CITY AND COUNTY OF SAN FRANCISCO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2017

Certified
Public
Accountants

CITY AND COUNTY OF SAN FRANCISCO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2017

Table of Contents

FINANCIAL SECTION

SINGLE AUDIT SECTION

FINANCIAL SECTION

MGO Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and 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, each major fund, and the aggregate discretely presented component unit and remaining fund information, of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2017, 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	0.8%	5.7%	2.0%
Business-type activities	91.1%	96.5%	74.7%
Aggregate discretely presented component unit and remaining fund information	0.7%	0.4%	10.2%

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 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, each major fund, and the aggregate discretely presented component unit and remaining fund information, of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
101 California Street, Suite 1825
San Francisco, CA 94111

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, effective July 1, 2016, the City adopted the provisions of Governmental Accounting Standards Board (GASB) 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.* Our opinion is not modified with respect to this matter.

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, 2016, from which such partial and summarized information was derived.

We have previously audited the City's 2016 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, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated November 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in the net pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of funding progress and employer contributions – other postemployment healthcare benefits, and the budgetary comparison schedule for the General Fund, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 29, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Gini É O'Connell LLP

San Francisco, California

December 29, 2017, except for our report on the schedule of expenditures of federal awards, as to which the date is January 26, 2018

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2015-16 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2016-17 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 $7.56 billion (net position). Of this balance, $8.32 billion represents the City's net investment in capital assets, $2.08 billion represents restricted net position, and unrestricted net position has a deficit of $2.84 billion. The City's total net position decreased by $448.6 million, or 5.6 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by $170.4 million or 2.1 percent and $328.2 million or 18.7 percent, respectively, and unrestricted net position decreased by $947.2 million or 49.9 percent.

The City's governmental funds reported total revenues of $5.97 billion, which is a $181.6 million or 3.1 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, and real property transfer tax grew by approximately $138.9 million, $41.4 million, $24.3 million, and $141.5 million, respectively. At the same time, there was a decline in revenues from rents and concessions, intergovernmental sources, hotel room tax, charges for services, and other revenues of $35.3 million, $31.4 million, $17.3 million, $14.2 million, and $76.4 million, respectively. Governmental funds expenditures totaled $5.32 billion for this period, a $241.2 million or 4.8 percent increase, reflecting increases in demand for governmental services of $136.1 million, increased debt service of $31.9 million and increased capital outlay of $73.2 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $3.40 billion, an increase of $569.3 million or 20.1 percent from prior year, primarily due to $122.0 million in proceeds from sale of capital assets which offset the greater increase in expenditures over revenues as well as the slight increase in other financing uses.

The City's total short-term debt decreased by $41.2 million during fiscal year 2016-17. The City, in partnership with the Metropolitan Transportation Commission, obtained a short term revolving credit facility in an amount not to exceed $260.0 million; $100.0 million with MTC and $160.0 million with Wells Fargo Bank and drew $49.0 million therefrom for the construction of the Transbay Transit Center. The balance of commercial paper notes payable decreased by $90.2 million, a $104.2 million increase in governmental activities offset by a $194.4 million decrease in business-type activities. The Airport and the Water Enterprise commercial paper notes payable outstanding decreased by $165.1 million and $91.0 million respectively through refinancing by the issuance of long-term debt. The City's long-term debt increased by $1.15 billion. A total of $248.3 million in general obligation bonds were issued for affordable housing and for construction, seismic strengthening, and betterment of facilities. The Airport issued $740.1 million revenue bonds for the redevelopment of Terminal 1 and other enhancements. The SFMTA issued $177.8 million revenue bonds to fund transit and parking upgrades. The Water Enterprise issued $259.4 million revenue bonds to refund commercial paper used and provide $20.0 million new money for the City's Water System Improvement Program. The Airport and the Water Enterprise issued revenue refunding bonds for $147.8 million and $893.8 million, respectively, for economic gain.

The City implemented the remaining provisions of Governmental Accounting Standards Board (GASB) 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.* These provisions address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68. Statement No. 73 was partially implemented in fiscal year 2015-16. Implementation resulted in a restatement due to change in accounting principle decreasing net position as of July 1, 2016 by $55.0 million.

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

<table>
<tr><td rowspan="10">Financial Section</td><td colspan="4">Management's Discussion and Analysis (MD&A)</td></tr>
<tr><td>Government - wide Financial Statements</td><td colspan="3">Fund Financial Statements</td></tr>
<tr><td rowspan="3">Statement of net position</td><td>Governmental Funds</td><td>Proprietary Funds</td><td>Fiduciary Funds</td></tr>
<tr><td rowspan="2">Balance sheet</td><td>Statement of net position</td><td rowspan="2">Statement of fiduciary net position</td></tr>
<tr><td rowspan="2">Statement of revenues, expenses, and changes in fund net position</td></tr>
<tr><td rowspan="2">Statement of activities</td><td rowspan="2">Statement of revenues, expenditures, and changes in fund balances</td><td rowspan="2">Statement of changes in fiduciary net position</td></tr>
<tr><td>Statement of cash flows</td></tr>
<tr><td colspan="4">Notes to the Financial Statements</td></tr>
<tr><td colspan="4">Required Supplementary Information Other Than MD&A</td></tr>
<tr><td colspan="4">Information on individual nonmajor fuds and other supplementary information that is not required</td></tr>
</table>

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 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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 (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.

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

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.

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$5,097,048	$4,309,790	$ 4,903,634	$ 4,893,995	$ 10,000,682	$ 9,203,785
Capital assets	5,307,676	5,125,352	16,761,881	15,695,817	22,069,557	20,821,169
Total assets	10,404,724	9,435,142	21,665,515	20,589,812	32,070,239	30,024,954
Deferred outflows of resources:	1,311,074	404,560	1,273,096	490,027	2,584,170	894,587
Liabilities:						
Current liabilities	1,811,708	1,462,148	1,911,931	2,295,833	3,723,639	3,757,981
Noncurrent liabilities	7,967,621	5,938,626	15,143,312	12,462,886	23,110,933	18,401,512
Total liabilities	9,779,329	7,400,774	17,055,243	14,758,719	26,834,572	22,159,493
Deferred inflows of resources:	150,058	429,865	111,466	323,284	261,524	753,149
Net position:						
Net investment in capital assets*	2,873,927	2,750,782	5,752,069	5,690,741	8,321,778	8,151,422
Restricted *	1,473,219	1,331,516	690,592	538,474	2,081,491	1,753,264
Unrestricted (deficit) *	(2,560,735)	(2,073,235)	(670,759)	(231,379)	(2,844,956)	(1,897,787)
Total net position	$1,786,411	$2,009,063	$ 5,771,902	$ 5,997,836	$ 7,558,313	$ 8,006,899

* See note 10(d) 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 $7.56 billion at the end of fiscal year 2016-17, a 5.6 percent decrease over the prior year. The City's governmental activities account for $1.79 billion of this total and $5.77 billion stem from its business-type activities.

The largest portion of the City's net position is the $8.32 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $170.4 million or 2.1 percent increase over the prior year, and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a $284.8 million increase at SFMTA offset by a decrease of $167.4 million at the Airport. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $2.08 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 $2.84 billion, which consists of a $2.56 billion deficit in governmental activities and $670.8 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording net pension liability (see Note 9). The governmental activities deficit also included $386.5 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 10(d)).

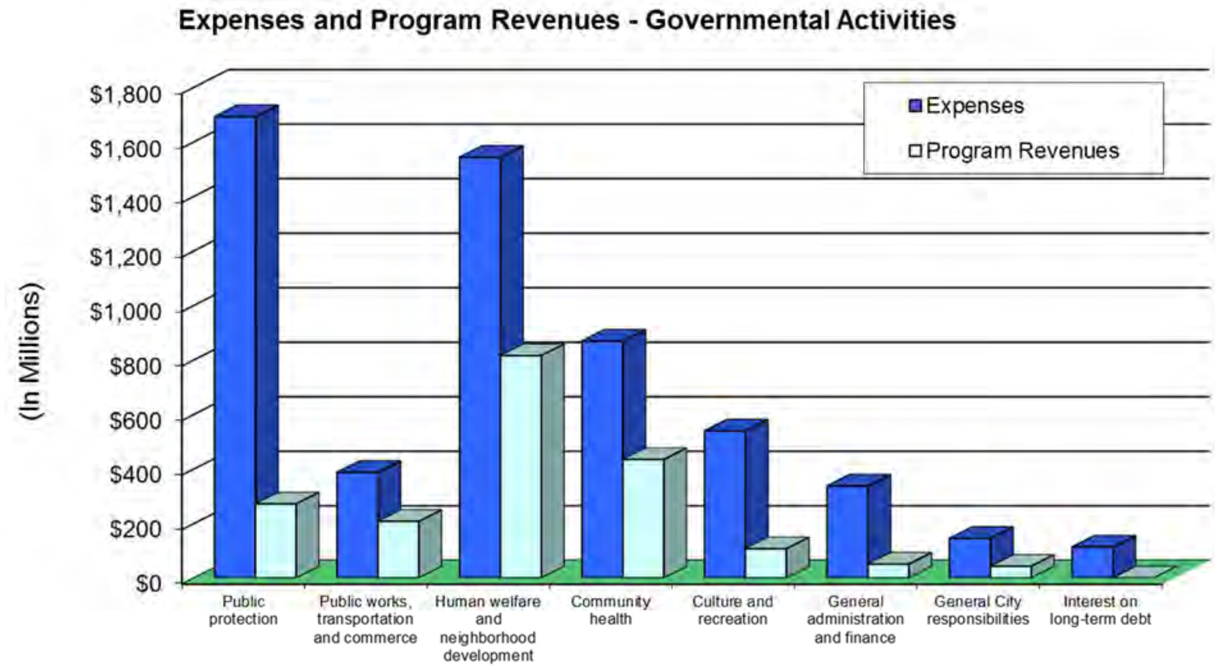
Condensed Statement of Activities
(in thousands)

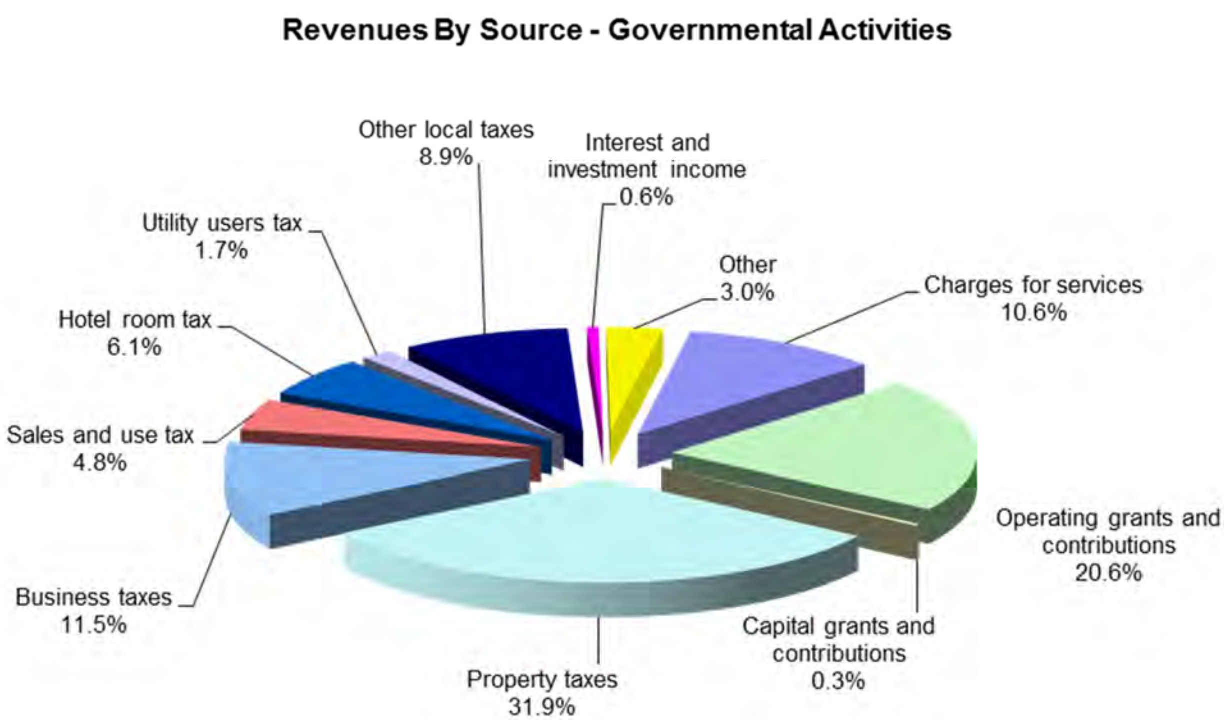
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 646,422	$ 777,182	$ 3,341,055	$ 3,230,367	$ 3,987,477	$ 4,007,549
Operating grants and contributions	1,263,262	1,289,902	270,167	199,623	1,533,429	1,489,525
Capital grants and contributions	19,493	24,795	353,046	374,924	372,539	399,719
General revenues:						
Property taxes	1,951,696	1,808,917	-	-	1,951,696	1,808,917
Business taxes	702,331	660,926	-	-	702,331	660,926
Sales and use tax	291,395	270,051	-	-	291,395	270,051
Hotel room tax	370,344	387,661	-	-	370,344	387,661
Utility users tax	101,203	98,651	-	-	101,203	98,651
Other local taxes	542,567	399,882	-	-	542,567	399,882
Interest and investment income	35,240	24,048	28,547	28,566	63,787	52,614
Other	182,933	59,266	257,419	240,636	440,352	299,902
Total revenues	6,106,886	5,801,281	4,250,234	4,074,116	10,357,120	9,875,397
Expenses						
Public protection	1,692,224	1,222,549	-	-	1,692,224	1,222,549
Public works, transportation and commerce	387,423	418,978	-	-	387,423	418,978
Human welfare and neighborhood development	1,543,047	1,233,403	-	-	1,543,047	1,233,403
Community health	868,628	747,071	-	-	868,628	747,071
Culture and recreation	539,516	311,028	-	-	539,516	311,028
General administration and finance	337,209	246,383	-	-	337,209	246,383
General City responsibilities	145,247	113,490	-	-	145,247	113,490
Unallocated Interest on long-term debt	113,264	115,357	-	-	113,264	115,357
Airport	-	-	1,122,802	900,621	1,122,802	900,621
Transportation	-	-	1,468,586	1,106,420	1,468,586	1,106,420
Port	-	-	118,361	91,449	118,361	91,449
Water	-	-	572,509	470,254	572,509	470,254
Power	-	-	198,621	153,472	198,621	153,472
Hospitals	-	-	1,370,154	1,050,618	1,370,154	1,050,618
Sewer	-	-	273,077	244,289	273,077	244,289
Total expenses	5,626,558	4,408,259	5,124,110	4,017,123	10,750,668	8,425,382
Increase/(decrease) in net position before transfers and extraordinary items	480,328	1,393,022	(873,876)	56,993	(393,548)	1,450,015
Transfers	(647,942)	(671,173)	647,942	671,173	-	-
Change in net position	(167,614)	721,849	(225,934)	728,166	(393,548)	1,450,015
Net position at beginning of year, as previously reported	2,009,063	1,287,214	5,997,836	5,278,250	8,006,899	6,565,464
Cumulative effect of accounting change	(55,038)	-	-	(8,580)	(55,038)	(8,580)
Net position at beginning of year, as restated	1,954,025	1,287,214	5,997,836	5,269,670	7,951,861	6,556,884
Net position at end of year	$ 1,786,411	$ 2,009,063	$ 5,771,902	$ 5,997,836	$ 7,558,313	$ 8,006,899

Analysis of Changes in Net Position

The City's change in net position decreased by $1.84 billion in fiscal year 2016-17, due to a $1.45 billion increase in the prior fiscal year and a $393.5 million decrease in the current year. The decrease in the change in net position was due to a $889.5 million decrease from governmental activities and a $954.1 million decrease from business-type activities.

The City's governmental activities experienced a $305.6 million or 5.3 percent growth in total revenues, offset by increased expenses of $1.22 billion or 27.6 percent this fiscal year. Business-type activities revenues increased by $176.1 million or 4.3 percent offset by increased expenses of $1.11 billion, or 27.6 percent. The net transfer to business-type activities decreased by $23.2 million. The major component of increased expense Citywide is increased pension expense of $947.7 million and $788.2 million for governmental activities and business-type activities, respectively. 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
Expenses
Program Revenues
(In Millions)
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
Public protection
Public works, transportation and commerce
Human welfare and neighborhood development
Community health
Culture and recreation
General administration and finance
General City responsibilities
Interest on long-term debt


Revenues By Source - Governmental Activities
Other local taxes 8.9%
Interest and investment income 0.6%
Utility users tax 1.7%
Other 3.0%
Charges for services 10.6%
Hotel room tax 6.1%
Sales and use tax 4.8%
Operating grants and contributions 20.6%
Business taxes 11.5%
Capital grants and contributions 0.3%
Property taxes 31.9%

Governmental activities. Governmental activities decreased the City's total net position by approximately $222.7 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $6.11 billion, a $305.6 million or 5.3 percent increase over the prior year. For the same period, expenses totaled $5.63 billion before transfers of $647.9 million.

Property tax revenues increased by $142.8 million or 7.9 percent. This growth was due in large part to regular annual tax and escape tax collections associated with higher assessed values of secured real property and unsecured property in San Francisco and also due to increase in supplemental property tax collections for both current year and prior year supplemental assessments. An increase in other local taxes of $142.7 million or 35.7 percent was driven almost entirely by an increase in real property transfer tax due to an increase in transactions in excess of $10.0 million and the full phase in of a rate increase enacted in November 2016.

Revenues from business and sales and use taxes totaled approximately $993.7 million, a growth of $62.7 million over the prior year. Business taxes grew by $41.4 million due to an increase in the gross receipts portion of the tax and increased business registration fee levels. Sales and use tax increased by $21.3 million is primarily due to the "triple flip" unwinding in January 2016, in which 0.25 percent of the 1 percent Bradley Burns allocation was directed to property tax to pay for economic recovery bonds, with the remaining 0.75 percent being allocated to local sales tax. The entire 1 percent of Bradley Burns revenue has been allocated as sales tax in 2016-17 as opposed to half of the prior year.

Hotel room tax revenues declined by $17.3 million, or 4.5 percent, due to the closure of the Moscone Convention Center for renovations and the fact that the City hosted the Super Bowl in the prior year. Hotel room tax revenue growth is a function of changes in occupancy, Average Daily Room Rate (ADR), and room supply. Average revenue per available room, which combines the effects of occupancy and ADR, fell slightly for the first time in six years.

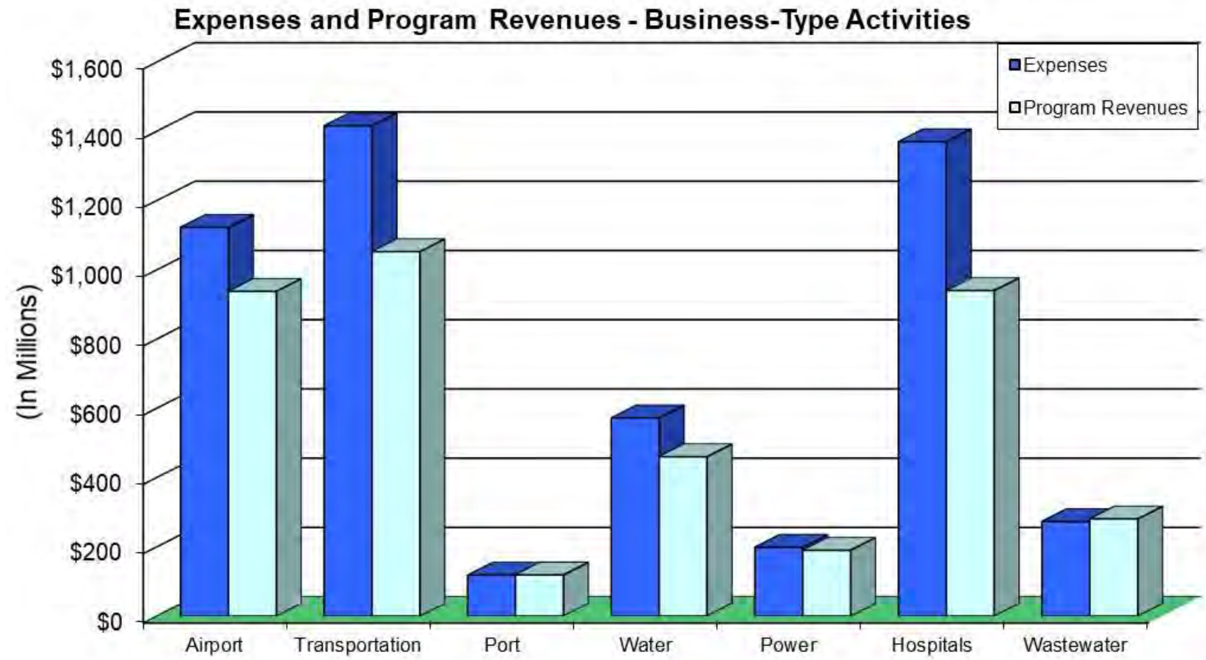
Operating grants and contributions decreased $26.6 million. This was largely due to decreases in other grants combined with a slight decrease in Federal grants offset by increases from State sources. The amount included an overall $78.1 million decrease in Public Works, Transportation, and Commerce due to a decrease in local grants for the Presidio Parkway project. This was offset primarily by a $54.8 million increase in Community Health due to additional State funding.

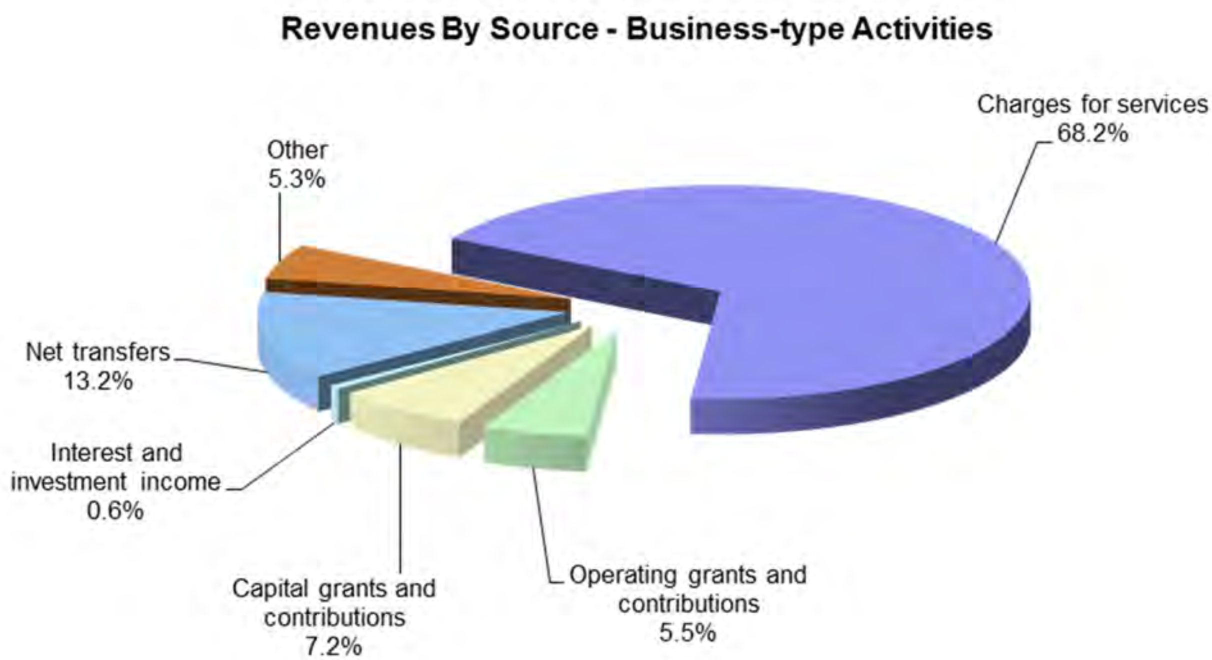
Total charges for services decreased $130.8 million, or 16.8 percent. The decrease is due to several one-time events, including $23.9 million at the Department of Public Health caused by a change in collection of administrative fees as well as higher audit reserves. There was also a decrease of $39.9 million in housing inclusionary fees owing to a large non-recurring development project in the prior year, a decrease in SOMA Stabilization impact fees of $17.5 million after a large increase in the prior year, a decrease in community impact fees of $16.4 million due to fees being reallocated to SFMTA, and a $27.3 million decrease in revenue from San Francisco Housing Authority following a large amount in the prior year. Other revenues increased by $123.7 million due mainly to the gain on the sale of property.

Interest and investment income revenue increased by $11.2 million, or 46.5 percent, due to increased interest rates as well as balances in the City's investment pool, primarily due to an increase in property tax revenues, real property transfer tax revenues, business and sales tax revenues, and other revenues.

Net transfers from the governmental activities to business-type activities were $647.9 million, a $23.2 million decrease or 3.5 percent from the prior year. This was mainly due to a decrease in operating subsidies to SFGH of $177.4 million offset by increased operating subsidies from the General Fund of $33.6 million to SFMTA and $11.0 million to LHH. In addition, the SFMTA received $28.1 million for road improvement and street safety projects, and $68.9 million in capital assets related to Sustainable Streets.

The increase of total governmental expenses of $1.22 billion, or 27.6 percent, was primarily due an increase in pension expense of $947.7 million, plus salary increases and increases in demand for the government's services in almost all functional service areas. In total, the leading increases were $469.7 million in Public Protection, $309.6 million in Human Welfare and Neighborhood Development, and $228.5 million in Culture and Recreation.





Business-type activities decreased the City's net position by $225.9 million and key factors contributing to this decrease are:

- The San Francisco International Airport had a decrease in net position at fiscal year-end of $116.9 million, compared to a $49.9 million increase in the prior year, a $166.8 million difference. Operating revenues totaled $926.8 million for fiscal year 2016-17, an increase of $59.8 million or 6.9 percent over the prior year and included increases of $49.9 million, $2.8 million, and $13.8 million in aviation, concession, parking and transportation, respectively, partially offset by a decrease of $6.7 million in net sales and services revenues, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses increased by $168.4 million, or 26.3 percent, for a net operating income of $117.9 million for the period. Net nonoperating activities saw a deficit of $201.0 million versus $144.5 million deficit in the prior year, a $56.6 million increase. The increase in both operating and nonoperating expenses is due to increases in personnel, depreciation, and other nonoperating expenses. Personnel costs increased by $123.6 million due to a significant pension costs increase, cost of living adjustments, and additional positions.

- The City's Water Enterprise, the third largest such entity in California, reported a decrease in net position of $121.4 million at the end of fiscal year 2016-17, compared to an increase of $26.2 million at the end of the previous year, a $147.6 million difference. Operating revenues totaled $460.3 million, operating expenses totaled $421.8 million, nonoperating items totaled $99.9 million, and the net decrease from transfers was $60.0 million. Compared to the prior year, operating revenues increased $40.8 million, which included $44.6 million in water and power services. Within operating expenses, the enterprise reported a total increase of $107.0 million in fiscal year 2016-17. This included an $79.0 million increase in personnel services mainly due to pensions, $20.7 million in general and administrative, and $12.2 million in depreciation expense, offset by $2.3 for general and administrative expenses mainly from reductions in judgement and claims liability based on actuarial report,

- Hetch Hetchy Water and Power ended fiscal year 2016-17 with a net position increase of $65.6 million, compared to a $25.7 million increase the prior year, a difference of $39.9 million. This change consisted of a decrease in operating income of $20.4 million, offset by an increase in nonoperating revenues of $0.9 million, and an increase of transfers from the City of $59.4 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $45.6 million increase in change in net position, Hetchy Power, which reported a $13.2 million increase in change in net position, and CleanPowerSF, which reported a $6.8 million increase in change in net position. CleanPowerSF was reported as a separate segment for the first time in fiscal year 2016-17. Hetchy Water operating revenues decreased by $3.6 million while operating expenses increased by $13.6 million. There was a $3.6 million decrease in water assessment fee revenue from the Water Enterprise. Hetchy Power's total operating revenues decreased by $5.0 million mostly due to increases in sale of power of $3.7 million from CleanPowerSF in prior year and decreased sales of $7.5 million to non-City customers, offset by increased electricity sales of $3.9 million to other City departments. On the operating expenses side, Hetchy Power reported an increase of $5.0 million due to increases of $11.3 million mainly resulting from increased pension expense, $0.7 million in increased capital projects spending, and $0.6 million in depreciation and amortization related to increased capitalizable facilities and improvement. These increases were offset by decreases of $3.1 million in purchased electricity due to higher generation from powerhouses, $2.8 million in transmission and distribution power costs, $0.7 million in legal services, $0.6 million in contractual services, $0.3 million in building and construction supplies, and $0.2 million in decreased general and administrative expenses. CleanPowerSF had $33.9 million in revenues and $27.1 million in expenses in its first year as a separate segment.

- The City's Wastewater Enterprise's net position decreased by $9.7 million, compared to a $13.9 million increase the prior year, a $23.6 million change. Operating revenues increased by $15.6 million due to a $18.4 million increase in charges for services as a result of an average 7.0 percent adopted rate increase. A $1.1 million increase of interest and investment income, and $3.8 million in other non-operating revenues mainly related to state assistance for storm water flood management projects. The increases were offset by a decrease of $3.5 million attributed to prior year's settlement from Pacific Gas and Electric and $2.7 million mainly related to decrease in capacity fees resulting from a 20.0 percent decline in permit sales and write-offs of capacity fees receivables. Operating expenses increased by $22.7 million due to increases of $55.3 million in Sewer System Improvement Program (SSIP) and repair and replacement project expenses, $36.2 million in personnel services mainly due to cost of living adjustments, health and pension costs, $4.6 in depreciation expense, and $0.7 million in services provided by other departments, which were offset by decreases of $66.5 million in other operating expenses mainly due to increased capitalization of fixed assets, $4.9 million in general and administrative expenses, $1.5 million in materials and supplies, and $1.2 million in contractual services. Additional increases include $6.2 million in interest expense, offset by $2.9 million in amortization of premium, refunding loss and issuance cost. Transfers out totaled $30.7 million mainly due to a transfer to City Real Estate Division for the Phase 1 of the Central Shops Relocation Project.

- The Port ended fiscal year 2016-17 with a net position increase of $2.1 million, compared to a $35.1 million increase in the previous year, a $33.0 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 2016-17, operating revenues increased by $13.6 million, mostly due to construction and event permit fees, developer or other one-time transaction fees, and expense recoveries realized or realizable from major development projects. Operating expenses increased $27.3 million over the prior year. This was due in part to increases of $17.2 million in personnel services, which mostly included a $14.9 million increase in pension expense; $5.8 million in contractual services, and $2.3 million in depreciation and amortization.

- The SFMTA had an increase in net position of $274.7 million for fiscal year 2016-17, compared to an increase of $478.3 million in the prior year, a $203.6 million change. SFMTA's total operating revenues were $500.0 million, while total operating expenses reached $1.41 billion. Operating revenues increased by $4.7 million compared to the prior year and is mainly due to increase in charges for services by $7.0 million, permits revenue by $2.4 million, parking fines and penalties by $5.0 million, parking fees by $1.2 million, and advertising revenue by $0.1 million. These increases were offset by decreases in taxi revenues by $1.5 million, $9.5 million in passenger fares revenue, and slight decrease in rental income by $0.3 million. Operating expenses increased by $308.5 million primarily due to personnel costs, which is attributable mainly to pension costs, salary and hiring increases. Net nonoperating revenue increased by $57.9 million mostly from federal operating grants, development fees, gain on disposal of assets, and interest and investment income, which were offset by decrease in state operating grants and amortized portion of the lease leaseback benefits. Net transfers increased by $43.9 million mainly due to a $33.7 million increase in transfers from the City's General Fund mainly for operating subsidies.

