

City of San Rafael

San Rafael, California

*Basic Financial Statements and
Independent Auditors' Report*

For the year ended June 30, 2003

City of San Rafael
Basic Financial Statements
For the year ended June 30, 2003

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Governmental-Wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities and Changes in Net Assets	22
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	28
Reconciliation of the Governmental Funds Balance Sheet to the	
Government-Wide Statement of Net Assets	29
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds.....	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Governmental-Wide Statement of	
Activities and Changes in Net Assets	31
Proprietary Funds:	
Statement of Net Assets	34
Combining Statement of Revenues, Expenses and	
Changes in Retained Earnings	35
Statement of Cash Flows	36
Notes to Basic Financial Statements.....	37
Required Supplementary Information:	
Budgets and Budgetary Accounting.....	76
Budgetary Comparison Schedule - General Fund.....	77
Budgetary Comparison Schedule - Redevelopment Agency Fund	78
Budgetary Comparison Schedule - Traffic and Housing Mitigation -	
Special Revenue Fund.....	79
Budgetary Comparison Schedule - Household Hazmat Facility Special Revenue Fund	80
Budgetary Comparison Schedule - Open Space Capital Projects Fund	81
Marin County Employees' Retirement System - Schedule of Funding Progress	81

City of San Rafael
Basic Financial Statements
For the year ended June 30, 2003

Table of Contents, Continued

	<u>Page</u>
 <u>FINANCIAL SECTION, Continued:</u>	
Supplemental Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	92
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Recreation Revolving Special Revenue Fund	96
Baypoint Lagoons Assessment District Special Revenue Fund	97
Gas Tax Special Revenue Fund.....	98
Childcare Special Revenue Fund	99
Street Maintenance and Cleaning Special Revenue Fund.....	100
Sewer Maintenance Special Revenue Fund.....	101
Loch Lomond Assessment District Special Revenue Fund	102
Library Special Revenue Fund	103
Public Safety Special Revenue Fund	104
Stormwater Special Revenue Fund	105
Development Services Special Revenue Fund.....	106
Grants Special Revenue Fund	107
Parkland Dedication Special Revenue Fund.....	108
Emergency Medical Services Special Revenue Fund.....	109
Business Improvement Special Revenue Fund.....	110
East Francisco Boulevard Assessment District Debt Service Fund	111
Peacock Gap Assessment District Debt Service Fund	112
1915 Act Bonds Debt Service Fund.....	113
Mariposa Assessment District Debt Service Fund	114
1997 Financing Authority Revenue Bonds Debt Service Fund	115
2003 Authority Revenue Parking Bond Debt Service Fund.....	116
Capital Improvement Capital Projects Fund	117
Bedroom Tax Capital Projects Fund.....	118
Park Capital Projects Capital Projects Fund.....	119
Internal Service Funds:	
Combining Statement of Net Assets.....	122
Combining Statement of Activities and Changes in Net Assets.....	124
Combining Statement of Cash Flows	126

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, 2003, 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, 2003, 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.

As described in Note 1 to the basic financial statements, the City adopted statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2003, 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
600 "B" Street, Suite 1900
San Diego, California 92101

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 30, 2003

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

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, 2003. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights – Primary Government

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2003 by \$226.7 million. Of this amount, \$17.2 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Funds – Expense Activities - During the fiscal year the City's expenses for Governmental Activities and Business-Type Activities (\$81.4 million) exceeded total collected revenues (\$67.8 million) by \$13.6 million. Excluding Depreciation (non-cash expense of \$20.1 million), collected revenues were \$6.5 million above expenses.

Changes in Net Assets - The City's total net assets decreased by \$13.6 million in fiscal year 2003. Net assets of Governmental Activities decreased by \$13.9 million, while net assets of the Business-Type Activities increased by \$.3 million.

Fund Highlights:

Governmental Funds – Fund Balances- As of the close of fiscal year 2003, the City's governmental funds reported combined ending fund balances of \$49.5 million, an increase of \$6.2 million from the prior year. Of this total amount, \$39.1 million represents reserved fund balances and \$ 9.5 million is designated.

General Fund - The fund balance of the General Fund on June 30, 2003 was \$6.5 million, a decrease of \$1.2 million from the prior year. \$2.4 million was held in reserve, and 3.9 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 increased by \$8.5 million (16.3%) during the fiscal year. The key factor in this increase was the issuance of \$7.6 million in lease revenue bonds for the design and construction of a new public parking garage. Additionally, The Redevelopment Agency issued new bonds and defeased two bond series previously issued in 1992 and 1995

City Highlights

- A new 3-acre \$7 million Public Works Facility was dedicated and occupied by Public Works Operations, Administration and Engineering staff.
- Implementation of new finance and human resources computer systems, as well as significant progress on replacing the Computer Aided Dispatch (CAD) and records management applications in the Police and Fire Departments.
- Parkside Child Care Center opened September 2001. The Terra Linda Pool commenced splashing April 2002.
- As part of the Downtown Vision desirable projects, completed construction of San Rafael City Plaza, a gathering place for City and other community events.
- Substantial progress made towards completion of General Plan 2020 draft document in fiscal year 2002-2003 with extensive community involvement. The Environmental Impact Report and public hearing processes commenced in early 2004.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

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.

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 General Government (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.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

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 21 through 23 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.

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 85 through 127 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 funds 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 governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund 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 funds financial statements.

The City has thirty governmental funds, of which five 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 five major funds are - the General Fund, Redevelopment Agency, Traffic and Housing Mitigation, Household Hazmat Facility and Open Space. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. The major funds can be found on pages 28 through 31 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 88 through 95 of this report.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

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 Government-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.

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 Financial Statements and Fund Financial Statements. The notes to the Basic Financial Statements can be found on pages 38 through 74 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 and open space). 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 75 through 81 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003**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 \$226.7 million, which is a decrease of \$13.6 million from the prior year.

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

City of San Rafael			
Statements of Net Assets			
June 30, 2003			
(Amounts in Millions)			
	Governmental	Business-Type	
	Activities	Activities	Total
Assets:			
Current assets	\$ 61.8	\$ 1.1	\$ 62.9
Capital assets, net	223.3	8.5	231.8
Total assets	285.1	9.6	294.7
Liabilities:			
Current liabilities	10.2	0.1	10.3
Long-term liabilities	57.7	-	57.7
Total liabilities	67.9	0.1	68.0
Net Assets:			
Invested in capital assets, net of related debt	198.0	8.5	206.5
Restricted	3.0	-	3.0
Unrestricted	16.2	1.0	17.2
Total net assets	\$ 217.2	\$ 9.5	\$ 226.7

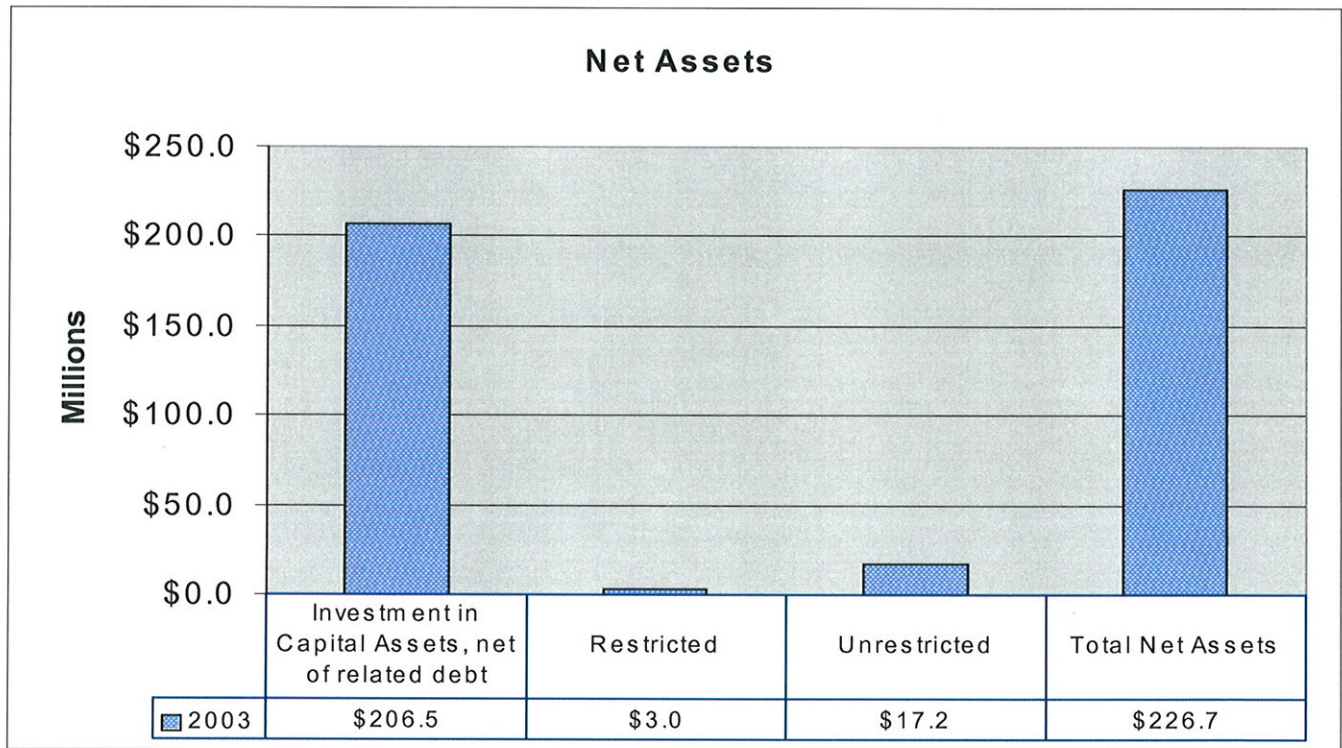
At June 30, 2003, the largest portion of net assets (91.1%) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The decline in total net assets from 2001-2002 to 2002-2003 is largely attributable to a netting of capital asset acquisition against depreciation expense for the year. Total depreciation for this current year was \$20.1 million, while capital asset acquisition totaled \$8.9 million, leaving a net change (decline) of \$11.2 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 (1.3%) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements. The remainder of net assets, \$17.2 million, may be used to meet the City's ongoing operations.

For the year ended June 30, 2003 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. Further analysis and detail regarding net assets can be found by reading page 46 of the financial statements.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003



Statement of Activities

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

City of San Rafael
Statements of Activities and Changes in Net Assets
For the Fiscal Year Ended June 30, 2003
(Amounts in Millions)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues	\$ 20.2	\$ 1.8	\$ 22.0
General revenues	45.8	-	45.8
Total revenues	<u>66.0</u>	<u>1.8</u>	<u>67.8</u>
Expenses	<u>80.1</u>	<u>1.3</u>	<u>81.4</u>
Change in net assets before transfers	(14.1)	0.5	(13.6)
Transfers	<u>0.2</u>	<u>(0.2)</u>	<u>-</u>
Net Assets:			
Beginning	<u>231.1</u>	<u>9.2</u>	<u>240.3</u>
Ending	<u><u>\$ 217.2</u></u>	<u><u>\$ 9.5</u></u>	<u><u>\$ 226.7</u></u>

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

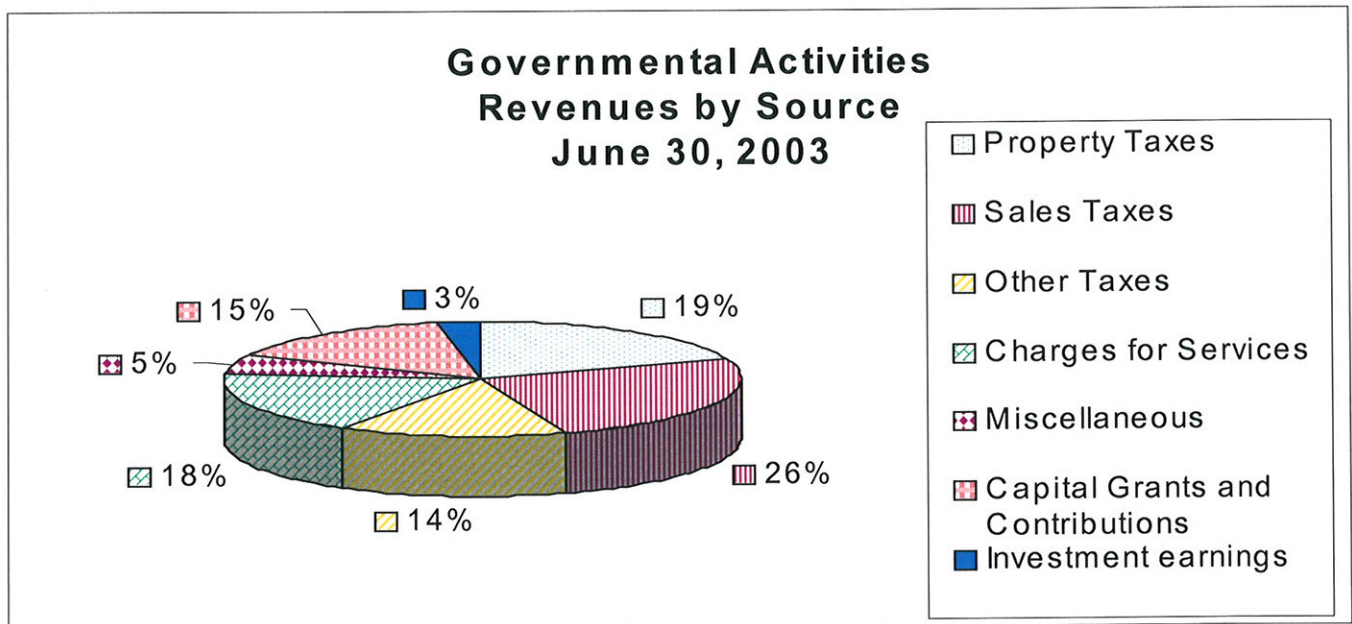
Governmental Activities

The City's governmental activities decreased net assets by \$13.9 million, which represents a 6.0% decline from last year. Key elements of this change were as follows:

