



**San Diego
Open Space
Park Facilities
District No. 1**

Annual Financial Report

Fiscal Year Ended / June 30, 2002

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

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SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT NO. 1

ROSTER OF OFFICIALS

BOARD OF DIRECTORS

SAN DIEGO CITY COUNCIL

Dick Murphy
Mayor

Scott Peters
Councilmember
First District

Byron Wear
Councilmember
Second District

Toni Atkins
Councilmember
Third District

George Stevens
Councilmember
Fourth District

Brian Maienschein
Councilmember
Fifth District

Donna Frye
Councilmember
Sixth District

Jim Madaffer
Councilmember
Seventh District

Ralph Inzunza
Councilmember
Eighth District

OTHER OFFICIALS

Michael T. Uberuaga
City Manager

Ed Ryan
City Auditor & Comptroller

Casey Gwinn
City Attorney

Charles Abdelnour
City Clerk

Mary Vattimo
City Treasurer

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THE CITY OF SAN DIEGO

November 27, 2002

Honorable Mayor, City Council
and City Manager
City of San Diego, California

This Annual Financial Report covers financial activities of the San Diego Open Space Park Facilities District No. 1 for the fiscal year ended June 30, 2002.

The covenants entered into by the City of San Diego on behalf of the San Diego Open Space Park Facilities District No. 1, relating to the outstanding general obligation bonds issued, have been complied with in all respects.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Ryan".

Ed Ryan
City Auditor and Comptroller



Office of the Auditor and Comptroller

202 C Street • San Diego, CA 92101

Tel (619) 236-6310 Fax (619) 533-3998

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FINANCIAL SECTION

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CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
San Diego Open Space Park Facilities District No. 1
San Diego, California

We have audited the accompanying component unit financial statements of the San Diego Open Space Park Facilities District No. 1 (the "District") as of and for the year ended June 30, 2002, as listed in the foregoing table of contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such component unit financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in accordance with this report in considering the results of our audit.

As described in Note 2 to the basic financial statements, the District adopted Statements of the Governmental Accounting Standards Board No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and, No. 38, Certain Financial Statement Note Disclosures.

The scope of our audit did not include the supplemental information listed in the foregoing table of contents. Such information has not been subjected to the auditing procedures applied in the audit of the component unit financial statements and, accordingly, we express no opinion on it.

November 27, 2002

Calderon, Jaham & Osborn

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the San Diego Open Space Park Facilities District #1 (District), we offer readers of the District financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page VII of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing changes in the District's net assets during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the Government-Wide Financial Statements distinguish functions of the District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the District include Interest on Long-Term Debt. The District does not engage in business-type activities.

The government-wide financial statements exclusively present the District with no legally separate, discretely presented component units. The government-wide financial statements can be found on pages 9 -10 of this report.

Fund 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District only has one debt service fund which is a governmental fund.

Governmental Funds. 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 a government's 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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance are reconciled within the government-wide statements to provide a comparison between governmental funds and governmental activities.

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Bond (Debt Service) Fund, which is considered to be a major fund.

The basic governmental fund financial statements can be found on pages 11-13 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-19 this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Since this is the first year of implementing and presenting government-wide financial statements, prior year comparisons will begin next fiscal year. For the current fiscal year, amounts will be presented for fiscal year 2002.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$77,852,036 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (98 percent) reflects its investment in capital assets (land), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1 NET ASSETS

	Governmental Activities 2002
Current And Other Assets	\$45,261,554
Capital Assets	<u>76,275,444</u>
Total Assets	121,536,998
Long-Term Liabilities Outstanding	36,475,000
Other Liabilities	<u>7,209,962</u>
Total Liabilities	43,684,962
Net Assets:	
Invested In Capital Assets, Net Of Related Debt	76,275,444
Restricted	<u>1,576,592</u>
Total Net Assets	<u>\$77,852,036</u>

An additional portion of the District's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used.