- LHH, the City's skilled nursing care hospital, had a decrease in net position of $69.5 million at the end of fiscal year 2016-17, compared to an increase of $21.6 million at the end of the previous year, a $91.1 million difference. The LHH's loss before capital contributions and transfers for the year was $132.6 million versus a loss of $22.7 million for the prior year. This change of $109.9 million was mostly due to a $30.3 million decrease in operating revenues, a $80.1 million increase in operating expenses, and a $0.3 million increase in other nonoperating revenues.

- SFGH, the City's acute care hospital, ended fiscal year 2016-17 with a decrease in net position of $250.9 million, compared to an increase of $77.6 million the prior year, a $328.5 million change. This was due to a $79.7 million decrease in net transfers from the City compared to prior year's net transfers of $108.7 million. However, SFGH incurred an operating loss of $348.2 million, which was a $258.6 million increase from the prior year. This was due to a $18.8 million decrease in operating revenues, largely related to net patient services revenues, and increases in operating expenses mostly due to $202.5 million in personal services due to pension costs, $16.0 million in contractual services, $11.6 million in materials and supplies, and $10.5 million in depreciation and amortization.

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 2016-17, the City governmental funds reported combined fund balances of $3.40 billion, an increase of $569.3 million or 20.1 percent over the prior year. Of the total fund balances, $1.17 billion is assigned and $83.1 million is unassigned. The total of $1.25 billion or 36.7 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 $1.09 billion. The remainder of the governmental fund balances includes $0.6 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.83 billion restricted for programs at various levels and $327.6 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 $1.42 billion while total fund balance reached $1.87 billion. Combined assigned and unassigned fund balances represent 40.7 percent of total expenditures, while total fund balance represents 53.8 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.16 billion, before transfers and other items of $715.6 million, resulting in total fund balance increasing by $441.5 million. Overall, the significant growth in revenues, particularly in property taxes, business taxes, sales and uses tax and real property transfer tax 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.

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.

At the end of fiscal year 2016-17, the unrestricted net position for the proprietary funds was as follows: Hetch Hetchy Water and Power: $189.4 million, Wastewater Enterprise: $48.5 million, and the Port: $66.4 million. In addition, the following funds had net deficits in unrestricted net position: Airport: $70.8 million, Water Enterprise: $43.5 million, SFMTA: $37.1 million, San Francisco General Hospital: $572.9 million, and Laguna Honda Hospital: $250.8 million.

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 decreased by approximately $225.9 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	$ 926,800	$ 808,860	$ 117,940	$ (201,019)	$ 11,212	$ (45,037)	(116,904)
Water	460,331	421,827	38,504	(99,917)	-	(59,988)	(121,401)
Hetch Hetchy	189,979	194,130	(4,151)	9,746	-	60,051	65,646
Municipal Transportation Agency	500,030	1,408,693	(908,663)	264,441	356,293	562,664	274,735
General Hospital	698,218	1,046,419	(348,201)	68,366	-	28,944	(250,891)
Wastewater Enterprise	277,341	244,220	33,121	(12,091)	-	(30,707)	(9,677)
Port	113,353	114,043	(690)	970	1,822	(32)	2,070
Laguna Honda Hospital	175,003	315,959	(140,956)	8,314	-	63,130	(69,512)
Total	$ 3,341,055	$ 4,554,151	$(1,213,096)	$ 38,810	$ 369,327	$ 579,025	$ (225,934)

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 2016-17, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled $22.67 billion, representing a $2.33 billion increase from the prior year, and 11.5 percent change. The increase is a result of strong investment returns which were slightly reduced by the net difference between contributions received by the Plan and increased benefit payments made from the Plan. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $388.8 million at year's end. This 3.1 percent, or $11.8 million, increase in the net deficit is due to decreases in developer receipts and other additions and increases in program costs. The Investment Trust Fund's net position was $862.6 million at year's end, and the 16.0 percent increase represents the excess of contributions over distribution to external participants.

General Fund Budgetary Highlights

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

During the year, actual revenues and other resources were $128.0 million higher than the final budget. The City realized $166.6 million, $69.1 million, $31.1 million, $10.2 million and $6.9 million more revenue than budgeted in real property transfer tax, property taxes, business taxes, interest and investment income, and utility users tax, respectively. These increases were partly offset by reductions of $48.1 million, $38.9 million, $23.8 million, $19.4 million, $17.7 million and $8.5 million, in sales and use tax, hotel room tax, federal grants and subventions, Medi-Cal, Medicare, and health service charges and parking tax, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $121.5 million in expenditure savings. Major factors include:

- $52.1 million in savings from the Department of Public Health from professional services of $41.2 million and $10.1 million savings in salary and fringe benefit.
- $14.7 million in savings from the Human Services Agency due largely to operating savings in salaries and benefits from delays in hiring, contract savings, reductions in aid assistance and aid payments and lower than expected caseload levels. The Department of Homelessness and Supportive Housing has a $5.7 million saving partly due to the delay of purchase and upgrade of a building for headquarters but was not completed due to changes in the intended use of the building. The Department of Children,

Youth, and Their Family also has a $1.2 million savings in work order expenditure resulting from performing departments not being able to complete all requested work within the fiscal year.

- $14.9 million savings in contracts and salary and benefits mainly in Treasurer/Tax Collector, General Services Agency, City Planning, Assessor/Recorder, and other departments in general administration and finance.
- $12.7 million savings in general city responsibilities mainly from lower than expected city grant programs and retiree health subsidy.
- $9.7 million in salary and benefit savings mainly in Juvenile Probation, Adult Probation, Police, Sheriff, and other departments in public protection.
- The remaining lower than budgeted expenditures are savings from culture and recreation and public works, transportation and commerce.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of $545.9 million at the end of fiscal year 2016-17. The City's fiscal year 2017-18 and 2018-19 Adopted Original Budget assumed an available balance of $471.5 million fully appropriated in fiscal year 2017-18 and fiscal year 2018-19 and contingency reserves of $60.0 million of unappropriated fund balance, leaving $14.4 million available for future appropriations. (See also Note to the Required Supplementary Information 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, 2017, increased by $1.25 billion, 6.0 percent, to $22.07 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 $182.3 million or 14.6 percent to this total while $1.07 billion or 85.4 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land....................................	$ 360,602	$ 334,261	$ 240,187	$ 217,441	$ 600,789	$ 551,702
Construction in progress........	624,711	456,093	4,073,686	3,120,461	4,698,397	3,576,554
Facilities and improvements...	3,262,136	3,372,183	10,473,740	10,484,335	13,735,876	13,856,518
Machinery and equipment......	209,075	201,333	1,199,365	1,112,860	1,408,440	1,314,193
Infrastructure.........................	753,919	686,365	722,116	701,029	1,476,035	1,387,394
Intangible asset.....................	97,233	75,117	52,787	59,691	150,020	134,808
Total..........................	$ 5,307,676	$ 5,125,352	$ 16,761,881	$ 15,695,817	$ 22,069,557	$ 20,821,169

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

- Under governmental activities, net capital assets increased by $182.3 million or 3.6 percent. About $195.2 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about $13.2 million in the new Glen Canyon Recreation Center and approximately $12.3 million for the San Francisco Fire Department Fire Boat. The remaining completed projects include public works, intangible assets, and traffic signal projects.

- The Water Enterprise's net capital assets increased by $155.0 million or 3.2 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Regional Groundwater Storage and Recovery, San Francisco Groundwater Supply, Recycled Water Project, Environmental Impact Project – Habitat Reserve Program, Irvington Tunnel Alternatives, and other upgrade and improvement programs. As of June 30, 2017, the SFPUC's Water Enterprise is 94.0 percent 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 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2017, 34 local projects are completed and the target completion date is September 2017. For regional projects, 39 are completed and the expected completion date is December 2019. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- SFMTA's net capital assets increased by $469.0 million or 14.9 percent mainly from construction in progress of $239.6 million for the new Central Subway Project, transit lane, and rail replacement. Equipment costs of $219.1 million were incurred during the fiscal year for the procurement of new motor bus, radio replacement, procurement of light rail vehicles, and historic street car rehabilitation. Land and building cost totaling $57.0 million was incurred in fiscal year 2017 for Islais Creek facility improvement, improvement of signals and street, escalator modernization, and upgrade of garage facilities in various locations and other facility improvement.

- LHH's net capital assets decreased by $11.0 million or 2.1 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. Laguna Honda Hospital provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. The 500,000-square foot facility received silver 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 decreased by $13.3 million or 7.2 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild. The rebuild General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds.

- The Wastewater Enterprise net capital assets reported an increase of $192.0 million or 9.3 percent mainly from new construction in progress activities. These include the Biosolids Digester Project, SEP Primary and Secondary Clarifier, Water System Improvement, Sewer System Improvement Program (SSIP), and other capital projects throughout the system. The SSIP is a $7.00 billion program that includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2017, the SSIP has 13 projects or 18.6 percent totaling $97.0 million were completed, with 39 projects in pre-construction phase, 18 projects in construction phase, and no project in close-out phase.

- Hetch Hetchy's net capital assets increased by $40.5 million or 10.0 percent to $444.7 million primarily due to additions of facilities, improvements, machinery, and equipment for Mountain Tunnel Improvement, Moccasin Facilities New Construction, San Joaquin Pipeline Rehabilitation, and facilities related to the Transbay Transit Center. 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 $237.0 million or 5.9 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 in design or under construction in fiscal year 2016-17 include the Terminal 1 (T1) Redevelopment Program which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system, in addition to the Terminal 3 (T3) Redevelopment Program which creates a unified T3 checkpoint and constructs a new secure connector and office block. Other notable ongoing projects include the on-airport hotel, a new consolidated administration campus building, a second long-term parking garage, and a new industrial waste treatment plant.

- The Port's net capital assets decreased by $3.1 million or 0.7 percent due to capitalization and depreciation of capital improvements in 2017, including the Pier 31 Roof and Structure Repair which is a $7.2 million project for new roofing and structural improvements to adequately support and protect the new roofing system at Piers 29½ and 31. Piers 29½ and 31 are a contributing resource within the San Francisco Embarcadero Historic District listed in the National Register of Historic Places. The security improvements through the installation and deployment of closed-circuit television and integrated access control/intrusion detection systems at key Port facilities continue in phases, largely based on priority and available funding.

At the end of the year, the City's business-type activities had approximately $1.38 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $279.8 million, MTA had $579.8 million, Wastewater had $229.7 million, Airport had $188.8 million, Hetch Hetchy had $72.7 million, Port had $13.7 million, Laguna Honda Hospital had $1.0 million and the General Hospital had $16.6 million. In addition, there was approximately $83.4 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 June 30, 2017, the City had total long-term and commercial paper debt outstanding of $15.50 billion. Of this amount, $2.28 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 $13.22 billion is revenue bonds, commercial papers, 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 $1.10 billion or 7.7 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was $204.3 million primarily due to the issuance of $248.3 million of general obligation bonds to finance 1) affordable housing improvements and related costs, 2) construction, seismic strengthening and betterment of critical community and mental health, emergency response and safety, and homeless shelter and service facilities. The City likewise issued $28.3 million certificates of participation to refinance commercial paper used to finance the construction and renovation of mixed used housing development in the City's Hunters View project (Hope SF). The City issued $1.35 billion and retired $1.25 billion commercial paper for the expansion of the Moscone Convention Center and executed $49.0 million revolving certificates of participation for the development of the Transbay Transit Center. The City borrowed additional $46.0 million for the San Francisco County Transportation Authority's voter approved Proposition K Expenditure Plan and entered into a capital lease agreement with Banc of America for $34.2 million to purchase and install a new emergency communication system and maintain the old system during the transition.

The net debt increase for the business-type activities was $900.3 million. The Airport issued $740.1 million revenue bonds to refinance commercial paper used to fund the redevelopment of Terminal 1, relocation of a firehouse and vehicle security checkpoint, relocation of ground transportation facilities, construction of a new administration campus, upgrades to the operating systems for the AirTrain extension, gate enhancements to accommodate larger aircrafts, and various technology upgrades to network services. The Municipal Transit Agency issued $177.8 million revenue bonds to fund various transit and parking projects and obtained $0.8 million bank loan for the renovation of Portsmouth Plaza Parking. The Water Enterprise issued $259.4 million revenue bonds to refund commercial paper used and provide $20.0 million new money for various capital projects in furtherance of the City's water system improvement program. The

Airport and the Water Enterprise issued revenue refunding bonds for $147.8 million and $893.8 million, respectively, for economic gain.

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 $212.30 billion in value as of the close of the fiscal year. As of June 30, 2017, the City had $2.28 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.03 percent of gross (1.07 percent of net) taxable assessed value of property. As of June 30, 2017, there were an additional $1.37 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.65 percent of gross (1.72 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2017 were:

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

During the fiscal year, Moody's Investors Service (Moody's), Standard & Poor's and Fitch Ratings affirmed the City's ratings of "Aa1" and "AA+", and AA+ respectively, with Stable Outlook on all the City's outstanding general obligation bonds.

The City's enterprise activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+", respectively, each with Stable Rating Outlook. The Water Enterprise carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard and Poor's respectively.

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 2017-18 and 2018-19. 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 and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2016-17 was 3.1 percent, a decrease of 0.3 percent from the average unemployment rate in fiscal year 2015-16.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2016-17 was $1.2 million, up 2.8 percent from the previous fiscal year.
- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to $73.71 in fiscal year 2016-17, a 5.1 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 870,887 in 2016 according to the U.S. Census Bureau. This represents a 1.0 percent increase versus the prior year, and cumulative growth of 102,237 or 13.3 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2017-18 and 2018-19 in July 2017, which assumes use of prior year fund balance from General Fund of $183.3 million and $288.2 million, respectively.

REQUESTS FOR INFORMATION

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

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

Individual Department Financial Statements

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

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, 13th Floor
San Francisco, CA 94102

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

Municipal Transportation Agency
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

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

Zuckerberg San Francisco
General Hospital and Trauma Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
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

Retiree Health Care Trust
c/o Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Blended Component Units Financial Statements

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

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

WWW.SFGOV.ORG

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2017

(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	$ 3,911,280	$ 2,446,138	$ 6,357,418	$ 7,225
Deposits and investments outside City Treasury	155,356	15,576	170,932	-
Receivables (net of allowance for uncollectible amounts of $252,763 for the primary government):				
Property taxes and penalties	99,951	-	99,951	-
Other local taxes	267,319	-	267,319	-
Federal and state grants and subventions	294,807	173,369	468,176	-
Charges for services	85,002	249,969	334,971	700
Interest and other	13,743	184,811	198,554	13
Due from component units	1,581	568	2,149	-
Inventories	-	98,374	98,374	-
Other assets	95,020	6,156	101,176	-
Restricted assets:				
Deposits and investments with City Treasury	-	351,472	351,472	-
Deposits and investments outside City Treasury	21,617	291,800	313,417	-
Grants and other receivables	-	22,271	22,271	-
Total current assets	4,945,676	3,840,504	8,786,180	7,938
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $1,263,252)	138,223	-	138,223	-
Advance to component units	13,149	2,627	15,776	-
Other assets	-	11,452	11,452	-
Restricted assets:				
Deposits and investments with City Treasury	-	569,877	569,877	-
Deposits and investments outside City Treasury	-	443,145	443,145	-
Grants and other receivables	-	36,029	36,029	-
Capital assets:				
Land and other assets not being depreciated	1,040,075	4,325,916	5,365,991	20,390
Facilities, infrastructure and equipment, net of depreciation	4,267,601	12,435,965	16,703,566	12
Total capital assets	5,307,676	16,761,881	22,069,557	20,402
Total noncurrent assets	5,459,048	17,825,011	23,284,059	20,402
Total assets	10,404,724	21,665,515	32,070,239	28,340
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	16,339	204,299	220,638	-
Deferred outflows on derivative instruments	-	54,870	54,870	-
Deferred outflows related to pensions	1,294,735	1,013,927	2,308,662	19
Total deferred outflows of resources	$ 1,311,074	$ 1,273,096	$ 2,584,170	$ 19

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, 2017

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 281,462	$ 194,413	$ 475,875	$ 79
Accrued payroll	104,840	80,055	184,895	-
Accrued vacation and sick leave pay	91,060	65,212	156,272	-
Accrued workers' compensation	42,621	32,875	75,496	-
Estimated claims payable	71,290	39,424	110,714	-
Bonds, loans, capital leases, and other payables	573,669	546,565	1,120,234	-
Accrued interest payable	12,240	55,187	67,427	-
Unearned grant and subvention revenues	25,894	-	25,894	-
Due to primary government	-	-	-	1,589
Internal balances	35,190	(35,190)	-	-
Unearned revenues and other liabilities	573,442	513,027	1,086,469	1,669
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	228,895	228,895	-
Accrued interest payable	-	36,062	36,062	-
Other	-	155,406	155,406	-
Total current liabilities	1,811,708	1,911,931	3,723,639	3,337
Noncurrent liabilities:				
Accrued vacation and sick leave pay	65,080	43,824	108,904	-
Accrued workers' compensation	199,202	161,053	360,255	-
Other postemployment benefits obligation	1,338,592	974,031	2,312,623	-
Estimated claims payable	131,199	55,256	186,455	-
Bonds, loans, capital leases, and other payables	2,925,168	11,224,019	14,149,187	-
Advance from primary government	-	-	-	2,627
Unearned revenues and other liabilities	1,896	117,432	119,328	-
Derivative instruments liabilities	-	65,965	65,965	-
Net pension liability	3,306,484	2,501,732	5,808,216	27
Total noncurrent liabilities	7,967,621	15,143,312	23,110,933	2,654
Total liabilities	9,779,329	17,055,243	26,834,572	5,991
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	217	297	514	-
Unamortized gain on leaseback transaction	-	4,015	4,015	-
Deferred inflows related to pensions	149,841	107,154	256,995	2
Total deferred inflows of resources	150,058	111,466	261,524	2
NET POSITION				
Net investment in capital assets, Note 10(d)	2,873,927	5,752,069	8,321,778	20,402
Restricted for:				
Reserve for rainy day	125,689	-	125,689	-
Debt service	108,179	202,262	310,441	-
Capital projects, Note 10(d)	257,634	394,634	569,948	-
Community development	434,691	-	434,691	-
Transportation Authority activities	16,189	-	16,189	-
Building inspection programs	150,109	-	150,109	-
Children and families	115,284	-	115,284	-
Culture and recreation	130,984	-	130,984	-
Grants	90,087	-	90,087	-
Other purposes	44,373	93,696	138,069	-
Total restricted	1,473,219	690,592	2,081,491	-
Unrestricted (deficit), Note 10(d)	(2,560,735)	(670,759)	(2,844,956)	1,964
Total net position	$ 1,786,411	$ 5,771,902	$ 7,558,313	$ 22,366

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, 2017
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Treasure Island Development Authority**
Primary government:								
Governmental activities:								
Public protection	$ 1,692,224	$ 83,896	$ 187,766	$ -	$ (1,420,562)	$ -	$ (1,420,562)	$ -
Public works, transportation and commerce	387,423	148,804	46,933	11,763	(179,923)	-	(179,923)	-
Human welfare and neighborhood development	1,543,047	164,755	650,585	-	(727,707)	-	(727,707)	-
Community health	868,628	68,601	365,722	-	(434,305)	-	(434,305)	-
Culture and recreation	539,516	97,614	1,522	7,730	(432,650)	-	(432,650)	-
General administration and finance	337,209	45,385	5,330	-	(286,494)	-	(286,494)	-
General City responsibilities	145,247	37,367	5,404	-	(102,476)	-	(102,476)	-
Unallocated interest on long-term debt and cost of issuance	113,264	-	-	-	(113,264)	-	(113,264)	-
Total governmental activities	5,626,558	646,422	1,263,262	19,493	(3,697,381)	-	(3,697,381)	-
Business-type activities:								
Airport	1,122,802	926,800	-	11,212	-	(184,790)	(184,790)	-
Transportation	1,468,586	500,030	196,317	340,012	-	(432,227)	(432,227)	-
Port	118,361	113,353	3,786	1,822	-	600	600	-
Water	572,509	460,331	-	-	-	(112,178)	(112,178)	-
Power	198,621	189,979	37	-	-	(8,605)	(8,605)	-
Hospitals	1,370,154	873,221	66,753	-	-	(430,180)	(430,180)	-
Sewer	273,077	277,341	3,274	-	-	7,538	7,538	-
Total business-type activities	5,124,110	3,341,055	270,167	353,046	-	(1,159,842)	(1,159,842)	-
Total primary government	$ 10,750,668	$ 3,987,477	$ 1,533,429	$ 372,539	(3,697,381)	(1,159,842)	(4,857,223)	-
Component unit:								
Treasure Island Development Authority	$ 10,485	$ 11,853	$ -	$ 14,862				$ 16,230
General Revenues								
Taxes:								
Property taxes					1,951,696	-	1,951,696	-
Business taxes					702,331	-	702,331	-
Sales and use tax					291,395	-	291,395	-
Hotel room tax					370,344	-	370,344	-
Utility users tax					101,203	-	101,203	-
Parking tax					84,278	-	84,278	-
Real property transfer tax					410,561	-	410,561	-
Other local taxes					47,728	-	47,728	-
Interest and investment income					35,240	28,547	63,787	78
Other					182,933	257,419	440,352	-
Transfers - internal activities of primary government					(647,942)	647,942	-	-
Total general revenues and transfers					3,529,767	933,908	4,463,675	78
Change in net position					(167,614)	(225,934)	(393,548)	16,308
Net position at beginning of year, as previously reported					2,009,063	5,997,836	8,006,899	6,058
Cumulative effect of accounting change					(55,038)	-	(55,038)	-
Net position at beginning of year, as restated					1,954,025	5,997,836	7,951,861	6,058
Net position at end of year					$ 1,786,411	$ 5,771,902	$ 7,558,313	$ 22,366

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, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016
Assets:						
Deposits and investments with City Treasury	$ 2,144,741	$ 1,723,488	$ 1,736,620	$ 1,556,236	$ 3,881,361	$ 3,279,724
Deposits and investments outside City Treasury	5,923	3,183	149,433	81,662	155,356	84,845
Receivables (net of allowance for uncollectible amounts of $223,508 in 2017; $191,320 in 2016):						
Property taxes and penalties	78,519	61,564	21,432	15,677	99,951	77,241
Other local taxes	248,905	260,070	18,414	18,693	267,319	278,763
Federal and state grants and subventions	198,490	197,391	96,317	105,925	294,807	303,316
Charges for services	71,476	81,303	13,431	18,616	84,907	99,919
Interest and other	8,331	5,014	4,670	10,808	13,001	15,822
Due from other funds	10,926	4,596	6,624	7,466	17,550	12,062
Due from component unit	-	920	1,581	1,517	1,581	2,437
Advance to component unit	-	-	13,149	17,496	13,149	17,496
Loans receivable (net of allowance for uncollectible amounts of $1,263,252 in 2017; $1,121,995 in 2016)	9,666	6,473	128,557	75,328	138,223	81,801
Other assets	67,598	15	27,422	6,840	95,020	6,855
Total assets	$ 2,844,575	$ 2,344,017	$ 2,217,650	$ 1,916,264	$ 5,062,225	$ 4,260,281
Liabilities:						
Accounts payable	$ 154,195	$ 229,248	$ 123,620	$ 124,473	$ 277,815	$ 353,721
Accrued payroll	84,637	74,020	17,961	15,242	102,598	89,262
Unearned grant and subvention revenues	8,146	6,099	17,748	18,151	25,894	24,250
Due to other funds	560	1,599	50,393	32,097	50,953	33,696
Unearned revenues and other liabilities	520,366	439,522	53,042	55,274	573,408	494,796
Bonds, loans, capital leases, and other payables	-	-	255,939	102,778	255,939	102,778
Total liabilities	767,904	750,488	518,703	348,015	1,286,607	1,098,503
Deferred inflows of resources	205,968	164,367	164,877	161,937	370,845	326,304
Fund balances:						
Nonspendable	525	522	82	82	607	604
Restricted	125,689	120,106	1,701,020	1,443,956	1,826,709	1,564,062
Committed	327,607	187,170	-	-	327,607	187,170
Assigned	1,088,288	879,567	78,413	66,085	1,166,701	945,652
Unassigned	328,594	241,797	(245,445)	(103,811)	83,149	137,986
Total fund balances	1,870,703	1,429,162	1,534,070	1,406,312	3,404,773	2,835,474
Total liabilities, deferred inflows of resources and fund balances	$ 2,844,575	$ 2,344,017	$ 2,217,650	$ 1,916,264	$ 5,062,225	$ 4,260,281

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, 2017

(In Thousands)

Fund balances – total governmental funds	$ 3,404,773
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.	5,296,075
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,969,646)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	370,845
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,016)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	15,110
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.	(2,120,840)
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.	(198,890)
Net position of governmental activities	$ 1,786,411

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016
Revenues:						
Property taxes	$ 1,478,671	$ 1,393,574	$ 459,023	$ 405,202	$ 1,937,694	$ 1,798,776
Business taxes	700,536	659,086	1,795	1,840	702,331	660,926
Sales and use tax	189,473	167,915	102,237	99,528	291,710	267,443
Hotel room tax	370,344	387,661	-	-	370,344	387,661
Utility users tax	101,203	98,651	-	-	101,203	98,651
Parking tax	84,278	86,012	-	-	84,278	86,012
Real property transfer tax	410,561	269,090	-	-	410,561	269,090
Other local taxes	47,728	44,780	-	-	47,728	44,780
Licenses, permits and franchises	29,336	27,909	15,061	15,813	44,397	43,722
Fines, forfeitures, and penalties	2,734	8,985	28,064	27,184	30,798	36,169
Interest and investment income	14,439	9,613	20,650	14,318	35,089	23,931
Rents and concessions	15,352	46,553	85,192	89,312	100,544	135,865
Intergovernmental:						
Federal	225,112	231,098	186,257	185,725	411,369	416,823
State	704,286	667,450	118,726	109,416	823,012	776,866
Other	3,178	2,272	10,636	83,600	13,814	85,872
Charges for services	220,877	233,976	157,560	158,689	378,437	392,665
Other	38,679	22,291	149,632	242,431	188,311	264,722
Total revenues	4,636,787	4,356,916	1,334,833	1,433,058	5,971,620	5,789,974
Expenditures:						
Current:						
Public protection	1,257,948	1,204,666	65,629	64,334	1,323,577	1,269,000
Public works, transportation and commerce	166,285	136,762	166,408	279,390	332,693	416,152
Human welfare and neighborhood development	956,478	853,924	467,947	398,664	1,424,425	1,252,588
Community health	600,067	666,138	112,428	110,474	712,495	776,612
Culture and recreation	139,368	124,515	250,670	240,394	390,038	364,909
General administration and finance	238,064	223,844	65,049	53,885	303,113	277,729
General City responsibilities	121,444	114,663	3	21	121,447	114,684
Debt service:						
Principal retirement	-	-	283,356	252,456	283,356	252,456
Interest and other fiscal charges	-	-	125,091	119,723	125,091	119,723
Bond issuance costs	-	-	2,695	7,108	2,695	7,108
Capital outlay	-	-	297,089	223,904	297,089	223,904
Total expenditures	3,479,654	3,324,512	1,836,365	1,750,353	5,316,019	5,074,865
Excess (deficiency) of revenues over (under) expenditures	1,157,133	1,032,404	(501,532)	(317,295)	655,601	715,109
Other financing sources (uses):						
Transfers in	140,272	209,494	500,851	371,243	641,123	580,737
Transfers out	(857,629)	(962,343)	(364,534)	(289,457)	(1,222,163)	(1,251,800)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	276,570	595,925	276,570	595,925
Face value of loans issued	-	-	46,000	-	46,000	-
Premium on issuance of bonds	-	-	12,432	32,845	12,432	32,845
Payment to refunded bond escrow agent	-	-	-	(131,935)	-	(131,935)
Proceeds from sale of capital assets	-	-	122,000	-	122,000	-
Other financing sources - capital leases	1,765	4,411	35,971	1,239	37,736	5,650
Total other financing sources (uses)	(715,592)	(748,438)	629,290	579,860	(86,302)	(168,578)
Net changes in fund balances	441,541	283,966	127,758	262,565	569,299	546,531
Fund balances at beginning of year	1,429,162	1,145,196	1,406,312	1,143,747	2,835,474	2,288,943
Fund balances at end of year	$ 1,870,703	$ 1,429,162	$ 1,534,070	$ 1,406,312	$ 3,404,773	$ 2,835,474

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, 2017
(In Thousands)

Net changes in fund balances - total governmental funds	$569,299
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.	181,708
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.	(1,632,027)
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds.	14,002
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	23,050
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.	7,615
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.	746,638
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.	(73,398)
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.	(12,432)
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.	19,186
The activities of internal service funds are reported with governmental activities.	(11,255)
Change in net position of governmental activities	$ (167,614)

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

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds
June 30, 2017
(With comparative financial information as of June 30, 2016)
(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	2017	2016	2017	2016
ASSETS												
Current Assets:												
Deposits and investments with City Treasury	$ 375,593	$ 319,162	$ 264,026	$ 921,116	$ 224,663	$ 195,559	$ 146,019	$ -	$ 2,446,138	$ 2,370,166	$ 29,919	$ 35,264
Deposits and investments outside City Treasury	5,864	34	10	9,651	10	-	5	2	15,576	16,494	-	-
Receivables (net of allowance for uncollectible amounts of $29,255 and $29,495 in 2017 and 2016, respectively):												
Federal and state grants and subventions	-	150	244	131,365	53	2,251	1,192	38,114	173,369	225,984	-	-
Charges for services	53,085	54,425	13,716	4,516	68,805	28,874	4,737	21,811	249,969	232,251	95	53
Interest and other	2,085	1,682	261	9,732	164,590	255	6,074	132	184,811	199,453	742	633
Lease receivable	-	-	-	-	-	-	-	-	-	-	11,233	14,409
Due from other funds	-	362	8,521	31,742	2	137	-	-	40,764	27,133	-	-
Due from component unit	-	270	275	-	-	23	-	-	568	594	-	-
Inventories	58	7,436	401	77,120	8,500	2,046	1,592	1,221	98,374	102,000	-	-
Other assets	4,245	-	821	720	-	147	223	-	6,156	3,163	-	-
Restricted assets:												
Deposits and investments with City Treasury	273,106	-	-	-	-	-	34,748	43,618	351,472	250,115	-	-
Deposits and investments outside City Treasury	142,557	107,188	3,783	-	-	28,128	10,144	-	291,800	312,380	21,617	25,349
Grants and other receivables	22,271	-	-	-	-	-	-	-	22,271	21,138	-	-
Total current assets	878,864	490,709	292,058	1,185,962	466,623	257,420	204,734	104,898	3,881,268	3,760,871	63,606	75,708
Noncurrent assets:												
Other assets	285	4,290	1,001	-	-	2,108	3,768	-	11,452	12,660	-	-
Capital leases receivable	-	-	-	-	-	-	-	-	-	-	167,710	179,041
Advance to component unit	-	-	2,627	-	-	-	-	-	2,627	2,827	-	-
Restricted assets:												
Deposits and investments with City Treasury	315,746	100,701	40,152	88,511	-	24,767	-	-	569,877	697,292	-	-
Deposits and investments outside City Treasury	409,355	-	-	20,532	401	-	-	12,857	443,145	423,364	-	-
Grants and other receivables	924	4,100	268	1,327	-	1,149	-	28,261	36,029	24,114	-	-
Capital assets:												
Land and other assets not being depreciated	549,224	1,223,296	103,502	1,701,553	41,264	586,962	119,237	878	4,325,916	3,349,945	-	-
Facilities, infrastructure, and equipment, net of depreciation	3,733,405	3,830,168	341,219	1,915,351	130,738	1,664,738	308,505	511,841	12,435,965	12,345,872	11,601	10,985
Total capital assets	4,282,629	5,053,464	444,721	3,616,904	172,002	2,251,700	427,742	512,719	16,761,881	15,695,817	11,601	10,985
Total noncurrent assets	5,008,939	5,162,555	488,769	3,727,274	172,403	2,279,724	431,510	553,837	17,825,011	16,856,074	179,311	190,026
Total assets	5,887,803	5,653,264	780,827	4,913,236	639,026	2,537,144	636,244	658,735	21,706,279	20,616,945	242,917	265,734
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt	76,789	126,805	-	-	-	705	-	-	204,299	105,229	1,012	1,091
Deferred outflows on derivative instruments	54,870	-	-	-	-	-	-	-	54,870	83,614	-	-
Deferred outflows related to pensions	145,743	105,357	28,132	340,916	227,598	48,192	20,916	97,073	1,013,927	301,184	25,906	7,475
Total deferred outflows of resources	277,402	232,162	28,132	340,916	227,598	48,897	20,916	97,073	1,273,096	490,027	26,918	8,566

