

CIVIC SAN DIEGO

(A Component Unit of the City of San Diego, California)

Independent Auditor's Reports, Basic Financial
Statements, Required Supplementary Information,
and Supplementary Information

For the Year Ended June 30, 2017



Certified
Public
Accountants

CIVIC SAN DIEGO
For the Year Ended June 30, 2017

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Independent Auditor's Report

To the Board of Directors of
Civic San Diego

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Civic San Diego (Corporation), a component unit of the City of San Diego, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation'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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Corporation as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund and the Downtown Community Parking Program major special revenue fund, listed as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Corporation's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the Corporation'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



San Diego, California
October 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CIVIC SAN DIEGO
Management's Discussion and Analysis
(Unaudited)

As management of Civic San Diego (Corporation), a component unit of the City of San Diego (City), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended June 30, 2017. On behalf of the City, the Corporation carries out certain municipal functions such as planning and design review within the Centre City area. The City Council created the Corporation originally to administer redevelopment, but subsequently has added the administration of the design review process and planning functions, consistent with the community plan and planned district ordinances, within the Centre City area. Additionally, the City has designated the Corporation as the Downtown Community Parking District Advisory Board (Downtown CPD), which boundaries are concurrent with those of the Centre City area, to oversee, implement and manage parking within the Centre City area.

The information contained in the Management's Discussion and Analysis (MD&A) is unaudited and represents management's analysis for the year ended June 30, 2017. The audited financial statements can be found beginning on page 12. The purpose of MD&A is to inform the reader on management's insights about the reporting entity and to increase the readers' understanding, and the usefulness of the financial reports as well as providing accessible information about the Corporation and its operation, successes, challenges, and the future. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Governmental Funds Financial Statements, and (3) Notes to the Basic Financial Statements. The basic financial statements are also accompanied by required supplementary information, which includes this Management's Discussion and Analysis, the Budgetary Comparison Schedules for the General Fund and the Downtown Community Parking Program Special Revenue Fund.

Government-Wide Financial Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information of all the Corporation's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The Statement of Activities presents information showing changes in the Corporation's net position during the most recent year. All changes in net position are reported when 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 (e.g., depreciation and earned but unused compensated absences).

The Government-Wide Financial Statements can be found on pages 12 and 13 of this report.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

Governmental Funds Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Corporation uses a general fund and special revenue funds for recording its activities.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the Corporation's 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 Corporation's near-term financial decisions. Both the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The governmental funds financial statements can be found on pages 14 through 17 of this report.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

Government-Wide Financial Analysis

The Corporation is financially reliant on the Successor Agency to the former Redevelopment Agency of the City of San Diego (Successor Agency). As of June 30, 2017 and 2016, respectively, the Corporation had the following assets, liabilities and net position:

CIVIC SAN DIEGO
Comparative Statements of Net Position
June 30, 2017 and 2016

| | <u>FY 2017</u> | <u>FY 2016</u> | <u>Difference</u> |
|---|---------------------|----------------------|-----------------------|
| <u>Assets:</u> | | | |
| Cash | \$ 2,517,452 | \$ 2,908,724 | \$ (391,272) |
| Restricted cash | 5,914,799 | 4,896,031 | 1,018,768 |
| Receivables for reimbursable expenses from the City of San Diego | 1,577,078 | 1,620,905 | (43,827) |
| Accounts receivable | 1,021,492 | 724,532 | 296,960 |
| Prepaid expenses | 2,200 | 2,200 | - |
| Long-term investment | 7,690 | 7,714 | (24) |
| Long-term note receivable | 240,000 | - | 240,000 |
| Capital assets - nondepreciable | 75,975 | 3,165,806 | (3,089,831) |
| Capital assets - depreciable (net) | <u>1,630,326</u> | <u>48,763</u> | <u>1,581,563</u> |
| Total assets | <u>12,987,012</u> | <u>13,374,675</u> | <u>(387,663)</u> |
| <u>Liabilities:</u> | | | |
| Accrued liabilities | 847,664 | 389,879 | 457,785 |
| Deposits held for others | 230,000 | 482,292 | (252,292) |
| Compensated absences (current) | 115,531 | 112,310 | 3,221 |
| Compensated absences (noncurrent) | 130,816 | 105,766 | 25,050 |
| Unearned revenues | 1,925,259 | - | 1,925,259 |
| Advances from the City of San Diego | <u>781,707</u> | <u>810,564</u> | <u>(28,857)</u> |
| Total liabilities | <u>4,030,977</u> | <u>1,900,811</u> | <u>2,130,166</u> |
| <u>Net Position:</u> | | | |
| Net investment in capital assets | 1,706,301 | 3,214,569 | (1,508,268) |
| Restricted | 5,728,710 | 7,940,379 | (2,211,669) |
| Unrestricted | <u>1,512,024</u> | <u>318,916</u> | <u>1,193,108</u> |
| Total net position | <u>\$ 8,947,035</u> | <u>\$ 11,473,864</u> | <u>\$ (2,526,829)</u> |

The Corporation's net position decreased in 2017 by \$2,526,829. The ending net position of the Corporation as of June 30, 2017 was \$8,947,035. Two capital projects were completed during FY17. The Island Avenue Pop-Out and Sidewalk project was completed and \$1.5 million was fully expensed during FY2017. In addition, the Downtown San Diego Wayfinding Signage project was completed during FY17, and \$1.7 million was capitalized as a depreciable asset and \$154,040 was recognized as a depreciation expense. The Corporation entered into a separate Memorandum of Agreement (MOA) with the Downtown San Diego Partnership (Partnership) and the Little Italy Association (LIA), for the maintenance of the signs. The MOA for the Partnership and LIA began on July 5, 2016.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

Further net position decreased as a result of utilizing cash on hand and reserves to fund current year operating expenses. During FY17 the permit and planning fees collected did not cover the direct cost of providing the planning and permitting service. As such, permit and planning cash reserves, built up from prior fiscal years, were utilized to offset the shortfall. Additionally, the Economic Growth and Neighborhood Investment Fund provided contributions to the Corporation to fund economic development and community investment programs and services.

CIVIC SAN DIEGO
Comparative Statements of Activities
For the Years Ended June 30, 2017 and 2016

| | <u>FY 2017</u> | <u>FY 2016</u> | <u>Difference</u> |
|---|---------------------|----------------------|-----------------------|
| <u>Program Revenues:</u> | | | |
| Charges for Services | \$ 1,494,201 | \$ 2,724,413 | \$ (1,230,212) |
| Operating Grants and Contributions | 5,920,609 | 12,133,594 | (6,212,985) |
| Capital Grants and Contributions | 443,102 | 1,663,666 | (1,220,564) |
| <u>General Revenues:</u> | | | |
| Interest and unrealized gain on investments | 2,001 | 83,313 | (81,312) |
| Miscellaneous | 3,954 | 129,483 | (125,529) |
| Total revenues | <u>7,863,867</u> | <u>16,734,469</u> | <u>(8,870,602)</u> |
| <u>Program Expenses:</u> | | | |
| General Government and Support and Successor Agency | 3,918,069 | 3,743,620 | 174,449 |
| Planning | 1,101,855 | 964,041 | 137,814 |
| Parking District | 4,306,476 | 1,989,288 | 2,317,188 |
| Economic Development and Community Investment | 691,907 | 388,109 | 303,798 |
| New Market Tax Credit Program | 372,389 | 265,293 | 107,096 |
| Total expenses | <u>10,390,696</u> | <u>7,350,351</u> | <u>3,040,345</u> |
| Change in net position | (2,526,829) | 9,384,118 | (11,910,947) |
| Net position - beginning of year | <u>11,473,864</u> | <u>2,089,746</u> | <u>9,384,118</u> |
| Net position - end of year | <u>\$ 8,947,035</u> | <u>\$ 11,473,864</u> | <u>\$ (2,526,829)</u> |

The Corporation's net position decreased by \$2,526,829. The primary factors contributing to the decrease in the net position during FY17 includes: (1) completion of the Island Ave Pop-out and Sidewalk project, for which \$1.5 million was fully expensed during FY2017; (2) the Downtown San Diego Wayfinding Signage project was completed during FY17 and \$154 thousand was recognized as a depreciation expense; (3) expenses to provide planning services exceeding the current year revenues collected for planning services, by approximately \$332 thousand, and relying on planning cash reserves to cover the difference; and (4) Economic Development and Community Investment expenses exceeding current year revenues collected, by \$468 thousand and relying on previous year New Market Tax Credit (NMTC) cash balances to cover the difference.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

General Fund Financial Analysis

The Corporation's General Fund financial statements include only the current inflows and outflows of spendable resources and related balances at the end of the fiscal year ended June 30, 2017 and 2016, respectively.