Governmental Activities. Governmental activities increased the District's net assets by \$255,119, thereby accounting for 100 percent of the total growth in the net assets of the District. Key elements of this increase are as follows:

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1 CHANGES IN NET ASSETS

	Governmental Activities 2002
Revenues:	
Contribution from the City of San Diego	\$ 2,455,360
Earnings on Investments	<u>255,570</u>
Total Revenues	<u>2,710,930</u>
Expenses:	
General Government and Support	452
Interest on Long-Term Debt	<u>2,455,359</u>
Total Expenses	2,455,811
Increase in Net Assets	255,119
Net Assets – July 1, 2001	<u>77,596,917</u>
Net Assets – June 30, 2002	<u>\$77,852,036</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND

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

Governmental Fund. The focus of the District’s governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental fund reported ending fund balance of \$1,576,592, an increase of \$255,119 from the prior year. This increase is primarily attributed to earnings on investments in the current year. The majority of fund balance (\$1,567,067) is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Differences between the fund and government-wide statements reporting for these governmental assets will be explained in both the reconciliation and footnote 3 on page 16.

The District’s investment in capital assets for the year ended June 30, 2002 amounts to \$76,275,444. There was no change in the District’s Capital Assets this fiscal year.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1 NET ASSETS

	Governmental Activities	
	<u>2002</u>	<u>2001</u>
Land	\$76,275,444	\$76,275,444

Long-Term Debt. At the end of the current fiscal year, the District had total debt outstanding of \$41,175,000. The District’s debt represents debts backed by contributions of Environmental Growth Fund (EGF) funds of the City of San Diego.

SAN DIEGO OPEN SPACE PARK FACILITIES DISTRICT #1 OUTSTANDING DEBT

	Governmental Activities	
	2002	2001
Refunding Bonds	\$41,175,000	\$45,520,000

Additional information on the City's long-term debt can be found in note 6 on page 18 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Auditor & Comptroller, 202 C Street, City of San Diego, California 92101.

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STATEMENT OF NET ASSETS
June 30, 2002

	Governmental Fund Type Bond (Debt Service Fund)	Adjustments	Statement of Net Assets
ASSETS			
Cash or Equity in Pooled Cash and Investments	\$ 1,728,787	\$ -	\$ 1,728,787
Accrued Interest Receivable	17,094	-	17,094
Franchise Revenue Interest Receivable	-	1,170,109	1,170,109
Franchise Revenue Receivable	-	41,175,000	41,175,000
Prepaid and Reimbursable Items and Deposits	1,170,564	-	1,170,564
Capital Assets - Non-Depreciable	-	76,275,444	76,275,444
TOTAL ASSETS AND OTHER DEBITS.....	2,916,445	118,620,553	121,536,998
LIABILITIES			
Accounts Payable	455	-	455
Advances from Other Funds.....	1,339,398	-	1,339,398
Long-Term Debt Due within One Year	-	4,700,000	4,700,000
Interest Payable	-	1,170,109	1,170,109
Bonds Payable	-	36,475,000	36,475,000
TOTAL LIABILITIES	1,339,853	42,345,109	43,684,962
FUND EQUITY			
Fund Balances:			
Reserved for Debt service	1,567,067	(1,567,067)	-
Designated for Unrealized Gains	9,525	(9,525)	-
TOTAL FUND EQUITY.....	1,576,592	(1,576,592)	0
TOTAL LIABILITIES AND FUND EQUITY AND OTHER CREDITS	\$ 2,916,445		
Net Assets:			
Invested in Capital Assets, net of Related Debt		76,275,444	76,275,444
Restricted for Debt Service		1,576,592	1,576,592
TOTAL NET ASSETS		\$ 77,852,036	\$ 77,852,036