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, 2017

(With comparative financial information as of June 30, 2016)

(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	2017	2016	2017	2016
LIABILITIES												
Current liabilities:												
Accounts payable	$ 54,064	$ 7,268	$ 10,817	$ 98,059	$ 12,747	$ 5,517	$ 4,746	$ 1,195	$ 194,413	$ 270,548	$ 3,647	$ 7,459
Accrued payroll	10,477	6,483	2,368	27,981	19,349	4,594	1,612	7,191	80,055	71,008	2,242	1,862
Accrued vacation and sick leave pay	9,845	6,166	2,154	22,689	13,837	3,429	1,285	5,807	65,212	64,822	1,853	1,804
Accrued workers' compensation	1,520	1,612	548	21,076	4,200	1,031	461	2,427	32,875	31,867	331	342
Estimated claims payable	777	3,616	991	28,475	-	4,790	775	-	39,424	52,808	-	-
Due to other funds	-	7	387	3,480	350	1,250	100	-	5,574	5,138	1,787	361
Unearned revenues and other liabilities	54,853	25,255	3,249	67,629	314,997	4,037	13,379	29,628	513,027	621,224	15,815	21,049
Accrued interest payable	-	36,615	533	3,324	89	11,495	1,580	1,551	55,187	52,885	1,224	1,315
Bonds, loans, capital leases, and other payables	152,685	196,306	22,826	12,382	21,290	132,069	2,567	6,440	546,565	574,729	10,880	14,025
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables	228,895	-	-	-	-	-	-	-	228,895	373,378	-	-
Accrued interest payable	36,062	-	-	-	-	-	-	-	36,062	31,475	-	-
Other	91,578	31,580	6,995	1,102	-	23,477	-	674	155,406	173,084	-	-
Total current liabilities	640,756	314,908	50,868	286,197	386,859	191,689	26,505	54,913	1,952,695	2,322,966	37,779	48,217
Noncurrent liabilities:												
Accrued vacation and sick leave pay	7,172	4,845	1,469	13,841	9,762	2,520	882	3,333	43,824	43,791	1,363	1,298
Accrued workers' compensation	5,816	7,477	2,421	100,297	24,462	4,549	2,445	13,586	161,053	157,736	1,469	1,522
Other postemployment benefits obligation	138,168	121,330	28,222	262,317	258,157	51,670	23,864	90,303	974,031	878,590	26,393	23,518
Estimated claims payable	78	7,122	1,447	36,900	-	9,359	350	-	55,256	64,260	-	-
Unearned revenue and other liabilities	-	37,725	3,817	-	-	2,711	73,179	-	117,432	94,414	-	-
Bonds, loans, capital leases, and other payables	4,882,080	4,619,661	70,070	377,402	14,184	1,053,280	86,377	120,965	11,224,019	10,151,025	171,903	183,192
Derivative instruments liabilities	65,965	-	-	-	-	-	-	-	65,965	96,132	-	-
Net pension liability	359,599	259,956	69,412	841,164	561,571	118,907	51,608	239,515	2,501,732	976,938	63,919	24,166
Total noncurrent liabilities	5,458,878	5,058,116	176,858	1,631,921	868,136	1,242,996	238,705	467,702	15,143,312	12,462,886	265,047	233,696
Total liabilities	6,099,634	5,373,024	227,726	1,918,118	1,254,995	1,434,685	265,210	522,615	17,096,007	14,785,852	302,826	281,913
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt	-	-	-	297	-	-	-	-	297	337	-	-
Unamortized gain on leaseback transaction	-	-	-	4,015	-	-	-	-	4,015	4,349	-	-
Deferred inflows related to pensions	15,402	11,135	2,973	36,030	24,053	5,093	2,210	10,258	107,154	318,598	2,737	7,829
Total deferred inflows of resources	15,402	11,135	2,973	40,342	24,053	5,093	2,210	10,258	111,466	323,284	2,737	7,829
NET POSITION												
Net investment in capital assets	(284,761)	495,868	388,412	3,223,499	136,887	1,095,165	298,928	398,071	5,752,069	5,690,741	11,601	10,985
Restricted:												
Debt service	109,554	10,989	485	18,401	-	977	-	61,856	202,262	127,073	-	-
Capital projects	296,188	37,904	-	-	23,575	1,653	24,365	10,949	394,634	340,896	-	-
Other purposes	-	-	-	90,867	-	-	-	2,829	93,696	70,505	-	-
Unrestricted (deficit)	(70,812)	(43,494)	189,363	(37,075)	(572,886)	48,468	66,447	(250,770)	(670,759)	(231,379)	(47,329)	(26,427)
Total net position	$ 50,169	$ 501,267	$ 578,260	$ 3,295,692	$(412,424)	$ 1,146,263	$ 389,740	$ 222,935	$ 5,771,902	$ 5,997,836	$ (35,728)	$ (15,442)

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

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	Business-Type Activities - Enterprise 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 2017	Total 2016	Governmental Activities - Internal Service Funds 2017	Governmental Activities - Internal Service Funds 2016
Operating revenues:												
Aviation	$ 545,310	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 545,310	$ 495,439	$ -	$ -
Water and power service	-	438,207	189,664	-	-	-	-	-	627,871	558,056	-	-
Passenger fees	-	-	-	195,886	-	-	-	-	195,886	205,374	-	-
Net patient service revenue	-	-	-	-	690,122	-	-	173,437	863,559	913,296	-	-
Sewer service	-	-	-	-	-	267,601	-	-	267,601	249,203	-	-
Rents and concessions	149,697	8,813	315	7,436	2,578	606	75,530	-	244,975	244,937	176	176
Parking and transportation	150,548	-	-	227,624	-	-	21,900	-	400,072	379,320	-	-
Other charges for services	-	-	-	29,055	-	-	-	-	29,055	22,054	145,284	136,820
Other revenues	81,245	13,311	-	40,029	5,518	9,134	15,923	1,566	166,726	162,688	-	-
Total operating revenues	926,800	460,331	189,979	500,030	698,218	277,341	113,353	175,003	3,341,055	3,230,367	145,460	136,996
Operating expenses:												
Personal services	364,831	182,034	68,172	988,541	663,367	115,288	47,998	261,122	2,691,353	1,818,791	78,176	49,472
Contractual services	73,918	10,664	7,074	136,335	218,710	13,825	11,660	10,816	483,002	446,008	59,146	51,813
Light, heat and power	23,093	-	43,407	-	-	-	2,833	-	69,333	51,863	-	-
Materials and supplies	16,152	12,564	2,672	74,467	87,843	8,736	1,853	19,970	224,257	221,696	14,508	19,513
Depreciation and amortization	265,841	118,826	17,730	146,595	27,769	55,441	24,191	13,145	669,538	590,595	3,294	2,798
General and administrative	4,360	38,566	45,663	18,360	520	14,098	4,345	-	125,912	139,808	408	540
Services provided by other departments	21,594	59,173	9,412	67,147	48,009	36,832	18,977	10,906	272,050	266,115	9,590	5,886
Other	39,071	-	-	(22,752)	201	-	2,186	-	18,706	19,993	3,184	5,780
Total operating expenses	808,860	421,827	194,130	1,408,693	1,046,419	244,220	114,043	315,959	4,554,151	3,554,869	168,306	135,802
Operating income (loss)	117,940	38,504	(4,151)	(908,663)	(348,201)	33,121	(690)	(140,956)	(1,213,096)	(324,502)	(22,846)	1,194
Nonoperating revenues (expenses):												
Operating grants:												
Federal	-	-	37	64,955	-	3,274	3,786	1	72,053	12,716	-	-
State / other	-	-	-	131,362	66,752	-	-	-	198,114	186,907	-	41
Interest and investment income	7,892	4,331	1,853	7,171	2,986	2,327	1,502	485	28,547	28,566	4,470	4,263
Interest expense	(210,415)	(148,075)	(3,270)	(7,257)	(1,372)	(28,474)	(4,262)	(6,404)	(409,529)	(406,386)	(4,664)	(4,589)
Other nonoperating revenues	105,031	46,434	12,347	68,210	-	11,165	-	14,232	257,419	240,636	739	833
Other nonoperating expenses	(103,527)	(2,607)	(1,221)	-	-	(383)	(56)	-	(107,794)	(55,868)	-	-
Total nonoperating revenues (expenses)	(201,019)	(99,917)	9,746	264,441	68,366	(12,091)	970	8,314	38,810	6,571	545	548
Income (loss) before capital contributions and transfers	(83,079)	(61,413)	5,595	(644,222)	(279,835)	21,030	280	(132,642)	(1,174,286)	(317,931)	(22,301)	1,742
Capital contributions	11,212	-	-	356,293	-	-	1,822	-	369,327	374,924	-	-
Transfers in	-	128	60,100	563,660	62,710	40	-	65,286	751,924	875,309	2,153	5
Transfers out	(45,037)	(60,116)	(49)	(996)	(33,766)	(30,747)	(32)	(2,156)	(172,899)	(204,136)	(138)	(115)
Change in net position	(116,904)	(121,401)	65,646	274,735	(250,891)	(9,677)	2,070	(69,512)	(225,934)	728,166	(20,286)	1,632
Net position (deficit) at beginning of year	167,073	622,668	512,614	3,020,957	(161,533)	1,155,940	387,670	292,447	5,997,836	5,269,670	(15,442)	(17,074)
Net position (deficit) at end of year	$ 50,169	$ 501,267	$ 578,260	$ 3,295,692	$ (412,424)	$ 1,146,263	$389,740	$222,935	$ 5,771,902	$ 5,997,836	$ (35,728)	$ (15,442)

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

Year Ended June 30, 2017
(With comparative financial information as of June 30, 2016)
(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	2017	2016	2017	2016
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 931,127	$ 464,244	$ 192,733	$ 550,327	$ 684,277	$ 277,219	$ 28,635	$ 217,295	$ 3,345,857	$ 3,123,395	$ 163,461	$159,994
Cash received from tenants for rent	-	11,945	308	7,617	2,578	606	74,154	-	97,208	98,059	-	-
Cash paid for employees' services	(268,646)	(114,537)	(47,242)	(734,057)	(503,665)	(82,623)	(34,529)	(193,400)	(1,978,699)	(1,892,180)	(58,641)	(51,530)
Cash paid to suppliers for goods and services	(204,038)	(133,655)	(109,690)	(334,336)	(378,391)	(75,478)	(39,626)	(42,027)	(1,317,241)	(1,205,195)	(93,370)	(91,029)
Cash paid for judgments and claims	-	(4,598)	(3,195)	(15,443)	-	(2,313)	-	-	(25,549)	(28,083)	-	-
Net cash provided by (used in) operating activities	458,443	223,399	32,914	(525,892)	(195,201)	117,411	28,634	(18,132)	121,576	95,996	11,450	17,435
Cash flows from noncapital financing activities:												
Operating grants	-	1,496	2,794	191,789	66,699	2,055	2,624	2	267,459	199,884	-	41
Transfers in	-	128	60,100	466,279	62,710	40	-	62,844	652,101	789,310	2,153	5
Transfers out	(45,037)	(60,116)	(49)	(996)	(33,766)	(30,747)	(32)	(2,156)	(172,899)	(204,136)	(138)	(115)
Other noncapital financing sources	1,076	6,867	12,188	53,390	-	1,325	1,000	-	75,846	63,416	-	-
Other noncapital financing uses	(81,908)	(2,607)	(1,546)	-	(163)	(383)	-	-	(86,607)	(43,068)	-	-
Net cash provided by (used in) noncapital financing activities	(125,869)	(54,232)	73,487	710,462	95,480	(27,710)	3,592	60,690	735,900	805,406	2,015	(69)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	10,011	-	-	286,666	-	-	644	113	297,434	305,342	-	-
Transfers in	-	-	-	97,147	-	-	-	2,442	99,589	85,999	-	-
Bond sale proceeds and loans received	437,465	1,191,788	-	192,930	-	-	-	-	1,822,183	365,744	-	-
Proceeds from sale/transfer of capital assets	-	6,407	47	243	-	37	2	-	6,736	688	-	-
Proceeds from commercial paper borrowings	179,000	145,736	20,058	-	21,399	111,411	-	-	477,604	413,911	-	-
Proceeds from passenger facility charges	97,287	-	-	-	-	-	-	-	97,287	98,432	-	-
Acquisition of capital assets	(506,508)	(243,231)	(55,164)	(634,908)	(14,449)	(238,625)	(17,123)	(2,575)	(1,712,583)	(1,402,545)	(3,910)	(4,211)
Retirement of capital leases, bonds and loans	(208,125)	(1,210,307)	(2,298)	(7,672)	(31,836)	(82,482)	(2,521)	(6,148)	(1,551,389)	(369,699)	(14,025)	(18,795)
Bond issue costs paid	-	(996)	-	(1,936)	-	(97)	-	-	(3,029)	(1,796)	-	-
Interest paid on debt	(233,585)	(200,025)	(3,460)	(6,339)	(1,380)	(45,252)	(4,688)	(6,612)	(501,341)	(502,804)	(4,753)	(4,698)
Federal interest income subsidy from Build America Bonds	-	24,158	532	-	-	3,998	-	-	28,688	28,895	-	-
Other capital financing sources	-	-	-	15,600	-	-	550	-	16,150	17,450	-	-
Other capital financing uses	-	-	-	-	-	-	(3,098)	-	(3,098)	(951)	-	-
Net cash provided by (used in) capital and related financing activities	(224,455)	(286,470)	(40,285)	(58,269)	(26,266)	(251,010)	(26,234)	(12,780)	(925,769)	(961,334)	(22,688)	(27,704)
Cash flows from investing activities:												
Purchases of investments with trustees	(689,700)	(520,024)	(3,056)	-	-	(92,976)	-	-	(1,305,756)	(1,028,954)	-	-
Proceeds from sale of investments with trustees	664,457	454,457	3,051	-	-	84,957	-	-	1,206,922	1,125,680	-	4,672
Interest and investment income	15,235	4,442	1,946	6,954	2,986	2,578	1,436	548	36,125	32,384	148	137
Other investing activities	-	-	-	-	-	-	-	-	-	-	(2)	(5)
Net cash provided by (used in) investing activities	(10,008)	(61,125)	1,941	6,954	2,986	(5,441)	1,436	548	(62,709)	129,110	146	4,804
Net increase (decrease) in cash and cash equivalents	98,111	(178,428)	68,057	133,255	(123,001)	(166,750)	7,428	30,326	(131,002)	69,178	(9,077)	(5,534)
Cash and cash equivalents-beginning of year	873,741	640,129	237,464	906,555	348,075	407,281	183,223	26,151	3,622,619	3,553,441	60,613	66,147
Cash and cash equivalents-end of year	$ 971,852	$ 461,701	$ 305,521	$ 1,039,810	$ 225,074	$ 240,531	$ 190,651	$ 56,477	$ 3,491,617	$ 3,622,619	$ 51,536	$ 60,613

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, 2017

(With comparative financial information as of June 30, 2016)

(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	2017	2016	2017	2016
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	$ 117,940	$ 38,504	$ (4,151)	$ (908,663)	$ (348,201)	$ 33,121	$ (690)	$(140,956)	$ (1,213,096)	$ (324,502)	$ (22,846)	$ 1,194
Adjustments for non-cash and other activities:												
Depreciation and amortization	265,841	118,826	17,730	146,595	27,769	55,441	24,191	13,145	669,538	590,791	3,294	2,798
Provision for uncollectibles	593	101	50	(26)	-	597	188	-	1,503	555	-	-
Write-off of capital assets	-	2,448	1,482	-	-	1,960	-	-	5,890	4,791	-	-
Other	1,912	-	-	-	-	-	-	-	1,912	980	409	397
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net	(5,827)	(7,171)	181	(53)	13,554	(1,787)	(5,653)	8,331	1,575	(136,645)	12,609	18,888
Due from other funds	-	(186)	1,130	-	55	(132)	-	33,181	34,048	19,091	-	-
Inventories	(20)	(90)	75	2,893	1,506	133	(129)	(168)	4,200	(7,810)	-	-
Other assets	(2,438)	-	(352)	60	-	-	(2,213)	-	(4,943)	(1,687)	-	-
Accounts payable	(3,041)	(9,051)	(5,224)	(16,712)	(24,614)	(2,725)	1,085	(166)	(60,448)	(8,149)	(3,803)	(843)
Accrued payroll	898	758	179	3,418	2,077	613	328	498	8,769	13,977	380	506
Accrued vacation and sick leave pay	(22)	555	(184)	1,724	(917)	(596)	(24)	(113)	423	3,952	114	208
Accrued workers' compensation	679	275	5	3,733	(1,244)	(78)	179	776	4,325	17,713	(64)	(79)
Other postemployment benefits obligation	13,816	9,784	3,053	26,325	26,752	5,617	2,220	7,874	95,441	63,982	2,875	1,651
Estimated claims payable	-	(6,162)	577	(13,847)	-	(2,484)	150	-	(21,766)	12,193	-	-
Due to other funds	-	(779)	(363)	976	-	84	-	-	(82)	265	(24)	(52)
Unearned revenue and other liabilities	(12,703)	21,759	1,701	7,305	(24,972)	1,728	(1,919)	780	(6,321)	22,630	2,276	(2,889)
Net pension liability and pension related deferred outflows and inflows of resources	80,815	53,828	17,025	220,380	133,034	25,919	10,921	58,686	600,608	(176,131)	16,230	(4,344)
Total adjustments	340,503	184,895	37,065	382,771	153,000	84,290	29,324	122,824	1,334,672	420,498	34,296	16,241
Net cash provided by (used in) operating activities	$ 458,443	$ 223,399	$ 32,914	$ (525,892)	$ (195,201)	$ 117,411	$ 28,634	$ (18,132)	$ 121,576	$ 95,996	$ 11,450	$ 17,435
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted	$ 375,593	$ 319,162	$ 264,026	$ 921,116	$ 224,663	$ 195,559	$ 146,019	$ -	$ 2,446,138	$ 2,370,166	$ 29,919	$ 35,264
Restricted	588,852	100,701	40,152	88,511	-	24,767	34,748	43,618	921,349	947,407	-	-
Deposits and investments outside City Treasury:												
Unrestricted	5,864	34	10	9,651	10	-	5	2	15,576	16,494	-	-
Restricted	551,912	107,188	3,783	20,532	401	28,128	10,144	12,857	734,945	735,744	21,617	25,349
Total deposits and investments	1,522,221	527,085	307,971	1,039,810	225,074	248,454	190,916	56,477	4,118,008	4,069,811	51,536	60,613
Less: Investments outside City Treasury not meeting the definition of cash equivalents	(550,369)	(65,384)	(2,450)	-	-	(7,923)	(265)	-	(626,391)	(447,192)	-	-
Cash and cash equivalents at end of year on statement of cash flows	$ 971,852	$ 461,701	$ 305,521	$ 1,039,810	$ 225,074	$ 240,531	$ 190,651	$ 56,477	$ 3,491,617	$ 3,622,619	$ 51,536	$ 60,613
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease	$ 91,578	$ 31,580	$ 6,995	$ -	$ 743	$ 23,477	$ 1,908	$ 431	$ 156,712	$ 170,288	$ 1,997	$ 361
Tenant improvements financed by rent credits	-	-	-	-	-	-	613	-	613	241	-	-
Net capitalized interest	8,772	49,013	259	3,334	-	18,607	326	-	80,311	88,225	-	-
Donated inventory	-	-	-	-	1,910	-	-	-	1,910	2,844	-	-
Capital contributions and other noncash capital items	-	-	-	234	-	-	515	-	749	624	-	-
Bond refunding through fiscal agent	184,536	-	-	-	-	-	-	-	184,536	282,453	-	-
Bond proceeds held by fiscal agent	434,287	-	-	-	-	-	-	-	434,287	-	-	-
Commercial paper repaid through fiscal agent	343,050	-	-	-	-	-	-	-	343,050	-	-	-
Interfund loan	-	7	-	-	-	1,250	-	-	1,257	2,057	-	-

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, 2017
(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	$ 50,782	$ 864,035	$ 239,516	$ 187,821
Deposits and investments outside City Treasury:				
Cash and deposits	65,697	-	5,897	3,233
Short-term investments	347,744	-	-	-
Debt securities	4,494,029	-	-	-
Equity securities	10,693,290	-	-	-
Real assets	2,975,974	-	-	-
Private equity and other alternative investments	3,979,516	-	-	-
Foreign currency contracts, net	164	-	-	-
Invested in securities lending collateral	201	-	-	-
Receivables:				
Employer and employee contributions	34,653	-	-	51,565
Brokers, general partners and others	145,795	-	-	-
Federal and state grants and subventions	-	-	404	-
Interest and other	34,108	1,081	11,758	281,227
Loans (net of allowance for uncollectible amounts)	-	-	1,724	-
Other assets	45,402	-	1,623	45,538
Restricted asset:				
Deposits and investments outside City Treasury	-	-	348,529	-
Capital assets:				
Land and other assets not being depreciated	-	-	44,988	-
Facilities, infrastructure and equipment, net of depreciation	-	-	107,474	-
Total assets	22,867,355	865,116	761,913	569,384
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	-	3,883	-
Unamortized loss on refunding of debt	-	-	30,965	-
Total deferred outflows of resources	-	-	34,848	-
LIABILITIES				
Accounts payable	19,128	2,500	18,321	69,785
Estimated claims payable	27,755	-	-	-
Due to the primary government	-	-	560	-
Agency obligations	-	-	-	499,599
Accrued interest payable	-	-	18,451	-
Payable to brokers	147,095	-	-	-
Deferred Retirement Option Program	313	-	-	-
Payable to borrowers of securities	106	-	-	-
Other liabilities	2,656	-	1,225	-
Advance from primary government	-	-	13,149	-
Long-term obligations	-	-	1,104,148	-
Net pension liability	-	-	23,281	-
Total liabilities	197,053	2,500	1,179,135	569,384
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	-	6,475	-
NET POSITION				
Restricted for pension and other employee benefits	22,670,302	-	-	-
Held for external pool participants	-	862,616	-	-
Held for Redevelopment Agency dissolution	-	-	(388,849)	-
Total net position	$ 22,670,302	$ 862,616	$ (388,849)	$ -

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, 2017
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues	$ -	$ -	$ 129,233
Charges for services	-	-	46,467
Contributions:			
Employee contributions	481,785	-	-
Employer contributions	1,461,184	-	-
Contributions to pooled investments	-	3,162,248	-
Total contributions	1,942,969	3,162,248	175,700
Investment income:			
Interest	176,412	5,374	2,286
Dividends	209,951	-	-
Net appreciation in fair value of investments	2,358,432	-	-
Securities lending income	9,004	-	-
Total investment income	2,753,799	5,374	2,286
Less investment expenses:			
Securities lending borrower rebates and expenses	(3,489)	-	-
Other investment expenses	(47,597)	-	-
Total investment expenses	(51,086)	-	-
Other additions	-	-	11,918
Total additions, net	4,645,682	3,167,622	189,904
Deductions:			
Neighborhood development	-	-	130,840
Depreciation	-	-	4,949
Interest on debt	-	-	52,947
Benefit payments	2,281,518	-	-
Refunds of contributions	13,507	-	-
Distribution from pooled investments	-	3,048,901	-
Administrative expenses	18,243	-	12,975
Total deductions	2,313,268	3,048,901	201,711
Change in net position	2,332,414	118,721	(11,807)
Net position at beginning of year	20,337,888	743,895	(377,042)
Net position at end of year	$ 22,670,302	$ 862,616	$ (388,849)

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

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose 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 $20.0 million (plus 5.0% 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 94103.

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.

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, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(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 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, 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 (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- 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, 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 $240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***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.
- The ***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.
- The ***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
- 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 other postemployment benefit contributions from the City and the San Francisco Community College District, together with 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.

(c) 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 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 and of the Retiree Health Care Trust Fund are held by trustees.

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, 2017, involuntary participants accounted for approximately 96.4% of the pool. Voluntary participants accounted for 3.6% 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, 2017, $862.6 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 10.0%. Internal participants accounted for 90.0% of the pool.

Investment Valuation

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

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 real estate investments are based on Net Asset Values (NAV) provided by the investment managers. Private equity investments represent interest in limited partnerships. The fair values of private equity investments are also based on net asset values provided by the general partners. For investments that are not traded on national or international exchanges with closing market prices available data is obtained to corroborate pricing.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to Equity, Credit, Macro, Emerging Markets, Quantitative, Multi-Strategy, Special Situations, and Commodities. These investments are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

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 102.0% and international securities for collateral of 105.0%. 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, 2017, was 31 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, 2017, the weighted average maturity of the reinvested cash collateral account was 1 day. 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.

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* and GASB Statement No. 72 – *Fair Value Measurement and Application*. 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, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

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 and bankers' acceptances) 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. 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.

(d) 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, 2017, it was determined that $1,263.3 million of the $1,401.5 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.

(e) 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.

(f) 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.

(g) 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 proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

(h) Accrued Vacation and Sick Leave Pay

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

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

(i) 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.

(j) Fund Equity

Governmental Fund Balance

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

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

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

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.

Net Position

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

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, 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.

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

(k) 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.

(l) Refunding of Debt

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

(m) 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.

(n) 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.

(Dollars in Thousands)

(o) 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 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, 2015 and were rolled forward to June 30, 2016. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD)…………	June 30, 2015 updated to June 30, 2016
Measurement Date (MD)……	June 30, 2016
Measurement Period (MP)….	July 1, 2015 to June 30, 2016

(p) 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.

(q) 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. 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.

(r) 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.

(s) Reclassifications

Certain amounts, presented as fiscal year 2015-16 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the fiscal year 2016-17 basic financial statements.

(Dollars in Thousands)

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

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

Total fund balances of the City's governmental funds, $3,404,773, differs from net position of governmental activities, $1,786,411 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi-fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury	$ 3,881,361	$ -	$ 29,919	$ -	$ 3,911,280
Deposits and investments outside City Treasury	155,356	-	21,617	-	176,973
Receivables, net					
Property taxes and penalties	99,951	-	-	-	99,951
Other local taxes	267,319	-	-	-	267,319
Federal and state grants and subventions	294,807	-	-	-	294,807
Charges for services	84,907	-	95	-	85,002
Interest and other	13,001	-	742	-	13,743
Due from other funds	17,550	-	-	(17,550)	-
Due from component unit	1,581	-	-	-	1,581
Advance to component unit	13,149	-	-	-	13,149
Loans receivable, net	138,223	-	-	-	138,223
Capital assets, net	-	5,296,075	11,601	-	5,307,676
Other assets	95,020	-	-	-	95,020
Total assets	5,062,225	5,296,075	63,974	(17,550)	10,404,724
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	15,327	1,012	-	16,339
Deferred outflows related to pensions	-	1,268,829	25,906	-	1,294,735
Total deferred outflows of resources	-	1,284,156	26,918	-	1,311,074
Liabilities					
Accounts payable	277,815	-	3,647	-	281,462
Accrued payroll	102,598	-	2,242	-	104,840
Accrued vacation and sick leave pay	-	152,924	3,216	-	156,140
Accrued workers' compensation	-	240,023	1,800	-	241,823
Other postemployment benefits obligation	-	1,312,199	26,393	-	1,338,592
Estimated claims payable	-	202,489	-	-	202,489
Accrued interest payable	-	11,016	1,224	-	12,240
Unearned grant and subvention revenues	25,894	-	-	-	25,894
Due to other funds	50,953	-	1,787	(17,550)	35,190
Unearned revenue and other liabilities	573,408	1,896	34	-	575,338
Bonds, loans, capital leases, and other payables	255,939	3,060,115	182,783	-	3,498,837
Net pension liability	-	3,242,565	63,919	-	3,306,484
Total liabilities	1,286,607	8,223,227	287,045	(17,550)	9,779,329
Deferred inflows of resources					
Unavailable revenue	370,845	(370,845)	-	-	-
Unamortized gain on refunding of debt	-	217	-	-	217
Deferred inflows related to pensions	-	147,104	2,737	-	149,841
Total deferred inflows of resources	370,845	(223,524)	2,737	-	150,058
Fund balances/ net position					
Total fund balances/ net position	$ 3,404,773	$ (1,419,472)	$ (198,890)	$ -	$ 1,786,411

(Dollars in Thousands)

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

Cost of capital assets	$ 6,923,800
Accumulated depreciation	(1,627,725)
	$ 5,296,075

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	$ (152,924)
Accrued workers' compensation	(240,023)
Other postemployment benefits obligation	(1,312,199)
Estimated claims payable	(202,489)
Unearned revenue and other liabilities	(1,896)
Bonds, loans, capital leases, and other payables	(3,060,115)
	$(4,969,646)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	$ (11,016)

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	$ 15,327
Unamortized gain on refunding of debt	(217)
	$ 15,110

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	$(3,242,565)
Deferred outflows of resources related to pensions	1,268,829
Deferred inflows of resources related to pensions	(147,104)
	$(2,120,840)

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

Revenue not collected within 60 days of the end of the current fiscal period	$ 370,845

(Dollars in Thousands)

(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	$ (35,728)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(178,943)
Unearned revenue and other liabilities	15,781
	$ (198,890)

(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, $569,299, differs from the change in net position for governmental activities, $(167,614), 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	$ 1,937,694	$ 14,002	$ -	$ -	$ -	$ 1,951,696
Business taxes	702,331	-	-	-	-	702,331
Sales and use tax	291,710	(315)	-	-	-	291,395
Hotel room tax	370,344	-	-	-	-	370,344
Utility users tax	101,203	-	-	-	-	101,203
Parking tax	84,278	-	-	-	-	84,278
Real property transfer tax	410,561	-	-	-	-	410,561
Other local taxes	47,728	-	-	-	-	47,728
Licenses, permits and franchises	44,397	216	-	-	-	44,613
Fines, forfeitures, and penalties	30,798	(3,870)	-	-	-	26,928
Interest and investment income	35,089	-	-	151	-	35,240
Rents and concessions	100,544	(1,377)	-	-	-	99,167
Intergovernmental:						
Federal	411,369	15,446	-	-	-	426,815
State	823,012	13,541	-	-	-	836,553
Other	13,814	(2,772)	-	-	-	11,042
Charges for services	378,437	2,405	-	-	-	380,842
Other	188,311	(224)	97,324	739	-	286,150
Total revenues	5,971,620	37,052	97,324	890	-	6,106,886
Expenditures/ Expenses						
Current:						
Public Protection	1,323,577	343,745	29,554	(4,652)	-	1,692,224
Public works, transportation and commerce	332,693	75,969	(20,971)	(268)	-	387,423
Human welfare and neighborhood development	1,424,425	118,008	681	(67)	-	1,543,047
Community health	712,495	124,228	31,905	-	-	868,628
Culture and recreation	390,038	74,085	87,282	(11,889)	-	539,516
General administration and finance	303,113	140,785	(106,663)	(26)	-	337,209
General City responsibilities	121,447	954	-	22,846	-	145,247
Debt service:						
Principal retirement	283,356	-	-	-	(283,356)	-
Interest and other fiscal charges	125,091	-	-	4,664	(19,186)	110,569
Bond issuance costs	2,695	-	-	-	-	2,695
Capital outlay	297,089	-	(297,089)	-	-	-
Total expenditures	5,316,019	877,774	(275,301)	10,608	(302,542)	5,626,558
Excess (deficiency) of revenues over (under) expenditures	655,601	(840,722)	372,625	(9,718)	302,542	480,328

(Dollars in Thousands)

	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
Other financing sources (uses) / changes in net position						
Net transfers in (out)......	(581,040)	-	(68,917)	2,015	-	(647,942)
Issuance of bonds and loans:						
Face value of bonds issued......	276,570	-	-	-	(276,570)	-
Face value of loans issued......	46,000	-	-	-	(46,000)	-
Premium on issuance of bonds......	12,432	-	-	-	(12,432)	-
Proceeds from sale of capital assets......	122,000	-	(122,000)	-	-	-
Other financing sources - capital leases......	37,736	-	-	(3,552)	(34,184)	-
Total other financing sources (uses)......	(86,302)	-	(190,917)	(1,537)	(369,186)	(647,942)
Net change for the year......	$ 569,299	$ (840,722)	$ 181,708	$ (11,255)	$ (66,644)	$ (167,614)

(3) Property taxes that were unavailable and are reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.	$ 14,002
Other revenues that were unavailable and reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.	23,050
	$ 37,052
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.	$(1,632,027)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	746,638
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.	7,615
	$ (877,774)

(Dollars in Thousands)

(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	$ 486,779
Depreciation expenses	(180,738)
Gain on disposal of capital assets	97,324
Loss on disposal of capital assets	(36,427)
Transfer of assets to enterprise fund	(68,917)
Write off of construction in progress	(22,602)
Increase in construction in progress	28,289
Proceeds from sale of capital assets	(122,000)
Difference	$ 181,708

(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. $ (11,255)

(6) 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. $ (12,432)

Repayment of bond principal is reported as expenditures in 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 liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 283,356

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	(248,250)
Certificates of participation	(28,320)
Capital lease for equipment	(34,184)
Loans	(46,000)
	(356,754)
	$ (73,398)

(Dollars in Thousands)

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	$ 877
Amortization of bond premiums and discounts	20,245
Amortization of bond refunding losses and gains	(1,936)
	$ 19,186

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2017, the City implemented the following accounting standards:

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 were effective for the City's year ended June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's year ended June 30, 2017. Implementation of the standard resulted in a restatement which decreased beginning net position of governmental activities for fiscal year 2016-17 by $55.0 million.