CIVIC SAN DIEGO
Comparative Balance Sheets
General Fund
June 30, 2017 and 2016

| | <u>FY 2017</u> | <u>FY 2016</u> | <u>Difference</u> |
|--|---------------------|---------------------|---------------------|
| <u>Assets:</u> | | | |
| Cash | \$ 982,279 | \$ 832,925 | \$ 149,354 |
| Restricted cash | 3,235,871 | 1,690,545 | 1,545,326 |
| Receivables from reimbursable expenditures from the City of San Diego | 547,464 | 1,192,150 | (644,686) |
| Accounts receivable | 777,073 | 317,985 | 459,088 |
| Prepaid items | 2,200 | 2,200 | - |
| Total assets | <u>\$ 5,544,887</u> | <u>\$ 4,035,805</u> | <u>\$ 1,509,082</u> |
| <u>Liabilities:</u> | | | |
| Accrued liabilities | \$ 426,543 | \$ 141,620 | \$ 284,923 |
| Deposits held for others | 210,000 | 482,292 | (272,292) |
| Unearned revenues | 1,925,259 | - | 1,925,259 |
| Total liabilities | <u>2,561,802</u> | <u>623,912</u> | <u>1,937,890</u> |
| <u>Fund Balance:</u> | | | |
| Nonspendable | 2,200 | 2,200 | - |
| Restricted | 2,922,213 | 2,962,660 | (40,447) |
| Unassigned | 58,672 | 447,033 | (388,361) |
| Total fund balance | <u>2,983,085</u> | <u>3,411,893</u> | <u>(428,808)</u> |
| Total fund balance and liabilities | <u>\$ 5,544,887</u> | <u>\$ 4,035,805</u> | <u>\$ 1,509,082</u> |

In 2017, the Corporation is comprised of the General Fund and two major special revenue funds, the Economic Growth and Neighborhood Investment Fund, or the New Market Tax Credit (NMTC) Fund and the Downtown Community Parking Program (DCPP) Fund. The NMTC fund is a blended component unit of the Corporation.

The General Fund excludes the liability associated with compensated absences and long-term advances payable to the City, whereas the government-wide statement of net position includes such liabilities. Compared to 2016, the 2017 cash and restricted cash balance collectively increased by \$1,694,680 due to the FAR Bonus program payments. The Corporation received funds from three developers in FY17 to participate in the FAR Bonus program, which are recorded as unearned revenues, as such total liabilities of the General Fund increased by \$1,937,890. These funds represent deposits received from three developers for projects which require the developers to pay for expenditures such as staff time and consultants as well as good faith deposits that will be reimbursed if the developers follow and comply with obligations as outlined in contracts.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

CIVIC SAN DIEGO
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Years Ended June 30, 2017 and 2016

| | <u>FY 2017</u> | <u>FY 2016</u> | <u>Difference</u> |
|--|---------------------|---------------------|---------------------|
| <u>Revenues:</u> | | | |
| Contributions from the City of San Diego | \$ 3,963,081 | \$ 4,149,439 | \$ (186,358) |
| Charges for services | 1,251,360 | 1,432,685 | (181,325) |
| Contributions from the Growth Fund | 714,336 | - | 714,336 |
| Intergovernmental grants | 327,629 | 220,498 | 107,131 |
| Interest and unrealized gains | 1,950 | 83,276 | (81,326) |
| Miscellaneous | 3,954 | 4,644 | (690) |
| Total revenues | <u>6,262,310</u> | <u>5,890,542</u> | <u>371,768</u> |
| <u>Expenditures:</u> | | | |
| General government and support and successor agency | 3,913,841 | 3,693,032 | 220,809 |
| Planning | 1,101,855 | 964,041 | 137,814 |
| Parking district | 403,331 | 460,946 | (57,615) |
| Economic development and community investment | 931,907 | 388,109 | 543,798 |
| New Market Tax Credit Program | 340,184 | 242,244 | 97,940 |
| Total expenditures | <u>6,691,118</u> | <u>5,748,372</u> | <u>942,746</u> |
| Excess (deficiency) of revenues over (under) expenditures | (428,808) | 142,170 | (570,978) |
| <u>Other Financing Uses:</u> | | | |
| Transfers Out | - | (3,418,030) | 3,418,030 |
| Net change in fund balance | <u>(428,808)</u> | <u>(3,275,860)</u> | <u>2,847,052</u> |
| Fund balance - beginning of year | <u>3,411,893</u> | <u>6,687,753</u> | <u>(3,275,860)</u> |
| Fund balance - end of year | <u>\$ 2,983,085</u> | <u>\$ 3,411,893</u> | <u>\$ (428,808)</u> |

CIVIC SAN DIEGO
Management’s Discussion and Analysis (Continued)
(Unaudited)

For comparative purposes, the table below represents expenditures incurred for the years ended June 30, 2017 and 2016, as reported in the General Fund.

| <u>EXPENDITURES</u> | <u>FY 2017</u> | <u>FY 2016</u> | <u>Difference</u> |
|---|-----------------------|-----------------------|--------------------------|
| Salaries and Benefits | \$ 4,366,447 | \$ 3,949,640 | \$ 416,807 |
| Legal, Computer and Auditing Services | 941,732 | 806,242 | 135,490 |
| Rent and Leasehold Improvements | 456,390 | 479,393 | (23,003) |
| Economic Development and Outreach | 423,269 | 60,314 | 362,955 |
| Insurance | 148,852 | 149,270 | (418) |
| Marketing, Printing and Reproduction | 82,407 | 57,395 | 25,012 |
| Office Supplies and Repairs and Maintenance | 80,057 | 89,047 | (8,990) |
| Furniture and Equipment | 79,872 | 86,715 | (6,843) |
| Other | 73,707 | 24,493 | 49,214 |
| Utilities | 31,162 | 24,425 | 6,737 |
| Recruitment | 7,223 | 21,438 | (14,215) |
| | <u>\$ 6,691,118</u> | <u>\$ 5,748,372</u> | <u>\$ 942,746</u> |

The Comparative Statements of Revenues, Expenditures and Changes in Fund Balance for the General Fund provide a “look back” for the two most recent years comparing the various expenditures of the Corporation. Overall, expenditures for the years ended June 30, 2017 and 2016 were \$6,691,118 and \$5,748,372, respectively. In FY2017, expenditures increased by 16.4% or \$942,746 from 2016.

The most significant changes within the Corporation’s expenditures are as follows:

- Salaries and Benefits increased by \$416,807, or 10.55% due to increase in personnel. There was an average of 37 full-time equivalents (FTEs) for FY17 as opposed to 33 FTEs for FY16.
- Legal, Computer and Auditing Services line item increased by \$135,490 or 16.81%. The increase was largely due to legal expenses in the amount of \$103,757. The Corporation has several items in litigation.
- Economic Development and Outreach expenditures increased by \$362,955 in 2017 due to this new program. The Corporation has been actively pursuing projects that will benefit underserved areas in San Diego County. The most significant increase of \$250,000 was for a loan to Accion San Diego which is a non-profit company that will lend to small businesses that fall within the guidelines of the loan agreement between the Corporation and Accion San Diego.
- Other expenditures increased by \$49,214 or 200.93%. This line item is comprised of auto, memberships, professional development, travel and directors expenses. The largest increase is mostly attributed to staff participating in professional development activities to further develop their knowledge and career to benefit the Corporation.

General Fund Budget Comparison

The Budgetary Comparison Schedules can be found on pages 28 through 29 of this report. The FY2017 overall expenditures were under budget by \$1,011,882, or 13%, primarily due to savings in Salaries and Benefits in the amount of \$753,553, or 15% of the Salary line item, and 10% of the overall budget. The savings in Salaries and Benefits was a result of vacant positions due to the attrition of employees as well as unfilled positions during the year.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

The Corporation may from time-to-time make budgetary line item adjustments to accommodate the Corporation's administrative operating activities. Budget adjustments are presented to the Corporation's Board for review and approval. In FY2017, there were no budget adjustments.

Next Year's Budget

The Corporation and City of San Diego have adopted the FY2018 Budget. The FY2018 administrative portion of the budget for the Corporation is \$7,983,000, representing an increase of \$280,000 or 3.6% from the Corporation's FY2017 Budget. The increase reflects the following:

- The Personnel Expense line item decreased by \$191,000, or 3.7% for fiscal year 2018 compared to FY2017. The Personnel Expense line item is comprised of 38 Full-Time Equivalents (FTE's) with \$3.6 million budgeted for Salaries and \$1.3 million budgeted for taxes and benefits.
- The FY2018 Non-Personnel expense budget increased by \$471,000 or 18.2%, compared to the FY2017 budget. The most significant increase projected for FY2018 is in the Economic Development and Outreach line item. The Corporation anticipates additional funding and related expenditures for economic development and community investment projects in underserved areas of San Diego.

