,610	11,991	-	-	(20,255)	(4,642)
Nigerian naira	186	-	309	-	-	-	495
Norwegian krone	279	16,688	-	-	-	(30,421)	(13,454)
Peruvian nuevo sol	-	-	1,487	-	-	(326)	1,161
Philippine peso	69	2,689	571	-	-	(130)	3,199
Polish zloty	16	1,069	11,231	-	-	1,331	13,647
Qatari rial	-	6,256	-	-	-	-	6,256
Russian ruble	3	-	4,796	-	-	62	4,861
Singapore dollar	163	21,740	-	-	-	5,416	27,319
South African rand	1,306	29,314	9,244	-	-	309	40,173
South Korean won	750	95,641	-	-	-	(1,006)	95,385
Swedish krona	582	75,637	-	-	-	15,510	91,729
Swiss franc	886	234,990	153	-	-	(56,846)	179,183
Thai baht	(188)	6,871	2,220	-	-	4,261	13,164
Turkish lira	-	16,353	7,462	-	-	2,926	26,741
United Arab Emirates dirham	-	10,161	-	-	-	-	10,161
Total	\$ 29,298	\$ 3,370,044	\$ 280,769	\$ 209,160	\$ 16,598	\$ (47,406)	\$ 3,858,463

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Derivative Instruments

As of June 30, 2015, 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, 2015:

<u>Derivative Type / Contracts</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Net Appreciation (Depreciation) in Fair Value</u>
Forwards			
Foreign Exchange Contracts	(a)	\$ 749	\$ 749
Other Contracts	(a)	(308)	(308)
Options			
Foreign Exchange Contracts	\$ (6,939)	18	33
Swaps			
Credit Contracts	121,400	837	659
Interest Rate Contracts	40,315	(114)	(47)
Rights/Warrants			
Equity Contracts	6,059 shares	5,333	(2,407)
Total		<u>\$ 6,515</u>	<u>\$ (1,321)</u>

(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 U.S. 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 fiduciary net position.

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Counterparty Credit Risk

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2015, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were \$1.7 million and \$0.9 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 99.3% of the positions as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch) while 0.7% were not rated.

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, 2015, 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, 2015.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Other Contracts	\$ (308)	\$ (308)	\$ -	\$ -	\$ -
Swaps					
Credit Contracts	837	1	879	-	(43)
Interest Rate Contracts	(114)	(2)	(94)	(18)	-
Total	<u>\$ 415</u>	<u>\$ (309)</u>	<u>\$ 785</u>	<u>\$ (18)</u>	<u>\$ (43)</u>

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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2015:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 11.61%, Pay Variable 1-Day BIDOR	\$ 1,586	\$ (66)
Interest Rate Swap	Receive Fixed 12.055%, Pay Variable 1-Day BIDOR	334	(5)
Interest Rate Swap	Receive Fixed 12.18%, Pay Variable 1-Day BIDOR	370	(10)
Interest Rate Swap	Receive Fixed 12.23%, Pay Variable 1-Day BIDOR	718	(8)
Interest Rate Swap	Receive Fixed 12.36%, Pay Variable 1-Day BIDOR	4,754	(94)
Interest Rate Swap	Receive Fixed 12.85%, Pay Variable 1-Day BIDOR	370	18
Interest Rate Swap	Receive Fixed 13.68%, Pay Variable 1-Day BIDOR	3,899	(14)
Interest Rate Swap	Receive Fixed 13.775%, Pay Variable 1-Day BIDOR	414	(1)
Interest Rate Swap	Receive Fixed 13.82%, Pay Variable 1-Day BIDOR	2,447	(4)
Interest Rate Swap	Receive Fixed 2%, Pay Variable 6-Month WIBOR	160	(14)
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	711	(15)
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	669	3
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	225	(2)
Interest Rate Swap	Receive Fixed 4.36%, Pay Variable 28-Day MXIBR	2,396	9
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	635	2
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	642	(16)
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	2,027	(4)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,185	(6)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	402	3
Interest Rate Swap	Receive Fixed 6.2%, Pay Variable 3-Month CIBR	162	1
Interest Rate Swap	Receive Fixed 6.22%, Pay Variable 3-Month CIBR	169	(1)
Interest Rate Swap	Receive Fixed 6.53%, Pay Variable 28-Day MXIBR	76	1
Interest Rate Swap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	140	(3)
Interest Rate Swap	Receive Fixed 7.5%, Pay Variable 3-Month JIBAR	1,046	(27)
Interest Rate Swap	Receive Fixed 8.5%, Pay Variable 3-Month JIBAR	453	4
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 10.91%	290	13
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	99	7
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.32%	1,305	12
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.225%	857	9
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.255%	4,805	49
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 13.9%	5,968	2
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 5.66%	924	44
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	77	(1)
Total Interest Rate Swaps		<u>\$ 40,315</u>	<u>\$ (114)</u>

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Foreign Currency Risk

At June 30, 2015, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2015:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	\$ 116	\$ -	\$ -	\$ 116
Brazilian real	565	-	(91)	474
British pound sterling	(4,585)	-	-	(4,585)
Canadian dollar	189	-	-	189
Chilean peso	(9)	-	-	(9)
Colombian peso	(18)	-	(14)	(32)
Euro	(60)	84	28	52
Hong Kong dollar	(517)	-	-	(517)
Hungarian forint	(3)	-	-	(3)
Indian rupee	5	-	-	5
Indonesian rupiah	96	-	-	96
Japanese yen	2,443	-	-	2,443
Malaysian ringgit	(26)	-	-	(26)
Mexican peso	219	-	47	266
New Israeli shekel	65	-	-	65
New Romanian leu	(1)	-	-	(1)
New Russian ruble	(1)	-	-	(1)
New Zealand dollar	1,505	-	-	1,505
Norwegian krone	152	-	-	152
Peruvian nuevo sol	8	-	-	8
Polish zloty	15	-	(14)	1
Singapore dollar	16	-	-	16
South African rand	83	-	(27)	56
Swedish krona	(257)	-	-	(257)
Swiss franc	374	-	-	374
Thai baht	(29)	-	(15)	(44)
Turkish lira	96	-	-	96
Total	\$ 441	\$ 84	\$ (86)	\$ 439

Contingent Features

At June 30, 2015, the Retirement System held no positions in derivatives containing contingent features.

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 fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number 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.

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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, 2015, 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. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2015, the Retirement System lent \$1.4 billion in securities and received collateral of \$1.0 billion and \$0.5 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 Board. 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 \$0.3 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. 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 in the account.

The Retirement System's securities lending transactions as of June 30, 2015, 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	\$ 14,704	\$ 15,559	\$ -
International Equities	40,737	43,286	-
International Government Fixed Income	1,952	2,110	-
U.S. Government Agencies	260	265	-
U.S. Corporate Fixed Income	187,469	191,358	-
U.S. Equities	443,154	452,384	-
U.S. Government Fixed Income	290,880	296,584	-
Securities Loaned with Non-Cash Collateral			
International Corporate Fixed Income	6,415	-	6,776
International Equities	352,198	-	381,165
International Government Fixed Income	13,491	-	13,965
U.S. Corporate Fixed Income	12,370	-	12,624
U.S. Equities	78,423	-	81,279
U.S. Government Fixed Income	240	-	244
Total	\$ 1,442,293	\$ 1,001,546	\$ 496,053

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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, 2015.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities less than 1 year</u>
Commercial Paper	\$ 51,095	\$ 51,095
Negotiable Certificates of Deposits	401,996	401,996
Repurchase Agreements	503,000	503,000
Short Term Investment Funds	45,140	45,140
Total	\$ 1,001,231	\$ 1,001,231

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2015 is as follows:

<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Total</u>
AA	\$ 165,124	16.5%
A	406,006	40.5%
Not Rated *	430,101	43.0%
Total	\$ 1,001,231	100.0%

* Repurchase agreements of \$430.0 million are not rated, but are held by counterparties with an S&P rating of A.

Investments in Real Assets Holdings

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2015 are summarized as follows:

Investments:	
Beginning of the year	\$ 1,784,244
Capital investments	255,252
Equity in net earnings	40,378
Net appreciation in fair value	258,911
Capital distributions	(362,859)
End of the year	<u>\$ 1,975,926</u>

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Notes to Basic Financial Statements (Continued)
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(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 \$228 million for the year ended June 30, 2015.

Taxable valuation for the year ended June 30, 2015 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$166 billion, an increase of 4.4%. The secured tax rate was \$1.1743 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 \$0.1743 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.80% and 6.42%, respectively, of the current year tax levy, for an average delinquency rate of 1.17% of the current year tax levy.

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, 2015 was \$20.6 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.

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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases *	Decreases *	Balance June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 274,163	\$ 30,530	\$ (4,782)	\$ 299,911
Intangible assets.....	5,936	4,810	(2,030)	8,716
Construction in progress.....	1,178,392	470,386	(403,714)	1,245,064
Total capital assets, not being depreciated.....	<u>1,458,491</u>	<u>505,726</u>	<u>(410,526)</u>	<u>1,553,691</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,248,584	285,419	-	3,534,003
Machinery and equipment.....	400,830	33,519	(3,542)	430,807
Infrastructure.....	686,857	112,907	-	799,764
Intangible assets.....	44,299	4,112	-	48,411
Total capital assets, being depreciated.....	<u>4,380,570</u>	<u>435,957</u>	<u>(3,542)</u>	<u>4,812,985</u>
Less accumulated depreciation for:				
Facilities and improvements.....	922,270	67,617	-	989,887
Machinery and equipment.....	338,438	19,705	(3,538)	354,605
Infrastructure.....	111,111	29,151	-	140,262
Intangible assets.....	4,528	2,684	-	7,212
Total accumulated depreciation.....	<u>1,376,347</u>	<u>119,157</u>	<u>(3,538)</u>	<u>1,491,966</u>
Total capital assets, being depreciated, net.....	<u>3,004,223</u>	<u>316,800</u>	<u>(4)</u>	<u>3,321,019</u>
Governmental activities capital assets, net.....	<u>\$ 4,462,714</u>	<u>\$ 822,526</u>	<u>\$ (410,530)</u>	<u>\$ 4,874,710</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 217,518	\$ -	\$ (77)	\$ 217,441
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	3,362,438	1,224,667	(1,482,939)	3,104,166
Total capital assets, not being depreciated.....	<u>3,591,999</u>	<u>1,224,667</u>	<u>(1,483,016)</u>	<u>3,333,650</u>
Capital assets, being depreciated:				
Facilities and improvements.....	13,751,792	1,377,581	(14,445)	15,114,928
Machinery and equipment.....	2,152,966	172,249	(36,173)	2,289,042
Infrastructure.....	1,254,473	16,151	-	1,270,624
Property held under lease.....	697	-	-	697
Intangible assets.....	210,312	4,498	-	214,810
Total capital assets, being depreciated.....	<u>17,370,240</u>	<u>1,570,479</u>	<u>(50,618)</u>	<u>18,890,101</u>
Less accumulated depreciation for:				
Facilities and improvements.....	5,042,869	363,700	(8,219)	5,398,350
Machinery and equipment.....	1,256,458	140,692	(35,087)	1,362,063
Infrastructure.....	514,745	36,639	-	551,384
Property held under lease.....	697	-	-	697
Intangible assets.....	149,981	11,070	-	161,051
Total accumulated depreciation.....	<u>6,964,750</u>	<u>552,101</u>	<u>(43,306)</u>	<u>7,473,545</u>
Total capital assets, being depreciated, net.....	<u>10,405,490</u>	<u>1,018,378</u>	<u>(7,312)</u>	<u>11,416,556</u>
Business-Type activities capital assets, net.....	<u>\$ 13,997,489</u>	<u>\$ 2,243,045</u>	<u>\$ (1,490,328)</u>	<u>\$ 14,750,206</u>

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

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

Governmental Activities:	
Public protection.....	\$ 18,037
Public works transportation and commerce.....	27,781
Human welfare and neighborhood development.....	575
Community health.....	1,230
Culture and recreation.....	47,790
General administration and finance.....	21,293
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	2,451
Total depreciation expense - governmental activities.....	<u>\$ 119,157</u>
Business-Type Activities:	
Airport.....	\$ 216,146
Water.....	95,384
Power.....	17,887
Transportation.....	126,756
Hospitals.....	22,887
Wastewater.....	50,254
Port.....	22,787
Total depreciation expense - business-type activities.....	<u>\$ 552,101</u>

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 SFMTA, 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 SFMTA, and pier substructures of the Port, which totaled \$3.55 billion as of June 30, 2015. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled \$45.6 million as of June 30, 2015. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2015.

In fiscal year 2014-15, the Airport had write-offs and loss on disposal in the amount of \$8.1 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, 2015, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$2.7 million, \$5.1 million, and \$1.5 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2015, the City's enterprise funds incurred total interest expense and interest income of approximately \$490.7 million and \$26.0 million, respectively. Of these amounts, interest expense of approximately \$100.0 million was capitalized.

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(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, 2015, are as follows:

Type of Obligation	July 1, 2014	Additional Obligation	Current Maturities	June 30, 2015
Governmental Activities:				
Commercial paper				
San Francisco County Transportation Authority.....	\$ 135,000	\$ -	\$ (135,000)	\$ -
Multiple Capital Projects.....	40,760	583,306	(466,300)	157,766
Governmental activities short-term obligations...	<u>\$ 175,760</u>	<u>\$ 583,306</u>	<u>\$ (601,300)</u>	<u>\$ 157,766</u>
Business-Type Activities:				
Commercial paper				
San Francisco International Airport.....	\$ 249,000	\$ 40,000	\$ (249,000)	\$ 40,000
San Francisco Water Enterprise.....	186,000	186,000	(186,000)	186,000
San Francisco General Hospital Medical Center....	-	3,761	-	3,761
San Francisco Wastewater Enterprise.....	-	100,000	-	100,000
Business-type activities short-term obligations..	<u>\$ 435,000</u>	<u>\$ 329,761</u>	<u>\$ (435,000)</u>	<u>\$ 329,761</u>

San Francisco County Transportation Authority

In June 2015, the Transportation Authority substituted its \$200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a \$140.0 million tax-exempt revolving credit loan agreement (Revolving Loan). In the same month, Moody's raised the Transportation Authority's rating to "Aa1" from "Aa2" and S&P's and Fitch reaffirmed issuer ratings for the Transportation Authority with "AA" and "AA+" respectively. The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month London Interbank Offered Rate (LIBOR) plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement June 8, 2018. The Revolving Loan will be repaid from sales tax revenues and is secured by a first lien gross pledge of the Transportation Authority's sales tax. As of June 30, 2015, \$134.7 million of the Revolving Loan was outstanding, with an interest rate of 0.432%.

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09, approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased to \$250.0 million from \$150 million. The City currently has letters of credit supporting a \$200.0 million program. The City has the option to upsize the program from its current size of \$200.0 million to \$250.0 million, when and as necessary.

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The CP is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days. The CP notes are supported by a LOC issued by JP Morgan and U.S. Bank N.A. with a LOC fee of 0.50% and 0.45%, respectively, and a LOC issued by State Street Bank with a LOC fee of 0.50%. The JP Morgan and U.S. Bank N.A. LOC is scheduled to expire in June 2016 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2015, the City retired \$466.3 million and issued \$587.1 million CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the Department of Public Works and the San Francisco General Hospital, rebuilding of severely distressed public housing sites while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (HOPE SF), War Memorial Veterans Building seismic retrofit, Moscone Center expansion, and 900 Inness Avenue property acquisition. As of June 30, 2015, the outstanding principal amount of tax exempt and taxable CP was \$118.1 million and \$43.4 million, respectively. The tax exempt and taxable CP bear interest rates ranging from 0.06% to 0.08% and 0.12% to 0.13%, respectively.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, (the Note Resolution) as amended and supplemented, authorizing 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(s) of credit securing the CP. The Airport issues CP in three series that are subdivided into nine subseries according to tax status and that are secured by three direct-pay letters of credit (LOC). Two \$100.0 million direct-pay LOC are issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, with expiration dates of May 2, 2019, and June 17, 2016, respectively. The third LOC issued by Royal Bank of Canada in the amount of \$200.0 million expires May 19, 2017. Each of these LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of \$400.0 million as of June 30, 2015.

In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the Senior Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation and control of the Airport (not including certain specified amounts), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution. As of June 30, 2015, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2015, the Airport issued \$40.0 million of new money CP (AMT) to fund capital improvement projects. As of June 30, 2015, the interest rates on taxable AMT CP was 0.08% to 0.09%.

CITY AND COUNTY OF SAN FRANCISCO
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San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. Prior to June 2014, the \$500.0 million CP authorization was comprised of \$250.0 million pursuant to the voter-approved 2002 Proposition A, and \$250.0 million pursuant to the voter-approved Proposition E. As of June 30, 2015, \$186.0 million in CP was outstanding under Proposition E. The CP interest rates ranged from 0.1% to 0.2%.

With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with 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 authorized the issuance of up to \$500.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise had \$100.0 million CP outstanding as of June 30, 2015.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP notes in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and a letter of credit fee of 0.535%. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP notes have drawn or outstanding as of June 30, 2015.

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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2015:

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%	\$ 386,505
Parks and playgrounds	2033	2.00% - 6.26%	146,950
Road repaving and street safety	2033	2.00% - 5.00%	139,505
San Francisco General Hospital.....	2033	3.25% - 6.26%	602,615
Seismic safety loan program	2031	3.36% - 5.83%	24,010
Refunding	2030	3.00% - 5.00%	581,525
General obligation bonds.....			<u>1,881,110</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (e) & (f)}	2034	0.065% - 5.75% *	214,850
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c) & (d)}	2041	2.50% - 5.00%	487,215
LOANS PAYABLE:			
Revolving Loan ^(c)	2018	0.432%	134,664
Loans ^{(c), (d), & (f)}	2043	2.00% - 5.74%	29,173
Loans payable.....			<u>163,837</u>
Governmental activities total long-term obligations.....			<u>\$ 2,747,012</u>

* 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, 2015 for Series 2008-1 & 2 was 0.06% and 0.07%, respectively.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *.....	2044	1.92% - 6.00%*	\$ 4,496,390
San Francisco Water Enterprise:			
Revenue bonds	2051	1.80% - 6.95%	4,105,585
Certificates of participation	2042	2.00% - 6.49%	113,605
Accreted interest.....	2019	-	5,471
Hetch Hetchy Water and Power:			
Clean renewable energy bonds	2046	0.00% - 5.00%	55,445
Certificates of participation.....	2042	2.00% - 6.49%	15,466
Municipal Transportation Agency:			
Revenue bonds.....	2044	3.00% - 5.00%	193,175
San Francisco General Hospital Medical Center:			
Certificates of participation.....	2026	5.55%	18,415
Capital leases.....	2017	2.41% - 2.66%	1,161
San Francisco Wastewater Enterprise:			
Revenue bonds	2043	1.00% - 5.82%	700,850
Certificates of participation	2042	2.00% - 6.49%	30,039
Port of San Francisco:			
Revenue bonds	2044	0.95% - 7.408%	55,350
Certificates of participation.....	2043	4.00% - 5.25%	34,355
Loans payable	2029	4.50%	2,369
Laguna Honda Hospital:			
Certificates of participation	2031	4.00% - 5.25%	137,585
Capital leases.....	2017	3.00% - 4.00%	13
Business-type activities total long-term obligations.....			<u>\$ 9,965,274</u>

* 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, 2015, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.04%, 0.03%, 0.04% and 0.04%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.05%, 0.04% and 0.04%, 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

The City believes it is in compliance with all significant limitations and restrictions contained in the limitations and restrictions in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2015, the City's debt limit (3% of valuation subject to taxation) was \$5.48 billion. The total amount of debt applicable to the debt limit was \$2.10 billion. The resulting legal debt margin was \$3.38 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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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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 issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2015. 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 City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) 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 issues bonded indebtedness for the improvement area, payable solely from special taxes levied and collected on property in the improvement area, and are not considered obligations of the City. Assessments collected for the 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 District No. 2009-1.

In October 2012, the City issued \$1.4 million Special Tax Bonds Series A for the Area No.1 and in November 2014, the City issued \$1.8 million Special Tax Bonds Series A for the Area No. 2 of the Special District. As of June 30, 2015, the amount outstanding on the Area No. 1 and No. 2 bonds was \$1.3 million and \$1.8 million, respectively.

Assessment District

In 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 to finance the construction of a new public right-of-way and are not considered obligation of the City. The bonds mature from September 1998 through September 2026 bearing interest rates ranging from 6.0% to 6.85%. 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, 2015, the principal amount of bonds outstanding was \$0.6 million.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency, has issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage for first time homebuyers in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2015, the total obligation outstanding was \$625.0 million.