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 year ended June 30, 2017. Statement No. 74 was implemented for the City's fiscal year 2017. The total OPEB liability, determined in accordance with GASB Statement No. 74, is presented in the notes and in the required supplementary information in the Retiree Health Care Trust Fund's separately issued financial report. Application of Statement No. 75 is effective for the City's year ending June 30, 2018.

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 did not have a significant impact on the City for the year ended June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost-sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. The new standard is effective for periods beginning after December 15, 2015. Application of this statement did not have a significant impact on the City for the year ended June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The new standard is effective for periods beginning after June 15, 2016. Application of this statement did not have a significant impact on the City for the year ended June 30, 2017.

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

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement is effective for the City’s year ending June 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City’s year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City’s year ending June 30, 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The new standard is effective for periods beginning after June 15, 2017. Application of this statement is effective for the City’s year ending June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 clarifies accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. Application of this statement is effective for the City’s year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City’s year ending June 30, 2021.

(Dollars in Thousands)

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	TIDA
Deposits and investments with City Treasury	$ 3,911,280	$ 2,446,138	$ 1,342,154	$ 7,699,572	$ 7,225
Deposits and investments outside City Treasury	155,356	15,576	22,565,544	22,736,476	-
Restricted assets:					
Deposits and investments with City Treasury	-	921,349	-	921,349	-
Deposits and investments outside City Treasury	21,617	734,945	348,529	1,105,091	-
Invested in securities lending collateral	-	-	201	201	-
Total deposits & investments	$ 4,088,253	$ 4,118,008	$ 24,256,428	$ 32,462,689	$ 7,225
Cash and deposits				$ 276,278	$ -
Investments				32,186,411	7,225
Total deposits and investments				$ 32,462,689	$ 7,225

(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 public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

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 May 2016. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

(Dollars in Thousands)

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/Yankee 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 (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 andd 53635	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market (Institutional Government Funds)	N/A	10% *	N/A
Money Market (Institutional Prime Funds)	60 days	5%	N/A
Supranationals	5 years	5% *	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction for 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.

(Dollars in Thousands)

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 private equity investments, which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policies for the year ended June 30, 2017, are as follows:

Asset Class	Target Allocation
Global Equity	40.0%
Fixed Income	20.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	5.0%
	100.0%

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.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The investment policy permits the RHCTF to invest in domestic and international equity securities and investment grade bonds. It also allows investments in global equity, U.S. nominal bonds, inflation-linked bonds, global real estate, and commodities, although the RHCTF does not currently hold assets in these classes. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	**Target Allocation**	**Range**
Domestic Equity	37.0%	32.0-42.0%
International Equity	37.0%	32.0-42.0%
Investment Grade Bonds	26.0%	21.0-31.0%
	100.0%	

(Dollars in Thousands)

(c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2017:

		Fair Value Measurements Using		
	Fair Value 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments Held in City Treasury:				
U.S. Treasury Notes	$ 872,449	$ 872,449	$ -	$ -
U.S. Agencies - Discount	483,736	-	483,736	-
U.S. Agencies - Coupon (no call option)	3,028,514	-	3,028,514	-
U.S. Agencies (callable option)	1,195,831	-	1,195,831	-
State and Local Agencies	334,967	-	334,967	-
Negotiable Certificates of Deposits	1,053,728	-	1,053,728	-
Corporate Notes	89,933	-	89,933	-
Supranationals	358,801	-	358,801	-
Commercial Paper	836,967	-	836,967	-
Public Time Deposits	960 *	-	-	-
Money Market Mutual Funds	301,857 *	-	-	-
Subtotal	8,557,743	$ 872,449	$ 7,382,477	$ -
Investments Held Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	297,460	$ 297,460	$ -	$ -
U.S. Agencies	234,885	-	234,885	-
Commercial Paper	77,697 *	-	-	-
Money Market Mutual Funds	534,668 *	-	-	-
Certificates of Deposit	265 *	-	-	-
Subtotal Investments Outside City Treasury	1,144,975	$ 297,460	$ 234,885	$ -

* Not subject to fair value hierarchy

(Dollars in Thousands)

	Fair Value 6/30/2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short Term Investments	$ 329,587	$ -	$ 2,967	$ 326,620
Debt Securities:				
U.S. Government & Agency Securities	1,194,634	-	1,194,634	-
Other Debt Securities	2,004,564	-	1,940,027	64,537
Equity Securities:				
Domestic Equity	4,749,997	4,654,187	203	95,607
International Equity	3,770,343	3,764,376	4,084	1,883
Foreign Currency Contracts, net	164	-	-	164
Invested securities lending collateral	201	-	-	201
Subtotal Employees' Retirement System Investments	12,049,490	$ 8,418,563	$ 3,141,915	$ 489,012
Investments measured at the net asset value (NAV)				
Short Term Investments	18,157			
Fixed Income:				
U.S. Government & Agency Securities	360,546			
Other Fixed Income	886,658			
Equities:				
Domestic Equity	916,247			
International Equity	1,121,429			
Real Assets	2,975,974			
Private Equity	3,401,547			
Absolute Return	577,967			
Total investments measured at the NAV	10,258,525			
Total investments measured at fair value	22,308,015			
Healthcare Trust (measurements at the NAV)				
Fixed Income:				
U.S. Debt Index Fund	47,627			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	67,690			
International:				
EAFE Equity Index Fund	67,584			
Money Market Investments				
Treasury Money Market Fund	2 *			
Subtotal Investments in Healthcare Trust	182,903			
Total Investments	**$ 32,193,636**			

* Not subject to fair value hierarchy

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Government Agencies, State and Local agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds and Public Time Deposits have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72.

Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Government Agencies are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to fair value hierarchy.

Employees' Retirement System Investments

Investments, at Fair Value

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Investments, at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

(Dollars in Thousands)

The fair value of the Retirement System's investments in private credit investments, opportunistic public equity, real assets, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset value are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private Credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. Two opportunistic public equity investments, valued at $4.2 million, are currently being liquidated. These proceeds are expected to be received over the next 3-5 years. The remaining opportunistic public equity investments are subject to a 2-year lock up with liquidity provided every December 31 with 60 days' notice. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships, but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investment Measured at NAV as of June 30, 2017

% of NAV	Redemption Frequency	Redemption Notice Period
25%*	Quarterly	65-95 days
46%	Semi-annually	95 days
10%	Annually	95 days
19%	Greater than Annually	95 days
100%		

* 5% subject to a lock-up that expires as of April 1, 2018

Retiree Health Care Trust Fund

Investments, at Net Asset Value (NAV)

At June 30, 2017 the Retiree Health Care Trust Fund had investments in equity and debt commingled index funds, the City Treasury Pool, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2017, there are no redemption restrictions on the commingled index funds.

(d) Investment Risks

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 110.0% 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, 2017, $3.6 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

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 interest rates. Information about the sensitivity to the fair values of the City's investments to 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 (f) of this note.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2017
(Dollars in Thousands)

			Investment Maturities	
	S & P Rating	**Fair Value**	**Less than 1 year**	**1 to 5 years**
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	$ 872,449	$ 624,062	$ 248,387
U.S. Agencies - Coupon	NR - AA+	4,708,081	1,872,278	2,835,803
Negotiable certificates of deposits	A-1 - A-1+	1,053,728	1,025,822	27,906
Money Market Mutual Funds	AAAm	301,857	301,857	-
Public time deposits	NR	960	960	-
State/Local Agencies	A-1+, AA- - AA+	334,967	170,852	164,115
Supranationals	AAA	358,801	204,996	153,805
Corporate notes	A+ - AA-	89,933	39,794	50,139
Commercial Paper	A-1-A-1+	836,967	836,967	-
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(7,225)	-	(7,225)
Less: Employees' Retirement System				
Investments with City Treasury		(11,800)	-	(11,800)
Less: Health Care Trust				
Investments with City Treasury	n/a	(2,215)	-	(2,215)
Subtotal pooled investments		8,536,503	$ 5,077,588	$ 3,458,915
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	NR/AAA/AA+	$ 297,460	$ 93,751	$ 203,709
U.S. Agencies - Coupon	AA+	8,031	-	8,031
U.S. Agencies - Discount	AA+/A-1+	226,854	31,739	195,115
Corporate notes		-	-	-
Money Market Mutual Funds	AAAm	513,349	513,349	-
U.S. Treasury Money Market Funds	AAAm	21,319	21,319	-
Commercial Paper	A-1+/A-1	77,697	77,697	-
Certificate of Deposit	NR	265	265	-
Subtotal investments outside City Treasury		1,144,975	$ 738,120	$ 406,855
Retiree Health Care Trust Investments		185,118		
Employees' Retirement System investments		22,319,815		
Total Primary Government		$ 32,186,411		
Component Units:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	7,225	$ -	$ 7,225
Total Investments		**$ 32,193,636**		

As of June 30, 2017, the investments in the City Treasury had a weighted average maturity of 471 days.

(Dollars in Thousands)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay 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, 2017, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank	21.9%
Federal Home Loan Mortgage Corporation	14.4%
Federal Home Loan Bank	9.5%

In addition, the following major funds hold investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2017:

Airport:	
Federal National Mortgage Association	16.6%
Federal Home Loan Bank	14.0%
Federal Home Loan Mortgage Corporation	8.9%
Hetch Hetchy:	
Federal Farm Credit Bank	68.2%

(Dollars in Thousands)

(e) 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, 2017:

Statement of Net Position

Net position held in trust for all pool participants	$8,628,146
Equity of internal pool participants	$7,765,530
Equity of external pool participants	862,616
Total equity	$8,628,146

Statement of Changes in Net Position

Net position at July 1, 2016	$7,916,658
Net change in investments by pool participants	711,488
Net position at June 30, 2017	$8,628,146

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2017:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries	0.79% - 1.90%	07/06/17 - 11/30/21	$ 875,000	$ 872,449
U.S. Agencies	0.56% - 2.18%	07/03/17 - 06/02/22	4,713,145	4,708,081
State and local agencies	0.70% - 2.13%	07/01/17 - 05/15/21	334,319	334,967
Public time deposits	1.15% - 1.44%	02/21/18 - 05/16/18	960	960
Negotiable certificates of deposit	1.06% - 1.73%	07/03/17 - 03/08/19	1,052,838	1,053,728
Commercial paper	0.84% - 1.47%	07/03/17 - 03/23/18	839,400	836,967
Corporate notes	0.90% - 1.63%	08/18/17 - 01/09/19	89,775	89,933
Money market mutual funds	0.70% - 0.75%	07/01/17 - 07/01/17	301,857	301,857
Supranationals	1.00% - 1.90%	07/06/17 - 05/12/20	359,300	358,801
			$ 8,566,594	8,557,743
Carrying amount of deposits with Treasurer				70,403
Total cash and investments with Treasurer				$ 8,628,146

(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2017, are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 347,744
Investments in City Treasury	11,800
Debt securities:	
U.S. Government and agencies	1,555,180
Other debt securities	2,891,222
Subtotal debt securities	4,446,402
Total fixed income investments	4,805,946
Equity securities:	
Domestic	5,666,244
International	4,891,772
Total equity securities	10,558,016
Real assets	2,975,974
Private equity	3,401,547
Absolute return	577,967
Foreign currency contracts, net	164
Investment in lending agent's short-term investment pool	201
Total Retirement System Investments	$ 22,319,815

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, 2017:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset Backed Securities	$ 163,350	$ -	$ 69,301	$ 8,992	$ 85,057
Bank Loans	148,645	1,870	79,302	67,473	-
City Investment Pool	11,800	-	11,800	-	-
Collateralized Bonds	184	-	-	-	184
Commercial Mortgage-Backed	425,755	-	5,124	4,298	416,333
Commingled and Other Fixed Income Funds	373,993	387,199	1,084	117	(14,407)
Corporate Bonds	1,421,430	532,928	401,830	321,188	165,484
Corporate Convertible Bonds	189,953	7,342	105,315	42,489	34,807
Foreign Currencies and Cash Equivalents	134,745	134,745	-	-	-
Government Agencies	371,575	360,801	-	544	10,230
Government Bonds	1,116,583	44,633	876,704	47,440	147,806
Government Mortgage-Backed Securities	144,202	11	10,387	4,210	129,594
Municipal/Provincial Bonds	33,513	2,618	3,052	1,551	26,292
Non-Government Backed Collateralized Mortgage Obligations	55,790	3	2,511	1	53,275
Options	(12)	(12)	-	-	-
Short Term Investment Funds	212,999	212,999	-	-	-
Swaps	1,441	1,034	11	271	125
Total	$ 4,805,946	$ 1,686,171	$ 1,566,421	$ 498,574	$ 1,054,780

(Dollars in Thousands)

Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5.0% 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, 2017. Investments issued or explicitly guaranteed by the U.S. government of $1.02 billion as of June 30, 2017, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 166,573	4.4%
AA	46,442	1.2%
A	203,966	5.4%
BBB	708,834	18.7%
BB	239,996	6.3%
B	252,346	6.7%
CCC	53,906	1.4%
CC	2,424	0.1%
C	2,279	0.1%
D	1,766	0.0%
Not Rated	2,105,738	55.7%
Total	$ 3,784,270	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 20.2% for 2017.

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 5.0% (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, 2017, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% 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, 2017, $759.6 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.

For fiscal year 2017, 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.

(Dollars in Thousands)

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, real assets, 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. Derivatives are considered investments, rather than hedges, for accounting and financial reporting purposes.

The Retirement System's net exposures to foreign currency risk as of June 30, 2017, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Argentine peso	$ -	$ -	$ 3,528	$ -	$ -	$ 149	$ 3,677
Australian dollar	-	105,175	25	9,501	-	51	114,752
Brazilian real	-	20,912	23,388	-	-	(10,227)	34,073
British pound sterling	-	632,031	5,258	4,895	19,722	(5,307)	656,599
Canadian dollar	-	76,518	3,158	-	-	747	80,423
Chilean peso	-	532	2,384	-	-	(241)	2,675
Colombian peso	-	-	8,122	-	-	1,342	9,464
Czech koruna	-	1,582	2,758	-	-	1,209	5,549
Danish krone	-	43,245	-	-	-	(170)	43,075
Euro	-	944,005	79,140	150,551	103,487	(36,342)	1,240,841
Offshore Chinese yuan renminbi	-	-	-	-	-	(1,285)	(1,285)
Hong Kong dollar	-	181,729	-	-	-	(140)	181,589
Hungarian forint	-	-	-	-	-	2,166	2,166
Indian rupee	-	-	-	-	-	764	764
Indonesian rupiah	-	9,348	11,046	-	-	2,846	23,240
Japanese yen	89	688,598	-	-	43,686	(2,132)	730,241
Kenyan shilling	-	836	-	-	-	-	836
Malaysian ringgit	-	11,238	6,740	-	-	1,807	19,785
Mexican peso	-	10,314	9,232	-	-	5,338	24,884
New Israeli shekel	-	12,885	-	-	-	-	12,885
New Romanian leu	-	-	2,007	-	-	262	2,269
New Taiwan dollar	-	56,942	-	-	-	(2,332)	54,610
New Zealand dollar	-	2,233	-	-	-	-	2,233
Norwegian krone	-	12,969	-	-	-	-	12,969
Peruvian nuevo sol	-	-	4,648	-	-	168	4,816
Philippine peso	-	537	506	-	-	(57)	986
Polish zloty	-	-	10,316	-	-	5,803	16,119
Qatari riyal	-	3,114	-	-	-	-	3,114
Russian ruble	-	-	7,805	-	-	36	7,841
Singapore dollar	-	15,658	-	-	-	(592)	15,066
South African rand	-	22,378	11,508	-	-	(878)	33,008
South Korean won	-	104,362	-	-	-	(732)	103,630
Swedish krona	-	88,894	399	-	-	-	89,293
Swiss franc	-	250,421	243	-	-	(872)	249,792
Thai baht	-	7,125	118	-	-	9,928	17,171
Turkish lira	-	13,100	6,754	-	-	4,628	24,482
United Arab Emirates dirham	-	3,690	-	-	-	-	3,690
Uruguayan peso uruguayo	-	-	389	-	-	-	389
Total	$ 89	$ 3,320,371	$ 199,472	$ 164,947	$ 166,895	$ (24,063)	$ 3,827,711

(Dollars in Thousands)

Derivative Instruments

As of June 30, 2017, 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, 2017:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ 167	$ 167
Other Contracts	(a)	(153)	(151)
Options			
Foreign Exchange Contracts	$ 3,900	(12)	76
Swaps			
Credit Contracts	5,000	(45)	73
Interest Rate Contracts	46,632	253	326
Total Return Contracts	80	1,233	1,233
Rights/Warrants			
Equity Contracts	12,458 shares	76	(2,306)
Total		$ 1,519	$ (582)

(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.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2017, the fair value of forward currency contracts in net positions (including foreign exchange contract options) to purchase and sell international currencies were $1.0 million and $0.8 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 85.3% and credit ratings of B on 14.0% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's) while 0.7% were not rated.

(Dollars in Thousands)

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, 2017, 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, 2017.

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Forwards					
Foreign Exchange Contracts	$ 167	$ 178	$ (11)	$ -	$ -
Options					
Foreign Exchange Contracts	(12)	(12)	-	-	-
Swaps					
Credit Contracts	(45)	18	(63)	-	-
Interest Rate Contracts	253	(217)	74	271	125
Total Return Contracts	1,233	1,233	-	-	-
Total	$ 1,596	$ 1,200	$ -	$ 271	$ 125

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, 2017:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	$ 311	$ 2
Interest Rate Swap	Receive Fixed 2.015%, Pay Variable 6-Month THB	589	6
Interest Rate Swap	Receive Fixed 2.115%, Pay Variable 6-Month THB	1,027	11
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	386	5
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	665	10
Interest Rate Swap	Receive Fixed 2.19%, Pay Variable 6-Month THB	206	3
Interest Rate Swap	Receive Fixed 2.22%, Pay Variable 6-Month THB	412	6
Interest Rate Swap	Receive Fixed 2.25%, Pay Variable 1-Day WIBOR	836	(6)
Interest Rate Swap	Receive Fixed 2.505%, Pay Variable 6-Month THB	321	7
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month THB	689	14
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	386	10
Interest Rate Swap	Receive Fixed 2.625%, Pay Variable 6-Month THB	645	20
Interest Rate Swap	Receive Fixed 2.78%, Pay Variable 6-Month THB	27	1
Interest Rate Swap	Receive Fixed 5.23%, Pay Variable 3-Month CIBR	118	1
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	540	6
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	547	6
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	431	(17)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,028	(42)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	348	(11)
Interest Rate Swap	Receive Fixed 6.12%, Pay Variable 3-Month CIBR	107	3
Interest Rate Swap	Receive Fixed 6.20%, Pay Variable 3-Month CIBR	98	3
Interest Rate Swap	Receive Fixed 6.24%, Pay Variable 28-Day MXIBR	138	(2)
Interest Rate Swap	Receive Fixed 6.49%, Pay Variable 28-Day MXIBR	315	(13)
Interest Rate Swap	Receive Fixed 6.80%, Pay Variable 28-Day MXIBR	133	(1)
Interest Rate Swap	Receive Fixed 7.38%, Pay Variable 28-Day MXIBR	1,293	26
Interest Rate Swap	Receive Fixed 7.50%, Pay Variable 3-Month JIBAR	2,313	13

(Dollars in Thousands)

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 7.75%, Pay Variable 3-Month JIBAR	$ 664	$ 8
Interest Rate Swap	Receive Fixed 7.86%, Pay Variable 28-Day MXIBR	1,022	54
Interest Rate Swap	Receive Fixed 8.00%, Pay Variable 3-Month JIBAR	53	1
Interest Rate Swap	Receive Fixed 8.25%, Pay Variable 3-Month JIBAR	229	4
Interest Rate Swap	Receive Fixed 8.28%, Pay Variable 28-Day MXIBR	215	17
Interest Rate Swap	Receive Fixed 8.31%, Pay Variable 28-Day MXIBR	88	7
Interest Rate Swap	Receive Fixed 8.32%, Pay Variable 28-Day MXIBR	663	56
Interest Rate Swap	Receive Fixed 8.50%, Pay Variable 3-Month JIBAR	481	18
Interest Rate Swap	Receive Fixed 8.75%, Pay Variable 3-Month JIBAR	38	2
Interest Rate Swap	Receive Fixed 9.50%, Pay Variable 3-Month JIBAR	244	25
Interest Rate Swap	Receive Fixed 9.76%, Pay Variable 1-Day BIDOR	15	(1)
Interest Rate Swap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	211	(4)
Interest Rate Swap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	1,088	58
Interest Rate Swap	Receive Fixed 11.35%, Pay Variable 1-Day BIDOR	2,151	99
Interest Rate Swap	Receive Fixed 11.38%, Pay Variable 1-Day BIDOR	1,766	68
Interest Rate Swap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,071	79
Interest Rate Swap	Receive Fixed 12.28%, Pay Variable 1-Day BIDOR	636	84
Interest Rate Swap	Receive Fixed 12.44%, Pay Variable 1-Day BIDOR	1,854	91
Interest Rate Swap	Receive Fixed 15.96%, Pay Variable 1-Day BIDOR	884	148
Interest Rate Swap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	1,722	561
Interest Rate Swap	Receive Fixed 16.95%, Pay Variable 1-Day BIDOR	80	31
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	93	1
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.26%	724	(38)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.06%	244	(16)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.44%	5,070	(248)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.86%	630	(5)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.50%	1,088	(85)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.77%	1,581	(135)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.96%	4,017	(671)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 16.15%	229	(71)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 4.65%	431	9
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.50%	249	18
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.71%	751	35
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.42%	69	(3)
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	31	(1)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.09%	511	(3)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.25%	1,120	(18)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.50%	168	(6)
Interest Rate Swap	Receive Fixed 2.81%, Pay Return THB	542	23
Total Interest Rate Swaps		$ 46,632	$ 253

(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2017, 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, 2017:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Argentine peso	$ 149	$ -	$ -	$ 149
Australian dollar	-	6	25	31
Brazilian real	(10,598)	-	(55)	(10,653)
British pound sterling	(6,219)	-	-	(6,219)
Canadian dollar	747	-	-	747
Chilean peso	(241)	-	-	(241)
Colombian peso	1,342	-	16	1,358
Czech koruna	1,273	-	-	1,273
Euro	(36,771)	41	567	(36,163)
Offshore Chinese yuan renminbi	(1,285)	-		(1,285)
Hong Kong dollar	(36)	-	-	(36)
Hungarian forint	2,166	-	-	2,166
Indian rupee	764	-	-	764
Indonesian rupiah	2,846	-	-	2,846
Japanese yen	(1,096)	-	-	(1,096)
Malaysian ringgit	1,807	-	-	1,807
Mexican peso	5,867	-	135	6,002
New Romanian leu	262	-	-	262
New Russian ruble	36	-	-	36
New Taiwan dollar	(2,332)	-	-	(2,332)
Peruvian nuevo sol	168	-	-	168
Philippine peso	(57)	-	-	(57)
Polish zloty	5,790	-	(6)	5,784
Singapore dollar	(592)	-	-	(592)
South African rand	(997)	-	45	(952)
South Korean won	(732)	-	-	(732)
Swedish krona	-	-	399	399
Swiss franc	(117)	-	243	126
Thai baht	9,928	-	118	10,046
Turkish lira	4,753	-	-	4,753
Total	$ (23,175)	$ 47	$ 1,487	$ (21,641)

Contingent Features

At June 30, 2017, the Retirement System held no positions in derivatives containing contingent features.

(Dollars in Thousands)

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 102.0% and 105.0% 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 (10.0%) 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. On April 12, 2017, the Retirement Board authorized Investment Staff to discontinue the Securities Lending Program in an orderly fashion.

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, 2017, 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, 2017, the Retirement System lent $259 in securities and received collateral of $106 and $160 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 increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $201. The net unrealized gain of $95 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, 2017, are summarized in the following table:

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	$ 103	$ 106	$ -
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	156	-	160
Total	$ 259	$ 106	$ 160

The following table presents the segmented time distribution and credit risk for the reinvested cash collateral account, based upon the expected maturity (in years) as of June 30, 2017.

Investment Type	Credit Rating	Fair Value	Maturity Less Than 1 Year
Short-term Investment Funds	AA	$ 201	$ 201

(Dollars in Thousands)

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, 2017, are summarized as follows:

Beginning of the year	$	2,341,500
Captial investments		1,434,150
Equity in net earnings		26,959
Net appreciation in fair value		232,967
Capital distributions		(1,059,602)
End of the year	$	2,975,974

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 40.0% and 65.0%, 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 $7.4 million as of June 30, 2017. 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.

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may 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. The RHCTF does not have a specific policy to manage interest rate risk.

As of June 30, 2017, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years
US Debt Index Fund	8.03
City Investment Pool	1.29
Treasury Money Market Fund	0.11

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment pool is not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2017, the RHCTF held investments issued by Blackrock, Inc. and Northern Trust Company that exceeded 5% of the RHCTF's fiduciary net position.

Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(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 1.0% 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 2.0% 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 1.0% 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 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $273.6 million for the year ended June 30, 2017.

Taxable valuation for the year ended June 30, 2017, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $195.00 billion, an increase of 9.4%. The secured tax rate was $1.1792 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 $0.1792 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.52% and 5.10%, respectively, of the current year tax levy, for an average delinquency rate of 0.85% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% 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, 2017, was $24.9 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.

(Dollars in Thousands)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2017, was as follows:

Governmental Activities:	Balance July 1, 2016	Increases *	Decreases *	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 334,261	$ 42,550	$ (16,209)	$ 360,602
Intangible assets	31,170	25,134	(1,542)	54,762
Construction in progress	456,093	385,446	(216,828)	624,711
Total capital assets, not being depreciated	821,524	453,130	(234,579)	1,040,075
Capital assets, being depreciated:				
Facilities and improvements	4,439,663	55,029	(133,553)	4,361,139
Machinery and equipment	570,948	54,654	(48,759)	576,843
Infrastructure	857,203	122,086	(24,556)	954,733
Intangible assets	54,261	1,555	-	55,816
Total capital assets, being depreciated	5,922,075	233,324	(206,868)	5,948,531
Less accumulated depreciation for:				
Facilities and improvements	1,067,480	100,373	(68,850)	1,099,003
Machinery and equipment	369,615	44,886	(46,733)	367,768
Infrastructure	170,838	35,742	(5,766)	200,814
Intangible assets	10,314	3,031	-	13,345
Total accumulated depreciation	1,618,247	184,032	(121,349)	1,680,930
Total capital assets, being depreciated, net	4,303,828	49,292	(85,519)	4,267,601
Governmental activities capital asssets, net	$ 5,125,352	$ 502,422	$ (320,098)	$ 5,307,676
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 217,441	$ 22,784	$ (38)	$ 240,187
Intangible assets	12,043	-	-	12,043
Construction in progress	3,120,461	1,573,581	(620,356)	4,073,686
Total capital assets, not being depreciated	3,349,945	1,596,365	(620,394)	4,325,916
Capital assets, being depreciated:				
Facilities and improvements	16,246,429	450,521	(68,039)	16,628,911
Machinery and equipment	2,569,041	248,340	(127,395)	2,689,986
Infrastructure	1,290,206	59,650	(736)	1,349,120
Property held under Lease	697	-	-	697
Intangible assets	219,000	25,066	(44,133)	199,933
Total capital assets, being depreciated	20,325,373	783,577	(240,303)	20,868,647
Less accumulated depreciation for:				
Facilities and improvements	5,762,094	447,183	(54,106)	6,155,171
Machinery and equipment	1,456,181	152,664	(118,224)	1,490,621
Infrastructure	589,177	37,844	(17)	627,004
Property held under lease	697	-	-	697
Intangible assets	171,352	31,847	(44,010)	159,189
Total accumulated depreciation	7,979,501	669,538	(216,357)	8,432,682
Total capital assets, being depreciated, net	12,345,872	114,039	(23,946)	12,435,965
Business-type activities capital assets, net	$ 15,695,817	$ 1,710,404	$ (644,340)	$ 16,761,881

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

(Dollars in Thousands)

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

Governmental Activities:		
Public protection	$	30,486
Public works transportation and commerce		31,342
Human welfare and neighborhood development		756
Community Health		36,841
Culture and recreation		57,396
General administration and finance		23,917
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis		3,294
Total depreciation expense - governmental activities	$	184,032

Business-type activities:		
Airport	$	265,841
Water		118,826
Power		17,730
Transportation		146,595
Hospitals		40,914
Wastewater		55,441
Port		24,191
Total depreciation expense - business-type activities	$	669,538

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 $3.80 billion as of June 30, 2017. 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, 2017. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2017.

During the year ended June 30, 2017, the City's enterprise funds incurred total interest expense and interest income of approximately $489.8 million and $28.5 million, respectively. Of these amounts, interest expense of approximately $80.3 million was capitalized. The Airport had write-offs and loss on disposal in the amount of $21.6 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $2.4 million, $1.5 million, and $2.0 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the year ended June 30, 2017, the City entered into two sale-leaseback agreements for properties at 1660-1680 Mission Street and 30 Van Ness Avenue. Under the agreements, the City sold both properties with a book value of $24.7 million for a total of $122.0 million in gross proceeds and recognized a gain from the sale in the amount of $97.3 million in the government-wide financial statements. In addition, the City agreed to leaseback the office space, from the new owners, for three years with an option for two one-year extensions through 2022.

(Dollars in Thousands)

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2017 was as follows:

Treasure Island Development Authority:	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 5,529	$ 14,861	$ -	$ 20,390
Capital assets, being depreciated:				
Machinery and equipment	22	-	-	22
Less accumulated depreciation for:				
Machinery and equipment	5	5	-	10
Total capital assets, being depreciated, net	17	(5)	-	12
Component unit capital asssets, net	$ 5,546	$ 14,856	$ -	$ 20,402

During the year ended June 30, 2017, the Navy transferred approximately 7 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction is anticipated to begin in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(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, 2017, are as follows:

Type of Obligation	July 1, 2016	Additional Obligation	Current Maturities	June 30, 2017
Governmental activities:				
Commercial paper				
Multiple Capital Projects	$ 102,778	$ 1,350,670	$ (1,246,509)	$206,939
Direct placement revolving certificates of participation				
Transbay Transit Center Project	-	49,000	-	49,000
Governmental activities short-term obligations	$ 102,778	$ 1,399,670	$ (1,246,509)	$255,939
Business-type activities:				
Commercial paper				
San Francisco General Hospital	$ 28,572	$ 21,399	$ (30,169)	$ 19,802
San Francisco International Airport	343,050	179,000	(344,050)	178,000
San Francisco Water Enterprise	236,000	145,736	(236,736)	145,000
Hetch Hetchy Water and Power	-	20,058	-	20,058
San Francisco Wastewater Enterprise	61,000	111,411	(61,000)	111,411
Business-type activities short-term obligations	$ 668,622	$ 477,604	$ (671,955)	$474,271

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 $150.0 million. The City currently has letters of credit supporting the $250.0 million program.