Revenue Highlights

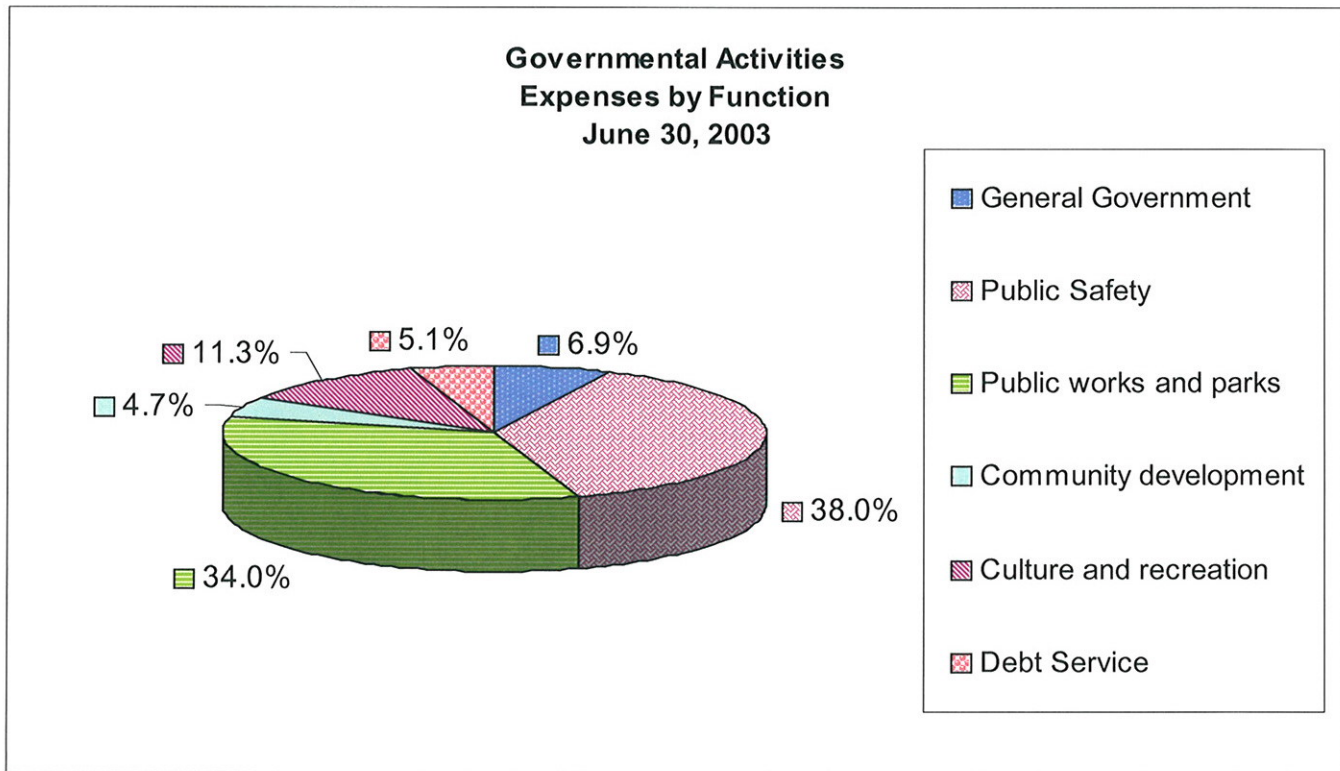
- Property Tax revenues increased by \$.5 million or 4.3% in fiscal year 2003 due to higher assessed property values and new construction.
- Sales tax increased by \$.2 million or approximately 1.1% compared to fiscal year 2002. Sales tax revenues are highly dependent on consumer retail and business related activity in the City and the slight increase is a reflection of economic uncertainties.
- Other Tax revenues increased by \$.02 million or approximately .3% compared to fiscal year 2002. The increases were primarily due to increases in business license and property transfer taxes, offset by decreases in transient occupancy and franchise taxes.
- Investment income, which is a combination of interest earnings and change in fair value of investments, also decreased by \$.6 million, or approximately 24.1% over the prior fiscal year. Interest earnings were lower due to declining interest rates throughout the market.

Governmental Activities - Revenues



Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003

Governmental Activities - Expenses



Total expenses for governmental activities were \$76.0 million (not including interest on long-term debt of \$4.1 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$11.6 million in charges for services.
- A total of \$10.1 million in capital projects was funded by outside agencies through capital grants and contributions.

As a result, total expenditures that were funded by tax revenues; investment income and other general revenues were \$54.3 million.

Functional expenses for the years ended June 30, 2003 were as follows (amount in millions):

City of San Rafael
Expenses by Function
For the fiscal year ended June 30, 2003

Function	Amount	Percent of Total
General government	\$ 5,555,915	6.9%
Public safety	30,476,353	38.0%
Public works and parks	27,237,899	34.0%
Community development	3,727,315	4.7%
Culture and recreation	9,055,681	11.3%
Interest on debt	4,082,760	5.1%
Total expenses	\$ 80,135,923	100.0%

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003******Business-Type Activities***

Net assets for Business-Type Activities were \$9.5 million, an increase of \$.3 million from the prior fiscal year. Parking services is the city's only business-type activity and income is derived from program revenues of \$1.8 million. Program revenues include parking meter coin at \$.9 million, and parking garage hourly parking at \$.1 million. Revenues also include parking and non-vehicle code fines totaling \$.7 million and \$.1 million for garage parking permits. Total expenses for parking services were \$1.2 million during fiscal year 2002-2003.

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 \$49.5 million. Approximately, \$0.9 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 \$4.1 million, while total fund balance reached \$6.5 million. \$3.8 million is held as part of the 10% 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 expenditures. Unreserved fund balance represents 9.8% of total General Fund expenditures including transfers out, while total fund balance represents 15.2% of that same amount.

The available fund balance of the City's General Fund decreased by \$.8 million during the current fiscal year. This decrease resulted from:

- Public Safety over expending their budgets, due to overtime and staffing costs needed to fill schedules for injured workers.
- Declines in major revenues from the prior year, particularly sales and transient occupancy 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 Fund was established to account for capital improvement projects related to the various redevelopment areas. At the end of fiscal year 2003, the reserved fund balance was \$21.7 million, an increase of \$8.1 million from the prior year. The increase is primarily related to transferring bond proceeds from the San Rafael Financing Authority to the fund for the design and construction of a new public parking garage. The entire fund balance as of June 30, 2003 was reserved for future capital project and housing programs.

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003******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 \$.3 million as a result of operations in the Parking Services fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget totaled \$36.4 million, including a decrease of \$140,783 to the originally adopted budget. The amendments can be briefly summarized as follows:

1. Decreases in the following budgets:

• Public Safety	\$21,777
• Public Works and Parks	\$40,762
• Community Development/Redevelopment	\$27,263
• Culture and Recreation	\$39,575
• Capital Outlay	\$19,101
2. Increase of \$7,695 in the General Government budget

During the year, however, revenues exceeded budgetary estimates and expenditures exceeded the budgetary estimates. Overall, revenues exceeded expenditures by \$2.3 million. Transfers out exceeded transfers in by \$3.5 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION***Capital Assets***

The City's investment in capital assets for its Governmental Activities and Business-Type Activities as of June 30, 2003, amounts to \$231.7 million, net of accumulated depreciation of \$74.4 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 \$187.5 million, net of accumulated depreciation and retirements.

Total additions included an adjustment of \$191 million (net of accumulated depreciation) for fiscal year 2001-2002 asset restatements related to infrastructure and other capital assets. This restatement was required under GASB Statement No. 34, and brings the City's audit into compliance with new financial reporting requirements.

Major capital asset additions during the current fiscal included completion of new Corporation Building, roadway rehabilitations, land and building improvements, open space acquisition, and new computer systems for police and finance.

Additional information on the City's capital assets can be found in Note 5 on pages 54 through 57 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003**Debt Administration**

As of June 30, 2003, the City had outstanding debt issues as listed below. Not included in the following table is the Community Facilities District No.1 Special Tax Bonds, which are 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 2002 and 2003 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenue Bonds	\$ 10.4	\$ 3.3	\$ -	\$ -	\$ 10.4	\$ 3.3
Bonds	0.7	0.9	-	-	0.7	0.9
Tax Allocation Bonds	44.9	43.5	-	-	44.9	43.5
Redevelopment Note	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	-	0.2	-	-	-	0.2
Compensated Absences	4.2	3.9	-	-	4.2	3.9
Total outstanding debt	\$ 60.4	\$ 52.0	\$ -	\$ -	\$ 60.4	\$ 52.0

During the fiscal year 2003, revenue bonds in the amount of \$7.6 million were issued by the San Rafael Financing Authority to provide funds for the design and construction of a new public parking garage. The bonds are payable from the lease revenues secured by lease payments made by the City to the Authority for leasing the City facilities. The bonds bear interest rates ranging from 3.00% to 5.00% and are payable semiannually on April 1 and October 1 of each year commencing October 1, 2003. Principal payments ranging from \$150,000 to \$475,000 are due April 1 of each year and mature in 2033.

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

The short-term outlook is not getting any brighter for the next (2003-2004) fiscal year. Financial performance will likely stagnate for several years, due to State budget threats, slow economic recovery, and expected increases in costs to the City. Sales taxes have been down for the last two years, and remain flat through the last six months of 2004. 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 State of California budget deficit was targeted at **\$38 billion** as of May 2003. The Governor has proposed a \$15 billion dollar bond, to be ratified by California voters on March 2, 2004. If this bond is successful, the City can hold out some optimism that our revenue structure may remain largely unchanged. If defeated, stand by. Services at all levels of government, including cities, will be devastated. One example of significant loss would be the State ceasing vehicle license backfill dollars, which currently total \$2.2 million per year.

The new Governor has proposed a 2004-2005 budget that would shift additional property tax dollars away from our General Fund. This type of shifting is not new, and depletes another \$300,000 or revenues from the General Fund. In addition, the 2004-2005 budget continues property tax shifts from redevelopment agencies. Once again, resources that could be used to stimulate the economy and provide jobs are pulled back to help Sacramento plug its ongoing fiscal mismanagement problem.

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2003***

Anticipating that San Rafael was entering tough times, the City Council amended the 2002-2003 budget in July of 2002 by eliminating vacant positions in the Public Works and Police Departments, dropping theatre programming and trimming some operating expenses. Also, the level of spending was reduced for street paving (by \$100,000) and sidewalk replacement (by \$281,000). The sum total of the actions in July was \$1.5 million to keep the 2002-2003 budget balanced.

The 2003-2005 budget cycle looks to be the City's biggest financial challenge. A summary of the budget status, impacts and approved Council actions is listed below.

Our Current Year Woes

July 2003 General Fund Gap - FY 2003-2004 = \$2.1 million (5% of General Fund)

- \$2.1 million of actions taken:
 - ♦ Expenditure reductions - \$1.9 million (85% of solution)
 - Loss of nine positions (including one layoff)
 - Closed Library on Mondays; eliminated DARE program; reduced all Departments overtime, training and travel by 10%
 - ♦ Revenue increase of \$333k (includes charging for engine company inspections, plus increases in building and planning application fees)
- Budget balanced without State action

December 2003 General Fund Gap reappears- FY 2003-2004 = \$2.2 million - Causes:

- ♦ First State hit is \$1,154,000 (\$1,031,000 is initial VLF backfill loss)
- ♦ Net loss on FY 2002-2003 - \$733,000 (overtime, workers comp, injuries)
- ♦ Adjustments to expenses for year of \$258,000 (Fire overtime, utilities, dental program)
- \$1,067,000 of actions taken:
 - ♦ Expenditure Reductions: - \$826k (77% of solution)
 - Loss of one position (layoff) and reduction of one position
 - Closed City Hall at the Mall, required Youth Theatre to be fully self funded or dropped, Print Shop reorganized, cut Vehicle replacement funding by 1/2 year
 - ♦ Revenue increase of \$191k (includes impact fee on refuse and construction vehicles)

Gap Remains \$1,094,000 as of January 2004

Further actions were taken by the City Council in January 2004 to bring the 2003-2004 gap down to \$461,000. This included the reduction of eight additional library hours, and elimination of any remaining general fund revenues (franchise fees) used to pay for street paving efforts.

For 2004-2005, hosts of budget balancing actions have been taken. The City expects to take further fee increase or cost reduction measures in the spring of 2004 in order to provide the community and City Council with a budget that stays within our limited resources.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2003

With a continued flat economy (and no real recovery expected until at least 2005) and the State fiscal fiasco, the community and City Council will be spending countless hours over the next few months reviewing options and looking at ways of maintaining core services. Employee and community involvement will play a key role in determining how the City's financial future is shaped.

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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page intentionally left blank.