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Notes to Basic Financial Statements (Continued)
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Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligation, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds.....	\$ 1,938,085	\$ 449,530	\$ (506,505)	\$ 1,881,110	\$ 123,173
Lease revenue bonds.....	241,290	-	(26,440)	214,850	18,795
Certificates of participation.....	521,485	-	(34,270)	487,215	35,705
Issuance premiums/discounts:					
Add: unamortized premiums.....	195,004	69,833	(25,622)	239,215	-
Less: unamortized discounts.....	(1,659)	-	65	(1,594)	-
Total bonds payable, net.....	2,894,205	519,363	(592,772)	2,820,796	177,673
Loans.....	27,441	136,763	(367)	163,837	778
Capital leases.....	3,085	395	(3,480)	-	-
Accrued vacation and sick leave pay.....	148,280	110,200	(108,606)	149,874	90,405
Accrued workers' compensation.....	222,747	44,141	(43,204)	223,684	38,046
Estimated claims payable.....	155,851	43,136	(41,327)	157,660	52,797
Governmental activities long-term obligations	<u>\$ 3,451,609</u>	<u>\$ 853,998</u>	<u>\$ (789,756)</u>	<u>\$ 3,515,851</u>	<u>\$ 359,699</u>
Business-Type Activities:					
Bonds payable:					
Revenue bonds.....	\$ 9,295,910	\$ 973,815	\$ (718,375)	\$ 9,551,350	\$ 253,540
Clean renewable energy bonds.....	17,211	39,555	(1,321)	55,445	1,332
Certificates of participation.....	360,358	-	(10,893)	349,465	11,308
Issuance premiums/discounts:					
Add: unamortized premiums.....	361,438	124,897	(46,221)	440,114	-
Less: unamortized discounts.....	(632)	-	31	(601)	-
Total bonds payable, net.....	10,034,285	1,138,267	(776,779)	10,395,773	266,180
Accreted interest payable.....	5,107	364	-	5,471	-
Notes, loans and other payables.....	2,489	-	(120)	2,369	125
Capital leases.....	2,512	-	(1,338)	1,174	910
Accrued vacation and sick leave pay.....	101,692	54,935	(51,965)	104,662	65,754
Accrued workers' compensation.....	161,129	50,256	(39,495)	171,890	28,188
Estimated claims payable.....	91,208	44,698	(28,736)	107,170	50,390
Business-type activities long-term obligations	<u>\$ 10,398,422</u>	<u>\$ 1,288,520</u>	<u>\$ (898,433)</u>	<u>\$ 10,788,509</u>	<u>\$ 411,547</u>

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.

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Notes to Basic Financial Statements (Continued)
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Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2015 for governmental and business-type activities are as follows:

Governmental Activities ⁽¹⁾								
Fiscal Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal ⁽⁴⁾	Interest	Principal	Interest
2016.....	\$ 123,173	\$ 86,766	\$ 18,795	\$ 5,488	\$ 36,483	\$ 23,427	\$ 178,451	\$ 115,681
2017.....	111,929	81,282	14,025	4,973	36,718	21,759	162,672	108,014
2018.....	108,828	75,766	10,880	4,578	172,576	19,890	292,284	100,234
2019.....	108,071	70,557	12,595	4,287	27,730	17,757	148,396	92,601
2020.....	106,636	65,251	6,110	3,992	19,466	16,616	132,212	85,859
2021-2025.....	549,937	252,548	68,690	15,234	97,223	69,738	715,850	337,520
2026-2030.....	563,988	118,247	75,140	6,678	97,994	48,609	737,122	173,534
2031-2035.....	208,548	17,627	8,615	1,267	102,533	25,145	319,696	44,039
2036-2040.....	-	-	-	-	45,355	8,606	45,355	8,606
2041-2045.....	-	-	-	-	14,974	1,102	14,974	1,102
Total.....	\$ 1,881,110	\$ 768,044	\$ 214,850	\$ 46,497	\$ 651,052	\$ 252,649	\$ 2,747,012	\$ 1,067,190

Business-Type Activities								
Fiscal Year Ending June 30	Revenue Bonds		Clean Renewable Energy Bonds/ Certificates of Participation		Other Long-Term Obligations		Total	
	Principal	Interest ⁽⁵⁾	Principal	Interest ⁽⁶⁾	Principal	Interest	Principal	Interest
2016.....	\$ 253,540	\$ 478,946	\$ 12,640	\$ 21,704	\$ 1,035	\$ 274	\$ 267,215	\$ 500,924
2017.....	265,515	466,742	13,193	21,223	395	144	279,103	488,109
2018.....	279,235	454,568	14,504	20,578	137	95	293,876	475,241
2019.....	322,180	441,479	15,145	19,907	143	89	337,468	461,475
2020.....	393,945	425,759	15,837	19,177	149	82	409,931	445,018
2021-2025.....	1,948,400	1,843,369	88,604	54,011	853	306	2,037,857	1,897,686
2026-2030.....	1,823,425	1,357,230	92,971	64,122	831	95	1,917,227	1,421,447
2031-2035.....	1,472,195	932,631	57,725	42,883	-	-	1,529,920	975,514
2036-2040.....	1,606,320	538,541	56,801	28,441	-	-	1,663,121	566,982
2041-2045.....	1,046,310	160,577	35,030	12,205	-	-	1,081,340	172,782
2046-2050.....	114,185	29,626	2,460	949	-	-	116,645	30,575
2051-2055.....	26,100	907	-	-	-	-	26,100	907
Total.....	\$ 9,651,350	\$ 7,130,375	\$ 404,910	\$ 305,200	\$ 3,543	\$ 1,085	\$ 9,959,803	\$ 7,436,660

- (1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.
- (2) The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately \$35.6 million and \$7.3 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.
- (3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear 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 rate payment in this table.
- (4) The San Francisco County Transportation Authority variable interest rate revolving loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of the 1-month LIBOR plus 0.30%. An assumed rate of 0.432% was used to project the interest rate payment in this table.
- (5) Interest is presented assuming 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 the Airport pursuant to the terms of the related agreements with banks providing such letters of credit. If not, the total interest through fiscal year 2044 would be \$143.0 million less.
- (6) The interest is before federal subsidy for the Water Enterprise, Wastewater and Hetch Hetchy Water and Power of \$3.85 billion, \$536.6 million and \$57.9 million through the year ending, 2051 respectively. The payment of subsidy by the IRS in fiscal year 2015 was reduced by 7.3% due to federal sequestration. Future interest subsidy may be reduced as well.

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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, 2015, are as follows:

Governmental Activities - General Obligation Bonds	
Authorized and unissued as of June 30, 2014.....	\$ 940,720
Increases in authorization this fiscal year:	
Transportation and Road Improvement.....	500,000
Bonds issued:	
Series 2014C Earthquake and Emergency Response.....	(54,950)
Series 2014D Earthquake and Emergency Response.....	(100,670)
Net authorized and unissued as of June 30, 2015.....	<u>\$ 1,285,100</u>

The increase in authorized amount of \$500.0 million of 2014 Transportation and Road Improvement General Obligation Bonds was approved by at least two-third votes on Proposition A at an election held on November 4, 2014. The bonds will be used to provide funds to improve and repair streets, sidewalks, and street structures.

In October 2014, the City issued Earthquake Safety and Emergency Response General Obligation Bonds Series 2014C in the amount of \$55.0 million and Series 2014D for \$100.7 million to finance the improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure and to pay certain costs related to the issuance of the 2014C and 2014D bonds. Both series bear interest rates ranging from 2.0% to 5.0% and mature from June 2015 through June 2034.

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

Bond Refunding

In February 2015, the City issued the General Obligation Bonds Series 2015-R1 (the Bonds) in the amount of \$293.9 million with interest rates ranging 2.0% to 5.0% and principal maturing from June 2015 through June 2030 to refund all or a portion of the outstanding general obligation bonds as follows:

General Obligation Refunding Bonds, Series 2015-R1				
Description of Bonds	Amount Refunded	Interest Rate	Redemption Price	Redemption Date
Refunding Series 2006-R1.....	\$ 45,725	4.00% - 5.00%	100%	2/25/2015
Refunding Series 2006-R2.....	25,650	3.50% - 4.00%	100%	2/25/2015
2000 Branch Library Facilities, Series 2008A.....	22,875	4.00% - 4.50%	100%	6/15/2015
2008 Clean and Safe Neighborhood Parks, Series 2008B.....	31,645	4.00% - 4.50%	100%	6/15/2015
Refunding Series 2008-R3 (Laguna Honda Hospital).....	118,130	4.625% - 5.00%	100%	6/15/2015
2008 SF General Hospital, Series 2009A.....	73,940	5.00% - 5.25%	100%	6/15/2019
2010 Earthquake Safety Series, 2010E.....	22,680	5.00%	100%	6/15/2020
Total	<u>\$ 340,645</u>			

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of \$287.9 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of \$3.1 million were deposited with U.S. Bank National Association, as escrow agent. The funds deposited and held with the escrow agent are sufficient, together with investment earnings thereon, to

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pay principal and interest on the Series 2009A and Series 2010E to be redeemed on the respective redemption dates specified on the table above. The amounts deposited were invested in United States Treasury securities. Upon such deposit, all obligations of the City with respect to the Advance Refunded Bonds were legally defeased except for the City's obligation to pay the principal and interest on the Advance Refunded Bonds from such funds deposited with the Escrow Agent. Accordingly, the liability for the refunded bonds has been removed from the statement of net position.

The refunding resulted in the recognition of accounting loss of \$13.2 million for the year ended June 30, 2015. The City in effect reduced its aggregate debt service payments by \$54.5 million and obtained a net present value savings of \$47.0 million or 13.79% of the refunded bonds.

Certificates of Participation

At June 30, 2015, the City has a total of \$487.2 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 \$716.2 million payable through September 1, 2040. For the fiscal year ended June 30, 2015, principal and interest paid by the City totaled \$34.3 million and \$22.8 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2015 were as follows:

Authorized and unissued as of June 30, 2014.....	\$	151,215
Increase in authorization in this fiscal year:		
Current year annual increase in Finance Corporation's equipment program.....		3,072
Current year maturities in Finance Corporation's equipment program.....		10,145
Net authorized and unissued as of June 30, 2015.....	\$	164,432

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 amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time as it is used for its intended purpose. The unearned amounts 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 \$261.3 million payable through June 2034. For the fiscal year ended June 30, 2015, principal and interest paid by the Corporation in the form of lease payments made by the City totaled \$26.4 million and \$5.2 million, respectively.

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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, 2015, the cumulative amount authorized, repaid and outstanding was \$64.5 million, \$10.1 million and \$14.2 million, respectively.

San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Parks Department entered into a loan agreement with the Department of Boating and Waterways of the State of California (State). Under the Small Craft Harbor Construction Loan agreement, the State 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 State with an assignment of rents and leases on marina revenues. In addition, the State 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 State authorized to fund Phase V of the project for \$7.0 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. The City made the final loan draw of \$2.1 million in September 2014. The amount of loan outstanding as of June 30, 2015 was \$23.5 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, 2012 and 2014, the Airport has authorized the issuance of up to \$4.8 billion of San Francisco International Airport Second Series Revenue Bonds to finance and refinance 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 (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2015, \$3.2 billion of the authorized capital plan bonds remained unissued.

In September 24, 2014, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2014A (AMT/Private Activity), and Series 2014B (Non-AMT/Governmental Purpose) in the total amount of \$473.6 million. The Series 2014A/B Bonds are uninsured, long-term, fixed rate bonds. The Series 2014A Bonds mature between May 1, 2039 and May 1, 2044 with an interest rate of 5.0%. The Series 2014B Bonds mature on May 1, 2044, with an interest rate of 5.0%.

The net proceeds of \$460.1 million (comprised of a \$473.6 million bond principal amount, less \$1.5 million in underwriting fees, deposits to the capitalized interest accounts and the reserve account, and payment of costs of issuance, together with \$44.3 million in net original issue premium) were used to retire the outstanding balance of subordinate commercial paper notes (\$249.0 million), and make a deposit into the Airport's construction accounts to fund capital projects at the Airport (\$211.1 million).

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Second Series Revenue Refunding Bonds

Pursuant to sale resolutions approved between fiscal years 2005 through 2011, the Airport has authorized the issuance of up to \$8.4 billion of Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying cost of issuance, including any related bond redemption premiums. As of June 30, 2015, net of the expired sale authorizations, \$1.4 billion of such refunding bonds remained unissued. During fiscal year 2015, no new refunding bonds were issued and no refunding bonds were remarketed.

Variable Rate Demand Bonds

As of June 30, 2015, the Airport had outstanding aggregate principal amount of \$479.1 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), 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 LOC issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below.

Amounts drawn under a LOC 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 LOC range between 0.520% and 0.570% per annum. As of June 30, 2015, there were no unreimbursed draws under these facilities.

In January 2015, the Airport closed a four-year extension of the irrevocable letter of credit issued by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) supporting the Second Series Variable Rate Revenue Refunding Bonds, Issue 37C. The letter of credit will expire January 28, 2019. The extension of the letter of credit did not require a remarketing of the bonds.

The primary terms of the LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2015, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Issue 2010A
Principal Amount	\$100,000	\$40,620	\$36,145	\$89,080	\$213,295
Expiration Date	October 26, 2016	April 25, 2018	April 25, 2018	January 28, 2019	December 14, 2016
Credit Provider	U.S. Bank National Association	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	The Bank of Tokyo- Mitsubishi UFJ, Ltd.	MUFG Union Bank	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 notional 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

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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 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.

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As of June 30, 2015, 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, 2015.

#	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2015	Effective Date
1	36A/B	\$ 70,000	\$ 70,000	2/10/2005
2	36A/B	69,930	69,930	2/10/2005
3	36C	30,000	30,000	2/10/2005
4	2010A*	79,684	78,965	5/15/2008
5	37C	89,856	89,045	5/15/2008
6	2010A	143,947	142,927	2/1/2010
Total		<u>\$ 483,417</u>	<u>\$ 480,867</u>	

* The swap previously associated with Issue 37B is now indirectly hedging Series 2010A-3 and the unhedged portions of Issue 36A/B/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 bond due on the date of each future net settlement payment on the swaps.

As of June 30, 2015, 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 June 30, 2015
1	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	\$ (8,101)
2	36A/B	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.445%	(8,102)
3	36C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.444%	(3,472)
4	2010A*	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	A+/Aa3/NR	3.773%	(14,262)
5	37C	JP Morgan Chase Bank, N.A.	A+/Aa2/AA-	3.898%	(17,083)
6	2010A	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	A-/Aa3/A	3.925%	(29,483)
Total				Total	<u>\$ (80,503)</u>

* The ratings for the 2010A swaps are the ratings of the guarantor.

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The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2015 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2014	\$ 64,964	\$ 80,235
Change in fair value to year end	1,845	487
Balance as of June 30, 2015	\$ 66,809	\$ 80,722

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 outflow asset (if out of the money) or inflow liability (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, 2015.

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, 2015, the Airport paid a total of \$1.9 million less in interest on its variable rate bonds than the floating rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk - As of June 30, 2015, 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

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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 2015, 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.

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:

#	Current Bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)
1	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	36A/B	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	36C	Assured Guaranty Municipal Corporation	AA/A2/NR
4	2010A*	None	N/A
5	37C	Assured Guaranty Municipal Corporation	AA/A2/NR
6	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 or its guarantor 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.

The Airport's swap guarantor Goldman Sachs Group, Inc. was upgraded by one of the rating agencies during the year ended June 30, 2015. The Airport's swap counterparties Goldman Sachs Bank USA, Merrill Lynch Capital Services and JPMorgan Chase Bank, National Association, were each upgraded by one or more of the rating agencies during the year ended June 30, 2015.

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

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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, 2015, the fair value of each swap was negative to the Airport as shown above.

San Francisco Water Enterprise

In April 2015, the Enterprise issued tax-exempt revenue bonds, 2015 Series A in the amount of \$429.6 million for the purpose of refunding all the outstanding 2006 Series A bonds maturing on and after November 1, 2015 and portion of the outstanding 2009 Series A bonds. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2015 Series A bonds include serial bonds with interest rates varying from 2.00% to 5.00% and have a final maturity in 2036. The Series A bonds have a true interest cost of 3.25%. Unamortized 2006 Series A bond issuance costs were \$1.4 million and there were no unamortized bond issuance costs for 2009 Series A bonds at the date of the refunding. The refunding resulted in the recognition of a deferred accounting loss of \$25.4 million, gross debt service savings of \$28.1 million over the next twenty two-year terms, and an economic gain of \$48.6 million or 10.3% of refunded principal. As of June 30, 2015, the principal amount of 2015 Series A bonds outstanding was \$429.6 million.

Hetch Hetchy Water and Power

In May 2015, the Hetch Hetchy Power Enterprise issued tax-exempt revenue bonds, 2015 Series A (Green) in the amount of \$32.0 million with interest rates ranging from 4.0% to 5.0% and 2015 Series B in the amount of \$7.5 million with interest rates ranging from 3.0% to 4.0%. Proceeds from the bonds were used to finance reconstruction or replacement of existing facilities of the PUC's Hetch Hetchy Project, to fund capitalized interest on the 2015 Series A/B Bonds, to fund a debt service reserve account for the 2015 Series A/B Bonds, and to pay costs of issuance of the 2015 Series A/B bonds. The bonds were rated "A+" and "AA-" by S&P and Fitch, respectively. The bonds mature through November 1, 2045. The true interest cost is 3.95%. As of June 30, 2015, the principal outstanding for the 2015 Series A and B bonds is \$32.0 million and \$7.5 million, respectively.

Municipal Transportation Agency

In November 2014, the SFMTA issued its Revenue Bonds, Series 2014 in the amount of \$70.6 million. The net proceeds were used to pay \$0.7 million in costs of issuance, deposit \$4.5 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2014 bonds bear interest at fixed rates ranging from 1.0% to 5.0% and have final maturity on March 1, 2044.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. 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 SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained by writing to the San

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Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan. Some employees of the San Francisco County Transportation Authority, a blended component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS PEPRA Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Successor Agency to the Redevelopment Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one 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.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit 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.

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Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) 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.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-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.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit 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.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-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.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. Effective July 1, 2012, the SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan and the SFERS Plan is fully funded on a market value of assets basis. The maximum benefit adjustment is 3.5% including the Basic COLA. For members hired on or after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits.

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CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final average compensation period of 36 months. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60	2% @ 62	2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	5.00%	6.50%	7.00% to 9.00%	10.00% to 12.25%
Required employer contribution rates	9.792%	9.792%	22.02%	22.02%

	Transportation Authority Miscellaneous Plans		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2.7% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.25%
Required employer contribution rates	18.189%	18.189%	12.15%	6.25%

At June 30, 2015, the CalPERS' Safety Plan had a total of 2,312 members who were covered by these benefits, which includes 887 inactive employees or beneficiaries currently receiving benefits, 333 inactive employees entitled to but not yet receiving benefits, and 1,092 active employees.

Contributions

For the years ended June 30, 2015 and 2014, the City's actuarial determined contributions were as follows:

	2015	2014
SFERS Plan.....	\$ 565,091	\$ 508,377
City CalPERS Miscellaneous Plan.....	31	30
City CalPERS Safety Plan.....	20,616	20,613
Transportation Authority CalPERS Miscellaneous.....	345	342
Transportation Authority CalPERS PEPRA Miscellaneous.....	55	23
Successor Agency CalPERS Miscellaneous.....	598	592
Total	\$ 586,736	\$ 529,977

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2015 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2015, 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, 2013 actuarial report, the required employer contribution rates for fiscal year 2015 were 22.26% to 26.76%.

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CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2015, is distributed.

	Net Pension Liability
Governmental activities.....	\$ 1,067,520
Business-type activities.....	749,919
Fiduciary funds.....	15,870
Total.....	\$ 1,833,309

As of June 30, 2015, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	93.7829%	\$ 1,660,365
City CalPERS Miscellaneous Plan.....	0.1829%	(11,381)
City CalPERS Safety Plan.....	n/a	167,156
Transportation Authority CalPERS Miscellaneous Plan.....	0.0208%	1,297
Transportation Authority CalPERS PEPRM Miscellaneous Plan.....	0.00003%	2
Successor Agency CalPERS Miscellaneous Plan.....	0.2550%	15,870
Total.....		\$ 1,833,309

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL of each of its cost-sharing plans is measured as of June 30, 2014, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

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The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2013 and 2014 were as follows:

	June 30, 2014 (Measurement Date)		June 30, 2013		Change (Decrease)
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	
SFERS Plan.....	93.7829%	\$ 1,660,365	94.1225%	\$ 3,552,075	\$ (1,891,710)
City CalPERS Miscellaneous Plan.....	0.1829%	(11,381)	n/a	(7,823)	(3,558)
Transportation Authority CalPERS Miscellaneous Plan.....	0.0208%	1,297	n/a	1,714	(417)
Transportation Authority CalPERS PEPRAMiscellaneous Plan.....	0.00003%	2	n/a	3	(1)
Successor Agency CalPERS Miscellaneous Plan.....	0.2550%	15,870	n/a	22,998	(7,128)
Total.....		<u>\$ 1,666,153</u>		<u>\$ 3,568,967</u>	<u>\$ (1,902,814)</u>

The City's NPL for the City CalPERS Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2013 (VD).....	\$ 1,020,049	\$ 787,301	\$ 232,748
Change in year:			
Service cost.....	32,688	-	32,688
Interest on the total pension liability.....	76,177	-	76,177
Contributions from the employer.....	-	20,613	(20,613)
Contributions from employees.....	-	15,216	(15,216)
Net investment income ⁽¹⁾	-	138,628	(138,628)
Benefit payments, including refunds of employee contributions.....	(41,387)	(41,387)	-
Net changes during measurement period.....	67,478	133,070	(65,592)
Balance at June 30, 2014 (MD)	<u>\$ 1,087,527</u>	<u>\$ 920,371</u>	<u>\$ 167,156</u>

⁽¹⁾ Net of administrative expenses.