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 two Revolving Credit Agreements (RCA) issued by State Street Bank and Trust Company ("State Street Bank") and U.S. Bank N.A. with a fee of 0.45% and 0.45%, respectively and a Letter of Credit Agreement (LOC) issued by State Street Bank with a fee of 0.50%. The State Street Bank and US Bank N.A. RCAs are scheduled to expire in May 2021 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2017, the City retired $1.25 billion and issued $1.35 billion CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the San Francisco General Hospital and Trauma Center, 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) and Moscone Center expansion. As of June 30, 2017, the outstanding principal of tax exempt and taxable CP was $205.5 million and $1.4 million, with interest rates ranging from 0.85% to 0.90% and 1.15%, respectively.

Transbay Transit Center Project Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning financing, design, development, construction, and operation of the Transbay Transit Center. In order to address a temporary cash flow shortfall during the construction of the Transbay Transit Center project, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed $260.0 million. The City has entered a Certificate Purchase Agreement with Wells Fargo to establish a revolving credit facility in an amount not to exceed $160.0 million with an annualized floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. In partnership with the MTC, the City also entered into a Certificate Purchase Agreement with the Bay Area Toll Authority (BATA) to establish a revolving credit facility in an amount not to exceed $100.0 million with an annualized floating rate based on the LIBOR plus a spread plus 0.61%. The City would issue short term variable rate notes at times and in amounts necessary to meet construction funding needs for the project. As of June 30, 2017, the TJPA had drawn a total of $49.0 million from the Wells Fargo financing facility, at a weighted average interest rate of 1.56%. The City has recorded a receivable, in the amount of $49.0 million, from the TJPA along with a loan payable related to this financing activity. The short-term notes are expected to be repaid in part from CFD special taxes and tax increment. Long-term debt will be issued to retire the notes, and such long-term debt is also expected to be repaid from such sources.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed $41.0 million to provide financing for the costs of acquisition of furniture, fixtures, and equipment for the new hospital. As of June 30, 2017, the outstanding principal amount of CP is $19.8 million. The weighted average interest rate for the CP was approximately 0.85%.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the “Note Resolution”), authorizing the issuance of subordinate CP notes 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. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the 1997 Note Resolution to increase the authorized maximum amount by $100.0 million, from $400.0 million to $500.00 million.

The Airport issues CP in series that are divided into subseries according to the bank providing the applicable direct-pay LOC. 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 1991 Master Bond Resolution).

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

During fiscal year 2017, the CP program was supported by two $100.0 million principal amount direct-pay LOC issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, which, as of June 30, 2017, had expiration dates of May 2, 2019, and May 31 2019, respectively, and a third LOC issued by Royal Bank of Canada in the principal amount of $200.0 million with expiration date of May 1, 2020; and a new LOC issued on June 22, 2017, by Sumitomo Mitsui Banking Corporation acting through its New York Branch, in the principal amount of $100.0 million and with an expiration date of June 21, 2022. Each of the LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2017.

As of June 30, 2017, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2017, the Airport issued $67.0 million of new money CP (AMT) and $111.0 million (Non-AMT) to fund capital improvement projects. The Airport also issued and retired $1.0 million of new money CP (taxable) during fiscal year 2017 to fund costs related to various bond and note transactions. As of June 30, 2017, the interest rates on taxable, AMT, and Non-AMT CP were 0.90%, 0.36% to 1.01%, and 0.46% to 0.99%, respectively.

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 voter-approved 2002 Proposition A, and $250.0 million pursuant to voter-approved Proposition E. As of June 30, 2017, no CP was outstanding under Proposition A. Amounts outstanding under Proposition E were $145.0 million at June 30, 2017. CP interest rates ranged from 0.1% to 1.3%. 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.

Hetch Hetchy Water and Power

Effective December 2015, under Charter Sections 9.107(6) and 9.107(8), the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $90.0 million in CP for the reconstruction or replacement of existing generation, transmission and distribution facilities of the Hetchy Power. Interest rates for the CP ranged from 0.72% to 0.93% in fiscal year 2017. The Hetch Hetchy Water and Power had $20.1 million CP outstanding as of June 30, 2017.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, in fiscal year 2017, the San Francisco Public Utilities Commission and Board of Supervisors authorized an increase in the CP authorization from $500.0 million to $750.0 million for reconstructing, expanding and repairing the Wastewater Enterprise's facilities. The Wastewater Enterprise had $111.4 million CP outstanding as June 30, 2017.

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 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 LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The LOC 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. The CP will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP had been drawn or outstanding as of June 30, 2017.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2017:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Affordable housing	2036	2.00% - 3.10%	$ 53,060
Earthquake safety and emergency response	2035	2.25% - 5.00%	446,210
Parks and playgrounds	2035	2.00% - 6.26%	167,150
Public health and safety	2036	3.00% - 5.00%	125,760
Road repaving and street safety	2035	2.00% - 5.00%	169,060
San Francisco General Hospital	2033	3.25% - 6.26%	542,125
Seismic safety loan program	2035	1.631% - 5.83%*	45,462
Transportation and road improvement	2035	2.75% - 5.00%	45,375
Refunding	2030	4.00% - 5.00%	475,670
General obligation bonds			2,069,872
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2034	0.83% - 5.75% **	182,030
CERTIFICATES OF PARTICIPATION:			
Certificates of participation [(c) & (d)]	2047	1.347% - 5.00%	551,760
OTHER LONG TERM OBLIGATIONS:			
Loans [(d) & (f)]	2045	2.00% - 4.5%	23,212
Revolving credit agreement loan - Transportation Authority [(c)]	2018	1.036% ***	139,664
Lease Purchase Financing - Public Safety Radio Replacement	2027	1.6991%	32,586
Governmental activities total long-term obligations			$ 2,999,124

* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2017 was 1.631%.

** 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, 2017 for Series 2008 -1 & 2 averaged to 0.83%.

*** The Revolving credit agreement loan interest rate equals to the sum of 70% of 1-month LIBOR plus 0.30%.

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.

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2046	2.12% - 6.00%*	$ 4,757,529
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,257,800
Certificates of participation	2042	2.00% - 6.49%	109,092
Accreted interest	2019	-	6,278
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	0.00% - 5.00%	53,615
Certificates of participation	2042	2.00% - 6.49%	14,852
Municipal Transportation Agency:			
Revenue bonds	2047	3.00% - 5.00%	356,025
Loans	2046	2.86% -3.30%	850
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	15,673
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	957,265
Certificates of participation	2042	2.00% - 6.49%	28,846
Port of San Francisco:			
Revenue bonds	2044	2.20% - 7.408%	52,860
Certificates of participation	2043	4.75% - 5.25%	32,275
Loans	2029	4.50%	2,113
Laguna Honda Hospital:			
Certificates of participation	2031	4.30% - 5.25%	125,570
Business-type activities total long-term obligations			$ 10,770,643

* 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, 2017, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.67%, 0.64%, 0.67%, & 0.67%, respectively; and for Issue 2010A, the average interest rates were 0.67%.

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 various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2017, the City's debt limit (3% of valuation subject to taxation) was $6.37 billion. The total amount of debt applicable to the debt limit was $2.28 billion. The resulting legal debt margin was $4.09 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 actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bonds and certificates of participation issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have a rebatable arbitrage liability as of June 30, 2017. Each enterprise fund has performed similar analysis of its debt, 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.

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 and below-market rate mortgage for first time homebuyers to facilitate affordable housing and the construction and rehabilitation in the City. These obligations were 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 are not considered obligations of the City. As of June 30, 2017, the total obligation outstanding was $1.31 billion.

(Dollars in Thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2017, are as follows:

	July 1, 2016	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,011,057	$ 248,250	$ (189,435)	$ 2,069,872	$ 123,873
Lease revenue bonds	196,055	-	(14,025)	182,030	10,880
Certificates of participation	589,580	28,320	(66,140)	551,760	39,710
Subtotal	2,796,692	276,570	(269,600)	2,803,662	174,463
Issuance premiums / discounts:					
Add: unamortized premiums	252,200	12,432	(20,718)	243,914	-
Less: unamortized discounts	(204)	-	64	(140)	-
Total bonds payable, net	3,048,688	289,002	(290,254)	3,047,436	174,463
Loans	143,059	46,000	(26,183)	162,876	140,078
Capital leases	-	34,184	(1,598)	32,586	3,189
Accrued vacation and sick leave pay	151,027	120,503	(115,390)	156,140	91,060
Accrued workers' compensation	227,825	62,977	(48,979)	241,823	42,621
Estimated claims payable	160,498	70,463	(28,472)	202,489	71,290
Governmental activities long-term obligations	$ 3,731,097	$ 623,129	$ (510,876)	$ 3,843,350	$ 522,701

	July 1, 2016	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 9,528,710	$ 2,218,920	$ (1,366,151)	$ 10,381,479	$ 286,144
Clean renewable energy bonds	55,599	-	(1,984)	53,615	2,437
Certificates of participation	338,157	-	(11,849)	326,308	12,439
Subtotal	9,922,466	2,218,920	(1,379,984)	10,761,402	301,020
Issuance premiums / discounts:					
Add: unamortized premiums	500,168	347,495	(92,379)	755,284	-
Less: unamortized discounts	(570)	(191)	42	(719)	-
Total bonds payable, net	10,422,064	2,566,224	(1,472,321)	11,515,967	301,020
Accreted interest payable	5,860	418	-	6,278	-
Notes, loans, and other payables	2,320	806	(163)	2,963	169
Capital leases	266	-	(266)	-	-
Accrued vacation and sick leave pay	108,613	55,960	(55,537)	109,036	65,212
Accrued workers' compensation	189,603	43,208	(38,883)	193,928	32,875
Estimated claims payable	117,068	14,486	(36,874)	94,680	39,424
Business-type activities long-term obligations	$ 10,845,794	$ 2,681,102	$ (1,604,044)	$ 11,922,852	$ 438,700

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

(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2017 for governmental and business-type activities are as follows:

Governmental Activities (1)

Fiscal Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest (2)	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest (3)	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest (4)	Total Principal	Total Interest
2018............	$ 123,873	$ 90,722	$ 10,880	$ 4,962	$ 182,977	$ 25,883	$ 317,730	$ 121,567
2019............	124,231	84,828	12,595	4,653	32,981	23,068	169,807	112,549
2020............	123,541	78,798	6,110	4,345	24,791	21,860	154,442	105,003
2021............	122,085	72,847	12,740	4,066	25,291	20,864	160,116	97,777
2022............	128,083	67,258	13,380	3,735	23,962	19,855	165,425	90,848
2023-2027....	667,530	243,651	71,880	13,057	124,487	84,630	863,897	341,338
2028-2032...	620,813	97,090	49,900	4,148	124,694	58,664	795,407	159,902
2033-2037...	159,716	11,390	4,545	397	103,805	31,422	268,066	43,209
2038-2042...	-	-	-	-	71,531	14,344	71,531	14,344
2043-2047...	-	-	-	-	32,703	2,996	32,703	2,996
Total.........	$ 2,069,872	$ 746,584	$ 182,030	$ 39,363	$ 747,222	$ 303,586	$ 2,999,124	$ 1,089,533

Business-Type Activity (1)

Fiscal Year Ending June 30	Revenue Bonds (5) (6) Principal	Revenue Bonds (5) (6) Interest	Clean Renewable Energy Bonds/ Certificates of Participation (6) Principal	Clean Renewable Energy Bonds/ Certificates of Participation (6) Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2018............	$ 286,144	$ 512,558	$ 14,876	$ 20,611	$ 169	$ 123	$ 301,189	$ 533,292
2019............	316,040	498,032	15,526	19,920	155	116	331,721	518,068
2020............	351,225	482,829	16,229	19,172	149	108	367,603	502,109
2021............	371,655	465,806	16,513	18,386	156	103	388,324	484,295
2022............	382,030	447,846	17,153	17,583	163	96	399,346	465,525
2023-2027....	2,019,900	1,948,099	89,996	74,256	931	360	2,110,827	2,022,715
2028-2032...	1,675,785	1,455,257	86,642	49,334	434	162	1,762,861	1,504,753
2033-2037...	1,663,915	1,037,675	49,944	29,557	-	133	1,713,859	1,067,365
2038-2042...	2,006,660	594,285	61,989	12,700	-	133	2,068,649	607,118
2043-2047...	1,210,445	175,604	11,055	1,038	806	87	1,222,306	176,729
2048-2051...	97,680	13,961	-	-	-	-	97,680	13,961
Total.........	$ 10,381,479	$ 7,631,952	$ 379,923	$ 262,557	$ 2,963	$ 1,421	$ 10,764,365	$ 7,895,930

(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. The subsidy is approximately $28.8 million and $5.9 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2017 was reduced by 6.9% 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 0.83%, together with liquidity fee of 0.350% 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 1-month LIBOR plus 0.30%. An assumed rate of 1.036% was used to project the interest rate payment in this table.

(5) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $108.9 million less.

(6) The interest is before federal subsidy for the San Francisco Water Enterprise, San Francisco Wastewater and Hetch Hetchy Water and Power of $447.9 million, $64.0 million and $6.6 million through the fiscal year ending 2051 respectively. The payment of subsidy by the IRS in fiscal year 2017 was reduced by 6.9% due to federal sequestration. Future interest subsidy may be reduced as well.

(Dollars in Thousands)

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2017, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2016	$ 1,623,225
Bonds issued:	
Series 2016F Affordable Housing	(75,130)
Series 2017A Public Health and Safety	(173,120)
Net authorized and unissued as of June 30, 2017	$ 1,374,975

In November 2016, the City issued Affordable Housing General Obligation Bonds Series 2016F (the "Series 2016F") in the amount of $75.1 million with interest rates ranging from 2.0% to 3.1% and maturity from June 2017 through June 2036. The proceeds of the Series 2016F will be used to finance certain affordable housing improvements, fund a middle-income rental program, provide for homeownership down payment assistance opportunities for educators and middle-income households and pay certain costs related to the issuance of the Series 2016F.

In February 2017, the City issued Public Health and Safety General Obligation Bonds Series 2017A (the "Series 2017A") in the amount of $173.1 million to provide funds for certain public health and safety improvements and pay certain costs related to the issuance of the Series 2017A. The Series 2017A bears interest rates ranging from 2.0% to 5.0% with principal amortizing from June 2017 to June 2036.

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

Certificates of Participation

In June 2017, the City issued Certificates of Participation (Hope SF) Series 2017A for $28.3 million to provide funds to: 1) finance or refinance a portion of the costs of the acquisition, construction, installation or improvement to, or rehabilitation of, mixed-use housing development in the City's Hunters View project (Hope SF) and related improvements and equipment; 2) fund the 2017 Reserve Account of the Reserve Fund established under the Trust Agreement for the Series 2017A; and 3) pay costs of execution and delivery of the Series 2017A. The Series 2017A bears interest rates ranging from 3.2% to 4.0% with principal amortizing from April 2018 through April 2047.

As previously discussed, in May 2017, the City sold two City office buildings located at 30 Van Ness Avenue and 1660-1680 Mission Street for a combined amount of $122.0 million. The sales proceeds will be used: 1) together with the residual fund balance of the reserve funds of $22.7 million and $1.6 million were deposited in June 2017 with the escrow agent and invested in Treasury Bills. The escrow fund will be held in trust solely for the benefit of the owners of the COP Series 2001A (30 Van Ness) and Series 2007A (City Office Buildings) and the moneys and securities held in the escrow fund will be irrevocably set aside for the payment of the COP Series 2001A and Series 2007A as provided in the escrow agreement. Accordingly, the $24.8 million and $2.3 million outstanding balance of COP Series 2001A and Series 2007A, respectively, are now considered retired and defeased; 2) and will be used to help fund the development costs of a new office building at 1500 Mission Street. The planned building at 1500 Mission Street will be a One-Stop Permitting Center that would improve service to planning, building, and street permit applicants by collocating the Departments of Building Inspection, City Planning, and Public Works.

(Dollars in Thousands)

As of June 30, 2017, the City has a total of $551.8 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. The total debt service requirement on the certificates of participation is $833.0 million payable through April 1, 2047. For the year ended June 30, 2017, principal and interest paid by the City totaled $66.1 million and $25.4 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2017, were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2016	$ 175,382
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	3,386
Current year maturities in Finance Corporation's equipment program	4,495
Net authorized and unissued as of June 30, 2017	$ 183,263

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 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 bonds is $221.4 million payable through June 2034. For the year ended June 30, 2017, principal and interest paid by the Corporation in the form of lease payments made by the City totaled $14.0 million and $4.8 million, respectively.

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, 2017, the amount authorized and outstanding was $71.1 million, and $2.0 million, respectively.

Public Safety Radio Lease Purchase Financing

In December 2016, the City, as the lessee, entered into a lease purchase financing agreement in the amount of $34.2 million with Banc of America Public Capital Corp through the Golden State Financial Marketplace, as the lessor to finance the City's public safety radio replacement project. This project is for the purchase and installation of a new citywide 800 MHz Radio public safety and service network with Motorola, Inc. and the maintenance and support necessary to maintain the old system during the transition and the new system once it is accepted by the City. The principal obligation bears interest rate of 1.6991% to be amortized semi-annually from June 2017 to December 2026.

San Francisco County Transportation Authority Revolving Credit Agreement

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 agreement (Revolving Credit Agreement). The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Credit Agreement expires on June 8, 2018, and has a rate of interest equal to the sum of 70% of 1-month 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 Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax. The Transportation Authority paid $21.0 million of the outstanding balance in December 2016 and borrowed an additional $46.0 million in April 2017. As of June 30, 2017, $139.7 million of the Revolving Credit Agreement balance was outstanding, with an interest rate of 1.036%.

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, 2014, 2016 and 2017, the Airport has authorized the issuance of up to $7.80 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan 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, 2017, $5.50 billion of the authorized capital plan bonds remained unissued.

On-Airport Hotel Second Series Revenue Bonds and Related Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2016 and 2017, the Airport has authorized the issuance of $278.0 million of Capital Plan Bonds and $260.0 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. 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 $278.0 million, which will be applied to the $255.0 million construction costs of the hotel and AirTrain station, capitalized interest on the Hotel Special Facility Bonds and other costs of issuance. In fiscal years 2016 and 2017, the City's Board of Supervisors authorized the issuance of such Hotel Special Facility Bonds and Capital Plan Bonds for the hotel and AirTrain station. Airport approval of the bond sale is required before such bonds can be issued.

(Dollars in Thousands)

Second Series Revenue Bonds, Series 2016B/C

In September 2016, the Airport issued its long-term, fixed rate Capital Plan Bonds Series 2016B and 2016C in the aggregate principal amount of $740.1 million to finance and refinance (through the repayment of CP notes) the following projects, among others: (a) redevelopment of Terminal 1 including the construction of an interim Boarding Area B and the design and construction of a new 24-gate Boarding Area B facility, (b) relocation of a firehouse and vehicle security checkpoint to accommodate the expansion of Boarding Area B and the related realignment of Taxiways H and M, (c) relocation of ground transportation facilities to accommodate the expansion of Boarding Area B, (d) construction of new administration campus to consolidate some Airport administrative departments, (e) upgrades to operating systems-related components for the AirTrain extension, (f) gate enhancements to accommodate larger aircraft and address demand-driven gate needs, and (g) various technology improvements to upgrade network services.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 through 2016, the Airport has authorized the issuance of up to $8.40 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate CP notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums.

As of June 30, 2017, $1.00 billion of such refunding bonds remained authorized but unissued.

During the fiscal year 2017, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Refunding Bonds, Series 2016D

In September 2016, the Airport issued its Second Series Revenue Refunding Bonds, Series 2016D in the principal amount of $147.8 million to advance refund and legally defease long-term fixed rate Series 2010C, 2011D and 2011G bonds. The Series 2016D bonds bear interest at a fixed rate of 5.0% and final maturity of May 1, 2031. The net proceeds of $188.1 million were used to pay $0.3 million underwriter's discount and $0.2 million in costs of issuance and deposit $187.6 million into irrevocable escrow funds with the Senior Trustee to defease and refund $158.0 million in revenue bonds as described below.

	Amount Refunded	Interest Rate	Redemption Price
Second Series Revenue Bond Issue:			
2010C (Non-AMT)	$ 42,210	4.00%-5.00%	100%
2011D (Non-AMT)	39,245	5.00%	100%
2011G (Non-AMT)	76,535	5.00%-5.25%	100%
Total	$ 157,990		

The refunded bonds were legally defeased and scheduled for redemption on May 1, 2020 (Series 2010C) and May 3, 2021 (Series 2011D and Series 2011G). Accordingly, the liability for these bonds has been removed from the accompanying statements of net position. The refunding resulted in the recognition of a deferred accounting gain of $0.2 million for year ended June 30, 2017. The Airport reduced its aggregate debt service payments by approximately $15.0 million over the next fourteen years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $13.5 million.

(Dollars in Thousands)

Variable Rate Demand Bonds

As of June 30, 2017, the Airport had outstanding aggregate principal amount of $460.8 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 of and interest on, and payment of purchase price of 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 table below. Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond 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 0.45% and 0.63% per annum. As of June 30, 2017, there were no unreimbursed draws under these facilities.

The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2017, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Series 2010A
Principal Amount	$93,130	$37,820	$33,655	$86,930	$209,240
Expiration Date	June 29, 2018	April 25, 2018	April 25, 2018	January 28, 2019	June 29, 2020
Credit Provider	Wells Fargo (1)	BTMU (2)	BTMU (2)	MUFG Union Bank (3)	Bank of America (4)

(1) Wells Fargo Bank, National Association
(2) The Bank of Tokyo-Mitsubishi UFJ. Ltd.
(3) Formerly Union Bank, N.A.
(4) Bank of America, National Association

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 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 2008 and December 2008, the Airport refunded Issue 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.

(Dollars in Thousands)

In December 2010, the Airport terminated a swap with Depfa Bank plc associated with the Series 2010A-3 Bonds, with a notional amount of $72.0 million. 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. However, the swap associated with the Issue 37B Bonds is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes. As a practical matter, the swap associated with the Issue 37B Bonds also serves as an indirect hedge on the unhedged portions of the Issue 36B and Issue 36C Bonds when viewed alongside the Airport's other swaps, and only to the extent that the swap's notional amount exceeds the outstanding amount of the Series 2010A-3 Bonds.

In September 2011, the Airport refunded the Issue 36D Bonds with proceeds of the San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2011H and terminated the swap with JP Morgan Chase Bank, N.A. associated with Issue 36D, which had an initial notional amount of $30.0 million. 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 63.50% 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 any time upon making a market-based termination payment solely at the option of the Airport.

As of June 30, 2017, 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, 2017.

No.	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2017	Effective Date
1	36AB	$ 70,000	$ 65,170	2/10/2005
2	36AB	69,930	65,135	2/10/2005
3	36C	30,000	27,930	2/10/2005
4	2010A (37B)*	79,684	77,061	5/15/2008
5	37C	89,856	86,899	5/15/2008
6	2010A**	143,947	140,230	2/1/2010
	Total	$ 483,417	$ 462,425	

* The Issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

** Hedges Series 2010A-1 and 2010A-2.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All 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 to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

(Dollars in Thousands)

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the non-performance risk of each party to the swap to arrive at the fair value. For each swap, the non-performance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2017, the fair value of the Airport's six outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are as follows:

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)	Fixed rate payable by Airport	Fair value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	$ (5,510)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.445%	(5,513)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	(2,363)
4	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	(12,652)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.898%	(14,581)
6	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	A+/A3/A*	3.925%	(25,346)
		Total			$ (65,965)

* Reflects ratings of the guarantor.

** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

*** Hedges Series 2010A-1 and 2010A-2.

Fair Value Hierarchy

	Fair Value June 30,2017	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	$ (65,965)	$ (65,965)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2017 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2016	$ 83,614	$ 96,132
Change in fair value to year-end	(28,744)	(30,167)
Balance as of June 30, 2017	$ 54,870	$ 65,965

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) 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 of resources (if a termination payment would be due to the counterparty) or inflow of resources (if a termination payment would be due to the Airport). 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 inflow/outflow 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 and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2017.

(Dollars in Thousands)

Risks

Basis Risk – The Airport has chosen a variable rate index based on a percentage of London Interbank Offered Rate (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 year ended June 30, 2017, the Airport paid a total of $0.6 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, 2017, 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 a market-based termination value, which may result in a payment to or from 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. To diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30, 2017, 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).

Termination Risk – All the interest rate swaps are terminable at their termination price 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:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2017 (S&P/Moody's/Fitch)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/A3/NR
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/A3/NR
3	Issue 36C	Assured Guaranty Municipal Corp.	AA/A2/NR
4	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
5	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
6	Series 2010A	None	N/A

If the Airport is rated between Baa1/BBB+ and Baa3/BBB- (Moody's/S&P), 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- (Moody's/S&P) 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 nonpayment 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 a specific rating threshold, 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.

In December 2016, S&P upgraded the credit rating of Goldman Sachs Bank USA, the swap counter party on the Series 2010A Swap, from "A" to "A+" and upgraded the credit rating of Merrill Lynch Derivative Products AG, the guarantor on Issue 37B (2010A) Swap, from "AA-" to "AA".

The downgrade of any swap counterparty is an indicative of an increased risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment related to the fair value of such swap, depending on market conditions at the time. As of June 30, 2017, the fair value of each swap was negative to the Airport as shown above.

<u>Water Enterprise</u>

Water Revenue Refunding Bonds 2016 Series AB

In October 2016, the Water Enterprise issued tax-exempt revenue bonds, 2016 Series AB in the aggregate amount of $893.8 million. The 2016 Series A bonds were issued for the purpose of refunding a portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2020, a portion of the outstanding 2009 Series B bonds maturing on and after November 1, 2020, and a portion of the outstanding 2010 Series F bonds maturing on and after November 1, 2021. The 2016 Series B bonds were issued to refund, on a current basis, all the outstanding 2006 Series B and Series C bonds, and a portion of the outstanding 2010 Series A bonds maturing on and after November 1, 2020. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2016 Series AB bonds include serial bonds with interest rates ranging from 1.50% to 5.00% and have a final maturity in 2039. The Series AB bonds have a true interest cost of 2.85%. Unamortized bond issuance costs at the date of refunding were $145 for 2006 Series B bonds and $54 for 2006 Series C bonds. The refunding resulted in the recognition of a deferred accounting loss of $106.2 million, gross debt service savings of $136.0 million, and an economic gain of $107.2 million or 11.52% of refunded principal. As of June 30, 2017, the principal amount of 2016 Series AB bonds outstanding was $882.4 million.

Water Revenue Bonds 2016 Series C

In December 2016, the Water Enterprise issued taxable bonds, 2016 Series C in the amount of $259.4 million. The bonds were issued as Green Bonds. The purpose of the bonds was to refund all the outstanding taxable commercial paper notes in the approximate amount of $237.0 million, and to provide $20.0 million of new money for WSIP capital projects. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively. The 2016 Series C bonds include serial bonds with interest rates ranging from 0.87% to 3.95% and have a final maturity in 2046, and two term bonds with 4.035% and 4.185% interest rates and final maturities of 2041 and 2046. The Series C bonds have a true interest cost of 3.97%. As of June 30, 2017, the principal amount of 2016 Series C bonds outstanding was $259.4 million.

San Francisco Municipal Transportation Agency

In June 2017, the SFMTA issued Revenue Bonds, Series 2017 in the total amount of $177.8 million to provide funds for the various transit and parking capital projects for the SFMTA. The Series 2017 bonds bear interest at fixed rates between 3.0% to 5.0% and have a final maturity on March 1, 2047.

(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 Francisco City and County Employees’ Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000. Also see SFERS website at http://mysfers.org.

Replacement Benefits Plan – The Replacement Benefit Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415 (b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

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 Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS Public Employees’ Pension Reform Act (PEPRA) Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous 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.

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 2.0%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996, will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996, and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

<u>CalPERS</u> – 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 compensation which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California 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.

(Dollars in Thousands)

The CalPERS' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to	On or after	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013*	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60		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
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.26%		27.39%	21.33% to 26.25%

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to	On or after	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 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%	6.89%	6.50%
Required employer contribution rates	8.88%	6.56%	26.52%	7.08%

** For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.*

At June 30, 2017, the CalPERS' City Safety Plan had a total of 2,307 members who were covered by these benefits, which includes 991 inactive employees or beneficiaries currently receiving benefits, 313 inactive employees entitled to but not yet receiving benefits, and 1,003 active employees.

Contributions

For the years ended June 30, 2017 and 2016, the City's actuarial determined contributions were as follows:

	2017	2016
SFERS Plan	$ 519,073	$ 496,343
City CalPERS Miscellaneous Plan	35	33
City CalPERS Safety Plan	27,190	23,629
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	293	280
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	970	828
Treasure Island Development Authority CalPERS Miscellaneous Plan	2	2
Replacement Benefits Plan	-	-
Total	$ 547,563	$ 521,115

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 2017 varied from 7.5% to 12.0% as a percentage of gross covered salary. For the year ended June 30, 2017, 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, 2015 actuarial report, the required employer contribution rates for fiscal year 2017 were 17.90% to 21.40%.

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.

(Dollars in Thousands)

Replacement Benefits Plan - The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $1.3 million replacement benefits in the year ended June 30, 2017.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2017 is distributed.

Governmental activities	$	3,306,484
Business-type activities		2,501,732
Fiduciary funds		23,281
Component Unit - Treasure Island Development Authority		27
Total	$	5,831,524

As of June 30, 2017, the City's NPL is comprised of the following:

	Proportionate Share		Share of Net Pension Liability (Asset)
SFERS Plan	94.2175%	$	5,476,654
City CalPERS Miscellaneous Plan	-0.1469%		(12,711)
City CalPERS Safety Plan	N/A		263,908
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0204%		1,765
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2691%		23,281
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%		27
Replacement Benefits Plan	N/A		78,600
Total		$	5,831,524

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 for each of its cost-sharing plans is measured as of June 30, 2016, 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, 2015, rolled forward to June 30, 2016, 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.