The FY2018 Budget is categorized by function and each function's respective revenue source(s). The functions include (1) permit processing for which the Corporation will collect permit application fees; (2) Downtown Community Parking District activities for which the Corporation will seek reimbursement for costs from the City from parking meter revenues; (3) Successor Agency Administration and Project Management for which the Corporation will seek reimbursement from the Successor Agency to the Redevelopment Agency of the City of San Diego for the wind-down process underway pursuant to AB X1 26; (4) Housing Successor administration and project management fees for which the Corporation will seek reimbursement from the Housing Successor entity; and (5) Economic Development and other activities for which the Corporation will offset the cost by seeking grants and other sources of revenues such as the FAR Bonus fees collected by the Corporation, or seeking reimbursement from funds allocated to the Corporation through the City's General Fund, development impact fees (DIF) or other City funds made available to the Corporation.

In addition, the Corporation is a registered Community Development Entity (CDE) with the U.S. Treasury Department through the Community Development Financial Institution Fund (CDFI) and is eligible to apply for and be allocated NMTC's. The CDFI's mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States. The Corporation has received \$133 million in NMTC allocations and has disbursed \$77.5 million through June 30, 2017.

Risks and Uncertainties

The Successor Agency is the primary funding source for the Corporation; therefore, any reduction in the Successor Agency's funding could substantially alter the services provided by the Corporation.

On behalf of the City, the Corporation carries out certain municipal functions such as planning and design review within the Centre City area. The City Council created the Corporation originally to administer redevelopment, but subsequently added the administration of and the review and planning functions, consistent with the community plan and planned district ordinances within the Centre City area. Additionally, the City has designated the Corporation as the Downtown Community Parking District Advisory Board (Downtown CPD), which boundaries are concurrent with those of the Centre City area, to oversee, implement, and manage parking within the Centre City area.

CIVIC SAN DIEGO
Management's Discussion and Analysis (Continued)
(Unaudited)

Forward Looking Statements

This MD&A may contain “forward looking” information. Forward looking statements can be identified by use of such words as “plans”, “anticipates”, “expects”, “is expected”, “in the event”, “approximately” “scheduled”, “estimates”, “forecasts”, “intends”, or “believes” or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. These forward looking statements relate to, among other things, the Corporation’s assumptions regarding future results of operations. These forward looking statements are based on current expectations, various assumptions, and analyses made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors that we believe are appropriate in the circumstances. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in our forward looking statements.

Request for Information

This financial report is designed to provide a general overview of the Corporation’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer at Civic San Diego, 401 B Street, Suite 400, San Diego, CA 92101.

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BASIC FINANCIAL STATEMENTS

CIVIC SAN DIEGO
Statement of Net Position
June 30, 2017

ASSETS

Current assets:

| | | |
|---|----|-----------|
| Cash | \$ | 2,517,452 |
| Restricted cash | | 5,914,799 |
| Receivables for reimbursable expenses from the City of San Diego | | 1,577,078 |
| Accounts receivable | | 1,012,492 |
| Prepaid expenses | | 2,200 |

Noncurrent assets:

| | | |
|----------------------------------|--|------------------|
| Long-term investment | | 7,690 |
| Note receivable | | 240,000 |
| Capital assets, nondepreciable | | 75,975 |
| Capital assets, depreciable, net | | <u>1,630,326</u> |

| | | |
|--------------|--|-------------------|
| Total assets | | <u>12,978,012</u> |
|--------------|--|-------------------|

LIABILITIES

Current liabilities:

| | | |
|--|--|---------|
| Accrued liabilities | | 847,664 |
| Deposits held for others | | 230,000 |
| Compensated absences - due in one year | | 115,531 |

Long-term liabilities:

| | | |
|---|--|----------------|
| Compensated absences - due after one year | | 130,816 |
| Unearned revenues | | 1,925,259 |
| Advances from the City of San Diego | | <u>781,707</u> |

| | | |
|-------------------|--|------------------|
| Total liabilities | | <u>4,030,977</u> |
|-------------------|--|------------------|

NET POSITION

| | | |
|----------------------------------|--|------------------|
| Net investment in capital assets | | 1,706,301 |
| Restricted | | 5,728,710 |
| Unrestricted | | <u>1,512,024</u> |

| | | |
|--------------------|----|-------------------------|
| Total net position | \$ | <u><u>8,947,035</u></u> |
|--------------------|----|-------------------------|

See Accompanying Notes to the Basic Financial Statements.

CIVIC SAN DIEGO
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Capital Grants and Contributions | Net Revenue (Expense) and Change in Net Position |
|--|----------------------|-------------------------|--|--|--|
| Governmental Activities: | | | | | |
| General government and support | \$ 697,130 | \$ 171,088 | \$ - | \$ 443,102 | \$ (82,940) |
| Successor agency | 3,220,939 | - | 3,220,939 | - | - |
| Planning | 1,101,855 | 740,088 | 28,857 | - | (332,910) |
| Parking district | 4,306,476 | 168,955 | 2,447,475 | - | (1,690,046) |
| Economic development and community investment | 691,907 | - | 223,338 | - | (468,569) |
| New market tax credit program | 372,389 | 414,070 | - | - | 41,681 |
| Total governmental activities | <u>\$ 10,390,696</u> | <u>\$ 1,494,201</u> | <u>\$ 5,920,609</u> | <u>\$ 443,102</u> | <u>(2,532,784)</u> |
| General Revenues: | | | | | |
| Interest | | | | | 2,001 |
| Miscellaneous | | | | | 3,954 |
| Total general revenues | | | | | <u>5,955</u> |
| Change in net position | | | | | (2,526,829) |
| Net position - beginning of year | | | | | <u>11,473,864</u> |
| Net position - end of year | | | | | <u>\$ 8,947,035</u> |

See Accompanying Notes to the Basic Financial Statements.

CIVIC SAN DIEGO
Balance Sheet
Governmental Funds
June 30, 2017

| | General Fund | Special Revenue Funds | | Total Governmental Funds |
|---|---------------------|--|---------------------------------------|--------------------------------|
| | Civic San Diego | Economic Growth and Neighborhood Investment Fund | Downtown Community Parking Program | |
| ASSETS | | | | |
| Cash | \$ 982,279 | \$ 1,535,173 | \$ - | \$ 2,517,452 |
| Restricted cash | 3,235,871 | - | 2,678,928 | 5,914,799 |
| Receivables for reimbursable expenditures from the City of San Diego | 547,464 | - | 1,029,614 | 1,577,078 |
| Accounts receivable | 777,073 | 103,521 | 131,898 | 1,012,492 |
| Prepaid items | 2,200 | - | - | 2,200 |
| Long-term investment | - | 7,690 | - | 7,690 |
| Total assets | <u>\$ 5,544,887</u> | <u>\$ 1,646,384</u> | <u>\$ 3,840,440</u> | <u>\$ 11,031,711</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accrued liabilities | \$ 426,543 | \$ 168,885 | \$ 252,236 | \$ 847,664 |
| Deposits held for others | 210,000 | 20,000 | - | 230,000 |
| Unearned revenues | 1,925,259 | - | - | 1,925,259 |
| Total liabilities | <u>2,561,802</u> | <u>188,885</u> | <u>252,236</u> | <u>3,002,923</u> |
| Fund Balances: | | | | |
| Nonspendable | 2,200 | 7,690 | - | 9,890 |
| Restricted | 2,922,213 | - | 3,588,204 | 6,510,417 |
| Assigned | - | 1,449,809 | - | 1,449,809 |
| Unassigned | 58,672 | - | - | 58,672 |
| Total fund balances | <u>2,983,085</u> | <u>1,457,499</u> | <u>3,588,204</u> | <u>8,028,788</u> |
| Total liabilities and fund balances | <u>\$ 5,544,887</u> | <u>\$ 1,646,384</u> | <u>\$ 3,840,440</u> | <u>\$ 11,031,711</u> |

See Accompanying Notes to the Basic Financial Statements.

CIVIC SAN DIEGO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

| | |
|---|----------------------------|
| Total fund balances - Governmental Funds | \$ 8,028,788 |
| Amounts reported for governmental activities in the Statement of Net Position were different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. | 1,706,301 |
| Long-term note receivable due from third parties which are not due and payable in the current period and, therefore are not reported in the governmental funds. | 240,000 |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (246,347) |
| Long-term advances from the City of San Diego are not due and payable in the current period and, therefore, are not reported in the governmental funds. | <u>(781,707)</u> |
| Net position of Governmental Activities | <u><u>\$ 8,947,035</u></u> |

See Accompanying Notes to the Basic Financial Statements.