City of San Rafael
Statement of Net Assets
June 30, 2003

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit San Rafael Sanitation District
ASSETS				
Current assets:				
Cash and investments	\$ 38,314,706	\$ 1,087,279	\$ 39,401,985	\$ 5,809,232
Cash with fiscal agents	15,132,289	-	15,132,289	-
Receivables:				
Accounts	1,689,932	25,513	1,715,445	-
Taxes	4,627,155	-	4,627,155	-
Grants	926,694	-	926,694	-
Interest	292,098	-	292,098	29,406
Loans	797,465	-	797,465	-
Prepaid expenses	-	-	-	25,715
Total current assets	61,780,339	1,112,792	62,893,131	5,864,353
Noncurrent assets:				
COP issuance costs, net	-	-	-	67,197
Capital assets:				
Nondepreciable assets	88,323,150	7,856,487	96,179,637	1,295,976
Depreciable assets, net	134,951,757	607,930	135,559,687	21,421,072
Total capital assets	223,274,907	8,464,417	231,739,324	22,717,048
Total noncurrent assets	223,274,907	8,464,417	231,739,324	22,784,245
Total assets	285,055,246	9,577,209	294,632,455	28,648,598
LIABILITIES				
Current liabilities:				
Accounts payable	2,874,139	28,410	2,902,549	131,874
Connection fees payable	-	-	-	14,000
Interest payable	270,376	-	270,376	67,865
Developer bonds payable	58,000	-	58,000	-
Arbitrage payable	358,840	-	358,840	-
Deferred revenue	114,718	6,137	120,855	-
Insurance claims payable - due within one year	1,370,000	-	1,370,000	-
Compensated absences - due within one year	2,813,689	-	2,813,689	-
Long-term debt - due within one year	2,360,775	-	2,360,775	502,010
Total current liabilities	10,220,537	34,547	10,255,084	715,749
Long-term liabilities:				
Insurance claims payable - due in more than one year	2,400,733	-	2,400,733	-
Compensated absences - due in more than one year	1,399,448	-	1,399,448	-
Long-term debt - due in more than one year	53,853,823	-	53,853,823	3,326,913
Total long-term liabilities	57,654,004	-	57,654,004	3,326,913
Total liabilities	67,874,541	34,547	67,909,088	4,042,662
NET ASSETS				
Invested in capital assets, net of related debt	198,031,181	8,464,417	206,495,598	18,888,125
Restricted	2,933,294	-	2,933,294	417,121
Unrestricted	16,216,230	1,078,245	17,294,475	5,300,690
Total net assets	\$ 217,180,705	\$ 9,542,662	\$ 226,723,367	\$ 24,605,936

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, 2003

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,555,915	\$ 1,433,372	\$ 534,190	\$ -
Public safety	30,476,353	2,530,916	2,069,445	-
Public works and parks	27,237,899	3,072,849	2,630,497	744,556
Community development/redevelopment	3,727,315	1,691,427	2,500	1,000,000
Culture and recreation	9,055,681	3,688,418	767,068	-
Interest on long-term debt (unallocated)	4,082,760	-	-	-
Total governmental activities	80,135,923	12,416,982	6,003,700	1,744,556
Business-type activity:				
Parking services	1,245,316	1,810,479	-	-
Total primary government	\$ 81,381,239	\$ 14,227,461	\$ 6,003,700	\$ 1,744,556
Component unit:				
San Rafael Sanitation District	\$ 5,708,208	\$ 5,566,610	\$ -	\$ -

General revenues:

Taxes:

Property taxes

Sale taxes

Special assessments

Motor vehicles

Other

Total taxes

Investment earnings

Miscellaneous

Aid from other governmental agencies

Loss on disposal of assets

Transfers

Total general revenues, loss on disposal of assets 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				
Total Program Revenues	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
\$ 1,967,562	\$ (3,588,353)	\$ -	\$ (3,588,353)	\$ -
4,600,361	(25,875,992)	-	(25,875,992)	-
6,447,902	(20,789,997)	-	(20,789,997)	-
2,693,927	(1,033,388)	-	(1,033,388)	-
4,455,486	(4,600,195)	-	(4,600,195)	-
-	(4,082,760)	-	(4,082,760)	-
20,165,238	(59,970,685)	-	(59,970,685)	-
1,810,479	-	565,163	565,163	-
\$ 21,975,717	(59,970,685)	565,163	(59,405,522)	-
\$ 5,566,610	-	-	-	(141,598)
	13,983,697	-	13,983,697	560,269
	16,779,878	-	16,779,878	-
	3,055,575	-	3,055,575	-
	3,317,710	-	3,317,710	-
	5,465,495	-	5,465,495	-
	42,602,355	-	42,602,355	560,269
	1,897,339	17,772	1,915,111	104,358
	1,843,458	-	1,843,458	-
	-	-	-	141,314
	(500,819)	-	(500,819)	-
	232,398	(232,398)	-	-
	46,074,731	(214,626)	45,860,105	805,941
	(13,895,954)	350,537	(13,545,417)	664,343
	231,076,659	9,192,125	240,268,784	23,941,593
\$ 217,180,705	\$ 9,542,662	\$ 226,723,367	\$ 24,605,936	

This page intentionally left blank.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

This page intentionally left blank.

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 included inspection of businesses for compliance with regulations. This fund also serves as the depository for a countywide Household Hazardous Waste Program.

Open Space Fund - Established for the acquisition of open space.

City of San Rafael
Balance Sheet
Governmental Funds
June 30, 2003

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
		Redevelopment	Traffic and Housing Mitigation	Household Hazard Facility	Open Space		
	General	Agency					
ASSETS							
Cash and investments	\$ 2,648,875	\$ 7,232,053	\$ 9,423,925	\$ 273,978	\$ 623,004	\$ 9,739,615	\$ 29,941,450
Cash with fiscal agents	67,386	13,952,777	-	-	-	1,112,126	15,132,289
Receivables:							
Accounts	151,137	30,000	42,227	610,107	-	254,800	1,088,271
Taxes	3,662,163	964,992	-	-	-	-	4,627,155
Grants	-	-	-	-	-	926,694	926,694
Interest	233,825	58,273	-	-	-	-	292,098
Loans	371,595	325,156	85,714	-	-	51,726	834,191
Due from other funds	183,247	-	-	-	-	30,000	213,247
Total assets	<u>\$ 7,318,228</u>	<u>\$ 22,563,251</u>	<u>\$ 9,551,866</u>	<u>\$ 884,085</u>	<u>\$ 623,004</u>	<u>\$ 12,114,961</u>	<u>\$ 53,055,395</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 789,206	\$ 523,448	\$ 19,725	\$ 447,993	\$ 484,235	\$ 483,445	\$ 2,748,052
Developer bonds payable	31,500	25,000	-	-	-	1,500	58,000
Arbitrage payable	-	358,840	-	-	-	-	358,840
Due to other funds	-	-	-	-	-	213,247	213,247
Deferred revenue	-	-	-	-	-	166,444	166,444
Total liabilities	<u>820,706</u>	<u>907,288</u>	<u>19,725</u>	<u>447,993</u>	<u>484,235</u>	<u>864,636</u>	<u>3,544,583</u>
Fund Balances:							
Reserved	2,357,904	21,655,963	9,446,427	111,100	138,769	5,343,059	39,053,222
Unreserved:							
Designated	3,861,850	-	-	-	-	5,667,648	9,529,498
Undesignated, reported in:							
Major funds	277,768	-	85,714	324,992	-	-	688,474
Nonmajor funds reported in:							
Special revenue	-	-	-	-	-	239,618	239,618
Total fund balances	<u>6,497,522</u>	<u>21,655,963</u>	<u>9,532,141</u>	<u>436,092</u>	<u>138,769</u>	<u>11,250,325</u>	<u>49,510,812</u>
Total liabilities and fund balances	<u>\$ 7,318,228</u>	<u>\$ 22,563,251</u>	<u>\$ 9,551,866</u>	<u>\$ 884,085</u>	<u>\$ 623,004</u>	<u>\$ 12,114,961</u>	<u>\$ 53,055,395</u>

See accompanying Notes to Basic Financial Statements

City of San Rafael
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2003

Total Fund Balances - Total Governmental Funds	\$ 49,510,812
--	---------------

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	88,323,150
Depreciable, net	<u>134,951,757</u>
Total capital assets	<u>223,274,907</u>

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.

<u>(270,376)</u>

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:

<u>5,093,097</u>

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	(4,213,137)
Long-term debt	<u>(56,214,598)</u>
Total long-term liabilities	<u>(60,427,735)</u>

Net Assets of Governmental Activities	<u><u>\$ 217,180,705</u></u>
---------------------------------------	------------------------------

City of San Rafael
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2003

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds
	General	Redevelopment Agency	Traffic and Housing Mitigation	Household Hazmat Facility	Open Space		
REVENUES:							
Taxes and special assessments	\$ 31,681,932	\$ 4,534,360	\$ -	\$ -	\$ -	\$ 3,068,351	\$ 39,284,643
Licenses and permits	727,918	-	-	7,191	-	-	735,109
Fines and forfeitures	769,632	-	-	-	-	1,000	770,632
Use of money and property	863,927	666,159	126,103	13,517	9,022	218,611	1,897,339
Intergovernmental	5,183,327	-	282,224	16,670	-	3,923,201	9,405,422
Charges for services	1,127,000	75,999	717,863	1,268,279	-	6,913,251	10,102,392
Other revenue	168,710	2,694,709	320,044	27,503	-	357,331	3,568,297
Total revenues	40,522,446	7,971,227	1,446,234	1,333,160	9,022	14,481,745	65,763,834
EXPENDITURES:							
Current:							
General government	4,549,673	-	-	-	-	191,030	4,740,703
Public safety	23,269,169	-	-	1,300,805	-	3,471,105	28,041,079
Public works and parks	5,744,776	-	-	-	2,744	3,744,032	9,491,552
Community development/redevelopment	1,926,425	1,307,300	-	-	-	20,222	3,253,947
Culture and recreation	1,770,538	-	-	-	-	5,405,559	7,176,097
Capital outlay	84,985	2,417	-	54	-	38,428	125,884
Capital improvement/special projects	714,827	3,505,176	234,598	-	484,236	6,119,959	11,058,796
Debt service:							
Capitalized lease obligation	197,132	-	-	-	-	-	197,132
Principal	-	23,585,000	-	-	-	705,000	24,290,000
Interest and fiscal charges	-	3,640,818	-	-	-	405,352	4,046,170
Total expenditures	38,257,525	32,040,711	234,598	1,300,859	486,980	20,100,687	92,421,360
REVENUES OVER (UNDER) EXPENDITURES	2,264,921	(24,069,484)	1,211,636	32,301	(477,958)	(5,618,942)	(26,657,526)
OTHER FINANCING SOURCES (USES):							
Proceeds from issuance of debt	-	25,020,000	-	-	-	7,605,000	32,625,000
Contribution from Sanitation District	-	-	-	-	-	744,556	744,556
Transfers in	1,052,142	35,505,483	-	-	-	5,946,351	42,503,976
Transfers out	(4,519,943)	(28,359,850)	-	-	-	(10,091,455)	(42,971,248)
Total other financing sources (uses)	(3,467,801)	32,165,633	-	-	-	4,204,452	32,902,284
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,202,880)	8,096,149	1,211,636	32,301	(477,958)	(1,414,490)	6,244,758
FUND BALANCES:							
Beginning of year, as restated	7,700,402	13,559,814	8,320,505	403,791	616,727	12,664,815	43,266,054
End of year	\$ 6,497,522	\$ 21,655,963	\$ 9,532,141	\$ 436,092	\$ 138,769	\$ 11,250,325	\$ 49,510,812

See accompanying Notes to Basic Financial Statements

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, 2003

Net Change in Fund Balances - Total Governmental Funds \$ 6,244,758

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. 8,904,612

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. (20,116,743)

Loss on the disposal of 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, it is not reported as expenditures in governmental funds. (500,819)

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 represent current compensated absences expenses incurred. (329,348)

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 proceeds from bonds (32,625,000)

This amount represents long-term debt repayments. 24,290,000

This amount represents capitalized lease obligation payments 197,132

Total long-term debt (8,137,868)

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. (36,590)

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. 76,044

Change in Net Assets of Governmental Activities \$ (13,895,954)

This page intentionally left blank.

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, 2003

	Major Fund	Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$ 1,087,279	\$ 5,809,232	\$ 8,373,256
Receivables:			
Accounts	25,513	-	601,661
Interest	-	29,406	-
Loans	-	-	15,000
Prepaid expenses	-	25,715	-
Total current assets	1,112,792	5,864,353	8,989,917
Noncurrent assets:			
COP issuance costs, net	-	67,197	-
Capital assets:			
Nondepreciable assets	7,856,487	1,295,976	-
Depreciable assets, net	607,930	21,421,072	-
Total noncurrent assets	8,464,417	22,784,245	-
Total assets	9,577,209	28,648,598	8,989,917
LIABILITIES			
Current liabilities:			
Accounts payable	28,410	131,874	126,087
Connection fees payable	-	14,000	-
Interest payable	-	67,865	-
Insurance claims payable	-	-	3,770,733
Deferred revenue	6,137	-	-
Long-term debt - due within one year	-	502,010	-
Total current liabilities	34,547	715,749	3,896,820
Long-term liabilities:			
Long-term debt - due in more than a year	-	3,326,913	-
Total long-term liabilities	-	3,326,913	-
Total liabilities	34,547	4,042,662	3,896,820
NET ASSETS			
Invested in capital assets, net of related debt	8,464,417	18,888,125	-
Restricted	-	417,121	-
Unrestricted	1,078,245	5,300,690	5,093,097
Total net assets	\$ 9,542,662	\$ 24,605,936	\$ 5,093,097

See accompanying Notes to Basic Financial Statements

City of San Rafael

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Proprietary Funds

For the year ended June 30, 2003

	Major Fund	Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
OPERATING REVENUES:			
Charges for current services	\$ 981,301	\$ 5,529,231	\$ 5,015,126
Refunds	-	-	306,341
Connection fees	-	37,379	-
Other operating revenues	829,178	-	640,813
Total operating revenues	1,810,479	5,566,610	5,962,280
OPERATING EXPENSES:			
Personnel	659,594	-	-
Insurance premiums and claims	-	-	3,697,137
Maintenance and repairs	344,003	-	1,462,860
Sewage collection	-	1,561,698	-
Sewage treatment	-	2,146,932	-
Depreciation and amortization	39,788	873,561	-
General and administrative	201,931	189,724	1,522,424
Total operating expenses	1,245,316	4,771,915	6,682,421
OPERATING INCOME (LOSS)	565,163	794,695	(720,141)
NONOPERATING REVENUES (EXPENSES):			
Property taxes	-	560,269	-
Aid from governmental agencies	-	141,314	-
Investment income	17,772	104,358	96,515
Interest expense	-	(191,737)	-
Total nonoperating revenues	17,772	614,204	96,515
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES)	582,935	1,408,899	(623,626)
OTHER FINANCING SOURCES (USES):			
Contribution to City of San Rafael	-	(744,556)	-
Transfers in	1,115,000	-	810,000
Transfers out	(1,347,398)	-	(110,330)
Total other financing sources (uses)	(232,398)	(744,556)	699,670
Net income (loss)	350,537	664,343	76,044
RETAINED EARNINGS:			
Beginning of year, as restated	9,192,125	23,941,593	5,017,053
End of year	\$ 9,542,662	\$ 24,605,936	\$ 5,093,097

See accompanying Notes to Basic Financial Statements

City of San Rafael
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2003

	Major Fund	Component Unit	Governmental
	Parking Services	San Rafael Sanitation District	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 975,844	\$ 5,566,610	\$ 5,345,619
Cash payments to suppliers for goods and services	(1,024,410)	(637,525)	(6,763,378)
Other operating revenues	627,247	(3,167,504)	-
Net cash provided (used) by operating activities	578,681	1,761,581	(1,417,759)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Property taxes	-	560,269	-
Aid from governmental agencies	-	141,314	-
Transfers in	1,115,000	-	810,000
Transfers out	(1,347,398)	-	(110,330)
Net cash provided (used) by noncapital financing activities	(232,398)	701,583	699,670
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Cash paid for capital acquisitions	(246,253)	(1,188,823)	-
Capital contribution to primary government	-	(744,556)	-
Interest received from certificates of participation principal cash	-	23,341	-
Principal payments on certificates of participation	-	(330,000)	-
Interest paid on certificates of participation	-	(168,237)	-
Net cash provided (used) by capital financing activities	(246,253)	(2,408,275)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	17,772	82,658	96,515
Net cash provided (used) by investing activities	17,772	82,658	96,515
Net increase (decrease) in cash and cash equivalents	117,802	137,547	(621,574)
CASH AND CASH EQUIVALENTS:			
Beginning of year	969,477	5,671,685	8,994,830
End of year	\$ 1,087,279	\$ 5,809,232	\$ 8,373,256
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET			
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 565,163	\$ 794,695	\$ (720,141)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	39,788	873,561	-
Changes in operating assets and liabilities:			
Accounts receivable	(5,457)	-	-
Interest receivable	-	-	-
Loans receivable	-	-	(616,661)
Prepaid items	-	(10,534)	-
Other assets	-	14,147	-
Accounts payable	(21,950)	108,900	1,922
Connection fees	-	(19,188)	-
Interest payable	-	-	-
Insurance claims payable	-	-	(82,879)
Deferred revenue	1,137	-	-
Total adjustments	13,518	966,886	(697,618)
Net cash provided (used) by operating activities	\$ 578,681	\$ 1,761,581	\$ (1,417,759)

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, 2003

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, 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, 2003

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 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. 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, 2003

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The basic 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, 2003

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. Recognition of Interest Liability

Interest expenditures on long-term debt are recognized when payment is due. Proprietary fund interest expense is recognized as 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, 2003

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, 2003

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, 2003

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 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.