(Dollars in Thousands)

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2016 and 2015 were as follows:

	June 30, 2016 (Measurement Date)		June 30, 2015 (Measurement Date)		
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	Change (Decrease)
SFERS Plan	94.2175%	$ 5,476,654	93.9032%	$ 2,156,049	$ 3,320,605
City CalPERS Miscellaneous Plan	-0.1469%	(12,711)	-0.2033%	(13,956)	1,245
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0204%	1,765	0.0188%	1,288	477
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2691%	23,281	0.2413%	16,563	6,718
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	27	0.0004%	24	3
Total		$ 5,489,016		$ 2,159,968	$ 3,329,048

The City's NPL for the CalPERS City 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, 2015 (VD)	$ 1,119,705	$ 930,868	$ 188,837
Change in year:			
Service cost	31,141	-	31,141
Interest on the total pension liability	85,094	-	85,094
Differences between expected and actual experience	950	-	950
Contributions from the employer	-	23,640	(23,640)
Contributions from employees	-	14,310	(14,310)
Net investment income	-	4,731	(4,731)
Benefit payments, including refunds of employee contributions	(47,774)	(47,774)	-
Administrative expense	-	(567)	567
Net changes during measurement period	69,411	(5,660)	75,071
Balance at June 30, 2016 (MD)	$ 1,189,116	$ 925,208	$ 263,908

(Dollars in Thousands)

The City's NPL for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in the plan. The change in the NPL for the City Replacement Benefits Plan is as follows:

	Increase (Decrease) Net Pension Liability (Asset)
Balance at June 30, 2015 (VD)	$ 55,038
Change in year:	
Service cost	956
Interest on the total pension liability	2,112
Changes of benefits	10,310
Changes of assumptions	11,516
Benefit payments, including refunds of employee contributions	(1,332)
Net changes during measurement period	23,562
Balance at June 30, 2016 (MD)	$ 78,600

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

For the year ended June 30, 2017, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	Total
SFERS Plan	$ 971,273	$ 837,719	$ -	$ -	$ 1,808,992
City CalPERS Miscellaneous Plan	322	-	-	-	322
City CalPERS Safety Plan	31,243	-	-	-	31,243
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	134	-	-	-	134
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	3,900	-	3,900
Treasure Island Development Authority CalPERS Miscellaneous Plan	-	-	-	8	8
Replacement Benefits Plan	14,349	-	-	-	14,349
Total pension expense	$ 1,017,321	$ 837,719	$ 3,900	$ 8	$ 1,858,948

(Dollars in Thousands)

At June 30, 2017, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits 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	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 519,073	$ -	$ 1,300	$ -	$ 27,190	$ -	$ -	$ -	$ 547,563	$ -
Change in assumptions	942,132	27,630	-	422	-	10,671	9,213	-	951,345	38,723
Difference between expected and actual experience	-	201,818	44	10	712	7,606	-	-	756	209,434
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	9,627	5,132	2,045	10,183	-	-	-	-	11,672	15,315
Net differences between projected and actual earnings on plan investments	748,804	-	2,197	-	50,227	-	-	-	801,228	-
Total	$ 2,219,636	$ 234,580	$ 5,586	$ 10,615	$ 78,129	$ 18,277	$ 9,213	$ -	$ 2,312,564	$ 263,472

(Dollars in Thousands)

At June 30, 2017, the City reported $547.6 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, 2018. 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
2018..................	$ 213,134
2019..................	214,051
2020..................	613,203
2021..................	461,141
Total	$ 1,501,529

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2016, is provided below, including any assumptions that differ from those used in the July 1, 2015, actuarial valuation.

	SFERS Plan and Replacement Benefits Plan (RBP)		CalPERS Miscellaneous and Safety Plans
Valuation date..........................	June 30, 2015 updated to June 30, 2016		June 30, 2015 updated to June 30, 2016
Measurement date..................	June 30, 2016		June 30, 2016
Actuarial cost method..............	Entry-age normal cost method		Entry-age normal cost method
Investment rate of return.........	7.50%, net of pension plan investment expenses (SFERS) Not applicable for RBP		7.50%, net of pension plan investment expense, including inflation
Municipal bond yield................	3.85% as of June 30, 2015 2.85% as of June 30, 2016 Bond Buyer 20-Bond GO Index, July 2, 2015 and July 30, 2016		
Inflation......................................	3.25%		2.75%
Projected salary increases.....	3.75% plus merit component based on employee classification and years of service		Varies by Entry Age and Service
Discount rate............................	7.50% as of June 30, 2016 (SFERS) 2.85% as of June 30, 2016 (RBP)		7.65% as of June 30, 2016
Basic COLA..............................	Old Miscellaneous and		
	All New Plans..	2.00%	Miscellaneous: Contract COLA up to 2.75%
	Old Police and Fire:		until Purchasing Protection Allowance Floor
	Pre 7/1/75 Retirements.....................................	2.70%	on Purchasing Power applies. 2.75%
	Chapters A8.595 and A8.596...........................	3.30%	thereafter.
	Chapters A8.559 and A8.585...........................	4.40%	Safety standard COLA 2.0%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS June 30, 2015, valuation was based upon the results of an experience study for the period July 1, 2009, through June 30, 2014.

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, 2015, valuation was based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

For the Replacement Benefits Plan beginning of the year measurements are also based on the census data as of June 30, 2015. Because the beginning and ending values are based on the same census data, no liability gains or losses due to experience are reported this year.

(Dollars in Thousands)

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 7.46% as of June 30, 2015, and 7.50% as of June 30, 2016.

The discount rate used to measure SFERS Plan's total pension liability as of June 30, 2016 was 7.50%. 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, a payment for the expected administrative expenses, and an amortization payment on the Unfunded Actuarial Liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014, are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013, is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014, are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014, are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. 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 actuarial valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996, and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996, and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

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, 2016, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for members with a 2.00% Basic COLA for sample years.

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2018	0.750%	0.000%
2023	0.750%	0.220%
2028	0.750%	0.322%
2033	0.750%	0.370%
2038+	0.750%	0.375%

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

(Dollars in Thousands)

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 2093 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.85% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2016, is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced 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 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	40.0%	5.1%
Fixed Income	20.0%	1.1%
Private Equity	18.0%	6.3%
Real Assets	17.0%	4.3%
Hedge Funds/Absolute Return	5.0%	3.3%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.65%. 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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% 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 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.

(Dollars in Thousands)

The table below reflects long-term expected real rate of return by asset class adopted by the Board, effective on July 1, 2015. 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	51.00%	5.25%	5.71%
Global fixed income	20.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-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.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.85% as of June 30, 2015, and 2.85% as of June 30, 2016. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of July 2, 2015 and June 30, 2016. These are the rates used to determine the total pension liability as of June 30, 2015, and June 30, 2016.

The inflation assumption of 3.25% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $210 for 2015 and 2016 was used for both the 2015 and 2016 measurement dates.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

Membership in the plan include 33,447 active members and 84 retirees and beneficiaries currently receiving benefits.

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 cost-sharing 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 1.0% lower or 1.0% higher than the current rate.

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
SFERS	$ 8,678,794	$ 5,476,654	$ 2,828,104

	1% Decrease Share of NPL @ 6.65%	Current Share of NPL @ 7.65%	1% Increase Share of NPL @ 8.65%
City CalPERS Miscellaneous Plan	$ (9,903)	$ (12,711)	$ (15,032)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	2,978	1,765	763
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	37,564	23,281	11,478
Treasure Island Development Authority CalPERS Miscellaneous Plan	37	27	19

(Dollars in Thousands)

The following presents the City's NPL for each of the City's agent multiple-employer plans, calculated using the discount rate, in effect as of the measurement date, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

Agent Pension Plan	1% Decrease @ 6.65%	Measurement Date @ 7.65%	1% Increase @ 8.65%
City CalPERS Safety Plan..............................	$ 425,527	$ 263,908	$ 130,402
	1% Decrease @ 1.85%	**Measurement Date @ 2.85%**	**1% Increase @ 3.85%**
Replacement Benefits Plan............................	$ 96,762	$ 78,600	$ 56,782

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.

(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 prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF), an irrevocable trust fund that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust and has two participating employers: the City and the San Francisco Community College District (Community College District). From the most recent actuarial valuation reports as of July 1, 2014, there were 29,001 active members, 25,919 retirees and beneficiaries, and 2,843 vested, terminated members for the City. The Community College District had 1,369 active members and 1,041 eligible retirees.

The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund. It is governed by a Retiree Health Care Board of Administration consisting of 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. The RHCTF issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

(Dollars in Thousands)

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, 2017, the City paid $165.5 million for postemployment healthcare benefits on behalf of its retirees and contributed $18.4 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 unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2014, 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	$ 362,700
Interest on Net OPEB obligation	98,562
Adjustment to annual required contribution	(39,860)
Annual OPEB cost	421,402
Contribution made	(183,898)
Increase in net OPEB obligation	237,504
Net OPEB obligation - beginning of year	2,147,434
Net OPEB obligation - end of year	$ 2,384,938

The table below shows how the total net OPEB obligation as of June 30, 2017, is distributed.

Governmental activities	$ 1,338,592
Business-type activities	974,031
Fiduciary funds	72,315
Net OPEB obligation - end of year	$ 2,384,938

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
6/30/2015	$ 363,643	46.0%	$ 1,990,155
6/30/2016	326,133	51.8%	2,147,434
6/30/2017	421,402	43.6%	2,384,938

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, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

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 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, 2014, 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 4.50% investment rate of return on investment; 3.25% inflation rate; 3.75% payroll growth; and actual medical premiums from 2015 through 2017 and an ultimate medical inflation rate of 8.00% to 4.50% from 2018 through 2032.

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 2.0% of pay and the employer to contribute 1.0% 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 10.0% of payroll expenses, and will be limited to no more than 10.0% 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, 2017. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2015, covering the year ended June 30, 2017. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 57.3% funded and the UAAL was $0.9 million. As of the June 30, 2015, actuarial valuation, the estimated covered payroll was $3.9 million and the ratio of the UAAL was 22.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2017. Financial statements for the

(Dollars in Thousands)

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.

As of June 30, 2017, the Transportation Authority's annual OPEB expense of $200.5 was greater than the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	$ 138.4	100.0%	$ -
6/30/2016	200.7	103.0%	(5.8)
6/30/2017	200.5	97.1%	-

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 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 100.0% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2017, the Successor Agency contributed $1.2 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 ARC of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2017, and the changes in the net OPEB obligation:

Annual required contribution	$ 813
Interest on Net OPEB obligation	30
Adjustment to annual required contribution	(39)
Annual OPEB cost	804
Contribution made	(1,232)
Decrease in net OPEB obligation	(428)
Net OPEB obligation - beginning of year	430
Net OPEB obligation - end of year	$ 2

(Dollars in Thousands)

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 918	104%	$ 833
6/30/2016	796	151%	430
6/30/2017	804	153%	2

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 10,998
Actuarial value of plan assets	2,833
Unfunded actuarial accrued liability (UAAL)	$ 8,165
Funded ratio (actuarial value of plan assets/AAL)	25.8%
Covered payroll (active plan members)	$ 4,261
UAAL as a percentage of covered payroll	191.6%

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 ARC for the year ended June 30, 2017, and the funding status of the plan was determined based on the July 1, 2015, actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.0%; (b) medical costs trend increases of 4.0%; (c) inflation rate of 2.75%; (d) payroll growth of 2.75%; and (e) 2014 CalPERS active mortality table 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 22 years, respectively.

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 $713.9 million in fiscal year 2016-17. 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 $201.5 million to provide postemployment health care benefits for 27,561 retired participants, of which $165.4 million related to City employees. 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.

(Dollars in Thousands)

(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long Term Receivables.	$ 525	$ 82	$ 607
Restricted			
Rainy Day	125,689	44,248	169,937
Public Protection			
Police	-	18,536	18,536
Sheriff	-	1,084	1,084
Other Public Protection	-	11,264	11,264
Public Works, Transportation & Commerce	-	207,549	207,549
Human Welfare & Neighborhood Development	-	255,546	255,546
Affordable Housing	-	300,750	300,750
Community Health	-	23,850	23,850
Culture & Recreation	-	154,290	154,290
General Administration & Finance	-	24,218	24,218
Capital Projects	-	515,405	515,405
Debt Service	-	144,280	144,280
Total Restricted	125,689	1,701,020	1,826,709
Committed			
Budget Stabilization	323,204	-	323,204
Recreation and Parks Expenditure Savings	4,403	-	4,403
Total Committed	327,607	-	327,607
Assigned			
Public Protection			
Police	5,709	1,498	7,207
Sheriff	2,620	2,728	5,348
Other Public Protection	26,700	-	26,700
Public Works, Transportation & Commerce	75,662	36,902	112,564
Human Welfare & Neighborhood Development	73,064	9,761	82,825
Affordable Housing	34,615	-	34,615
Community Health	137,819	-	137,819
Culture & Recreation	4,738	13,445	18,183
General Administration & Finance	75,206	14,079	89,285
General City Responsibilities	96,534	-	96,534
Capital Projects	145,714	-	145,714
Litigation and Contingencies	136,080	-	136,080
Subsequent Year's Budget	273,827	-	273,827
Total Assigned	1,088,288	78,413	1,166,701
Unassigned	328,594	(245,445)	83,149
Total	$ 1,870,703	$ 1,534,070	$ 3,404,773

(b) 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 twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten 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 most recent update to the Five-Year Financial Plan covering fiscal years 2017-18 through 2021-22.

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 most recent update to the Five-Year Financial Plan covering fiscal years 2017-18 through 2021-22.

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.

(c) Encumbrances

At June 30, 2017, encumbrances recorded in the General Fund and nonmajor governmental funds were $244.2 million and $277.3 million, respectively.

(d) Restricted Net Position

At June 30, 2017, the government-wide statement of net position reported restricted net position of $1,473.2 million in governmental activities and $690.6 million in business-type activities, of which $16.2 million and $90.9 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

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 $386.5 million of unrestricted net position of governmental activities, of which $304.2 million reduced net investment in capital assets and $82.3 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Human Welfare Fund and Senior Citizens' Program Fund had deficits of $3.5 million, and $0.8 million, respectively, as of June 30, 2017. The deficits relate to unavailable revenue in various programs which is expected to be collected beyond 60 days of the end of fiscal year 2017.

The Moscone Convention Center Fund had a $241.2 million deficit as of June 30, 2017. The deficit is primarily related to the issuance of commercial paper for the construction of the Moscone Center Expansion and Improvement Project and will be covered by refinancing commercial paper as long-term debt.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $14.8 million and $23.1 million, respectively, as of June 30, 2017, 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, 2017, the Successor Agency has a deficit of $388.8 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.

(Dollars in Thousands)

(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2017 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues........	$ 83,757	$ 56,126	$ 139,883
Property Tax..................................	62,512	15,843	78,355
Teeter Plan....................................	38,469	-	38,469
SB 90...	8,218	-	8,218
Advances to Successor Agency......	-	13,149	13,149
PG&E franchise tax.......................	3,346	-	3,346
Loans...	9,666	79,759	89,425
Total..	$ 205,968	$ 164,877	$ 370,845

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.

(12) 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 were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure 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 Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Proposition 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 in the Expenditure Plan. Revenue collection began in May 2011. Proposition 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 2012, the Transportation Authority Board approved the first Proposition 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). In May 2017, the Transportation Board approved the 2017 Proposition AA Strategic Plan and programmed revenues for projects over the five-year period, covering fiscal years 2017/18 to 2021/22. The Proposition AA program is a pay-as-you-go program.

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 the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

(Dollars in Thousands)

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), 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, development 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 2016 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 fifteenth in terms of cargo tonnage. 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 bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the 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 2017, 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 were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	$ 887,920
Bond principal and interest remaining due at end of the fiscal year	7,985,585
Commercial paper issued with subordinate revenue pledge	179,000
Commercial paper principal and interest remaining due at end of the fiscal year	178,564
Net revenues	489,378
Bond principal and interest paid in the fiscal year	408,750
Commercial paper principal, interest and fees paid in the fiscal year	4,106

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 annual debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account. 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 levels of insurance or self-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:

(i) 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

(Dollars in Thousands)

(ii) 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 or $3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2017, the FAA has approved Airport applications (PFC #2 to PFC #7) for collection with a total cumulative collection amount of $2.04 billion while Airport applications (PFC #2 to PFC #6) has been approved for use with a total cumulative use amount of $1.70 billion. The final charge expiration date is estimated to be February 1, 2030. The Airport is working with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017, to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. For the year ended June 30, 2017, the Airport reported approximately $104.0 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 $68.2 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2017, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel), a special purpose limited liability company founded by certain airlines operating at the Airport. 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.

Purchase commitments for construction, material and services as of June 30, 2017 are as follows:

Construction	$ 188,826
Operating	28,896
Total	$ 217,722

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, 2017 was $45.0 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, 2017, was $147.4 million.

(Dollars in Thousands)

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 year ended June 30, 2017, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines	23.9%

(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 11% 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 $91.4 million. The principal and interest payments made in 2017 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2017, were $39.0 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 $2.8 million. Annual principal and interest payments were $0.23 million in 2017 and pledged harbor revenues were $0.12 million for the year ended June 30, 2017.

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, 2017, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $13.7 million for capital projects and $3.2 million for general operations.

Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30.0 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. Through June 30, 2017, $46.6 million 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 2017, the $19.0 million in services provided by other City departments included $2.7 million of insurance premiums and $0.6 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project which commenced July 2016, the Port received $0.5 million from the San Francisco Municipal Transportation Agency (SFMTA) and $0.5 million from the Planning Department in support of the project.

The Port and SFMTA entered into an MOU dated January 25, 2001, which granted the SFMTA the right to use an approximately 17-acre portion of certain Port property for permitted uses, as defined therein. Pursuant to the MOU, SFMTA paid to the Port $29.7 million in 2001 for the perpetual use and future jurisdictional transfer of this property, subject to the satisfaction of various conditions. With the jurisdiction transfer conditions satisfied and the necessary approvals in place, the Board of Supervisors in July 2017 approved the interdepartmental jurisdictional transfer of this property from the Port Commission to the SFMTA for no additional consideration. The transfer price of $29.7 million paid in 2001 was the estimated fair market value determined by an independent appraisal at the time it was paid.

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.

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. The Port is working with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. An extension of time will also be sought to complete the necessary public access improvements. Port management believes that the alternate proposal will provide significant public access improvements that are relevant to the project area and at lower cost.

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 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.

(Dollars in Thousands)

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 $11.0 million at June 30, 2017.

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, 2017, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2016	$ 10,969	$ 60	$ 11,029
Current year claims and changes in estimates	242	255	497
Vendor payments	-	(84)	(84)
Environmental liabilities at June 30, 2017	$ 11,211	$ 231	$ 11,442

(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 2017, the Water Enterprise sold water, approximately 63,717 million gallons annually, to a total population of approximately 2.7 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 CleanPowerSF), 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 2017 and applicable revenues for 2017 are as follows:

Bonds issued with revenue pledge	$ 4,455,785
Bond principal and interest remaining due at end of the fiscal year	7,673,811
Net revenues	251,405
Bond principal and interest paid in the fiscal year	207,812
Funds available for revenue debt service	394,440

During fiscal year 2017, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $205.9 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, 2017, the City owed the Wholesale Customers $43.5 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2017, the Water Enterprise had outstanding commitments with third parties of $279.8 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2017, the total pollution remediation liability was $2.5 million, consisting of $1.5 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, $1.0 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 $34.6 million and $8.5 million, respectively, for the year ended June 30, 2017, 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 $16.1 million for the year ended June 30, 2017 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetchy Power in fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 80.0% of the electricity generated by 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, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 20% 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 agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated 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 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.

(Dollars in Thousands)

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise for the year ended 2017. 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	CleanPower SF	Elimination	Total
Assets:					
Current assets	$ 76,027	$ 187,635	$ 19,600	$ -	$ 283,262
Receivables from other funds and component units	-	18,673	-	(7,250)	11,423
Noncurrent restricted cash and investments	4,154	35,998	-	-	40,152
Other noncurrent assets	169	1,100	-	-	1,269
Capital assets	127,731	316,990	-	-	444,721
Total assets	208,081	560,396	19,600	(7,250)	780,827
Deferred outflows of resources related to pensions	12,659	15,473	-	-	28,132
Liabilities:					
Current liabilities	6,293	40,543	6,032	(2,000)	50,868
Noncurrent liabilities	44,753	132,005	5,350	(5,250)	176,858
Total liabilities	51,046	172,548	11,382	(7,250)	227,726
Deferred inflows of resources related to pensions	1,338	1,635	-	-	2,973
Net position:					
Net investment in capital assets	127,731	260,681	-	-	388,412
Restricted for debt service	-	485	-	-	485
Unrestricted	40,625	140,520	8,218	-	189,363
Total net position	$ 168,356	$ 401,686	$ 8,218	$ -	$ 578,260

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues	$ 35,150	$ 120,962	$ 33,867	$ 189,979
Depreciation expense	(4,505)	(13,225)	-	(17,730)
Other operating expenses	(45,594)	(103,710)	(27,096)	(176,400)
Operating income (loss)	(14,949)	4,027	6,771	(4,151)
Nonoperating revenues (expenses):				
Federal grants	-	37	-	37
Interest and investment income	46	1,718	89	1,853
Interest expense, net of amortization of premium, discount, and issuance costs	-	(2,945)	(70)	(3,015)
Other nonoperating revenues net of expenses	548	10,319	4	10,871
Transfers in (out), net	60,000	51	-	60,051
Change in net position	45,645	13,207	6,794	65,646
Net position at beginning of year	122,711	388,479	1,424	512,614
Net position at end of year	$ 168,356	$ 401,686	$ 8,218	$ 578,260

(Dollars in Thousands)

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities	$ (2,920)	$ 29,975	$ 5,859	$ 32,914
Noncapital financing activities	61,067	12,486	(66)	73,487
Capital and related financing activities	(15,080)	(25,205)	-	(40,285)
Investing activities	112	1,742	87	1,941
Increase in cash and cash equivalents	43,179	18,998	5,880	68,057
Cash and cash equivalents at beginning of year	36,367	192,923	8,174	237,464
Cash and cash equivalents at end of year	$ 79,546	$ 211,921	$ 14,054	$ 305,521

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2017, and applicable revenues for 2017 are as follows:

Hetch Hetchy Power (excluding CleanPowerSF)	
Bonds issued with revenue pledge	$ 64,871
Bond principal and interest remaining due at end of the fiscal year	91,177
Net revenues	31,229
Bond principal and interest paid in the fiscal year	2,293
Funds available for revenue debt service	63,428

Commitments and Contingencies – As of June 30, 2017, Hetch Hetchy had outstanding commitments with third parties of $72.7 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water
To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto 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 $4.7 million in fiscal year 2017. 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 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power
In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the Commission and the Board of Supervisors approved the extension of both agreements for one year to June 30, 2016. A second extension agreement has been subsequently approved to continue the current terms and conditions for MID through June 30, 2017. The second extension agreement for TID proposes to remove the district's rights to excess energy from the project and terminate those conditions with the first extension agreement on June 30, 2016. The Commission 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 Commission's municipal load obligations. For fiscal year 2017, energy sales to the Districts totaled 152,321 Megawatt hours (MWh) or $7.8 million.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver power to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2017, Hetch Hetchy Power purchased $8.6 million of transmission, distribution services, and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2017, Hetchy Power did not purchase power and other related products. Sales of excess power, after meeting Hetch Hetchy's obligations, were 29,050 MWh, or $0.8 million, for 2017. Sales in fiscal year 2017 were higher due to increased water flows resulting from higher precipitation levels, and fewer planned maintenance outages.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2017, the facility generated 6,505 MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2017, purchases of energy under the Agreement were $1.8 million, or 6,505 MWh.

CleanPowerSF

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine transaction requires a reserve balance of $2.6 million as of June 30, 2017, which is equivalent to two months' worth of estimated payment obligations. At June 30, 2017, total electricity purchased from Calpine and Shiloh were $17.3 million and $1.6 million, respectively.

CleanPowerSF entered into contract with Noble Americas in November 2015 for a three-year term, not to exceed $5.6 million to provide administrative and customer care services related to electricity data management, billing, call center and related services. During fiscal year 2017, amount paid was $1.0 million. Prior year costs were included in Hetchy Power's start-up costs for CleanPowerSF.

During fiscal year 2017, there was a letter of credit outstanding that guarantees certain payment obligations of CleanPowerSF. The Letter of Credit is secured by Hetchy Power revenue at the 11th priority lien level under the Hetchy Power Indenture. The letter of credit, issued by JP Morgan Chase, was in the amount of $13.9 million as of June 30, 2017. There were no draws against the letter of credit during fiscal year 2017.

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 $34.6 million and purchased electricity for $8.5 million for the year ended June 30, 2017. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $10.7 million for the year ended June 30, 2017. Included in 2017 operating revenues are sales of power to departments within the City of $87.7 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 $8.7 million for the year ended June 30, 2017, and have been included in services provided by other departments.

As of June 30, 2017, operating revenues in sales of power from CleanPowerSF to Hetchy Power were $0.01 million. Operating expenses in purchase of power from Hetchy Power to CleanPowerSF were $1.9 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $0.2 million for the fiscal years ended June 30, 2017.

(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 financial statements include the entire San Francisco's (the 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. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A) which provided $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 and the largest in the Bay Area. It currently has about 226 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 20 parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

(Dollars in Thousands)

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

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 2047.

Annual principal and interest payments for fiscal year 2017 were 38.9% 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 2017 and applicable revenues are as follows:

Bonds issued with revenue pledge	$ 387,670
Bond principal and interest remaining due at end of the fiscal year	596,359
Net revenues	25,952
Bond principal and interest paid in the fiscal year	16,505
Funds available for revenue debt service	42,457

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 $415.0 million in fiscal year 2017. The General Fund subsidy includes a total revenue baseline transfer of $312.6 million, as required by the City Charter, $68.4 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City population growth. In fiscal year 2017, SFMTA received $31.0 million from this source. In fiscal year 2017, SFMTA also received additional City General Fund allocation of $3.0 million to fund various capital projects such as the planning and design on Warriors Arena transportation improvements.

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, 2017, the SFMTA had various operating grants receivable of $32.8 million. In fiscal year 2017, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.7 million, and other federal, state, and local grants of $59.5 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) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling $14.1 million in fiscal year 2017 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, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 re-appropriated the remaining balances of fiscal years 2009, 2010 and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. 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 2017, $76.6 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $579.8 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 $74.8 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

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 each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. 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 obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of 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 have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2017 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date.

As of June 30, 2017, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of $98.7 million remains outstanding. All other lease transactions were terminated in prior fiscal years.

The deferred inflows of resources amortized amount was $0.3 million for the Tranche 1 Equipment in fiscal year 2017.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2017, the subsidy for LHH was $62.3 million.

(Dollars in Thousands)

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (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, 2017, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 56,281	$ 3,480	$ 1,822	$ 61,583
Less:				
Provision for Contractual Allowances	(36,348)	(2,247)	(1,177)	(39,772)
Total, net	$ 19,933	$ 1,233	$ 645	$ 21,811

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 396,316	$ 22,337	$ 11,697	$ 430,350
Less:				
Provision for Contractual Allowances	(230,130)	(15,345)	(11,438)	(256,913)
Total, net	$ 166,186	$ 6,992	$ 259	$ 173,437

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. As of June 30, 2017, LHH recorded $38.1 million of subvention receivable for matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2017, LHH recorded $29.6 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 totaled $10.9 million for the year ended June 30, 2017, and have been included in services provided by other departments.

Commitments and Contingencies – As of June 30, 2017, LHH has entered into various purchase contracts totaling $1.0 million that are related to the old building remodel phase of the Replacement Project.

The California Department of Health Care Services (DHCS) is currently in discussions with the Centers for Medicare and Medicaid Services (CMS) regarding a potential disallowance of approximately $56 million, related to payments made to LHH.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2017, the subsidy for SFGH was $62.7 million.

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

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

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 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.

During the year ended June 30, 2017, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 286,908	$ 156,878	$ 129,071	$ 572,857
Less:				
Contractual Allowances	(263,858)	(143,121)	(75,755)	(482,734)
Provision for Bad Debt	-	-	(21,318)	(21,318)
Total, Net Accounts Receivable	$ 23,050	$ 13,757	$ 31,998	$ 68,805

(Dollars in Thousands)

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 1,782,843	$ 798,047	$ 856,242	$ 3,437,132
Less:				
Contractual Allowance	(1,629,125)	(671,156)	(367,437)	(2,667,718)
Bad Debt Write Off	-	-	(79,292)	(79,292)
Total, Net Patient Service Revenue	$ 153,718	$ 126,891	$ 409,513	$ 690,122

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 $33.6 million for the year ended June 30, 2017. 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 Bridge to Health Care Reform waiver expired October 31, 2015. On December 30, 2015, the Centers for Medicare and Medicaid Services (CMS) approved Medi-Cal 2020, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and Federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under Medi-Cal 2020 approximated $98.6 million for the year ended June 30, 2017.

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, 2017, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2017, SFGH recorded approximately $315.0 million in unearned credits and other liabilities, which was comprised of $275.8 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the LIHP, and AB915 programs, and $39.2 million in Third Party Settlements payable.

Charity Care - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $227.7 million and estimated costs and expenses to provide charity care were $61.2 million in fiscal year 2016-2017.

Other Revenues – SFGH recognized $66.1 million of realignment funding for the year ended June 30, 2017. With California electing to implement 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% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected $3.9 million in fiscal year 2014-2015 and $12 million in fiscal year 2015-2016 for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2014-15 showing $0 realignment to be redirected.

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, 2017, was approximately $166.6 million.

SFGH Rebuild – The Rebuild projects have been completed and the General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds.

Gift – From fiscal year 2014-2015 through fiscal year 2015-2016, SFGH has received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2017, SFGH has spent $38.8 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $23.6 million as Restricted Net Position.

Commitments and Contingencies – As of June 30, 2017, SFGH had outstanding commitments with third parties for capital projects totaling $16.6 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 147,591 residential accounts, which discharge about 16.1 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,141 non-residential accounts, which discharge about 7.8 million units of sanitary flow per year.

(Dollars in Thousands)

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 2047.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2017, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,072,950
Bond principal and interest remaining due at end of the fiscal year	1,666,275
Net revenues	119,989
Bond principal and interest paid in the fiscal year	60,407
Funds available for revenue debt service	251,543

Commitments and Contingencies – As of June 30, 2017, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $229.7 million.

Pollution Remediation Obligations – As of June 30, 2017, the Wastewater Enterprise recorded $2.7 million in pollution remediation liability, consisting of $2.0 million cleanup cost estimate at the Yosemite Creek site, $0.6 million at the Southeast and Oceanside Treatment sites, and $0.1 million for the hazardous materials at the Southeast plant. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs.

Transactions with Other Funds –The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $10.7 million for the year ended June 30, 2017. 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 $12.5 million for the year ended June 30, 2017, and have been included in services provided by other departments.

(14) 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's 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.

(Dollars in Thousands)

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 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 Recognized Obligation Payments Schedule (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 allowed the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP pertains to the disposition and use of real properties held by the Successor Agency. Part 1 of the LRPMP, which addresses the disposition of property located at 706 Mission Street, was approved by the DOF on October 4, 2013. During fiscal year 2016, the property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement. After incorporating feedback from the DOF, the remainder of the LRPMP was approved by the Oversight Board on November 23, 2015, and by the DOF on December 7, 2015.

In September 2015, the State passed Senate Bill 107 (SB 107) which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2017, the summary of changes in capital assets is as follows:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land held for lease	$ 54,769	$ -	$ (10,034)	$ -	$ 44,735
Construction in progress	1,820	2,224	-	(3,791)	253
Total capital assets not being depreciated	56,589	2,224	(10,034)	(3,791)	44,988
Capital assets being depreciated:					
Furniture and equipment - General	8,144	-	-	-	8,144
Building and improvements	202,052	-	-	3,791	205,843
Total capital assets being depreciated	210,196	-	-	3,791	213,987
Less accumulated depreciation for:					
Furniture and equipment	(8,104)	(9)	-	-	(8,113)
Building and improvements	(93,460)	(4,940)	-	-	(98,400)
Total accumulated depreciation	(101,564)	(4,949)	-	-	(106,513)
Total capital assets being depreciated, net	108,632	(4,949)	-	3,791	107,474
Total capital assets, net	$ 165,221	$ (2,725)	$ (10,034)	$ -	$ 152,462

During the year ended June 30, 2017, the Successor Agency transferred land with a book value of $10.0 million to a developer for an affordable housing development project at the Transbay Project Area. The transfer of the property was recorded as a deduction in the statement of changes in fiduciary net position.

(Dollars in Thousands)

(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	5.00%	$ 30,995
Tax allocation revenue bonds [(b)]	2047	1.45% - 9.00%	970,381
California Department of Boating and Waterways Loan [(c)]	2037	4.50%	6,630
Total long-term bonds and loans			$ 1,008,006

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.
(c) 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 of bonds by the Successor Agency. On September 20, 2016, the Successor Agency issued Tax Allocation Revenue Bonds Series 2016 D (2016 Series D Bonds) for $74.7 million. On March 29, 2017, the Successor Agency issued three revenue bonds, Tax Allocation Revenue Bonds Series 2017 A (2017 Series A Bonds) for $89.8 million, Tax Allocation Revenue Bonds Series 2017 B (2017 Series B Bonds) for $19.9 million and Tax Allocation Revenue and Refunding Bonds Series 2017 C (2017 Series C Bonds) for $43.4 million.

Proceeds from the 2016 Series D Bonds were used to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 Series D Bonds bear fixed interest rates ranging from 3.00% to 5.00% and reach final maturity on August 1, 2043.