CIVIC SAN DIEGO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | | | <u>Total Governmental Funds</u> |
|---|------------------------|---|---|---------------------|---|
| | <u>Civic San Diego</u> | <u>Economic Growth and Neighborhood Investment Fund</u> | <u>Downtown Community Parking Program</u> | <u>Eliminations</u> | |
| REVENUES: | | | | | |
| Contributions from the City of San Diego: | | | | | |
| Successor agency | \$ 3,220,939 | \$ - | \$ - | \$ - | \$ 3,220,939 |
| Parking meters | 403,331 | - | 2,447,475 | (403,331) | 2,447,475 |
| Developer impact fees | 151,473 | - | - | - | 151,473 |
| Economic development | 187,338 | - | - | - | 187,338 |
| Charges for services: | | | | | |
| Management fees - new market tax credit program | 340,184 | 414,070 | - | (340,184) | 414,070 |
| Permit fees | 740,088 | - | - | - | 740,088 |
| Earned developer deposits | 171,088 | - | - | - | 171,088 |
| Parking - Little Italy Association | - | - | 168,955 | - | 168,955 |
| Contributions from Growth Fund | 714,336 | - | - | (714,336) | - |
| Intergovernmental: | | | | | |
| SANDAG grant | 146,270 | - | - | - | 146,270 |
| California Natural Resource Board | 145,359 | - | - | - | 145,359 |
| Other | 36,000 | - | - | - | 36,000 |
| Interest | 1,950 | 51 | - | - | 2,001 |
| Miscellaneous | 3,954 | - | - | - | 3,954 |
| Total revenues | <u>6,262,310</u> | <u>414,121</u> | <u>2,616,430</u> | <u>(1,457,851)</u> | <u>7,835,010</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government and support | 692,902 | - | - | - | 692,902 |
| Successor agency | 3,220,939 | - | - | - | 3,220,939 |
| Planning | 1,101,855 | - | - | - | 1,101,855 |
| Parking district | 403,331 | - | 2,774,165 | (403,331) | 2,774,165 |
| Economic development and community investment | 931,907 | 714,336 | - | (714,336) | 931,907 |
| New market tax credit program | 340,184 | 372,389 | - | (340,184) | 372,389 |
| Total expenditures | <u>6,691,118</u> | <u>1,086,725</u> | <u>2,774,165</u> | <u>(1,457,851)</u> | <u>9,094,157</u> |
| Net change in fund balances | (428,808) | (672,604) | (157,735) | - | (1,259,147) |
| FUND BALANCES: | | | | | |
| Beginning of year | <u>3,411,893</u> | <u>2,130,103</u> | <u>3,745,939</u> | <u>-</u> | <u>9,287,935</u> |
| End of year | <u>\$ 2,983,085</u> | <u>\$ 1,457,499</u> | <u>\$ 3,588,204</u> | <u>\$ -</u> | <u>\$ 8,028,788</u> |

See Accompanying Notes to the Basic Financial Statements.

CIVIC SAN DIEGO

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017**

| | |
|--|------------------------------|
| Net change in fund balances - total Governmental Funds | \$ (1,259,147) |
| Amounts reported for governmental activities in the Statement of Activities were different because: | |
| Governmental funds report the acquisition and/or construction of capital assets as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amounts below represent the depreciation expense on capital assets and capital asset acquisitions. | |
| Capital outlay | 161,128 |
| Depreciation expense | (159,718) |
| Transfer of completed project capitalized costs to the City of San Diego | (1,509,678) |
| Government funds report long-term note receivable as expenditures, however in the Statement of Activities the loan is reported as an asset. Any amount which is not repaid will be reported as an expense at the point in time it is determined to be uncollectible. | 240,000 |
| In the Statement of Activities, compensated absences (vacation and sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (the amounts actually paid) and any amounts due and payable at year-end. During fiscal year 2017, vacation and sick leave earned was more than the amount used. | (28,271) |
| Revenues recognized in the Statement of Activities for services rendered related to proceeds received on advances from the City of San Diego in a previous year. | <u>28,857</u> |
| Change in net position of Governmental Activities | <u><u>\$ (2,526,829)</u></u> |

See Accompanying Notes to the Basic Financial Statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

CIVIC SAN DIEGO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1 – ORGANIZATION AND OPERATIONS

Financial Reporting Entity

Civic San Diego (Corporation) is a nonprofit public benefit corporation originally incorporated on March 31, 1975 as Centre City Development Corporation, Inc. The Corporation was established to administer certain redevelopment projects in downtown San Diego and to provide redevelopment advisory services to the former Redevelopment Agency of the City of San Diego (Redevelopment Agency), now the City of San Diego (City) as the Successor Agency. The Corporation, pursuant to a Memorandum of Understanding (MOU) with the City of San Diego, acting as the Downtown Community Parking District Advisory Board, also administers the Downtown Community Parking District Program (DCPD Program). The Corporation is primarily funded by contributions from the City of San Diego. The Corporation is governed by a nine member board of directors who are appointed by the mayor of the City of San Diego and the San Diego City Council.

The Corporation is a blended component unit of the City, as the City is financially accountable for the Corporation. The Corporation's annual budget and governing board are approved by the City Council of the City of San Diego. The Corporation provides services to the Successor Agency and the City. The City Council's function is to appoint the Board of Directors of the Corporation and to act as the Successor Agency. The Corporation, on behalf of the former Redevelopment Agency, also carries out the wind-down functions of the former project areas administered by the Corporation and the former Southeastern Economic Development Corporation (SEDC), including other planning, parking, and economic development functions on behalf of the City of San Diego.

On June 25, 2012, the City, as the designated Successor Agency to the former Redevelopment of the City of San Diego (Successor Agency), and the sole member of the Corporation, amended both the Corporation's and SEDC's Articles of Incorporation and Bylaws, restructuring and reorganizing the two nonprofit corporations into a single corporation named Civic San Diego, a California nonprofit public benefit corporation.

As required by accounting principles generally accepted in the United States of America (GAAP), the Corporation's financial statements present the primary government and its component units. The Corporation represents the primary government while entities for which the Corporation is considered to be financially accountable represent its component units. Collectively, the primary government and component units comprise the reporting entity.

Blended component units represent separate legal entities, which are so intertwined with the primary government that they are, in substance, the same as the primary government. Included within the Corporation's reporting entity is the Civic San Diego Economic Growth and Neighborhood Investment Fund.

Civic San Diego Economic Growth and Neighborhood Investment Fund (Growth Fund) is a nonprofit public benefit corporation organized to make qualified low income community investments in the County of San Diego or other activities, which qualify for New Markets Tax Credit (NMTC). The Growth Fund's purpose is also to engage in other activities, such as (1) raising equity for the investment by the Growth Fund or its affiliated entities; (2) form subsidiary limited liability companies, which the Growth Fund serves as manager or managing member, or subsidiary limited partnerships in which the Growth Fund serves as general partner; (3) apply on behalf of such subsidiaries for certification as a qualified community development entity (CDE) as defined in Section 45D of the Internal Revenue Code; (4) transfer any allocations of NMTCs that it receives to subsidiary CDEs; and (5) raise equity for investment in the subsidiary CDEs.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 1 – ORGANIZATION AND OPERATIONS (Continued)

In December 2012, the Community Development Financial Institutions Fund (CDFI Fund) of the United States Department of Treasury certified the Growth Fund as a qualified CDE. Subsequently, in March 2013, the Growth Fund established the following subsidiary limited liability companies:

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE I, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE II, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE III, LLC

In September 2014, three additional subsidiary limited liability companies were established:

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE IV, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE V, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE VI, LLC

In June 2016, three additional subsidiary limited liability companies were established:

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE VII, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE VIII, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE IX, LLC

In June 2017, three additional subsidiary limited liability companies were established:

Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE X, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE XI, LLC
Civic San Diego Economic Growth and Neighborhood Investment Fund Sub-CDE XII, LLC

The Growth Fund is governed by a nine member board of directors, which consists of the Corporation's board of directors. As such, the Corporation can exercise control of the Growth Fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting / Measurement Focus

The accounts of the Corporation are organized on the basis of fund accounting, in which each fund is considered to be a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Generally, governmental resources are allocated to and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Corporation's government-wide financial statements include a statement of net position and a statement of activities. These financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting and summarize the Corporation's governmental activities. Accordingly, all of the Corporation's assets and liabilities, including long-term assets and liabilities, are included in the accompanying statement of net position. The Corporation does not currently have any deferred outflows or inflows of resources. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certain types of transactions are reported as program revenues for the Corporation, such as charges to customers or applicants who use or directly benefit from services or privileges provided by a particular function (charges for services) and operating grants and contributions. Charges for services revenue consists of placement and servicing fees, management fees, permit application fees, and earned developer deposits for providing development review services. Operating grants and contributions primarily represent contributions received from the City of San Diego to carry out various activities, such as economic development, planning, and parking.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds Financial Statements

Governmental funds financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for each of the Corporation's funds. An accompanying schedule is presented to reconcile and explain the differences between total fund balances of the Corporation's governmental funds and the net change in total fund balances as presented in these statements to the net position and change in net position presented in the government-wide financial statements. The reconciliation of the governmental funds financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach of Governmental Accounting Standards Board (GASB) Statement No. 34.

Governmental funds are accounted for on a "current financial resources" measurement focus and the modified accrual basis of accounting. The statement of revenues, expenditures and changes in fund balances present increases (revenues) and decreases (expenditures) in fund balance.

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. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due at year-end.