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 City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2002. This valuation determined the original cost using one of the following methods:

1. Use of historical records where available.
2. Standard unit costs appropriate for the construction/acquisition date.
3. Present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

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.

Interest accrued during capital assets construction, 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 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 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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2003, 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.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

P. Implementation of New GASB Pronouncements

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Implementation of New GASB Pronouncements, Continued

GASB No. 34 is a new financial reporting requirement for local governments in the United States. The City has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 addresses selected issues and amends GASB Statements No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management’s Discussion and Analysis, Capitalization of Construction-Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance-related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

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 \$4,893,286 at June 30, 2003. Bank balances at June 30, 2003 were \$6,282,530 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.

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

B. Investments

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.

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

C. Risk Category, Continued

The following is a summary of pooled cash and investments, including restricted cash and investments at June 30, 2003:

	Government-Wide Statement of Net Assets			Fiduciary Funds	
	Governmental Activities	Business Type Activities	Total	Statement of Net Assets	Total
Cash and Investments	\$ 37,898,902	\$ 1,087,279	\$ 38,986,181	\$ 415,804	\$ 39,401,985
Restricted Cash and Investments:					
Held by fiscal agents	\$ 15,132,289	\$ -	\$ 15,132,289	\$ -	\$ 15,132,289
Total restricted cash and investments	\$ 15,132,289	\$ -	\$ 15,132,289	\$ -	\$ 15,132,289
Total cash and investments					\$ 54,534,274

Pooled cash and investments were classified by risk category as follows at June 30, 2003:

	Category 1	Category 2	Category 3	Uncategorized	Fair Value
City Treasury:					
Demand Deposits:					
Cash Deposits	\$ 4,893,286	\$ -	\$ -	\$ -	\$ 4,893,286
Certificates of Deposit	294,520	-	-	-	294,520
Total demand deposits	5,187,806	-	-	-	5,187,806
Investments:					
Securities of U.S. Government					
Agencies	-	2,788,798	-	-	2,788,798
Corporate bonds and notes	-	7,372,369	-	-	7,372,369
Local Agency Investment Fund	-	-	-	24,053,012	24,053,012
Total investments	-	10,161,167	-	24,053,012	34,214,179
Total City Treasury	\$ 5,187,806	\$ 10,161,167	\$ -	\$ 24,053,012	\$ 39,401,985
Cash and Investments with					
Fiscal Agents	\$ -	\$ -	\$ 15,132,289	\$ -	\$ 15,132,289
Total	\$ 5,187,806	\$ 10,161,167	\$ 15,132,289	\$ 24,053,012	\$ 54,534,274

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

C. Risk Category, Continued

The City's investments with Local Agency Investment Fund (LAIF) at June 30, 2003, 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, 2003, the City had \$24,053,012 invested in LAIF, which had invested 2.327% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 1.002846280 was used to calculate the fair value of investments in LAIF.

Cash and investments stated at fair value held in the City Treasury grouped by maturity date at June 30, 2003, are shown below:

<u>Maturity</u>	<u>Fair Value</u>
Current to one year	\$ 30,069,353
One to two years	3,810,594
Two to three years	2,733,240
Three to four years	1,286,797
Four to five years	1,502,001
Total	\$ 39,401,985

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, 2003, cash and investments with fiscal agents totaling \$15,132,289 were recorded at fair value.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

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, 2003, amounted to \$5,326,369 and \$482,863, respectively, totaling \$5,809,232. 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, 2003.

Cash and investments at June 30, 2003, consisted of the following:

Cash and investments	\$ 5,809,157
Petty cash	75
Total	\$ 5,809,232
Unrestricted cash:	
Cash	\$ 5,326,369
Restricted cash:	
Certificates of participation	482,863
Total	\$ 5,809,232

3. LOANS RECEIVABLE

The City had the following loans receivable at June 30, 2003:

	Government- Wide Financial Statements	Fund Financial Statements	
	Governmental Activities	Governmental Funds	Internal Service Funds
Loan to City Manager	\$ 346,231	\$ 346,231	\$ -
Employees' Computer Loans	25,364	25,364	-
Marin Housing Development	99,620	99,620	-
Centertown Associates	225,536	225,536	-
One "H " Street Associates	85,714	85,714	-
Muir Terrance Homes	-	21,726	-
Marin Bocce Federation	-	30,000	-
ORCA Swim Club	15,000	-	15,000
Total	\$ 797,465	\$ 834,191	\$ 15,000

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

3. LOANS RECEIVABLE, Continued

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 the Deed of Trust. The principal and interest are payable monthly commencing September 1, 1996 through August 31, 2026. The outstanding balance at June 30, 2003 was \$346,231.

Effective February 1, 2000, the City agreed to loan employees up to \$2,500 for the purchase of computer software and hardware. 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, 2003 was \$25,364.

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, 2003 was \$99,620.

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, 2003 was \$225,536.

On May 18, 2001, the Agency entered a five-year balloon mortgage loan agreement with Brendan Mitchell in the amount of \$126,160. The annual interest rate of the loan is 7.875%. The entire outstanding balance was paid off in fiscal year 2003.

\$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, 2003 was \$85,714.

In April 1996, Muir Terrace Homes entered in agreement with the City to defer all development fee payments except the Traffic Mitigation fee 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, 2003 was \$21,726. In the Government-Wide Financial Statements, the receivable and deferred revenues are eliminated.

The City entered 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 and by June 30 of each year in the amount of \$5,000. The outstanding balance at June 30, 2003 was \$30,000. 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, 2003 of \$15,000 will be paid in full by 2005 in three equal annual installments.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

4. INTERFUND TRANSACTIONS

A. Due From/To Other Funds

As of June 30, 2003, balances of due from/to other funds were as follows:

		Due To Other Funds
		Non-Major Governmental Funds
Due From Other Funds	General Fund	\$ 183,247
	Non-Major Governmental Funds	30,000
	Total	\$ 213,247

B. Transfers

Transfers for the year ended June 30, 2003, were as follows:

		Transfers In				
		Major Funds		Non-Major	Parking Services	Internal Service
		General Fund	Redevelopment Agency	Governmental Funds	Enterprise Fund	Funds
Transfers Out	Major Funds:					
	General Fund	\$ -	\$ 400,092	\$ 3,309,851	\$ -	\$ 810,000
	Redevelopment Agency	4,849	26,940,001	300,000	1,115,000	-
	Development Services	338,135	-	-	-	-
	Non-Major Governmental Funds	507,930	7,050,390	2,195,000	-	-
	Parking Services Enterprise Fund	90,898	1,115,000	141,500	-	-
	Internal Service Funds	110,330	-	-	-	-
Total		\$ 1,052,142	\$ 35,505,483	\$ 5,946,351	\$ 1,115,000	\$ 810,000
						\$ 44,428,976

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2003 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total	Component Unit
Non-depreciable assets:				
Land	\$ 80,683,347	\$ 7,661,071	\$ 88,344,418	\$ 115,329
Construction in process	7,639,803	195,416	7,835,219	1,180,647
	<u>88,323,150</u>	<u>7,856,487</u>	<u>96,179,637</u>	<u>1,295,976</u>
Depreciable assets:				
Land improvements	7,327,523	-	7,327,523	-
Buildings and structures	24,642,085	1,163,000	25,805,085	-
Machinery and equipment	11,821,301	208,357	12,029,658	-
Infrastructure	164,763,888	-	164,763,888	-
Subsurface lines	-	-	-	12,152,655
Sewage collection facilities	-	-	-	24,039,223
General plant and administration	-	-	-	50,393
	<u>208,554,797</u>	<u>1,371,357</u>	<u>209,926,154</u>	<u>36,242,271</u>
Less accumulated depreciation	<u>(73,603,040)</u>	<u>(763,427)</u>	<u>(74,366,467)</u>	<u>(14,821,199)</u>
Total depreciable assets, net	<u>134,951,757</u>	<u>607,930</u>	<u>135,559,687</u>	<u>21,421,072</u>
Total capital assets	<u><u>\$ 223,274,907</u></u>	<u><u>\$ 8,464,417</u></u>	<u><u>\$ 231,739,324</u></u>	<u><u>\$ 22,717,048</u></u>

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

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, 2003:

	Balance July 1, 2002	Reclassification/ Additions	Retirements	Adjustments	Balance June 30, 2003
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 9,257,804	\$ 484,236	\$ (355,000)	\$ 71,296,307	\$ 80,683,347
Construction in progress	-	4,574,250	-	3,065,553	7,639,803
Total capital assets, not being depreciated	9,257,804	5,058,486	(355,000)	74,361,860	88,323,150
Capital assets, being depreciated:					
Land improvements	4,920,790	515,809	(267,079)	2,158,003	7,327,523
Buildings and structures	16,279,714	1,830,829	(416,863)	6,948,405	24,642,085
Machinery and equipment	13,785,118	589,779	-	(2,553,596)	11,821,301
Infrastructure	-	909,709	-	163,854,179	164,763,888
Total capital assets, being depreciated	34,985,622	3,846,126	(683,942)	170,406,991	208,554,797
Accumulated depreciation:					
Land improvements	-	(2,451,703)	267,079	(56,530)	(2,241,154)
Buildings and structures	-	(77,757)	271,044	(4,620,606)	(4,427,319)
Machinery and equipment	-	(3,458,512)	-	(2,565,725)	(6,024,237)
Infrastructure	-	(14,128,771)	-	(46,781,559)	(60,910,330)
Total accumulated depreciation	-	(20,116,743)	538,123	(54,024,420)	(73,603,040)
Total capital assets, being depreciated, net	34,985,622	(16,270,617)	(145,819)	116,382,571	134,951,757
Governmental activities capital assets, net	\$ 44,243,426	\$ (11,212,131)	\$ (500,819)	\$ 190,744,431	\$ 223,274,907

Depreciation expenses by program for capital assets for the year ended June 30, 2003 are as follows:

General government	\$ 295,179
Public safety	1,551,679
Public works and parks	16,823,772
Community development/redevelopment	47,714
Culture and recreation	1,398,399
Total depreciation expense	\$ 20,116,743

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2002	Reclassification/ Additions	Retirements	Adjustments	Balance June 30, 2003
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ 7,661,071	\$ 7,661,071
Construction in progress	-	195,416	-	-	195,416
Total capital assets, not being depreciated	-	195,416	-	7,661,071	7,856,487
Capital assets, being depreciated:					
Buildings and structures	-	-	-	1,163,000	1,163,000
Machinery and equipment	-	50,837	-	157,520	208,357
Total capital assets, being depreciated	-	50,837	-	1,320,520	1,371,357
Accumulated depreciation					
Buildings and structures	-	(23,260)	-	(651,390)	(674,650)
Machinery and equipment	-	(16,528)	-	(72,249)	(88,777)
Less accumulated depreciation	-	(39,788)	-	(723,639)	(763,427)
Total capital assets, being depreciated, net	-	11,049	-	596,881	607,930
Governmental activities capital assets, net	\$ -	\$ 206,465	\$ -	\$ 8,257,952	\$ 8,464,417

Depreciation expense for Parking Services activity was \$39,788 for the year ended June 30, 2003.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

A summary of the District's fixed assets at June 30, 2003, follows:

	Balance July 1, 2002	Reclassification/ Additions	Retirements	Balance June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 115,329	\$ -	\$ -	\$ 115,329
Construction in progress	108,027	1,072,620	-	1,180,647
Total capital assets, not being depreciated	223,356	1,072,620	-	1,295,976
Capital assets, being depreciated:				
Subsurface lines	12,152,655	-	-	12,152,655
Sewage collection facilities	23,923,020	116,203	-	24,039,223
General plant and administration	50,393	-	-	50,393
Total capital assets, being depreciated	36,126,068	116,203	-	36,242,271
Accumulated depreciation				
Subsurface lines	(6,835,091)	(228,821)	-	(7,063,912)
Sewage collection facilities	(7,086,402)	(634,111)	-	(7,720,513)
General plant and administration	(34,459)	(2,315)	-	(36,774)
Less accumulated depreciation	(13,955,952)	(865,247)	-	(14,821,199)
Total capital assets, being depreciated, net	22,170,116	(749,044)	-	21,421,072
Governmental activities capital assets, net	\$ 22,393,472	\$ 323,576	\$ -	\$ 22,717,048

Depreciation expense for District activity was \$865,247 for the year ended June 30, 2003.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

6. LONG-TERM DEBT

Long-term debt outstanding at June 30, 2003, was as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due in One Year	Due in More Than One Year
San Rafael Joint Powers Financing Authority:						
1997 Authority Revenue Bonds	\$ 3,335,000	\$ -	\$ (515,000)	\$ 2,820,000	\$ 475,000	\$ 2,345,000
2003 Authority Lease Revenue Bonds	-	7,605,000	-	7,605,000	-	7,605,000
Total revenue bonds	3,335,000	7,605,000	(515,000)	10,425,000	475,000	9,950,000
San Rafael Redevelopment Agency Tax Allocation Bonds:						
Series 1992	14,115,000	-	(14,115,000)	-	-	-
Series 1995	7,445,000	-	(7,445,000)	-	-	-
Series 1999	21,919,004	-	(550,000)	21,369,004	575,000	20,794,004
Series 2002	-	25,020,000	(1,475,000)	23,545,000	1,100,000	22,445,000
Total tax allocation bonds	43,479,004	25,020,000	(23,585,000)	44,914,004	1,675,000	43,239,004
Special Assessment Bonds (with governmental commitment):						
Peacock Gap Refunding	760,000	-	(175,000)	585,000	185,000	400,000
Mariposa Road Assessment	110,000	-	(15,000)	95,000	15,000	80,000
Total special assessment bonds	870,000	-	(190,000)	680,000	200,000	480,000
Note Payable	169,000	-	-	169,000	-	169,000
Capitalized lease obligations	223,726	-	(197,132)	26,594	10,775	15,819
Compensated absences	3,883,789	329,348	-	4,213,137	2,813,689	1,399,448
Total long-term debt	\$ 51,960,519	\$ 32,954,348	\$ (24,487,132)	\$ 60,427,735	\$ 5,174,464	\$ 55,253,271
Component Unit - San Rafael Sanitation District:						
2001 Certificates of Participation	\$ 4,130,955	\$ -	\$ (302,032)	\$ 3,828,923	\$ 502,010	\$ 3,326,913

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 \$2,820,000 as of June 30, 2003.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

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
2004	\$ 475,000	\$ 169,384	\$ 644,384
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
2009-2012	925,000	135,988	1,060,988
Total	\$ 2,820,000	\$ 708,798	\$ 3,528,798

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, 2003.

