

City of San Rafael

San Rafael, California

*Basic Financial Statements
and Independent Auditor's Report*

For the year ended June 30, 2004

City of San Rafael
Basic Financial Statements
For the year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of San Rafael
San Rafael, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discrete component unit, each major fund, and the aggregate remaining fund information of the City of San Rafael, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the San Rafael Sanitation District (District), which is presented as a discrete component unit in the accompanying financial statements. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the District in the accompanying basic financial statements, is based on the report of the other auditors.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
3184-D Airway Avenue
Costa Mesa, California 92626

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 105
San Diego, California 92111

To the Honorable Mayor and Members of the City Council
of the City of San Rafael
San Rafael, California

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
October 8, 2004

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

This analysis of the City of San Rafael's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2004 by \$224.9 million. Of this amount, \$11.2 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Expense Activities - During the fiscal year the City's revenues for governmental and business-type activities (\$65.2 million) exceeded total expenses (\$66.9 million) by \$1.7 million. Excluding Depreciation (non-cash expense of \$5.5 million), collected revenues were \$7.2 million above expenses.

Changes in Net Assets - The City's total net assets decreased by \$1.8 million in fiscal year 2004. Net assets of governmental activities decreased by \$2.5 million, while net assets of the business type activities increased by \$.7 million.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2004, the City's governmental funds reported combined ending fund balances of \$43.7 million, a decrease of \$5.8 million from the prior year. Of this total amount, \$33.9 million represents reserved fund balances and \$8.2 million is designated.

General Fund - The fund balance of the general fund on June 30, 2004 was \$5.7 million, a decrease of \$.8 million from the prior year. \$1.5 million was held in reserve, and \$3.4 million is designated to meet our 10% reserve requirement as defined by the City's Financial Management Policies.

Long-Term Debt:

The City's total outstanding debt decreased by \$1.8 million (2.9 percent) during the fiscal year, which reflects payment on outstanding assessment district bonds and Redevelopment debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the following: The Redevelopment Agency of the City of San Rafael (Agency) and the San Rafael Joint Powers Financing Authority (Authority). These component units are, for practical purposes, departments of the City and have been included in the basic financial statements as an integral part of the primary government using the blended method.

This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

The *Statement of Net Assets and the Statement of Activities and Changes in Net Assets* report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The *Statement of Activities and Changes in Net Assets* presents information showing how the City's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

In the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*, we separate the City activities as follows:

Governmental Activities—Most of the City's basic services are reported in this category, including Public Safety, Public Works and Parks, Community Development and Redevelopment, Cultural and Recreation and Government Administration (finance, human resources, legal, City Clerk and City Manager operations). Property and sales taxes, user fees, interest income, franchise fees, hotel taxes, business license and property transfer taxes, plus state and federal grants finance these activities.

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Parking Services program is reported as a business-type activity.

Discretely Presented Component Units - The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate entity, the San Rafael Sanitation District for which the City is financially accountable. Financial information for the San Rafael Sanitation District is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19 through 21 of this report.

Fund Financial Statements and Major Component Unit 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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Further detail on the Non-major funds is presented on pages 83 through 93 of this report.

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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial capacity.

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 government 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliation's are presented on the page immediately following each governmental fund financial statement.

The City has thirty governmental funds, of which six are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's six major funds are - the General Fund, Redevelopment Agency, Traffic and Housing Mitigation, Household Hazmat Facility, Sewer Maintenance and Park Capital Projects. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 25 through 32 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 86 through 93 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Parking Services program. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, building maintenance, radio systems, personal computer replacement program, self-insurance for worker's compensation, dental and public liability, and employee benefits programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 33 through 36 of this report.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

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 37 through 72 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the major funds (general, redevelopment agency, traffic and housing mitigation, household hazmat facility, sewer maintenance, and parks capital projects). The other section is a schedule of funding progress for the Marin County Employees' Retirement System. All budgeted positions that are filled by either full-time or permanent part-time employees (working seventy-five percent of full time equivalent) are eligible to participate in this system. Required supplementary information can be found on pages 73 through 80 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$224.9 million, which is a decrease of \$1.8 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2004 and 2003:

City of San Rafael Statements of Net Assets June 30, 2004 and 2003 (Amounts in Millions)						
	Governmental Activities		Increase	Business-Type Activities		Increase
	2004	2003	(Decrease)	2004	2003	(Decrease)
Assets:						
Current assets	\$ 54.5	\$ 61.8	\$ (7.3)	\$ 1.6	\$ 1.1	\$ 0.5
Capital assets, net	225.4	223.3	2.1	8.7	8.5	0.2
Total assets	279.9	285.1	(5.2)	10.3	9.6	0.7
Liabilities:						
Current liabilities	7.5	10.2	(2.7)	0.1	-	0.1
Long-term liabilities	57.7	57.7	-	-	-	-
Total liabilities	65.2	67.9	(2.7)	0.1	-	0.1
Net Assets:						
Invested in capital assets, net of related debt	202.2	198.1	4.1	8.8	8.5	0.3
Restricted	2.7	2.9	(0.2)	-	-	-
Unrestricted	9.8	16.2	(6.4)	1.4	1.1	0.3
Total net assets	\$ 214.7	\$ 217.2	\$ (2.5)	\$ 10.2	\$ 9.6	\$ 0.6

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

At June 30, 2004, the largest portion of net assets (93.8 percent) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The increase in total net assets from 2002-2003 to 2003-2004 is largely attributable to a netting of capital asset acquisition against depreciation expense for the year. Total depreciation for this current year was \$6.4 million, while capital asset acquisition totaled \$8.5 million, leaving a net change (increase) of \$2.1 million.

The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City. A portion of the City's net assets (1.2 percent) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements. The remainder of net assets, \$11.2 million, may be used to meet the City's ongoing operations.

For the year ended June 30, 2004 the City reported positive balances in all three categories of net assets for governmental activities. Business-type activities reported positive net assets in capital and unrestricted net assets.

Net Assets



CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2004

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2004 and 2003:

City of San Rafael Statements of Activities and Changes in Net Assets For the Fiscal Years Ended June 30, 2004 and 2003 (Amounts in Millions)						
	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2004	2003		2004	2003	
Revenues:						
Program revenues	\$ 18.2	\$ 20.2	\$ (2.0)	\$ 2.3	\$ 1.8	\$ 0.5
General revenues	44.7	45.9	(1.2)	-	-	-
Total revenues	62.9	66.1	(3.2)	2.3	1.8	0.5
Expenses	65.5	80.2	(14.7)	1.5	1.3	0.2
Change in net assets before transfers	(2.6)	(14.1)	11.5	0.8	0.5	0.3
Transfers	0.1	0.2	\$ (0.1)	(0.1)	(0.2)	\$ 0.1
Net Assets:						
Beginning	217.2	231.1		9.5	9.2	
Ending	\$ 214.7	\$ 217.2		\$ 10.2	\$ 9.5	

Governmental Activities:

The City's governmental activities decreased net assets by \$2.5 million, which represents a 1.2% decrease from last year. Key elements of this change were as follows:

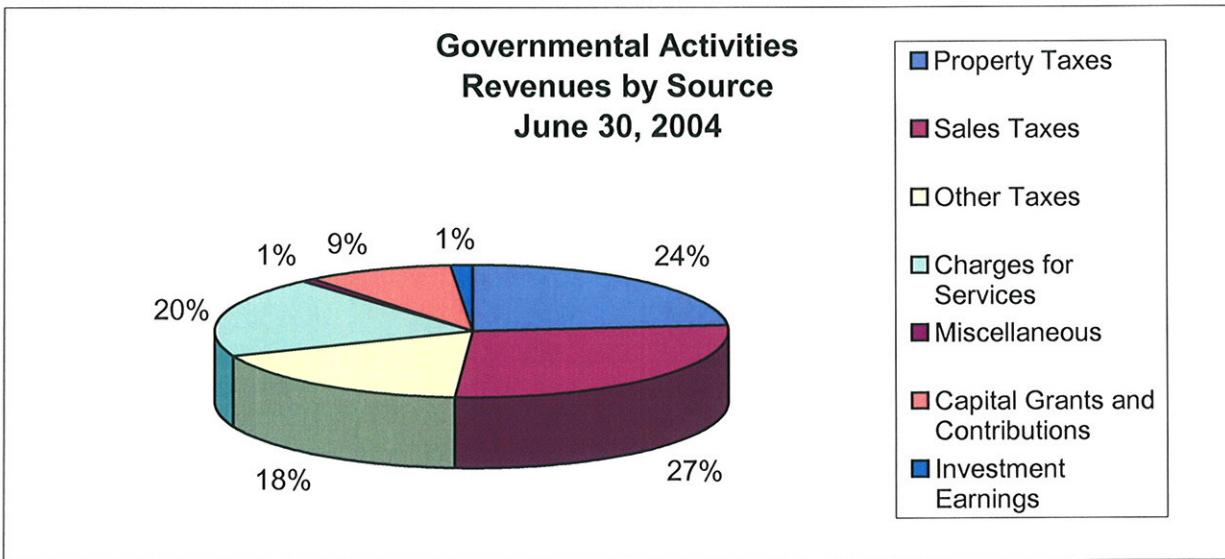
Revenue highlights:

- Property Tax revenues increased by \$.9 million or 6.5 percent in fiscal year 2004 due to higher assessed property values and new construction.
- Sales tax increased by \$.4 million or approximately 2.3 percent compared to fiscal year 2003. Sales tax revenues are highly dependent on consumer retail and business related activity in the City and the slight increase is a reflection of economic uncertainties.
- Other Tax revenues decreased by \$.5 million or approximately 4.5 percent compared to fiscal year 2003. The decreases were primarily due to decreases in motor vehicle license taxes.
- Investment income, which is a combination of interest earnings and change in fair value of investments, also decreased by \$1.1 million, or approximately 57.3 percent over the prior fiscal year. Interest earnings were lower due to the change in the fair value of investments in the market.

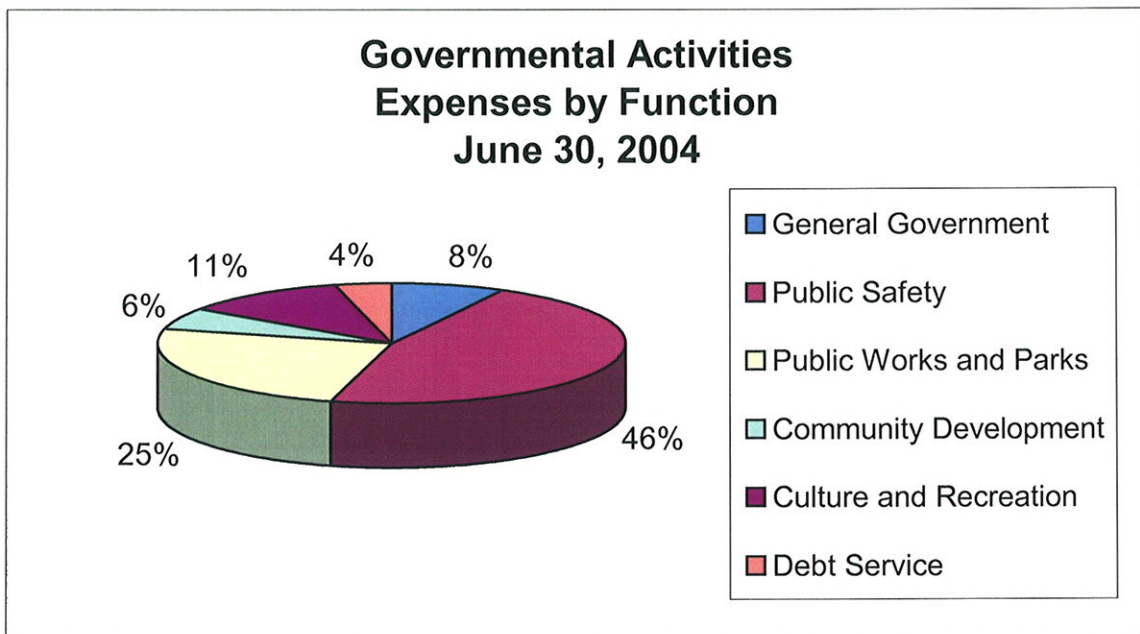
CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2004

Governmental Activities - Revenues:



Governmental Activities - Expenses:



Total expenses for governmental activities were \$63 million (not including interest on long-term debt of \$2.5 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$12.3 million in charges for services.
- A total of \$2.3 million in capital projects was funded by outside agencies through capital grants and contributions.

CITY OF SAN RAFAEL

Management's Discussion and Analysis**Fiscal Year Ended June 30, 2004**

As a result, total expenditures that were funded by tax revenues; investment income and other general revenues were \$48.4 million.

Functional expenses for the years ended June 30, 2004 were as follows:

City of San Rafael Expenses by Function For the fiscal year ended June 30, 2004		
Function	Amount	Percent of Total
General Government	\$ 5,074,335	7.8%
Public Safety	30,453,108	46.5%
Public works and parks	16,043,092	24.5%
Community development	3,921,422	6.0%
Culture and recreation	7,444,339	11.4%
Interest on Debt	2,516,659	3.8%
Total Expenses	\$ 65,452,955	100.0%

Business-Type Activities:

Net assets for business-type activities were \$10.2 million, an increase of \$.7 million from the prior fiscal year. Parking services is the City's only business type activity and income is derived from program revenues of \$2.3 million. Program revenues include parking meter coin at \$1.1 million, and parking garage hourly parking at \$.2 million. Revenues also include parking and non-vehicle code fines totaling \$.8 million and \$.2 million for garage parking permits. Total expenses for parking services were \$1.5 million during fiscal year 2003-2004.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. 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 City's governmental funds reported combined ending fund balances of \$43.7 million. Approximately, \$1.7 million of this amount constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been legally committed.

General Fund - The General Fund is the primary operating fund of the city.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$4.2 million, while total fund balance reached \$5.7 million. \$3.4 million is held as part of the 10 percent reserve for emergencies and cash flow cycles as defined in San Rafael's Financial Management Policies. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

expenditures. Unreserved fund balance represents 10.0 percent of total general fund expenditures including transfers out, while total fund balance represents 13.5 percent of that same amount.

The available fund balance of the City's general fund increased by \$.1 million during the current fiscal year. This increase resulted from:

- Net Transfers out were less than fiscal year 2003.
- Slight growth in major revenues from the prior year netted against a decline in motor vehicle taxes.

Redevelopment Agency Fund – The Redevelopment Agency is responsible for assisting in the clearance and rehabilitation of areas determined to be in a declining condition in the City. The Agency's operations are funded primarily by the issuance of debt, which is expected to be repaid out of property tax increment revenue generated by increased in property assessed values in the redevelopment areas.

The Redevelopment Agency Capital Project Fund was established to account for capital improvement projects related to the various redevelopment areas. At the end of fiscal year 2004, the reserved fund balance was \$18.0 million, a decrease of \$3.7 million from the prior year. Expenditures exceeded revenues by \$.1 million. The decrease is primarily related to \$3.6 million in expenditures for principal and interest payments on the 1999 Tax Allocation Bonds and the 2002 Tax Allocation Refunding Bonds. The entire fund balance as of June 30, 2004 was reserved for future capital project and housing programs.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the City's net assets increased by \$.7 million as a result of operations in the Parking Services fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget totaled \$38.1 million, including a decrease of \$533,373 to the originally adopted budget. The amendments can be briefly summarized as follows:

1. Decreases in the following budgets:

○ General Government	\$149,113
○ Public Safety	247,109
○ Public Works and Parks	76,049
○ Community Development/Redevelopment	47,547
○ Culture and Recreation	13,555

During the year, however, revenues exceeded budgetary estimates and expenditures exceeded the final budgetary estimate. Overall, revenues exceeded expenditures by \$2.2 million. Transfers out exceeded transfers in by \$3.0 million.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2004

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$234.1 million, net of accumulated depreciation of \$80.5 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total additions to the City's investment in capital assets for the current fiscal year was \$8.3 million, net of accumulated depreciation and retirements.

Major capital asset additions during the current fiscal included a major land purchase, work in process on a parking garage, pump station, and dispatch center, purchase of seventeen vehicles, and roadway improvements.

Capital Projects

- The design of the Pickleweed Community Center expansion and renovation project has been finalized.
- The City's General Plan 2020, which was adopted in November 2004, was nearing completion in fiscal year 2003-2004.
- Although construction of the 3rd and C Street Parking Structure was halted for a time due to the default of the original general contractor, construction has once again resumed. Completion of the facility is expected in Spring 2005.
- Remodeling of City Hall's Third Floor for Community Development and relocating the Business License functions to the third floor helped provide better customer service to consumers.

Additional information on the City's capital assets can be found in Note 5A on pages 53 through 56 of this report.