See Notes to Financial Statements

STATEMENT OF ACTIVITIES
Year Ended June 30, 2002

	Governmental Fund Type Bond (Debt Service Fund)	Adjustments	Statement of Activities
REVENUES			
Contribution from City of San Diego - Environmental Growth Fund	\$ 6,915,503	\$ (4,460,143)	\$ 2,455,360
Earnings on Investments	255,570	-	255,570
TOTAL REVENUES	<u>7,171,073</u>	<u>(4,460,143)</u>	<u>2,710,930</u>
EXPENDITURES			
General Government and Support	452		452
Debt Service:			
Principal Retirement	4,345,000	(4,345,000)	-
Interest	2,570,502	(115,143)	2,455,359
TOTAL EXPENDITURES	<u>6,915,954</u>	<u>(4,460,143)</u>	<u>2,455,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	255,119	-	255,119
Fund Balances, Beginning of Year (Restated)	1,321,473	76,275,444	77,596,917
FUND BALANCES, END OF YEAR	<u>\$ 1,576,592</u>	<u>\$ 76,275,444</u>	<u>\$ 77,852,036</u>

See Notes to Financial Statements

BALANCE SHEET
June 30, 2002

		Bond (Debt Service) Fund
ASSETS		
Cash or Equity in Pooled Cash and Investments	\$	1,728,787
Accrued Interest Receivable		17,094
Prepaid and Reimbursable Items and Deposits.....		1,170,564
TOTAL ASSETS	\$	2,916,445
LIABILITIES		
Accounts Payable	\$	455
Advances from Other Funds.....		1,339,398
TOTAL LIABILITIES		1,339,853
FUND EQUITY		
Fund Balances:		
Reserved for Debt Service		1,567,067
Designated for Unrealized Gains		9,525
TOTAL FUND EQUITY		1,576,592
TOTAL LIABILITIES AND FUND EQUITY AND OTHER CREDITS	\$	2,916,445

See Notes to Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 Year Ended June 30, 2002

	Bond (Debt Service) Fund
REVENUES	
Contribution from City of San Diego - Environmental Growth Fund	\$ 6,915,503
Earnings on Investments	<u>255,570</u>
TOTAL REVENUES	<u>7,171,073</u>
EXPENDITURES	
General Government and Support	452
Debt Service:	
Principal Retirement	4,345,000
Interest	<u>2,570,502</u>
TOTAL EXPENDITURES	<u>6,915,954</u>
EXCESS OF REVENUES OVER EXPENDITURES	255,119
Fund Balances, Beginning of Year	<u>1,321,473</u>
FUND BALANCES, END OF YEAR	<u>\$ <u>1,576,592</u></u>

See Notes to Financial Statements

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS) - BOND (DEBT SERVICE) FUND
 Year Ended June 30, 2002

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance - Favorable (Unfavorable)
REVENUES					
Contributions from City of San Diego - Environmental Growth Fund	\$ 6,915,503	\$ -	\$ 6,915,503	\$ 6,915,503	\$ -
Earnings on Investments	255,570	55,117	310,687	53,500	257,187
Excess Revenue Appropriated	-	-	-	257,187	(257,187)
TOTAL REVENUES	7,171,073	55,117	7,226,190	7,226,190	-
EXPENDITURES					
General Government and Support	452	-	452	452	-
Debt Service:					
Principal Retirement	4,345,000	-	4,345,000	4,345,000	-
Interest	2,570,502	-	2,570,502	2,570,502	-
TOTAL EXPENDITURES	6,915,954	-	6,915,954	6,915,954	-
EXCESS OF REVENUES OVER EXPENDITURES	\$ 255,119	\$ 55,117	310,236	310,236	-
Reserved for Debt Service, Beginning of Year			1,256,831	1,256,831	-
Reserved for Debt Service, End of Year			(1,567,067)	(1,567,067)	-
FUND BALANCES UNDESIGNATED, END OF YEAR			\$ -	\$ -	\$ -

See Notes to Financial Statements

NOTES TO THE FINANCIAL STATEMENTS**JUNE 30, 2002****1. ORGANIZATION AND OPERATIONS**

The San Diego Open Space Park Facilities District No. 1 (the "District") was established in 1978 by the City of San Diego (the "City") for the purpose of acquiring open space properties to implement the Open Space Element of the City of San Diego General Plan. The boundaries of the District are contiguous with those of the City. The City Council is the governing board and the benefit is exclusively to the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As of July 1, 2001, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Analysis - For State Local Governments; Statement No. 37, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. This results in a change in the format and content of the basic financial statements.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the more significant of such policies:

a. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information on all of the activities of the District. Governmental activities are supported by contributions from the City of San Diego - Environmental Growth Fund. The District does not have business-type activities to separate from the governmental activities within the government-wide statements.