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Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
SFERS Plan.....	\$ 52,482	\$ 43,228	\$ -	\$ 95,710
City CalPERS Miscellaneous Plan.....	(1,149)	-	-	(1,149)
City CalPERS Safety Plan.....	19,060	-	-	19,060
Transportation Authority CalPERS Miscellaneous Plan.....	308	-	-	308
Transportation Authority CalPERS PEPPRA Miscellaneous Plan.....	5	-	-	5
Successor Agency CalPERS Miscellaneous Plan.....	-	-	282	282
Total pension expense	\$ 70,706	\$ 43,228	\$ 282	\$ 114,216

At June 30, 2015, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plan		City CalPERS Safety Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 565,091	\$ -	\$ 1,029	\$ -	\$ 20,616	\$ -	\$ 586,736	\$ -
Change in assumptions.....	-	55,006	976	783	-	-	976	55,789
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	-	10,263	748	1,415	-	-	748	11,678
Net differences between projected and actual earnings on plan investments.....	-	1,422,399	-	9,088	-	64,038	-	1,495,525
Total	\$ 565,091	\$ 1,487,668	\$ 2,753	\$ 11,286	\$ 20,616	\$ 64,038	\$ 588,460	\$ 1,562,992

At June 30, 2015, the City reported \$586.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2016.....	\$ (390,369)
2017.....	(390,369)
2018.....	(390,334)
2019.....	(390,196)
Total	\$ (1,561,268)

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2014 is provided below, including any assumptions that differ from those used in the July 1, 2013 actuarial valuation.

	<u>SFERS Plan Actuarial Assumptions</u>	<u>CalPERS Miscellaneous and Safety Plans</u>
Valuation date.....	June 30, 2013 updated to June 30, 2014	June 30, 2013 updated to June 30, 2014
Measurement date.....	June 30, 2014	June 30, 2014
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.56%, net of pension plan investment and administrative expense, including inflation	7.50%, net of pension plan investment expense, including inflation
Municipal bond yield.....	4.39% as of June 30, 2013 4.31% as of June 30, 2014 Bond Buyer 20-Bond GO Index, July 3, 2013 and July 2, 2014	
Inflation.....	3.33%	2.75%
Projected salary increases.....	3.83% plus merit component based on employee classification and years of service	3.30% to 14.20% depending on age, service, and type of employment
Discount rate.....	7.52% as of June 30, 2013 Net of pension plan, investment and administrative expenses, including inflation	7.50% as of June 30, 2013 Net of pension plan, investment and administrative expenses, including inflation
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 3.00% Chapters A8.595 and A8.596.... 4.00% Chapters A8.559 and A8.585.... 5.00%	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power Applies, 2.75% thereafter

Mortality rates for SFERS active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for SFERS healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020. Refer to SFERS's July 1, 2013 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System website.

The actuarial assumptions used in the SFERS June 30, 2013 valuation were based upon the results of a demographic experience study for the period July 1, 2004 through June 30, 2009 and an economic experience study as of July 1, 2013.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2013 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rates

SFERS – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.52% as of June 30, 2013 and 7.58% as of June 30, 2014.

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The discount rate used to measure SFERS's total pension liability as of June 30, 2014 was 7.58%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date plus an amortization payment on the unfunded actuarial liability. The amortization payment is based on 15-year closed amortization of Charter amendments as a level percentage of payment and closed 20-year amortization as a level percentage of payroll of experience gains and losses and assumption changes. Supplemental COLAs are amortized over a closed 5-year period from the date they are granted. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the actuarial liability in the valuation do not anticipate any Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLA's for current members when they are expected to be granted. For a Supplemental COLA to be granted the market value of assets must exceed the actuarial liability at the beginning of the year and the actual investment earnings during the year must exceed the expected investment earnings on the actuarial value of assets. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. In most cases, the large majority of members receive a 1.50% Supplemental COLA.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2014, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for member with a 2.00% basic COLA for sample years.

<u>Year Ending</u> <u>June 30</u>	<u>Assumption</u>
2015	0.000%
2020	0.364%
2025	0.375%
2030	0.375%
2035+	0.375%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2083 when only a portion of the projected benefit payments can be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.58% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 4.31% to the extent they are not available. Since the payments discounted at the municipal bond rate are relatively few and far in the future, the municipal bond rate does not affect the single equivalent rate when rounded to two decimal places. Consequently, the single equivalent rate used to determine the total pension liability as of June 30, 2014 is 7.58%.

The long-term expected rate of return on pension plan investments was 7.58%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by

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weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.3%
Fixed income	25%	1.8%
Private equity	16%	8.8%
Real assets	12%	5.8%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the City. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10 ⁽¹⁾</u>	<u>Real Return Years 11+ ⁽²⁾</u>
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%

⁽¹⁾ An expected inflation of 2.5% used for this period.

⁽²⁾ An expected inflation of 3.0% used for this period.

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

The following presents the City's proportionate share of the NPL for each of the City's retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

<u>Cost-Sharing Pension Plans</u> <u>Proportionate Share of Net Pension Liability</u>	<u>1% Decrease Share of NPL @ 6.58%</u>	<u>Current Share of NPL @ 7.58%</u>	<u>1% Increase Share of NPL @ 8.58%</u>
SFERS.....	\$ 4,112,843	\$ 1,660,365	\$ (399,044)
	<u>1% Decrease Share of NPL @ 6.50%</u>	<u>Current Share of NPL @ 7.50%</u>	<u>1% Increase Share of NPL @ 8.50%</u>
City CalPERS Miscellaneous Plan.....	\$ (8,407)	\$ (11,381)	\$ (13,849)
Transportation Authority:			
CalPERS Miscellaneous Plan.....	2,221	1,297	530
CalPERS Miscellaneous PEPRA Plan.....	4	2	1
Successor Agency:			
CalPERS Miscellaneous Plan.....	30,294	15,870	3,899

The following presents the NPL, calculated using the discount rate of 7.50% in effect as of the measurement date, as well as what the NPL would be if they were calculated using discount rates that are 1.00% lower (6.50%) or 1.00% higher (8.50%) than the rates used, for the City's agent-multiple employer plan:

<u>Agent Pension Plan</u>	<u>1% Decrease @ 6.50%</u>	<u>Measurement Date @ 7.50%</u>	<u>1% Increase @ 8.50%</u>
City CalPERS Safety Plan - Net Pension Liability.....	\$ 313,384	\$ 167,156	\$ 46,153

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Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

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.

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 \$656.4 million in fiscal year 2014-15. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$196.1 million to provide postemployment health care benefits for 26,454 retired participants, of which \$159.3 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 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor 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 the year ended June 30, 2015, the City paid \$159.3 million for postemployment healthcare benefits on behalf of its retirees and contributed \$7.9 million to the Retiree Health Care Trust Fund.

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

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unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2012 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	\$	350,389
Interest on Net OPEB obligation		79,741
Adjustment to annual required contribution		<u>(66,487)</u>
Annual OPEB cost		363,643
Contribution made		<u>(167,241)</u>
Increase in net OPEB obligation		196,402
Net OPEB obligation - beginning of year		<u>1,793,753</u>
Net OPEB obligation - end of year	\$	<u><u>1,990,155</u></u>

The table below shows how the total net OPEB obligation as of June 30, 2015, is distributed.

Governmental activities	\$	1,114,636
Business-type activities		814,608
Fiduciary funds		<u>60,911</u>
Net OPEB obligation - end of year	\$	<u><u>1,990,155</u></u>

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
6/30/2013	\$ 418,539	38.3%	\$ 1,607,130
6/30/2014	353,251	47.2%	1,793,753
6/30/2015	363,643	46.0%	1,990,155

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, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.4%. The actuarial accrued liability for benefits was \$4.00 billion, and the actuarial value of assets was \$17.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.98 billion. As of July 1, 2012, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.46 billion and the ratio of the UAAL to the covered payroll was 161.9%.

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend

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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, 2012, 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 payroll over a rolling 30-year period. The actuarial assumptions included a 4.45% investment rate of return on investment; 3.33% inflation rate; 3.83% payroll growth; and actual medical premiums from 2013 through 2014 and an ultimate medical inflation rate of 8.0% to 4.50% from 2016 through 2030.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City. 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 Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF 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 RHCTF 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 RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and did not have a net OPEB obligation as of June 30, 2015. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2013, covering the year ended June 30, 2015. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 67.6% funded and the unfunded actuarial accrued liability was \$0.4 million. As of June 30, 2013, the estimated covered payroll was \$3.3 million and the ratio of the UAAL was 11.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2015. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103 or the Transportation Authority's website.

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As of June 30, 2015, the Transportation Authority's annual OPEB expense of \$138.4 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
6/30/2013	\$ 163.0	100%	\$ -
6/30/2014	138.4	100%	-
6/30/2015	138.4	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) healthcare plan, which is administered by CalPERS. The Successor Agency pays monthly retiree medical benefit contributions to PEMHCA. 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 CalPERS and is an agent multiple-employer trust. Copies of CalPERS' financial report may be obtained from CalPERS website at www.calpers.ca.gov or from CalPERS at 400 "Q" Street, Sacramento, California 95811.

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, 2015, the Successor Agency contributed \$1.0 million to this plan.

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.

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The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2015, and the changes in the net OPEB obligation:

Annual required contribution	\$ 932
Interest on Net OPEB obligation	63
Adjustment to annual required contribution	<u>(77)</u>
Annual OPEB cost	918
Contribution made	<u>(952)</u>
Decrease in net OPEB obligation	(34)
Net OPEB obligation - beginning of year	<u>867</u>
Net OPEB obligation - end of year	<u><u>\$ 833</u></u>

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$ 1,306	77%	\$ 1,221
6/30/2014	912	139%	867
6/30/2015	918	104%	833

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 11,378
Actuarial value of plan assets	2,154
Unfunded actuarial accrued liability (UAAL)	<u>\$ 9,224</u>
Funded ratio (actuarial value of plan assets/AAL)	18.9%
Covered payroll (active plan members)	\$ 4,048
UAAL as a percentage of covered payroll	227.9%

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 for the year ended June 30, 2015 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) medical costs trend increases of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CalPERS mortality

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for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority 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 (Plan), which was approved as part of Proposition B. The Transportation Authority 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. The Transportation Authority administers the following programs:

Sales Tax Program. 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 Muni Metro Network; B) construction of the Muni 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 (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time 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 Transportation Authority 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.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority 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 Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

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

Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the Transportation Authority 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

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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 for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the Transportation Authority 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 Transportation Authority could use up to 5% of the funds for administrative costs.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as TIMMA's Board of Commissioners as such TIMMA is included as a blended component unit in the Transportation Authority fund financial statements.

(11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the 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 the 2014 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and eighteenth in terms of cargo. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in the bond resolutions) to repay the following obligations, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds), (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2015, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 473,610
Bond principal and interest remaining due at end of the fiscal year	7,206,612
Commercial paper issued with subordinate revenue pledge	40,000
Commercial paper principal and interest remaining due at end of the fiscal year ...	40,001
Net revenues	439,381
Bond principal and interest paid in the fiscal year	384,427
Commercial paper principal and interest paid in the fiscal year	3,418

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Debt Service Requirement – 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.

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 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 the annual service payment 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 GAAP 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 \$610.5 million was approved by the FAA in October 2013. The authority to impose PFCs is estimated to end June 1, 2023. In November 2014, the FAA approved an amendment that increased the \$610.5 million to \$741.7 million and changed the end date from June 1, 2023 to October 1, 2024. In June 2015, the FAA approved the Airport's sixth PFC application (PFC #6) for \$141.1 million and estimates the charge expiration date for PFC #6 to be March 1, 2026. For the year ended June 30, 2015, the Airport reported approximately \$92.0 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 \$78.1 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2015, 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. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

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Purchase commitments for construction, material and services as of June 30, 2015 are as follows:

Construction	\$	58,296
Operating		<u>16,213</u>
Total	\$	<u>74,509</u>

Transactions with Other Funds – 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 (net of certain adjustments), but not less than \$5.0 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, 2015 was \$40.5 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, 2015 was \$135.8 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the fiscal year ended June 30, 2015, revenues realized from the following Airport tenant exceeded five percent of the Airport’s total operating revenues:

United Airlines	23.5%
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(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 its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 13% 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 \$99.7 million. The principal and interest payments made in 2015 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2015 were \$32.6 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 \$3.2 million. Annual principal and interest payments were \$0.23 million in 2015 and pledged harbor revenues were \$0.14 million for the year ended June 30, 2015.

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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 \$0.5 million. Insurance proceeds totaling \$14.1 million have been received pursuant to preliminary claims filed by the Port through June 30, 2015. The Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled.

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, 2015, the Port had purchase commitments for construction-related services, materials and supplies, and other services were \$9.8 million for capital projects and \$2.4 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, 2015, \$48.8 million of Port funds have been appropriated and \$46.6 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.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2015, the \$17.0 million in services provided by other City departments included \$2.6 million of insurance premiums and \$0.6 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. In 2015, the Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

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 additional berthing rate increases are likely required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately \$7.9 million, including certain structural repairs, soft costs and recommended contingencies.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, 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

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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.

A 65-acre area commonly known as "Pier 70" 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. 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. 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.

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. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides 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 impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at \$10.7 million at June 30, 2015.

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.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2015, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2014	\$ 10,625	\$ 129	\$ 10,754
Current year claims and changes in estimates	78	(8)	70
Vendor payments	-	(50)	(50)
Environmental liabilities at June 30, 2015	\$ 10,703	\$ 71	\$ 10,774

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(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. In fiscal year 2015, the Water Enterprise sold water, approximately 69,162 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).

The San Francisco Public Utilities Commission (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 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 4,887,570
Bond principal and interest remaining due at end of the fiscal year	7,840,700
Net revenues	196,635
Bond principal and interest paid in the fiscal year	192,312
Funds available for revenue debt service	445,025

During fiscal year 2015, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$210.3 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, 2015, the City owed the Wholesale Customers \$2.2 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2015, the Water Enterprise had outstanding commitments with third parties of \$407.2 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2015, the total pollution remediation liability was \$10.9 million, consisting of \$9.7 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area and \$1.2 million for the 17th and Folsom site.

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 \$36.8 million and \$8.7 million, respectively, for the year ended June 30, 2015, 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 \$14.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(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. Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power 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.

Approximately 87% 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 13 percent 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.

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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.....	\$ 41,467	\$ 169,860	\$ 211,327
Receivables from other funds and component units.....	-	13,371	13,371
Noncurrent restricted cash and investments.....	4,626	41,264	45,890
Other noncurrent assets.....	178	2,393	2,571
Capital assets.....	104,330	269,006	373,336
Total assets.....	<u>150,601</u>	<u>495,894</u>	<u>646,495</u>
Deferred outflows of resources related to pensions	<u>3,097</u>	<u>3,786</u>	<u>6,883</u>
Liabilities:			
Current liabilities.....	5,493	19,428	24,921
Noncurrent liabilities.....	19,514	103,609	123,123
Total liabilities.....	<u>25,007</u>	<u>123,037</u>	<u>148,044</u>
Deferred inflows of resources related to pensions	<u>8,280</u>	<u>10,120</u>	<u>18,400</u>
Net position:			
Net investment in capital assets.....	104,330	241,484	345,814
Restricted for capital projects.....	4,434	-	4,434
Restricted for debt service.....	-	302	302
Unrestricted.....	11,647	124,737	136,384
Total net position.....	<u>\$ 120,411</u>	<u>\$ 366,523</u>	<u>\$ 486,934</u>

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Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy		Total
	Water	Power	
Operating revenues.....	\$ 38,835	\$ 108,968	\$ 147,803
Depreciation expense.....	(4,102)	(13,785)	(17,887)
Other operating expenses.....	(34,599)	(91,437)	(126,036)
Operating income	134	3,746	3,880
Nonoperating revenues (expenses):			
Federal grants.....	8	1,819	1,827
Interest and investment income (loss).....	(74)	1,253	1,179
Interest expense.....	-	(1,815)	(1,815)
Other nonoperating revenues (expenses)	(71)	4,096	4,025
Transfers in (out), net.....	-	2,043	2,043
Change in net position.....	(3)	11,142	11,139
Net position at beginning of year, as restated.....	120,414	355,381	475,795
Net position at end of year.....	\$ 120,411	\$ 366,523	\$ 486,934

Condensed Statements of Cash Flows	Hetch Hetchy		Total
	Water	Power	
Net cash provided by (used in):			
Operating activities.....	\$ 4,552	\$ 28,613	\$ 33,165
Noncapital financing activities.....	177	6,648	6,825
Capital and related financing activities.....	(14,966)	21,314	6,348
Investing activities.....	(37)	2,207	2,170
Increase (decrease) in cash and cash equivalents.....	(10,274)	58,782	48,508
Cash and cash equivalents at beginning of year.....	55,813	143,475	199,288
Cash and cash equivalents at end of year.....	\$ 45,539	\$ 202,257	\$ 247,796

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 2046.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2015, and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 60,771
Bond principal and interest remaining due at end of the fiscal year	97,485
Net revenues.....	37,341
Bond principal and interest paid in the fiscal year	1,946
Funds available for revenue debt service	51,372

Commitments and Contingencies – As of June 30, 2015, Hetch Hetchy Water and Power had outstanding commitments with third parties of \$48.4 million for various capital projects and other purchase agreements for materials and services.

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Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) 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 \$4.6 million in fiscal year 2015. 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, Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with MID and TID. Both Agreements expire on June 30, 2015. On April 28, 2015, the Commission approved extension of the Agreement for one year to June 30, 2016. The Agreement with MID has been amended, effective January 1, 2008, removing Hetchy Power's obligation to provide firm power and eliminated MID's rights to excess energy from the project. In April 2005, Hetchy Power amended the terms of the Agreement with TID, terminating Hetchy Power's obligation to provide TID firm power, and retaining TID's rights to excess energy from the project through the term of the Agreement.

The PUC will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the PUC's municipal load obligations. The City and PG&E are currently engaged in negotiations at the Federal Energy Regulatory Commission. For fiscal years 2015, energy sales to the Districts totaled 115,026 Megawatt hours (MWh) or \$4,517.

In 1987 the City entered into an interconnection agreement with PG&E to provide transmission, supplemental energy services and distribution services on PG&E's system to deliver power to the City's customers. The agreement was renegotiated in 2007 and expired on July 1, 2015. During fiscal year 2015, Hetchy Power purchased \$13,617 of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The Interconnection Agreement with PG&E also contains a contractual provision allowing Hetch Hetchy to bank Hetchy Power produced in excess of its load obligations, with a maximum of 110,000 MWh. During fiscal year 2015, Hetchy Power generated 976,199 MWh of power, banked (deposited) in the Deferred Delivery Account (DDA) 35,391 MWh and used (withdrew) 114,082 MWh. At June 30, 2015, the balance in the bank was zero MWh or \$0.

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 \$36.8 million and purchased electricity for \$8.7 million for the year ended June 30, 2015. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. Included in 2015 operating revenues are sales of power to departments within the City of \$80 million.

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 \$8.0 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA includes the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street 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.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the "Charter") in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which approved \$500 million in General Obligation Bonds for transportation and street infrastructure, and (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 219 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. Of the five nonprofit parking garages, three corporations provide operational oversight of four garages. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

Three nonprofit corporations provide operational oversight to four parking garages: Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four parking garages, Union Square and Portsmouth are owned by the City's Recreation and Park Department but managed by the SFMTA. The activities of these parking garages are accounted for in SFMTA's parking garage accounts.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA 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 SFMTA revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2044.

Annual principal and interest payments for fiscal year 2015 were 14.8% 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 2015 and applicable revenues for 2015 are as follows:

Bonds issued with revenue pledge	\$ 209,840
Bond principal and interest remaining due at end of the fiscal year	328,011
Net revenues.....	84,547
Bond principal and interest paid in the fiscal year	14,640
Funds available for revenue debt service	99,187

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Operating and Capital Grants and Subsidies – The City’s Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA 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 SFMTA was \$344.6 million in fiscal year 2015. The General Fund subsidy includes a total revenue baseline transfer of \$272.3 million, as required by the City Charter, \$69.8 million from an allocation of the City’s parking tax, and \$2.5 million from district allocation projects.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2015, SFMTA had approved capital grants with unused balances amounting to \$920.8 million. Capital grants receivable and capital program receivables from other nonmajor governmental funds as of June 30, 2015 totaled \$72.0 million and \$4.0 million, respectively.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2015, the SFMTA had various operating grants receivable of \$27.5 million. In fiscal year 2015, the SFMTA’s operating assistance from BART’s Americans with Disability Act (ADA) related support of \$1.5 million and other federal, state and local grants of \$12.4 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 SFMTA received cash totaling \$95.5 million in fiscal year 2015 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 Budget Act of 2013 further extended the date to June 30, 2018. 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 2015, \$89.1 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately \$465.9 million with third parties, for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately \$45.6 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA 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 BRENDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City’s Board of Supervisors, Muni 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, Muni 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, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni 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. Muni 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. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment

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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 S&P and "Aaa" by 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 Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni 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 SFMTA as of June 30, 2015. On March 17, 2014, Muni terminated leveraged lease transactions with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million.

The terms of the SILO documents require Muni 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 were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. Since January 17, 2013, when Moody's downgraded AGM's rating to A2, there has not been a change in the S&P rating, which is AA or the Moody's rating, which is A2. Failure of Muni 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 equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni 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, 2015 after giving effect to the market value of the securities in the escrow accounts, would approximate \$58.9 million. The scheduled termination costs increase over the next several years. As of June 30, 2015, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$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, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. The deferred inflows of resources amortized amounts were \$1.0 million and \$0.2 million for the Tranche 1 Equipment and the Tranche 2 Equipment in fiscal year 2015, respectively.