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

Year Ending June 30,	Principal	Interest	Total
2004	\$ -	\$ 330,207	\$ 330,207
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
2009-2013	885,000	1,600,305	2,485,305
2014-2018	1,080,000	1,410,387	2,490,387
2019-2023	1,335,000	1,151,203	2,486,203
2024-2028	1,685,000	799,750	2,484,750
2029-2033	2,155,000	333,750	2,488,750
Total	\$ 7,605,000	\$ 6,994,216	\$ 14,599,216

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

6. LONG-TERM DEBT, Continued

C. 1992 Tax Allocation Refunding Bonds - Original Issue \$18,615,000

On May 1, 1992, the Agency issued Tax Allocation Refunding Bonds in the amount of \$18,615,000. The proceeds of the bonds were used to refund \$10,905,000 outstanding principal of the Agency's Central San Rafael Redevelopment Project Tax Allocation Bonds, Series 1985, to fund the construction of new improvements within the Project Area. The Bonds were refunded by the 2002 TABs and were fully paid as of June 30, 2003.

D. 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 \$21,369,004 as of June 30, 2003.

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

Year Ending June 30,	Principal	Interest	Total
2004	\$ 575,000	\$ 922,881	\$ 1,497,881
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
2009-2013	4,025,000	3,463,094	7,488,094
2014-2018	5,160,000	2,327,250	7,487,250
2019-2023	9,014,004	861,125	9,875,129
Total	\$ 21,369,004	\$ 10,971,969	\$ 32,340,973

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

6. LONG-TERM DEBT, Continued

E. 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 dates, 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 \$23,545,000 as of June 30, 2003.

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

Year Ending June 30,	Principal	Interest	Total
2004	\$ 1,100,000	\$ 969,426	\$ 2,069,426
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
2009-2013	6,790,000	3,558,479	10,348,479
2014-2018	8,720,000	1,630,876	10,350,876
2019-2021	2,310,000	202,338	2,512,338
Total	\$ 23,545,000	\$ 10,010,775	\$ 33,555,775

F. 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, 2003, the outstanding balance of the bonds was \$585,000.

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

Year Ending June 30,	Principal	Interest	Total
2004	\$ 185,000	\$ 28,085	\$ 213,085
2005	190,000	17,490	207,490
2006	210,000	6,038	216,038
Total	\$ 585,000	\$ 51,613	\$ 636,613

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

6. LONG-TERM DEBT, Continued

G. 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, 2003, the outstanding balance of the bonds was \$95,000.

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

Year Ending June 30,	Principal	Interest	Total
2004	\$ 15,000	\$ 5,955	\$ 20,955
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	\$ 95,000	\$ 20,373	\$ 115,373

H. 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 \$7,445,000 of the 1995 Tax Allocation Bonds. The bonds have been 100% defeased and the liability has been removed from the Long-Term Debt.

The balance of the defeased bonds outstanding as of June 30, 2003, was \$7,230,000.

I. Note Payable

At June 30, 2003, 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, 2003

6. LONG-TERM DEBT, Continued

J. 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 expires 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 future minimum lease obligations are due as follows:

Year Ending June 30,	Copiers	Furniture	Total
2004	\$ 5,888	\$ 7,471	\$ 13,359
2005	2,490	7,379	9,869
2006	2,317	1,049	3,366
Minimum lease payments	10,695	15,899	26,594
Less amount representing interest	(1,728)	(2,485)	(4,213)
Present value of minimum lease payments	<u>\$ 8,967</u>	<u>\$ 13,414</u>	<u>\$ 22,381</u>

K. 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 \$1,399,448. The current portion of this liability amounted to \$2,813,689 for all funds, with a combined total of \$4,213,137 at June 30, 2003.

L. 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 call premium at 101% to exercise optional prepayment between August 1, 2009 and July 31, 2010, and no premium August 1, 2010 and after.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

6. LONG-TERM DEBT, Continued

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

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
2004	\$ 345,000	\$ 157,010	\$ 502,010
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
2009-2012	2,220,000	227,555	2,447,555
Total	\$ 4,055,000	\$ 882,947	\$ 4,937,947

Total debt outstanding as of June 30, 2003, net of discounts and deferred amount on refunding were as follows:

Principal outstanding at June 30, 2002	\$ 4,055,000
Less:	
Discount	(28,155)
Deferred amount on refunding	(197,922)
Net bonds outstanding at June 30, 2003	\$ 3,828,923

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, 2003

7. NON-CITY OBLIGATIONS

The following bond issues are not reported in the City's financial statements, because these 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.

	<u>Project Description</u>	<u>Original Amount</u>	<u>Outstanding June 30, 2003</u>
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$ 3,590,529	\$ 1,467,597
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 A	San Rafael Commons Apartments	3,220,000	3,203,810
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 is not appropriable 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, 2003

8. FUND BALANCES RESERVATIONS AND DESIGNATIONS, Continued

A detailed schedule of the fund balances at June 30, 2003, is shown as follows:

	Major Funds					Total
	General	Redevelopment Agency	Special Revenue		Non-Major Governmental Funds	
			Traffic and	Development		
			Housing Mitigation	Services		
Reserved:						
Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ 2,856	\$ 2,856
Petty cash	3,947	-	-	-	-	3,947
General plan	206,569	-	-	-	-	206,569
Department savings	760,910	-	-	-	-	760,910
Employee M.O.U.	626,535	-	-	-	-	626,535
Loans receivable	346,231	325,156	-	-	35,000	706,387
Debt service	-	-	-	-	2,059,797	2,059,797
Improvement projects	43,606	19,753,307	-	436,605	1,832,866	22,066,384
Information systems projects	134,251	-	-	-	352,261	486,512
Equipment replacement	-	-	-	-	11,500	11,500
Buildings and structures	-	-	-	-	39,600	39,600
Facility closures	-	-	-	-	60,000	60,000
Assessment districts/open space	67,386	-	-	-	362,443	429,829
Mello Roos assessment	-	-	-	-	400,000	400,000
Educational Revenue Augmentation Fund	168,469	-	-	-	-	168,469
Traffic Mitigation	-	-	9,446,427	-	-	9,446,427
Housing	-	1,577,500	-	-	-	1,577,500
Total reserved	2,357,904	21,655,963	9,446,427	436,605	5,156,323	39,053,222
Unreserved, Designated:						
Emergency and cash flow	3,861,850	-	-	-	-	3,861,850
Library/endowments	-	-	-	-	738,023	738,023
Public safety	-	-	-	-	742,197	742,197
Grant projects	-	-	-	-	126,859	126,859
Park projects	-	-	-	-	568,434	568,434
Gas tax projects	-	-	-	-	1,356,045	1,356,045
Street projects	-	-	-	-	2,136,090	2,136,090
Total designated	3,861,850	-	-	-	5,667,648	9,529,498
Unreserved, Undesignated	277,768	-	85,714	-	525,443	888,925
Total	\$ 6,497,522	\$ 21,655,963	\$ 9,532,141	\$ 436,605	\$ 11,349,414	\$ 49,471,645

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

9. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
General Fund	\$ 36,392,819	\$ 38,257,263	\$ 1,864,444
Traffic and Housing Mitigation	-	234,598	234,598
Development Services	-	109,418	109,418
Total major funds	<u>36,392,819</u>	<u>38,601,279</u>	<u>2,208,460</u>
Non-Major Funds:			
Recreation Revolving	2,160,177	2,268,233	108,056
Street Maintenance and Cleaning	1,657,313	2,329,733	672,420
Library	237,021	301,730	64,709
Grants	514,030	1,181,931	667,901
Parkland Dedication	-	798	798
Emergency Medical Services	3,211,558	3,381,878	170,320
Mariposa Assessment District	22,955	24,689	1,734
Park Capital Projects	-	329,725	329,725
Total non-major funds	<u>\$ 7,803,054</u>	<u>\$ 9,818,717</u>	<u>\$ 2,015,663</u>

General Fund - Public Safety Departments (police and fire combined) exceeded their overtime budgets for the current year (1.2 million). Additionally, \$660,000 for special projects that were budgeted in prior years was spent in the current year.

Traffic & Housing Mitigation - Special projects or capital assets that were budgeted in prior years was spent in the current year.

Development Services - Consulting services of \$20,222 was not anticipated and the remaining variance was for special projects budgeted in previous years.

Recreation Revolving - Wages and Fringe Benefits were under-budgeted.

Street Maintenance and Cleaning - Street Improvement Capital Asset Project of \$764,000 from prior year budget occurred in the current year.

Library - \$53,000 of prior year special project expense occurred in the current year.

Grants - Public safety grant monies in the amount of \$627,000 that were not anticipated became available (see intergovernmental revenues) and subsequently were expended.

Parkland Dedication - Final expenses on a park project started and budgeted in the previous fiscal year.

Emergency Medical Services - Overtime for paramedic service due to injuries, worker's compensation disability pay.

Mariposa Assessment District - Annual debt service under-budgeted by \$1,734.

Park Capital Projects - New monies became available (see inter-government revenues) that were expended in the current year.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

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 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 William M. Mercer, Incorporated, 3 Embarcadero Center, Suite 1500, San Francisco, CA 94111-4015.

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 7.65% of payroll to the Fund for public safety personnel and 7.41% for other covered employees for the year ended June 30, 2003. The City, due to a collective bargaining agreement, also has a legal obligation to contribute one-half of the employees' contribution up to a maximum of 7% of payroll for safety employees and a maximum of 5% of payroll for all other employees. Employees have an obligation to contribute the remaining portion. During the year, the maximum City contribution rate was reduced to the first 5% and 4% for police safety employees and all non-safety employees, respectively.

C. Annual Pension Cost

The City's annual pension cost to the Fund for the year ended June 30, 2003, of \$2,880,000 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, 2003. 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 2002 actuarial valuation include an assumed rate of return on investment assets of 8.25%, and annual payroll increases of 4.12% per year reflecting 4.25% for inflation and approximately 1.00% for merit and longevity. Actual rate of return on investment was 4.73% 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, 2003

10. EMPLOYEES' RETIREMENT PLAN, Continued

D. Three-Year Historical Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2001	\$ 2,187,000	100%	\$ -
6/30/2002	2,880,000	100%	-
6/30/2003	3,349,490	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 \$73,445 and employees contributed \$73,445. The total covered payroll of employees participating in the plan for the year ended June 30, 2003, was \$1,958,533. The total payroll for the year was \$32,553,390.

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 \$51,100 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, 2003

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, 2003, 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, 2003, those costs totaled \$985,347, of which \$592,238 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 \$35,615,500. The City accounts for and finances its uninsured risks of loss in the internal service funds. The City had established a claims liability of \$3,770,733 at June 30, 2003, 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, 2001, 2002, and 2003, 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
2000-01	\$ 286,349	\$ 263,884	\$ (365,530)	\$ 184,703
2001-02	184,703	1,372,096	(1,051,827)	504,972
2002-03	504,972	1,115,872	(1,127,444)	493,400
Worker's Compensation Liability	Balance at Beginning of Fiscal Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance at End of Fiscal Year
2000-01	\$ 2,112,114	\$ 1,410,416	\$ (953,207)	\$ 2,569,323
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

City of San Rafael

Notes to Basic Financial Statements, Continued For the year ended June 30, 2003

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 23 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 \$278,091 in premiums to the Risk Management Authority during the fiscal year ended June 30, 2003. Condensed financial information for the California Joint Powers Risk Management Authority for the fiscal year ended June 30, 2003, was as follows:

Assets	<u>\$ 71,750,583</u>
Liabilities	\$ 38,040,959
Net Assets	<u>33,709,624</u>
Total liabilities and net assets	<u>\$ 71,750,583</u>
Revenues	\$ 19,488,703
Expenses	(4,448,728)
Refunds to members	<u>(4,753,357)</u>
Change in net assets	<u>\$ 10,286,618</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, 2003

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 shares of contribution 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 the 27 Commercial Blvd. Suite C, Novato, California 94949.

The Marin Emergency Radio Authority – 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.

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 County Cable Rate Regulation Joint Powers Authority – 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 County Cable Rate Regulation Joint Powers Authority consists of one member from each of the seven participating local cities.