The Statement of Activities and Changes in Net Assets demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Separate fund financial statements are provided for the governmental fund (i.e. Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and the Budgetary Basis Statement of Revenues, Expenditures and Changes in Fund Balance). The District has only one Debt Service fund and therefore reports this fund as an individual column within all of the fund financial statements.

b. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred except for principal and interest of general long-term debt which is recognized when due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is the District's Major Governmental Fund:

Bond (Debt Service) Fund - The Bond (Debt Service) Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Accounting and financial reporting which are similar to those often found in the private sector are followed in the government-wide statement. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City adopts all applicable Financial Accountant Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its proprietary operations unless those pronouncements conflict with or contradict Governmental Accounting Standards Board ("GASB") pronouncements.

c. Budgets

Operating and Capital Improvement budgets are prepared by the City Manager on behalf of the District. Such budgets are approved by the City Council in July of each fiscal year.

The budget is prepared on the modified accrual basis of accounting, except that encumbrances outstanding at year-end are considered as expenditures. Budgetary control is generally maintained at the appropriation level.

The budget is prepared net of obligations under reverse repurchase agreement interest expense. For budgetary purposes, obligations under reverse repurchase agreement interest expense is considered a reduction of interest earnings.

The following schedule is a reconciliation of the budgetary and GAAP basis fund balances at June 30, 2002:

	Bond (Debt Service) Fund
Fund Balance - Reserved for Debt Service	\$1,567,067
Designated for Unrealized Gain	<u>9,525</u>
Fund Balance - GAAP Basis	<u>\$1,576,592</u>

d. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

e. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the Governmental Fund Types. Encumbrances outstanding at year-end are reported as reservations of fund balances since the commitments will be honored through subsequent years' continuing appropriations. Encumbrances do not constitute expenditures or liabilities in the GAAP basis financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)f. Cash and Investments

At July 1, 1997, the City of San Diego adopted Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires certain investments to be reported at fair value. At June 30, 2002, all such investments are presented at fair value.

g. Capital Assets

Capital assets are reported in the governmental column in the government-wide financial statements. These assets are recorded at historical cost or estimated historical cost if purchased. Donated assets are recorded at the estimated fair market value on the date of donation. All District assets are land assets and therefore not depreciable.

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Assets

The government-wide Statement of Net Assets includes an adjustment column to reconcile Total Fund Balance - Governmental Funds to Total Net Assets - Governmental Activities. One adjustment is for franchise revenues receivable which are needed to support the repayment of long-term liabilities not received in the current period and therefore not reported in the fund financial statements. The details of this \$42,345,109 difference are as follows:

Franchise Revenue Interest Receivable	\$1,170,109
Franchise Revenue Receivable	<u>41,175,000</u>
Net adjustment to increase Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$42,345,109</u>

Another adjustment is for capital assets used in governmental activities which are not financial resources, and therefore, are not reported in the funds." The details of this \$76,275,444 difference are as follows:

Capital Asset, July 1, 2001, as restated	<u>\$76,275,444</u>
Net adjustment to increase Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$76,275,444</u>

Another adjustment is for Long-Term liabilities which are not due and payable in the current period and therefore are not reported in the funds." The details of this (\$42,345,109) difference are as follows:

Bonds Payable	\$(36,475,000)
Accrued Interest Payable	(1,170,109)
Long-Term Debt Due Within One Year	<u>(4,700,000)</u>
Net adjustment to decrease Total Fund Balance - Governmental Funds to arrive at Total Net Assets - Governmental Activities	<u>\$(42,345,109)</u>

- b. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The government-wide Statement of Activities includes an adjustment for revenue received for the payment of long-term debt principal which provided current financial resources to governmental funds. The transaction, however, has no effect on net assets. The details of this (\$4,345,000) difference are as follows:

Contribution from the City of San Diego - Environmental Growth Fund	<u>\$(4,345,000)</u>
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets-Governmental Activities	<u>\$(4,345,000)</u>

Another adjustment is for revenues reported in the statement of activities that do not represent a source of current financial resources and therefore are not accrued as revenues in governmental funds. The details for this (\$115,143) difference are as follows:

Contribution from the City of San Diego - Environmental Growth Fund	<u>\$(115,143)</u>
Net adjustment to decrease Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u>\$(115,143)</u>

Another adjustment relates to the issuance of long-term debt which provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$4,345,000 difference are as follows:

Principal Repayments:	
General Obligation Debt	<u>\$4,345,000</u>
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u>\$4,345,000</u>

Another adjustment is for expenses reported in the statement of activities that do not require the use of current financial resources and therefore are not accrued as expenses in governmental funds. The details of this \$115,143 difference are as follows:

Interest	<u>\$115,143</u>
Net adjustment to increase Net Changes in Fund Balances - Total Governmental Funds to arrive at Changes in Net Assets of Governmental Activities	<u>\$115,143</u>

4. CASH AND INVESTMENTS

Cash or Equity in Pooled Cash and Investments

Cash resources of the District are combined with the cash resources of the City to form a pool of cash that is managed by the City Treasurer.

4. CASH AND INVESTMENTS (Continued)

As provided for by the Government Code, the cash balance of substantially all City funds and certain entities are pooled and invested by the City Treasurer for the purpose of increasing interest earnings through investment activities. The District's net share of the total pooled cash and investments is included in the accompanying combined balance sheet under the caption "Cash or Equity in Pooled Cash and Investments." Interest earned on pooled investments is deposited to certain of the participating City funds and entities, including the District, based upon each fund's and each entity's average daily deposit balance during the allocation period with all remaining interest deposited to the City's General Fund.

The City may transact business only with banks, savings and loans, and investment securities dealers who are primary dealers regularly reporting to the New York Federal Reserve Bank. Exceptions to this rule can be made only upon written authorization of the City Treasurer. Authorized cash deposits and investments are governed by state law, as well as by the City's own written investment policy. Within the context of these limitations, permissible investments include (1) obligations of the U.S. government and federal agencies, (2) commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, (3) bankers' acceptances, (4) negotiable and/or non-negotiable time deposits issued by a nationally or state chartered bank or a state or federal savings and loan association, (5) repurchase and reverse repurchase agreements, (6) the local agency investment fund established by the state treasurer, and (7) financial futures contracts in any of the other authorized investments which are used to offset an existing financial position and not for outright speculation.

Deposits and investments are generally exposed to two types of risk; credit risk and market risk. Credit risk is the risk that a governmental entity will not be able (a) to recover deposits if the depository financial institution fails or (b) to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. Market risk is the risk that the value of an investment will decline.

Deposits may be categorized as follows: (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name, (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entities name, (3) Uncollateralized.

Investments may be categorized as follows: (1) Insured or registered, with securities held by the entity or its agent in the entity's name, (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name, (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Information pertaining to the City's cash and investment pool may be found in the City's Comprehensive Annual Financial Report.

5. RECEIVABLES

The District has refunded Open Space General Obligation Bonds issued to acquire Open Space lands throughout San Diego. The District obtained financing for the project through the issuance of General Obligation Bonds (see Note 7), secured by payments made by the City. The City has pledged two-thirds of revenues from its Environmental Growth Fund to finance these lease payments in an amount equal to the principal and interest requirements of the associated bond payments. The amount of franchise revenue expected to be received within one year is \$7,040,217.

6. CAPITAL ASSETS

The District's general fixed assets of \$76,275,444 at June 30, 2002 were all purchased with proceeds from Open Space Park Serial Bonds.