As of June 30, 2015, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the Tranche 1 Equipment and \$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(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

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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, 2015, the subsidy for LHH was \$69.8 million.

Net Patient Service Revenue - Net patient service 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 (DRG) 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.

During the year ended June 30, 2015, LHH's patient receivables and charges for services were as follows:

	Patient Receivables, net			
	Medi-Cal	Medicare	Other	Total
Gross accounts receivables.....	\$ 57,819	\$ 4,321	\$ 2,744	\$ 64,884
Less:				
Provision for contractual allowances.....	(37,436)	(2,798)	(1,776)	(42,010)
Total, net.....	<u>\$ 20,383</u>	<u>\$ 1,523</u>	<u>\$ 968</u>	<u>\$ 22,874</u>

	Net Patient Service Revenues			
	Medi-Cal	Medicare	Other	Total
Gross revenues.....	\$ 333,610	\$ 20,192	\$ 12,822	\$ 366,624
Less:				
Provision for contractual allowances.....	(183,590)	(14,872)	(13,022)	(211,484)
Total, net.....	<u>\$ 150,020</u>	<u>\$ 5,320</u>	<u>\$ (200)</u>	<u>\$ 155,140</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2015, LHH accrued and recognized \$90 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2015, LHH recorded approximately \$99 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges

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total approximately \$9.8 million for the year ended June 30, 2015 and have been included in services provided by other departments.

Commitments and Contingencies – In September 2015, the Centers for Medicare and Medicaid Services (CMS) notified LHH that it disallowed \$56.1 million in Distinct Part/Nursing Facility Construction and Renovation and Reimbursement Program payments made by the California Department of Health Care Costs (DHCS) to LHH for debt service payments related to its facility made between July 1, 2004 and November 18, 2010. The City and DHCS are currently in discussions with CMS regarding this disallowance and whether a different interpretation or approach may be applied, but cannot predict the final outcome of the discussions.

As of June 30, 2015, LHH has entered into various purchase contracts totaling approximately \$0.4 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital (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, 2015, the subsidy for SFGH was \$155.0 million.

Net Patient Service Revenue - Net patient service 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 contractually, 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.

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 investigation 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.

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During the year ended June 30, 2015, SFGH's patient receivables and charges for services were as follows:

	Patient Receivables, net			
	Medi-Cal	Medicare	Other	Total
Gross accounts receivables.....	\$ 252,619	\$ 109,246	\$ 121,163	\$ 483,028
Less:				
Provision for contractual allowances.....	(196,203)	(99,138)	(78,352)	(373,693)
Provision for bad debts.....	-	-	(34,014)	(34,014)
Total, net.....	<u>\$ 56,416</u>	<u>\$ 10,108</u>	<u>\$ 8,797</u>	<u>\$ 75,321</u>

	Net Patient Service Revenues			
	Medi-Cal	Medicare	Other	Total
Gross revenues.....	\$ 1,516,247	\$ 580,739	\$ 871,084	\$ 2,968,070
Less:				
Provision for contractual allowances.....	(1,393,977)	(457,102)	(306,871)	(2,157,950)
Provision for bad debt.....	-	-	(79,070)	(79,070)
Total, net.....	<u>\$ 122,270</u>	<u>\$ 123,637</u>	<u>\$ 485,143</u>	<u>\$ 731,050</u>

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 (LIHP). 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 \$188.1 million for the year ended June 30, 2015.

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 LIHP ended on December 31, 2013. Individuals who fell under the LIHP program either transitioned to Medi-Cal or purchased health insurance through California's health benefit exchange (Covered California). Fiscal year 2014-2015 was the first full year of expanded Medi-Cal coverage and Covered California.

On October 31, 2015, the Section 1115 Medicaid Waiver, originally set to expire on October 31, 2015, was extended temporarily to December 31, 2015. In addition, the DHCS and CMS arrived at a conceptual agreement that outlines the major components of the waiver renewal, with the details of the renewal currently being finalized. The conceptual agreement includes the following core elements: (a) Global Payment Program for services to the uninsured in designated public hospital systems (DPH); (b) Delivery System Transformation and Alignment Incentive Program for DPHs and district/municipal hospitals, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (c) Dental Transformation Incentive Program; (d) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; (e) Independent assessment of access to care and network adequacy for Medi-Cal managed care beneficiaries; and (f) Independent studies of uncompensated care and hospital financing. The financial impact of the new Waiver in future years is not yet known.

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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, 2015, reimbursement under the Short-Doyle Program amounted to approximately \$5.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2015, SFGH recorded approximately \$270.7 million in unearned credits and other liabilities, which was comprised of \$240.7 million in unearned credits related to receipts under Safety Net Care Pool, the LIHP, and AB915 programs, and \$30.0 million in Third-Party Settlements payable.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to SFGH and charge amounts designed to recover those departments' costs. These charges total approximately \$47.1 million for the year ended June 30, 2015 and have been included in services provided by other departments.

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 \$213.6 million and estimated costs and expenses to provide charity care were \$61.6 million in fiscal year 2014-15.

Other Revenues - SFGH recognized \$34.4 million of realignment funding for the year ended June 30, 2015. With California implementing a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% (70% for fiscal year 2013-14) of the savings realized by the county. The State predetermined an amount of health realignment to be redirected of \$3.9 million in fiscal year 2014-15 for the City and withheld those amounts from health realignment remittances to the City. A reconciliation using actual experience will be concluded within two years after June 30, 2015 for fiscal year 2014-15.

Contracts 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, 2015, was approximately \$149.7 million.

SFGH Rebuild - In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). 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 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 the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at \$887.4 million.

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The majority of the funding would 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, 2015, General Obligation Bonds in the amount of \$887.4 million have been sold to fund the hospital rebuild. The current schedule indicates that substantial completion will be achieved in the upcoming quarter, with the final completion targeted for December 2015. The General Obligation Bonds are accounted for as 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.

During the year ended June 30, 2015, the SFGH received a donation in the amount of \$57.4 million from a philanthropist restricted for the acquisition of furniture, fixtures and equipment for the new hospital. The unspent balance in the amount of \$56.2 million is reported as net position restricted for capital projects at June 30, 2015 in the statement of net position.

Commitments and Contingencies – As of June 30, 2015, SFGH had outstanding commitments with third parties for capital projects totaling \$3.2 million.

(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 147,486 residential accounts, which discharge about 16.5 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,200 non-residential accounts, which discharge about 8.2 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 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 2015, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 764,550
Bond principal and interest remaining due at end of the fiscal year	1,206,655
Net revenues.....	96,547
Bond principal and interest paid in the fiscal year	60,901
Funds available for revenue debt service	230,960

Commitments and Contingencies – As of June 30, 2015, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$124.7 million.

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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, 2015.

Transactions with Other Funds –The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.9 million for the year ended June 30, 2015. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$26.3 million for the year ended June 30, 2015 and have been included in services provided by other departments.

(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 unit, an entity 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 California Department of Finance (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 months 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 submitted it to DOF. The Successor Agency received feedback and comments on the submitted LRPMP from the DOF during September 2015. The Successor Agency will make revisions to the LRPMP, obtain approval from the Commission and the Oversight Board, and resubmit the LRPMP to DOF for final approval by December 2015.

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(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2015, a summary of changes in capital assets was as follows:

	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Capital assets not being depreciated:				
Land held for lease	\$ 59,381	\$ -	\$ (4,612)	\$ 54,769
Construction in progress	2,822	632	(2,821)	633
Total capital assets not being depreciated	62,203	632	(7,433)	55,402
Capital assets being depreciated:				
Furniture and equipment	8,144	-	-	8,144
Building and improvements	225,022	-	2,821	227,843
Total capital assets being depreciated	233,166	-	2,821	235,987
Less accumulated depreciation for:				
Furniture and equipment	(8,076)	(17)	-	(8,093)
Building and improvements	(89,579)	(5,621)	-	(95,200)
Total accumulated depreciation	(97,655)	(5,638)	-	(103,293)
Total capital assets being depreciated, net	135,511	(5,638)	2,821	132,694
Total capital assets, net	\$ 197,714	\$ (5,006)	\$ (4,612)	\$ 188,096

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

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	4.00% - 5.00%	\$ 37,470
Tax allocation revenue bonds ^(b)	2044	0.57% - 9.00%	849,709
South Beach Harbor Variable Rate Refunding bonds ^(c)	2017	3.50%	1,995
California Department of Boating and Waterways Loan ^(d)	2037	4.50%	7,075
Total long-term bonds and loans			\$ 896,249

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
- (b) Redevelopment property tax revenues and existing debt service/escrow trust funds.
- (c) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
- (d) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance bonds by the Successor Agency. On December 11, 2014, the Successor Agency issued two refunding bonds: 1) Tax Allocation Refunding Bonds Series 2014 B (2014 Series B Bonds) for \$68.0 million and 2) Tax Allocation Refunding Bonds Series 2014 C (2014 Series C Bonds) for \$75.9 million. Proceeds from the 2014 Series B Bonds were used to partially or fully refund 2004 Series D, 2005 Series C, and 2006 Series A Bonds in the amount of \$25.0 million, \$29.4 million, and \$10.4 million, respectively. The refunding resulted in gross savings of \$14.8 million or net present value savings of \$5.0 million and an accounting loss of \$0.3 million, which is being amortized over the life of the bonds. The 2014 Series B Bonds bear fixed interest rates ranging from 0.57% to 4.87% and have a final maturity of August 1, 2035. Proceeds from the 2014 Series C Bonds, including original issue premium of \$8.7 million and funds on hand from the refunded bonds in the amount of \$2.2 million, were used to partially or fully refund 1993 Series B, 1998 Series D, 2003 Series C, 2004 Series A, 2004

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Series C, and 2005 Series A Bonds in the amount of \$4.6 million, \$3.2 million, \$4.4 million, \$56.7 million, \$5.9 million, and \$9.9 million, respectively. The refunding resulted in net present value savings of \$7.7 million and an accounting loss of \$0.3 million. The 2014 Series C Bonds bear fixed interest rates ranging from 2.00% to 5.00% and have a final maturity of August 1, 2029.

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 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.57 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2015 was \$124.8 million as against the total debt service payment of \$98.8 million.

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 \$48.1 million. The hotel tax revenue recognized during the year ended June 30, 2015 was \$5.1 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2015, are as follows:

	July 1, 2014	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2015
Bonds payable:				
Tax revenue bonds	\$ 946,508	\$ 143,900	\$ (201,234)	\$ 889,174
Lease revenue bonds	1,426	-	(1,426)	-
Less unamortized amounts:				
For issuance premiums	7,333	8,661	(2,436)	13,558
For issuance discounts	(4,951)	-	586	(4,365)
Total bonds payable	950,316	152,561	(204,510)	898,367
Accreted interest payable.....	39,385	4,741	(6,625)	37,501 ⁽¹⁾
Notes, loans, and other payables.....	7,283	-	(208)	7,075
Accrued vacation and sick leave pay.....	1,325	275	(961)	639
Other postemployment benefits obligation.....	867	918	(952)	833
Successor Agency - long term obligations...	\$ 999,176	\$ 158,495	\$ (213,256)	\$ 944,415

(1) Amounts represents interest accretion Capital Appreciation Bonds.

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As of June 30, 2015, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016.....	\$ 56,460	\$ 47,871	\$ 218	\$ 318	\$ 56,678	\$ 48,189
2017.....	55,135	45,140	227	309	55,362	45,449
2018.....	57,150	42,647	238	298	57,388	42,945
2019.....	65,205	39,874	248	288	65,453	40,162
2020.....	45,757	40,259	259	276	46,016	40,535
2021-2025.....	158,323	211,438	1,483	1,196	159,806	212,634
2026-2030.....	122,138	143,739	1,849	831	123,987	144,570
2031-2035.....	139,589	105,773	2,304	376	141,893	106,149
2036-2040.....	127,957	49,362	249	13	128,206	49,375
2041-2044.....	61,460	5,761	-	-	61,460	5,761
Total.....	\$ 889,174	\$ 731,864	\$ 7,075	\$ 3,905	\$ 896,249	\$ 735,769

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 property tax 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. In accordance with HSC Section 34191.4(b)(3), signed into law in September 2015, interest shall be accrued quarterly at an annual rate of 3% on the principal balance due to the City. The City and the Successor Agency have continued to accrue interest at the LAIF rate as of June 30, 2015. For the year ended June 30, 2015, the City advanced \$3.8 million in property tax revenues to the Successor Agency for debt service payments. 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 \$2.3 million to the City. At June 30, 2015, the outstanding payable balance due to the General Fund was \$23.2 million, which was comprised of principal of \$22.5 million and accrued interest of \$0.7 million.

During the year ended June 30, 2015, the Oversight Board and the DOF approved future repayments of the SERAF borrowing from the City for up to the maximum amount of \$16.5 million plus accrued interest. During January 2015, the Successor Agency recorded the payable balance of \$18.8 million, which was comprised of principal of \$16.5 million and accrued interest of \$2.3 million. For the year ended June 30, 2015, interest in the amount of \$203 was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2,951 to the City. At June 30, 2015, the outstanding payable balance was \$16,022, which was comprised of principal of \$13,532 and accrued interest of \$2,490.

At June 30, 2015, the Successor Agency also has a payable to the City in the amount of \$1,820 which consists of \$948 for Jessie Square cost reimbursements and \$872 for other services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2015, the Successor Agency had outstanding encumbrances totaling approximately \$80.7 million.

Risk Management - 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.

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Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

<u>Fiscal Years</u>			<u>Fiscal Years</u>		
2016.....	\$	1,311	2026-2030.....	\$	4,351
2017.....		870	2031-2035.....		4,351
2018.....		870	2036-2040.....		4,351
2019.....		870	2041-2045.....		4,351
2020.....		870	2046-2050.....		4,351
2021-2025.....		4,351	2051.....		217
			Total.....	\$	<u>31,114</u>

Rent payments totaling \$1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2015.

The Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows (in thousands):

<u>Fiscal Years</u>			<u>Fiscal Years</u>		
2016.....	\$	4,660	2026-2030.....	\$	22,148
2017.....		4,362	2031-2035.....		23,612
2018.....		4,287	2036-2040.....		19,782
2019.....		4,153	2041-2045.....		21,069
2020.....		4,034	2046-2050.....		7,121
2021-2025.....		20,652	Total.....	\$	<u>135,880</u>

For the year ended June 30, 2015, operating lease rental income for noncancelable operating leases was \$11.8 million. Within the operating lease rental income, \$6.6 million represents contingent rental income received. At June 30, 2015, the leased assets had a net book value of \$40.4 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds 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 financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. As of June 30, 2015, the Successor Agency had outstanding community facility district bonds totaling \$197.9 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency

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entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2015, the Successor Agency received \$2.5 million from a developer and distributed the funds to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(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.

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On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 290 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Demolition of existing structures on Yerba Buena Island will begin in December 2015 and the first phase of infrastructure construction should begin in the first quarter of 2016 with vertical construction beginning in 2017 and the first new homes ready for occupancy before the end of 2018. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, and amended several times over the intervening years, the Transportation Authority 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 Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed \$18.8 million. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid. The repayment to the Transportation Authority was structured to be paid by TIDA in three installments with the first installment equal to 50% of the current balance being due 30 days after the first close of escrow for transfer of the Naval Station Treasure Island to TIDA from the Navy. The second installment is due on the anniversary of the first installment in an amount of 50% of the then current balance, and a final payment of the remaining balance of the loan is due on December 31, 2016.

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. Under the Disposition and Development Agreement between TIDA and Treasure Island Community Development, LLC (TICD), the master developer for Treasure Island and Yerba Buena Island, TICD is committed to fulfill TIDA's obligations under the loan agreement between TIDA and the Transportation Authority. On June 26, 2015, TICD made a payment directly to the Transportation Authority on TIDA's behalf in the amount of \$5.4 million.

As of June 30, 2015, TIDA has an outstanding balance in the amount of \$5.0 million on loan with the Transportation Authority and accrued \$0.5 million in interest. At June 30, 2015, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	\$ -	\$ 5,504	\$ 5,504
SFCTA	YBI and mobility management expenses	346	-	346
Hetch Hetchy	Utility operations under MOU	200	428	628
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 546</u>	<u>\$ 8,531</u>	<u>\$ 9,077</u>

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(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, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 5,848
Nonmajor Governmental Funds	General Fund	266
	Nonmajor Governmental Funds	2,168
	San Francisco Water Enterprise	79
	Municipal Transportation Agency	3,627
	San Francisco Wastewater Enterprise	19
	Internal Service Funds	175
		<u>6,334</u>
General Hospital Medical Center	Nonmajor Governmental Funds	26
Laguna Honda Hospital	Internal Service Funds	14
San Francisco Water Enterprise	General Fund	190
	Nonmajor Governmental Funds	7
		<u>197</u>
Hetch Hetchy Water and Power Enterprise	General Fund	175
	Nonmajor Governmental Funds	7,593
	General Hospital Medical Center	681
	San Francisco Wastewater Enterprise	1,523
	Port of San Francisco	172
		<u>10,144</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	4,001
San Francisco Wastewater Enterprise	General Fund	8
	Nonmajor Governmental Funds	38
		<u>46</u>
Total		<u>\$ 26,610</u>

In addition to 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 fund. At June 30, 2015, Hetch Hetchy loaned \$8.8 million to other City funds. Hetch Hetchy is also due \$1.3 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of \$4.0 million for capital and operating grants.

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Due from component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 200	(1)
Nonmajor Governmental Funds	Component unit – TIDA	346	(1)
General Fund	Successor Agency	948	(2)
Nonmajor Governmental Funds	Successor Agency	2,632	(2)
Municipal Transportation Agency	Successor Agency	13	(2)

Advance to component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 3,027	(1)
Nonmajor Governmental Funds	Component unit – TIDA	5,504	(1)
General Fund	Successor Agency	23,212	(2)
Nonmajor Governmental Funds	Successor Agency	14,249	(2)

(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: Funds	Transfers In: Funds									Total
	General Fund	Nonmajor Govern- mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta- tion Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	
General Fund.....	\$ -	\$301,239	\$ 80	\$ 15	\$ -	\$ 344,584	\$ 155,038	\$ -	\$72,785	\$ 873,741
Nonmajor governmental funds.....	20,357	70,099	70	52,128	2,075	42,449	-	167	-	187,345
Internal Service Funds.....	142	-	-	-	-	-	-	-	-	142
San Francisco International Airport.....	40,480	-	-	-	-	-	-	-	-	40,480
Water Enterprise.....	-	1,148	-	-	-	-	-	-	-	1,148
Hetch Hetchy Water and Power Enterprise.....	-	32	-	-	-	-	-	-	-	32
Municipal Transportation Agency.....	100	13,976	-	-	-	-	-	-	-	14,076
San Francisco General Hospital Medical Center.....	103,596	-	-	-	-	-	-	-	59	103,655
Wastewater Enterprise.....	-	232	-	-	-	-	-	-	-	232
Port of San Francisco.....	-	60	-	-	-	-	-	-	-	60
Laguna Honda Hospital..	37	4,789	-	-	-	-	-	-	-	4,826
Total transfers out	<u>\$ 164,712</u>	<u>\$ 391,575</u>	<u>\$ 150</u>	<u>\$ 52,143</u>	<u>\$ 2,075</u>	<u>\$ 387,033</u>	<u>\$ 155,038</u>	<u>\$ 167</u>	<u>\$ 72,844</u>	<u>\$ 1,225,737</u>

The \$873.7 million General Fund transfer out includes a total of \$572.4 million in operating subsidies to SFMTA, SFGH, and LHH (note 11). The transfer of \$301.2 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 Funds, 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.

The \$20.4 million nonmajor governmental funds transfer to the General Fund represents \$10.1 million reimbursements from Caltrans on the 4th Street Bridge project, \$7.1 million from the public library operating surplus, \$2.2 million in reimbursements from grants to the fire department, and \$1.0 million in interest transfers.

San Francisco International Airport transferred \$40.5 million to the General Fund, representing a portion of concession revenues (note 11(a)). The General Fund received transfers in of \$102.0 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program

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intergovernmental transfers matching program reimbursement and \$1.6 million for interest earned by the SFGH but credited to the General Fund (note 11(g)).

SFMTA received \$42.4 million transfers from nonmajor governmental funds, of which \$26.6 million was for capital activities, \$12.2 million was for operating activities, and \$3.6 million to fund various street improvement projects. In turn, the SFMTA transferred \$14.0 million to nonmajor governmental funds to pay for various street improvement projects.

The Water Enterprise received \$52.1 million from transfers in, of which included \$51.1 million in general obligation bond proceeds for the Auxiliary Water Supply System Earthquake Safety and Emergency Response project and \$1.0 million from the San Francisco Recreation and Parks Department as the final payment for the acquisition of the 17th and Folsom Street property. On the other hand, the Water Enterprise transferred \$1.1 million to the San Francisco Recreation and Parks Department for water saving improvements at Alamo Square Park.

Laguna Honda Hospital transferred \$4.8 million of Senate Bill No. 1128 Medi-Cal reimbursement to nonmajor governmental funds for debt service payments on its facility.