The Marin County Major Crimes Task Force – was established by 12 local law enforcement agencies to provide funding and policy direction of a unit of peace officers and support personnel to detect, apprehend, and prosecute major crimes, including highly mobile criminal narcotic traffickers, thus reducing major narcotic activity and combating its influence throughout the County. The Governing Board of the Marin County Major Crimes Task Force consists of nine members: one city council member, one member of the Marin County Board of Supervisors, two city managers, two chief law enforcement officials, two residents of Marin County, and the Marin County Administrator. The City of San Rafael's participation ended in June 2003.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

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

B. Jointly Governed Organizations, Continued

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.

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. CONTINGENT LIABILITIES

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.

16. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Statements

During the fiscal year 2003, the City implemented GASB Statement No. 34 which resulted in the following adjustments. Also the City recorded some prior period adjustments to record last year GASB Statement No. 31, reverse last year interest accrual and to record some advances.

	Net Assets as Previously Reported	GASB 34 Adjustments			Net Assets as Restated
		Capital Assets	Long-term Debt	Interest Accrual	
Governmental Activities:					
Net assets	\$ 47,860,919	\$ 234,987,857	\$ (51,960,519)	\$ (233,786)	\$ 230,654,471
Total governmental activities	<u>\$ 47,860,919</u>	<u>\$ 234,987,857</u>	<u>\$ (51,960,519)</u>	<u>\$ (233,786)</u>	<u>\$ 230,654,471</u>
Business-Type Activities:					
Net assets	\$ 934,173	\$ 8,257,952	\$ -	\$ -	\$ 9,192,125
Total business-type activities	<u>\$ 934,173</u>	<u>\$ 8,257,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,192,125</u>

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

16. PRIOR PERIOD ADJUSTMENTS, Continued

B. Fund Financial Statements

The following prior period adjustments were made in the fund financial statements:

	Net Assets, as Previously Reported	Prior Period Adjustments		Net Assets, as Restated
		Surety Bond	Capital Assets	
Governmental Funds:				
Redevelopment Agency Fund	\$ 14,191,388	\$ (631,574)	\$ -	\$ 13,559,814
Proprietary Funds:				
Parking Services Enterprise Fund	934,173	-	8,257,952	9,192,125
Total	<u>\$ 15,125,561</u>	<u>\$ (631,574)</u>	<u>\$ 8,257,952</u>	<u>\$ 22,751,939</u>

Redevelopment Agency Fund - Restricted cash and investment was previously recorded incorrectly due to the surety bonds for the 1995 Agency bonds.

Parking Services Enterprise Fund - As a result of implementation of GASB Statement No. 34, the City conducted an inventory and evaluation of its capital assets resulting in restatement of certain capital assets in Parking Services Enterprise Fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of San Rafael
Required Supplementary Information
For the year ended June 30, 2003

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, 2003

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	\$ 31,016,780	\$ 31,461,780	\$ 31,681,932	\$ 220,152
Licenses and permits	5,695,550	592,050	727,918	135,868
Fines and forfeitures	904,890	836,890	769,632	(67,258)
Use of money and property	350,400	350,400	863,927	513,527
Intergovernmental	4,864,550	5,091,550	5,183,327	91,777
Charges for services	1,073,673	957,373	1,127,000	169,627
Other	68,050	76,050	168,710	92,660
Total revenues	43,973,893	39,366,093	40,522,446	1,156,353
EXPENDITURES:				
Current:				
General government	4,834,351	4,842,046	4,549,673	292,373
Public safety	22,054,980	22,033,203	23,269,169	(1,235,966)
Public works and parks	5,434,952	5,394,190	5,744,776	(350,586)
Community development/redevelopment	2,174,591	2,147,328	1,926,425	220,903
Culture and recreation	1,826,959	1,787,384	1,770,538	16,846
Capital outlay	182,769	163,668	84,985	78,683
Capital improvement/special projects	25,000	25,000	714,827	(689,827)
Debt Service:				
Capitalized lease obligation	-	-	197,132	(197,132)
Total expenditures	36,533,602	36,392,819	38,257,525	(1,864,706)
REVENUES OVER (UNDER) EXPENDITURES	7,440,291	2,973,274	2,264,921	(708,353)
OTHER FINANCING SOURCES (USES):				
Transfers in	769,652	1,093,264	1,052,142	(41,122)
Transfers out	(3,960,933)	(4,519,851)	(4,519,943)	(92)
Total other financing sources (uses)	(3,191,281)	(3,426,587)	(3,467,801)	(41,214)
Net change in fund balances	\$ 4,249,010	\$ (453,313)	(1,202,880)	\$ (749,567)
FUND BALANCES:				
Beginning of year			7,700,402	
End of year			\$ 6,497,522	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Redevelopment Agency Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES:				
Taxes and special assessments	\$ 4,497,665	\$ 4,469,600	\$ 4,534,360	\$ 64,760
Use of money and property	290,000	290,000	666,159	376,159
Charges for services	119,300	119,300	75,999	(43,301)
Other	1,000,000	2,686,109	2,694,709	8,600
Total revenues	5,906,965	7,565,009	7,971,227	406,218
EXPENDITURES:				
Current:				
Community development/redevelopment	1,410,608	1,414,677	1,307,300	107,377
Capital outlay	5,200	5,200	2,417	2,783
Capital improvement/special projects	300,000	7,534,558	3,505,176	4,029,382
Debt service:				
Principal	1,350,000	23,585,000	23,585,000	-
Interest and fiscal charges	2,247,665	3,641,050	3,640,818	232
Total expenditures	5,313,473	36,180,485	32,040,711	4,139,774
REVENUES OVER (UNDER) EXPENDITURES	593,492	(28,615,476)	(24,069,484)	4,545,992
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	25,020,000	25,020,000	-
Transfers in	995,126	35,200,529	35,505,483	304,954
Transfers out	(995,126)	(31,409,850)	(28,359,850)	3,050,000
Total other financing sources (uses)	-	28,810,679	32,165,633	3,354,954
Net change in fund balances	\$ 593,492	\$ 195,203	8,096,149	\$ 7,900,946
FUND BALANCES:				
Beginning of year, as restated			13,559,814	
End of year			\$ 21,655,963	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Traffic and Housing Mitigation Special Revenue Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 277,300	\$ 277,300	\$ 126,103	\$ (151,197)
Use of money and property	-	-	282,224	282,224
Charges for services	350,000	350,000	717,863	367,863
Other	-	-	320,044	320,044
Total revenues	627,300	627,300	1,446,234	818,934
EXPENDITURES:				
Capital improvement/special projects	-	-	234,598	(234,598)
Total expenditures	-	-	234,598	(234,598)
Net change in fund balances	\$ 627,300	\$ 627,300	1,211,636	\$ 1,053,532
FUND BALANCES:				
Beginning of year			8,320,505	
End of year			\$ 9,532,141	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Household Hazmat Facility Special Revenue Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Licenses and permits	\$ 53,500	\$ 53,500	\$ 7,191	\$ (46,309)
Use of money and property	25,500	25,500	13,517	(11,983)
Intergovernmental	15,000	15,000	16,670	1,670
Charges for current services	830,750	830,750	1,268,279	437,529
Other revenue	33,000	33,000	27,503	(5,497)
Total revenues	957,750	957,750	1,333,160	375,410
EXPENDITURES:				
Current:				
Public safety	948,164	1,300,859	1,300,805	54
Capital outlay	11,807	-	54	(54)
Total expenditures	959,971	1,300,859	1,300,859	-
Net change in fund balances	\$ (2,221)	\$ (343,109)	32,301	\$ 375,410
FUND BALANCES:				
Beginning of year			403,791	
End of year			\$ 436,092	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Open Space Capital Projects Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 9,022	\$ (15,978)
Total revenues	25,000	25,000	9,022	(15,978)
EXPENDITURES:				
Current:				
Public works and parks	11,519	11,519	2,744	8,775
Capital improvement/special projects	-	490,000	484,236	5,764
Total expenditures	11,519	501,519	486,980	14,539
Net change in fund balances	\$ 13,481	\$ (476,519)	(477,958)	\$ (1,439)
FUND BALANCES:				
Beginning of year			616,727	
End of year			\$ 138,769	

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

Actuarial	Actuarial	Actuarial	Excess			Excess Assets
Valuation	Value	Accrued	Assets	Funded	Covered	Over AAL
Date *	of Assets	Liability (AAL)	Over AAL	Ratio	Payroll	As a % of
		Entry Age				Payroll
6/30/1999	\$ 151,466,000	\$ 134,247,000	\$ 17,219,000	113%	\$ 23,293,000	73.9%
6/30/2000	171,663,000	156,806,000	14,857,000	109%	23,372,000	63.6%
6/30/2001	186,085,000	172,939,000	13,146,000	108%	25,650,000	51.3%

* Latest information available.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL 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.

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

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.

(Continued)

This page intentionally left blank.

NON-MAJOR GOVERNMENTAL FUNDS

East Francisco Boulevard Assessment District Fund - Established to accumulate funds for the payment of principal and interest. The related bonds were defeased in 1995.

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.

1915 Act Bonds Fund - Established to account for the debt service managed by the County of Marin. The debt service relates to Lucas Valley road improvements.

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 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

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
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2003

	Special Revenue				
	Recreation Revolving	Baypoint Lagoon Assessment District	Gas Tax	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$ 34,065	\$ 17,332	\$ 1,243,156	\$ 48,712	\$ 1,083,999
Cash with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	216,026	-	-	-	38,774
Grants	-	-	112,889	805	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 250,091</u>	<u>\$ 17,332</u>	<u>\$ 1,356,045</u>	<u>\$ 49,517</u>	<u>\$ 1,122,773</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 61,535	\$ 3,238	\$ -	\$ 34,120	\$ 12,471
Developer bonds payable	-	-	-	-	-
Due to other funds	4,240	-	-	-	-
Deferred revenue	114,718	-	-	-	-
Total liabilities	<u>180,493</u>	<u>3,238</u>	<u>-</u>	<u>34,120</u>	<u>12,471</u>
Fund Balances:					
Reserved	-	-	-	15,397	-
Unreserved:					
Designated	-	-	1,356,045	-	1,110,302
Undesignated, reported in:					
Special revenue	69,598	14,094	-	-	-
Total fund balances	<u>69,598</u>	<u>14,094</u>	<u>1,356,045</u>	<u>15,397</u>	<u>1,110,302</u>
Total liabilities and fund balances	<u>\$ 250,091</u>	<u>\$ 17,332</u>	<u>\$ 1,356,045</u>	<u>\$ 49,517</u>	<u>\$ 1,122,773</u>

Special Revenue									
Sewer Maintenance	Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication	Emergency Medical Services	
\$ 736	\$ 550,729	\$ 376,542	\$ 105,010	\$ 1,112,279	\$ 447,105	\$ 466,504	\$ 573,434	\$ 309,561	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	158,185	-	-	-	325,090	-	-	
-	-	-	-	-	-	-	21,726	-	
-	-	-	-	-	-	-	30,000	-	
<u>\$ 736</u>	<u>\$ 550,729</u>	<u>\$ 534,727</u>	<u>\$ 105,010</u>	<u>\$ 1,112,279</u>	<u>\$ 447,105</u>	<u>\$ 791,594</u>	<u>\$ 625,160</u>	<u>\$ 309,561</u>	
\$ -	\$ -	\$ 30,688	\$ -	\$ 87,226	\$ 9,000	\$ 58,802	\$ -	\$ 14,160	
-	-	-	-	-	1,500	-	-	-	
-	-	30,164	-	-	-	-	-	-	
-	-	-	-	-	-	-	21,726	-	
-	-	60,852	-	87,226	10,500	58,802	21,726	14,160	
-	400,000	-	-	-	436,605	-	35,000	-	
736	-	473,875	105,010	1,025,053	-	732,792	568,434	295,401	
-	150,729	-	-	-	-	-	-	-	
<u>736</u>	<u>550,729</u>	<u>473,875</u>	<u>105,010</u>	<u>1,025,053</u>	<u>436,605</u>	<u>732,792</u>	<u>603,434</u>	<u>295,401</u>	
<u>\$ 736</u>	<u>\$ 550,729</u>	<u>\$ 534,727</u>	<u>\$ 105,010</u>	<u>\$ 1,112,279</u>	<u>\$ 447,105</u>	<u>\$ 791,594</u>	<u>\$ 625,160</u>	<u>\$ 309,561</u>	

(Continued)

City of San Rafael
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2003

	Special Revenue	Debt Service			
		East Francisco Boulevard Assessment District	Peacock Gap Assessment District	1915 Act Bonds	Mariposa Assessment District
ASSETS					
Cash and investments	\$ 5,197	\$ -	\$ 340,096	\$ -	\$ 35,640
Cash with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Grants	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 5,197	\$ -	\$ 340,096	\$ -	\$ 35,640
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Developer bonds payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Reserved	-	-	340,096	-	35,640
Unreserved:					
Designated	-	-	-	-	-
Undesignated, reported in:					
Special revenue	5,197	-	-	-	-
Total fund balances	5,197	-	340,096	-	35,640
Total liabilities and fund balances	\$ 5,197	\$ -	\$ 340,096	\$ -	\$ 35,640

Debt Service		Capital Projects				Total
1997	2003					
Financing	Authority				Park	Non-Major
Authority	Lease Revenue	Capital	Bedroom	Assessment	Capital	Governmental
Revenue Bonds	Parking Bonds	Improvement	Tax	Districts	Projects	Funds
\$ 571,935	\$ -	\$ 2,070,067	\$ 123,842	\$ 223,674	\$ -	\$ 9,739,615
433,299	678,827	-	-	-	-	1,112,126
-	-	-	-	-	-	254,800
-	-	-	-	-	329,725	926,694
-	-	-	-	-	30,000	51,726
-	-	-	-	-	-	30,000
<u>\$ 1,005,234</u>	<u>\$ 678,827</u>	<u>\$ 2,070,067</u>	<u>\$ 123,842</u>	<u>\$ 223,674</u>	<u>\$ 359,725</u>	<u>\$ 12,114,961</u>
\$ -	\$ -	\$ 170,920	\$ -	\$ -	\$ 1,285	\$ 483,445
-	-	-	-	-	-	1,500
-	-	-	-	-	178,843	213,247
-	-	-	-	-	30,000	166,444
-	-	170,920	-	-	210,128	864,636
1,005,234	678,827	1,899,147	123,842	223,674	149,597	5,343,059
-	-	-	-	-	-	5,667,648
-	-	-	-	-	-	239,618
<u>1,005,234</u>	<u>678,827</u>	<u>1,899,147</u>	<u>123,842</u>	<u>223,674</u>	<u>149,597</u>	<u>11,250,325</u>
<u>\$ 1,005,234</u>	<u>\$ 678,827</u>	<u>\$ 2,070,067</u>	<u>\$ 123,842</u>	<u>\$ 223,674</u>	<u>\$ 359,725</u>	<u>\$ 12,114,961</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, 2003