The Corporation reports the following major governmental funds:

General Fund (Civic San Diego) – represents the primary operating fund of the Corporation, which accounts for the financial resources and activities of the Corporation not required to be accounted for in another fund. For internal purposes the General Fund is further segregated into sub funds to account for the unique activities of the Corporation, which include: 1) General Government and Support; 2) Successor Agency; 3) Planning; 4) Parking District; 5) Economic Development and Community Investment; and 6) New Market Tax Credit Program.

Economic Growth and Neighborhood Investment Fund Special Revenue Fund – accounts for the activities of the Corporation's blended component unit, the Growth Fund.

Downtown Parking Program Special Revenue Fund – accounts for the activities of the Corporation associated with administering the Downtown Community Parking District Program.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the statement of net position. Capital assets are defined as assets with an initial cost of more than \$5,000 and a useful life of greater than one year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|--------------------|--------------|
| Vehicles | 5 |
| Office Equipment | 5-7 |
| Computer Equipment | 3 |

Compensated Absences

Accumulated leave benefits (accrued vacation and sick leave) are accrued when incurred in the government-wide financial statements. The Corporation provides personal time off (PTO) leave to cover both vacation and sick leave for regular full-time employees. The Corporation’s policy permits full-time regular employees to earn between 144 hours to 224 hours annually based on length of service. Regular part-time employees working 20 or more hours per week shall accrue PTO on a prorated basis. PTO leave may be accumulated up to a maximum of twice the number of hours accrued annually based on the employee’s length of service.

Net Position

In the government-wide financial statements, net position consists of the following categories:

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by any outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted consists of restricted assets reduced by liabilities related to those assets. Resources that are restricted typically arise from external creditors, grantors, contributors, or laws and regulations of other governments. Restricted amounts are primarily associated with the Corporation’s activities related to the Growth Fund and the Parking District. Restricted balances of the Growth Fund are limited to activities associated with investment in Low Income Communities, or other activities in furtherance of the purpose of the Growth Fund such as raising capital or equity for investment by the Corporation or its affiliated entities, and to receiving, investing and utilizing (i) gross receipts from activities related to the Corporation’s exempt functions, and (ii) funds and property acquired through solicitation of contribution, donations, gifts, grants, bequests, and the like. Restricted balances of the Parking District are limited to activities associated with the management of the Downtown Community Parking District, including addressing the supply of parking and mobility issues within the district. Such activities may include increasing the supply of parking or promoting the use of alternative forms of transportation, as well as other parking related programs.

Unrestricted represents resources that do not meet the definition of “net investment in capital assets” or “restricted net position”.

Fund Balances

Fund balances presented in the governmental fund financial statements represent the difference between assets and liabilities and are classified into the following categories based upon the type of restrictions imposed on the use of funds:

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance in the General Fund primarily represents proceeds from funds advanced from the City of San Diego that can only be used for the purposes for which the advances were provided, such as the construction of capital assets or maintenance of assets. Restricted amounts are primarily associated with the Corporation's activities related to the Growth Fund and the Parking District. Restricted balances of the Growth Fund are limited to activities associated with investment in Low Income Communities, or other activities in furtherance of the purpose of the Growth Fund such as raising capital or equity for investment by the Corporation or its affiliated entities, and to receiving, investing and utilizing (i) gross receipts from activities related to the Corporation's exempt functions, and (ii) funds and property acquired through solicitation of contribution, donations, gifts, grants, bequest and the like. Restricted balances of the Parking District are limited to activities associated with the management of the Downtown Community Parking District program including addressing the supply of parking and mobility issues within the district. Such activities may include increasing the supply of parking or promoting the use of alternative forms of transportation, as well as, other parking related programs.

Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action by the entity's highest level of decision-making authority. The Corporation did not have any committed fund balance as of June 30, 2017.

Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – This classification is the residual amount for the Corporation's General Fund that includes all spendable amounts not contained in the other classifications.

The Corporation reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The Corporation reduces committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Eliminations

Amounts reported in the elimination column in the Statement of Revenues, Expenditures and Changes in Fund Balances represent revenue recognized by the Corporation's General Fund for expenditures incurred for performing services related to activities of the New Market Tax Credit and Parking District programs. The amounts are being eliminated for purposes of properly reporting revenues and expenses, thereby not double counting the same amounts already being recognized in the Growth Fund and Downtown Community Parking Program Special Revenue Funds.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures during the reporting period. Accordingly, actual results could differ from those estimates. Management believes that the estimates made are reasonable.

NOTE 3 – CASH

The Corporation's cash consists of cash on hand and cash on deposit with financial institutions. The carrying amount of the Corporation's cash consisted of the following at June 30, 2017:

| | |
|-----------------|---------------------|
| Petty cash | \$ 500 |
| Cash – checking | 4,579,770 |
| Cash – savings | <u>3,851,981</u> |
| Total Cash | <u>\$ 8,432,251</u> |

As of June 30, 2017 the bank balance was \$8,721,829. The difference between the carrying value of the Corporation's cash balances and the bank balances were due to deposits in transit and outstanding checks. Of the bank balances \$500,000 was covered by federal depository insurance (FDIC). The remaining balances were collateralized by securities held by the financial institution and are considered to be held in the name of the Corporation.

Restricted Cash

Restricted cash reported in the Civic San Diego General Fund represents funds specifically for the Floor Area Ratio (FAR) Bonus Payment Program (Program) within the Centre City Planned District (District). FAR Bonus Payments collected through the Program, must be used for the acquisition, design and development of public parks and enhanced public right-of-way improvements.

Restricted cash reported in the Downtown Community Parking Program special revenue fund are limited to activities associated with the management of the Downtown Community Parking District including addressing the supply of parking and mobility issues within the District.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 4 – CAPITAL ASSETS

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

| | <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>June 30, 2017</u> |
|----------------------------------|---------------------|------------------|-----------------------|------------------|----------------------|
| Nondepreciable capital assets: | | | | | |
| Construction in progress | \$ 3,165,806 | \$ 68,969 | \$ (1,509,678) | \$ (1,649,122) | \$ 75,975 |
| Depreciable capital assets: | | | | | |
| Wayfinding signs | - | 62,438 | - | 1,649,122 | 1,711,560 |
| Vehicles | 19,560 | - | - | - | 19,560 |
| Office equipment | 299,271 | - | - | - | 299,271 |
| Computer equipment | 130,980 | 29,721 | - | - | 160,701 |
| Total capital assets | <u>449,811</u> | <u>92,159</u> | <u>-</u> | <u>1,649,122</u> | <u>2,191,092</u> |
| Less accumulated depreciation: | | | | | |
| Wayfinding signs | - | (154,040) | - | - | (154,040) |
| Vehicles | (17,605) | - | - | - | (17,605) |
| Office equipment | (265,561) | (5,306) | - | - | (270,867) |
| Computer equipment | (117,882) | (372) | - | - | (118,254) |
| Total accumulated depreciation | <u>(401,048)</u> | <u>(159,718)</u> | <u>-</u> | <u>-</u> | <u>(560,766)</u> |
| Total depreciable capital assets | <u>48,763</u> | <u>(67,559)</u> | <u>-</u> | <u>1,649,122</u> | <u>1,630,326</u> |
| Total capital assets, net | <u>\$ 3,214,569</u> | <u>\$ 1,410</u> | <u>\$ (1,509,678)</u> | <u>\$ -</u> | <u>\$ 1,706,301</u> |

Depreciation expense of \$159,718 for the year ended June 30, 2017 is reported in the general government and support and downtown parking program functions in the statement of activities.

NOTE 5 – LONG-TERM NOTE RECEIVABLES

On January 10, 2017 the Corporation entered into a five year loan agreement with Accion San Diego, a California non-profit corporation, for the purpose of providing loans and financial assistance to low- and moderate-income and mirco-entrepreneurs who lack access to traditional financing. The agreement provided for up to \$400,000 of loan proceeds, \$40,000 for a loan loss reserve and \$10,000 as an operating grant. As of June 30, 2017 the Corporation had disbursed \$200,000 of the loan proceeds and the \$40,000 loan loss reserve, as well as the \$10,000 operating grant, which was expensed.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 6 – LONG-TERM INVESTMENTS

The Corporation through the Growth Fund makes certain long-term investments by virtue of its activities in the NMTC Program. With each NMTC transaction, the Growth Fund invests funds into a special-purpose entity to carry out the allocation of NMTCs. As of June 30, 2017, the Corporation’s net investments in the Sub-CDE’s were as follows:

| Economic Growth and Neighborhood Investment Fund | | | | | |
|--|--------------|--------------------|---------------|----------|---------------|
| Sub-CDE Entity | July 1, 2016 | New Investments | Distributions | Earnings | June 30, 2017 |
| Sub-CDE I, LLC | \$ 2,273 | \$ - | \$ (17) | \$ 6 | \$ 2,262 |
| Sub-CDE II, LLC | 1,635 | - | (16) | 9 | 1,628 |
| Sub-CDE III, LLC | 712 | - | (17) | 14 | 709 |
| Sub-CDE IV, LLC | 796 | - | (3) | 9 | 802 |
| Sub-CDE V, LLC | 2,298 | - | (22) | 13 | 2,289 |
| Total | \$ 7,714 | \$ - | \$ (75) | \$ 51 | \$ 7,690 |

NOTE 7 – LONG-TERM LIABILITIES

Advances from the City of San Diego

Successor Agency and Housing Successor Agency

Pursuant to the Operating Agreement by and between the City of San Diego and Civic San Diego for Successor Agency and Housing Successor Agency, the City is to provide working capital to the Corporation to pay its operating costs and expenses while the Corporation waits to receive its monthly reimbursement of expenditures. The total amount of the working capital advance shall not be less than One Twelfth (1/12th) of the Approved Budget for the cost to perform services under the agreement. Any unused funds from the working capital advance are to be returned to the City upon termination of the agreement. As of June 30, 2017, the outstanding advance from the City was \$674,302.