(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 the Airport subsequent to an initial audit by the U.S. Department of Transportation Office of Inspector General Office of Investigations began and is continuing a review of the American Recovery and Reinvestment Act and other Airport and Improvement grants received by the Airport and has to date identified approximately \$0.9 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

<u>Fiscal Years</u>		
2016.....	\$	36,944
2017.....		35,601
2018.....		30,816
2019.....		23,504
2020.....		20,025
2021-2025.....		57,182
2026-2030.....		2,965
2031-2035.....		377
	<u>\$</u>	<u>207,414</u>

Operating leases expense incurred for fiscal year 2014-15 was approximately \$28.6 million.

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Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency	Total Business-Type Activities
2016.....	\$ 162	\$ 2,846	\$ 11,778	\$ 14,786
2017.....	87	2,753	10,393	13,233
2018.....	87	2,753	10,658	13,498
2019.....	-	2,753	11,006	13,759
2020.....	-	2,753	11,001	13,754
2021-2025.....	-	13,764	57,719	71,483
2026-2030.....	-	13,764	65,824	79,588
2031-2035.....	-	13,764	64,687	78,451
2036-2040.....	-	13,764	59,097	72,861
2041-2045.....	-	13,764	68,032	81,796
2046-2050.....	-	11,241	-	11,241
Total.....	<u>\$ 336</u>	<u>\$ 93,919</u>	<u>\$ 370,195</u>	<u>\$ 464,450</u>

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2014-15 was \$0.2 million, \$2.9 million, and \$16.1 million, respectively.

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	
2016.....	\$ 2,471
2017.....	2,386
2018.....	1,730
2019.....	684
2020.....	582
2021-2025.....	1,250
2026-2030.....	533
2031-2035.....	50
Total.....	<u>\$ 9,686</u>

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Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-Type Activities
2016.....	\$ 97,139	\$ 38,496	\$ 1,469	\$ 3,667	\$ 140,771
2017.....	93,117	30,469	1,513	3,036	128,135
2018.....	75,966	27,629	1,558	2,860	108,013
2019.....	37,894	24,482	1,605	2,519	66,500
2020.....	14,667	23,735	1,653	1,680	41,735
2021-2025.....	34,861	97,878	9,040	8,025	149,804
2026-2030.....	-	79,236	-	6,315	85,551
2031-2035.....	-	72,413	-	6,250	78,663
2036-2040.....	-	45,979	-	6,250	52,229
2041-2045.....	-	35,893	-	6,250	42,143
2046-2050.....	-	28,071	-	6,250	34,321
2051-2055.....	-	16,648	-	6,250	22,898
2056-2060.....	-	15,727	-	833	16,560
2061-2065.....	-	11,545	-	-	11,545
2066-2070.....	-	5,616	-	-	5,616
2071-2075.....	-	4,522	-	-	4,522
2076-2080.....	-	310	-	-	310
Total.....	<u>\$ 353,644</u>	<u>\$ 558,649</u>	<u>\$ 16,838</u>	<u>\$ 60,185</u>	<u>\$ 989,316</u>

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 \$29.5 million and \$17.8 million, respectively, in fiscal year 2014-15. The Airport also exercised a new five-year car rental lease agreement option effective January 1, 2014. 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 \$43.2 million for fiscal year 2014-15.

Other Commitments

The Retirement System has commitments to contribute capital for real assets and private equity investments in the aggregate amount of approximately \$2.6 billion at June 30, 2015.

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.

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(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 SFMTA); 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 \$1.0 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. The Airport carries public officials liability and employment practices liability coverage of \$5.0 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 and target range liability for San Francisco Police Department firearms range located at the Airport. 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 \$100.0 million, subject to a deductible of \$100 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 \$1.0 billion and a deductible of \$750 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, property damage for certain high value Port vehicles, water pollution and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA 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. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA'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, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchased insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchased insurance
e. Directors and Officers	Purchased insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA 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 \$3.0 million. As of June 30, 2015, the reserve was \$17.7 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

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The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, 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. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and 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, 2015 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014.....	\$ 174,582	\$ 121,586	\$ (49,109)	\$ 247,059
2014-2015.....	247,059	87,834	(70,063)	264,830

Breakdown of the estimated claims payable at June 30, 2015 is follows:

Governmental Activities	
Current portion of estimated claims payable.....	\$ 52,797
Long-term portion of estimated claims payable.....	104,863
Total.....	<u>\$ 157,660</u>
Business-type Activities	
Current portion of estimated claims payable.....	\$ 50,390
Long-term portion of estimated claims payable.....	56,780
Total.....	<u>\$ 107,170</u>

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2015 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, 2015 was \$395.6 million which is reported in the appropriate individual funds in accordance with the City's accounting policies.

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Changes in the reported accrued workers' compensation since July 1, 2013, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2013-2014.....	\$ 377,776	\$ 78,663	\$ (72,563)	\$ 383,876
2014-2015.....	383,876	94,397	(82,699)	395,574

Breakdown of the accrued workers' compensation liability at June 30, 2015 is as follows:

Governmental Activities	
Current portion of estimated claims payable.....	\$ 38,046
Long-term portion of estimated claims payable.....	185,638
Total.....	<u>\$ 223,684</u>
Business-type Activities	
Current portion of estimated claims payable.....	\$ 28,188
Long-term portion of estimated claims payable.....	143,702
Total.....	<u>\$ 171,890</u>

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2015, the City issued \$32.5 million taxable and \$57.4 million tax-exempt commercial paper (CP) with interest rates at 0.12% and 0.06% respectively to refund maturing CP. The CP was issued to provide interim funding for the War Memorial Veterans Building seismic retrofit project and the rebuilding of distressed public housing sites to increase affordable housing (HOPE SF). The above CP was refinanced on July 28, 2015 by issuing \$15.6 million taxable and \$1.6 tax-exempt CP which bear interest rates at 0.18% and 0.04% respectively and matured on September 1, 2015.

In July 2015, the City issued Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements) Series 2015A in the amount of \$112.1 million and Series 2015B in the amount of \$22.2 million (the Certificates). The proceeds of the Certificates will be used to finance the seismic retrofit, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and located at 401 Van Ness Avenue, fund capitalized interest payable with respect to the Certificates through September 22, 2015, fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates and pay the cost of issuance of the Certificates. The proceeds were also used to retire portion of the CP which was issued for the same purpose. Series 2015A bears interest rates of 4.0% and 5.0% and matures from April 2023 through April 2045. Series 2015B bears interest rates ranging from 2.0% to 4.0% and matures from April 2016, through April 2024.

In July 2015, the City issued General Obligation Bonds Series 2015B (Transportation and Road Improvement) in the amount of \$67.0 million to construct, redesign, and rebuild streets and sidewalks, and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety and improve disability access and to pay certain costs related to the issuance of the Series 2015B bonds. The bonds mature from June 2016 through June 2035 with interest rates ranging from 2.0% to 5.0%. Debt service payments for the bonds are funded through ad valorem taxes on property.

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In July 2015, Hetch Hetchy Power redeemed \$2.5 million of taxable New Clean Renewable Energy Bonds related to the April 2012 issuance of \$6.6 million to be spent within three years. The unspent proceeds are due to the completion of a solar project and the cancelation of a hydro project.

In August 2015, the City issued by private placement, General Obligation Bonds Series 2015A, (1992 Seismic Safety Loan Program) in the amount of \$24.0 million. The proceeds of the bonds will be used to provide funds for loans for seismic strengthening of privately-owned unreinforced masonry buildings within the City and for related administrative costs. The Series 2015A bonds bears variable interest rate and matures from June 2019 through June 2035. Debt service payments for the bonds are funded through ad valorem taxes on property and debt payments from borrowers of the loan program.

In August 2015, the City issued \$34.3 million tax-exempt and \$3.7 million taxable CP with interest rates at 0.03% to 0.5% and 0.15% and maturity of September 22, 2015 and November 10, 2015, respectively. The CP were issued to provide interim funding for the Moscone Expansion project, real property acquisition at 900 Innes Avenue, acquisition of furniture, fixtures and equipment of the San Francisco General Hospital and partial pay down of CP issued for the War Memorial Veterans Building project.

In September 2015, the City refinanced \$17.1 million maturing CP by issuing \$1.6 million tax-exempt and \$15.5 million taxable CP that bear interest rates at 0.02% and 0.19% respectively and scheduled to mature on October 1, 2015. The CP issued on August 13, 2015 was also refinanced by the City in September 2015 with \$38.8 million tax-exempt CP with interest rate at 0.04% and maturity of December 3, 2015.

In September 2015, the Airport authorized the issuance of an additional \$243.0 million of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) and \$225.0 million of San Francisco International Airport Hotel Special Facility Revenue Bonds to finance the development and construction of a new Airport-owned hotel and related AirTrain station. The Airport also designated the planned hotel as a "special facility" under the 1991 Master Resolution, which will allow the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds. In order to obtain the lowest cost of financing, the Airport does not plan to sell the Hotel Special Facility Bonds to investors, but will purchase them itself with a portion of the proceeds of the Capital Plan Bonds, which will be sold to investors. The total net proceeds of the two bond issuances are expected to be approximately \$243.0 million, which will be applied to the \$225.0 million construction costs of the hotel and AirTrain station, capitalized interest and other costs of issuance. The bonds require the approval of the City's Board of Supervisors before they can be issued.

The San Francisco Wastewater Enterprise is authorized to issue up to \$500.0 million in commercial paper, with \$100.0 million issued as of June 30, 2015. In September 2015, an additional \$35.0 million of commercial paper was issued for the Sewer System Improvement Program projects, totaling \$135.0 million issued against the authorization.

In October 2015, Hetch Hetchy Power issued \$4.1 million federal tax subsidy bonds to fund two new solar energy facilities.

In October 2015, the City paid down \$10.7 million taxable and refinanced \$6.4 million maturing CP by issuing \$1.6 million tax-exempt and \$4.8 million taxable CP that bear interest rate at 0.03% and 0.25%, respectively. The City also issued \$5.0 million tax-exempt CP with interest rate at 0.02% for additional short-term funding of the Moscone Expansion District project. The three CP notes are scheduled to mature on December 3, 2015.

In October 2015, the City issued Refunding Certificates of Participation Series 2015-R1 (City Office Buildings-Multiple Properties Project) for \$123.6 million. The proceeds of the Series 2015-R1 certificates will be used to refund certain outstanding Certificate of Participation Series 2007A (City Office Buildings-Multiple Properties Project) and to pay costs of execution and delivery of the Series

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2015-R1 certificates. The Series 2015-R1 certificates mature from September 2016 through September 2040 and bear interest rates of 4.0% and 5.0%. The refunding resulted in the recognition of deferred accounting loss of \$2.5 million and reduced the aggregate debt service payment by \$18.1 million over 26 years and obtained net present value savings of 9.0% over refunded bonds.

(b) Credit Rating Changes

In September 2015, Fitch upgraded the credit rating on the Airport Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC), Series 1997A, and San Francisco International Airport 1997 Special Facilities Lease Revenue Bonds (SFO Fuel Company LLC), Series 2000A, from "BBB+" to "A-" (Stable Outlook).

(c) Transportation Changes

In November 2014, voters of the City approved Proposition B, which amended the San Francisco Charter to require the City to increase the base contribution to the SFMTA by a percentage equal to the City's annual population increase, taking into account daytime and nighttime population as determined by the City Controller's Office. Proposition B requires the SFMTA to use 75% of any population-based increases in the Base Amount to improve SFMTA's reliability, frequency of service and capacity, and to pay for transit state of good repair. The other 25% would be used for capital expenditures to improve street safety. The SFMTA received \$25.9 million in fiscal year 2016 from the new General Fund allocation based on population growth.

The Board of Supervisors has pending before it, legislation that would amend the City's Planning Code by establishing a new Section 411A, imposing a citywide transportation fee, the Transportation Sustainability Fee (TSF). The TSF if approved, will replace the current Transit Impact Development Fee (TIDF), and will apply to additional types of development and cover a larger universe of transportation projects. The amended legislation will require sponsors of development projects to pay a fee that is reasonably related to the financial burden such projects impose on the City's transportation network. In November 2015, the Board of Supervisors is evaluating the proposed legislation.

(d) Elections

On November 3, 2015 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that would allow the City to borrow up to \$310.0 million by issuing general obligation bonds to build, buy, improve and rehabilitate affordable housing in San Francisco.

Proposition B – A Charter amendment that would allow each parent to take maximum amount of paid parental leave for which they qualify for the birth, adoption or foster parenting of the same child, if both parents are City employees; and provide City employees the opportunity to keep up to 40 hours of sick leave at the end of paid parental leave.

Proposition C – An ordinance that would require expenditure lobbyists to register with the Ethics Commission, pay a five hundred dollar registration fee, and file monthly disclosures regarding their lobbying activities. Employees of nonprofit organizations would not be subject to the five hundred dollar registration fee. The ordinance would also allow the City to change these requirements without further voter approval if the change would further the purposes of the ordinance. The Ethics Commission would be required to approve the changes by a four-fifths vote, and the Board of Supervisors would be required to approve them by a two-thirds vote. Voters would retain the right to amend the ordinance.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)

June 30, 2015

(Dollars in Thousands)

Proposition J – An ordinance that would create a Legacy Business Historic Preservation Fund which would give grants to legacy businesses and to building owners who lease property to those businesses for at least 10 years. Legacy businesses could receive an annual grant of up to five hundred dollar per full-time equivalent employee in San Francisco. Building owners who lease space in San Francisco buildings to legacy businesses for terms of at least 10 years could receive an annual grant of up to \$4.50 per foot of leased space. Proposition J would also expand the definition of Legacy Business to include businesses and nonprofits that have operated in San Francisco for more than 20 years, have significantly contributed to the history or identity of a neighborhood and, if not included in the Registry, would face a significant risk of displacement because of increased rents or lease terminations.



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CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of the City's Proportionate Share of the Net Pension Liability
June 30, 2015 *
(Dollars in Thousands)

	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority - Classic	Transportation Authority - PEPRA	Successor Agency
Proportion of net pension liability	93.7829%	0.1829%	0.0208%	0.00003%	0.2550%
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,297	\$ 2	\$ 15,870
Covered-employee payroll	\$ 2,582,622	\$ 311	\$ 3,097	\$ 167	\$ 6,695
Proportionate share of the net pension liability as a percentage of covered-employee payroll	64.29%	-3659.49%	41.88%	1.22%	237.04%
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	80.43%

Notes to Schedule:

SFERS Plan

Benefits - There were no changes in benefits during the year.

Changes in assumptions – In 2015, amounts reported as changes in assumptions resulted primarily from a change in the discount rate and a change in the Supplemental COLA assumption.

CalPERS Miscellaneous Plans

Benefits - The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015 *
(Dollars in Thousands)**

<u>City CalPERS Safety Plan</u>	<u>2015</u>
Total pension liability:	
Service cost.....	\$ 32,688
Interest on the total pension liability.....	76,177
Benefit payments, including refunds of.....	
employee contributions.....	(41,387)
Net change in total pension liability.....	67,478
Total pension liability, beginning.....	1,020,049
Total pension liability, ending.....	<u>\$ 1,087,527</u>
Plan fiduciary net position:	
Contributions from the employer.....	\$ 20,613
Contributions from employees.....	15,216
Net investment income (1).....	138,628
Benefit payments, including refunds of.....	
employee contributions.....	(41,387)
Net change in plan fiduciary net position.....	133,070
Plan fiduciary net position, beginning.....	787,301
Plan fiduciary net position, ending.....	<u>\$ 920,371</u>
Plan net pension liability, ending.....	<u>\$ 167,156</u>
 Plan fiduciary net position as a percentage of the total pension liability.....	 84.63%
 Covered-employee payroll.....	 \$ 117,772
 Plan net pension liability as a percentage of the covered-employee payroll	 141.93%

⁽¹⁾ Net of administrative expenses.

Notes to Schedule:

Benefit changes –The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit.

Changes in assumptions - There were no changes in assumptions.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans
June 30, 2015 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	CalPERS Safety Plan
Actuarially determined contributions ⁽¹⁾	\$ 565,091	\$ 31	\$ 400	\$ 598	\$ 20,616
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(565,091)	(31)	(400)	(598)	(20,616)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,723,515	\$ 327	\$ 3,737	\$ 6,477	\$ 122,221
Contributions as a percentage of covered-employee payroll	20.75%	9.48%	10.70%	9.23%	16.87%

⁽¹⁾ Contractually required contribution is an actuarial determined contribution for all cost-sharing plans.

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%
	0.00% to 15.00% depending on age, service, and type of employment

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2012
Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Level percent of payroll
Remaining amortization period.....	7 years as of the valuation date (Miscellaneous Plan) 25 years as of the valuation date (Safety Plan)
Asset valuation method.....	15 year smoothed market
Investment rate of return.....	7.50% (net of administrative expenses)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

* Fiscal year 2014-15 was the first year of the implementation of GASB Statement No. 68, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits**

June 30, 2015

(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 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.

Schedule of Funding Progress – City and County of San Francisco

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/08	\$ -	\$ 4,364,273	\$ (4,364,273)	0.0%	\$ 2,296,336	190.1%
07/01/10 ⁽¹⁾	-	4,420,146	(4,420,146)	0.0%	2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%

⁽¹⁾ 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.

Schedule of Employer Contributions – City and County of San Francisco

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 408,735	39.2%
2014	341,377	48.8%
2015	350,389	47.7%

Schedule of Funding Progress – San Francisco County Transportation Authority

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/10	\$ 173	\$ 374	\$ (201)	46.3%	\$ 2,858	7.0%
06/30/11 ⁽²⁾	405	671	(266)	60.4%	3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%

⁽¹⁾ The actuarial valuation report is conducted once every two years.

⁽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, 2013.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)
 June 30, 2015
 (Dollars in Thousands)

Schedule of Funding Progress – Successor Agency

Actuarial Valuation Date ⁽¹⁾	Actuarial Asset Value	Actuarial Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	\$ 493	\$ 13,790	(13,297)	3.6%	\$ 10,515	126.5%
06/30/11	1,856	14,390	(12,534)	12.9%	4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%

⁽¹⁾ The actuarial valuation report is conducted once every two years.



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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, 2015**

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	-	\$ 420,900	\$ -
Passed through State of California Department of Public Health				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	None	11,390	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	11-10438	823,673	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	14-10226	2,038,568	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20505	1,211,600	-
Passed through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	53,028	-
National School Lunch Program	10.555	None	83,438	-
Summer Food Service Program for Children	10.559	04029-SFSP-38	504,160	-
Subtotal Child Nutrition Cluster			640,626	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-1415-06	17,971	17,141
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	31,164,201	1,377,629
Passed through State of California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	None	40,000	-
Total pass-through programs			35,948,029	1,394,770
TOTAL U.S. DEPARTMENT OF AGRICULTURE			36,368,929	1,394,770
U.S. DEPARTMENT OF COMMERCE				
Direct Program				
Economic Adjustment Assistance	11.307	-	542,585	-
TOTAL U.S. DEPARTMENT OF COMMERCE			542,585	-
U.S. DEPARTMENT OF DEFENSE				
Direct Program				
Navy Cooperative Agreement for Hunters Point	12.unknown	-	1,241,438	-
TOTAL U.S. DEPARTMENT OF DEFENSE			1,241,438	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grants/Entitlement Grants	14.218	-	17,524,650	9,290,664
Rental Housing Rehabilitation	14.230	-	190,493	22,464
Emergency Solutions Grant Program	14.231	-	1,450,891	1,267,450
Shelter Plus Care	14.238	-	714,817	-
Home Investment Partnerships Program	14.239	-	8,852,290	-
Housing Opportunities for Persons With AIDS	14.241	-	9,035,184	4,943,113
Community Development Block Grants - Section 108 Loan Guarantees	14.248	-	45,883	-
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	-	21,060	-
Continuum of Care Program	14.267	-	15,785,114	5,310,628
Lead-Based Paint Hazard Control In Privately-Owned Housing	14.900	-	98,360	-
Lead Hazard Reduction Demonstration Grant Program	14.905	-	628,963	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			54,347,705	20,834,319
U.S. DEPARTMENT OF INTERIOR				
Direct Programs				
NPS Cooperative Agreement	15.unknown	-	861,189	-
Migratory Bird Conservation	15.647	-	24,342	-
Subtotal direct programs			885,531	-
Passed through California Office of Historic Preservation				
Historic Preservation Fund Grants-In-Aid	15.904	06-13-51911	24,000	-
Historic Preservation Fund Grants-In-Aid	15.904	P14AF00134	8,075	-
Subtotal Historic Preservation Fund Grants-In-Aid			32,075	-
Passed through State of California Department of Parks and Recreation				
Outdoor Recreation - Acquisition, Development and Planning	15.916	06-01720	103,628	-
Total pass-through programs			135,703	-
TOTAL U.S. DEPARTMENT OF INTERIOR			1,021,234	-