Debt Administration

As of June 30, 2004, the City had outstanding debt issues as listed below. Not included in the following table is the Community Facilities District No.1 Special Tax Bond, which is backed by property tax levies against property owners. The City has no obligation for these bonds. Certain specific revenues back each of the City's other bonds or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2003 and 2004 were as follows:

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2004

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue Bonds	\$ 9.9	\$ 10.4	\$ -	\$ -	\$ 9.9	\$ 10.4
Bonds	0.5	0.7	-	-	0.5	0.7
Tax Allocation Bonds	43.2	44.9	-	-	43.2	44.9
Redevelopment note	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	0.7	-	-	-	0.7	-
Compensated Absences	4.1	4.2	-	-	4.1	4.2
Total Outstanding Debt	\$ 58.6	\$ 60.4	\$ -	\$ -	\$ 58.6	\$ 60.4

During fiscal year 2004, the City leased two new fire trucks in the amount of \$668,134. The annual lease payments are \$72,295 for five years starting in September 2004.

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

The short-term outlook is not getting any brighter for the next (2004-2005) fiscal year. Continued losses at the hands of the State, flat tax revenues, a lackluster economic growth picture and rising benefit costs all contribute to a negative financial picture. Property taxes remain one area of strength, as the desire to relocate to Marin County continues to put upward pressure on home values. The future continues to look troubling as staff and the City Council peer into the future.

The Governor's proposed fiscal year budget includes no new or increased taxes. Major reductions are proposed in various programs, and local government is no exception. For the next two years, the Governor proposed taking \$1.3 billion from cities, counties, special districts and redevelopment agencies. Passage of Proposition 1A on November 2nd solidified the Governor's proposal. Some major elements of Proposition 1A are:

- ❖ There is a two-year statewide hit (\$1.3 billion per annum for fiscal year 2004-2005 and fiscal year 2005-2006).
- ❖ Local tax revenues are generally protected from realignments or Legislative actions beginning in fiscal year 2006-2007.
- ❖ San Rafael's share of this hit is \$993,000 for each of the next two years. This was a large contributor to our \$2.2 million General Fund gap last spring.
- ❖ The formula for taking these local revenues is based upon looking at our tax bases compared to statewide totals. Formulas are weighted 1/3 from sales tax, 1/3 from property tax and the remaining 1/3 from vehicle license fees. Actual revenue losses come from VLF revenues. Added pain is caused by the VLF rate being permanently reduced from 2.0 percent to 0.65 percent and relying on State backfilling, via property taxes, to make up the difference.

Management's Discussion and Analysis**Fiscal Year Ended June 30, 2004**

For the past two years, the City Council and community have been asked to adjust the City's General Fund budget in order to bring expenditures in line with available resources. The City Council took actions on numerous occasions to take a total of \$6.9 million worth of actions to keep our expenditures in line with expected resources. Fiscal year 2004-2005 represents the third consecutive year of budget challenges.

Key action items to bring the budget in balance are listed below:

Expenses:

- Using \$500,000 of reserves over each of the next two years to partially compensate for the State local revenue hit.
- The Fleet Advisory Board provided \$250,000 of relief from the Vehicle Replacement Fund.
- Implementation of Mandatory Time Off for all directors, unrepresented managers, SEIU, Confidential Association, and Fire Chief Officer's Union employees. Salary reductions of 5 percent began July 2004 and provided the equivalent of 13 days off without pay. This will save the General Fund \$475,000 in salaries over this year.
- The Fire Department generated \$300,000 cut via a combination of overtime reductions, reducing capital expenditures, and taking one-time resources from special Fire programs.
- The Library cost savings included not filling a vacant Librarian position and the elimination of a mid-management position due to a retirement.
- Reorganizing the Information Services Division of Management Services also included the reduction of one management position due to a retirement.
- The Police Department eliminated three vacant positions, added a part-time cadet and increased overtime slightly to save \$300,000.
- The Mayor and all of the City Council members elected to have their pay reduced by 10 percent for the coming year. The City Manager forfeited a salary increase and merit bonus which together provides a \$15,000 savings to the General Fund.

Revenues:

- Recovering 100 percent of the Long Range Planning program through fees.
- Imposition of encroachment permits on companies who have debris boxes in City right of way generates \$20,000.

Carving our way out of our problems will result in dire service reductions to the major operating Departments (Police, Fire, Public Works, Library, and Community Services). Frankly, if just service and employee reductions alone were the basis for solving our structural deficit problems, then the actions needed involve dismantling the organization that our elected officials, staff and community have spent considerable time and energy proudly advancing and developing these last few years. A strict service reduction package would likely impact 20 or more full time positions, plus many of our valued part-time employees.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, businesses, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for providing high quality services within the limits of our fiscal resources. If you have questions about this report or need additional financial information, contact the City of San Rafael Management Services Department - Financial Services Division, 1400 Fifth Avenue, Room 204, San Rafael, California 94901.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of San Rafael
Statement of Net Assets
June 30, 2004

	Primary Government			Discrete Component Unit
	Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
ASSETS				
Current assets:				
Cash and investments	\$ 33,859,457	\$ 1,525,792	\$ 35,385,249	\$ 7,332,035
Restricted cash and investments:				
Held by fiscal agents	11,054,473	-	11,054,473	-
Receivables:				
Accounts	3,026,469	42,726	3,069,195	-
Taxes	4,481,119	-	4,481,119	-
Grants	1,052,585	-	1,052,585	-
Interest	281,130	-	281,130	22,611
Loans	758,458	-	758,458	-
Prepaid expenses	12,602	-	12,602	31,972
Total current assets	54,526,293	1,568,518	56,094,811	7,386,618
Noncurrent assets:				
COP issuance costs, net	-	-	-	58,884
Capital assets:				
Nondepreciable assets	93,396,204	8,141,820	101,538,024	222,640
Depreciable assets, net	131,948,542	577,229	132,525,771	21,903,823
Total capital assets	225,344,746	8,719,049	234,063,795	22,126,463
Total noncurrent assets	225,344,746	8,719,049	234,063,795	22,185,347
Total assets	279,871,039	10,287,567	290,158,606	29,571,965
LIABILITIES				
Current liabilities:				
Accounts payable	1,349,567	88,207	1,437,774	51,787
Connection fees payable	-	-	-	3,937
Interest payable	330,678	-	330,678	62,977
Developer bonds payable	98,224	-	98,224	-
Arbitrage payable	251,250	-	251,250	-
Deferred revenue	143,957	2,143	146,100	-
Insurance claims payable - due within one year	2,040,000	-	2,040,000	-
Compensated absences - due within one year	691,271	-	691,271	-
Long-term debt - due within one year	2,557,731	-	2,557,731	350,000
Total current liabilities	7,462,678	90,350	7,553,028	468,701
Long-term liabilities:				
Insurance claims payable - due in more than one year	2,298,024	-	2,298,024	-
Compensated absences - due in more than one year	3,456,356	-	3,456,356	-
Long-term debt - due in more than one year	51,954,226	-	51,954,226	3,161,892
Total long-term liabilities	57,708,606	-	57,708,606	3,161,892
Total liabilities	65,171,284	90,350	65,261,634	3,630,593
NET ASSETS				
Investments in capital assets, net of related debt	202,215,793	8,749,750	210,965,543	18,673,455
Restricted	2,708,397	-	2,708,397	418,421
Unrestricted	9,775,565	1,447,467	11,223,032	6,849,496
Total net assets	\$ 214,699,755	\$ 10,197,217	\$ 224,896,972	\$ 25,941,372

See accompanying Notes to Basic Financial Statements

City of San Rafael
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 5,074,335	\$ 1,487,595	\$ 585,319	\$ -	\$ 2,072,914
Public safety	30,453,108	2,203,371	2,381,265	-	4,584,636
Public works and parks	16,043,092	2,697,858	1,551,250	220,000	4,469,108
Community development/redevelopment	3,921,422	1,982,211	110,032	100,827	2,193,070
Culture and recreation	7,444,339	3,960,777	624,954	252,658	4,838,389
Interest on long-term debt (unallocated)	2,516,659	-	-	-	-
Total governmental activities	65,452,955	12,331,812	5,252,820	573,485	18,158,117
Business-type activity:					
Parking services	1,539,441	2,307,432	-	-	2,307,432
Total primary government	\$ 66,992,396	\$ 14,639,244	\$ 5,252,820	\$ 573,485	\$ 20,465,549
Component unit:					
San Rafael Sanitation District	\$ 5,297,737	\$ 5,811,437	\$ -	\$ -	\$ 5,811,437

General revenues:

Taxes:

Property taxes

Sale taxes

Special assessments

Motor vehicles

Other

Total taxes

Investment earnings

Miscellaneous

Aid from other governmental agencies

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Discrete Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
\$ (3,001,421)	\$ -	\$ (3,001,421)	\$ -
(25,868,472)	-	(25,868,472)	-
(11,573,984)	-	(11,573,984)	-
(1,728,352)	-	(1,728,352)	-
(2,605,950)	-	(2,605,950)	-
(2,516,659)	-	(2,516,659)	-
(47,294,838)	-	(47,294,838)	-
-	767,991	767,991	-
(47,294,838)	767,991	(46,526,847)	-
-	-	-	513,700
14,895,188	-	14,895,188	591,078
17,166,966	-	17,166,966	-
3,329,680	-	3,329,680	-
2,495,598	-	2,495,598	-
5,476,044	-	5,476,044	-
43,363,476	-	43,363,476	591,078
809,242	29,534	838,776	75,739
498,200	-	498,200	-
-	-	-	154,919
142,970	(142,970)	-	-
44,813,888	(113,436)	44,700,452	821,736
(2,480,950)	654,555	(1,826,395)	1,335,436
217,180,705	9,542,662	226,723,367	24,605,936
\$ 214,699,755	\$ 10,197,217	\$ 224,896,972	\$ 25,941,372

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - Accounts for all financial resources and transactions except those required to be accounted for in other funds.

Redevelopment Agency Fund - Consist of five funds; 1) the 1999 Agency Bonds Funds, 2) the 2002 Agency Bonds Funds, and 3) the RDA Capital Improvement Fund are for improvement projects. Additionally, there are 4) Project Administration Fund and 5) the Housing Fund.

Traffic and Housing Mitigation Fund - Established to maintain long-term developer deposits for major housing and street improvement projects.

Household Hazmat Facility Fund - Established to account for State mandated hazardous materials information, collection, and reporting. Expenditures include inspection of businesses for compliance with regulations. This fund also serves as the depository for a countywide Household Hazardous Waste Program.

Sewer Maintenance Fund - Established under the terms of the JPA to provide all necessary maintenance to the Sanitation District's gravity collection sewer system.

Park Capital Projects Fund - Established to account for capital improvements for all City owned parks, whether paid for by City funds, grants, donations, or partnerships with the community.

City of San Rafael
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds					
	Special Revenue Funds					Capital Projects
		Redevelopment	Traffic and	Household	Sewer	Park
			Housing	Hazmat		Capital
	General	Agency	Mitigation	Facility	Maintenance	Projects
ASSETS						
Cash and investments	\$ 1,203,985	\$ 5,632,621	\$ 9,933,317	\$ 395,685	\$ -	\$ -
Cash with fiscal agents	67,386	10,207,709	-	-	-	-
Receivables:						
Accounts	208,731	1,069,826	2,857	450,466	274,084	-
Taxes	3,519,511	961,608	-	-	-	-
Grants	18,028	-	-	-	-	406,242
Interest	218,385	62,745	-	-	-	-
Loans	349,892	315,709	82,857	-	-	25,000
Prepaid expense	-	-	-	-	-	-
Due from other funds	634,507	-	-	-	-	-
Total assets	\$ 6,220,425	\$ 18,250,218	\$ 10,019,031	\$ 846,151	\$ 274,084	\$ 431,242
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 486,237	\$ 23,503	\$ -	\$ 372,580	\$ 179	\$ 228
Developer bonds payable	37,000	25,000	34,724	-	-	-
Arbitrage payable	-	251,250	-	-	-	-
Due to other funds	-	-	-	-	254,396	229,702
Deferred revenue	-	-	-	-	-	25,000
Total liabilities	523,237	299,753	34,724	372,580	254,575	254,930
Fund Balances:						
Reserved	1,451,036	17,950,465	9,901,450	111,100	-	176,312
Unreserved:						
Designated	3,417,216	-	-	-	19,509	-
Undesignated, reported in:						
Major funds	828,936	-	82,857	362,471	-	-
Non-major funds reported in:						
Special revenue funds	-	-	-	-	-	-
Total fund balances	5,697,188	17,950,465	9,984,307	473,571	19,509	176,312
Total liabilities and fund balances	\$ 6,220,425	\$ 18,250,218	\$ 10,019,031	\$ 846,151	\$ 274,084	\$ 431,242

See accompanying Notes to Basic Financial Statements

Non-Major Governmental Funds	Total Governmental Funds
\$ 8,238,431	\$ 25,404,039
779,378	11,054,473
326,177	2,332,141
-	4,481,119
628,315	1,052,585
-	281,130
21,726	795,184
12,602	12,602
25,000	659,507
<u>\$ 10,031,629</u>	<u>\$ 46,072,780</u>

\$ 423,365	\$ 1,306,092
1,500	98,224
-	251,250
-	484,098
<u>165,683</u>	<u>190,683</u>
<u>590,548</u>	<u>2,330,347</u>

4,331,870	33,922,233
4,713,657	8,150,382
-	1,274,264
<u>395,554</u>	<u>395,554</u>
<u>9,441,081</u>	<u>43,742,433</u>
<u>\$ 10,031,629</u>	<u>\$ 46,072,780</u>

City of San Rafael
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds	\$ 43,742,433
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. Capital assets were adjusted as follows:

Non-depreciable	93,396,204
Depreciable, net	131,948,542
Total capital assets	225,344,746

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(330,678)
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Internal service funds were used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.	4,602,838
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Compensated absences	(4,147,627)
Long-term debt	(54,511,957)
Total long-term liabilities	(58,659,584)

Net Assets of Governmental Activities	\$ 214,699,755
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City of San Rafael
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds					
	General	Redevelopment Agency	Special Revenue Funds			Capital Projects
			Traffic and Housing Mitigation	Household Hazmat Facility	Sewer Maintenance	Park Capital Projects Fund
REVENUES:						
Taxes and special assessments	\$ 32,999,575	\$ 4,536,865	\$ -	\$ -	\$ -	\$ -
Licenses and permits	920,353	-	-	7,950	-	-
Fines and forfeitures	778,552	-	-	-	-	-
Use of money and property	(150,056)	663,703	239,630	9,908	-	-
Intergovernmental	4,600,223	-	-	83,040	-	249,300
Charges for services	1,353,588	233,153	350,539	1,255,249	1,144,830	-
Other revenue	257,517	-	20,011	3,800	-	13,827
Total revenues	40,759,752	5,433,721	610,180	1,359,947	1,144,830	263,127
EXPENDITURES:						
Current:						
General government	4,953,422	-	-	-	-	-
Public safety	23,761,680	-	-	1,322,468	-	-
Public works and parks	5,372,286	-	-	-	1,037,657	-
Community development/ redevelopment	2,096,103	1,779,439	-	-	-	-
Culture and recreation	1,556,924	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Capital improvement/special projects	794,068	3,792,474	158,014	-	-	236,412
Debt service:						
Capitalized lease obligation	10,775	-	-	-	-	-
Principal	-	1,675,000	-	-	-	-
Interest and fiscal charges	-	1,892,306	-	-	-	-
Total expenditures	38,545,258	9,139,219	158,014	1,322,468	1,037,657	236,412
REVENUES OVER (UNDER) EXPENDITURES	2,214,494	(3,705,498)	452,166	37,479	107,173	26,715
OTHER FINANCING SOURCES (USES):						
Transfers in	665,990	-	-	-	-	-
Transfers out	(3,680,818)	-	-	-	(88,400)	-
Total other financing sources (uses)	(3,014,828)	-	-	-	(88,400)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(800,334)	(3,705,498)	452,166	37,479	18,773	26,715
FUND BALANCES:						
Beginning of year, as restated	6,497,522	21,655,963	9,532,141	436,092	736	149,597
End of year	\$ 5,697,188	\$ 17,950,465	\$ 9,984,307	\$ 473,571	\$ 19,509	\$ 176,312

See accompanying Notes to Basic Financial Statements

Non-Major Governmental Funds	Total Governmental Funds
\$ 3,339,386	\$ 40,875,826
-	928,303
13,423	791,975
261,014	1,024,199
3,116,439	8,049,002
6,086,395	10,423,754
440,821	735,976
13,257,478	62,829,035
61,030	5,014,452
3,779,049	28,863,197
2,848,048	9,257,991
-	3,875,542
5,588,340	7,145,264
31,703	31,703
4,844,135	9,825,103
-	10,775
685,000	2,360,000
564,051	2,456,357
18,401,356	68,840,384
(5,143,878)	(6,011,349)
4,556,878	5,222,868
(1,210,680)	(4,979,898)
3,346,198	242,970
(1,797,680)	(5,768,379)
11,238,761	49,510,812
\$ 9,441,081	\$ 43,742,433

City of San Rafael

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (5,768,379)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 8,504,578

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (6,434,739)

Expenses for compensated absences accrued but not paid are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds. This amount represents current compensated absences expense incurred. 65,510

Bond proceeds and proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents new capitalized lease obligations (668,134)

This amount represents long-term debt repayments 2,360,000

This amount represents capitalized lease obligation payments 10,775

Total long-term debt 1,702,641

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. The following amount represents the change in accrued interest from prior year. 270,376

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities. (820,937)

Change in Net Assets of Governmental Activities \$ (2,480,950)

PROPRIETARY FUND

FINANCIAL STATEMENTS

Parking Services Fund - Established to maintain parking garages, lots and spaces in the Downtown Parking District (established over 40 years ago), and to pay for parking enforcement, meter collection, and downtown officer services.