A summary of changes in capital assets for the year ended June 30, 2002 is as follows:

6. GENERAL FIXED ASSETS (Continued)

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2002</u>
Land	<u>\$76,275,444</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$76,275,444</u>

7. GENERAL LONG-TERM DEBT

General long-term debt consists of serial bonds payable. A summary of these bonds at June 30, 2002 is as follows:

GENERAL OBLIGATION BONDS:

<u>Type of Obligation</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Amount</u>	Balance <u>June 30, 2002</u>
Open Space Park Refunding Bonds of 1994, issued May 1994	5.0-6.0%	2009	<u>\$64,260,000</u>	<u>\$41,175,000</u>

The following is a summary of changes in general long-term debt for the year ended June 30, 2002:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2002</u>
Refunding Bonds Payable	<u>\$45,520,000</u>	<u>\$ -</u>	<u>\$4,345,000</u>	<u>\$41,175,000</u>

The annual requirements to amortize bonds outstanding as of June 30, 2002, including interest payments to maturity, are as follows:

<u>Year Ending June 30,</u>	
2003	\$ 7,040,217
2004	7,176,418
2005	7,311,467
2006	7,448,188
2007	7,593,500
2008	7,283,775
2009	<u>7,430,600</u>
Total	51,284,165
Less - Amount Representing Interest	<u>(10,109,165)</u>
Total General Long-term Debt	<u>\$41,175,000</u>

8. RESTATEMENT OF BEGINNING BALANCES

As a result of changes in accounting policies and implementation of GASB No. 34, the fund balances and net assets as of June 30, 2001 have been restated as follows:

	<u>Debt Service</u>
Fund Balances/net assets, June 30, 2001, as previously reported	\$ 1,321,473
Adjustment	<u>76,275,444</u>
Fund Balances/net assets, June 30, 2001, as restated	<u>\$77,596,917</u>

CALDERON, JAHAM & OSBORN

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
San Diego Open Space Park Facilities District No. 1
San Diego, California

We have audited the component unit financial statements of San Diego Open Space Park Facilities District No. 1 (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of component unit 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 27, 2002

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SUPPLEMENTAL INFORMATION
(UNAUDITED)

STATEMENT OF LAND ACQUISITIONS
JUNE 30, 2002

Description	Completed Acquisitions	Acquisitions In Progress	Total
Albatross Canyon	\$ 1,026,779	\$ -	\$ 1,026,779
Azul St. and North Torrey Pines	54,000	-	54,000
Balboa Terrace	181,160	-	181,160
Banker's Hill	98,876	-	98,876
Bedlow Ct.	100,000	-	100,000
Bluebird Canyon	31,397	-	31,397
Cervantes Canyon	307,573	-	307,573
Chollas Radio Canyon System	3,322,041	-	3,322,041
Crest Canyon	286,160	-	286,160
Cypress Canyon	151,915	-	151,915
Ellison Place Canyon	116,939	-	116,939
Emerald Vista Subdivision	2,048,897	-	2,048,897
Encanto Expressway	751,957	-	751,957
Eugene Place Canyon	455,333	-	455,333
Goldfinch Canyon	1,769,280	-	1,769,280
Guymon Arms	481,621	-	481,621
Hage Neighborhood	868,705	-	868,705
I-15 Corridor	941,810	-	941,810
Kensington Hillside	1,289,716	-	1,289,716
Lexington Canyon	587,298	-	587,298
Los Penasquitos Canyon	7,182,925	-	7,182,925
Maple Canyon	1,844,525	-	1,844,525
Mesa Top	582,383	-	582,383
Mid-City Canyons	5,059,721	-	5,059,721
Mira Mesa Properties	1,864	-	1,864
Mission Trails Regional Park	23,412,986	-	23,412,986
Mission Valley Hillside	397,809	-	397,809
Mission Valley Slopes	125,060	-	125,060
Navajo Canyon	1,390,966	-	1,390,966
Paradise Canyon	47,898	-	47,898
Paraiso Cumbres	100,812	-	100,812
Radio Canyon	231,423	-	231,423
Rancho Bernardo Open Space	375	-	375
River Ridge	397,164	-	397,164
Rose Canyon	966	-	966
San Clemente Canyon	3,992,123	-	3,992,123
Serra Mesa Hillside	973,706	-	973,706
Southwest Neighborhood Park	782,802	-	782,802
Stadium Village	757,785	-	757,785
Tecolote Canyon	1,347,429	-	1,347,429
34th Street Canyon	3,264,342	-	3,264,342
Tierrasanta Open Space	350	-	350
Trolley Barn Site	663,500	-	663,500
Valencia Canyon	797,716	-	797,716
Valencia Canyon Extension	35,370	-	35,370
Valencia Park Library	100,000	-	100,000
Washington Blvd. Canyon	65,533	-	65,533
West Fortuna Mountain	7,846,454	-	7,846,454
TOTAL LAND ACQUISITIONS	\$ 76,275,444	\$ -	\$ 76,275,444

STATEMENT OF CHANGES IN LAND ACQUISITIONS
Year Ended June 30, 2002

Description	Acquisitions			Acquisitions June 30, 2002
	July 1, 2001	Additions	Deductions	
Albatross Canyon	\$ 1,026,779	\$ -	\$ -	\$ 1,026,779
Azul St & N Torrey Pines	54,000	-	-	54,000
Balboa Terrace	181,160	-	-	181,160
Banker's Hill	98,876	-	-	98,876
Bedlow Ct.	100,000	-	-	100,000
Bluebird Canyon	31,397	-	-	31,397
Cervantes Canyon	307,573	-	-	307,573
Chollas Radio Cyn System	3,322,041	-	-	3,322,041
Crest Canyon	286,160	-	-	286,160
Cypress Canyon	151,915	-	-	151,915
Ellison Place Canyon	116,939	-	-	116,939
Emerald Vista Subdivision	2,048,897	-	-	2,048,897
Encanto Expressway	751,957	-	-	751,957
Eugene Place Canyon	455,333	-	-	455,333
Goldfinch Canyon	1,769,280	-	-	1,769,280
Guymon Arms	481,621	-	-	481,621
Hage Neighborhood	868,705	-	-	868,705
I-15 Corridor	941,810	-	-	941,810
Kensington Hillside	1,289,716	-	-	1,289,716
Lexington Canyon	587,298	-	-	587,298
Los Penasquitos Canyon	7,182,925	-	-	7,182,925
Maple Canyon	1,844,525	-	-	1,844,525
Mesa Top	582,383	-	-	582,383
Mid-City Canyons	5,059,721	-	-	5,059,721
Mira Mesa Properties	1,864	-	-	1,864
Mission Trails Reg. Park	23,412,986	-	-	23,412,986
Mission Valley Hillside	397,809	-	-	397,809
Mission Valley Slopes	125,060	-	-	125,060
Navajo Canyon	1,390,966	-	-	1,390,966
Paradise Canyon	47,898	-	-	47,898
Paraiso Cumbres	100,812	-	-	100,812
Radio Canyon	231,423	-	-	231,423
Rancho Bernardo	375	-	-	375
River Ridge	397,164	-	-	397,164
Rose Canyon	966	-	-	966
San Clemente Canyon	3,992,123	-	-	3,992,123
Serra Mesa Hillside	973,706	-	-	973,706
Southwest Neighborhood Pk.	782,802	-	-	782,802
Stadium Village	757,785	-	-	757,785
Tecolote Canyon	1,347,429	-	-	1,347,429
34th Street Canyon	3,264,342	-	-	3,264,342
Tierrasanta Open Space	350	-	-	350
Trolley Barn Site	663,500	-	-	663,500
Valencia Canyon	797,716	-	-	797,716
Valencia Cyn Extension	35,370	-	-	35,370
Valencia Park Library	100,000	-	-	100,000
Washington Blvd Canyon	65,533	-	-	65,533
West Fortuna Mountain	7,846,454	-	-	7,846,454
Total Land	\$ 76,275,444	\$ -	\$ -	\$ 76,275,444
Land Acquisitions in Progress				
TOTAL LAND ACQUISITIONS	\$ 76,275,444			\$ 76,275,444

STATEMENT OF FUTURE DEBT REQUIREMENTS BY YEARS
June 30, 2002

Year Ending June 30,	Series 1994 Refunding Bonds		Total
	Principal	Interest	
2003	\$ 4,700,000	\$ 2,340,217	\$ 7,040,217
2004	5,090,000	2,086,418	7,176,418
2005	5,505,000	1,806,467	7,311,467
2006	5,950,000	1,498,188	7,448,188
2007	6,430,000	1,163,500	7,593,500
2008	6,490,000	793,775	7,283,775
2009	<u>7,010,000</u>	<u>420,600</u>	<u>7,430,600</u>
TOTAL FUTURE DEBT REQUIREMENTS	\$ <u>41,175,000</u>	\$ <u>10,109,165</u>	\$ <u>51,284,165</u>

STATEMENT OF BONDED DEBT BY ISSUE
June 30, 2002

GENERAL OBLIGATION BONDS

Due January 1	Issued	Rate of Interest	Retired 2001-2002	Outstanding
Series 1994 Refunding Bonds				
2002	\$ 4,345,000	5.30	\$ 4,345,000	\$ -
2003	4,700,000	5.40	-	4,700,000
2004	5,090,000	5.50	-	5,090,000
2005	5,505,000	5.60	-	5,505,000
2006	5,950,000	5.625	-	5,950,000
2007 - 2008	12,920,000	5.75	-	12,920,000
2009	<u>7,010,000</u>	6.00	<u>-</u>	<u>7,010,000</u>
TOTAL GENERAL OBLIGATION BONDS	\$ <u>45,520,000</u>		\$ <u>4,345,000</u>	\$ <u>41,175,000</u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - IMPROVEMENT (GENERAL) FUND
Inception to June 30, 2002**

	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES			
Interest on Investments	\$ 20,726,647	\$ 20,726,647	\$ -
State Grants	1,208,963	1,208,963	-
Rents	88,303	88,303	-
Other Revenue	24,540	24,540	-
TOTAL REVENUES	22,048,453	22,048,453	-
EXPENDITURES			
Land Acquisitions	76,404,347	76,376,026	28,321
Administration	1,314,151	1,481,917	(167,766)
Miscellaneous Bond Costs	949,053	707,080	241,973
TOTAL EXPENDITURES	78,667,551	78,565,023	102,528
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,619,098)	(56,516,570)	102,528
OTHER FINANCING SOURCES			
Proceeds from General Obligation Bonds Issued	65,000,000	65,000,000	-
Proceeds from Bond Refunding	153,364	153,364	-
General Obligation Bond Issuance Cost	(225,000)	(225,000)	-
Transfers from Bond (Debt Service) Fund	791	791	-
Transfers to Other Funds	(210,057)	(210,057)	-
Transfers to Bond (Debt Service) Fund	(3,300,000)	(3,300,000)	-
Refund to City of San Diego-Environmental Growth Fund	(4,800,000)	(4,800,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	56,619,098	56,619,098	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	102,528	102,528
Designated for Subsequent Years' Expenditures at June 30, 2001	-	-	-
FUND BALANCE - UNDESIGNATED AT JUNE 30, 2002	\$ -	\$ (102,528)	\$ 102,528

ANALYSIS OF CHANGES IN UNDESIGNATED FUND BALANCE
 IMPROVEMENT (GENERAL) FUND
 Inception to June 30, 2002

Bonds Authorized and Issued	\$		65,000,000
Add:			
Prior Years' Interest on Investments	\$	20,726,647	
Rents		88,303	
Other Revenue		24,540	
State Grants		1,208,963	
Transfer from Bond Fund		791	
Proceeds from Bond Refunding		<u>153,364</u>	
 Total Additions			<u>22,202,608</u>
 Bonds Authorized and Issued and Additions			87,202,608
Deduct:			
Prior Years' Expenditures and Uses	\$	<u>(87,202,608)</u>	
 Total Deductions			<u>(87,202,608)</u>
 FUND BALANCE- DESIGNATED FOR SUBSEQUENT YEARS' EXPENDITURES	\$		<u><u>-</u></u>