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, 2015**

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				
Supervised Visitation, Safe Havens for Children	16.527	--	\$ 222,399	\$ 204,360
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	246,781	42,049
State Criminal Alien Assistance Program	16.606	--	336,896	-
Public Safety Partnership and Community Policing Grants	16.710	--	577,064	-
PREA Program: Demonstration Projects to Establish "Zero Tolerance"				
Cultures for Sexual Assault In Correctional Facilities	16.735	--	49,270	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	613,000	-
DNA Backlog Reduction Program	16.741	--	429,468	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	82,221	67,260
Congressionally Recommended Awards	16.753	--	239,569	225,004
Second Chance Act Reentry Initiative	16.812	--	1,113,251	644,909
Byrne Criminal Justice Innovation Program	16.817	--	88,279	56,438
Smart Prosecution Initiative	16.825	--	5,063	-
Equitable Sharing Program	16.922	--	2,273,377	-
Subtotal direct programs			<u>6,276,638</u>	<u>1,240,010</u>
Passed through Board of State and Community Corrections				
Juvenile Accountability Block Grants	16.523	BSCC 170-14	75,889	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-13	50,594	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-14	5,423	-
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>56,017</u>	<u>-</u>
Passed through Corrections Standards Authority				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	CSA 387-13	149,906	-
Passed through State of California Emergency Management Agency				
Crime Victim Assistance	16.575	UV13-04-0380	28,613	-
Crime Victim Assistance	16.575	UV14-05-0380	98,063	-
Crime Victim Assistance	16.575	VW14-33-0380	328,959	-
Total Crime Victim Assistance			<u>455,635</u>	<u>-</u>
Violence Against Women Formula Grants	16.588	PU 13 04 0380	19,576	-
Violence Against Women Formula Grants	16.588	PU 14 05 0380	85,370	-
Violence Against Women Formula Grants	16.588	V 14-06-0380	212,897	-
Total Violence Against Women Formula Grants			<u>317,843</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	HF12010380	47,515	44,381
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ13090380	6,663	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ14100380	4,390	-
Total Paul Coverdell Forensic Sciences Improvement Grant Program			<u>11,053</u>	<u>-</u>
Passed through National Council On Crime and Delinquency				
PREA Program: Demonstration Projects to Establish "Zero Tolerance"				
Cultures for Sexual Assault in Correctional Facilities	16.735	2010-RP-BX-K001	88,056	-
Passed through Bureau of Justice Assistance				
Edward Byrne Memorial Competitive Grant Program	16.751	2013-DB-BX-0047	142,312	-
Total pass-through programs			<u>1,344,226</u>	<u>44,381</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>7,620,864</u>	<u>1,284,391</u>
U.S. DEPARTMENT OF LABOR				
Direct Programs				
WIA Pilots, Demonstrations, and Research Projects	17.261	--	658,603	402,995
Workforce Innovation Fund	17.283	--	1,463,422	765,342
Total direct programs			<u>2,122,025</u>	<u>1,168,337</u>
Passed through State of California Department of Employment Development				
Employment Service/Wagner-Peyser Funded Activities	17.207	K285816	52,952	45,573
Employment Service/Wagner-Peyser Funded Activities	17.207	K597227	1,047	1,047
Subtotal Employment Service/Wagner-Peyser Funded Activities			<u>53,999</u>	<u>46,620</u>
Workforce Investment Act (WIA) Cluster				
WIA Adult Program	17.258	K282500	91,485	82,368
WIA Adult Program	17.258	K491048	836,919	732,142
WIA Adult Program	17.258	K594791	1,211,659	933,476
Subtotal WIA Adult Program			<u>2,140,063</u>	<u>1,747,986</u>
WIA Youth Activities	17.259	K491048	301,714	187,830
WIA Youth Activities	17.259	K594791	1,162,553	769,019
Subtotal WIA Youth Activities			<u>1,464,267</u>	<u>956,849</u>
WIA Dislocated Worker Formula Grants	17.278	K386327	378,490	281,709
WIA Dislocated Worker Formula Grants	17.278	K491048	648,258	364,271
WIA Dislocated Worker Formula Grants	17.278	K594791	1,675,507	1,213,227
Subtotal WIA Dislocated Worker Formula Grants			<u>2,702,255</u>	<u>1,859,207</u>
Subtotal WIA Cluster			<u>6,306,585</u>	<u>4,564,042</u>

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, 2015**

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)				
Passed through NOVA Workforce Board				
H-1B Job Training Grants	17.268	001-RTW-15	\$ 39,547	\$ 13,509
Passed through WestEd				
H-1B Job Training Grants	17.268	s12-053	1,551,752	1,314,377
Subtotal H-1B Job Training Grants			1,591,299	1,327,886
Subtotal pass-through programs			7,951,883	5,938,548
TOTAL U.S. DEPARTMENT OF LABOR			10,073,908	7,106,885
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program				
Rail Line Relocation and Improvement	20.320	-	199,618	-
Passed through State of California Department of Transportation				
Highway Planning and Construction	20.205	CML-5933(109)	117,181	-
Highway Planning and Construction	20.205	CML-6447(006)	434,958	271,978
Highway Planning and Construction	20.205	SRTSLNI-6447(005)	164,947	105,662
Highway Planning and Construction	20.205	STPLZ-5934(080)	11,420,358	-
Highway Planning and Construction	20.205	RPSTPLE-5934(166)	66,720	-
Highway Planning and Construction	20.205	HPLUL-5934 (154)	1,454,407	-
Highway Planning and Construction	20.205	HPLUL-5934 (138)	45,402	-
Highway Planning and Construction	20.205	CML5934(163)	10,982	-
Highway Planning and Construction	20.205	STPL-5934(165)	82,546	-
Highway Planning and Construction	20.205	RPSTPLE-5934(159)	36,790	-
Highway Planning and Construction	20.205	STPL-5934(161)	318,213	-
Highway Planning and Construction	20.205	TLC-5934 (169)	1,016,981	-
Highway Planning and Construction	20.205	CML-5934(172)	89,619	-
Highway Planning and Construction	20.205	CML-5934(173)	76,139	-
Highway Planning and Construction	20.205	STPL-5934(174)	90,554	-
Highway Planning and Construction	20.205	BHLO-5934(168)	87,427	-
Highway Planning and Construction	20.205	HSIP-5934 (137)	1,889	-
Highway Planning and Construction	20.205	STPL-5934(171)	99,534	-
Highway Planning and Construction	20.205	RPSTPLE-5934(162)	2,029	-
Highway Planning and Construction	20.205	HP21L-5934(115)	48,041	-
Subtotal Highway Planning and Construction			15,664,697	377,640
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PS1510	122,856	-
State and Community Highway Safety	20.600	PT1413	3,178	-
Subtotal State and Community Highway Safety			126,034	-
National Priority Safety Programs	20.616	DI1527	143,450	-
Subtotal Highway Safety Cluster			269,484	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1431	34,137	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	AL1531	110,602	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	SC14368	15,588	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			160,327	-
Subtotal pass-through programs			16,094,508	377,640
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			16,294,126	377,640
U.S. DEPARTMENT OF TREASURY				
Direct Program				
Equitable Sharing Program	21.unknown	-	3,738	-
TOTAL U.S. DEPARTMENT OF TREASURY			3,738	-
U.S. NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES				
Direct Program				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	-	8,850	-
Passed through California State Library				
Grants to States	45.310	LS-00-14-0005-14	10,352	-
TOTAL U.S. NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES			19,202	-
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through Humboldt State University Sponsored Programs Foundation				
Small Business Development Centers	59.037	F0702	20,387	-
Small Business Development Centers	59.037	F0809	65,025	-
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			85,412	-

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, 2015**

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				
Direct Programs				
Congressionally Mandated Projects	66.202	--	\$ 319,841	\$ -
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	--	56,451	-
Subtotal direct programs			376,292	-
Passed through State Water Resources Control Board				
Beach Monitoring and Notification Program Implementation Grants	66.472	12-028-250	6,019	-
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			382,311	-
U.S. DEPARTMENT OF ENERGY				
Direct Programs				
Conservation Research and Development	81.086	--	62,756	-
Renewable Energy Research and Development	81.087	--	20,132	-
Subtotal direct programs			82,888	-
Passed through Leonardo Technologies, Inc.				
Department of Energy Subcontract	81.unknown1	520.03.01D	15,000	-
Department of Energy Subcontract	81.unknown2	S027-CCC-PPM4002	18,435	-
Subtotal Department of Energy Subcontract			33,435	-
Passed through California Energy Commission				
ARRA - State Energy Program	81.041	400-10-004	129,536	-
Passed through Bay Area Air Quality Management District				
Conservation Research and Development	81.086	2013.108	51,667	-
Passed through California Center for Sustainable Energy				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	None	20,000	-
Subtotal pass-through programs			234,638	-
TOTAL U.S. DEPARTMENT OF ENERGY			317,526	-
U.S. DEPARTMENT OF EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	28958	90,400	-
Passed through State of California Department of Education				
ARRA - Race to the Top - Early Learning Challenge	84.412	2012-15181-2563-00	119,679	119,679
Passed through WestEd				
Race to the Top - Early Learning Challenge	84.412	s00028250.0	2,243	2,243
Subtotal Race to the Top Early Learning Challenge			121,922	121,922
TOTAL U.S. DEPARTMENT OF EDUCATION			212,322	121,922
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Environmental Public Health and Emergency Response	93.070	--	187,010	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	--	552,189	502,586
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	800,332	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	--	2,221,849	353,307
Adult Viral Hepatitis Prevention and Control	93.270	--	556,381	-
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	--	396,593	-
Child Abuse and Neglect Discretionary Activities	93.670	--	857,660	854,356
Prevention Public Health Fund: Viral Hepatitis Prevention	93.736	--	2,123	-
PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely By Public Prevention and Health Funds	93.738	--	185,934	-
Child Health and Human Development Extramural Research	93.865	--	169,681	-
HIV Emergency Relief Project Grants	93.914	--	15,302,618	12,357,071
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	--	358,338	131,897
Special Projects of National Significance	93.928	--	657,934	528,616
HIV Prevention Activities - Non-Governmental Organization Based	93.939	--	881,724	29,039
HIV Prevention Activities - Health Department Based	93.940	--	8,980,110	1,363,153
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	--	188,943	-
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	1,881,541	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	--	1,454,027	149,962
Subtotal direct programs			35,634,987	16,269,987

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, 2015**

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)				
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	93.041	AP-1415-06	\$ 12,867	\$ 12,867
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1415-06	32,144	32,144
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP-1415-06	58,485	58,485
Aging Cluster				
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	AP-1415-06	1,011,787	425,073
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	AP-1415-06	1,631,690	1,631,690
Nutrition Services Incentive Program	93.053	AP-1415-06	1,366,487	1,366,487
Subtotal Aging Cluster			<u>4,009,964</u>	<u>3,423,250</u>
National Family Caregiver Support, Title III, Part E	93.052	AP-1415-06	395,975	395,975
Medicare Enrollment Assistance Program	93.071	MI-1314-06	9,787	9,787
Medicare Enrollment Assistance Program	93.071	MI-1415-06	18,920	18,920
Subtotal Medicare Enrollment Assistance Program			<u>28,707</u>	<u>28,707</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	HI-1415-06	139,507	125,557
Passed through Regents of the University of California				
Global AIDS	93.067	5745SC	289,386	-
Global AIDS	93.067	6710SC	37,597	-
Global AIDS	93.067	6909SC	10,708	-
Global AIDS	93.067	6925SC	57,806	-
Global AIDS	93.067	7076SC	18,402	-
Global AIDS	93.067	7098SC	56,568	-
Global AIDS	93.067	7857SC	4,597	-
Global AIDS	93.067	8015SC	6,405	-
Global AIDS	93.067	8145SC	49,602	-
Global AIDS	93.067	8635SC	15,791	-
Global AIDS	93.067	8853SC	35,536	-
Subtotal Global AIDS			<u>582,398</u>	<u>-</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4899SC	105,411	-
Mental Health Research Grants	93.242	6819SC	26,470	-
Mental Health Research Grants	93.242	6913SC	22,564	-
Mental Health Research Grants	93.242	7238SC	106,032	-
Subtotal Mental Health Research Grants			<u>155,066</u>	<u>-</u>
Drug Abuse and Addiction Research Programs	93.279	8278SC	11,159	-
Child Welfare Research Training Or Demonstration	93.648	00008567	1,901	-
Allergy and Infectious Diseases Research	93.855	7254SC	5,961	-
Allergy and Infectious Diseases Research	93.855	7256SC	41,636	-
Allergy and Infectious Diseases Research	93.855	8559SC	7,460	-
HIV Demonstration, Research, Public and Professional Education Projects	93.941	444932/29575-02	34,053	-
Passed through State of California Department of Public Health				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	14-10536	1,007,236	-
Immunization Cooperative Agreements	93.268	13-20342	281,248	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	10-10177 A01	4,461	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	201438	1,240,657	-
Refugee and Entrant Assistance - State Administered Programs	93.566	13-90-90840-00	65,515	30,188
Refugee and Entrant Assistance - State Administered Programs	93.566	14-38-90840-00	193,352	31,173
Medical Assistance Program	93.778	14-10074	175,735	-
Medical Assistance Program	93.778	201438	4,207,209	-
HIV Care Formula Grants	93.917	13-20070	2,583,861	1,954,714
Preventive Health and Health Services Block Grant	93.991	201338	37,069	-
Maternal and Child Health Services Block Grant to the States	93.994	201438	229,626	-
Passed through State of California Department of Social Services				
Guardianship Assistance	93.090	None	1,912,952	-
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	None	619,422	-
Promoting Safe and Stable Families	93.556	None	531,327	408,428
Temporary Assistance for Needy Families	93.558	None	64,053,819	16,541,505
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1306	131,707	-
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1406	13,546	-
Refugee and Entrant Assistance - State Administered Programs	93.566	None	577,555	-

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, 2015**

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)				
Refugee and Entrant Assistance - Discretionary Grants	93.576	TARL1306	\$ 2,138	\$ 2,138
Refugee and Entrant Assistance - Discretionary Grants	93.576	TARL1406	10,905	10,905
Subtotal Refugee and Entrant Assistance - Discretionary Grants			<u>13,043</u>	<u>13,043</u>
U.S. Repatriation	93.579	None	6,671	-
Community-Based Child Abuse Prevention Grants	93.590	None	24,507	24,507
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	917,640	-
Foster Care - Title IV-E	93.658	None	35,912,355	-
Adoption Assistance	93.659	None	9,344,842	-
Chafee Foster Care Independence Program	93.674	None	483,715	445,264
Children's Health Insurance Program	93.767	None	4,909	-
Medical Assistance Program	93.778	None	66,486,543	2,042,296
Passed through State of California Department of Mental Health				
Projects for Assistance In Transition From Homelessness (PATH)	93.150	None	485,599	266,448
Block Grants for Community Mental Health Services	93.958	None	2,256,035	316,369
Passed through California Family Health Council				
Family Planning - Services	93.217	380-5320-71209-14	106,506	-
Family Planning - Services	93.217	380-5320-71209-15	112,286	-
Subtotal Family Planning - Services			<u>218,792</u>	<u>-</u>
Passed through San Francisco Community Clinic Consortium				
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	4 H80CS00049-14-05	511,332	-
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS00049-13-02	284,256	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	2 H76HA00163-23-00	95,711	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA00163-22-02	71,465	-
Passed through Emory University				
Mental Health Research Grants	93.242	T273366	10,853	-
Passed through Public Health Foundation Enterprise				
Mental Health Research Grants	93.242	2417	96,682	-
Mental Health Research Grants	93.242	0155.0104	3,415	-
Mental Health Research Grants	93.242	2414.004.001	63,751	-
Subtotal Mental Health Research Grants			<u>163,848</u>	<u>-</u>
Drug Abuse and Addiction Research Programs	93.279	0152.0103	17,614	-
Drug Abuse and Addiction Research Programs	93.279	0208.0103	17,614	-
Drug Abuse and Addiction Research Programs	93.279	0249.0102	7,134	-
Drug Abuse and Addiction Research Programs	93.279	2406.003.001	28,264	-
Drug Abuse and Addiction Research Programs	93.279	2490.002.001	28,264	-
Drug Abuse and Addiction Research Programs	93.279	2507.002.001	35,937	-
Drug Abuse and Addiction Research Programs	93.279	2537.001.001	25,149	-
Drug Abuse and Addiction Research Programs	93.279	2555.001.001	23,958	-
Subtotal Drug Abuse and Addiction Research Programs			<u>183,934</u>	<u>-</u>
Trans-NIH Research Support	93.310	0304.0101	2,337	-
Allergy and Infectious Diseases Research	93.855	2461	37,557	-
Allergy and Infectious Diseases Research	93.855	0325	193,367	-
HIV Prevention Activities - Health Department Based	93.940	2366.002.001	92,938	-
Passed through University of California San Francisco				
Mental Health Research Grants	93.242	8533SC	18,122	-
Passed through University of Washington				
Drug Abuse and Addiction Research Programs	93.279	761492	11,446	-
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	None	8,176,322	-
Passed through MDRC				
Community Services Block Grant - Discretionary Awards	93.570	None	298,310	-
Passed through State of California Department of Education				
CCDF Cluster				
Child Care and Development Block Grant	93.575	CLPC-4036	56,647	5,531
Child Care and Development Block Grant	93.575	CRET-4034	473,208	-
Subtotal Child Care and Development Block Grant			<u>529,855</u>	<u>5,531</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	122,372	122,372
Subtotal CCDF Cluster			<u>652,227</u>	<u>127,903</u>

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, 2015**

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)				
Passed through California Secretary of State				
Voting Access for Individuals With Disabilities - Grants to States	93.617	13G26124	\$ 6,199	\$ -
Voting Access for Individuals With Disabilities - Grants to States	93.617	14G26134	11,515	-
Subtotal Voting Access for Individuals With Disabilities - Grants to States			<u>17,714</u>	<u>-</u>
Passed through Partners in Care				
Empowering Older Adults and Adults With Disabilities Through Chronic Disease Self-Management Education Programs - Financed By Prevention and Public Health Funds (PPHF)	93.734	CT-1213-11	37,685	37,685
Passed through State of California Department of Health Care Services				
Medical Assistance Program	93.778	None	1,790,524	66,058
Passed through Blood Systems, Inc.				
Cardiovascular Diseases Research	93.837	10849-DPH-01	13,337	-
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	0080.0172/970	15,282	-
Allergy and Infectious Diseases Research	93.855	0080.0237/104110	28,883	-
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	0000790196	46,219	-
Allergy and Infectious Diseases Research	93.855	0000818295	68,620	-
Passed through Magee-Womens Research Institute and Foundation				
Allergy and Infectious Diseases Research	93.855	9335	32,892	-
Subtotal Allergy and Infectious Diseases Research			<u>191,896</u>	<u>-</u>
Passed through California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	9,847,950	9,847,950
Total pass-through programs			<u>222,346,773</u>	<u>36,230,516</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>257,981,760</u>	<u>52,500,503</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
Assistance to Firefighters Grant	97.044	--	256,016	-
Port Security Grant Program	97.056	--	3,746,069	-
Passed through California Emergency Management Agency				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4158-DR-CA	1,461,809	-
Emergency Management Performance Grants	97.042	2013-0047	52,637	-
Emergency Management Performance Grants	97.042	2014-0070	299,511	-
Subtotal Emergency Management Performance Grants			<u>352,148</u>	<u>-</u>
Pre-Disaster Mitigation	97.047	LPDM-09-CA-2008	86,013	-
Homeland Security Grant Program	97.067	2011-SS-0077	27,733	-
Homeland Security Grant Program	97.067	2012-SS-00123	324,619	-
Homeland Security Grant Program	97.067	2013-00110	22,283,372	15,717,432
Homeland Security Grant Program	97.067	2014-00093	4,582,598	3,383,460
Subtotal Homeland Security Grant Program			<u>27,218,322</u>	<u>19,100,892</u>
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2011-0013	180,032	-
Passed through Marine Exchange of the San Francisco Bay				
Port Security Grant Program	97.056	2010-PU-T0-K050	201,195	-
Port Security Grant Program	97.056	2011-PU-K00351	153,822	-
Port Security Grant Program	97.056	EMW-2011-PU-K00351	505,620	-
Total Port Security Grant Program			<u>860,637</u>	<u>-</u>
Total pass-through programs			<u>30,158,961</u>	<u>19,100,892</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>34,161,046</u>	<u>19,100,892</u>
U.S. AID				
Passed through Regents of the University of California				
USAID Foreign Assistance for Programs Overseas	98.001	8432SC	6,663	-
TOTAL U.S. AID			<u>6,663</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$420,680,769</u>	<u>\$102,721,322</u>

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, 2015**

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, 2015. 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 Economic Adjustment Assistance Program 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 (CFDA number 93.778).

5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, grants for revolving loan funds (RLF) under the Economic Adjustment Assistance Program (CFDA number 11.307) are calculated as the federal share of the sum of RLF loans outstanding at the end of the fiscal year, cash and investment balance in the RLF at the end of the fiscal year, administrative expenses paid out of RLF income during the year, and the unpaid principal of all loans written off during the year.

