




THE CITY OF SAN DIEGO
MAYOR JERRY SANDERS

M E M O R A N D U M

DATE: December 13, 2007
TO: Honorable Members of the Audit Committee
FROM: Jay M. Goldstone, Chief Operating Officer 
SUBJECT: Modification to the City's Fiscal Year 2005 CAFR

This is to inform you that I have decided to reopen the City's 2005 CAFR for the sole purpose of amending "Note 18: Contingencies" with regard to the City's discussion of IRS Code Section 415 limit violations on the part of SDCERS. The purpose of this amendment is to provide more clarity relating to the VCP filing with the IRS and its possible impact on the City. This decision was discussed with the City's Independent Auditors and this approach will provide a more efficient means of bringing the details relating to the VCP filing into the City's CAFR.

To be clear, both myself and the City's Independent Auditor are of the belief that the amendment has negligible value to the overall document (no effect on net assets) and that it would not change the conclusion of a reasonable person with regard to the City's financial position or wherewithal to meet its obligations to securities holders. Further, Note 18 as written fully complies with professional standards and is consistent with AU 561 which states:

"When issuance of financial statements accompanied by the auditor's report for a subsequent period is imminent, so that disclosure is not delayed, appropriate disclosure of the revision can be made in such statements instead of reissuing the earlier statements pursuant to subparagraph"¹

Despite the lack of materiality and negligible value to CAFR disclosure requirements and the financial markets, I have decided to err on the side of conservatism and reopen the CAFR for the sole purpose of amending Note 18. Once finalized, a special DPWG meeting will be scheduled followed by the submission of the amended 2005 CAFR to the Audit Committee.

Cc: Honorable Mayor Sanders
City Council Members
Jim Godsey, Macias, Gini, O'Connell
Stan Keller

¹ AU 561: Subsequent Discovery of Facts Existing at the Date of the Auditor's Report .06(b)