City of San Rafael
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Major Fund	Discrete Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$ 1,525,792	\$ 7,332,035	\$ 8,455,418
Receivables:			
Accounts	42,726	-	694,328
Interest	-	22,611	-
Loans	-	-	10,000
Prepaid expenses	-	31,972	-
Total current assets	1,568,518	7,386,618	9,159,746
Noncurrent assets:			
COP issuance costs, net	-	58,884	-
Capital assets:			
Nondepreciable assets	8,141,820	222,640	-
Depreciable assets, net	577,229	21,903,823	-
Total noncurrent assets	8,719,049	22,185,347	-
Total assets	10,287,567	29,571,965	9,159,746
LIABILITIES			
Current liabilities:			
Accounts payable	88,207	51,787	43,475
Connection fees payable	-	3,937	-
Interest payable	-	62,977	-
Due to other funds	-	-	175,409
Insurance claims payable	-	-	4,338,024
Deferred revenue	2,143	-	-
Long-term debt - due within one year	-	350,000	-
Total current liabilities	90,350	468,701	4,556,908
Long-term liabilities:			
Long-term debt - due in more than a year	-	3,161,892	-
Total long-term liabilities	-	3,161,892	-
Total liabilities	90,350	3,630,593	4,556,908
NET ASSETS			
Invested in capital assets, net of related debt	8,749,750	18,673,455	-
Restricted	-	418,421	-
Unrestricted	1,447,467	6,849,496	4,602,838
Total net assets	\$ 10,197,217	\$ 25,941,372	\$ 4,602,838

See accompanying Notes to Basic Financial Statements

City of San Rafael
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Funds
For the year ended June 30, 2004

	Major Fund	Discrete Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
OPERATING REVENUES:			
Charges for current services	\$ 1,423,320	\$ 5,776,012	\$ 4,874,819
Refunds	-	-	428,647
Connection fees	-	35,425	-
Other operating revenues	884,112	-	1,436,521
Total operating revenues	2,307,432	5,811,437	6,739,987
OPERATING EXPENSES:			
Personnel	1,003,344	-	-
Insurance premiums and claims	-	-	3,446,525
Maintenance and repairs	224,752	-	1,550,866
Sewage collection	-	1,846,464	-
Sewage treatment	-	2,185,680	-
Depreciation and amortization	40,701	909,938	-
General and administrative	270,644	169,832	2,370,020
Total operating expenses	1,539,441	5,111,914	7,367,411
OPERATING INCOME (LOSS)	767,991	699,523	(627,424)
NONOPERATING REVENUES (EXPENSES):			
Property taxes	-	591,078	-
Aid from governmental agencies	-	154,919	-
Investment income	29,534	75,739	198,805
Interest expense	-	(180,091)	-
Total nonoperating revenues	29,534	641,645	198,805
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	797,525	1,341,168	(428,619)
OTHER FINANCING SOURCES (USES):			
Contribution to City of San Rafael	-	(5,732)	-
Proceeds from sale of assets	-	-	38,360
Transfers in	-	-	100,000
Transfers out	(142,970)	-	(200,000)
Total other financing sources (uses)	(142,970)	(5,732)	(61,640)
Net income (loss)	654,555	1,335,436	(490,259)
RETAINED EARNINGS:			
Beginning of year	9,542,662	24,605,936	5,093,097
End of year	\$ 10,197,217	\$ 25,941,372	\$ 4,602,838

See accompanying Notes to Basic Financial Statements

City of San Rafael
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Major Fund	Discrete Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 1,406,107	\$ 5,811,437	\$ 6,827,729
Cash payments to suppliers for goods and services	(1,172,293)	(1,006,714)	(6,882,732)
Other operating revenues	613,468	(3,291,669)	-
Net cash provided (used) by operating activities	847,282	1,513,054	(55,003)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes	-	591,078	-
Aid from governmental agencies	-	154,919	-
Transfers in	-	-	100,000
Transfers out	(142,970)	-	(200,000)
Net cash provided (used) by noncapital financing activities	(142,970)	745,997	(100,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Cash paid for capital acquisitions	(295,333)	(311,039)	-
Cash received from sale of assets	-	-	38,360
Capital contribution to primary government	-	(5,732)	-
Interest received from certificates of participation principal cash	-	7,806	-
Principal payments on certificates of participation	-	(345,000)	-
Interest paid on certificates of participation	-	(157,011)	-
Net cash provided (used) by capital financing activities	(295,333)	(810,976)	38,360
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	29,534	74,728	200,706
Net cash provided (used) by investing activities	29,534	74,728	200,706
Net increase (decrease) in cash and cash equivalents	438,513	1,522,803	84,063
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,087,279	5,809,232	8,371,355
End of year	\$ 1,525,792	\$ 7,332,035	\$ 8,455,418
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 767,991	\$ 699,523	\$ (627,424)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	40,701	909,938	-
Changes in operating assets and liabilities:			
Accounts receivable	(17,213)	-	-
Loans receivable	-	-	(87,667)
Prepaid items	-	(6,257)	-
Due to/from other funds	-	-	175,409
Accounts payable	59,797	(80,087)	(82,612)
Connection fees	-	(10,063)	-
Insurance claims payable	-	-	567,291
Deferred revenue	(3,994)	-	-
Total adjustments	79,291	813,531	572,421
Net cash provided (used) by operating activities	\$ 847,282	\$ 1,513,054	\$ (55,003)

See accompanying Notes to Basic Financial Statements

NOTES TO BASIC FINANCIAL STATEMENTS

City of San Rafael
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of San Rafael (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City maintains a Council-Manager form of government and provides the following services: public safety (police and fire), public works, community development, library, parks, recreation, childcare, and general administrative services.

As required by GAAP, these basic financial statements present the City (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria set forth in GASB Statement No. 14: the primary government is accountable for the potential component unit, and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

In addition to having the same governing board, the City is financially accountable for the San Rafael Redevelopment Agency and the San Rafael Joint Powers Financing Authority, and management activities of both entities are conducted by City staff. The two legally separate entities are, in substance, part of the City's operations and are, therefore, blended into the City's basic financial statements.

The component units discussed in this note are included in the City's reporting entity because of the significance of its operational or financial relationships with the City. Each component unit has a June 30 year end. Separately issued component unit financial statements can be obtained at the City of San Rafael, Finance Division, 1400 Fifth Avenue, Room 204, San Rafael, California 94901.

Blended Component Units

San Rafael Redevelopment Agency - The San Rafael Redevelopment Agency (Agency) was established under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000) primarily to assist in the clearance and rehabilitation of areas determined to be in a declining condition in the City. Financial activity of the Agency commenced in July 1983. Under the Agency's Redevelopment Plan (Plan), approved in November 1982, the Agency proposes to assist in the development of the property located in the central San Rafael business core and east San Rafael. The Agency receives incremental tax revenues on the developed property due to increases in assessed value. The Agency functions as an independent entity. The City Council serves as the governing board of the Agency.

The Agency's assets, liabilities, revenues and expenditures (other than those applicable to its capital assets and long-term debt) are reported in the Fund Financial Statements. The Agency's capital assets and long-term debt are reported with the Governmental Activities in the Government-Wide Financial Statements.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

San Rafael Joint Powers Financing Authority - The San Rafael Joint Powers Financing Authority (Authority) was created by the City of San Rafael pursuant to Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California for the purpose of assisting in the financing and refinancing of certain assessment district activities of the City.

All of the Authority's assets, liabilities, revenues and expenditures are reported in the Fund Financial Statements. The Agency's capital assets and long-term debt are reported with the Governmental Activities in the Government-Wide Financial Statements.

Discretely Presented Component Unit

San Rafael Sanitation District - The San Rafael Sanitation District (District) was formed in 1947 under Section 4700 of the California Health and Safety Code to provide wastewater transmission over the southern two-thirds of the City and adjacent unincorporated areas. The City contracts with the District to maintain the collection systems in the City and unincorporated areas.

The District is governed by a three member Board of Directors who are appointed to four-year terms. The City Council of the City appoints two out of the three board members and has the ability to remove the two board members at will.

The District's activities are reported as a discretely presented component unit in a separate column in the basic financial statements which includes the District's assets, liabilities, revenues, expenses, results of operations and cash flows. The District's fiscal year end is June 30 and its separately issued component unit financial statements can be obtained at Central Marin Sanitation Agency, Finance Department, 1301 Andersen Drive, San Rafael, California 94901.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. 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 City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. A Discretely Presented Component Unit Activities column is presented after the total column. Fiduciary Activities of the City are not included in these statements.

City of San Rafael

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The Government-Wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to, Due from other funds
- Transfers in, transfer out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of San Rafael

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Columns representing a discretely presented component unit and internal service funds are also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

C. Interest Payable

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the fund financial statements, governmental fund types recognize the interest expenditures on long-term debt when payment is due. In the propriety fund types recognize the interest payable when the liability is incurred.

D. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

E. *Cash, Cash Equivalents and Investments*

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

F. *Short-Term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term loans are classified as interfund receivables or payables.

G. *Property Tax Levy Collection and Maximum Rates*

The State of California (State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

Marin County assesses, bills for, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on February 1	July 1
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Property Tax Levy Collection and Maximum Rates, Continued

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and the County of Marin. The Teeter Plan authorizes the auditor-controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits tax monies to the City in three installments, as follows:

55% remitted on December 15
40% remitted on April 15
5% remitted on June 15

H. Taxpayer-Assessed Taxes Accrual

In accordance with GASB Statement No. 22, *Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds*, the City recognizes taxpayer-assessed taxes in governmental funds as follows:

Sales Taxes – The City accrues actual advances from the State Board of Equalization received in July and August of the subsequent fiscal year, as these amounts are both measurable and available to the City to meet its financial obligation for the current period.

Public Safety Sales Tax (Proposition 172 Sales Tax) – The City accrues July and August receipts of the public safety sales tax on the basis consistent with the accrual of regular sales taxes.

Transient Occupancy Taxes – The City collects transient occupancy taxes on a quarterly basis. The taxes assessed for the quarter ended June 30 are due by July 31 of the subsequent fiscal year. The City accrues all transient occupancy taxes for the June 30th quarter received subsequent to the fiscal year end.

Gas Taxes – The City accrues gas taxes assessed for the month ended June 30, as these amounts are both measurable and available to the City a month after the fiscal year end.

Franchise Fees – The City collects cable franchise fees on a quarterly basis and refuse franchise fees on a monthly basis. The taxes assessed for the quarter ended June 30 are due by July 31 of the subsequent fiscal year. The City accrues all franchise fees for the June 30th period received subsequent to the fiscal year end.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets

Capital assets, which include land, land improvements, buildings and structures, machinery and equipment, and infrastructure assets (e.g. bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated.

City policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets	\$5,000 - \$50,000
Infrastructure Capital Assets	\$25,000 - \$250,000

For capital assets, depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and Improvements	20 - 25 years
Machinery and Equipment	4 - 15 years
Infrastructure	15 - 50 years

GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included the value of all infrastructure capital assets into its Basic Financial Statements using the Basic Approach for infrastructure reporting.

The City defines infrastructure capital assets as the basic physical assets that allow the City to function. The assets include:

- Bridges
- Street system
- Roadways
- Storm Drain System

Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, and traffic control devices (signs, signals and pavement markings). These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

Interest accrued during construction of capital assets, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

The collection systems and facilities of the District are stated at cost less accumulated depreciation. Assets contributed have been recorded at the fair market value at the date received. Maintenance and repairs are charged to expense as incurred. Improvements are capitalized and depreciated over the remaining estimated useful lives of the related capital asset. Depreciation is computed using the straight-line method over the useful lives of the assets.

A summary of the estimated useful lives of the capital assets of the District is as follows:

Subsurface lines	50 years
Sewage collection facilities	5 - 50 years
General plant and administrative facilities	3 - 15 years

J. Long-Term Lease Accounting

Capital assets acquired through long-term lease contracts are capitalized at the time the contract is executed. The related assets and liabilities are recorded in the appropriate activity.

K. Compensated Absences

The City accounts for compensated absences (unpaid vacation, sick leave, compensatory time, and administrative leave) expected to be currently payable as accrued payroll and benefits liability in the governmental funds to which they relate. The balance of the earned and vested, but unused, compensated absences expected to be paid subsequent to the end of the current fiscal year is recorded as a liability in the governmental activities of the Governmental-Wide Financial Statements. Effective July 2001, the requirement that employees hired before October, 1979 be eligible for a portion of unused sick leave was eliminated. No expenditure was recorded for these amounts.

L. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated. The expenditures are accounted for in the internal service funds.

M. Appropriation Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes. For the fiscal year ended June 30, 2004, based on calculations by the City's management, proceeds of taxes did not exceed related appropriations. Further, Section 5 of Article XIII B allows the City to designate a portion of fund balances for general contingencies to be used for any purpose.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Net Assets

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets” as defined above.

Fund Financial Statements

Reservations of fund balances of governmental funds and net assets of proprietary funds are created to either satisfy legal covenants including State laws, that require a portion of the fund equity be segregated, or identify the portion of the fund equity not available for future expenditures.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated quarterly to each fund based on an average of quarterly opening and closing balances of cash and investments.

A. Cash Deposits

The carrying amounts of the City's cash deposits were \$514,827 at June 30, 2004. Bank balances at June 30, 2004 were \$2,449,082 which were fully insured and collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City is authorized by State statutes and in accordance with the City's Investment Policy (the Policy), adopted on December 15, 2003, to invest in the following:

- U.S. Government Obligations
- U.S. Government Agencies and Instruments
- Repurchase Agreements
- Bankers Acceptances
- Commercial Paper
- Medium-Term Corporate Notes
- Certificates of Deposit
- Negotiable Certificates of Deposit
- California Local Agency Investment Fund (LAIF)
- Mutual Funds

C. Risk Category

In accordance with GASB Statement No. 3, cash deposits and investments are categorized separately to give an indication of the level of risk assumed by the City. Cash deposits and investments not subject to such categorization under GASB Statement No. 3 are identified as "uncategorized."

The City's cash deposits and investments are categorized in the following manner:

Deposits

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Risk Category, Continued

Investments

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Uncategorized - Certain cash deposits and investments are not subject to categorization under GASB Statement No. 3.

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets			
	Governmental	Business		
	Activities	Type	Total	Total
		Activities		
Cash and Investments	\$ 33,859,457	\$ 1,525,792	\$ 35,385,249	\$ 35,385,249
Restricted Cash and Investments:				
Held by fiscal agents	\$ 11,054,473	\$ -	\$ 11,054,473	\$ 11,054,473
Total cash and investments				\$ 46,439,722

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Risk Category, Continued

Pooled cash and investments were classified by risk category as follows at June 30, 2004:

	Category 1	Category 2	Category 3	Uncategorized	Fair Value
City Treasury:					
Demand Deposits:					
Cash Deposits	\$ 514,827	\$ -	\$ -	\$ -	\$ 514,827
Certificates of Deposit	195,667	-	-	-	195,667
Total demand deposits	710,494	-	-	-	710,494
Investments:					
Securities of U.S. Government					
Agencies	-	3,754,389	-	-	3,754,389
Corporate Bonds and Notes	-	6,048,370	-	-	6,048,370
Local Agency Investment Fund	-	-	-	24,871,996	24,871,996
Total investments	-	9,802,759	-	24,871,996	34,674,755
Total City Treasury	\$ 710,494	\$ 9,802,759	\$ -	\$ 24,871,996	\$ 35,385,249
Restricted Cash and Investments					
Held by Fiscal Agents	\$ -	\$ -	\$ 11,054,473	\$ -	\$ 11,054,473
Total	\$ 710,494	\$ 9,802,759	\$ 11,054,473	\$ 24,871,996	\$ 46,439,722

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2004, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2004, the City had \$24,871,996 invested in LAIF, which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998384177 was used to calculate the fair value of investments in LAIF.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Risk Category, Continued

Investments stated at fair value held in the City Treasury grouped by maturity date at June 30, 2004, are shown below:

<u>Maturity</u>	<u>Fair Value</u>
Current to one year	\$ 28,287,576
One to two years	2,632,791
Two to three years	500,313
Three to four years	1,240,625
Four to five years	2,013,450
Total	\$ 34,674,755

D. Cash and Investments with Fiscal Agents

The funds deposited with fiscal agents can be held in cash or invested in various securities. The fiscal agents can invest in securities as outlined in trust agreements, provided the investments are within the limits imposed by State statutes upon the entity. At June 30, 2004, cash and investments with fiscal agents totaling \$11,054,473 were recorded at fair value.