	Special Revenue				
	Baypoint Lagoons		Gas Tax	Childcare	Street Maintenance and Cleaning
	Recreation Revolving	Assessment District			
REVENUES:					
Taxes and special assessments	\$ -	\$ 25,241	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-
Use of money and property	508	182	29,169	54	11,700
Intergovernmental	48,000	-	1,250,885	256,496	691,208
Charges for current services	1,233,898	-	-	2,254,993	-
Other revenue	4,430	-	43,942	14,034	102,155
Total revenues	1,286,836	25,423	1,323,996	2,525,577	805,063
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	29,236	186,818	-	1,544,003
Community development/redevelopment	-	-	-	-	-
Culture and recreation	2,227,492	-	-	2,454,799	-
Capital outlay	17,749	-	-	10,756	4,706
Capital improvement/special projects	25,305	-	241,130	-	781,024
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,270,546	29,236	427,948	2,465,555	2,329,733
REVENUES OVER (UNDER) EXPENDITURES	(983,710)	(3,813)	896,048	60,022	(1,524,670)
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of debt	-	-	-	-	-
Contributions from Sanitation District	-	-	-	-	-
Transfers in	1,023,994	-	-	-	1,653,517
Transfers out	(25,000)	-	-	(46,000)	-
Total other financing sources (uses)	998,994	-	-	(46,000)	1,653,517
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	15,284	(3,813)	896,048	14,022	128,847
FUND BALANCES:					
Beginning of year	54,314	17,907	459,997	1,375	981,455
End of year	\$ 69,598	\$ 14,094	\$ 1,356,045	\$ 15,397	\$ 1,110,302

Special Revenue

Sewer Maintenance	Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Service	Grants	Parkland Dedication	Emergency Medical Services
\$ -	\$ 61,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,038,900
-	-	-	-	1,000	-	-	-	-
6,000	7,282	62,152	1,573	8,999	9,988	5,659	8,119	3,060
-	-	215,984	84,010	-	-	997,031	-	-
1,001,670	-	15,865	19,051	808,944	35,332	121,915	-	1,421,583
-	-	19,220	1,030	-	100,055	32,176	8,543	584
1,007,670	69,098	313,221	105,664	818,943	145,375	1,156,781	16,662	3,464,127
-	-	-	-	-	-	-	-	-
-	-	-	94,444	-	-	-	-	3,376,661
938,543	-	-	-	1,045,432	-	-	-	-
-	-	-	-	-	20,222	-	-	-
-	-	269,446	-	-	-	453,822	-	-
-	-	-	-	-	-	-	-	5,217
-	-	53,051	-	460,883	89,196	728,109	798	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
938,543	-	322,497	94,444	1,506,315	109,418	1,181,931	798	3,381,878
69,127	69,098	(9,276)	11,220	(687,372)	35,957	(25,150)	15,864	82,249
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	25,000	727,340	-	125,000	-	-
(74,111)	-	-	-	(100,000)	(338,135)	(31,389)	-	(407,655)
(74,111)	-	-	25,000	627,340	(338,135)	93,611	-	(407,655)
(4,984)	69,098	(9,276)	36,220	(60,032)	(302,178)	68,461	15,864	(325,406)
5,720	481,631	483,151	68,790	1,085,085	738,783	664,331	587,570	620,807
\$ 736	\$ 550,729	\$ 473,875	\$ 105,010	\$ 1,025,053	\$ 436,605	\$ 732,792	\$ 603,434	\$ 295,401

(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, 2003

	Special Revenue	Debt Service			
		East Francisco	Peacock	1915	Mariposa
	Business	Boulevard	Gap	1915	Mariposa
	Improvement	Assessment	Assessment	Act	Assessment
		District	District	Bonds	District
REVENUES:					
Taxes and special assessments	\$ -	\$ -	\$ 236,027	\$ -	\$ 23,057
Fines and forfeitures	-	-	-	-	-
Use of money and property	193	-	3,665	-	418
Intergovernmental	36,400	-	-	-	-
Charges for current services	-	-	-	-	-
Other revenue	14,427	-	-	-	-
Total revenues	51,020	-	239,692	-	23,475
EXPENDITURES:					
Current:					
General government	51,675	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	-	-	-	-
Community development/redevelopment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital improvement/special projects	-	-	-	-	-
Debt service:					
Principal retirement	-	-	175,000	-	15,000
Interest and fiscal charges	-	-	56,980	-	9,689
Total expenditures	51,675	-	231,980	-	24,689
REVENUES OVER (UNDER) EXPENDITURES	(655)	-	7,712	-	(1,214)
OTHER FINANCING SOURCES (USES):					
Proceeds from debt	-	-	-	-	-
Contributions from Sanitation District	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(13,701)	(2,537)	(67,387)	(150)
Total other financing sources (uses)	-	(13,701)	(2,537)	(67,387)	(150)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(655)	(13,701)	5,175	(67,387)	(1,364)
FUND BALANCES:					
Beginning of year	5,852	13,701	334,921	67,387	37,004
End of year	\$ 5,197	\$ -	\$ 340,096	\$ -	\$ 35,640

Debt Service		Capital Projects				Total
1997	2003					
Financing	Authority	Capital	Bedroom	Assessment	Park	Non-Major
Authority	Lease Revenue	Improvement	Tax	District	Capital	Governmental
Revenue Bonds	Parking Bonds				Projects	Funds
\$ 670,532	\$ -	\$ -	\$ 12,778	\$ -	\$ -	\$ 3,068,351
-	-	-	-	-	-	1,000
10,928	-	45,632	1,468	-	1,862	218,611
-	-	13,462	-	-	329,725	3,923,201
-	-	-	-	-	-	6,913,251
-	-	-	-	-	16,735	357,331
681,460	-	59,094	14,246	-	348,322	14,481,745
-	139,355	-	-	-	-	191,030
-	-	-	-	-	-	3,471,105
-	-	-	-	-	-	3,744,032
-	-	-	-	-	-	20,222
-	-	-	-	-	-	5,405,559
-	-	-	-	-	-	38,428
-	-	3,410,738	-	-	329,725	6,119,959
515,000	-	-	-	-	-	705,000
197,393	141,290	-	-	-	-	405,352
712,393	280,645	3,410,738	-	-	329,725	20,100,687
(30,933)	(280,645)	(3,351,644)	14,246	-	18,597	(5,618,942)
-	7,605,000	-	-	-	-	7,605,000
-	-	744,556	-	-	-	744,556
-	-	2,391,500	-	-	-	5,946,351
(4,862)	(6,645,528)	(2,335,000)	-	-	-	(10,091,455)
(4,862)	959,472	801,056	-	-	-	4,204,452
(35,795)	678,827	(2,550,588)	14,246	-	18,597	(1,414,490)
1,041,029	-	4,449,735	109,596	223,674	131,000	12,664,815
\$ 1,005,234	\$ 678,827	\$ 1,899,147	\$ 123,842	\$ 223,674	\$ 149,597	\$ 11,250,325

(Concluded)

City of San Rafael

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

Recreation Revolving Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 3,000	\$ 3,000	\$ 508	\$ (2,492)
Intergovernmental	-	-	48,000	48,000
Charges for current services	1,332,957	1,307,957	1,233,898	(74,059)
Other revenue	4,150	4,150	4,430	280
Total revenues	1,340,107	1,315,107	1,286,836	(28,271)
EXPENDITURES:				
Current:				
Culture and recreation	2,163,300	2,111,543	2,227,492	(115,949)
Capital outlay	48,634	48,634	17,749	30,885
Capital improvement/special projects	-	-	25,305	(25,305)
Total expenditures	2,211,934	2,160,177	2,270,546	(110,369)
REVENUES OVER (UNDER) EXPENDITURES	(871,827)	(845,070)	(983,710)	(138,640)
OTHER FINANCING SOURCES (USES):				
Transfers in	973,994	1,023,994	1,023,994	-
Transfers out	-	(25,000)	(25,000)	-
Total other financing sources (uses)	973,994	998,994	998,994	-
Net change in fund balances	\$ 102,167	\$ 153,924	15,284	\$ (138,640)
FUND BALANCES:				
Beginning of year			54,314	
End of year			<u>\$ 69,598</u>	

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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Taxes and special assessments	\$ 27,500	\$ 27,500	\$ 25,241	\$ (2,259)
Use of money and property	800	800	182	(618)
Total revenues	<u>28,300</u>	<u>28,300</u>	<u>25,423</u>	<u>(2,877)</u>
EXPENDITURES:				
Current:				
Public works and parks	29,236	29,236	29,236	-
Total expenditures	<u>29,236</u>	<u>29,236</u>	<u>29,236</u>	<u>-</u>
Net change in fund balances	<u>\$ (936)</u>	<u>\$ (936)</u>	<u>(3,813)</u>	<u>\$ (2,877)</u>
FUND BALANCES:				
Beginning of year			17,907	
End of year			<u>\$ 14,094</u>	

City of San Rafael

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 40,000	\$ 40,000	\$ 29,169	\$ (10,831)
Intergovernmental	1,098,500	1,098,500	1,250,885	152,385
Other revenue	-	-	43,942	43,942
Total revenues	1,138,500	1,138,500	1,323,996	185,496
EXPENDITURES:				
Current:				
Public works and parks	101,578	101,578	186,818	(85,240)
Capital improvement/special projects	1,210,000	1,210,000	241,130	968,870
Total expenditures	1,311,578	1,311,578	427,948	883,630
Net change in fund balances	\$ (173,078)	\$ (173,078)	896,048	\$ 1,069,126
FUND BALANCES:				
Beginning of year			459,997	
End of year			\$ 1,356,045	

City of San Rafael

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

Childcare Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 50	\$ -	\$ 54	\$ 54
Intergovernmental	16,000	16,000	256,496	240,496
Charges for current services	2,471,367	2,471,367	2,254,993	(216,374)
Other revenue	-	-	14,034	14,034
Total revenues	2,487,417	2,487,367	2,525,577	38,210
EXPENDITURES:				
Current:				
Culture and recreation	2,418,809	2,424,816	2,454,799	(29,983)
Capital outlay	56,160	52,160	10,756	41,404
Total expenditures	2,474,969	2,476,976	2,465,555	11,421
REVENUES OVER (UNDER) EXPENDITURES	12,448	10,391	60,022	49,631
OTHER FINANCING SOURCES (USES):				
Transfers out	(187,108)	(187,108)	(46,000)	141,108
Total other financing sources (uses)	(187,108)	(187,108)	(46,000)	141,108
Net change in fund balances	\$ (174,660)	\$ (176,717)	14,022	\$ 190,739
FUND BALANCES:				
Beginning of year			1,375	
End of year			<u>\$ 15,397</u>	

City of San Rafael

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

Street Maintenance and Cleaning Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 22,500	\$ 22,500	\$ 11,700	\$ (10,800)
Intergovernmental	-	35,000	691,208	656,208
Other revenue	2,300	2,300	102,155	99,855
Total revenues	24,800	59,800	805,063	745,263
EXPENDITURES:				
Current:				
Public works and parks	1,570,476	1,550,085	1,544,003	6,082
Capital outlay	7,228	7,228	4,706	2,522
Capital improvement/special projects	100,000	100,000	781,024	(681,024)
Total expenditures	1,677,704	1,657,313	2,329,733	(672,420)
REVENUES OVER (UNDER) EXPENDITURES	(1,652,904)	(1,597,513)	(1,524,670)	72,843
OTHER FINANCING SOURCES (USES):				
Transfers in	1,674,894	1,653,517	1,653,517	-
Total other financing sources (uses)	1,674,894	1,653,517	1,653,517	-
Net change in fund balances	\$ 21,990	\$ 56,004	128,847	\$ 72,843
FUND BALANCES:				
Beginning of year			981,455	
End of year			<u>\$ 1,110,302</u>	

City of San Rafael

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

Sewer Maintenance Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 12,000	\$ 12,000	\$ 6,000	\$ (6,000)
Charges for current services	998,601	998,601	1,001,670	3,069
Total revenues	1,010,601	1,010,601	1,007,670	(2,931)
EXPENDITURES:				
Current:				
Public works and parks	939,022	939,022	938,543	479
Total expenditures	939,022	939,022	938,543	479
REVENUES OVER (UNDER) EXPENDITURES	71,579	71,579	69,127	(2,452)
OTHER FINANCING SOURCES (USES):				
Transfers out	(74,111)	(74,111)	(74,111)	-
Total other financing sources (uses)	(74,111)	(74,111)	(74,111)	-
Net change in fund balances	\$ (2,532)	\$ (2,532)	(4,984)	\$ (2,452)
FUND BALANCES:				
Beginning of year			5,720	
End of year			<u>\$ 736</u>	

City of San Rafael

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

Loch Lomond Assessment District Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 61,770	\$ 61,770	\$ 61,816	\$ 46
Use of money and property	14,700	14,700	7,282	(7,418)
Total revenues	76,470	76,470	69,098	(7,372)
EXPENDITURES:				
Current:				
Public safety	5,955	5,955	-	5,955
Total expenditures	5,955	5,955	-	5,955
Net change in fund balances	\$ 70,515	\$ 70,515	69,098	\$ (1,417)
FUND BALANCES:				
Beginning of year			481,631	
End of year			\$ 550,729	

City of San Rafael

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

Library Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 38,200	\$ 38,200	\$ 62,152	\$ 23,952
Intergovernmental	200,209	200,209	215,984	15,775
Charges for current services	14,000	14,000	15,865	1,865
Other revenue	12,000	12,000	19,220	7,220
Total revenues	264,409	264,409	313,221	48,812
EXPENDITURES:				
Current:				
Culture and recreation	237,021	237,021	269,446	(32,425)
Capital improvement/special projects	-	-	53,051	(53,051)
Total expenditures	237,021	237,021	322,497	(85,476)
Net change in fund balances	\$ 27,388	\$ 27,388	(9,276)	\$ (36,664)
FUND BALANCES:				
Beginning of year			483,151	
End of year			<u>\$ 473,875</u>	