The City incurred \$542,585 of expenditures under two separate Economic Adjustment Assistance Program grants. The Port of San Francisco received a non-RLF grant and incurred program expenditures of \$89,181 during the year. The Mayor's Office of Housing received a RLF grant and calculated federal expenditures for the year using the formula in the preceding paragraph. As of June 30, 2015, the total outstanding RLF and cash and investments in the RLF were \$414,441 and \$156,642, respectively. There were no administrative expenses paid out of the RLF income, and the unpaid principal of loan written off during the year was \$128,615. The federal share of the RLF was 64.8% and federal expenditures of \$453,404 were included in the Schedule.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

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				
<i>Passed through State of California, Department of Aging</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-1415-06	10.561	\$ -	\$ 17,971
U.S. Department of Health and Human Services				
<i>Passed through State of California, Department of Aging</i>				
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	AP-1415-06	93.041	-	12,867
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-1415-06	93.042	-	32,144
Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	AP-1415-06	93.043	-	58,485
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-1415-06	93.044	-	1,011,787
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-1415-06	93.045	462,906	1,631,690
National Family Caregiver Support, Title III, Part E	AP-1415-06	93.052	-	395,975
Nutrition Services Incentive Program	AP-1415-06	93.053	-	1,366,487
Medicare Enrollment Assistance Program	MI-1314-06	93.071	-	9,787
Medicare Enrollment Assistance Program	MI-1415-06	93.071	-	18,920
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	HI-1415-06	93.779	229,948	139,507
			<u>692,854</u>	<u>\$ 4,695,620</u>
State Award - California Department of Aging				
Skilled Nursing Facility (SNF) Quality & Accountability Fund (QAF) Allocation	AP-1415-06		26,972	
Special Deposit Fund-Federal Citation Penalties Account, General Fund Allocation	AP-1415-06		25,022	
Special Programs for the Aging-Title III, Part C - Nutrition Services - State General Fund	AP-1415-06		90,634	
Total Expenditures of CDA Awards			<u>\$ 835,482</u>	

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015**

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

<u>CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(1) CFDA no. 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
State of California Department of Public Health	13-20505	\$ 1,211,600
State of California Department of Aging	SP-1415-06	17,971
State of California Department of Social Services	None	31,164,201
	Program Total	<u>\$ 32,393,772</u>
(2) CFDA no. 16.735 - PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		
U.S. Department of Justice	-	\$ 49,270
National Council on Crime and Delinquency	2010-RP-BX-K001	88,056
	Program Total	<u>\$ 137,326</u>
(3) CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	-	\$ 613,000
Board of State and Community Corrections	650-13	50,594
Board of State and Community Corrections	650-14	5,423
State of California Emergency Management Agency	HF12010380	47,515
	Program Total	<u>\$ 716,532</u>
(4) CFDA no. 81.086 - Conservation Research and Development		
U.S. Department of Energy	-	\$ 62,756
Bay Area Air Quality Management District	2013.108	51,667
	Program Total	<u>\$ 114,423</u>
(5) CFDA no. 93.224 - Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)		
San Francisco Community Clinic Consortium	4 H80CS00049-14-05	\$ 511,332
San Francisco Community Clinic Consortium	6 H80CS00049-13-02	284,256
	Program Total	<u>\$ 795,588</u>
(6) CFDA no. 93.242 - Mental Health Research Grants		
Regents of the University of California	6819SC	\$ 26,470
Regents of the University of California	6913SC	22,564
Regents of the University of California	7238SC	106,032
Emory University	T273366	10,853
Public Health Foundation Enterprise	2417	96,682
Public Health Foundation Enterprise	0155.0104	3,415
Public Health Foundation Enterprise	2414.004.001	63,751
University of California San Francisco	8533SC	18,122
	Program Total	<u>\$ 347,889</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

7. PROGRAM TOTALS (Continued)

<u>CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(7) CFDA no. 93.279 - Drug Abuse and Addiction Research Programs		
Regents of the University of California	8278SC	\$ 11,159
Public Health Foundation Enterprise	0152.0103	17,614
Public Health Foundation Enterprise	0208.0103	17,614
Public Health Foundation Enterprise	0249.0102	7,134
Public Health Foundation Enterprise	2406.003.001	28,264
Public Health Foundation Enterprise	2490.002.001	28,264
Public Health Foundation Enterprise	2507.002.001	35,937
Public Health Foundation Enterprise	2537.001.001	25,149
Public Health Foundation Enterprise	2555.001.001	23,958
University of Washington	761492	11,446
	Program Total	<u>\$ 206,539</u>
(8) CFDA no. 93.566 - Refugee and Entrant Assistance - State Administered Programs		
State of California Department of Public Health	13-90-90840-00	\$ 65,515
State of California Department of Public Health	14-38-90840-00	193,352
State of California Department of Social Services	RESS1306	131,707
State of California Department of Social Services	RESS1406	13,546
State of California Department of Social Services	None	577,555
	Program Total	<u>\$ 981,675</u>
(9) CFDA no. 93.778 - Medical Assistance Program		
State of California Department of Public Health	14-10074	\$ 175,735
State of California Department of Public Health	201438	4,207,209
State of California Department of Social Services	None	66,486,543
State of California Department of Health Care Services	None	1,790,524
	Program Total	<u>\$ 72,660,011</u>
(10) CFDA no. 93.855 - Allergy and Infectious Diseases Research		
Regents of the University of California	7254SC	\$ 5,961
Regents of the University of California	7256SC	41,636
Regents of the University of California	8559SC	7,460
Public Health Foundation Enterprise	2461	37,557
Public Health Foundation Enterprise	0325	193,367
Family Health International (FHI360)	0080.0172/970	15,282
Family Health International (FHI360)	0080.0237/104110	28,883
Fred Hutchinson Cancer Research Center	0000790196	46,219
Fred Hutchinson Cancer Research Center	0000818295	68,620
Magee-Womens Research Institute and Foundation	9335	32,892
	Program Total	<u>\$ 477,877</u>
(11) CFDA no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
U.S. Department of Health and Human Services	-	\$ 358,338
San Francisco Community Clinic Consortium	2 H76HA00163-23-00	95,711
San Francisco Community Clinic Consortium	6 H76HA00163-22-02	71,465
	Program Total	<u>\$ 525,514</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015

7. PROGRAM TOTALS (Continued)

<u>CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(12) CFDA no. 93.940 - HIV Prevention Activities - Health Department Based		
U.S. Department of Health and Human Services	--	\$ 8,980,110
Public Health Foundation Enterprise	2366.002.001	92,938
	Program Total	<u>\$ 9,073,048</u>
(13) CFDA no. 97.056 - Port Security Grant Program		
U.S. Department of Homeland Security	--	\$ 3,746,069
Marine Exchange of the San Francisco Bay	2010-PU-T0-K050	201,195
Marine Exchange of the San Francisco Bay	2011-PU-K00351	153,822
Marine Exchange of the San Francisco Bay	EMW-2011-PU-K00351	505,620
	Program Total	<u>\$ 4,606,706</u>



**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 the City and County of San Francisco, California (City) as of and for the year ended June 30, 2015, 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 23, 2015, except for our report on the schedule of expenditures of federal awards, as to which the date is January 29, 2016. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency, San Francisco Wastewater Enterprise, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

City's Response to Finding

The City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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 23, 2015



**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control Over Compliance
Required by OMB Circular A-133**

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, 2015. 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 \$32,728,785, \$17,444,729, \$190,212,098, and \$8,716,809, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended June 30, 2015. 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* (OMB Circular A-133), and report on the results separately to the Successor Agency. The Authority, 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
January 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(cies) identified?	Yes
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?.....	Yes

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Special Supplemental Nutrition Program for Women, Infants, and Children.....	10.557
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
Housing Opportunities for Persons With AIDS	14.241
Continuum of Care Program.....	14.267
WIA Cluster.....	17.258, 17.259 & 17.278
H-1B Job Training Grants.....	17.268
Workforce Innovation Fund	17.283
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074
Guardianship Assistance.....	93.090
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges.....	93.525
Child Support Enforcement	93.563
Foster Care - Title IV-E.....	93.658
HIV Care Formula Grants.....	93.917
Disaster Grants - Public Assistance (Presidentially Declared Disasters)...	97.036
Port Security Grant Program	97.056
Dollar threshold used to distinguish between Types A and B programs....	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Item 2015-001 – Information Technology Governance
Significant Deficiency

Criteria:

A top-down governance structure is integral to providing direction and establishing an entity's control environment by issuing enterprise-wide policies and procedures. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) standards, for example, require that the top-level of governance establish policies and procedures for its entire organization. Because such policies and procedures may not address all of the needs and limitations of an organization's entities, the standards also allow for local policies and procedures or desk top manuals to exist. However, these local documents need to have the approval of the top governance authority to ensure that the top governance structure is aware of, and agrees with, the local controls that are being instituted. Additionally, the COSO framework standards encourage that continual monitoring of these controls exist to ensure that the documented controls are followed and function as intended.

Condition:

The City operates under a decentralized structure wherein departments independently establish information technology (IT) policies and procedures according to their operations. This decentralized IT environment has contributed to inconsistent IT controls being utilized throughout the City's IT environment.

As part of our financial statements audit, we evaluated the City's general information technology environment and controls. Our review included evaluating controls over IT governance, computer operations, and system security of key networks and financial reporting applications. We noted that within the City's current IT environment, top-down governance is minimal because the set-up and monitoring of all department-controlled networks and applications reside with the departments. As a result, variations exist in IT policies and procedures among City departments. Examples of variations include:

- User access rights within the various software applications
- Password control configurations
- Change management process

To provide overall technology direction for departments, the City appointed the Committee on Information Technology (COIT) with the leadership role in making policy recommendations and establishing long-range plans to ensure a consistent level of service. Although COIT is increasingly aware of the current IT environment and plans to establish itself as the formalized top-down IT governance structure within the City, many of the policies developed by COIT remain in draft form.

In addition, general computer controls over the access to programs and data require that network and application security controls be implemented to assure administrative, master, and super user activities are proper and authorized, and to safeguard information technology resources and data. The City does not have policies to regularly review high-level user activities.

Cause:

The City continued to experience turnover in key positions in the Department of Technology (Chief Information Officer and Chief Technology Officer).

Effect:

The current decentralized IT environment has contributed to inconsistent IT controls being utilized throughout the City's IT environment.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Item 2015-001 – Information Technology Governance (Continued)

Recommendation:

We recommend that the City prioritize the drafting and release of formal information technology policies and procedures to be used as a guideline by all City departments to establish basic level IT controls citywide.

The City should also develop policies and implement procedures for regular reviews of high-level user activities. The reviews should be performed by a position outside of the chain of command of these users with high-level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of the activities.

Management Response and Corrective Action:

In June 2015 the Architecture Policy and Review Board (APRB) was created as a working group to prioritize which policies and standards need to be considered for update or creation, assign ad hoc working groups with subject matter experts to formulate draft policies and standards, and submit draft recommendations for policies and standards to the COIT for final approval. With the implementation of the City's new central financial system scheduled for July 2017, APRB is working with the City CIO and COIT Chair as well as the Financial System Oversight Committee to incorporate IT policies and standards specific to this new system. The formal information technology policies and procedures establishing basic level IT controls citywide is expected to be released by January 2017.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Item 2015-002 – Year-End Closing Process
Significant Deficiency

Criteria:

Generally accepted accounting principles require that transactions be recorded in the fiscal period in which the financial event occur. Generally, expenditures are recorded when a liability is incurred.

Condition:

Certain City departments utilize the accounting services of the General Services Agency (GSA) to record financial transactions into the City's general ledger. The process often begins with a request and approval from the department to the GSA, who then reviews and inputs the entries into the system.

For year-end financial reporting, the costs of all services and purchases received or rendered by the City should be captured in the financial statements in accordance with generally accepted accounting principles. During the audit, we noted the following:

- \$1,256,610 of receivable for concessions revenues for June 2015 was not recorded by the Convention Facilities Fund.
- Three expenditure transactions totaling \$344,434 for the Treasure Island Development Authority (TIDA) that were incurred prior to fiscal year 2014-15 were not recorded until fiscal year 2014-15.
- A prepayment of \$10,559 of permit fees for TIDA relating to fiscal year 2015-16 was fully expensed in fiscal year 2014-15.

These transactions relate to departments that do not have their own fiscal staff, and thus require the GSA's assistance in recording fiscal transactions in the City's general ledger.

Cause:

Communication between GSA and the departments that utilize GSA's accounting services appear inadequate. Year-end accruals were not communicated in a timely manner.

Effect:

The missing accruals were identified through the Controller's Office's internal review and our audit procedures. While the adjustments were not considered material to the City's financial statements as a whole, resolution of such adjustments required additional time and resources that could potentially delay the City's financial reporting process.

Recommendation:

We recommend that the GSA and affected departments establish communication protocols such that all necessary entries are captured for year-end financial reporting by the City's internal closing timeline. As the main accounting function for other departments, the GSA may consider developing analytical procedures to proactively identify potential adjustments that need to be made at year-end.

Management Response and Corrective Action:

The Controller's Office will work with the General Services Agency to implement a process to ensure that the necessary year-end financial entries are identified and accurately recorded within the City's internal closing timeline.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings and Questioned Costs

Item No. 2015-003 – Procurement and Suspension and Debarment
Significant Deficiency

Federal Program Title:	Port Security Grant Program
Federal Catalog Number(s):	97.056
Federal Agency:	U.S. Department of Homeland Security
Federal Award Number(s):	EMW-2013-PU-00098

Criteria:

Non-Federal entities are prohibited from contracting with suspended or debarred parties. Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g. grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

When a non-federal entity enters into a covered transaction, it must verify that the prospective contractor is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition:

The City received funding under the Port Security Grant program under separate awards from various granting agencies. The Port of San Francisco received a direct award from the U.S. Department of Homeland Security for this program. During our audit, we selected 1 of 2 contracts for testing with procurement requirements. Our procedures identified that the contract files did not contain documentation to support whether the Port verified that the contractor was not suspended nor debarred before contract execution.

Cause:

Proper documentation was not maintained to support compliance with the suspension and debarment requirement.

Effect:

Our review of the EPLS indicated the contractor in question was not suspended or debarred during the year ended June 30, 2015. However, we cannot verify the Port's compliance with the requirement to perform the suspension or debarment verification before contract execution.

Questioned Costs:

There are no questioned costs. Our review of the EPLS indicated the contractor in question was not suspended or debarred during the year ended June 30, 2015.

Recommendation:

The Port had updated its internal procedures in August 2015 to include retention of documentation on the suspension or debarment verification to support compliance with the requirement. It should ensure the updated procedures are communicated to all applicable personnel and periodically monitored for compliance.

Management Response and Corrective Action:

As noted above, the Port updated its internal procedures in August 2015. In connection with this update, all grant project managers and supporting procurement and accounting staff have been reminded to retain documentation on the suspension or debarment verification necessary to support compliance with this requirement. Accounting staff has also been assigned to periodically monitor compliance. For professional services contracts and general procurement, staff checks the EPLS to verify that prospective contractors are not suspended, or otherwise excluded from participation. Upon confirmation, staff is to retain a dated screenshot from EPLS in the department file. For construction services, staff collects a certification from prospective contractors.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings and Questioned Costs

Item No. 2015-003 – Procurement and Suspension and Debarment (continued)

Management Response and Corrective Action: (continued)

The Port submitted this August 2015 update of its internal procedures to the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) as the corrective action for the non-compliance cited during FEMA's July 2015 onsite review. The Port received a determination letter from FEMA dated September 23, 2015 that the non-compliance related to verification of debarment and suspension prior to issuance of grant funds has been resolved and is closed.

**Item No. 2015-004 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles
*Control Deficiency***

Federal Program Title:	Foster Care - Title IV-E
Federal Catalog Number(s):	93.658
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Entity:	State of California Department of Social Services
Pass-Through Identifying Number(s):	None.

Criteria:

To be allowable under Federal awards, costs must be allocable to federal awards under the provisions of OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Indirect costs should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived. Furthermore, non-federal entities desiring to claim indirect costs under Federal awards must prepare an indirect cost allocation plan to support those costs. The cost allocation plan and related supporting documentation should be retained for audit in accordance with the records retention requirements contained in the OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments* and the Uniform Guidance.

Condition:

The City's Foster Care program was administered by the Juvenile Probation Department and the Human Services Agency, which performed quarterly time studies to allocate program costs to various federal programs. Based on our review of the time studies prepared by the Juvenile Probation Department, we noted that several instances in which sick leave and vacation hours were not properly reflected in the proper time study categories.

Cause:

The errors appear to have been caused by oversight and that certain supervisors did not appear to understand the proper categorization of sick leave and vacation hours.

Effect:

Costs were not properly allocated to the proper Foster Care program functions, which have varying reimbursement rates.

Questioned Costs:

We selected 2 of the 4 quarterly time studies for testing. The identified errors resulted in an understatement of \$6,777 in federal reimbursements. Projected understatements exceed \$10,000, which is the threshold for required audit findings.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings and Questioned Costs

Item No. 2015-004 – Activities Allowed or Unallowed; Allowable Costs/Cost Principles (continued)

Recommendation:

We recommend Juvenile Probation Department review and implement procedures to ensure that all employees and supervisors properly adhere to time study instructions and reflect hours in the proper time study categories.

Management Response and Corrective Action:

The Juvenile Probation Department has met with its Probation Supervisors to communicate the requirements in documentation of allocable activities on time study documents. Protocols have been implemented to review the allocation of activities to cost objectives. Additionally, a review process is being developed with expectations that these activities and entries be reconciled against the payroll timesheets.

**CITY AND COUNTY OF SAN FRANCISCO
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

Reference Number: 2014-001 Information Technology Governance

Audit Finding: The City operated under a decentralized structure wherein departments independently establish information technology (IT) policies and procedures according to their operations. This decentralized IT environment contributed to inconsistent IT controls being utilized throughout the City's IT environment. We recommended that the City prioritize the drafting and release of formal information technology policies and procedures to be used as a guideline by all City departments to establish basic level IT controls citywide.

Status of Corrective Action: Corrective action has not been implemented. See current year recommendation 2015-001.

Reference Number: 2014-002 Subrecipient Monitoring

**Federal Catalog Number/
Program Name:** 17.258, 17.259, and 17.278 /
Workforce Investment Act Cluster

17.261 WIA Pilots, Demonstrations, and Research Projects

Audit Finding: During our audit of the Workforce Investment Act (WIA) Cluster and the WIA Pilots, Demonstrations, and Research Projects (WIA Projects Program), which are both administered by the City's Office of Economic and Workforce Development (OEWD), we selected 12 subrecipients from a population of 20 subrecipients for the WIA Cluster and 2 subrecipients from a population of 2 subrecipients for the WIA Projects Program. Our procedures identified that certain required federal award information, including the CFDA number and the name of federal awarding agency, were not communicated at the time of the awards to the subrecipients, although such information was included in the during-award-monitoring communication to the subrecipients.

Corrective Action: The OEWD will include the information in the initial and amended contract packages. The City will incorporate guidance on the timing of communicating required information to subrecipients into the *Financial Administration of Grants and Gifts Handbook*. Training on this requirement will also be provided to City Departments.

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, 2015**

Reference Number: 2014-003 Reporting

Federal Catalog Number/ Program Name: 14.267 Continuum of Care Program
17.261 WIA Pilots, Demonstrations, and Research Projects

Audit Finding: As a prime grantee of federal awards, the City is required to comply with FFATA reporting requirements. The City's Office of Economic and Workforce Development administered the WIA Pilots, Demonstrations, and Research Projects, and did not report the subaward information in the FSRs for one subaward made during fiscal year 2013-14 subject to the FFATA. The City's Human Services Agency administered the Continuum of Care Program and did not report the subaward information for 12 subawards made during fiscal year 2013-14 that were subject to the FFATA.

Corrective Action: The Office of Economic and Workforce Development subsequently reported these awards in FSRs and will do so for future first-tier federal subcontracts of \$25,000 or more once they are fully executed. The Human Services Agency will report these awards as well as future first-tier federal awards of \$25,000 or more once they are fully executed. The City will incorporate the FFATA reporting requirements into the *Financial Administration of Grants and Gifts Handbook*. Training on these requirements will also be provided to City Departments.

Status of Corrective Action: Corrective action was implemented.

Reference Number: 2014-004 Procurement and Suspension and Debarment

Federal Catalog Number/ Program Name: 93.563 Child Support Enforcement

Audit Finding: During our audit of the Child Support Enforcement program administered by the City's Department of Child Support Services, we selected 7 contracts from a population of 28 contracts for testing with procurement requirements. Our testing identified 2 contract files that lacked documentation to support whether the Department verified that the contractors were not suspended nor debarred before contract execution.

Corrective Action: The Department will verify that prospective contractors are not suspended or debarred before executing contracts for goods and services that are expected to equal or exceed \$25,000 by checking the System for Award Management (SAM) at <http://www.sam.gov>. Supporting documentation will be retained on file at the department.

Status of Corrective Action: Corrective action was implemented.

CITY AND COUNTY OF SAN FRANCISCO

Report to Government Audit and Oversight Committee
Year Ended June 30, 2015



Certified
Public
Accountants

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
Year Ended June 30, 2015

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Government Audit and Oversight Committee
Mr. Ben Rosenfield, Controller
City and County of San Francisco
San Francisco, California

In planning and performing our audit of 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 the City and County of San Francisco, California (City), as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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.

Other auditors audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency, San Francisco Wastewater Enterprise, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider items 2015-001 and 2015-002 in the Current Year Recommendations section to be significant deficiencies.

The City's responses to the recommendations are also described in the accompanying Current Year Recommendations section. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

In addition, we have provided a status of the prior recommendations made by us.

Professional auditing standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and U.S. Office of Management and Budget (OMB) Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Audit Service Plan to you dated September 17, 2015. Professional standards also require that we communicate to you other information related to our audit as discussed in the Required Communications section.

We would like to thank City management and staff for the courtesy and cooperation extended to us during the course of our engagement.