E. Component Unit - Sanitation District Cash and Investments

All of the District's cash is deposited with the County of Marin's pooled cash and investments account, except cash related to the certificates of participation which is invested in an open-end mutual fund held in trust by the District's custodial agent. The carrying amount and fair value of the pooled cash and investments account and the open-end mutual fund at June 30, 2004, amounted to \$6,852,268 and \$479,692, respectively, totaling \$7,331,960. Both of these types of investments are not required to be categorized as to credit risk. Fair values for the pooled cash and investments were provided by the County of Marin as the pool's sponsor. The fair value of the open-end mutual fund was based upon the unit share price at June 30, 2004.

Cash and investments at June 30, 2004, consisted of the following:

Cash and investments	\$ 7,331,960
Petty cash	75
Total	\$ 7,332,035
Unrestricted cash:	
Cash	\$ 6,852,343
Restricted cash:	
Certificates of participation	479,692
Total	\$ 7,332,035

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. LOANS RECEIVABLE

The City had the following loans receivable at June 30, 2004:

	Government- Wide Financial Statements	Fund Financial Statements	
	Governmental Activities	Governmental Funds	Internal Service Funds
Loan to City Manager	\$ 334,274	\$ 334,274	\$ -
Employees' Computer Loans	15,618	15,618	-
Marin Housing Development	90,173	90,173	-
Centertown Associates	225,536	225,536	-
One "H " Street Associates	82,857	82,857	-
Muir Terrance Homes	-	21,726	-
Marin Bocce Federation	-	25,000	-
ORCA Swim Club	10,000	-	10,000
Total	\$ 758,458	\$ 795,184	\$ 10,000

On August 1, 1996, the City made a 30-year loan to the City Manager in the amount of \$392,040, at an interest rate equivalent to the Local Agency Investment Fund interest rate, for the purchase of a home. The loan is secured by a Deed of Trust. The principal and interest are payable monthly commencing September 1, 1996 through August 31, 2026. The outstanding balance at June 30, 2004 was \$334,274.

Effective February 1, 2000, the City agreed to loan employees up to \$2,500 for the purchase of computer hardware and software. The loan program, which stipulates that employees may not have more than one loan outstanding, provides financial assistance from the City in the form of a no interest loan repaid through automatic payroll deductions. The outstanding balance at June 30, 2004 was \$15,618.

Original balance was \$100,000 from Marin Housing Development at 0% interest rate. All principal and interest shall be due on January 30, 2005. The outstanding balance at June 30, 2004 was \$90,173.

Original balance was \$303,000 loan from Centertown Associates, Ltd. at 3% interest rate due semiannually. The final payment is due on July 31, 2065. The outstanding balance at June 30, 2004 was \$225,536.

\$100,000 loan from One "H" Street Associates at 0% interest rate with annual payments of \$2,857 and with final payment due January 18, 2034. The loan is in connection with the affordable housing project located at One "H" Street. The outstanding balance at June 30, 2004 was \$82,857.

In April 1996, Muir Terrace Homes entered into agreement with the City to defer all development fee payments except the Traffic Mitigation fee which is waived for the Below Market Rate units. The payments are due when the developer has sold all the units for low-mod income housing. The outstanding balance at June 30, 2004 was \$21,726. In the Government-Wide Financial Statements, the receivable and deferred revenues are eliminated.

City of San Rafael

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2004

3. LOANS RECEIVABLE, Continued

The City entered into an interest free loan with the Marin Bocce Federation to finance the San Rafael Bocce Center projects. The loan is due in annual installments, due by June 30 of each year in the amount of \$5,000. The outstanding balance at June 30, 2004 was \$25,000. In the Government-Wide Financial Statements, the receivable and deferred revenues are eliminated.

On February 19, 2002 the City of San Rafael entered into an agreement with the ORCA Swim Club to purchase new competitive swim equipment for the Club. The Club will reimburse the City for \$18,000 of the equipment cost. \$3,000 was paid off by the Club in September 2002, and the remaining balance at June 30, 2004 of \$10,000 will be paid in full by 2005 in two equal annual installments.

4. INTERFUND TRANSACTIONS

A. Due From/To Other Funds

As of June 30, 2004, balances of due from/to other funds were as follows:

		Due To Other Funds			
		Sewer Maintenance	Park Capital Projects	Internal Service Funds	Total
Due From Other Funds	General Fund	\$ 254,396	\$ 204,702	\$ 175,409	\$ 634,507
	Non-Major Governmental Funds	-	25,000	-	25,000
	Total	\$ 254,396	\$ 229,702	\$ 175,409	\$ 659,507

B. Transfers

Transfers for the year ended June 30, 2004, were as follows:

		Transfers In			
		Major Funds General Fund	Non-Major Governmental Funds	Internal Service Funds	Total
Transfers Out	Major Funds:				
	General Fund	\$ -	\$ 3,680,818	\$ -	\$ 3,680,818
	Sewer Maintenance	88,400	-	-	88,400
	Non-Major Governmental Funds	274,620	836,060	100,000	1,210,680
	Parking Services Enterprise Fund	102,970	40,000	-	142,970
	Internal Service Funds	200,000	-	-	200,000
	Total	\$ 665,990	\$ 4,556,878	\$ 100,000	\$ 5,322,868

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2004 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total	Discrete Component Unit
Non-depreciable assets:				
Land	\$ 81,455,082	\$ 7,661,071	\$ 89,116,153	\$ 115,329
Construction in process	11,941,122	480,749	12,421,871	107,311
Total non-depreciable assets	93,396,204	8,141,820	101,538,024	222,640
Depreciable assets:				
Land improvements	7,419,678	-	7,419,678	-
Buildings and structures	24,751,954	1,163,000	25,914,954	-
Machinery and equipment	13,406,433	218,357	13,624,790	-
Infrastructure	166,408,256	-	166,408,256	-
Subsurface lines	-	-	-	12,152,655
Sewage collection facilities	-	-	-	25,375,456
General plant and administration	-	-	-	98,535
	211,986,321	1,381,357	213,367,678	37,626,646
Less accumulated depreciation	(80,037,779)	(804,128)	(80,841,907)	(15,722,823)
Total depreciable assets, net	131,948,542	577,229	132,525,771	21,903,823
Total capital assets	\$ 225,344,746	\$ 8,719,049	\$ 234,063,795	\$ 22,126,463

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities for the year ended June 30, 2004:

	Balance July 1, 2003	Reclassification/ Additions	Retirements	Balance June 30, 2004
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 80,683,347	\$ 771,735	\$ -	\$ 81,455,082
Construction in progress	7,639,803	4,301,319	-	11,941,122
Total capital assets, not being depreciated	88,323,150	5,073,054	-	93,396,204
Capital assets, being depreciated:				
Land improvements	7,327,523	92,155	-	7,419,678
Buildings and structures	24,642,085	109,869	-	24,751,954
Machinery and equipment	11,821,301	1,585,132	(341,321)	13,065,112
Infrastructure	164,763,888	1,644,368	-	166,408,256
Total capital assets, being depreciated	208,554,797	3,431,524	(341,321)	211,645,000
Accumulated depreciation:				
Land improvements	(2,241,154)	(274,647)	-	(2,515,801)
Buildings and structures	(4,427,319)	(580,482)	-	(5,007,801)
Machinery and equipment	(6,024,237)	(933,653)	341,321	(6,616,569)
Infrastructure	(60,910,330)	(4,645,957)	-	(65,556,287)
Total accumulated depreciation	(73,603,040)	(6,434,739)	341,321	(79,696,458)
Total capital assets, being depreciated, net	134,951,757	(3,003,215)	-	131,948,542
Governmental activities capital assets, net	\$ 223,274,907	\$ 2,069,839	\$ -	\$ 225,344,746

Depreciation expense by program for capital assets for the year ended June 30, 2004 were as follows:

General government	\$ 145,406
Public safety	523,666
Public works and parks	4,541,972
Community development/redevelopment	34,670
Culture and recreation	279,025
Total depreciation expense	\$ 5,524,739

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2003	Reclassification/ Additions	Retirements	Balance June 30, 2004
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,661,071	\$ -	\$ -	\$ 7,661,071
Construction in progress	195,416	285,333	-	480,749
Total capital assets, not being depreciated	7,856,487	285,333	-	8,141,820
Capital assets, being depreciated:				
Buildings and structures	1,163,000	-	-	1,163,000
Machinery and equipment	208,357	10,000	-	218,357
Total capital assets, being depreciated	1,371,357	10,000	-	1,381,357
Accumulated depreciation:				
Buildings and structures	(674,650)	(23,260)	-	(697,910)
Machinery and equipment	(88,777)	(17,441)	-	(106,218)
Less accumulated depreciation	(763,427)	(40,701)	-	(804,128)
Total capital assets, being depreciated, net	607,930	(30,701)	-	577,229
Business-type activities capital assets, net	\$ 8,464,417	\$ 254,632	\$ -	\$ 8,719,049

Depreciation expense for Business-type activities was \$40,701 for the year ended June 30, 2004.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

A summary of the District's fixed assets at June 30, 2004, follows:

	Balance July 1, 2003	Reclassification/ Additions	Retirements	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 115,329	\$ -	\$ -	\$ 115,329
Construction in progress	1,180,647	262,897	(1,336,233)	107,311
Total capital assets, not being depreciated	1,295,976	262,897	(1,336,233)	222,640
Capital assets, being depreciated:				
Subsurface lines	12,152,655	-	-	12,152,655
Sewage collection facilities	24,039,223	1,336,233	-	25,375,456
General plant and administration	50,393	48,142	-	98,535
Total capital assets, being depreciated	36,242,271	1,384,375	-	37,626,646
Accumulated depreciation:				
Subsurface lines	(7,063,912)	(228,821)	-	(7,292,733)
Sewage collection facilities	(7,720,513)	(669,104)	-	(8,389,617)
General plant and administration	(36,774)	(3,699)	-	(40,473)
Less accumulated depreciation	(14,821,199)	(901,624)	-	(15,722,823)
Total capital assets, being depreciated, net	21,421,072	482,751	-	21,903,823
Capital assets, net	\$ 22,717,048	\$ 745,648	\$ (1,336,233)	\$ 22,126,463

Depreciation expense for the District was \$901,624 for the year ended June 30, 2004.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due in One Year	Due in More Than One Year
San Rafael Joint Powers Financing Authority:						
1997 Authority Revenue Bonds	\$ 2,820,000	\$ -	\$ (480,000)	\$ 2,340,000	\$ 490,000	\$ 1,850,000
2003 Authority Lease Revenue Bonds	7,605,000	-	-	7,605,000	-	7,605,000
Total revenue bonds	10,425,000	-	(480,000)	9,945,000	490,000	9,455,000
San Rafael Redevelopment Agency Tax Allocation Bonds:						
Series 1999	21,369,004	-	(575,000)	20,794,004	605,000	20,189,004
Series 2002	23,545,000	-	(1,100,000)	22,445,000	1,120,000	21,325,000
Total tax allocation bonds	44,914,004	-	(1,675,000)	43,239,004	1,725,000	41,514,004
Special Assessment Bonds (with governmental commitment):						
Peacock Gap Refunding	585,000	-	(190,000)	395,000	190,000	205,000
Mariposa Road Assessment	95,000	-	(15,000)	80,000	15,000	65,000
Total special assessment bonds	680,000	-	(205,000)	475,000	205,000	270,000
Note Payable	169,000	-	-	169,000	-	169,000
Capitalized Lease Obligations	26,594	668,134	(10,775)	683,953	137,731	546,222
Compensated Absences	4,213,137	-	(65,510)	4,147,627	691,271	3,456,356
Total long-term debt	\$ 60,427,735	\$ 668,134	\$ (2,436,285)	\$ 58,659,584	\$ 3,249,002	\$ 55,410,582
Discrete Component Unit - San Rafael Sanitation District:						
2001 Certificates of Participation	\$ 3,828,923	\$ -	\$ (317,031)	\$ 3,511,892	\$ 350,000	\$ 3,161,892

A. 1997 Authority Revenue Bonds – Original Issue \$5,250,000

On January 28, 1997, the Authority issued the 1997 Authority Revenue Bonds in the amount of \$5,250,000 bearing interest at rates from 4.00% to 6.00%. The proceeds of the bonds were used to consolidate and refund the previously issued Limited Obligation Refunding Bonds. The bonds mature annually each September 2 from 1997 to 2011, in amounts ranging from \$20,000 to \$555,000. Interest is payable semiannually on March 2 and September 2. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity at the option of the City upon payment of the principal and interest accrued thereon to the date of redemption, plus a redemption premium ranging from 2.00% to 5.00%. Revenues from the repayment of the Refunding Bonds and the reserve account are utilized to meet debt service requirements of the Revenue Bonds. The Refunding Bonds are secured by unpaid reassessments confirmed against private property within the Reassessment District. The outstanding balance of the bonds was \$2,340,000 as of June 30, 2004.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

A. 1997 Authority Revenue Bonds – Original Issue \$5,250,000, Continued

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 490,000	\$ 139,741	\$ 629,741
2006	515,000	108,004	623,004
2007	215,000	84,647	299,647
2008	200,000	71,034	271,034
2009	210,000	57,341	267,341
2010-2012	710,000	78,647	788,647
Total	\$ 2,340,000	\$ 539,414	\$ 2,879,414

B. 2003 Authority Lease Revenue Bonds – Original Issue \$7,605,000

On March 26, 2003, the Authority issued the 2003 Authority Lease Revenue Bonds in the amount of \$7,605,000 bearing interest at rates from 3.00% to 4.70%. The proceeds of the bonds were provided for the design and construction of a new public parking garage. The bonds mature annually each April 1 from 2006 to 2023, in amounts ranging from \$150,000 to \$290,000. Interest is payable semiannually on April 1 and October 1. The bonds maturing on or after April 1, 2011 are subject to optional redemption prior to maturity on or after April 1, 2010 at the option of the City, as a whole on any date. The Lease Revenues are secured by lease payments made by the City to the Authority for leasing the City facilities. The outstanding balance of the bonds was \$7,605,000 as of June 30, 2004.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ -	\$ 345,566	\$ 345,566
2006	150,000	345,566	495,566
2007	155,000	341,066	496,066
2008	160,000	336,416	496,416
2009	165,000	331,616	496,616
2010-2014	920,000	1,567,830	2,487,830
2015-2019	1,125,000	1,364,837	2,489,837
2020-2024	1,395,000	1,089,612	2,484,612
2025-2029	1,770,000	715,500	2,485,500
2030-2033	1,765,000	226,000	1,991,000
Total	\$ 7,605,000	\$ 6,664,009	\$ 14,269,009

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

C. 1999 Tax Allocation Bonds - Original Issue \$23,504,004

On June 16, 1999, the Agency issued Tax Allocation Bonds in the amount of \$23,504,004. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$21,115,000 and as Capital Appreciation Bonds in the original amount of \$2,389,004. The proceeds of the bonds were used to finance certain redevelopment activities of benefit to the Agency's Central San Rafael Redevelopment Project Area. The Current Interest Bonds mature annually each December 1 from 2000 to 2022, in amounts ranging from \$560,000 to \$1,460,000 and bear interest at rates ranging from 4.50% to 5.00%. Interest is payable semiannually on June 1 and December 1. The Current Interest Bonds maturing on or after December 1, 2008, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or on a pro rata basis among maturities, on any date on or after December 1, 2007, at a price equal to the principal amount, plus accrued interest on the redemption date, plus a premium ranging from 0.00% to 2.00%. The Capital Appreciation Bonds mature annually after December 1 from 2018 to 2022, in amounts ranging from \$1,440,000 to \$2,070,000 and bear interest at rates ranging from 5.58% to 5.60%. Interest on the Capital Appreciation Bonds will compound on each interest premium date and will be payable solely at maturity. The bonds are secured, on parity with the 1992 and 1995 bonds, by a pledge and lien on tax revenues and amounts on deposit in certain funds and accounts held by the fiscal agent. The outstanding balance of the bonds was \$20,794,004 as of June 30, 2004.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 605,000	\$ 894,856	\$ 1,499,856
2006	630,000	865,525	1,495,525
2007	665,000	834,769	1,499,769
2008	695,000	802,469	1,497,469
2009	730,000	768,625	1,498,625
2010-2014	4,225,000	3,260,469	7,485,469
2015-2019	5,919,593	2,062,625	7,982,218
2020-2024	7,324,411	559,750	7,884,161
Total	\$ 20,794,004	\$ 10,049,088	\$ 30,843,092

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

D. 2002 Tax Allocation Refunding Bonds - Original Issue \$25,020,000

On October 9, 2002, the Agency issued Tax Allocation Refunding Bonds in the amount of \$25,020,000. The proceeds of the bonds were used to refund the 1992 Tax Allocation Refunding Bonds and the 1995 Tax Allocation Bonds. The bonds mature annually each December 1 from 2002 to 2018, in amounts ranging from \$540,000 to \$1,920,000 and bear interest at rates ranging from 2.00% to 5.25%. Interest is payable semiannually on June 1 and December 1. The Bonds maturing on or after December 1, 2013, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after December 1, 2012, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from tax revenues to be derived from the redevelopment activities of the Agency related to the Central San Rafael Redevelopment Project Area. The outstanding balance of the bonds was \$22,445,000 as of June 30, 2004.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 1,120,000	\$ 947,225	\$ 2,067,225
2006	1,145,000	924,575	2,069,575
2007	1,165,000	901,475	2,066,475
2008	1,195,000	876,381	2,071,381
2009	1,235,000	835,149	2,070,149
2010-2014	7,130,000	3,219,480	10,349,480
2015-2019	7,685,000	1,222,100	8,907,100
2020-2021	1,770,000	114,964	1,884,964
Total	\$ 22,445,000	\$ 9,041,349	\$ 31,486,349

E. Peacock Gap Reassessment District Limited Obligation Refunding Improvement Bonds - Original Issue \$2,405,000

On October 7, 1993, the City issued Limited Obligation Refunding Improvement Bonds for the Peacock Gap Reassessment District in the amount of \$2,405,000. The proceeds of the bonds were used to constitute a trust fund for the redemption and payment of principal and interest on the City of San Rafael Improvement Bonds of the Peacock Gap Improvement District, dated September 4, 1984. Interest is payable semi-annually on each March 2 and September 2, commencing March 2, 1994, at rates ranging from 4.00% to 5.75%. As of June 30, 2004, the outstanding balance of the bonds was \$395,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 190,000	\$ 17,490	\$ 207,490
2006	205,000	6,038	211,038
Total	\$ 395,000	\$ 23,528	\$ 418,528

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

F. Mariposa Road Assessment District Limited Obligation Improvement Bonds - Original Issue \$233,688

On January 6, 1993, the City issued Limited Obligation Refunding Improvement Bonds for the Mariposa Road Assessment District in the amount of \$233,688. The proceeds of the bonds were used to finance the grading and paving of Mariposa Road, to fund a Reserve Fund, and to pay the costs of issuance on the bonds. The bonds are issued as Serial Bonds and mature in various amounts on each September 2 commencing September 2, 1994 and ending September 2, 2008. Interest shall be payable commencing on March 2, 1993, and semiannually thereafter on September 2 and March 2 of each year until maturity, at rates ranging from 4.50% to 6.90%. As of June 30, 2004, the outstanding balance of the bonds was \$80,000.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 15,000	\$ 4,958	\$ 19,958
2006	15,000	3,946	18,946
2007	15,000	2,926	17,926
2008	15,000	1,898	16,898
2009	20,000	690	20,690
Total	\$ 80,000	\$ 14,418	\$ 94,418

G. Defeased Bonds

On October 9, 2002, the Agency issued Tax Allocation Refunding Bonds in the amount of \$25,020,000. The proceeds of the bonds were used to refund and defease the outstanding principal of \$14,115,000 and \$7,445,000 of the 1992 Refunding Bonds and 1995 Tax Allocation Bonds respectively. The bonds have been 100% defeased and the liability has been removed from the Long-Term Debt. The balance of the defeased bonds outstanding was paid in full during the fiscal year.

H. Note Payable

At June 30, 2004, Notes Payable consisted of a \$169,000 promissory note bearing interest at 8% with principal and accrued interest due and payable in November 2024. The note was assumed to finance the purchase of certain property by the Agency.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

I. Capitalized Lease Obligations

The City leased two copiers. Copier one is in the amount of \$16,800. The monthly lease payment is \$280 for five years. The lease expired in 2004. Copier two is in the amount of \$11,880. The monthly lease payment is \$198 for five years. The lease expires in 2006.

The City leased furniture in the amount of \$30,939. The monthly lease payment of \$619 for five years started in July 2000. The lease expires in 2006.

The City leased two fire trucks in the amount of \$668,134. The annual lease payment of \$72,295 for five years starts in September 2004. The lease expires in 2009.

The future minimum lease obligations are due as follows:

Year Ending June 30,	Copiers	Furniture	Trucks	Total
2005	\$ 4,644	\$ 7,093	\$ 125,994	\$ 137,731
2006	3,012	1,070	129,700	133,782
2007	-	-	133,514	133,514
2008	-	-	137,442	137,442
2009	-	-	141,484	141,484
Minimum lease payments	7,656	8,163	668,134	683,953
Less amount representing interest	(1,080)	(265)	-	(1,345)
Present value of minimum lease payments	<u>\$ 6,576</u>	<u>\$ 7,898</u>	<u>\$ 668,134</u>	<u>\$ 682,608</u>

J. Compensated Absences

The City accrues a liability for vested and unpaid compensated absences (accrued vacation, sick leave, compensatory time and administrative leave). The amount expected to be paid subsequent to the fiscal year end was \$3,456,356. The current portion of this liability amounted to \$691,271 for all funds, with a combined total of \$4,147,627 at June 30, 2004.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

K. Discrete Component Unit - San Rafael Sanitation District - 2001 Certificates of Participation - Original Issue \$4,710,000

The District and its Financing Corporation on May 1, 2001 issued \$4,710,000 of Certificates of Participation at discount of \$35,121. The certificates are to be used (1) to refund in whole the outstanding Series 1991 Certificates of Participation, (2) to finance the District's share of a new construction corporation yard, (3) to fund in whole or in part, a reserve fund for the certificates, and (4) to pay certain costs of issuing the certificates. The certificates are fully registered with principal due annually on August 1 and interest payable semiannually on February 1 and August 1. The certificates are subject to optional prepayment on any date on or after August 1, 2009. Terms of the Trust Agreement call for a premium at 101% to exercise optional prepayment between August 1, 2009 and July 31, 2010, and no premium August 1, 2010 and after.

The transaction advance refunded the 1991 Certificates by placing an amount in an irrevocable escrow fund sufficient to retire the debt on August 1, 2001, terminating and legally defeasing the 1991 Certificates. The excess of the reacquisition price over the net carrying amount of the debt defeased resulted in a deferred amount on refunding of \$250,973. The deferred amount on refunding as well as the discount are carried as a reduction of the certificates of participation to be amortized on a straight-line basis over the life of the new debt as a component of interest expense. The transaction reduced total cash out flows by \$44,969 and resulted in an economic gain of \$263,736.

The annual debt service requirements on these bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 350,000	\$ 145,020	\$ 495,020
2006	365,000	132,142	497,142
2007	380,000	118,170	498,170
2008	395,000	103,050	498,050
2009	410,000	86,745	496,745
2010-2012	1,810,000	140,810	1,950,810
Total	\$ 3,710,000	\$ 725,937	\$ 4,435,937

Total debt outstanding as of June 30, 2004, net of discounts and deferred amount on refunding were as follows:

Principal outstanding at June 30, 2003	\$ 3,710,000
Less:	
Discount	(24,672)
Deferred amount on refunding	(173,436)
Net bonds outstanding at June 30, 2004	\$ 3,511,892

The City complied with all significant bond covenants relating to reserve and sinking fund requirements, proof of insurance and budgeted revenue and maintenance costs.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. NON-CITY OBLIGATIONS

The following bond issues are not reported in the City's financial statements because they are special obligations payable solely from and secured by specific revenue sources described in the resolutions and official statements of the respective issues. Neither the faith and credit nor the taxing power of the City, the Agency, the State of California or any political subdivision thereof, is pledged for payment of these bonds.

	Project Description	Original Amount	Outstanding June 30, 2004
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$ 3,590,529	\$ 1,453,645
California Statewide Communities Development Authority Revenue Bonds	St. Marks School	5,605,000	5,605,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds	55 Fairfax Apartments	3,000,000	3,000,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001	San Rafael Commons Apartments	6,100,000	6,100,000
City of San Rafael Variable Rate Revenue Bonds	Kaiser Foundation Hospitals	275,000,000	275,000,000

8. FUND BALANCES RESERVATIONS AND DESIGNATIONS

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of a fund balance which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved fund balances. Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized and may not result in expenditures.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. FUND BALANCES RESERVATIONS AND DESIGNATIONS, Continued

A detailed schedule of the fund balances at June 30, 2004, is shown as follows:

	Major Funds							
						Capital		
	Special Revenue					Projects		
			Traffic and	Household		Park	Non-Major	
	General	Redevelopment	Housing	Hazmat	Sewer	Capital	Governmental	
		Agency	Mitigation	Facility	Maintenance	Projects	Funds	Total
Reserved:								
Encumbrances	\$ 10,689	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,689
Petty cash	3,487	-	-	-	-	-	-	3,487
General plan	22,085	-	-	-	-	-	-	22,085
Department savings	224,906	-	-	-	-	-	-	224,906
Employee M.O.U.	376,535	-	-	-	-	-	-	376,535
Loans receivable	334,274	325,156	-	-	-	-	25,000	684,430
Debt service	-	31,872	-	-	-	-	1,734,630	1,766,502
Improvement projects	43,606	16,243,437	-	-	-	176,312	1,760,361	18,223,716
Information systems projects	199,699	-	-	-	-	-	-	199,699
Equipment replacement	-	-	-	21,100	-	-	-	21,100
Buildings and structures	-	-	-	40,000	-	-	-	40,000
Facility closures	-	-	-	50,000	-	-	-	50,000
Assessment districts/open space	67,286	-	-	-	-	-	361,879	429,165
Mello Roos assessment	-	-	-	-	-	-	450,000	450,000
Educational Revenue Augmentation Fund	168,469	-	-	-	-	-	-	168,469
Traffic Mitigation	-	-	9,901,450	-	-	-	-	9,901,450
Housing	-	1,350,000	-	-	-	-	-	1,350,000
Total reserved	1,451,036	17,950,465	9,901,450	111,100	-	176,312	4,331,870	33,922,233
Unreserved, Designated:								
Emergency and cash flow	3,417,216	-	-	-	-	-	155,129	3,572,345
Library/endowments	-	-	-	-	-	-	472,578	472,578
Public safety	-	-	-	-	-	-	120,993	120,993
Grant projects	-	-	-	-	-	-	770,545	770,545
Park projects	-	-	-	-	-	-	675,664	675,664
Gas tax projects	-	-	-	-	-	-	1,342,905	1,342,905
Street projects	-	-	-	-	19,509	-	1,175,843	1,195,352
Total designated	3,417,216	-	-	-	19,509	-	4,713,657	8,150,382
Unreserved, Undesignated	828,936	-	82,857	362,471	-		395,554	1,669,818
Total	\$ 5,697,188	\$17,950,465	\$ 9,984,307	\$ 473,571	\$ 19,509	\$ 176,312	\$ 9,441,081	\$43,742,433

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had departmental expenditures in excess of budget. Sufficient revenues were available to fund these expenditures:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
General Fund	\$ 38,113,205	\$ 38,545,258	\$ 432,053
Sewer Maintenance	1,001,478	1,037,657	36,179
Park Capital Projects	28,000	236,412	208,412
Non-Major Funds:			
Recreation Revolving	2,606,169	2,816,233	210,064
Street Maintenance and Cleaning	1,754,686	2,709,494	954,808
Library	203,410	263,582	60,172
Stormwater	1,742,366	2,060,994	318,628
Peacock Gap Assessment District	223,380	239,353	15,973
Capital Improvement	146,000	1,174,794	1,028,794
Total	<u>\$ 45,818,694</u>	<u>\$ 49,083,777</u>	<u>\$ 3,265,083</u>

General Fund – General plan costs, which are covered by building fees, were budgeted in prior years but spent in the current year.

Sewer Maintenance – Higher medical insurance costs and higher than expected retirement costs contributed to the excess expenditures.

Park Capital Projects – The Gerstle Park renovations budgeted in previous years was spent in the current year.

Recreation Revolving – The Terra Linda Community Center and Aquatics' programs exceeded expectations resulting in higher costs (salary with related fringe benefits, pool chemicals, and contractual services) to operate the pool and facility for the year.

Street Maintenance and Cleaning – Capital projects, like Traffic Signal Management System, 2nd Street Rehabilitation, and Sidewalk Replacement, were funded and budgeted in prior years but the actual expenditures occurred in the current year.

Library – Audio and video materials, which is funded through audio and video rentals, were purchased in the current year.

Stormwater – Pump station improvements budgeted in the previous year was spent in the current year.

Peacock Gap Assessment District - The City's portion of the Archdiocese's assessment attributed to the improvement of San Pedro Road not budgeted in the current year.

Capital Improvement – Costs for special projects and capital projects that were budgeted in prior years was spent in the current year.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The City contributes to the Marin County Employees' Retirement Fund (Fund). All full-time and permanent part-time employees who work at least 75% of a full time position are eligible to participate.

The fund is an agent multiple-employer defined benefit retirement plan that acts as a common investment and administrative agent for various local governmental agencies within the County of Marin. The Fund provides retirement, disability, and death benefits based on the employee's years of service, age, and final compensation. Employees vest after five years of service and are eligible to receive retirement benefits after 10 years of service and having attained the age of 50, or 30 years of service (20 years for safety employees) regardless of age. These benefits provisions and all other requirements are established under the County Employees Retirement Law of 1937. The City's retirement plan is included in a separately issued report from the Marin County Employees' Retirement Fund, which can be obtained from Marin County Employees' Retirement Association, 3501 Civic Center Drive, Room 408, Civic Center, San Rafael, CA 94903.

B. Funding Policy

The funding policy of the Fund provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay Fund benefits when due. The City contributed 13.16% of payroll to the Fund for public safety personnel and 9.77% for other covered employees for the year ended June 30, 2004. The City, due to a collective bargaining agreement, also has a legal obligation to contribute full share of the employees' contribution up to a maximum of 3% of payroll for safety employees and non-safety employees. Employees have an obligation to contribute the remaining portion.

C. Annual Pension Cost

The City's annual pension cost to the Fund for the year ended June 30, 2004, of \$3,879,356 was equal to the City's required and actual contributions. The annual required contribution was determined as part of the actuarial valuation performed as of June 30, 2004. The employer rates for normal cost is determined using the Entry Age Normal Actuarial Cost Method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The significant assumptions used in the 2001 actuarial valuation include an assumed rate of return on investment assets of 8.25%, and annual payroll increases reflecting 4.25% for inflation and approximately range of 0.54% to 6.62% for merit and longevity. Actual rate of return on investment was a loss of 9.7% and payroll increased 6.10%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Fund also uses the level percentage-open method to amortize the unfunded actuarial liability which was revised to sixteen years left in the amortization period. It is assumed that payroll increases at an annual inflation rate of 4.25% over the amortization period.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. EMPLOYEES' RETIREMENT PLAN, Continued

D. Three-Year Historical Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2002	\$ 2,880,000	100%	\$ -
6/30/2003	3,349,490	100%	-
6/30/2004	3,879,356	100%	-

11. PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLANS)

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are to be determined instead of specifying the amount of benefits the individual is to receive. The plans are administered by Phase II located at P.O. Box 10009, Costa Mesa, California 92627.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

As established by the plan, all eligible non represented employees of the City will become a participant in the plan from the date that they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing a benefit under the Marin County Employees' Retirement Fund.

Contributions made by an employee and the employer vest immediately. As determined by the plan, each employee must contribute 3.75% of gross earnings to the plan. The City contributes an additional 3.75% of the employee's gross earnings.

During the year, the City contributed \$69,506 and employees contributed \$69,506. The total covered payroll of employees participating in the plan for the year ended June 30, 2004, was \$1,853,467. The total payroll for the year was \$33,788,898.

Additionally, the City participates in a 401(a) tax qualified plan for eligible non-represented management/mid-management employees. This is an employer only contribution program separate from the Marin County Employees' Retirement Fund. The City Manager, as Plan Administrator, annually determines the percent amount of contribution which can range from 0% to 5% of base salary of eligible employees. During the year, the City contributed \$128,430 to the plan on behalf of the eligible employees.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provides certain health care benefits for retired employees and their spouses. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. seq. of the Government Code. Substantially all of the City's employees may become eligible for these benefits if they are receiving a retirement benefit from the Marin County Employees' Retirement Fund within 120 days of retirement from City employment. At June 30, 2004, 212 retirees and surviving spouse received post-employment health care benefits. Those expenditures are reduced by reimbursements from the Marin County Retirement Office of the annual amount set forth in the County Retirement Rules and Regulations 1937 Act as amended and in Sections 31450 et. seq. of the Government Code. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. For the fiscal year ended June 30, 2004, those costs totaled \$1,171,024, of which \$684,905 was reimbursed.

13. RISK MANAGEMENT

The City 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 disasters. The City is self-insured up to a maximum of \$500,000 for each general liability claim, \$250,000 for each workers' compensation claim, and \$25,000 for each property damage claim. The City participates in a public agency risk sharing pool (California Joint Powers Risk Management Authority) for general liability claims in excess of the self-insured amounts up to \$24,500,000. The City purchases commercial insurance for workers' compensation claims in excess of the self-insured amount up to \$9,750,000. The City also purchases commercial insurance for property damage claims with insured amount of \$52,279,369. The City accounts for and finances its uninsured risks of loss in the internal service funds. The City had established a claims liability of \$4,338,024 at June 30, 2004, based on the requirement of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Changes in the general and workers' compensation claims liabilities for the fiscal years ended June 30, 2002, 2003, and 2004, are as follows:

General Liability	Balance at Beginning of Fiscal Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance at End of Fiscal Year
2001-02	\$ 184,703	\$ 1,372,096	\$ (1,051,827)	\$ 504,972
2002-03	504,972	1,115,872	(1,127,444)	493,400
2003-04	493,400	835,521	(641,776)	687,145
Workers' Compensation Liability	Balance at Beginning of Fiscal Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance at End of Fiscal Year
2001-02	\$ 2,569,323	\$ 2,207,423	\$ (1,612,809)	\$ 3,163,937
2002-03	3,163,937	1,470,860	(1,357,464)	3,277,333
2003-04	3,277,333	1,917,432	(1,543,886)	3,650,879

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

13. RISK MANAGEMENT, Continued

The California Joint Powers Risk Management Authority – which began operations in February 1986, is a governmental self-insurance cooperative organized under a joint power agreement consisting of 22 members which represent over 120 public agencies in California. The Risk Management Authority pools self-insurance losses of charter and associate members, develops risk management programs, and provides for administration of pooled coverage claims. The City paid \$294,018 in premiums to the Risk Management Authority during the fiscal year ended June 30, 2004. Condensed financial information for the California Joint Powers Risk Management Authority for the fiscal year ended June 30, 2004, was as follows:

Assets	<u>\$ 65,859,842</u>
Liabilities	\$ 36,069,353
Net assets	<u>29,790,489</u>
Total liabilities and net assets	<u>\$ 65,859,842</u>
Revenues	\$ 11,534,277
Expenses	(7,446,139)
Refunds to members	<u>(8,007,273)</u>
Change in net assets	<u>\$ (3,919,135)</u>

14. JOINT VENTURES, JOINTLY GOVERNED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS

A. Joint Ventures

The City participates in various organizations that are formally organized and are separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts, and the right to sue and be sued. Obligations and liabilities of the separate entities are not those of the City.

The Marin County Integrated On-Line Library System (System) – was formed to provide for the procurement, ownership, operation, maintenance, and governance of an integrated on-line library system that is jointly owned and operated by the cities of San Rafael, Mill Valley, Sausalito, and the County of Marin. The Governing Board of the System consists of the library director or designated alternate of each participant in the System. In accordance with the cost sharing formula developed by the library directors of the participants, the City's share of the acquisition cost in the amount of \$108,007 represents 18.98% of ownership in the System. Operating costs for the System are also shared by each participant by applying the cost sharing formula. Financial statements of the System can be obtained at the County Librarian, Marin County Free Library, Civic Center, Administration Building, San Rafael, California 94903.

City of San Rafael

Notes to Basic Financial Statements, Continued For the year ended June 30, 2004

14. JOINT VENTURES, JOINTLY GOVERNED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS, Continued

A. Joint Ventures, Continued

The Marin Street Light Acquisition Joint Powers Authority (MSLAJPA) - was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during the pendency of an eminent domain action against PG&E, and the subsequent transfer of the facilities to the individual local agencies. The Governing Board consists of five members from the participating agencies. Each of the local agency's share of contributions was based on the number of street lights to be acquired in the local agency's individual jurisdiction in relation to the total number of street lights to be acquired by the MSLAJPA. Financial statements of the MSLAJPA can be obtained at 27 Commercial Blvd. Suite C, Novato, California 94949.

The Marin Emergency Radio Authority (MERA) - was formed on February 28, 1998 by the County of Marin and 25 local agencies within the County to plan, finance, implement, manage, own, and operate a County-wide public safety and emergency radio system. The Governing Board consists of one representative from each member. On February 1, 1999, the Authority issued the 1999 Revenue Bonds in the amount of \$26,940,000 with interest rates ranging from 4.75% to 5.01%, maturing on August 15, 2016, to finance the acquisition and installation of the system. The costs of maintenance, operation, and debt service will be divided on a pro rata share based on an agreed-upon formula established by a majority of the Governing Board. The members entered into a Project Operating Agreement on February 1, 1999. Under the Operating Agreement, members are obligated to contribute service payments to cover the Authority's operation and debt service. The City's portion of the obligation is 16.913%. The first operating service payment was in July 1999. The first debt service payment was for August 2002. The City has established a reserve in its internal service funds to pay future service payments. Financial statements of the MERA can be obtained at 3501 Civic Centre Drive, San Rafael, CA 94903.

B. Jointly Governed Organizations

The Countywide Planning Agency - was established by the County of Marin and ten local cities to implement countywide performance standards for traffic, housing, water and sewer facilities, and environmental protection to ensure that residential and commercial growth does not exceed local water, sewer and transportation capacities. The Governing Board of the Countywide Planning Agency consists of one member of the County Board of Supervisors and one member of the City Council of each participating city.

The Marin Telecommunications Agency - was established to regulate the rates for cable television service and equipment and to advise the participants in their exercise of their license authority. The Governing Board of the Marin Telecommunications Agency consists of one member from each of the eleven participating agencies.

The Marin County Hazardous and Solid Waste Joint Powers Authority - was established by the County, local cities, and waste franchising districts to finance, prepare, and implement source reduction and recycling elements on a county-wide integrated waste management plan as required by State Assembly Bill 939.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

14. JOINT VENTURES, JOINTLY GOVERNED ORGANIZATIONS AND RELATED PARTY TRANSACTIONS, Continued

B. Jointly Governed Organizations, Continued

Friends of San Rafael - a California nonprofit Public Benefit Corporation - was established to help finance and accomplish the City's efforts to erect, construct and maintain public buildings, roads, monuments, plazas, parks, gardens, safety features and similar public improvements and infrastructure.

15. COMMITMENT AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City worked with the Department of Justice (DOJ) to determine the City's compliance with the Americans with Disabilities Act of 1990 (ADA). The DOJ ratified an ADA Settlement Agreement in August 2004 providing a number of specific remedies including timelines, law specific solutions and reporting over the next ten years. For example, several facility deficiencies require resolution within the next year, the City's Web site needs an ADA overhaul, and a significant amount of items relate to curb ramps. The City determined a range of \$2,000,000 to \$3,000,000 to expend on the remedies determined by the Agreement. An accurate amount was not estimated. Therefore, no liability has been recorded.

On October 1, 2002, the Agency entered into a second amendment to the Section 33401 Tax Sharing Agreement with the San Rafael High School District. This agreement provides for additional payments in the amount of \$179,000 each fiscal year beginning with fiscal year 2002-03 through fiscal year 2021-22.

16. SUBSEQUENT EVENT

2004 Tax and Revenue Anticipation Notes

The California Statewide Communities Development Authority (Authority) is a public entity organized pursuant to an Amended and Restated Joint Exercise of Power Agreement among a number of California counties, cities, and special districts. The Authority is authorized to issue bonds to finance working capital for local agencies within the State of California. The Authority has a California Communities Cash Flow Financing Program that provides cash flow financing for California counties, cities and other local agencies meeting certain criteria. The City is participating in this program under the 2004 Tax and Revenue Anticipation Bonds. The Authority, on behalf of participating agencies, has issued \$803,750,000 in a series of bonds. The City's participation level is \$4,245,000. The proceeds of the bond sale have been placed in a 13-month guaranteed investment contract with an investment rate of 2.44 percent. The maturity date for the note is July 25, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Rafael
Required Supplementary Information
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING

The City adopts a budget on a biannual basis, to be effective July 1 for the ensuing and subsequent fiscal years. The two year budget reflects estimated revenues and expenditures for each fiscal year. From the effective date of the budget, which is adopted at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control. The City Manager is authorized to transfer budgeted amounts between accounts, departments or funds; the Council must approve any increase in the City's total budget. Several supplemental appropriations were approved during the course of the year.

The City legally adopts budgets for all its governmental funds, except for the East Francisco Boulevard Assessment District, 1915 Act Bonds and 1997 Reassessment Bonds debt service funds, because the City is only required to make debt service payments in the event of bondholder default.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are carried forward in the subsequent year's budget. All unencumbered appropriations lapse at year end.

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 32,284,940	\$ 32,049,140	\$ 32,999,575	\$ 950,435
Licenses and permits	650,305	738,425	920,353	181,928
Fines and forfeitures	799,670	649,670	778,552	128,882
Use of money and property	311,940	321,240	(150,056)	(471,296)
Intergovernmental	5,391,740	4,537,834	4,600,223	62,389
Charges for services	1,086,160	1,294,499	1,353,588	59,089
Other	181,200	181,200	257,517	76,317
Total revenues	40,705,955	39,772,008	40,759,752	987,744
EXPENDITURES:				
Current:				
General government	5,201,151	5,007,038	4,953,422	53,616
Public safety	24,188,155	23,941,046	23,761,680	179,366
Public works and parks	5,506,606	5,430,557	5,372,286	58,271
Community development/redevelopment	2,123,060	2,075,513	2,096,103	(20,590)
Culture and recreation	1,551,916	1,538,361	1,556,924	(18,563)
Capital outlay	-	45,000	-	45,000
Capital improvement/special projects	75,690	75,690	794,068	(718,378)
Debt service:				
Capitalized lease obligation	-	-	10,775	(10,775)
Total expenditures	38,646,578	38,113,205	38,545,258	(432,053)
REVENUES OVER (UNDER) EXPENDITURES	2,059,377	1,658,803	2,214,494	555,691
OTHER FINANCING SOURCES (USES):				
Transfers in	613,820	850,720	665,990	(184,730)
Transfers out	(3,642,500)	(3,270,282)	(3,680,818)	(410,536)
Total other financing sources (uses)	(3,028,680)	(2,419,562)	(3,014,828)	(595,266)
Net change in fund balance	\$ (969,303)	\$ (760,759)	(800,334)	\$ (39,575)
FUND BALANCE:				
Beginning of year			6,497,522	
End of year			\$ 5,697,188	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Redevelopment Agency Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 4,467,310	\$ 4,467,310	\$ 4,528,913	\$ 61,603
Use of money and property	275,000	335,988	663,703	327,715
Charges for services	8,550	8,550	7,950	(600)
Other	2,100	2,100	233,154	231,054
Total revenues	4,752,960	4,813,948	5,433,720	619,772
EXPENDITURES:				
Current:				
Community development/redevelopment	1,265,829	1,961,474	1,779,439	182,035
Capital improvement/special projects	537,840	4,035,828	3,792,474	243,354
Debt service:				
Principal	1,675,000	1,675,000	1,675,000	-
Interest and fiscal charges	1,892,310	1,892,310	1,892,305	5
Total expenditures	5,370,979	9,564,612	9,139,218	425,394
Net change in fund balance	\$ (618,019)	\$ (4,750,664)	(3,705,498)	\$ 1,045,166
FUND BALANCE:				
Beginning of year			21,655,963	
End of year			\$ 17,950,465	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Traffic and Housing Mitigation Special Revenue Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 225,000	\$ 220,000	\$ 239,630	\$ 19,630
Intergovernmental	21,500	21,500	-	(21,500)
Charges for services	-	-	350,539	350,539
Other	-	15,935	20,011	4,076
Total revenues	246,500	257,435	610,180	352,745
EXPENDITURES:				
Capital improvement/special projects	765,000	807,185	158,014	649,171
Total expenditures	765,000	807,185	158,014	649,171
Net change in fund balance	\$ (518,500)	\$ (549,750)	452,166	\$ (296,426)
FUND BALANCE:				
Beginning of year			9,532,141	
End of year			\$ 9,984,307	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Household Hazmat Facility Special Revenue Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 7,950	\$ 2,950
Use of money and property	10,500	-	9,908	9,908
Intergovernmental	83,200	83,200	83,040	(160)
Charges for services	1,230,799	1,230,799	1,255,249	24,450
Other	12,170	12,170	3,800	(8,370)
Total revenues	1,341,669	1,331,169	1,359,947	28,778
EXPENDITURES:				
Current:				
Public safety	1,316,209	1,314,994	1,322,468	(7,474)
Capital outlay	11,970	11,970	-	11,970
Total expenditures	1,328,179	1,326,964	1,322,468	4,496
Net change in fund balance	\$ 13,490	\$ 4,205	37,479	\$ 24,282
FUND BALANCE:				
Beginning of year			436,092	
End of year			\$ 473,571	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Sewer Maintenance Special Revenue Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Charges for services	1,093,120	1,093,120	1,144,830	51,710
Total revenues	1,098,120	1,098,120	1,144,830	46,710
EXPENDITURES:				
Current:				
Public works and parks	1,007,936	1,001,478	1,037,657	(36,179)
Total expenditures	1,007,936	1,001,478	1,037,657	(36,179)
REVENUES OVER (UNDER) EXPENDITURES	90,184	96,642	107,173	10,531
OTHER FINANCING SOURCES (USES):				
Transfers out	(88,400)	(88,400)	(88,400)	-
Total other financing sources (uses)	(88,400)	(88,400)	(88,400)	-
Net change in fund balance	\$ 1,784	\$ 8,242	18,773	\$ 10,531
FUND BALANCE:				
Beginning of year			736	
End of year			\$ 19,509	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2004

2. MARIN COUNTY EMPLOYEES' RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess Assets Over AAL	Funded Ratio	Covered Payroll	Excess Assets Over AAL As a % of Payroll
6/30/2001	\$ 186,085,000	\$ 172,939,000	\$ 13,146,000	108%	\$ 25,650,000	51.3%
6/30/2002	190,563,000	187,118,000	3,445,000	102%	27,223,000	12.7%
6/30/2003	185,632,000	219,845,000	(34,213,000)	84%	27,453,000	(124.6)%

* Latest information available.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Recreation Revolving Fund - Established to administer the Recreation Department's program and facility rental charge and accounts for the Recreation Memorial Fund.

Baypoint Lagoons Assessment District Fund - The Baypoint Lagoons Lighting and Landscape District was formed to protect and enhance wildlife habitat and water quality in Baypoint (Spinnaker) Lagoon and the adjacent diked salt marsh.

Gas Tax Fund - Established to receive and expend the City's allocation of the State gasoline taxes.

Childcare Fund - Established to administer and account for childcare programs at eleven sites throughout the City.

Street Maintenance and Cleaning Fund - Established to maintain the City's streets, public properties and rights of way.

Loch Lomond Assessment District Fund - Established to provide maintenance for stormwater and geotechnic mitigation facilities. A Mello Roos District was formed to fund this maintenance.

Library Fund - Established to account for restricted library activities that are intended to be self-funding.

Public Safety Fund - Established for special police services, which are intended to be self-funding.

Stormwater Fund - Established to provide for a self-funding storm drain maintenance program plus separate programs through the County and Bay Area to educate residents about urban runoff pollution.

Development Services Fund - Established to account for development activities that are supported by external sources of funds. This fund does not account for the operating costs of building, planning, and engineering, which are located in the General Fund.

Grants Fund - Established to account for grants for the Library, Childcare, Police, and Falkirk Cultural Center.

Parkland Dedication Fund - Established to account for long-term developer deposits used to enhance and maintain the park structure within City limits.

Emergency Medical Services Fund - Established to account for the Emergency Medical Services and Transportation program that provides services to all segments of the community.

Business Improvement Fund - Established to account for activities held in Downtown San Rafael, such as the Farmers Market.

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NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS:

Peacock Gap Assessment District Fund - Established to accumulate funds for the payment of principal and interest for the 1993 Bonds which matures in 2005. The proceeds were used to refund the 1984 Bonds, which provided for the construction of public improvements in the project area. Financing is to be provided by property tax increments generated within the specific geographic region described by the bond assessment district.

Mariposa Assessment District Fund - Established to accumulate funds for the payment of principal and interest for the 1993 Bond, which matures in 2008. The proceeds were used to finance the grading and paving of Mariposa Road.

1997 Financing Authority Revenue Bonds Fund - Established to accumulate funds for the payment of principal and interest for the 1997 Revenue Bonds which matures in 2011. The proceeds were used to purchase the previously issued special assessment bonds. Financing is to be provided by property tax increments generated within the specific geographic region described by the bond assessment district.

2003 Authority Lease Revenue Parking Bonds - Issued in March 2003 to provide for the design and construction of a new public parking garage. Bonds mature annually from 2006 to 2023.

CAPITAL PROJECTS FUNDS:

Capital Improvement Fund - Established for the costs associated with major capital improvement projects not tied to specific funds elsewhere. Improvements could include medians, parkways, sidewalks, and other public assets.

Bedroom Tax Fund - Established to collect funds from multiple-unit housing used to pay for maintaining and developing parks within local neighborhoods.

Assessment Districts Fund - Established to account for ongoing construction and improvement needs within the following assessment districts: Peacock Gap, Kerner Boulevard, Sun Valley/Lucas Valley Open Space, East San Rafael Drainage Assessment Districts 1

City of San Rafael
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue				
	Recreation Revolving	Baypoint Lagoon Assessment District	Gas Tax	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$ 81,692	\$ 11,927	\$ 1,243,108	\$ 53,762	\$ 455,729
Cash with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	202,472	-	65,332	-	36,510
Grants	-	-	105,461	-	190,000
Loans	-	-	-	-	-
Prepaid expenses	12,602	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 296,766	\$ 11,927	\$ 1,413,901	\$ 53,762	\$ 682,239
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 55,060	\$ -	\$ 70,996	\$ 17,758	\$ 132,179
Developer bonds payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	143,957	-	-	-	-
Total liabilities	199,017	-	70,996	17,758	132,179
Fund Balances (Note 9):					
Reserved	-	-	-	-	-
Unreserved:					
Designated	-	-	1,342,905	-	550,060
Undesignated, reported in:					
Special revenue funds	97,749	11,927	-	36,004	-
Total fund balances	97,749	11,927	1,342,905	36,004	550,060
Total liabilities and fund balances	\$ 296,766	\$ 11,927	\$ 1,413,901	\$ 53,762	\$ 682,239

Loch Lomond							
Assessment District	Library	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication	Emergency Medical Services
\$ 627,255	\$ 373,542	\$ 110,727	\$ 706,748	\$ 517,026	\$ 564,838	\$ 675,664	\$ 162,190
-	-	-	-	-	-	-	-
311	-	15,203	1,859	-	-	-	1,328
-	114,396	-	-	-	218,458	-	-
-	-	-	-	-	-	21,726	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	25,000	-
<u>\$ 627,566</u>	<u>\$ 487,938</u>	<u>\$ 125,930</u>	<u>\$ 708,607</u>	<u>\$ 517,026</u>	<u>\$ 783,296</u>	<u>\$ 722,390</u>	<u>\$ 163,518</u>
\$ -	\$ 15,360	\$ 4,937	\$ 82,824	\$ 9,299	\$ 12,751	\$ -	\$ 8,389
-	-	-	-	1,500	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	21,726	-
-	15,360	4,937	82,824	10,799	12,751	21,726	8,389
450,000	-	-	-	436,605	-	25,000	-
-	472,578	120,993	625,783	-	770,545	675,664	155,129
177,566	-	-	-	69,622	-	-	-
<u>627,566</u>	<u>472,578</u>	<u>120,993</u>	<u>625,783</u>	<u>506,227</u>	<u>770,545</u>	<u>700,664</u>	<u>155,129</u>
<u>\$ 627,566</u>	<u>\$ 487,938</u>	<u>\$ 125,930</u>	<u>\$ 708,607</u>	<u>\$ 517,026</u>	<u>\$ 783,296</u>	<u>\$ 722,390</u>	<u>\$ 163,518</u>

(Continued)

City of San Rafael
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2004

	Special Revenue	Debt Service			
		Peacock		1997	2003
		Gap	Mariposa	Financing	Authority
	Business	Assessment	Assessment	Authority	Lease Revenue
	Improvement	District	District	Revenue Bonds	Parking Bonds
ASSETS					
Cash and investments	\$ 2,686	\$ 325,868	\$ 39,909	\$ 578,974	\$ 7,339
Cash with fiscal agent	-	-	-	437,290	342,088
Receivables:					
Accounts	-	1,115	134	1,913	-
Grants	-	-	-	-	-
Loans	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 2,686	\$ 326,983	\$ 40,043	\$ 1,018,177	\$ 349,427
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Developer bonds payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances (Note 9):					
Reserved	-	326,983	40,043	1,018,177	349,427
Unreserved:					
Designated	-	-	-	-	-
Undesignated, reported in:					
Special revenue funds	2,686	-	-	-	-
Total fund balances	2,686	326,983	40,043	1,018,177	349,427
Total liabilities and fund balances	\$ 2,686	\$ 326,983	\$ 40,043	\$ 1,018,177	\$ 349,427

Capital Projects					Total Non-Major Governmental Funds
Capital Improvement	Bedroom Tax	Assessment Districts	Open Space		
\$ 1,200,746	\$ 136,822	\$ 223,741	\$ 138,138	\$ 8,238,431	
-	-	-	-	779,378	
-	-	-	-	326,177	
-	-	-	-	628,315	
-	-	-	-	21,726	
-	-	-	-	12,602	
-	-	-	-	25,000	
<u>\$ 1,200,746</u>	<u>\$ 136,822</u>	<u>\$ 223,741</u>	<u>\$ 138,138</u>	<u>\$ 10,031,629</u>	
\$ 13,812	\$ -	\$ -	\$ -	\$ 423,365	
-	-	-	-	1,500	
-	-	-	-	-	
-	-	-	-	165,683	
<u>13,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>590,548</u>	
1,186,934	136,822	223,741	138,138	4,331,870	
-	-	-	-	4,713,657	
-	-	-	-	395,554	
<u>1,186,934</u>	<u>136,822</u>	<u>223,741</u>	<u>138,138</u>	<u>9,441,081</u>	
<u>\$ 1,200,746</u>	<u>\$ 136,822</u>	<u>\$ 223,741</u>	<u>\$ 138,138</u>	<u>\$ 10,031,629</u>	

(Concluded)

City of San Rafael

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2004

	Special Revenue				
	Recreation Revolving	Baypoint Lagoons Assessment District	Gas Tax	Childcare	Street Maintenance and Cleaning
REVENUES:					
Taxes and special assessments	\$ -	\$ 25,499	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	844	375	27,879	254	8,666
Intergovernmental	-	-	1,107,005	263,875	206,361
Charges for current services	1,520,713	-	122,780	2,280,739	-
Other revenue	5,657	-	104,795	1,175	52,175
Total revenues	1,527,214	25,874	1,362,459	2,546,043	267,202
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	28,041	182,562	-	1,553,717
Culture and recreation	2,760,375	-	-	2,465,670	-
Capital outlay	5,121	-	-	14,366	-
Capital improvement/special projects	50,737	-	368,037	-	1,155,777
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,816,233	28,041	550,599	2,480,036	2,709,494
REVENUES OVER (UNDER) EXPENDITURES	(1,289,019)	(2,167)	811,860	66,007	(2,442,292)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,317,170	-	50,000	-	1,882,050
Transfers out	-	-	(875,000)	(45,400)	-
Total other financing sources (uses)	1,317,170	-	(825,000)	(45,400)	1,882,050
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	28,151	(2,167)	(13,140)	20,607	(560,242)
FUND BALANCES:					
Beginning of year	69,598	14,094	1,356,045	15,397	1,110,302
End of year	\$ 97,749	\$ 11,927	\$ 1,342,905	\$ 36,004	\$ 550,060

Loch Lomond								
Assessment	Library		Public	Stormwater		Development	Parkland	Emergency
District			Safety			Service	Dedication	Medical
								Services
\$ 62,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,332,935
-	-	-	-	-	-	-	-	-
-	-	9,819	3,604	-	-	-	-	-
14,548	80,678	2,343	18,234	16,004	12,072	15,971	-	-
-	152,744	76,700	-	3,330	1,273,664	-	-	-
-	11,373	3,952	825,286	25,569	-	78,286	1,217,697	-
-	17,490	200	-	112,500	1,700	3,123	-	-
76,891	262,285	93,014	847,124	157,403	1,287,436	97,380	3,550,632	-
-	-	-	-	-	9,406	-	-	-
-	-	117,031	-	-	100,000	-	3,562,018	-
54	-	-	1,081,056	-	-	-	-	-
-	195,941	-	-	-	166,354	-	-	-
-	-	-	-	-	-	-	12,216	-
-	67,641	-	979,938	87,781	957,863	150	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
54	263,582	117,031	2,060,994	87,781	1,233,623	150	3,574,234	-
76,837	(1,297)	(24,017)	(1,213,870)	69,622	53,813	97,230	(23,602)	-
-	-	40,000	864,600	-	100,000	-	-	-
-	-	-	(50,000)	-	(116,060)	-	(116,670)	-
-	-	40,000	814,600	-	(16,060)	-	(116,670)	-
76,837	(1,297)	15,983	(399,270)	69,622	37,753	97,230	(140,272)	-
550,729	473,875	105,010	1,025,053	436,605	732,792	603,434	295,401	-
\$ 627,566	\$ 472,578	\$ 120,993	\$ 625,783	\$ 506,227	\$ 770,545	\$ 700,664	\$ 155,129	-

(Continued)

City of San Rafael

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

	Special Revenue	Debt Service			
		Peacock		1997	2003
		Gap	Mariposa	Financing	Authority
	Business	Assessment	Assessment	Authority	Lease Revenue
	Improvement	District	District	Revenue Bonds	Parking Bonds
REVENUES:					
Taxes and special assessments	\$ -	\$ 223,050	\$ 26,896	\$ 658,955	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	146	5,730	724	11,675	4,404
Intergovernmental	32,760	-	-	-	-
Charges for current services	-	-	-	-	-
Other revenue	16,207	-	-	-	-
Total revenues	49,113	228,780	27,620	670,630	4,404
EXPENDITURES:					
Current:					
General government	51,624	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital improvement/special projects	-	-	-	-	-
Debt service:					
Principal retirement	-	190,000	15,000	480,000	-
Interest and fiscal charges	-	49,353	8,067	172,827	333,804
Total expenditures	51,624	239,353	23,067	652,827	333,804
REVENUES OVER (UNDER) EXPENDITURES	(2,511)	(10,573)	4,553	17,803	(329,400)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(2,540)	(150)	(4,860)	-
Total other financing sources (uses)	-	(2,540)	(150)	(4,860)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,511)	(13,113)	4,403	12,943	(329,400)
FUND BALANCES:					
Beginning of year	5,197	340,096	35,640	1,005,234	678,827
End of year	\$ 2,686	\$ 326,983	\$ 40,043	\$ 1,018,177	\$ 349,427

Capital Projects				
Capital Improvement	Bedroom Tax	Assessment District	Open Space	Total Non-Major Governmental Funds
\$ -	\$ 9,708	\$ -	\$ -	\$ 3,339,386
-	-	-	-	-
-	-	-	-	13,423
33,791	3,272	-	3,404	261,014
-	-	-	-	3,116,439
-	-	-	-	6,086,395
125,732	-	67	-	440,821
159,523	12,980	67	3,404	13,257,478
-	-	-	-	61,030
-	-	-	-	3,779,049
-	-	-	2,618	2,848,048
-	-	-	-	5,588,340
-	-	-	-	31,703
1,174,794	-	-	1,417	4,844,135
-	-	-	-	685,000
-	-	-	-	564,051
1,174,794	-	-	4,035	18,401,356
(1,015,271)	12,980	67	(631)	(5,143,878)
303,058	-	-	-	4,556,878
-	-	-	-	(1,210,680)
303,058	-	-	-	3,346,198
(712,213)	12,980	67	(631)	(1,797,680)
1,899,147	123,842	223,674	138,769	11,238,761
\$ 1,186,934	\$ 136,822	\$ 223,741	\$ 138,138	\$ 9,441,081

(Concluded)

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Park Capital Projects Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Intergovernmental	-	-	249,300	249,300
Other revenues	-	-	13,827	13,827
Total revenues	2,000	2,000	263,127	261,127
EXPENDITURES:				
Capital improvement/special projects	28,000	28,000	236,412	(208,412)
Total expenditures	28,000	28,000	236,412	(208,412)
Net change in fund balance	\$ (26,000)	\$ (26,000)	26,715	\$ 52,715
FUND BALANCE:				
Beginning of year			149,597	
End of year			\$ 176,312	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Recreation Revolving Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 5,610	\$ 2,610	\$ 844	\$ (1,766)
Charges for current services	1,507,415	1,549,489	1,520,713	(28,776)
Other revenue	36,630	17,280	5,657	(11,623)
Total revenues	1,549,655	1,569,379	1,527,214	(42,165)
EXPENDITURES:				
Current:				
Culture and recreation	2,587,936	2,579,209	2,760,375	(181,166)
Capital outlay	26,960	26,960	5,121	21,839
Capital improvement/special projects	-	-	50,737	(50,737)
Total expenditures	2,614,896	2,606,169	2,816,233	(210,064)
REVENUES OVER (UNDER) EXPENDITURES	(1,065,241)	(1,036,790)	(1,289,019)	(252,229)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,065,850	1,033,692	1,317,170	283,478
Total other financing sources (uses)	1,065,850	1,033,692	1,317,170	283,478
Net change in fund balance	\$ 609	\$ (3,098)	28,151	\$ 31,249
FUND BALANCE:				
Beginning of year			69,598	
End of year			\$ 97,749	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Baypoint Lagoons Assessment District Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 27,890	\$ 27,890	\$ 25,499	\$ (2,391)
Use of money and property	500	500	375	(125)
Total revenues	28,390	28,390	25,874	(2,516)
EXPENDITURES:				
Current:				
Public works and parks	29,590	29,590	28,041	1,549
Total expenditures	29,590	29,590	28,041	1,549
Net change in fund balances	\$ (1,200)	\$ (1,200)	(2,167)	\$ (967)
FUND BALANCES:				
Beginning of year			14,094	
End of year			\$ 11,927	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 30,000	\$ 30,000	\$ 27,879	\$ (2,121)
Intergovernmental	1,098,500	1,098,500	1,107,005	8,505
Charges for current services	-	244,000	122,780	(121,220)
Other revenue	100,000	100,000	104,795	4,795
Total revenues	1,228,500	1,472,500	1,362,459	(110,041)
EXPENDITURES:				
Current:				
Public works and parks	181,860	181,940	182,562	(622)
Capital improvement/special projects	1,270,000	1,552,260	368,037	1,184,223
Total expenditures	1,451,860	1,734,200	550,599	1,183,601
REVENUES OVER (UNDER) EXPENDITURES	(223,360)	(261,700)	811,860	1,073,560
OTHER FINANCING SOURCES (USES):				
Transfers in	450,000	50,000	50,000	-
Transfers out	(300,000)	(300,000)	(875,000)	(575,000)
Total other financing sources (uses)	150,000	(250,000)	(825,000)	(575,000)
Net change in fund balance	\$ (223,360)	\$ (261,700)	(13,140)	\$ 248,560
FUND BALANCE:				
Beginning of year			1,356,045	
End of year			<u>\$ 1,342,905</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Childcare Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 254	\$ 254
Intergovernmental	283,150	268,731	263,875	(4,856)
Charges for current services	2,470,570	2,367,700	2,280,739	(86,961)
Other revenue	-	-	1,175	1,175
Total revenues	2,753,720	2,636,431	2,546,043	(90,388)
EXPENDITURES:				
Current:				
Culture and recreation	2,418,809	2,543,317	2,465,670	77,647
Capital outlay	-	-	14,366	(14,366)
Total expenditures	2,418,809	2,543,317	2,480,036	63,281
REVENUES OVER (UNDER) EXPENDITURES	334,911	93,114	66,007	(27,107)
OTHER FINANCING SOURCES (USES):				
Transfers out	(113,500)	(45,400)	(45,400)	-
Total other financing sources (uses)	(113,500)	(45,400)	(45,400)	-
Net change in fund balance	\$ 221,411	\$ 47,714	20,607	\$ (27,107)
FUND BALANCE:				
Beginning of year			15,397	
End of year			<u>\$ 36,004</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Street Maintenance and Cleaning Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 16,000	\$ 11,000	\$ 8,666	\$ (2,334)
Intergovernmental	-	516,000	206,361	(309,639)
Charges for current services	100,000	-	-	-
Other revenue	2,330	2,330	52,175	49,845
Total revenues	118,330	529,330	267,202	(262,128)
EXPENDITURES:				
Current:				
Public works and parks	1,635,807	1,621,418	1,553,717	67,701
Capital improvement/special projects	100,000	133,268	1,155,777	(1,022,509)
Total expenditures	1,735,807	1,754,686	2,709,494	(954,808)
REVENUES OVER (UNDER) EXPENDITURES	(1,617,477)	(1,225,356)	(2,442,292)	(1,216,936)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,412,050	1,457,050	1,882,050	425,000
Total other financing sources (uses)	1,412,050	1,457,050	1,882,050	425,000
Net change in fund balance	\$ (205,427)	\$ 231,694	(560,242)	\$ (791,936)
FUND BALANCE:				
Beginning of year			1,110,302	
End of year			<u>\$ 550,060</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Loch Lomond Assessment District Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 62,630	\$ 62,630	\$ 62,343	\$ (287)
Use of money and property	10,000	10,000	14,548	4,548
Total revenues	72,630	72,630	76,891	4,261
EXPENDITURES:				
Current:				
Public works and parks	6,040	6,040	54	5,986
Total expenditures	6,040	6,040	54	5,986
Net change in fund balance	\$ 66,590	\$ 66,590	76,837	\$ 10,247
FUND BALANCE:				
Beginning of year			550,729	
End of year			\$ 627,566	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Library Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 47,490	\$ 46,490	\$ 80,678	\$ 34,188
Intergovernmental	203,010	203,010	152,744	(50,266)
Charges for current services	14,200	14,200	11,373	(2,827)
Other revenue	12,170	12,170	17,490	5,320
Total revenues	276,870	275,870	262,285	(13,585)
EXPENDITURES:				
Current:				
Culture and recreation	203,410	203,410	195,941	7,469
Capital improvement/special projects	-	-	67,641	(67,641)
Total expenditures	203,410	203,410	263,582	(60,172)
Net change in fund balance	\$ 73,460	\$ 72,460	(1,297)	\$ (73,757)
FUND BALANCE:				
Beginning of year			473,875	
End of year			<u>\$ 472,578</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Public Safety Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines and forfeitures	\$ 200	\$ 12,000	\$ 9,819	\$ (2,181)
Use of money and property	900	900	2,343	1,443
Intergovernmental	60,500	63,500	76,700	13,200
Charges for current services	18,710	3,710	3,952	242
Other revenue	1,500	1,500	200	(1,300)
Total revenues	81,810	81,610	93,014	11,404
EXPENDITURES:				
Current:				
Public safety	103,860	130,175	117,031	13,144
Total expenditures	103,860	130,175	117,031	13,144
REVENUES OVER (UNDER) EXPENDITURES	(22,050)	(48,565)	(24,017)	24,548
OTHER FINANCING SOURCES (USES):				
Transfers in	40,000	40,000	40,000	-
Total other financing sources (uses)	40,000	40,000	40,000	-
Net change in fund balance	\$ 17,950	\$ (8,565)	15,983	\$ 24,548
FUND BALANCE:				
Beginning of year			105,010	
End of year			<u>\$ 120,993</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Stormwater Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Fines and forfeitures	\$ 2,030	\$ 2,030	\$ 3,604	\$ 1,574
Use of money and property	10,000	10,000	18,234	8,234
Charges for current services	846,690	846,690	825,286	(21,404)
Total revenues	858,720	858,720	847,124	(11,596)
EXPENDITURES:				
Current:				
Public works and parks	1,115,342	1,120,827	1,081,056	39,771
Capital improvement/special projects	500,000	621,539	979,938	(358,399)
Total expenditures	1,615,342	1,742,366	2,060,994	(318,628)
REVENUES OVER (UNDER) EXPENDITURES	(756,622)	(883,646)	(1,213,870)	(330,224)
OTHER FINANCING SOURCES (USES):				
Transfers in	864,600	864,600	864,600	-
Transfers out	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	814,600	814,600	814,600	-
Net change in fund balance	\$ 57,978	\$ (69,046)	(399,270)	\$ (330,224)
FUND BALANCE:				
Beginning of year			1,025,053	
End of year			<u>\$ 625,783</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Development Services Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 16,004	\$ 6,004
Intergovernmental	-	-	3,330	3,330
Charges for services	-	-	25,569	25,569
Other	-	246,947	112,500	(134,447)
Total revenues	10,000	256,947	157,403	(99,544)
EXPENDITURES:				
Capital improvement/special projects	-	246,947	87,781	159,166
Total expenditures	-	246,947	87,781	159,166
Net change in fund balance	\$ 10,000	\$ 10,000	69,622	\$ 59,622
FUND BALANCE:				
Beginning of year, as restated			436,605	
End of year			\$ 506,227	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Grants Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 2,400	\$ 2,400	\$ 12,072	\$ 9,672
Intergovernmental	1,012,632	1,343,769	1,273,664	(70,105)
Other revenue	-	-	1,700	1,700
Total revenues	1,015,032	1,346,169	1,287,436	(58,733)
EXPENDITURES:				
Current:				
General government	8,982	8,982	9,406	(424)
Public safety	112,000	232,000	100,000	132,000
Culture and recreation	244,510	244,510	166,354	78,156
Capital improvement/special projects	731,877	902,383	957,863	(55,480)
Total expenditures	1,097,369	1,387,875	1,233,623	154,252
REVENUES OVER (UNDER) EXPENDITURES	(82,337)	(41,706)	53,813	95,519
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
Transfers out	-	(86,060)	(116,060)	(30,000)
Total other financing sources (uses)	100,000	13,940	(16,060)	(30,000)
Net change in fund balance	\$ 17,663	\$ (27,766)	37,753	\$ 65,519
FUND BALANCE:				
Beginning of year			732,792	
End of year			<u>\$ 770,545</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Parkland Dedication Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 12,000	\$ 12,000	\$ 15,971	\$ 3,971
Charges for current services	465,197	465,197	78,286	(386,911)
Other revenue	-	-	3,123	3,123
Total revenues	477,197	477,197	97,380	(379,817)
EXPENDITURES:				
Capital improvement/special projects	480,197	480,197	150	480,047
Total expenditures	480,197	480,197	150	480,047
Net change in fund balance	\$ (3,000)	\$ (3,000)	97,230	\$ 100,230
FUND BALANCE:				
Beginning of year			603,434	
End of year			\$ 700,664	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Emergency Medical Services Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Taxes and special assessments	\$ 2,162,730	\$ 2,349,400	\$ 2,332,935	\$ (16,465)
Use of money and property	25,000	10,000	-	(10,000)
Intergovernmental	17,000	-	-	-
Charges for current services	1,410,000	1,410,000	1,217,697	(192,303)
Total revenues	3,614,730	3,769,400	3,550,632	(218,768)
EXPENDITURES:				
Current:				
Public safety	3,530,530	3,581,035	3,562,018	19,017
Capital outlay	27,240	27,240	12,216	15,024
Total expenditures	3,557,770	3,608,275	3,574,234	34,041
REVENUES OVER (UNDER) EXPENDITURES	56,960	161,125	(23,602)	(184,727)
OTHER FINANCING SOURCES (USES):				
Transfers out	(301,400)	(301,400)	(116,670)	184,730
Total other financing sources (uses)	(301,400)	(301,400)	(116,670)	184,730
Net change in fund balance	\$ (244,440)	\$ (140,275)	(140,272)	\$ 3
FUND BALANCE:				
Beginning of year			295,401	
End of year			<u>\$ 155,129</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Business Improvement Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 500	\$ 500	\$ 146	\$ (354)
Intergovernmental	34,270	34,270	32,760	(1,510)
Other revenue	20,280	20,280	16,207	(4,073)
Total revenues	55,050	55,050	49,113	(5,937)
EXPENDITURES:				
Current:				
General government	50,030	57,030	51,624	5,406
Total expenditures	50,030	57,030	51,624	5,406
Net change in fund balance	\$ 5,020	\$ (1,980)	(2,511)	\$ (11,343)
FUND BALANCE:				
Beginning of year			5,197	
End of year			<u>\$ 2,686</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Peacock Gap Assessment District Debt Service Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 228,150	\$ 228,150	\$ 223,050	\$ (5,100)
Use of money and property	10,000	10,000	5,730	(4,270)
Total revenues	238,150	238,150	228,780	(9,370)
EXPENDITURES:				
Debt service:				
Principal retirement	180,000	180,000	190,000	(10,000)
Interest and fiscal charges	43,380	43,380	49,353	(5,973)
Total expenditures	223,380	223,380	239,353	(15,973)
REVENUES OVER (UNDER) EXPENDITURES	14,770	14,770	(10,573)	(25,343)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,540)	(2,540)	(2,540)	-
Total other financing sources (uses)	(2,540)	(2,540)	(2,540)	-
Net change in fund balance	\$ 12,230	\$ 12,230	(13,113)	\$ (25,343)
FUND BALANCE:				
Beginning of year			340,096	
End of year			<u>\$ 326,983</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Mariposa Assessment District Debt Service Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 22,410	\$ 22,410	\$ 26,896	\$ 4,486
Use of money and property	1,000	1,000	724	(276)
Total revenues	23,410	23,410	27,620	4,210
EXPENDITURES:				
Debt service:				
Principal retirement	15,000	15,000	15,000	-
Interest and fiscal charges	8,460	8,460	8,067	393
Total expenditures	23,460	23,460	23,067	393
REVENUES OVER (UNDER) EXPENDITURES	(50)	(50)	4,553	4,603
OTHER FINANCING SOURCES (USES):				
Transfers out	(150)	(150)	(150)	-
Total other financing sources (uses)	(150)	(150)	(150)	-
Net change in fund balance	\$ (200)	\$ (200)	4,403	\$ 4,603
FUND BALANCE:				
Beginning of year			35,640	
End of year			\$ 40,043	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

1997 Financing Authority Revenue Bonds Debt Service Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 669,490	\$ 669,490	\$ 658,955	\$ (10,535)
Use of money and property	7,900	7,900	11,675	3,775
Total revenues	<u>677,390</u>	<u>677,390</u>	<u>670,630</u>	<u>(6,760)</u>
EXPENDITURES:				
Debt service:				
Principal retirement	477,320	461,320	480,000	(18,680)
Interest and fiscal charges	200,540	203,530	172,827	30,703
Total expenditures	<u>677,860</u>	<u>664,850</u>	<u>652,827</u>	<u>12,023</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(470)</u>	<u>12,540</u>	<u>17,803</u>	<u>5,263</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,860)	(4,860)	(4,860)	-
Total other financing sources (uses)	<u>(4,860)</u>	<u>(4,860)</u>	<u>(4,860)</u>	<u>-</u>
Net change in fund balance	<u>\$ (5,330)</u>	<u>\$ 7,680</u>	<u>12,943</u>	<u>\$ 5,263</u>
FUND BALANCE:				
Beginning of year			1,005,234	
End of year			<u>\$ 1,018,177</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

2003 Authority Lease Revenue Parking Bond Debt Service Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ -	\$ 2,000	\$ 4,404	\$ 2,404
Total expenditures	-	2,000	4,404	2,404
EXPENDITURES:				
Debt service:				
Interest and fiscal charges	332,710	332,710	333,804	1,094
Total expenditures	332,710	332,710	333,804	1,094
Net change in fund balance	\$ (332,710)	\$ (330,710)	(329,400)	\$ 1,310
FUND BALANCE:				
Beginning of year			678,827	
End of year			\$ 349,427	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Capital Improvement Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 33,791	\$ 23,791
Other revenue	-	-	125,732	125,732
Total revenues	10,000	10,000	159,523	149,523
EXPENDITURES:				
Capital improvement/special projects	-	146,000	1,174,794	(1,028,794)
Total expenditures	-	146,000	1,174,794	(1,028,794)
REVENUE OVER (UNDER) EXPENDITURES	10,000	(136,000)	(1,015,271)	(879,271)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	146,000	303,058	157,058
Total other financing sources (uses)	-	146,000	303,058	157,058
Net change in fund balance	\$ 10,000	\$ 10,000	(712,213)	\$ (722,213)
FUND BALANCE:				
Beginning of year			1,899,147	
End of year			<u>\$ 1,186,934</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Bedroom Tax Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ -	\$ -	\$ 9,708	\$ 9,708
Use of money and property	2,000	2,000	3,272	1,272
Total revenues	2,000	2,000	12,980	10,980
 Net change in fund balance	 \$ 2,000	 \$ 2,000	 12,980	 \$ 10,980
FUND BALANCE:				
Beginning of year			123,842	
End of year			<u>\$ 136,822</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Open Space Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 20,000	\$ 5,000	\$ 3,404	\$ (1,596)
Total revenues	20,000	5,000	3,404	(1,596)
EXPENDITURES:				
Current:				
Public works and parks	11,680	11,680	2,618	9,062
Capital improvement/special projects	-	-	1,417	(1,417)
Total expenditures	11,680	11,680	4,035	7,645
Net change in fund balance	\$ 8,320	\$ (6,680)	(631)	\$ 6,049
FUND BALANCE:				
Beginning of year			138,769	
End of year			\$ 138,138	

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INTERNAL SERVICE FUNDS

City of San Rafael
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2004

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
ASSETS					
Current assets:					
Cash and investments	\$ 1,421,723	\$ 348,759	\$ -	\$ 1,130,008	\$ 3,682,502
Accounts receivable	-	-	694,328	-	-
Loans receivable	-	10,000	-	-	-
Total assets	1,421,723	358,759	694,328	1,130,008	3,682,502
LIABILITIES					
Current liabilities:					
Accounts payable	9,895	17,983	400	5,833	9,364
Due to other funds	-	-	175,409	-	-
Insurance claims payable	-	-	-	687,145	3,650,879
Total liabilities	9,895	17,983	175,809	692,978	3,660,243
NET ASSETS					
Unrestricted	1,411,828	340,776	518,519	437,030	22,259
Total net assets	\$ 1,411,828	\$ 340,776	\$ 518,519	\$ 437,030	\$ 22,259

Dental Insurance	Radio Replacement	Total
\$ 1,906	\$ 1,870,520	\$ 8,455,418
-	-	694,328
-	-	10,000
1,906	1,870,520	9,159,746
-	-	43,475
-	-	175,409
-	-	4,338,024
-	-	4,556,908
1,906	1,870,520	4,602,838
\$ 1,906	\$ 1,870,520	\$ 4,602,838

City of San Rafael

Combining Statement of Revenues, Expenses and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2004

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
OPERATING REVENUES:					
Charges for services	\$ 694,662	\$ 39,810	\$ 710,348	\$ 950,030	\$ 1,785,052
Refunds	-	-	189,516	197,610	32,066
Other operating revenues	678,277	73,335	684,905	-	-
Total operating revenues	1,372,939	113,145	1,584,769	1,147,640	1,817,118
OPERATING EXPENSES:					
General and administrative	172,497	8,314	1,620,122	-	-
Insurance premiums and claims	-	-	-	1,113,470	1,880,529
Maintenance and repairs	1,441,114	109,752	-	-	-
Total operating expenses	1,613,611	118,066	1,620,122	1,113,470	1,880,529
OPERATING INCOME (LOSS)	(240,672)	(4,921)	(35,353)	34,170	(63,411)
NONOPERATING REVENUES:					
Investment income	32,999	8,984	4,381	23,658	85,410
Total nonoperating revenues	32,999	8,984	4,381	23,658	85,410
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(207,673)	4,063	(30,972)	57,828	21,999
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	38,360	-	-	-	-
Transfers in	-	100,000	-	-	-
Transfers out	(200,000)	-	-	-	-
Total other financing sources (uses)	(161,640)	100,000	-	-	-
Net income (loss)	(369,313)	104,063	(30,972)	57,828	21,999
NET ASSETS:					
Beginning of year	1,781,141	236,713	549,491	379,202	260
End of year	\$ 1,411,828	\$ 340,776	\$ 518,519	\$ 437,030	\$ 22,259

Dental Insurance	Radio Replacement	Total
\$ 444,877	\$ 250,040	\$ 4,874,819
9,455	-	428,647
-	4	1,436,521
454,332	250,044	6,739,987
-	569,087	2,370,020
452,526	-	3,446,525
-	-	1,550,866
452,526	569,087	7,367,411
1,806	(319,043)	(627,424)
-	43,373	198,805
-	43,373	198,805
1,806	(275,670)	(428,619)
-	-	38,360
-	-	100,000
-	-	(200,000)
-	-	(61,640)
1,806	(275,670)	(490,259)
100	2,146,190	5,093,097
\$ 1,906	\$ 1,870,520	\$ 4,602,838

City of San Rafael
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2004

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers/other funds	\$ 1,372,939	\$ 118,145	\$ 1,667,511	\$ 1,147,640	\$ 1,817,118
Cash payments to suppliers for goods and services	(1,613,374)	(103,415)	(1,714,296)	(919,726)	(1,508,507)
Net cash provided (used) by operating activities	(240,435)	14,730	(46,785)	227,914	308,611
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	100,000	-	-	-
Transfers out	(200,000)	-	-	-	-
Net cash provided (used) by noncapital financing activities	(200,000)	100,000	-	-	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Cash received from sale of assets	38,360	-	-	-	-
Net cash provided (used) by capital financing activities	38,360	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest revenue	32,999	8,984	4,381	23,658	85,410
Net cash provided (used) by investing activities	32,999	8,984	4,381	23,658	85,410
Net increase (decrease) in cash and cash equivalents	(369,076)	123,714	(42,404)	251,572	394,021
CASH AND CASH EQUIVALENTS:					
Beginning of year	1,790,799	225,045	42,404	878,436	3,288,481
End of year	\$ 1,421,723	\$ 348,759	\$ -	\$ 1,130,008	\$ 3,682,502
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (240,672)	\$ (4,921)	\$ (35,353)	\$ 34,170	\$ (63,411)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
Due to/from other funds	-	-	175,409	-	-
Loans receivable	-	5,000	(92,667)	-	-
Accounts payable	237	14,651	(94,174)	(1)	(1,524)
Insurance claims payable	-	-	-	193,745	373,546
Total adjustments	237	19,651	(11,432)	193,744	372,022
Net cash provided (used) by operating activities	\$ (240,435)	\$ 14,730	\$ (46,785)	\$ 227,914	\$ 308,611

Dental Insurance	Radio Replacement	Total
\$ 454,332	\$ 250,044	\$ 6,827,729
(454,327)	(569,087)	(6,882,732)
5	(319,043)	(55,003)

-	-	100,000
-	-	(200,000)

-	-	(100,000)
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-	-	38,360
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-	-	38,360
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1,901	43,373	200,706
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1,901	43,373	200,706
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1,906	(275,670)	84,063
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-	2,146,190	8,371,355
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\$ 1,906	\$ 1,870,520	\$ 8,455,418
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\$ 1,806	\$ (319,043)	\$ (627,424)
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-	-	175,409
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-	-	(87,667)
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(1,801)	-	(82,612)
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-	-	567,291
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(1,801)	-	572,421
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\$ 5	\$ (319,043)	\$ (55,003)
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