Planning, Downtown Community Parking District and Economic Development Services

Pursuant to the Operating Agreement by and between the City of San Diego and Civic San Diego for Administration of Certain Planned Districts, the Downtown Community Parking District and Economic Development Services (Exhibit B, Section B.1), the City is to provide working capital to the Corporation to pay its operating costs and expenses while the Corporation waits to receive its monthly reimbursement of expenses. The total amount of the working capital advance shall not be less than One Twelfth (1/12th) of the Approved Budget for the cost to perform services under the agreement. Any unused funds from the working capital advance shall be returned to the City upon termination of the agreement. As of June 30, 2017, the outstanding advance from the City totaled \$107,405.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 7 – LONG-TERM LIABILITIES (Continued)

A summary of changes in the Corporation’s long-term liabilities for the years ended June 30, 2017 is as follows:

| | July 1, 2016 | Additions | Deletions | June 30, 2017 | Due Within One Year |
|-------------------------------------|---------------------|-------------------|---------------------|---------------------|------------------------|
| Advances from the City of San Diego | \$ 810,564 | \$ - | \$ (28,857) | \$ 781,707 | \$ - |
| Compensated Absences | 218,076 | 262,840 | (234,569) | 246,347 | 115,531 |
| Total | <u>\$ 1,028,640</u> | <u>\$ 262,840</u> | <u>\$ (263,426)</u> | <u>\$ 1,028,054</u> | <u>\$ 115,531</u> |

NOTE 8 – RETIREMENT PLAN

The Corporation sponsors a 403(b) tax deferred retirement plan (Plan) of the Internal Revenue Code of 1986, which is provided to all full-time regular employees. The Plan is a defined contribution plan under which benefits depend solely on amounts contributed to the Plan by the employer and the employees, plus investment earnings. All full-time regular employees are eligible to participate on their first day of employment and contribute an amount equal to 7.5% of their semi-monthly compensation.

Effective on the first payroll following three months of employment, the Corporation contributes an amount equal to 12% of the total semi-monthly compensation for all full-time regular employees. The Corporation’s contributions for each employee are fully vested at the time of contribution. The Corporation’s total payroll (excluding benefits) for fiscal year 2017 was \$3,246,724. The Corporation’s contributions were calculated based on the Plan’s total defined compensation amounts for all eligible employees, which totaled \$3,199,370. The Corporation made its required contribution amounting to \$377,398 for fiscal year 2017.

The fiduciary responsibilities of the Corporation consist of making timely contributions and remitting deposits collected. The Plan is not a component unit of the Corporation and is therefore not reported in the basic financial statements.

The Corporation defined that an eligible participant is a permanent and full-time employee that normally works at least 30 hours per week. An employee is considered to work at least 30 hours per week, if for the 12-month period beginning on the date the employee’s employment commenced, the Corporation reasonably expects the employee to work at least 1,500 service hours and, for each Plan year ending after the close of that 12-month period, the employee has worked at least 1,500 service hours.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster.

The Corporation is presently involved in certain matters of litigation that have arisen in the normal course of conducting the Corporation’s business. Corporation management believes, based upon consultation with the Corporation’s attorneys, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Corporation. The Corporation is covered by various insurance policies for property, liability, workers’ compensation and errors and omissions, with deductibles that vary from \$1,000 to \$25,000. The Corporation’s management believes that the insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

There were no claim settlements that exceeded insurance coverage during the past three fiscal years.

CIVIC SAN DIEGO
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Civic San Diego as Lessee

The Corporation leases its office facilities under a non-cancelable operating lease, which has been extended and terms renegotiated through June 30, 2020. The lease agreement began July 1, 2015, with lease payments for FY 2017 of \$434,652.

As of June 30, 2017, the future minimum lease payments for the office lease are as follows:

| <u>Year Ending June 30,</u> | |
|---------------------------------|---------------------|
| 2018 | \$ 443,784 |
| 2019 | 463,596 |
| 2020 | <u>483,408</u> |
| Total | <u>\$ 1,390,788</u> |

In addition, the Corporation leases copiers under a non-cancelable operating lease for a term of 60 months. Monthly payments include the following: maintenance, servicing of and supplies (including toner) for the new lease photocopiers; and the maintenance, servicing of and supplies (including toner); and maintenance, monitoring of and supplies (including toner) for Corporation-owned desktop printers.

As of June 30, 2017, the future minimum lease payments for the copier leases will be \$21,330 for the year ended June 30, 2018.

Total costs associated with all leases amounted to \$488,023 for the year ended June 30, 2017.

NOTE 10 – ECONOMIC DEPENDENCY AND UNCERTAINTIES

The Successor Agency to the former Redevelopment Agency of the City of San Diego is the primary funding source for the Corporation; therefore, any reduction in the Successor Agency’s funding could substantially alter the services provided by the Corporation.

On behalf of the City, the Corporation carries out certain municipal functions such as planning and design review within the Centre City area. The City Council created the Corporation originally to administer redevelopment, but subsequently has added the administration of the design review process and planning functions, consistent with the community plan and planned district ordinances, within the Centre City area. Additionally, the City has designated the Corporation as the Downtown Community Parking District Advisory Board (Downtown CPD), whose boundaries are concurrent with those of the Centre City area, to oversee, implement, and manage parking within the Centre City area.

The Corporation instituted permit processing fees for applicants in connection with the Corporation’s activities, as it relates to the design review and planning, similar to fees that other jurisdictions assess. Additionally, the Corporation, acting as the Downtown CPD, oversees and implements a budget of approximately \$2.5 million to \$4 million annually (excluding carryover amounts available to the Corporation) to carry out the functions of the Downtown CPD.

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REQUIRED SUPPLEMENTARY INFORMATION

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual - General Fund
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|------------------|---------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Successor agency | \$ 4,293,998 | \$ 4,293,998 | \$ 3,220,939 | \$ (1,073,059) |
| Parking meters | 696,101 | 696,101 | 403,331 | (292,770) |
| Developer impact fees | - | - | 151,473 | 151,473 |
| Economic development | 250,000 | 250,000 | 187,338 | (62,662) |
| Charges for services: | | | | |
| Management fees - new market tax credit program | 290,750 | 290,750 | 340,184 | 49,434 |
| Permit fees | 1,189,985 | 1,189,985 | 740,088 | (449,897) |
| Earned developer deposits | 176,000 | 176,000 | 171,088 | (4,912) |
| Contributions from Growth Fund | 600,000 | 600,000 | 714,336 | 114,336 |
| Intergovernmental: | | | | |
| SANDAG grant | 100,000 | 100,000 | 146,270 | 46,270 |
| California Natural Resource Board | - | - | 145,359 | 145,359 |
| Other | - | - | 36,000 | 36,000 |
| FAR Bonus funds | 100,000 | 100,000 | - | (100,000) |
| Interest | 900 | 900 | 1,950 | 1,050 |
| Miscellaneous | 6,000 | 6,000 | 3,954 | (2,046) |
| Total revenues | <u>7,703,734</u> | <u>7,703,734</u> | <u>6,262,310</u> | <u>(1,441,424)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government and support | 382,491 | 382,491 | 692,902 | (310,411) |
| Successor agency | 4,293,998 | 4,293,998 | 3,220,939 | 1,073,059 |
| Planning | 1,189,985 | 1,189,985 | 1,101,855 | 88,130 |
| Parking district | 696,101 | 696,101 | 403,331 | 292,770 |
| Economic development and community investment | 849,675 | 849,675 | 931,907 | (82,232) |
| New market tax credit program | 290,750 | 290,750 | 340,184 | (49,434) |
| Total expenditures | <u>7,703,000</u> | <u>7,703,000</u> | <u>6,691,118</u> | <u>1,011,882</u> |
| Net change in fund balance | <u>\$ 734</u> | <u>\$ 734</u> | (428,808) | <u>\$ (429,542)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>3,411,893</u> | |
| End of year | | | <u>\$ 2,983,085</u> | |

See Accompanying Note to Required Supplementary Information.