The accompanying required communications, management comments, and recommendations are intended solely for the information and use of the Government Audit and Oversight Committee, Board of Supervisors, City management, and others within the organization, and are not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 23, 2015

CITY AND COUNTY OF SAN FRANCISCO
 Report to Government Audit and Oversight Committee
 Year Ended June 30, 2015

REQUIRED COMMUNICATIONS

Significant Audit Findings

I. Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 2 to the financial statements. As described in Note 2(s) to the financial statements, the City changed accounting policies related to the following:

- ***GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68***

These statements address the accounting and financial reporting requirements for the City's pension benefits. The cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014. As of July 1, 2014, the City restated its beginning net position to record the beginning net pension liability and beginning deferred outflows of resources related to pensions as follows:

	<u>Net Position, at Beginning of Year</u>		
	<u>As Previously Reported</u>	<u>Change in Accounting Principle</u>	<u>As Restated</u>
Primary Government:			
Governmental Activities.....	\$ 2,341,631	\$ (1,879,347)	\$ 462,284
Business-Type Activities:			
San Francisco International Airport.....	266,757	(205,769)	60,988
San Francisco Water Enterprise.....	654,212	(155,107)	499,105
Hetch Hetchy Water and Power.....	513,550	(37,755)	475,795
Municipal Transportation Agency.....	2,686,060	(429,446)	2,256,614
General Hospital Medical Center.....	(50,570)	(311,922)	(362,492)
San Francisco Wastewater Enterprise.....	1,181,867	(69,147)	1,112,720
Port of San Francisco.....	371,289	(30,469)	340,820
Laguna Honda Hospital.....	394,695	(130,368)	264,327
Total Business-Type Activities.....	<u>6,017,860</u>	<u>(1,369,983)</u>	<u>4,647,877</u>
Total Primary Government.....	<u>\$ 8,359,491</u>	<u>\$ (3,249,330)</u>	<u>\$ 5,110,161</u>
Successor Agency Private-Purpose Trust Fund....	<u>\$ (439,637)</u>	<u>\$ (22,407)</u>	<u>\$ (462,044)</u>

- ***GASB Statement No. 69 – Government Combinations and Disposals of Government Operations***

This statement establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The City's adoption of this statement did not have a significant impact on its financial statements for the year ended June 30, 2015.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
Year Ended June 30, 2015

REQUIRED COMMUNICATIONS (Continued)

I. Qualitative Aspects of Accounting Practice (Continued)

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- a) Fair value of investments (including investment derivatives) and related net appreciation in the fair value of investments in the pension trust fund;
- b) Accrual and disclosure of claims liabilities;
- c) Estimated contractual adjustments and bad debt allowances for patient accounts receivable;
- d) Cost report settlement receivables and payable;
- e) Estimated bad debt allowance for accounts and loans receivable;
- f) Accrual of compensated absences;
- g) Depreciation estimates for capital assets, including depreciation methods and useful lives assigned to depreciable properties;
- h) Pension plans' employer and employee contribution requirements and the net pension liability of the pension plans;
- i) Other postemployment benefit plans contribution requirements and funded status information; and
- j) Estimated pollution remediation costs.

Management's judgments and estimates were based on the following:

- a) Management's estimate of the fair value of investments in the pension trust fund is discussed in Note 2(d) to the financial statements.
- b) Reserves for workers' compensation and general liability claims were based on actuarial evaluations using historical loss and other data. Reserves for other claims liabilities were determined by the City Attorney's judgment about the ultimate outcome of the claim.
- c) Estimated bad debt allowances for patient accounts receivable were based on historical experience. See d) below for basis for contractual adjustments.
- d) Estimated contractual adjustments and cost report balances were based on prior cost report adjustments, previous regulatory settlements, and potential future retrospective adjustments.
- e) Estimated bad debt allowance for accounts receivable was based on historical experience and loans receivable was based on the type of loan (e.g., forgivable, deferred, grant or amortizing) and management's estimate regarding the likelihood of collectability based on loan provisions and collateral.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
Year Ended June 30, 2015

REQUIRED COMMUNICATIONS (Continued)

I. Qualitative Aspects of Accounting Practice (Continued)

- f) Accrual of compensated absences is based on unused employee sick leave and vacation and the employees' pay rates at year-end.
- g) Useful lives for depreciable property were determined by management based on the nature of the capital asset. The City uses the straight line method of depreciation and three different conventions for the amount of first-year depreciation based on the departments that purchased the capital assets.
- h) Pension plans' employer and employee contribution requirements and the net pension liability of the pension plans are based on actuarial calculations performed by the City's independent actuaries.
- i) The actuarial other postemployment benefits data, including the funded status and required contributions of the plans, are based on actuarial calculations performed by the City's independent actuaries.
- j) Estimated pollution remediation costs are based on reports from independent consultants.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting units (opinion units) that collectively comprise the City's basic financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures related to pension benefits and other postemployment benefits. The disclosures about pension benefits and other postemployment benefits are described in Note 9 to the financial statements and are based on actuarial valuations.

The financial statement disclosures are neutral, consistent, and clear.

II. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

III. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
Year Ended June 30, 2015

REQUIRED COMMUNICATIONS (Continued)

IV. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

V. Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2015.

VI. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

VII. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

VIII. Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis, the schedules of net pension liability for defined benefit plans, the schedule of funding progress for postemployment healthcare benefit plans, and the schedules of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

IX. Other Supplementary Information

We were engaged to report on the combining fund financial statements and schedules and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the

CITY AND COUNTY OF SAN FRANCISCO
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REQUIRED COMMUNICATIONS (Continued)

IX. Other Supplementary Information (Continued)

information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections of the comprehensive annual financial report, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

X. Other Information in Documents Containing Audited Financial Statements

During the year, the City included its audited basic financial statements in various debt offering documents (e.g., official statements). We do not have an obligation to perform any procedures to corroborate other information contained in such debt offering documents. We were not associated with and did not have any involvement with such documents. Accordingly, we did not perform any procedures on these documents and provide no assurance as to the other information contained in the debt offering documents.

CURRENT YEAR RECOMMENDATIONS

Item 2015-001 – Information Technology Governance *Significant Deficiency*

Criteria:

A top-down governance structure is integral to providing direction and establishing an entity's control environment by issuing enterprise-wide policies and procedures. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) standards, for example, require that the top-level of governance establish policies and procedures for its entire organization. Because such policies and procedures may not address all of the needs and limitations of an organization's entities, the standards also allow for local policies and procedures or desk top manuals to exist. However, these local documents need to have the approval of the top governance authority to ensure that the top governance structure is aware of, and agrees with, the local controls that are being instituted. Additionally, the COSO framework standards encourage that continual monitoring of these controls exist to ensure that the documented controls are followed and function as intended.

Condition:

The City operates under a decentralized structure wherein departments independently establish information technology (IT) policies and procedures according to their operations. This decentralized IT environment has contributed to inconsistent IT controls being utilized throughout the City's IT environment.

As part of our financial statements audit, we evaluated the City's general information technology environment and controls. Our review included evaluating controls over IT governance, computer operations, and system security of key networks and financial reporting applications. We noted that within the City's current IT environment, top-down governance is minimal because the set-up and monitoring of all department-controlled networks and applications reside with the departments. As a result, variations exist in IT policies and procedures among City departments. Examples of variations include:

- User access rights within the various software applications
- Password control configurations
- Change management process

To provide overall technology direction for departments, the City appointed the Committee on Information Technology (COIT) with the leadership role in making policy recommendations and establishing long-range plans to ensure a consistent level of service. Although COIT is increasingly aware of the current IT environment and plans to establish itself as the formalized top-down IT governance structure within the City, many of the policies developed by COIT remain in draft form.

In addition, general computer controls over the access to programs and data require that network and application security controls be implemented to assure administrative, master, and super user activities are proper and authorized, and to safeguard information technology resources and data. The City does not have policies to regularly review high-level user activities.

Cause:

The City continued to experience turnover in key positions in the Department of Technology (Chief Information Officer and Chief Technology Officer).

Effect:

The current decentralized IT environment has contributed to inconsistent IT controls being utilized throughout the City's IT environment.

CITY AND COUNTY OF SAN FRANCISCO
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Year Ended June 30, 2015

CURRENT YEAR RECOMMENDATIONS (Continued)

Item 2015-001 – Information Technology Governance (Continued)

Recommendation:

We recommend that the City prioritize the drafting and release of formal information technology policies and procedures to be used as a guideline by all City departments to establish basic level IT controls citywide.

The City should also develop policies and implement procedures for regular reviews of high-level user activities. The reviews should be performed by a position outside of the chain of command of these users with high-level access and should be pursuant to guidelines and criteria that would aid in identifying the nature of the activities.

Management Response and Corrective Action:

In June 2015 the Architecture Policy and Review Board (APRB) was created as a working group to prioritize which policies and standards need to be considered for update or creation, assign ad hoc working groups with subject matter experts to formulate draft policies and standards, and submit draft recommendations for policies and standards to the COIT for final approval. With the implementation of the City's new central financial system scheduled for July 2017, APRB is working with the City CIO and COIT Chair as well as the Financial System Oversight Committee to incorporate IT policies and standards specific to this new system. The formal information technology policies and procedures establishing basic level IT controls citywide is expected to be released by January 2017.

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Year Ended June 30, 2015

CURRENT YEAR RECOMMENDATIONS (Continued)

Item 2015-002 – Year-End Closing Process
Significant Deficiency

Criteria:

Generally accepted accounting principles require that transactions be recorded in the fiscal period in which the financial event occur. Generally, expenditures are recorded when a liability is incurred.

Condition:

Certain City departments utilize the accounting services of the General Services Agency (GSA) to record financial transactions into the City's general ledger. The process often begins with a request and approval from the department to the GSA, who then reviews and inputs the entries into the system.

For year-end financial reporting, the costs of all services and purchases received or rendered by the City should be captured in the financial statements in accordance with generally accepted accounting principles. During the audit, we noted the following:

- A receivable of \$1,256,610 for concessions revenues for June 2015 was not recorded by the Convention Facilities Fund.
- Three expenditure transactions totaling \$344,434 for the Treasure Island Development Authority (TIDA) that were incurred prior to fiscal year 2014-15 were not recorded until fiscal year 2014-15.
- A prepayment of \$10,559 of permit fees for TIDA relating to fiscal year 2015-16 was fully expensed in fiscal year 2014-15.

These transactions relate to departments that do not have their own fiscal staff, and thus require the GSA's assistance in recording fiscal transactions in the City's general ledger.

Cause:

Communication between GSA and the departments that utilize GSA's accounting services appear inadequate. Year-end accruals were not communicated in a timely manner.

Effect:

The missing accruals were identified through the Controller's Office's internal review and our audit procedures. While the adjustments were not considered material to the City's financial statements as a whole, resolution of such adjustments required additional time and resources that could potentially delay the City's financial reporting process.

Recommendation:

We recommend that the GSA and affected departments establish communication protocols such that all necessary entries are captured for year-end financial reporting within the City's internal closing timeline. As the main accounting function for other departments, the GSA may consider developing analytical procedures to proactively identify potential adjustments that need to be made at year-end.

Management Response and Corrective Action:

The Controller's Office will work with the General Services Agency to implement a process to ensure that the necessary year-end financial entries are identified and accurately recorded within the City's internal closing timeline.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
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CURRENT YEAR RECOMMENDATIONS (Continued)

Item 2015-A – Uniform Guidance for Federal Awards
Informational

Criteria:

The Office of Management and Budget (OMB) published new guidance for federal award programs, *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, commonly referred to as the “Uniform Guidance” on December 26, 2013. The new guidance is a key component of a larger federal effort to more effectively focus federal grant resources on improving performance and outcomes while ensuring the financial integrity of taxpayer dollars. By streamlining eight federal circulars into a single, comprehensive policy guide, governments can better administer grants and other types of financial assistance by decreasing the administrative burden for recipients and reducing the risk of waste, fraud and abuse.

Condition:

Federal agencies must implement policies and procedures by promulgating regulations to be effective December 26, 2014. The City must apply the requirements of the Uniform Guidance to any new federal awards made on or after December 26, 2014 and to additional funding increments to existing awards made on or after that date. Of particular importance are the provisions for internal controls, indirect costs, procurement, time and effort reporting, and subrecipient monitoring.

Recommendation:

We recommend the City analyze the Uniform Guidance and work closely with its grantor agencies to determine what compliance requirements have changed beginning on December 26, 2014. Because many individuals among multiple departments of the City may be involved with the administration of federal grants, the City may want to consider forming a central Uniform Guidance taskforce to assist in assessing the City’s internal controls, policies, and procedures that may need to be amended to ensure compliance with Uniform Guidance requirements. The Council on Financial Assistance Reform (COFAR) and OMB have conducted webcasts about the Uniform Guidance, which are now archived at www.cfo.gov/COFAR. COFAR has also published Frequently Asked Questions for New Uniform Guidance at 2 CFR 200, which may provide additional guidance to the City.

Management Response:

The City is committed to ensuring full compliance with the new federal requirements and has communicated to all City departments and nonprofit subrecipients receiving federal funds that the requirements for Federal Awards have changed. The Controller’s Office and the City’s external auditors conducted training workshops for City Department staff as well as the nonprofit subrecipients. In addition, a Grants and Gifts taskforce was created as a working group to review policies and procedures and to make recommendations for implementing the new standards.

The Citywide NonProfit Monitoring and Capacity Building Program monitors the fiscal and administrative compliance of the nonprofit organizations providing critical services throughout the City. Information is available on their website to support nonprofit organizations in complying with the standards set and reviewed during monitoring visits as well as procedural manuals on understanding the OMB’s Uniform Guidance.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
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CURRENT YEAR RECOMMENDATIONS (Continued)

Item 2015-B – New Other Postemployment Benefits Accounting Standards
Informational

Criteria:

Postemployment benefits other than pensions (OPEB) principally involve health care benefits, but also may include life insurance, disability, legal and other services. In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which are intended to improve the accounting and financial reporting by state and local governments for postemployment benefits (hereinafter referred to as the “OPEB Standards”).

The OPEB Standards are designed to improve the information reported on OPEB for decision-making and accountability purposes, comparability across governments, and transparency for those who avail themselves to it. They also are designed to equip state and local government policy makers and all users of governmental financial reports with information that would allow them to obtain a more comprehensive understanding of a government’s financial position.

Condition:

The new OPEB Standards parallel the recently adopted pension standards under GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and intend to bring about fundamental changes in how OPEB is accounted for and reported. Similar to the changes made to the pension standards, these new OPEB Standards provide a more comprehensive picture of what state and local governments have committed to their employees and the associated costs. Accordingly, the OPEB standards will affect the City’s financial statements in the following ways:

- Change how the long-term obligation and the annual expense of OPEB are measured,
- Recognize the net OPEB liability on the face of the financial statements, and
- Present more extensive note disclosures and related supplemental schedules.

The provisions in GASB Statement No. 74 affecting OPEB plans are effective for the fiscal year ending June 30, 2017. The provisions in GASB Statement No. 75 affecting employers that provide OPEB benefits are effective for the fiscal year ending June 30, 2018.

Recommendation:

The City should begin assessing the impacts of the new OPEB Standards and develop a plan to implement the new accounting and financial reporting requirements. In addition, the City should work closely with its OPEB administrator, actuaries, and auditors to ensure that all relevant parties are involved in the process that ultimately affect its successful implementation.

Management Response:

The City is currently assessing the impacts of the new OPEB standards and will implement GASB 74 in the fiscal year ending June 30, 2017. The City will implement GASB 75 in the fiscal year ending June 30, 2018.

CITY AND COUNTY OF SAN FRANCISCO
Report to Government Audit and Oversight Committee
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STATUS OF PRIOR YEAR RECOMMENDATION

Reference Number:	2014-001 Information Technology Governance <i>Significant Deficiency</i>
Finding/ Comment:	The City operated under a decentralized structure wherein departments independently establish information technology (IT) policies and procedures according to their operations. This decentralized IT environment contributed to inconsistent IT controls being utilized throughout the City's IT environment. We recommended that the City prioritize the drafting and release of formal information technology policies and procedures to be used as a guideline by all City departments to establish basic level IT controls citywide.
Status of Corrective Action:	Corrective action has not been implemented. See current year recommendation 2015-001.

CITY AND COUNTY OF SAN FRANCISCO
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UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

Index	Fund Type	Description	STATEMENT OF NET POSITION / BALANCE SHEET			STATEMENT OF CHANGES IN NET POSITION/ FUND BALANCE	
			Assets DR (CR)	Liabilities DR (CR)	Net Position DR (CR)	Revenue DR (CR)	Expenses DR (CR)
BUSINESS-TYPE ACTIVITIES							
BA1	Business-Type Activities	Effect of net adjustments from SF General Hospital (see below)	\$ 11,124,011	\$ -	\$ (6,042,996)	\$ (5,081,015)	\$ -
	Business-Type Activities	Effect of net adjustments from Laguna Honda Hospital (see below)	1,394,848	-	(766,964)	(627,884)	-
		TOTAL BUSINESS-TYPE ACTIVITIES	\$ 12,518,859	\$ -	\$ (6,809,960)	\$ (5,708,899)	\$ -
SAN FRANCISCO GENERAL HOSPITAL							
SFGH1	SF General Hospital	Interest and other receivable	\$ 6,306,446	\$ -	\$ -	\$ -	\$ -
	SF General Hospital	Net patient service revenue	-	-	-	(6,306,446)	-
		<i>To adjust understatement of DSRIP revenue related to program revenue 2014-2015.</i>					
SFGH2	SF General Hospital	Net position - Beginning	-	-	2,433,799	-	-
	SF General Hospital	Net patient service revenue	-	-	-	(2,433,799)	-
		<i>To correct the overstatement of the MAA receivable.</i>					
SFGH3	SF General Hospital	Receivables - Charges for services	2,817,565	-	-	-	-
	SF General Hospital	Net patient service revenue	-	-	-	2,730,462	-
	SF General Hospital	Net position - Beginning	-	-	(5,548,027)	-	-
		<i>To accrue FY 2015 revenue recorded in FY 2016; and reverse FY 2014 revenue recorded in FY 2015.</i>					
SFGH4	SF General Hospital	Receivables - Charges for services	2,000,000	-	-	-	-
	SF General Hospital	Net patient service revenue	-	-	-	(2,000,000)	-
		<i>To reverse contractual allowance cushion.</i>					
SFGH5	SF General Hospital	Net patient services revenue	-	-	-	2,928,768	-
	SF General Hospital	Net position - Beginning	-	-	(2,928,768)	-	-
		<i>To reverse prior year adjustment - to recognize unrecorded revenues as a result of system errors.</i>					
		TOTAL SAN FRANCISCO GENERAL HOSPITAL	\$ 11,124,011	\$ -	\$ (6,042,996)	\$ (5,081,015)	\$ -

CITY AND COUNTY OF SAN FRANCISCO
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UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS (Continued)

Index	Fund Type	Description	STATEMENT OF NET POSITION / BALANCE SHEET			STATEMENT OF CHANGES IN NET POSITION/ FUND BALANCE	
			Assets DR (CR)	Liabilities DR (CR)	Net Position DR (CR)	Revenue DR (CR)	Expenses DR (CR)
LAGUNA HONDA HOSPITAL							
LHH1	Laguna Honda Hospital	Accounts receivable	\$ 920,040	\$ -	\$ -	\$ -	\$ -
	Laguna Honda Hospital	Net patient service revenue	-	-	-	(153,076)	-
		Beginning net position	-	-	(766,964)	-	-
		<i>To accrue FY15 patient services revenues and receivables recorded in FY16 and the effect of FY14 revenues recorded in FY15.</i>					
LHH2	Laguna Honda Hospital	Accounts receivable	474,808	-	-	-	-
	Laguna Honda Hospital	Net patient service revenue	-	-	-	(474,808)	-
		<i>To adjust the reported receivable balance to match the balance in the Invision patient accounting system.</i>					
		TOTAL LAGUNA HONDA HOSPITAL	\$ 1,394,848	\$ -	\$ (766,964)	\$ (627,884)	\$ -
TIDA							
TIDA1	TIDA	Net Position	\$ -	\$ -	\$ 344,434	\$ -	\$ -
	TIDA	Expense	-	-	-	-	(344,434)
		<i>To adjust expense recorded in FY15 but incurred in prior fiscal years to the proper periods.</i>					
		TOTAL TIDA	\$ -	\$ -	\$ 344,434	\$ -	\$ (344,434)
OTHER AGGREGATE REMAINING FUND							
OTHER 1	3C - Capital project	Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ 10,092,223
	3C - Capital project	Net Position	-	-	(10,092,223)	-	-
		<i>To adjust capital outlay and net position due to CY catchup adjustment of capitalized asset.</i>					
OTHER 2	4D - Debt service	Debt service - principal retirement	-	-	-	-	16,245,525
	4D - Debt service	Other financing uses - payment to refunded bond escrow agent	-	-	-	-	(16,245,525)
		<i>To reclassify use of City funds to refund prior bonds as debt service payment.</i>					
		TOTAL OTHER AGGREGATE REMAINING FUND	\$ -	\$ -	\$ (10,092,223)	\$ -	\$ 10,092,223

Introduction Form

By a Member of the Board of Supervisors or the Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

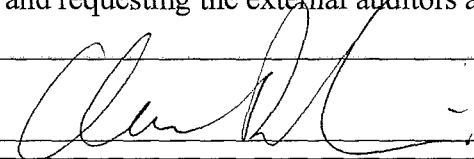
Supervisor Aaron Peskin

Subject:

[Hearing - Comprehensive Annual Financial Report - FY2014-2015]

The text is listed below or attached:

Hearing to present the Comprehensive Annual Financial Report (CAFR), Single Audit, and management letters prepared by the City's external auditors Macias Gini & O'Connell and KPMG, LLP, for FY2014-2015, and their audit plans for FY2015-2016, pursuant to Charter, Section 9.117; and requesting the external auditors and the Controller's Office to report.

Signature of Sponsoring Supervisor: 

For Clerk's Use Only: