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To the Audit Committee
City of San Diego

This letter is in response to the following questions asked us by the City of San Diego's (City's) audit committee with respect to the June 30, 2011 financial statement audit of Southeastern Economic Development Corporation (SEDC).

1. Was any audit work not performed due to any limitation placed on you by management (e.g., any areas scoped out by management, or any restriction on fees that limited the scope of your work)?

No, there was no audit work that was not performed as a result of any limitation placed on us by management.

2. Explain the process your firm goes through to assure that all of your engagement personnel are independent and objective with respect to our audit. Do any non-audit services performed for the City or its related entities affect the work that you do or the manner in which the engagement team or others are compensated?

Annually, all Leaf & Cole personnel are required to sign an Independence Statement, attesting to their independence from any and all Leaf & Cole clients. In addition, during the planning process for any audit engagement, responsible personnel ascertain that all staff assigned to that engagement are independent with respect to that particular client. Leaf & Cole did not perform any non-audit services for the City or SEDC that would affect our independence.

3. Was the audit performed in accordance with generally accepted auditing standards (GAAS) or generally accepted government auditing standards (GAGAS)? If not, why?

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.

4. Do the financial statements contain deviations from generally accepted accounting principles (GAAP)? If so, why?

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of SEDC, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

5. Were any new accounting principles adopted, were any changes made, or did you recommend any changes, in the accounting policies used or their application?

There were two pronouncements issued by the Governmental Accounting Standard Board which became effective during the year ended June 30, 2011. These pronouncements are discussed in Note 10 to the financial statements. None of these pronouncements had any effect on the financial statements of SEDC. All other accounting principles were applied consistently.

6. Were there any significant accounting adjustments affecting the financial statements (prior year as well as current year)?

All known accounting adjustments (recorded or passed) have been disclosed as attached schedules to the auditor's letter to those charged with governance as required by Statement on Auditing Standards No. 114. None of the adjustments affected prior year financial reporting.

7. Are there any areas of the financial statements, including the notes, in which you believe we could be more explicit or transparent, or provide more clarity to help a user better understand our financial statements?

No, we believe that the disclosures included with the financial statements are neutral, concise and clear.

8. Based on your audit procedures, do you have any concerns as to whether management may be attempting to commit management override? Have you noticed any biases as a result of your audit tests with respect to accounting estimates made by management?

Potential management override and management biases are always a risk in any audit. We recognize these risks and have selected our auditing procedures to address these risks. We noted no attempt by management override, nor any bias with respect to accounting estimates that had a material effect on the financial statements.

9. Did you encounter any difficulties in dealing with management in performing the audit, including any disagreements with management regarding any accruals, estimates, reserves, or accounting principles? Did you have the full cooperation of management and staff?

We believe that we received the full cooperation of both management and staff in conducting our audit of the financial statements.

10. Were there any accounting issues on which you sought the advice of other audit firms or regulatory bodies?

We have the research technicians from the Financial Accounting Standards Board, the Governmental Accounting Standards Board and the California Society of Certified Public Accountants available to us. In the current year, it was necessary to consult with the Governmental Accounting Standards Board with regard to the implementation of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." With their assistance, we concluded that this pronouncement did not have a material effect on the financial statements of SEDC. We also have a concurring reviewer examine every audit that we conduct.

11. Describe any difficulties you encountered while performing the audit (e.g., delays by management in allowing you to begin the audit, lack of access to information, unreasonable timetables, unavailability of personnel, etc.).

We did not encounter any significant difficulties in conducting the audit of SEDC.

12. Describe any situation in which you believe management has attempted to circumvent the spirit of GAAP, but has yet complied with GAAP.

We are not aware of any situations in which management has attempted to circumvent the spirit of generally accepted accounting principles.

13. Would you characterize management's application of GAAP as conservative, aggressive, or somewhere in between?

As part of our continuing risk assessment, we determined that in our opinion management's application of GAAP was conservative.

14. Are there any new pronouncements and/or areas of potential financial risk affecting future financial statements of which the Audit Committee should be aware?

GASB No. 60

In November 2010, the Governmental Accounting Standards Board issued Statement No. 60, "Accounting and Financial Reporting for Service concession Arrangements". This pronouncement is effective for periods beginning after December 15, 2011 and its provisions are generally required to be applied retroactively. The objective of this statement is to address issues related to service concession arrangements (SCA's) which are a type of public-private or public-public partnership. An SCA is an arrangement between the transferor (a government) and an operator in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public assets in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

GASB No. 61

In November 2010, the Governmental Accounting Standards Board issued Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". This pronouncement is effective for periods beginning after June 15, 2012. The objective of this statement is to address reporting entity issues that have arisen since the issuance of Statements No.14 and No. 34.

GASB No. 62

In December 2010, the Governmental Accounting Standards Board issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This pronouncement is effective for periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements of the FASB and the AICPA that was issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

15. Please explain the significance of any reportable conditions or material weaknesses you identified with respect to the units internal controls.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

16. Are there any questions we have not asked that should have been asked? If so, what are those questions?

None noted at this time.

Very truly yours,

Leaf & Cole LLP

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