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Downtown Community Parking Program Special Revenue Fund
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|--|--------------------|-------------------|---------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Parking meters | \$ 21,041,376 | \$ 21,041,376 | \$ 2,447,475 | \$ (18,593,901) |
| Charges for services: | | | | |
| Parking - Little Italy Association | - | - | 168,955 | 168,955 |
| Total revenues | <u>21,041,376</u> | <u>21,041,376</u> | <u>2,616,430</u> | <u>(18,424,946)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Parking district: | | | | |
| Administration | 366,649 | 366,649 | 403,331 | (36,682) |
| Parking meter GIS system | 6,000 | 6,000 | - | 6,000 |
| New technology | 300,000 | 300,000 | - | 300,000 |
| Downtown parking and circulation plans/environmental impact report | 160,000 | 160,000 | 33,546 | 126,454 |
| Bicycle mobility/rack purchase and installation | 20,000 | 20,000 | 21,264 | (1,264) |
| Downtown Parking App/Website Update/Maintenance | 20,000 | 20,000 | 18,000 | 2,000 |
| Way finding systems | 50,000 | 50,000 | - | 50,000 |
| East Village Green Funding (formerly Cedar Gateway & Future) garage operations | 12,750,000 | 12,750,000 | 68,969 | 12,681,031 |
| Neighborhood Programs (formerly Little Italy Parking Program) | 1,385,558 | 1,385,558 | 1,032,027 | 353,531 |
| Downtown shuttle program | 1,500,000 | 1,500,000 | 1,010,039 | 489,961 |
| Reconfigure existing on-street parking | 200,000 | 200,000 | 124,552 | 75,448 |
| Pedestrian improvements - Parklets | 100,000 | 100,000 | 62,437 | 37,563 |
| Extraordinary landscape improvements | 200,000 | 200,000 | - | 200,000 |
| Operating contingency | 1,705,821 | 1,705,821 | - | 1,705,821 |
| Debt service: | | | | |
| Payment on advance from the City of San Diego | 2,165,898 | 2,165,898 | - | 2,165,898 |
| Total expenditures | <u>20,929,926</u> | <u>20,929,926</u> | <u>2,774,165</u> | <u>18,155,761</u> |
| Net change in fund balance | <u>\$ 111,450</u> | <u>\$ 111,450</u> | <u>(157,735)</u> | <u>\$ (269,185)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>3,745,939</u> | |
| End of year | | | <u>\$ 3,588,204</u> | |

See Accompanying Note to Required Supplementary Information.

CIVIC SAN DIEGO
Note to Required Supplementary Information
For the Year June 30, 2017

NOTE 1 – BUDGETARY INFORMATION

The Corporation prepares its annual budget on the modified accrual basis of accounting in a format required by the City of San Diego (City). The budget is approved by the Corporation's Board of Directors (Board) and the City. The Corporation's expenditures are controlled at the functional activity line item level with transfers between line items requiring Board approval, and transfers between salaries and benefits and all other line items requiring both Board approval, as well as approval from the City. The Corporation has a legally adopted budget for the General Fund and the Downtown Community Parking Program Special Revenue Fund. The Economic Growth and Neighborhood Investment Fund does not have an annual adopted budget.

For the year ended June 30, 2017, expenditures for the general government and support, economic development and community investment, and new market tax credit (NMTC) program functions in the Corporation's General Fund exceeded the final budgeted amounts by \$310,411, \$82,232, and \$49,434, respectively. Expenditures for general government and support were greater than budgeted primarily because of increased activity related to four projects: (1) South Crest Trails; (2) East Village Green Park; (3) 6th Avenue Bridge; and (4) 14th Street Promenade. With regards to these projects, staff time and consulting expenses incurred were greater than anticipated from the FY 2017 budgeted amounts.

With respect to the economic development and community investment and NMTC program functions, staff time necessary to research, identify, and implement the programs were greater than anticipated in FY2017 and thus staffing cost and other associated expenses which are allocated based on staff time increased and were greater than the anticipated FY2017 budget.

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SUPPLEMENTARY INFORMATION

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund by Category
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|------------------|---------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Successor agency | \$ 4,293,998 | \$ 4,293,998 | \$ 3,220,939 | \$ (1,073,059) |
| Parking meters | 696,101 | 696,101 | 403,331 | (292,770) |
| Developer impact fees | - | - | 151,473 | 151,473 |
| Economic development | 250,000 | 250,000 | 187,338 | (62,662) |
| Charges for services: | | | | |
| Management fees - new market tax credit program | 290,750 | 290,750 | 340,184 | 49,434 |
| Permit fees | 1,189,985 | 1,189,985 | 740,088 | (449,897) |
| Earned developer deposits | 176,000 | 176,000 | 171,088 | (4,912) |
| Contributions from Growth Fund | 600,000 | 600,000 | 714,336 | 114,336 |
| Intergovernmental grants | 100,000 | 100,000 | 327,629 | 227,629 |
| FAR Bonus Funds | 100,000 | 100,000 | - | (100,000) |
| Interest | 900 | 900 | 1,950 | 1,050 |
| Miscellaneous | 6,000 | 6,000 | 3,954 | (2,046) |
| Total revenues | <u>7,703,734</u> | <u>7,703,734</u> | <u>6,262,310</u> | <u>(1,441,424)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 5,120,000 | 5,120,000 | 4,366,447 | 753,553 |
| Rent and leasehold improvements | 491,000 | 491,000 | 456,390 | 34,610 |
| Legal, computer and auditing services | 950,000 | 950,000 | 941,732 | 8,268 |
| Marketing, printing and reproduction | 95,000 | 95,000 | 82,407 | 12,593 |
| Office supplies | 74,000 | 74,000 | 73,707 | 293 |
| Furniture and equipment | 84,000 | 84,000 | 79,872 | 4,128 |
| Repairs and maintenance | 10,000 | 10,000 | 6,350 | 3,650 |
| Auto and business | 41,000 | 41,000 | 33,411 | 7,589 |
| Utilities | 34,000 | 34,000 | 31,162 | 2,838 |
| Insurance | 168,000 | 168,000 | 148,852 | 19,148 |
| Dues and seminars | 43,000 | 43,000 | 28,965 | 14,035 |
| Directors fees | 6,000 | 6,000 | 5,868 | 132 |
| Recruitment | 33,000 | 33,000 | 7,223 | 25,777 |
| Travel | 34,000 | 34,000 | 5,463 | 28,537 |
| Economic Development and Outreach | 520,000 | 520,000 | 423,269 | 96,731 |
| Total expenditures | <u>7,703,000</u> | <u>7,703,000</u> | <u>6,691,118</u> | <u>1,011,882</u> |
| Net change in fund balance | <u>\$ 734</u> | <u>\$ 734</u> | <u>(428,808)</u> | <u>\$ (429,542)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>3,411,893</u> | |
| End of year | | | <u>\$ 2,983,085</u> | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - General Government and Support
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|-----------------|---------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Developer Impact Fees | \$ - | \$ - | \$ 151,473 | \$ 151,473 |
| Charges for service: | | | | |
| Developer deposits | 176,000 | 176,000 | 171,088 | (4,912) |
| Intergovernmental - grants | 100,000 | 100,000 | 291,629 | 191,629 |
| FAR Bounus Funds | 100,000 | 100,000 | - | (100,000) |
| Interest Income | 900 | 900 | 1,950 | 1,050 |
| Miscellaneous | 6,000 | 6,000 | 3,954 | (2,046) |
| Total revenues | <u>382,900</u> | <u>382,900</u> | <u>620,094</u> | <u>237,194</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 127,298 | 127,298 | 228,011 | (100,713) |
| Rent and leasehold improvements | 12,027 | 12,027 | 23,920 | (11,893) |
| Legal, computer and auditing services | 228,535 | 228,535 | 409,012 | (180,477) |
| Marketing, printing and reproduction | 1,882 | 1,882 | 4,396 | (2,514) |
| Office supplies | 1,856 | 1,856 | 3,230 | (1,374) |
| Furniture and equipment | 2,107 | 2,107 | 6,481 | (4,374) |
| Repairs and maintenance | 251 | 251 | 313 | (62) |
| Auto and business | 1,028 | 1,028 | 6,296 | (5,268) |
| Utilities | 853 | 853 | 1,689 | (836) |
| Insurance | 4,214 | 4,214 | 7,564 | (3,350) |
| Dues and seminars | 1,086 | 1,086 | 594 | 492 |
| Directors fees | 151 | 151 | 281 | (130) |
| Recruitment | 654 | 654 | 529 | 125 |
| Travel | 549 | 549 | - | 549 |
| Economic Development and Outreach | - | - | 586 | (586) |
| Total expenditures | <u>382,491</u> | <u>382,491</u> | <u>692,902</u> | <u>(310,411)</u> |
| Net change in fund balance | <u>\$ 409</u> | <u>\$ 409</u> | <u>(72,808)</u> | <u>\$ (73,217)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>2,223,009</u> | |
| End of year | | | <u>\$ 2,150,201</u> | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - Successor Agency
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|------------------|-------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Successor agency | \$ 4,293,998 | \$ 4,293,998 | \$ 3,220,939 | \$ (1,073,059) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 3,157,705 | 3,157,705 | 2,443,661 | 714,044 |
| Rent and leasehold improvements | 309,880 | 309,880 | 255,424 | 54,456 |
| Legal, computer and auditing services | 460,896 | 460,896 | 260,932 | 199,964 |
| Marketing, printing and reproduction | 46,666 | 46,666 | 45,627 | 1,039 |
| Office supplies | 46,045 | 46,045 | 41,944 | 4,101 |
| Furniture and equipment | 52,267 | 52,267 | 34,671 | 17,596 |
| Repairs and maintenance | 6,222 | 6,222 | 3,562 | 2,660 |
| Auto and business | 25,512 | 25,512 | 14,849 | 10,663 |
| Utilities | 21,156 | 21,156 | 16,559 | 4,597 |
| Insurance | 104,533 | 104,533 | 85,799 | 18,734 |
| Dues and seminars | 26,937 | 26,937 | 8,254 | 18,683 |
| Directors fees | 3,733 | 3,733 | 3,381 | 352 |
| Recruitment | 16,177 | 16,177 | 2,739 | 13,438 |
| Travel | 16,269 | 16,269 | - | 16,269 |
| Economic Development and Outreach | - | - | 3,537 | (3,537) |
| Total expenditures | <u>4,293,998</u> | <u>4,293,998</u> | <u>3,220,939</u> | <u>1,073,059</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>698,156</u> | |
| End of year | | | <u>\$ 698,156</u> | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - Planning
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---------------------------------------|--------------------|------------------|-------------------|-------------------------------|
| REVENUES: | | | | |
| Charges for service: | | | | |
| Permit fees | \$ 1,189,985 | \$ 1,189,985 | \$ 740,088 | \$ (449,897) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 873,366 | 873,366 | 816,284 | 57,082 |
| Rent and leasehold improvements | 74,424 | 74,424 | 85,457 | (11,033) |
| Legal, computer and auditing services | 114,685 | 114,685 | 100,065 | 14,620 |
| Marketing, printing and reproduction | 31,642 | 31,642 | 15,536 | 16,106 |
| Office supplies | 11,487 | 11,487 | 13,678 | (2,191) |
| Furniture and equipment | 13,040 | 13,040 | 14,099 | (1,059) |
| Repairs and maintenance | 1,552 | 1,552 | 1,206 | 346 |
| Auto and business | 6,364 | 6,364 | 5,074 | 1,290 |
| Telephone | 5,278 | 5,278 | 5,669 | (391) |
| Utilities | 26,079 | 26,079 | 30,000 | (3,921) |
| Dues and seminars | 6,721 | 6,721 | 6,042 | 679 |
| Directors fees | 931 | 931 | 1,103 | (172) |
| Recruitment | 11,036 | 11,036 | 3,380 | 7,656 |
| Travel | 13,380 | 13,380 | 2,958 | 10,422 |
| Economic Development and Outreach | - | - | 1,304 | (1,304) |
| Total expenditures | <u>1,189,985</u> | <u>1,189,985</u> | <u>1,101,855</u> | <u>88,130</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(361,767)</u> | <u>\$ (361,767)</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>478,749</u> | |
| End of year | | | <u>\$ 116,982</u> | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - Parking District
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|-----------------|------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Parking meters | \$ 696,101 | \$ 696,101 | \$ 403,331 | \$ (292,770) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 505,198 | 505,198 | 290,850 | 214,348 |
| Rent and leasehold improvements | 50,810 | 50,810 | 30,597 | 20,213 |
| Legal, computer and auditing services | 78,298 | 78,298 | 43,882 | 34,416 |
| Marketing, printing and reproduction | 7,949 | 7,949 | 5,659 | 2,290 |
| Office supplies | 7,843 | 7,843 | 4,907 | 2,936 |
| Furniture and equipment | 8,902 | 8,902 | 10,746 | (1,844) |
| Repairs and maintenance | 1,060 | 1,060 | 438 | 622 |
| Auto and business | 4,345 | 4,345 | 2,625 | 1,720 |
| Utilities | 3,603 | 3,603 | 2,222 | 1,381 |
| Insurance | 17,805 | 17,805 | 7,795 | 10,010 |
| Dues and seminars | 4,588 | 4,588 | 2,065 | 2,523 |
| Directors fees | 636 | 636 | 348 | 288 |
| Recruitment | 2,755 | 2,755 | 149 | 2,606 |
| Travel | 2,309 | 2,309 | 94 | 2,215 |
| Economic Development and Outreach | - | - | 954 | (954) |
| Total expenditures | 696,101 | 696,101 | 403,331 | 292,770 |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| FUND BALANCE: | | | | |
| Beginning of year | | | (1,644) | |
| End of year | | | \$ (1,644) | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - Economic Development and Community Investment
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|-----------------|------------------|-------------------------------|
| REVENUES: | | | | |
| Contributions from the City of San Diego: | | | | |
| Economic development | \$ 250,000 | \$ 250,000 | \$ 187,338 | \$ (62,662) |
| Contributions from Growth Fund | 600,000 | 600,000 | 714,336 | 114,336 |
| Intergovernmental: | | | | |
| Other | - | - | 36,000 | 36,000 |
| Total revenues | <u>850,000</u> | <u>850,000</u> | <u>937,674</u> | <u>87,674</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 245,008 | 245,008 | 339,825 | (94,817) |
| Rent and leasehold improvements | 22,535 | 22,535 | 35,044 | (12,509) |
| Legal, computer and auditing services | 34,726 | 34,726 | 91,432 | (56,706) |
| Marketing, printing and reproduction | 3,525 | 3,525 | 6,413 | (2,888) |
| Office supplies | 3,478 | 3,478 | 5,887 | (2,409) |
| Furniture and equipment | 3,948 | 3,948 | 5,507 | (1,559) |
| Repairs and maintenance | 470 | 470 | 494 | (24) |
| Auto and business | 1,927 | 1,927 | 3,248 | (1,321) |
| Telephone | 1,598 | 1,598 | 3,167 | (1,569) |
| Utilities | 7,897 | 7,897 | 11,564 | (3,667) |
| Dues and seminars | 2,035 | 2,035 | 9,518 | (7,483) |
| Directors fees | 282 | 282 | 458 | (176) |
| Recruitment | 1,222 | 1,222 | 262 | 960 |
| Travel | 1,024 | 1,024 | 2,200 | (1,176) |
| Economic Development and Outreach | <u>520,000</u> | <u>520,000</u> | <u>416,888</u> | <u>103,112</u> |
| Total expenditures | <u>849,675</u> | <u>849,675</u> | <u>931,907</u> | <u>(82,232)</u> |
| Net change in fund balance | <u>\$ 325</u> | <u>\$ 325</u> | 5,767 | <u>\$ 5,442</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>262</u> | |
| End of year | | | <u>\$ 6,029</u> | |

CIVIC SAN DIEGO
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget to Actual by Function - New Market Tax Credit Program
For the Year Ended June 30, 2017
(Unaudited)

| | Original Budget | Final Budget | Actual Amount | Variance with Final Budget |
|---|--------------------|-----------------|------------------|-------------------------------|
| REVENUES: | | | | |
| Management fees - new market tax credit program | \$ 290,750 | \$ 290,750 | \$ 340,184 | \$ 49,434 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Salaries and benefits | 211,425 | 211,425 | 247,816 | (36,391) |
| Rent and leasehold improvements | 21,324 | 21,324 | 25,948 | (4,624) |
| Legal, computer and auditing services | 32,860 | 32,860 | 36,409 | (3,549) |
| Marketing, printing and reproduction | 3,336 | 3,336 | 4,776 | (1,440) |
| Office supplies | 3,291 | 3,291 | 4,061 | (770) |
| Furniture and equipment | 3,736 | 3,736 | 8,368 | (4,632) |
| Repairs and maintenance | 445 | 445 | 337 | 108 |
| Auto and business | 1,824 | 1,824 | 1,319 | 505 |
| Telephone | 1,512 | 1,512 | 1,856 | (344) |
| Utilities | 7,472 | 7,472 | 6,130 | 1,342 |
| Dues and seminars | 1,633 | 1,633 | 2,492 | (859) |
| Directors fees | 267 | 267 | 297 | (30) |
| Recruitment | 1,156 | 1,156 | 164 | 992 |
| Travel | 469 | 469 | 211 | 258 |
| Total expenditures | 290,750 | 290,750 | 340,184 | (49,434) |
| Net change in fund balance | \$ - | \$ - | - | \$ - |
| FUND BALANCE: | | | | |
| Beginning of year | | | 13,361 | |
| End of year | | | \$ 13,361 | |

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OTHER REPORT



**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***

To the Board of Directors of
Civic San Diego

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 and each major fund of Civic San Diego (Corporation), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California

October 20, 2017