Proceeds from the 2017 Series A Bonds were used to finance certain affordable housing projects of the Successor Agency within or of benefit to the Bayview Hunters Point Redevelopment Project Area. The 2017 Series A Bonds bear fixed interest rated ranging from 2.19% to 4.38% and reach final maturity on August 1, 2044.

Proceeds from the 2017 Series B Bonds were used to finance certain infrastructure projects of the Successor Agency within or of benefit to the Transbay Redevelopment Project Area. The 2017 Series B Bonds bear fixed interest rates of 5.00% and reach final maturity on August 1, 2046.

Proceeds of $22.0 million of the 2017 Series C Bonds will be used to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The remaining proceeds from the 2017 Series C Bonds were used to refund Tax Allocation Bonds Series 2006 A, Series 2009 E, and Series 2011 E in the amount of $3.2 million, $5.0 million, and $9.4 million, respectively. The refunding resulted in net present value savings of $2.2 million and an accounting loss of $3.1 million. The 2017 Series C Bonds bear fixed interest rates ranging from 1.45% to 4.38% and reach final maturity on August 1, 2043.

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., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.72 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2017, were $129.2 million against the total debt service payment of $84.1 million.

(Dollars in Thousands)

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 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $38.2 million. The hotel tax revenue recognized during the year ended June 30, 2017 was $4.9 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2017, are as follows:

	July 1, 2016	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017
Bonds payable:				
Tax revenue bonds	$ 839,594	$ 227,667	$ (65,885)	$ 1,001,376
Less unamortized amounts:				
For issuance premiums	49,781	2,623	(2,749)	49,655
For issuance discounts	(2,948)	(945)	207	(3,686)
Total bonds payable	886,427	229,345	(68,427)	1,047,345
Accreted interest payable	42,215	7,226	-	49,441 (1)
Notes, loans, and other payables	6,857	-	(227)	6,630
Accrued vacation and sick leave pay	901	486	(657)	730
Other postemployment benefits obligation	430	804	(1,232)	2
Successor Agency - long term obligations	$ 936,830	$ 237,861	$ (70,543)	$ 1,104,148

(1) Amounts represent interest accretion Capital Appreciation Bonds.

As of June 30, 2017, 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
2018	$ 53,605	$ 44,907	$ 238	$ 298	$ 53,843	$ 45,205
2019	65,495	43,206	248	288	65,743	43,494
2020	65,162	43,456	259	276	65,421	43,732
2021	60,022	41,683	272	265	60,294	41,948
2022	58,006	41,564	283	253	58,289	41,817
2023-2027	183,433	209,256	1,620	1,059	185,053	210,315
2028-2032	153,858	149,025	2,019	661	155,877	149,686
2033-2037	159,270	113,978	1,691	178	160,961	114,156
2038-2042	136,522	51,687	-	-	136,522	51,687
2043-2047	66,003	14,236	-	-	66,003	14,236
Total	$ 1,001,376	$ 752,998	$ 6,630	$ 3,278	$ 1,008,006	$ 756,276

* Includes payment of accreted interest

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. In accordance with HSC Section 34191.4(b)(3), interest is accrued quarterly at an annual rate of 3% on the principal balance due to the City. For the year ended June 30, 2017, interest in the amount of $0.3 million was accrued, and the Successor Agency made payments in the amount of $1.8 million to the City. The outstanding payable balance at June 30, 2017, was $13.1 million, which was comprised of principal of $10.0 million and accrued interest of $3.1 million.

(Dollars in Thousands)

As of June 30, 2017, the Successor Agency also has a payable to the City in the amount of $0.6 million for services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2017, the Successor Agency had outstanding encumbrances totaling approximately $46.6 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.

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; these are enforceable obligations of the Successor Agency. As of June 30, 2017, the Successor Agency has exercised several of the lease options. The leases require the following minimum annual payments:

Fiscal Years		Fiscal Years	
2018………………	$ 870	2023-2027………	$ 4,351
2019………………	870	2028-2032………	4,351
2020………………	870	2033-2037………	4,351
2021………………	870	2038-2042………	4,351
2022………………	870	2043-2047………	4,351
		2048-2051………	1,958
		Total………………	$ 28,063

Rent payments totaling $1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2017.

Regarding rental income, the Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows:

Fiscal Years		Fiscal Years	
2018………………	$ 3,716	2028-2032………	$ 18,172
2019………………	3,596	2033-2037………	19,198
2020………………	3,582	2038-2042………	20,292
2021………………	3,590	2043-2047………	18,515
2022………………	3,633	2048-2050………	1,482
2023-2027………	18,047		
		Total………………	$ 113,823

For the year ended June 30, 2017, operating lease rental income for noncancelable operating leases was $10.3 million, of which $6.5 million represents contingent rental income received. At June 30, 2017, the leased assets had a net book value of $34.9 million.

Notes and Mortgages Receivable – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2017, the Successor Agency disbursed $66.0 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2017, the gross value of the notes and mortgage receivable was $176.7 million and the allowance for uncollectible amounts was $175.0 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. At June 30, 2017, the Successor Agency had outstanding community facility district bonds totaling $188.6 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 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, 2017, the Successor Agency received $5.4 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.

(15) 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 administering the acquisition of former Naval Station Treasure Island with the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 700 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

(Dollars in Thousands)

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 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).

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 for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects – new water reservoirs and new roadways, utilities, and related facilities on Yerba Buena Island – were awarded and the contractor has mobilized, with vertical construction beginning in late 2018, and the first new homes ready for occupancy in 2020. A second transfer from the Navy to TIDA of roughly 7 acres on Treasure Island was completed in September of 2016. 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 was to repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. Under the Disposition and Development Agreement the loan repayment obligation was assumed by TICD. 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 was 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 was due on December 31, 2016. The initial loan and all accrued interest have been repaid. The Transportation Authority will invoice TIDA quarterly for any future project costs not eligible for federal reimbursement.

As of June 30, 2017, TIDA has the following payables to other City departments:

		6/30/2017		
Payable to	Purpose	Current	Noncurrent	Total
Transportation Authority	YBI and mobility management expenses	$ 1,389	$ -	$ 1,389
Hetch Hetchy	Utility operations under MOU	200	28	228
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 1,589	$ 2,627	$ 4,216

(Dollars in Thousands)

(16) 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, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 10,108
	San Francisco Water Enterprise	7
	Municipal Transportation Agency	627
	San Francisco Wastewater Enterprise	84
	Port of San Francisco	100
		10,926
Nonmajor Governmental Funds	General Fund	178
	Nonmajor Governmental Funds	1,806
	Internal Service Funds	1,787
	Municipal Transportation Agency	2,853
		6,624
General Hospital Medical Center	Nonmajor Governmental Funds	2
San Francisco Water Enterprise	General Fund	20
	Nonmajor Governmental Funds	342
		362
Hetch Hetchy Water and Power Enterprise	Nonmajor Governmental Funds	6,618
	General Hospital Medical Center	350
	San Francisco Wastewater Enterprise	1,166
	CleanPower Enterprise	387
		8,521
Municipal Transportation Agency	General Fund	225
	Nonmajor Governmental Funds	31,517
		31,742
San Francisco Wastewater Enterprise	General Fund	137
Total		$ 58,314

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, 2017, Hetch Hetchy loaned $6.9 million to other City funds. Hetch Hetchy is also due $1.2 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 $31.5 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 200	(1)
Nonmajor Governmental Funds	Component unit – TIDA	1,389	(1)
Nonmajor Governmental Funds	Successor Agency	192	(2)
San Francisco Water Enterprise	Successor Agency	270	(2)
Hetch Hetchy Water and Power Enterprise	Successor Agency	75	(2)
San Francisco Wastewater Enterprise	Successor Agency	23	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 2,627	(1)
Nonmajor Governmental Funds	Successor Agency	13,149	(2)

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

Transfers Out: Funds	Transfers In: Funds (in thousands) 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	Wastewater Enterprise	Laguna Honda Hospital	Total
General Fund	$ -	$ 315,285	$ 2,153	$ 100	$ -	$ 415,014	$ 62,701	$ 40	$ 62,336	$ 857,629
Nonmajor governmental funds	29,566	183,743	-	28	100	148,646	9	-	2,442	364,534
Internal Service Funds	138	-	-	-	-	-	-	-	-	138
San Francisco International Airport	45,037	-	-	-	-	-	-	-	-	45,037
Water Enterprise	-	116	-	-	60,000	-	-	-	-	60,116
Hetch Hetchy Water and Power Enterprise	17	32	-	-	-	-	-	-	-	49
Municipal Transportation Agency	-	996	-	-	-	-	-	-	-	996
San Francisco General Hospital Medical Center	33,258	-	-	-	-	-	-	-	508	33,766
Wastewater Enterprise	30,100	647	-	-	-	-	-	-	-	30,747
Port of San Francisco	-	32	-	-	-	-	-	-	-	32
Laguna Honda Hospital	2,156	-	-	-	-	-	-	-	-	2,156
Total transfers out	$ 140,272	$ 500,851	$ 2,153	$ 128	$ 60,100	$ 563,660	$ 62,710	$ 40	$ 65,286	$ 1,395,200

The $857.6 million General Fund transfer out includes a total of $540.0 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (note 13). The transfer of $315.3 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service.

The transfers between the nonmajor governmental funds in the amount of $65.5 million are to provide support for various City programs and to provide resources for the payment of debt service. In addition in fiscal year 2017, the proceeds from the sale of properties at 30 Van Ness Avenue and 1660-1680 Mission Street in the amount of $93.9 million were transferred to nonmajor capital projects fund for the 1500 Mission Street development project and $24.3 million were transferred to nonmajor debt service fund to pay down outstanding certificates of participation as previously discussed.

San Francisco International Airport transferred $45.0 million to the General Fund, representing a portion of concession revenues (note 13(a)). The General Fund received transfers in of $3.0 million for interest earned by the SFGH but credited to the General Fund and $7.2 million from SFGH's return of excess project funds. SFGH transferred to the General Fund $0.1 million and Laguna Honda Hospital $0.5 million, respectively, for equipment lease payments. The General Fund also received $23.0 million from SFGH and $2.0 million from Laguna Honda Hospital to fund the DPH project and $0.2 million for interest earned by the Laguna Honda Hospital funds but credited to the General Fund. Laguna Honda Hospital funds received $2.4 million from nonmajor governmental funds for the Laguna Honda Hospital improvement project close out.

SFMTA received $148.6 million transfers from nonmajor governmental funds, of which $97.1 million was for capital activities, $23.4 million was for operating activities, and $28.1 million to fund various street improvement projects. In turn, the SFMTA transferred $1.0 million to nonmajor governmental funds to pay for various street improvement projects. SFMTA also received $68.9 million transfer of capital assets from governmental functions for various capital projects and improvements, mainly related to Sustainable Street activities, which is recorded in the governmental activities in the statement of activities.

The Water Enterprise transferred $60.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, $100 to San Francisco Recreation and Parks Department mainly for water saving improvements at Alamo Square Park, $16 credited to the transfer out from Laguna Honda Hospital funds for excess project funds, and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received $100 from the City mainly for the San Francisco War Memorial Veterans Building project and $28 from Recreation and Parks Department for return of excess project funds.

The Wastewater Enterprise transferred $30.1 million to the City related to the purchase of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), $0.6 million to Art Commission for art enrichment and $32 to the Office of the City Administrator for the Surety Bond Program. On the other hand, the Wastewater Enterprise received $40 transfer from General Fund for community projects.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

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

Governmental Activities

Fiscal Years	
2018	$ 54,745
2019	46,951
2020	42,078
2021	28,023
2022	23,785
2023-2027	54,234
2028-2032	839
2033-2037	135
Total	$ 250,790

(Dollars in Thousands)

Operating leases expense incurred for governmental activities for fiscal year 2016-2017 was approximately $41.0 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2018	$ 148	$ 2,680	$ 14,281	$ 17,109
2019	-	2,680	14,318	16,998
2020	-	2,680	14,242	16,922
2021	-	2,680	14,449	17,129
2022	-	2,680	13,190	15,870
2023-2027.........	-	13,402	66,531	79,933
2028-2032.........	-	13,402	77,468	90,870
2033-2037.........	-	13,402	73,428	86,830
2038-2042.........	-	13,402	85,395	98,797
2043-2047.........	-	13,402	104,600	118,002
2048-2052.........	-	13,402	-	13,402
2053-2057.........	-	13,402	-	13,402
2058-2062.........	-	13,402	-	13,402
2063-2067.........	-	5,584	-	5,584
Total....................	$ 148	$ 126,200	$ 477,902	$ 604,250

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2016-2017 was $0.2 million, $2.7 million, and $19.1 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

Fiscal Years	
2018.............	$ 1,306
2019.............	1,035
2020.............	1,014
2021.............	864
2022.............	416
2023-2027.......	1,430
2028-2032.......	854
2033-2037.......	504
2038-2042.......	504
2043-2047.......	504
2048-2052.......	504
2053-2057.......	504
2058-2062.......	504
2063-2067.......	504
2068-2072.......	504
2073-2077.......	504
Thereafter	1,655
Total.............	$ 13,110

(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
2018............	$ 92,170	$ 43,279	$ 1,559	$ 5,968	$ 142,976
2019............	54,136	38,589	1,606	5,864	100,195
2020............	26,371	33,865	1,654	4,946	66,836
2021............	20,021	30,873	1,704	3,658	56,256
2022............	16,277	27,785	1,755	2,297	48,114
2023-2027.....	16,576	98,619	9,598	8,357	133,150
2028-2032.....	-	83,220	-	6,250	89,470
2033-2037.....	-	72,471	-	6,250	78,721
2038-2042.....	-	47,794	-	6,250	54,044
2043-2047.....	-	38,841	-	6,250	45,091
2048-2052.....	-	27,889	-	6,250	34,139
2053-2057.....	-	18,683	-	4,583	23,266
2058-2062.....	-	16,694	-	-	16,694
2063-2067.....	-	12,630	-	-	12,630
2068-2072.....	-	4,941	-	-	4,941
2073-2077.....	-	4,291	-	-	4,291
Total............	$ 225,551	$ 600,464	$ 17,876	$ 66,923	$ 910,814

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 $29.6 million and $17.7 million, respectively, in fiscal year 2016-17. The Airport also exercised a 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 $42.5 million for fiscal year 2016-17.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.1 billion, private equity in the amount of $2.6 billion, private credit Investments (formerly known as opportunistic fixed income) in the amount of $0.6 billion, and absolute return investments in the amount of $73.8 million, which totaled $5.31 billion at June 30, 2017.

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.

(Dollars in Thousands)

(18) 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 $1.00 billion with $250.0 million in War Perils Liability, 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 limit of $1.00 billion per single occurrence and 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 the San Francisco Police Department's firearms range located at the Airport. The Airport does not have 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 $1.1 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 $1.00 billion and a deductible of $750 per occurrence ($150 per occurrence for the Port's cargo cranes); 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 the 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-insure
b. Property	Self-insure and purchase insurance
c. Workers' Compensation	Self-insure
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured for 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, 2017, the reserve was $22.4 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

(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 are pending or threatened against the City. The City's liability as of June 30, 2017 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, 2015, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2015-2016	$ 264,830	$ 68,815	$ (56,079)	$ 277,566
2016-2017	277,566	84,949	(65,346)	297,169

Breakdown of the estimated claims payable at June 30, 2017 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 71,290
Long-term portion of estimated claims payable	131,199
Total	$ 202,489
Business-type activities:	
Current portion of estimated claims payables	$ 39,424
Long-term portion of estimated claims payable	55,256
Total	$ 94,680

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2017 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, 2017 was $435.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

(Dollars in Thousands)

Changes in the reported accrued workers' compensation since July 1, 2015, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2015-2016	$ 395,574	$ 108,760	$ (86,906)	$ 417,428
2016-2017	417,428	106,185	(87,862)	435,751

Breakdown of the accrued workers' compensation liability at June 30, 2017 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability…………	$ 42,621
Long-term portion of accrued workers' compensation liability……..	199,202
Total …………………………………………………………………	$ 241,823
Business-type activities:	
Current portion of accrued workers' compensation liability…………	$ 32,875
Long-term portion of accrued workers' compensation liability……..	161,053
Total …………………………………………………………………	$ 193,928

(19) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2017, the City issued Certificates of Participation (Moscone Convention Center Expansion Project) Series 2017B (Certificates) in the amount of $412.4 million, the proceeds of which will be used to: (1) retire certain commercial paper certificates of the City, the proceeds of which financed a portion of the cost of acquisition, construction, renovation, equipping of improvements to the existing site and facilities of Moscone Center; (2) finance or refinance the costs of certain capital improvements to the Moscone Center; (3) pay capitalized interest payable with respect to the Certificates through April 1, 2018; (4) fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (5) pay for costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% and 5.0% and will mature from April 2019 through April 2042.

In July 2017, the City issued a total of $19.8 million tax-exempt commercial paper (CP) with interest rates of 0.90% and 0.93% and maturing in September and October 2017. The CP was issued to refund $19.8 million of maturing CP for capital equipment for the San Francisco General Hospital and Trauma Center.

In September 2017, the City issued $14.3 million tax-exempt CP to refinance $11.8 million maturing CP for the San Francisco General Hospital capital equipment project and finance $2.0 million for the Animal Care and Control project. The CP bears an interest rate of 0.85% and will mature on December 2017.

In September 2017, the San Francisco Public Utilities Commission (SFPUC) entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $171.2 million and will bear interest rate of 1.0% for a 30-year term, with repayments beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds. The grant is in the amount of $15.0 million.

In September 2017, the SFPUC entered into Installment Sale Agreements with the State Water Resources Control Board for three CWSRF Loans to fund certain projects of the Wastewater Enterprise's Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $94.7 million, each of which will bear an interest rate equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost. The CWRSF loans will each have a 30-year term, with repayment beginning one year after substantial completion of each project's construction. The CWSRF loans are secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds.

In October 2017, the City issued $8.0 million tax-exempt CP with interest rate of 0.94% and maturity of December 2017. The CP will refinance $8.0 million maturing CP for the San Francisco General Hospital capital equipment project, the 1500 Mission project, and the Animal Care and Control project.

In November 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds Series 2017 (Series 2017) in the amount of $248.3 million. The Series 2017 was issued to (1) finance a portion of the costs of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, including engineering, inspection, legal, fiscal agents, financial consultant and other fees and working capital; (2) repay a portion of the outstanding obligation of a revolving loan and a promissory note of the Transportation Authority; (3) pay a portion of the capitalized interest of the Series 2017; and (4) pay costs of issuance of the Series 2017. The Series 2017 matures from February 2020 through February 2034 with interest rates ranging from 3.0% to 4.0% and will be repaid through sales tax collection in the subsequent years.

In November 2017, the City, on behalf of the Community Facilities District No. 2014-1 (Transbay Transit Center) issued Special Tax Bonds Series 2017A and 2017B (2017 Bonds) in the amount of $36.1 million and $171.4 million, respectively. The 2017 Bonds were issued to fund: 1) various capital improvements; including streets and sidewalk improvement in the vicinity of the transit building (the "Salesforce Transit Center," formerly known as the Transbay Transit Center) and the development and improvement of the adjacent open space; 2) the planning, design, engineering and construction of the core and shell of the two below-grade levels of the Salesforce Transit Center; 3) a portion of the design, engineering and construction of the transit center rooftop park; 4) a debt service reserve fund; 5) capitalized interest for a portion of the interest on the 2017 Bonds; and 6) cost of issuance of the 2017 Bonds. The 2017 Bonds mature from September 2018 through September 2048 with interest rate ranging from 1.5% to 4.0%. The 2017 Bonds are limited obligations of the City, secured and payable solely from the Special Tax Revenues pledged under the Fiscal Agent Agreement and are not payable from any other source of funds. The General Fund of the City is not liable for the payment of the principal of or interest on the 2017 Bonds, and neither the credit nor the taxing power of the City or the State of California or any its political subdivision is pledged to the payment of the 2017 Bonds.

In December 2017, the City issued $21.0 million tax-exempt CP with an interest rate of 1.04% and maturity of February 2018. The CP will refinance $20.7 million maturing CP for the San Francisco General Hospital capital equipment project, 1500 Mission Street project, and Animal Care and Control project.

Issuance of Capital Plan Bonds and Refunding Bonds and Swaps Termination

In October 2017, the Airport issued $571.6 million in Second Series Revenue Bonds, Series 2017A and 2017B, a portion of which will be used to finance and refinance (through the repayment of $300.5 million of commercial paper notes) a portion of the costs of capital improvements to the Airport; $45.1 million in Second Series Revenue Refunding Bonds, Series 2017C, to fund a deposit to the Contingency Account, to finance a $12.6 million termination payment on a portion of the interest rate swaps associated with the Second Series Revenue Refunding Bonds, Issue 36A, 36B, and 36C, and to pay costs of issuance of its Second Series Revenue Refunding Bonds, Series 2017D; and $144.8 million in Second Series Revenue Refunding Bonds, Series 2017D, to refund the remaining $164.6 million principal amount of the Second Series Revenue Refunding Bonds, Issue 36A, 36B, and 36C. The Airport also expects to issue in February 2018, $115.4 million in Second Series Revenue

Refunding Bonds, Series 2018A, under a forward purchase agreement executed on October 11, 2017, for the purpose of refunding $140.1 million in outstanding Second Series Revenue Refunding Bonds, Issue 34E. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+" to these bonds.

The Airport issued an additional $152.4 million in subordinate CP notes in July 2017, for a total of $330.4 million subordinate commercial paper notes outstanding.

Interest Rate Swaps - LIBOR

In July 2017, the United Kingdom (UK) Financial Conduct Authority, the UK markets regulator, indicated that the London Interbank Overnight Rate (LIBOR) would be phased out by the end of 2021. The Airport's interest rate swap agreements calculate the variable rate payment owed from each counterparty to the Airport each month using LIBOR plus a certain spread. At least a portion of the Airport's swaps are not scheduled to terminate until May 1, 2030. The Airport expects its interest rate swap agreements to be modified to reflect the permanent discontinuation of LIBOR and its substitution with a new variable rate benchmark or variable rate-setting mechanism.

Credit Ratings Changes

In October 2017, Fitch downgraded the long-term credit rating of Wells Fargo Bank, N.A. ("Wells Fargo"), which provides a $100.0 million principal amount irrevocable letter of credit in support of the Airport's Second Series Variable Rate Revenue Refunding Bonds, Issue 36A. As a result, on October 4, 2017, Fitch lowered its long-term jointly supported rating on the Issue 36A Bonds from "AAA" to "AA+." Fitch's short-term rating on the Issue 36A Bonds ("F1+") remained unchanged. Fitch's underlying long-term rating on the Issue 36A Bonds ("A+") also remained unchanged.

Property Purchase

In July 2017, the City purchased property at 1500 Mission Street in San Francisco for $56.2 million, which will be developed into a mixed-use complex for housing, retail, and City office space. The purchase was partially funded by the sales of City property at 1660-1680 Mission Street and 30 Van Ness Avenue.

In September 2017, the Water Enterprise purchased property at 1657-1663 Rollins Road in Burlingame, CA that has served as the primary work location for various staff of the Water Enterprise. The $9.1 million purchase was funded by proceeds from Water Enterprise Revenue Bonds.

Insurance Settlement for Pacific Rod & Gun Club

In October 2017, the Board of Supervisors approved the settlement of a lawsuit between the Water Enterprise and the Pacific Rod & Gun Club. The Ordinance was signed by the Mayor on November 3, 2017. The Water Enterprise will receive an insurance settlement for $8.3 million relating to the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from the Pacific Rod & Gun Club site in the Lake Merced area.

REQUIRED SUPPLEMENTARY INFORMATION

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability

June 30, 2017 *

(Dollars in Thousands)

	For the year ended June 30, 2017				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	$ 5,476,654	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

	For the year ended June 30, 2016				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	$ 2,156,049	$ (13,956)	$ 1,288	$ 16,563	$ 24
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

	For the year ended June 30, 2015				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	$ 1,660,365	$ (11,381)	$ 1,299	$ 15,870	$ -
Covered payroll	$ 2,398,979	$ 303	$ 3,264	$ 3,962	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%. For the year ended June 30, 2016, the discount rate was reduced from 7.58% to 7.46%

CalPERS Miscellaneous Plans

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2017*
(Dollars in Thousands)

City CalPERS Safety Plan	2017	2016	2015
Total pension liability:			
Service cost	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	85,094	80,057	76,177
Changes of assumptions	-	(19,949)	-
Differences between expected and actual experience	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(47,774)	(44,699)	(41,387)
Net change in total pension liability	69,411	32,178	67,478
Total pension liability, beginning	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$1,189,116	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:			
Plan to plan resource movement	$ -	$ (4)	$ -
Contributions from the employer	23,640	20,718	20,613
Contributions from employees	14,310	15,061	15,216
Net investment income	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(47,774)	(44,699)	(41,387)
Administrative expenses	(567)	(1,048)	-
Net change in plan fiduciary net position	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	930,868	920,371	787,301
Plan fiduciary net position, ending	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	77.81%	83.14%	84.63%
Covered payroll	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool as of valuation date June 30, 2015.

Changes of Assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate remained the same as prior year, at 7.65%. The discount rate was changed from 7.50% (net of administrative expense) in fiscal year 2015 to 7.65% in fiscal year 2016.

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

Required Supplementary Information (Unaudited) – Schedules of Changes in Net Pension Liability and Related Ratios (Continued)

June 30, 2017 *
(Dollars in Thousands)

City Replacement Benefits Plan*	**2017**
Net pension liability:	
Service cost	$ 956
Interest	2,112
Changes of benefits	10,310
Changes of assumptions	11,516
Benefit payments	(1,332)
Net change in net pension liability	23,562
Net pension liability, beginning	55,038
Plan net pension liability, ending	$ 78,600
Covered payroll	$ 2,681,695
Plan net pension liability as a percentage of the covered payroll	2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – The impact of benefit changes, which was $10.3 million, was recognized immediately in fiscal year 2017 as pension expense.

Changes of Assumptions – The discount rate was changed from 3.85% in the measurement period ended June 30, 2015 to 2.85% in the measurement period ended June 30, 2016.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pensions

June 30, 2017*

(Dollars in Thousands)

	For the year ended June 30, 2017					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 519,073	$ 35	$ 293	$ 970	$ 2	$ 27,190
Contributions in relation to the actuarially determined contributions [1]	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,881,014	$ 344	$ 4,202	$ 5,042	$ -	$ 99,281
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	27.39%

	For the year ended June 30, 2016					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,640
Contributions in relation to the actuarially determined contributions [1]	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

	For the year ended June 30, 2015					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1] **	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [1]	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -	$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

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

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date..............................	July 1, 2015
Actuarial cost method....................	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll
Remaining amortization period........	Closed 15-year period
Asset valuation method..................	5 year smoothed market
Investment rate of return................	7.50% (net of investment expenses)
Inflation...	3.25% compounded annually
Projected salary increase...............	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date..............................	July 1, 2014
Actuarial cost method....................	Entry-age normal cost method
Amortization method......................	Level annual percentage of payroll
Remaining amortization period........	Closed 15-year period
Asset valuation method..................	5 year smoothed market
Investment rate of return................	7.50% (net of investment expenses)
Inflation...	3.25% compounded annually
Projected salary increase...............	Wage inflation component: 3.75%

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%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pensions (Continued)
June 30, 2017*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date..................................	June 30, 2015 updated to June 30, 2016
Actuarial cost method.........................	Entry-age normal cost method
Amortization method.........................	Level percent of payroll
Amortization period...........................	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method......................	Actuarial Value of Assets
Investment rate of return....................	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase...................	Varies by Entry-Age and Service
Inflation..	2.75%
Payroll growth.....................................	3.00%

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date..................................	June 30, 2014 updated to June 30, 2015
Actuarial cost method.........................	Entry-age normal cost method
Amortization method.........................	Level percent of payroll
Amortization period...........................	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method......................	Market Value
Investment rate of return....................	7.50% (net of pension plan investment expense, including inflation)
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%.

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

Valuation date..................................	June 30, 2013 updated to June 30, 2014
Actuarial cost method.........................	Entry-age normal cost method
Amortization method.........................	Level percent of payroll
Amortization period...........................	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method......................	15-year smoothed market
Investment rate of return....................	7.50% (net of pension plan investment expense, including inflation)
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%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits
June 30, 2017
(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 – Other Postemployment Health Care Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/10[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%
07/01/14	48,988	4,260,256	(4,211,268)	1.1%	2,618,426	160.8%

(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 – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2015	$ 350,389	47.7%
2016	354,540	47.6%
2017	362,700	50.7%

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)
June 30, 2017
(Dollars in Thousands)

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 405	$ 671	$ (266)	60.4%	$ 3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%
06/30/15	1,170	2,042	(872)	57.3%	3,930	22.2%

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

Schedule of Employer Contributions – San Francisco County Transportation Authority

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
06/30/15	$ 138	$ 138	100.0%
06/30/16	201	207	102.9%
06/30/17	201	195	97.1%

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%
07/01/15	2,833	10,998	(8,165)	25.8%	4,261	191.6%

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 178,109	$ 1,526,830	$ 1,526,830	$ -
Resources (Inflows):				
Property taxes	1,412,000	1,412,000	1,481,132	69,132
Business taxes	669,450	669,450	700,536	31,086
Other local taxes:				
Sales and use tax	237,545	237,545	189,473	(48,072)
Hotel room tax	409,250	409,250	370,344	(38,906)
Utility users tax	94,310	94,310	101,203	6,893
Parking tax	92,820	92,820	84,278	(8,542)
Real property transfer tax	235,000	244,000	410,561	166,561
Other local taxes	48,320	48,320	47,728	(592)
Licenses, permits and franchises:				
Licenses and permits	11,941	11,941	12,081	140
Franchise tax	16,935	16,935	17,255	320
Fines, forfeitures, and penalties	4,580	4,671	2,734	(1,937)
Interest and investment income	13,970	13,971	24,185	10,214
Rents and concessions:				
Garages - Recreation and Park	9,843	9,843	8,711	(1,132)
Rents and concessions - Recreation and Park	5,259	4,974	5,557	583
Other rents and concessions	1,038	1,038	1,299	261
Intergovernmental:				
Federal grants and subventions	253,346	249,608	230,221	(19,387)
State subventions:				
Social service subventions	115,121	114,444	109,517	(4,927)
Health / mental health subventions	173,430	198,331	200,551	2,220
Health and welfare realignment	252,930	252,930	255,753	2,823
Public safety sales tax	102,018	102,018	100,427	(1,591)
Other grants and subventions	56,798	57,267	58,569	1,302
Other	5,456	3,654	2,847	(807)
Charges for services:				
General government service charges	77,368	77,368	77,153	(215)
Public safety service charges	42,163	42,163	45,769	3,606
Recreation charges - Recreation and Park	20,169	20,170	21,552	1,382
MediCal, MediCare and health service charges	96,402	95,790	78,042	(17,748)
Other financing sources:				
Transfers from other funds	161,995	246,779	246,779	-
Repayment of loan from Component Unit	881	881	-	(881)
Other resources (inflows)	61,334	58,776	35,010	(23,766)
Subtotal - Resources (Inflows)	4,681,672	4,791,247	4,919,267	128,020
Total amounts available for appropriation	4,859,781	6,318,077	6,446,097	128,020

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 30,380	$ 30,469	$ 28,296	$ 2,173
District Attorney	51,067	50,521	50,023	498
Emergency Communications	64,265	52,498	52,175	323
Fire Department	343,785	340,907	340,907	-
Juvenile Probation	39,620	36,073	33,024	3,049
Police Department	506,000	503,375	501,540	1,835
Public Defender	33,516	33,670	33,273	397
Sheriff	196,495	188,023	186,831	1,192
Superior Court	30,614	30,612	30,420	192
Subtotal - Public Protection	1,295,742	1,266,148	1,256,489	9,659
Public Works, Transportation and Commerce				
Board of Appeals	970	887	877	10
Business and Economic Development	36,145	32,421	32,421	-
General Services Agency - Public Works	139,653	129,129	129,129	-
Public Utilities Commission	-	2,644	2,644	-
Municipal Transportation Agency	-	1,214	1,214	-
Subtotal - Public Works, Transportation and Commerce	176,768	166,295	166,285	10
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	39,089	39,138	37,908	1,230
Commission on the Status of Women	6,732	6,802	6,802	-
County Education Office	116	116	116	-
Environment	-	35	35	-
Homelessness and Supportive Housing	177,756	150,583	144,842	5,741
Human Rights Commission	3,079	2,760	2,760	-
Human Services	743,908	717,974	703,297	14,677
Mayor - Housing/Neighborhoods	93,300	60,718	60,718	-
Subtotal - Human Welfare and Neighborhood Development	1,063,980	978,126	956,478	21,648
Community Health				
Public Health	786,218	763,496	711,410	52,086
Culture and Recreation				
Academy of Sciences	6,175	5,413	5,413	-
Arts Commission	10,548	11,257	11,257	-
Asian Art Museum	10,094	10,153	10,138	15
Fine Arts Museum	15,778	15,961	15,869	92
Law Library	1,727	1,715	1,411	304
Recreation and Park Commission	105,527	94,974	94,974	-
Subtotal - Culture and Recreation	149,849	139,473	139,062	411

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 24,865	$ 23,329	$ 21,425	$ 1,904
Board of Supervisors	14,454	14,372	13,903	469
City Attorney	14,448	14,899	14,899	-
City Planning	45,172	43,762	41,602	2,160
Civil Service	851	1,000	677	323
Controller	12,447	17,136	16,237	899
Elections	14,364	14,829	14,829	-
Ethics Commission	4,436	4,342	3,517	825
General Services Agency - Administrative Services	58,157	52,972	50,552	2,420
General Services Agency - Technology	5,715	3,986	3,986	-
Health Service System	427	318	77	241
Human Resources	15,741	18,273	17,706	567
Mayor	5,985	6,100	6,100	-
Retirement Services	1,168	1,160	1,160	-
Treasurer/Tax Collector	37,777	36,520	31,393	5,127
Subtotal - General Administration and Finance	256,007	252,998	238,063	14,935
General City Responsibilities				
General City Responsibilities	126,861	134,153	121,448	12,705
Other financing uses:				
Debt service	11,548	133	-	133
Transfers to other funds	944,856	857,528	857,528	-
Budgetary reserves and designations	47,952	9,868	-	9,868
Total charges to appropriations	4,859,781	4,568,218	4,446,763	121,455
Total Sources less Current Year Uses	$ -	$ 1,749,859	$ 1,999,334	$ 249,475

Budgetary fund balance, June 30 before reserves and designations	$ 1,999,334
Reserves and designations made from budgetary fund balance not available for appropriation	(1,222,178)
Reserves for Litigation and Contingencies and General Reserves	(231,236)
Net Available Budgetary Fund Balance, June 30	$ 545,920

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 6,446,097
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	(1,526,830)
Property tax revenue - Teeter Plan net change from prior year	(2,461)
Change in unrealized gain/(loss) on investments	(1,540)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(8,206)
Interest earnings from other funds assigned to General Fund as other revenues	3,471
Grants, subventions and other receivables received after 60-day recognition period	(27,049)
Prepaid lease revenue, Civic Center Garage	84
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(246,779)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 4,636,787
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 4,446,763
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	1,765
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	(3)
Intergovernmental expense offset	(111,343)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(857,528)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 3,479,654

Notes to Budgetary Schedule:

(a) 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 is summarized as follows:

Original Budget

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

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

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

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

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

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

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

Final Budget

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

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

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

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

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

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than 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 60-day availability period and other assets not available for budgetary appropriation.

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2017
(In Thousands)

The fund balance of the General Fund as of June 30, 2017, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 1,999,334
Unrealized Gains/ (Losses) on Investments	(1,197)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(38,469)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(83,757)
Pre-paid lease revenue	(5,733)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	525
Fund Balance - GAAP basis	$ 1,870,703

General Fund budget basis fund balance as of June 30, 2017 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 78,336	
Rainy Day - One Time Spending Account	47,353	
Committed Fund Balance:		
Budget Stabilization Reserve	323,204	
Recreation and Parks Expenditure Saving Reserve	4,403	
Assigned for Encumbrances	244,158	
Assigned for Appropriation Carryforward	434,223	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	67,450	
Salaries and benefits costs (MOU)	23,051	
Subtotal		$ 1,222,178
Available for appropriations:		
Assigned for Litigation and Contingencies	136,080	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2017-18	183,326	
Unassigned - General Reserve	95,156	
Unassigned - Budget for use in fiscal year 2018-19	288,185	
Unassigned - Contingency for fiscal year 2017-18	60,000	
Unassigned - Available for future appropriations	14,409	
Subtotal		777,156
Fund Balance, June 30, 2017 - Budget basis		$ 1,999,334

This page has been intentionally left blank.

SINGLE AUDIT SECTION

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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	--	$ 37,978	$ -
Passed through State of California Department of Public Health				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	None	7,543	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10059	2,627,536	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	13-20505	311,863	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16-10166	839,502	-
Passed through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	None	37,981	-
National School Lunch Program	10.555	None	61,281	-
Summer Food Service Program for Children	10.559	04029-SFSP-38	305,903	-
Subtotal Child Nutrition Cluster			405,165	-
Child and Adult Care Food Program	10.558	04029-CACFP-38	220,951	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP 1516-06	15,495	15,228
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP 1617-06	29,857	28,998
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	34,317,648	1,373,088
Passed through State of California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	None	40,000	-
Subtotal pass-through programs			38,815,560	1,417,314
TOTAL U.S. DEPARTMENT OF AGRICULTURE			38,853,538	1,417,314
U.S. DEPARTMENT OF COMMERCE				
Direct Program				
Cluster Grants	11.020	--	149,457	-
Economic Adjustment Assistance	11.307	--	323,385	-
TOTAL U.S. DEPARTMENT OF COMMERCE			472,842	-
U.S. DEPARTMENT OF DEFENSE				
Direct Program				
Navy Cooperative Agreement for Hunters Point	12.unknown	--	520,077	-
Passed through University of Southern California				
Military Medical Research and Development	12.420	70740673	31,796	-
TOTAL U.S. DEPARTMENT OF DEFENSE			551,873	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218	--	25,590,007	8,527,267
Rental Housing Rehabilitation	14.230	--	14,024	-
Emergency Solutions Grant Program	14.231	--	1,457,825	1,341,653
Home Investment Partnerships Program	14.239	--	7,262,867	35,975
Housing Opportunities for Persons with AIDS	14.241	--	7,187,281	4,597,846
Community Development Block Grants - Section 108 Loan Guarantees	14.248	--	17,909	-
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	--	62,858	-
Continuum of Care Program	14.267	--	20,113,823	15,863,786
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			61,706,594	30,366,527

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, 2017

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 INTERIOR				
Direct Program				
NPS Cooperative Agreement	15.unknown	--	$ 723,683	$ -
Historic Preservation Fund Grants-In-Aid	15.904	--	12,745	-
Subtotal direct programs			736,428	-
Passed through State of California Department of Parks and Recreation				
Outdoor Recreation - Acquisition, Development and Planning	15.916	06-01753	160,343	-
Outdoor Recreation - Acquisition, Development and Planning	15.916	06-01766	688,805	-
Subtotal Outdoor Recreation - Acquisition, Development and Planning			849,148	-
TOTAL U.S. DEPARTMENT OF INTERIOR			1,585,576	-
U.S. DEPARTMENT OF JUSTICE				
Direct Program				
Supervised Visitation, Safe Havens for Children	16.527	--	25,297	23,247
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	293,999	57,278
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities	16.735	--	31,271	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	493,470	-
DNA Backlog Reduction Program	16.741	--	318,165	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	5,359	-
Second Chance Act Reentry Initiative	16.812	--	9,155	9,155
Byrne Criminal Justice Innovation Program	16.817	--	467,178	371,288
Smart Prosecution Initiative	16.825	--	196,908	81,546
Equitable Sharing Program	16.922	--	835,298	-
Subtotal direct programs			2,676,100	542,514
Passed through State of California Emergency Management Agency				
Crime Victim Assistance	16.575	HA 15 02 0380	50,680	-
Crime Victim Assistance	16.575	VW 16 35 0380	645,861	-
Crime Victim Assistance	16.575	XE 16 01 0380	86,780	-
Crime Victim Assistance	16.575	HA 16 03 0380	78,735	-
Crime Victim Assistance	16.575	UV 15 01 0380	120,111	-
Crime Victim Assistance	16.575	XU 15 01 0380	11,100	-
Subtotal Crime Victim Assistance			993,267	-
Violence Against Women Formula Grants	16.588	PU 15 06 0380	10,185	-
Violence Against Women Formula Grants	16.588	VV 16 08 0380	192,978	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-17	164,373	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ15110380	14,569	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ16120380	6,597	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			21,166	-
Passed through National Association of VOCA Assistance Administrators				
Crime Victim Assistance/Discretionary Grants	16.582	17-078	4,924	-
Passed through Local Initiatives Support Corporation				
Community Capacity Development Office	16.595	47286-0001	2,500	-
Passed through Governor's Office of Emergency Services				
Violence Against Women Formula Grants	16.588	PU 15 06 0380	84,226	-
Passed through Board of State and Community Corrections				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-15	817,448	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-17	244,478	-
Passed through Bureau of Justice Assistance				
Edward Byrne Memorial Competitive Grant Program	16.751	2013-DB-BX-0047	35,673	-
Subtotal pass-through programs			2,571,218	-
TOTAL U.S. DEPARTMENT OF JUSTICE			5,247,318	542,514

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

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				
Direct Program				
H-1B Job Training Grants	17.268	--	$ 393,801	$ 181,299
Passed through State of California Department of Employment Development				
Employment Service/Wagner-Peyser Funded Activities	17.207	K597227	3,748	3,748
WIOA Cluster				
WIOA Adult Program	17.258	K594791	34,562	22,923
WIOA Adult Program	17.258	K698392	1,034,652	671,952
WIOA Adult Program	17.258	K7102070	556,608	402,262
Subtotal WIOA Adult Program			1,625,822	1,097,137
WIOA Youth Activities	17.259	K698392	133,322	-
WIOA Youth Activities	17.259	K7102070	1,298,972	971,439
Subtotal WIOA Youth Activities			1,432,294	971,439
WIOA Dislocated Worker Formula Grants	17.278	K698392	64,419	-
WIOA Dislocated Worker Formula Grants	17.278	K7102070	1,570,697	1,007,836
Subtotal WIOA Dislocated Worker Formula Grants			1,635,116	1,007,836
Subtotal WIOA Cluster			4,693,232	3,076,412
Passed through NOVA Workforce Board				
H-1B Job Training Grants	17.268	001-RTW-15	245,969	154,347
Subtotal pass-through programs			4,942,949	3,234,507
TOTAL U.S. DEPARTMENT OF LABOR			5,336,750	3,415,806
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Program				
Rail Line Relocation and Improvement	20.320	--	2,721,298	-
Passed through State of California Department of Transportation				
Highway Planning and Construction	20.205	ATPL-5934(175)	59,605	-
Highway Planning and Construction	20.205	BHLO-5934(168)	1,253,567	-
Highway Planning and Construction	20.205	BRLS-5934(177)	1,946,479	-
Highway Planning and Construction	20.205	CML-5934(172)	110,245	-
Highway Planning and Construction	20.205	CML-5934(173)	271,714	-
Highway Planning and Construction	20.205	CML-6447(006)	584,330	443,811
Highway Planning and Construction	20.205	DEM09L-5934(155)	13,008	-
Highway Planning and Construction	20.205	HPLUL-5934 (154)	108,622	-
Highway Planning and Construction	20.205	HSIPL-5934 (167)	7,171	-
Highway Planning and Construction	20.205	STPL-5934(171)	(68,344)	-
Highway Planning and Construction	20.205	STPL-5934(174)	428,269	-
Highway Planning and Construction	20.205	ER-4802(002)	185,306	-
Subtotal Highway Planning and Construction			4,899,972	443,811
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT17110	56,960	-
National Priority Safety Programs	20.616	DI1625	63,778	-
National Priority Safety Programs	20.616	PS1622	77,369	-
National Priority Safety Programs	20.616	PT1604	36,333	-
National Priority Safety Programs	20.616	DI1713	121,301	-
Subtotal National Priority Safety Programs			298,781	-
Subtotal Highway Safety Cluster			355,741	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT1604	36,942	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT17110	42,904	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			79,846	-
Passed through Metropolitan Transportation Commission				
Highway Research and Development Program	20.200	SHRP2L 6084 (192)	265,532	-
Subtotal pass-through programs			5,601,091	443,811
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			8,322,389	443,811
U.S. DEPARTMENT OF THE TREASURY				
Direct Program				
Equitable Sharing Program	21.unknown	--	29,352	-
TOTAL U.S. DEPARTMENT OF THE TREASURY			29,352	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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. NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES				
Direct Program				
Promotion of the Arts - Grants to Organizations and Individuals	45.024	--	$ 96,500	$ -
TOTAL U.S. NATIONAL FOUNDATION FOR THE ARTS AND HUMANITIES			96,500	-
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through Humboldt State University Sponsored Programs Foundation				
Small Business Development Centers	59.037	F0907	166,564	-
Small Business Development Centers	59.037	F0128	63,814	-
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			230,378	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	--	152,188	-
Passed through State of California Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BRLF-003-2015	200,000	200,000
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BRLF-001-2015	200,000	200,000
Subtotal pass-through programs			400,000	400,000
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			552,188	400,000
U.S. DEPARTMENT OF ENERGY				
Direct Program				
Conservation Research and Development	81.086	--	30,206	-
Renewable Energy Research and Development	81.087	--	588,161	-
TOTAL U.S. DEPARTMENT OF ENERGY			618,367	-
U.S. DEPARTMENT OF EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	29888	90,400	-
TOTAL U.S. DEPARTMENT OF EDUCATION			90,400	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Environmental Public Health and Emergency Response	93.070	--	355,627	-
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	--	1,372,261	1,017,850
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	--	766,431	20,674
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	--	316,278	-
Adult Viral Hepatitis Prevention and Control	93.270	--	549,918	-
Drug Abuse and Addiction Research Programs	93.279	--	89,174	-
Child Abuse and Neglect Discretionary Activities	93.670	--	933,443	921,266
PPHF: Racial and Ethnic Approaches to Community Health Program Financed Solely by Public Prevention and Health Funds	93.738	--	701,607	-
Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) thru Prevention and Public Health Funds (PPHF)	93.763	--	183,059	179,324
HIV Emergency Relief Project Grants	93.914	--	15,594,775	12,533,459
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	334,712	107,898
Special Projects of National Significance	93.928	--	607,164	452,969
HIV Prevention Activities - Non-Governmental Organization Based	93.939	--	1,049,871	-
HIV Prevention Activities - Health Department Based	93.940	--	7,529,802	958,313
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	2,386,171	-
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	--	1,339,733	147,676
Total direct programs			34,110,026	16,339,429
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 1617-06	13,157	13,157
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	AP 1617-06	32,619	32,619
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	AP 1617-06	58,505	58,505

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
Passed through State of California Department of Aging (continued)				
Aging Cluster				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	AP 1617-06	$ 1,024,493	$ 420,821
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AP 1617-06	1,682,759	1,682,759
Nutrition Services Incentive Program	93.053	AP 1617-06	1,687,749	1,687,749
Subtotal Aging Cluster			4,395,001	3,791,329
State Health Insurance Assistance Program	93.324	HI 1617-06	136,380	123,380
Medicare Enrollment Assistance Program	93.071	MI 1517-06	43,047	43,047
National Family Caregiver Support, Title III, Part E	93.052	AP 1617-06	442,018	442,018
Passed through Regents of the University of California				
Global AIDS	93.067	8775sc	10,220	-
Global AIDS	93.067	8846sc	51,985	-
Global AIDS	93.067	8853sc	7,397	-
Global AIDS	93.067	8853sc02	41,323	-
Global AIDS	93.067	8940sc01	89,991	-
Global AIDS	93.067	9970sc	4,931	-
Global AIDS	93.067	9974sc	11,631	-
Global AIDS	93.067	9289sc	90,274	-
Global AIDS	93.067	9319sc	14,233	-
Global AIDS	93.067	9346sc	22,732	-
Global AIDS	93.067	9733sc	12,357	-
Global AIDS	93.067	9735sc	5,148	-
Subtotal Global AIDS			362,222	-
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084	8829sc	39,672	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	4899sc	97,531	-
Mental Health Research Grants	93.242	6819sc	10,804	-
Mental Health Research Grants	93.242	7238sc	113,639	-
Mental Health Research Grants	93.242	9833sc	11,362	-
Drug Abuse and Addiction Research Programs	93.279	8952sc02	24,882	-
Child Welfare Research Training or Demonstration	93.648	00009093	3,713	-
Child Welfare Research Training or Demonstration	93.648	00009608	1,673	-
Subtotal Child Welfare Research Training or Demonstration			5,386	-
Allergy and Infectious Diseases Research	93.855	7256sc	6,397	-
Allergy and Infectious Diseases Research	93.855	7258sc	21,882	-
Passed through State of California Department of Health Care Services				
Block Grants for Community Mental Health Services	93.958	None	2,723,928	770,049
Medical Assistance Program	93.778	None	1,787,111	80,634
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	1,336,224	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	14-10918	21,731	-
Subtotal Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			1,357,955	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	16-10233	175,659	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	15-10979	48,363	-
Immunization Cooperative Agreements	93.268	15-10447	292,627	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	15-10169	1,270,070	-
Refugee and Entrant Assistance - State Administered Programs	93.566	15-38-90840-00	60,603	22,455
Refugee and Entrant Assistance - State Administered Programs	93.566	16-38-90899-00	268,997	49,618
Medical Assistance Program	93.778	201538	3	-
Medical Assistance Program	93.778	14-10074	240,273	-
Medical Assistance Program	93.778	201638	5,741,443	-
HIV Care Formula Grants	93.917	15-11073	3,062,399	2,717,594
HIV Care Formula Grants	93.917	16-10856	884,244	697,003
Subtotal HIV Care Formula Grants			3,946,643	3,414,597
Maternal and Child Health Services Block Grant to the States	93.994	201638	471,145	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
Passed through State of California Department of Social Services				
Guardianship Assistance	93.090	None	$ 2,322,197	$ -
Promoting Safe and Stable Families	93.556	None	408,599	288,033
Temporary Assistance for Needy Families	93.558	None	56,415,025	7,208,657
Refugee and Entrant Assistance - State Administered Programs	93.566	None	327,430	-
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1406	44,338	-
Refugee and Entrant Assistance - State Administered Programs	93.566	RESS1506	31,580	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	TART1305	5,943	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	TART1405	8,452	-
Refugee and Entrant Assistance - Discretionary Grants	93.576	TART1505	4,965	-
Subtotal Refugee and Entrant Assistance - Discretionary Grants			19,360	-
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	TAFO1406	10,142	-
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	TAFO1506	32,893	23,015
Subtotal Refugee and Entrant Assistance - Targeted Assistance Grants			43,035	23,015
Community-Based Child Abuse Prevention Grants	93.590	None	24,133	24,133
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	1,347,589	8,201
Foster Care - Title IV-E	93.658	None	37,799,298	5,494,531
Adoption Assistance	93.659	None	9,357,473	-
Chafee Foster Care Independence Program	93.674	None	479,400	406,738
Medical Assistance Program	93.778	None	75,437,309	3,691,650
Passed through State of California Department of Mental Health				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	445,790	438,338
Passed through Essential Access Health				
Family Planning - Services	93.217	380-5320-71219-16-17	160,968	-
Family Planning - Services	93.217	380-5320-71209-17-18	33,107	-
Subtotal Family Planning - Services			194,075	-
Passed through SF Community Clinic Consortium				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	3 H80CS00049-15-03	663,704	-
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS00049-16-03	727,359	-
Subtotal Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			1,391,063	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	4 H76HA00163-24-03	67,542	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	5 H76HA00163-25-00	100,282	-
Passed through Public Health Foundation Enterprise				
Mental Health Research Grants	93.242	0176.0104	4,729	-
Mental Health Research Grants	93.242	0349.0101	125,381	-
Mental Health Research Grants	93.242	0157.0105	54,774	-
Drug Abuse and Addiction Research Programs	93.279	0208.0103	57,006	-
Drug Abuse and Addiction Research Programs	93.279	0152.0104	41,984	-
Drug Abuse and Addiction Research Programs	93.279	0333.0102	26,868	-
Minority Health and Health Disparities Research	93.307	0350.0101	81,175	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.4004	69,809	-
Allergy and Infectious Diseases Research	93.855	0014	120,155	-
Allergy and Infectious Diseases Research	93.855	0183.0104	56,136	-
Passed through University of Washington				
Drug Abuse and Addiction Research Programs	93.279	UWSC7756 a02	14,986	-
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	None	8,464,755	-
Passed through State of California Department of Education				
CCDF Cluster				
Child Care and Development Block Grant	93.575	CLPC5036	56,647	-
Child Care and Development Block Grant	93.575	CRET5034	523,243	-
Subtotal Child Care and Development Block Grant			579,890	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-5051	213,077	213,077
Subtotal CCDF Cluster			792,967	213,077

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, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	970/0080.0172	$ 14,920	$ -
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	0000851188	49,959	-
Allergy and Infectious Diseases Research	93.855	0000887682	71,186	-
Passed through Magee-Women's Research Institute and Foundation				
Allergy and Infectious Diseases Research	93.855	9394	18,156	-
Allergy and Infectious Diseases Research	93.855	9451	16,196	-
Passed through University of Southern California				
Child Health and Human Development Extramural Research	93.865	61009227	3,481	-
Passed through State of California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	8,844,952	8,844,952
Passed through University of California San Francisco				
PPHF Geriatric Education Centers	93.969	5 U1QHP28727-02-00	24,341	-
Subtotal pass-through programs			229,408,758	35,482,733
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			263,518,784	51,822,162
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program				
Assistance to Firefighters Grant	97.044	--	780,664	-
Port Security Grant Program	97.056	--	1,260,724	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	5,990,727	-
Subtotal direct programs			8,032,115	-
Passed through State of California Department of Parks and Recreation				
Boating Safety Financial Assistance	97.012	C15L0606	70,467	-
Passed through State of California Emergency Management Agency				
Hazard Mitigation Grant	97.039	075-00000	37,191	-
Emergency Management Performance Grants	97.042	075-00000	300,420	-
Homeland Security Grant Program	97.067	075-00000	730,497	-
Homeland Security Grant Program	97.067	2015-00078	16,433,691	11,996,942
Homeland Security Grant Program	97.067	2016-0102	5,630,973	3,346,200
Subtotal Homeland Security Grant Program			22,795,161	15,343,142
Subtotal pass-through programs			23,203,239	15,343,142
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			31,235,354	15,343,142
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 418,448,203	$ 103,751,276

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, 2017

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).

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, 2017. 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. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

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 $323,385 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 $36,432 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, 2017, the total outstanding RLF and cash and investments in the RLF were $415,633 and $27,195, respectively. There were no administrative expenses paid out of the RLF income, and there were no unpaid principal of loans written off during the year. The federal share of the RLF was 64.8% and federal expenditures of $286,953 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, 2017

6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	CFDA No.	Expenditures State	 Federal
U.S. Department of Agriculture				
Passed through State of California, Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-1516-06	10.561	$ -	$ 15,495
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-1617-06	10.561	-	29,857
U.S. Department of Health and Human Services				
Passed through State of California, Department of Aging				
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	AP-1617-06	93.041	-	13,157
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-1617-06	93.042	-	32,619
Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	AP-1617-06	93.043	-	58,505
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-1617-06	93.044	-	1,024,493
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-1617-06	93.045	475,955	1,682,759
National Family Caregiver Support, Title III, Part E	AP-1617-06	93.052	-	442,018
Nutrition Services Incentive Program	AP-1617-06	93.053	-	1,687,749
Medicare Enrollment Assistance Program	MI-1517-06	93.071	-	43,047
State Health Insurance Assistance Program	HI-1617-06	93.324	228,390	136,380
			704,345	$ 5,166,079
State Award - California Department of Aging				
Special Deposit Fund-Federal Citation Penalties Account, General Fund Allocation	AP-1617-06		44,809	
Skilled Nursing Facility (SNF) Quality & Accountability Fund (QAF) Allocation	AP-1617-06		25,596	
Ombudsman State General Fund	AP-1617-06		13,472	
Ombudsman Public Health L&C Program Fund	AP-1617-06		5,389	
Total Expenditures of CDA Awards			$ 793,611	

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

	CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(1)	**CFDA no. 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program**		
	State of California Department of Public Health	13-20505	$ 311,863
	State of California Department of Public Health	16-10166	839,502
	State of California Department of Aging	SP 1516-06	15,495
	State of California Department of Aging	SP 1617-06	29,857
	State of California Department of Social Services	None	34,317,648
		Program Total	$ 35,514,365
(2)	**CFDA no. 16.588 - Violence Against Women Formula Grants**		
	State of California Emergency Management Agency	PU 15 06 0380	$ 10,185
	State of California Emergency Management Agency	VV 16 08 0380	192,978
	Governor's Office of Emergency Services	PU 15 06 0380	84,226
		Program Total	$ 287,389
(3)	**CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program**		
	U.S. Department of Justice	--	$ 493,470
	State of California Emergency Management Agency	650-17	164,373
	Board of State and Community Corrections	650-15	817,448
	Board of State and Community Corrections	650-17	244,478
		Program Total	$ 1,719,769
(4)	**CFDA no. 17.268 - H-1B Job Training Grants**		
	U.S. Department of Labor	--	$ 393,801
	NOVA Workforce Board	001-RTW-15	245,969
		Program Total	$ 639,770
(5)	**CFDA no. 59.037 - Small Business Development Centers**		
	Humboldt State University Sponsored Programs Foundation	F0907	$ 166,564
	Humboldt State University Sponsored Programs Foundation	F0128	63,814
		Program Total	$ 230,378
(6)	**CFDA no. 66.818 - Brownfields Assessment and Cleanup Cooperative Agreements**		
	U.S. Environmental Protection Agency	--	$ 152,188
	State of California Environmental Protection Agency	BRLF-003-2015	200,000
	State of California Environmental Protection Agency	BRLF-001-2015	200,000
		Program Total	$ 552,188
(7)	**CFDA no. 93.242 - Mental Health Research Grants**		
	Regents of the University of California	6819sc	$ 10,804
	Regents of the University of California	7238sc	113,639
	Regents of the University of California	9833sc	11,362
	Public Health Foundation Enterprise	0176.0104	4,729
	Public Health Foundation Enterprise	0349.0101	125,381
	Public Health Foundation Enterprise	0157.0105	54,774
		Program Total	$ 320,689

7. PROGRAM TOTALS (Continued)

	CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(8)	**CFDA no. 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance**		
	U.S. Department of Health and Human Services	--	$ 316,278
	State of California Department of Public Health	15-10979	48,363
		Program Total	$ 364,641
(9)	**CFDA no. 93.279 - Drug Abuse and Addiction Research Programs**		
	U.S. Department of Health and Human Services	--	$ 89,174
	Regents of the University of California	8952sc02	24,882
	Public Health Foundation Enterprise	0208.0103	57,006
	Public Health Foundation Enterprise	0152.0104	41,984
	Public Health Foundation Enterprise	0333.0102	26,868
	University of Washington	UWSC7756 a02	14,986
		Program Total	$ 254,900
(10)	**CFDA no. 93.566 - Refugee and Entrant Assistance - State Administered Programs**		
	State of California Department of Public Health	15-38-90840-00	$ 60,603
	State of California Department of Public Health	16-38-90899-00	268,997
	State of California Department of Social Services	None	327,430
	State of California Department of Social Services	RESS1406	44,338
	State of California Department of Social Services	RESS1506	31,580
		Program Total	$ 732,948
(11)	**CFDA no. 93.778 - Medical Assistance Program**		
	State of California Department of Health Care Services	None	$ 1,787,111
	State of California Department of Public Health	201538	3
	State of California Department of Public Health	14-10074	240,273
	State of California Department of Public Health	201638	5,741,443
	State of California Department of Social Services	None	75,437,309
		Program Total	$ 83,206,139
(12)	**CFDA no. 93.855 - Allergy and Infectious Diseases Research**		
	Regents of the University of California	7256sc	$ 6,397
	Regents of the University of California	7258sc	21,882
	Public Health Foundation Enterprise	0014	120,155
	Public Health Foundation Enterprise	0183.0104	56,136
	Family Health International (FHI360)	970/0080.0172	14,920
	Fred Hutchinson Cancer Research Center	0000851188	49,959
	Fred Hutchinson Cancer Research Center	0000887682	71,186
	Magee-Women's Research Institute and Foundation	9394	18,156
	Magee-Women's Research Institute and Foundation	9451	16,196
		Program Total	$ 374,987
(13)	**CFDA no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease**		
	U.S. Department of Health and Human Services	--	$ 334,712
	San Francisco Community Clinic Consortium	4 H76HA00163-24-03	67,542
	San Francisco Community Clinic Consortium	5 H76HA00163-25-00	100,282
		Program Total	$ 502,536

This page has been intentionally left blank.

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*

Honorable Mayor and 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, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2017, except for our report on the schedule of expenditures of federal awards, as to which the date is January 26, 2018. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free 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

Macias Gini & O'Connell LLP
101 California Street, Suite 1825
San Francisco, CA 94111

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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

San Francisco, California
December 29, 2017

Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and 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 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, 2017. 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), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 the Uniform Guidance.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance 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, 2017.

Macias Gini & O'Connell LLP
101 California Street, Suite 1825
San Francisco, CA 94111

www.mgocpa.com

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 the Uniform Guidance, 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Francisco, California
January 26, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(cies) identified?	None reported
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 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number(s)
Home Investment Partnerships Program	14.239
WIOA Cluster	17.258, 17.259, 17.278
Rail Line Relocation and Improvement	20.320
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104
Temporary Assistance for Needy Families	93.558
Adoption Assistance	93.659
Medical Assistance Program	93.778
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944
Assistance to Firefighters Grant	97.044

Dollar threshold used to distinguish between Types A and B programs	$3,000,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

Reference Number:	**2016-001 Procurement and Suspension and Debarment**
Federal Catalog Number/ Program Name:	97.044 Assistance to Firefighters Grant
Audit Finding:	The City's Fire Department purchased various parts and equipment for fire exhaust systems, and utilized two contractors who were authorized by the equipment distributor to install and service such equipment. However, the Fire Department did not follow the City's procurement process in soliciting bids for these services. In addition, the Fire Department used purchase orders as a mechanism to track expenditures by station for final grant reporting, and thus effectively circumvented the procurement process by paying the two respective contractors $214,832 under 57 purchase orders and $68,256 under 12 purchase orders.
Status of Corrective Action:	Corrective action was implemented.

Reference Number:	**2016-002 Special Tests and Provision – Maximum Per-Unit Subsidy and Underwriting Requirements**
Federal Catalog Number/ Program Name:	14.239 Home Investment Partnership Program
Audit Finding:	The City's Mayor's Office of Housing and Community Development (MOHCD) provided a loan to one project that was subject to the maximum per-unit subsidy amount requirement during the year. Based on the number of units within its development, the project was limited to a maximum per-unit subsidy of $6,976,330. However, the actual HOME-funded portion of the loan was $8,134,000.
Status of Corrective Action:	Corrective action was implemented.

Reference Number:	**2016-003 Reporting**
Federal Catalog Number/ Program Name:	14.218 Community Development Block Grants/Entitlement Grants 14.239 Home Investment Partnership Program
Audit Finding:	During our testing of the annual Form HUD 60002 for the each of the two programs, we identified the following errors: • For the Community Development Block Grants/Entitlement Grants, the number of total Section 3 trainees was understated by 1 individual. • For the Home Investment Partnership Program, the number of Section 3 new hires was overstated by 3 individuals. The U.S. Office of Management and Budget (OMB) has identified the number of new hires that meet the definition of a Section 3 resident as critical information. The errors were caused by miscalculations from the supporting data.
Status of Corrective Action:	Corrective action was implemented.