City of San Rafael

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

Public Safety Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 1,400	\$ 1,400	\$ 1,573	\$ 173
Intergovernmental	60,500	60,500	84,010	23,510
Charges for current services	18,700	18,700	19,051	351
Other revenue	-	-	1,030	1,030
Total revenues	80,600	80,600	105,664	25,064
EXPENDITURES:				
Current:				
Public safety	99,573	99,573	94,444	5,129
Total expenditures	99,573	99,573	94,444	5,129
REVENUES OVER (UNDER) EXPENDITURES	(18,973)	(18,973)	11,220	30,193
OTHER FINANCING SOURCES (USES):				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net change in fund balances	\$ 6,027	\$ 6,027	36,220	\$ 30,193
FUND BALANCES:				
Beginning of year			68,790	
End of year			\$ 105,010	

City of San Rafael

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

Stormwater Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ 1,000	\$ (1,000)
Use of money and property	13,000	13,000	8,999	(4,001)
Charges for current services	835,000	835,000	808,944	(26,056)
Total revenues	850,000	850,000	818,943	(31,057)
EXPENDITURES:				
Current:				
Public works and parks	1,062,736	1,053,574	1,045,432	8,142
Capital improvement/special projects	600,000	600,000	460,883	139,117
Total expenditures	1,662,736	1,653,574	1,506,315	147,259
REVENUES OVER (UNDER) EXPENDITURES	(812,736)	(803,574)	(687,372)	116,202
OTHER FINANCING SOURCES (USES):				
Transfers in	736,502	727,340	727,340	-
Transfers out	-	(100,000)	(100,000)	-
Total other financing sources (uses)	736,502	627,340	627,340	-
Net change in fund balances	\$ (76,234)	\$ (176,234)	(60,032)	\$ 116,202
FUND BALANCES:				
Beginning of year			1,085,085	
End of year			<u>\$ 1,025,053</u>	

City of San Rafael

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

Development Services Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 16,000	\$ 16,000	\$ 9,988	\$ (6,012)
Charges for services	-	-	35,332	35,332
Other	-	-	100,055	100,055
Total revenues	16,000	16,000	145,375	129,375
EXPENDITURES:				
Current:				
Community development/redevelopment	-	-	20,222	(20,222)
Capital improvement/special projects	-	-	89,196	(89,196)
Total expenditures	-	-	109,418	(109,418)
REVENUES OVER (UNDER) EXPENDITURES	16,000	16,000	35,957	19,957
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(338,135)	(338,135)	-
Total other financing sources (uses)	-	(338,135)	(338,135)	-
Net change in fund balances	\$ 16,000	\$ (322,135)	(302,178)	\$ 19,957
FUND BALANCES:				
Beginning of year, as restated			738,783	
End of year			\$ 436,605	

City of San Rafael

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

Grants Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 5,900	\$ 5,900	\$ 5,659	\$ (241)
Intergovernmental	353,000	340,000	997,031	657,031
Charges for current services	121,500	121,500	121,915	415
Other revenue	34,000	34,000	32,176	(1,824)
Total revenues	514,400	501,400	1,156,781	655,381
EXPENDITURES:				
Current:				
Culture and recreation	411,820	411,820	453,822	(42,002)
Capital improvement/special projects	102,210	102,210	728,109	(625,899)
Total expenditures	514,030	514,030	1,181,931	(667,901)
REVENUES OVER (UNDER) EXPENDITURES	370	(12,630)	(25,150)	(12,520)
OTHER FINANCING SOURCES (USES):				
Transfers in	80,000	125,000	125,000	-
Transfers out	(27,000)	(31,389)	(31,389)	-
Total other financing sources (uses)	53,000	93,611	93,611	-
Net change in fund balances	\$ 53,370	\$ 80,981	68,461	\$ (12,520)
FUND BALANCES:				
Beginning of year			664,331	
End of year			<u>\$ 732,792</u>	

City of San Rafael

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

Parkland Dedication Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Use of money and property	\$ 20,200	\$ 20,200	\$ 8,119	\$ (12,081)
Other revenue	1,100	1,100	8,543	7,443
Total revenues	21,300	21,300	16,662	(4,638)
EXPENDITURES:				
Capital improvement/special projects	-	-	798	(798)
Total expenditures	-	-	798	(798)
Net change in fund balances	\$ 21,300	\$ 21,300	15,864	\$ (5,436)
FUND BALANCES:				
Beginning of year			587,570	
End of year			\$ 603,434	

City of San Rafael

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

Emergency Medical Services Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
REVENUES:				
Taxes and special assessments	\$ 2,050,000	\$ 2,050,000	\$ 2,038,900	\$ (11,100)
Use of money and property	3,300	3,300	3,060	(240)
Charges for current services	1,400,000	1,400,000	1,421,583	21,583
Other revenue	-	-	584	584
Total revenues	3,453,300	3,453,300	3,464,127	10,827
EXPENDITURES:				
Current:				
Public safety	3,177,071	3,194,698	3,376,661	(181,963)
Capital outlay	26,860	16,860	5,217	11,643
Total expenditures	3,203,931	3,211,558	3,381,878	(170,320)
REVENUES OVER (UNDER) EXPENDITURES	249,369	241,742	82,249	(159,493)
OTHER FINANCING SOURCES (USES):				
Transfers out	(272,655)	(407,655)	(407,655)	-
Total other financing sources (uses)	(272,655)	(407,655)	(407,655)	-
Net change in fund balances	\$ (23,286)	\$ (165,913)	(325,406)	\$ (159,493)
FUND BALANCES:				
Beginning of year			620,807	
End of year			<u>\$ 295,401</u>	

City of San Rafael

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

Business Improvement Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 193	\$ 193
Intergovernmental	-	-	36,400	36,400
Other revenue	-	-	14,427	14,427
Total revenues	-	-	51,020	51,020
EXPENDITURES:				
Current:				
General government	-	-	51,675	(51,675)
Total expenditures	-	-	51,675	(51,675)
Net change in fund balances	\$ -	\$ -	(655)	\$ 102,695
FUND BALANCES:				
Beginning of year			5,852	
End of year			\$ 5,197	

City of San Rafael

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

East Francisco Boulevard Assessment District Debt Service Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amount	
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ (13,702)	\$ (13,701)	\$ 1
Total other financing sources (uses)	-	(13,702)	(13,701)	1
Net change in fund balances	\$ -	\$ (13,702)	(13,701)	\$ 1
FUND BALANCES:				
Beginning of year			13,701	
End of year			\$ -	

City of San Rafael

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

Peacock Gap Assessment District Debt Service Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 238,000	\$ 238,000	\$ 236,027	\$ (1,973)
Use of money and property	-	-	3,665	3,665
Total revenues	238,000	238,000	239,692	1,692
EXPENDITURES:				
Debt service:				
Principal retirement	204,000	204,000	175,000	29,000
Interest and fiscal charges	41,300	41,300	56,980	(15,680)
Total expenditures	245,300	245,300	231,980	13,320
REVENUES OVER (UNDER) EXPENDITURES	(7,300)	(7,300)	7,712	15,012
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,537)	(2,537)	(2,537)	-
Total other financing sources (uses)	(2,537)	(2,537)	(2,537)	-
Net change in fund balances	\$ (9,837)	\$ (9,837)	5,175	\$ 15,012
FUND BALANCES:				
Beginning of year			334,921	
End of year			\$ 340,096	

City of San Rafael

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

1915 Act Bonds Debt Service Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ (67,386)	\$ (67,387)	\$ (1)
Total other financing sources (uses)	-	(67,386)	(67,387)	(1)
Net change in fund balances	\$ -	\$ (67,386)	(67,387)	\$ (1)
FUND BALANCES:				
Beginning of year			67,387	
End of year			\$ -	

City of San Rafael

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

Mariposa Assessment District Debt Service Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 23,400	\$ 23,400	\$ 23,057	\$ (343)
Use of money and property	-	-	418	418
Total revenues	23,400	23,400	23,475	75
EXPENDITURES:				
Debt service:				
Principal retirement	13,865	13,865	15,000	(1,135)
Interest and fiscal charges	9,090	9,090	9,689	(599)
Total expenditures	22,955	22,955	24,689	(1,734)
REVENUES OVER (UNDER) EXPENDITURES	445	445	(1,214)	(1,659)
OTHER FINANCING SOURCES (USES):				
Transfers out	(150)	(150)	(150)	-
Total other financing sources (uses)	(150)	(150)	(150)	-
Net change in fund balances	\$ 295	\$ 295	(1,364)	\$ (1,659)
FUND BALANCES:				
Beginning of year			37,004	
End of year			\$ 35,640	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual 1997 Financing Authority Revenue Bonds Debt Service Fund For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget Positive (Negative)
REVENUES:				
Taxes and special assessments	\$ 660,245	\$ 660,245	\$ 670,532	\$ 10,287
Use of money and property	10,400	10,400	10,928	528
Total revenues	670,645	670,645	681,460	10,815
EXPENDITURES:				
Debt service:				
Principal retirement	470,730	515,730	515,000	730
Interest and fiscal charges	197,765	197,765	197,393	372
Total expenditures	668,495	713,495	712,393	1,102
REVENUES OVER (UNDER) EXPENDITURES	2,150	(42,850)	(30,933)	11,917
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,862)	(4,862)	(4,862)	-
Total other financing sources (uses)	(4,862)	(4,862)	(4,862)	-
Net change in fund balances	\$ (2,712)	\$ (47,712)	(35,795)	\$ 11,917
FUND BALANCES:				
Beginning of year			1,041,029	
End of year			<u>\$ 1,005,234</u>	

City of San Rafael

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

Capital Improvement Capital Projects Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 45,632	\$ 35,632
Intergovernmental	-	-	13,462	13,462
Other revenue	-	162,000	-	(162,000)
Total revenues	10,000	172,000	59,094	(112,906)
EXPENDITURES:				
Capital improvement/special projects	358,400	4,181,150	3,410,738	770,412
Total expenditures	358,400	4,181,150	3,410,738	770,412
REVENUE OVER (UNDER) EXPENDITURES	(348,400)	(4,009,150)	(3,351,644)	657,506
OTHER FINANCING SOURCES (USES):				
Contribution from Sanitation District	-	-	744,556	744,556
Transfers in	350,000	2,391,500	2,391,500	-
Transfers out	-	(2,335,000)	(2,335,000)	-
Total other financing sources (uses)	350,000	56,500	801,056	744,556
Net change in fund balances	\$ 1,600	\$ (3,952,650)	(2,550,588)	\$ 1,402,062
FUND BALANCES:				
Beginning of year			4,449,735	
End of year			\$ 1,899,147	

City of San Rafael

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

2003 Authority Lease Revenue Parking Bond Debt Service Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
EXPENDITURES:				
Current:				
General government	\$ -	\$ 139,355	\$ 139,355	\$ -
Debt service:				
Interest and fiscal charges	-	-	141,290	141,290
Total expenditures	-	139,355	280,645	141,290
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of debt	-	7,604,080	7,605,000	920
Transfers out	-	(6,645,528)	(6,645,528)	-
Total other financing sources (uses)	-	958,552	959,472	920
Net change in fund balances	\$ -	\$ 819,197	678,827	\$ (140,370)
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 678,827	

City of San Rafael

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

Bedroom Tax Capital Projects Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes and special assessments	\$ 15,000	\$ 15,000	\$ 12,778	\$ (2,222)
Use of money and property	4,000	4,000	1,468	(2,532)
Total revenues	19,000	19,000	14,246	(4,754)
Net change in fund balances	\$ 19,000	\$ 19,000	14,246	\$ (4,754)
FUND BALANCES:				
Beginning of year			109,596	
End of year			\$ 123,842	

City of San Rafael

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

Park Capital Projects Capital Projects Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount	Final Budget
				Positive
				(Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,862	\$ 1,862
Intergovernmental	-	-	329,725	329,725
Other revenue	-	-	16,735	16,735
Total revenues	-	-	348,322	348,322
EXPENDITURES:				
Capital improvement/special projects	-	-	329,725	(329,725)
Total expenditures	-	-	329,725	(329,725)
Net change in fund balances	\$ -	\$ -	18,597	\$ 18,597
FUND BALANCES:				
Beginning of year			131,000	
End of year			\$ 149,597	

This page intentionally left blank.

INTERNAL SERVICE FUNDS

City of San Rafael
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2003

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
ASSETS					
Current assets:					
Cash and investments	\$ 1,790,799	\$ 225,045	\$ 42,404	\$ 878,436	\$ 3,288,481
Accounts Receivable	-	-	601,661	-	-
Loans Receivable	-	15,000	-	-	-
Total assets	1,790,799	240,045	644,065	878,436	3,288,481
LIABILITIES					
Current liabilities:					
Accounts payable	9,658	3,332	94,574	5,834	10,888
Insurance claims payable	-	-	-	493,400	3,277,333
Total liabilities	9,658	3,332	94,574	499,234	3,288,221
NET ASSETS					
Unrestricted	1,781,141	236,713	549,491	379,202	260
Total net assets	\$ 1,781,141	\$ 236,713	\$ 549,491	\$ 379,202	\$ 260

Dental Insurance	Radio Replacement	Total
\$ 1,901	\$ 2,146,190	\$ 8,373,256
-	-	601,661
-	-	15,000
1,901	2,146,190	8,989,917
1,801	-	126,087
-	-	3,770,733
1,801	-	3,896,820
100	2,146,190	5,093,097
\$ 100	\$ 2,146,190	\$ 5,093,097

City of San Rafael

Combining Statement of Revenues, Expenses and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2003

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
OPERATING REVENUES:					
Charges for services	\$ 1,168,079	\$ 50,826	\$ 672,991	\$ 611,835	\$ 1,640,876
Refunds	-	-	150,114	134,666	16,706
Other operating revenues	30,771	17,804	592,238	-	-
Total operating revenues	1,198,850	68,630	1,415,343	746,501	1,657,582
OPERATING EXPENSES:					
General and administrative	-	-	1,522,424	-	-
Insurance premiums and claims	-	-	-	1,597,038	1,686,944
Maintenance and repairs	724,047	256,968	-	-	-
Total operating expenses	724,047	256,968	1,522,424	1,597,038	1,686,944
OPERATING INCOME (LOSS)	474,803	(188,338)	(107,081)	(850,537)	(29,362)
NONOPERATING REVENUES:					
Investment income	18,747	913	6,884	12,204	28,760
Total nonoperating revenues	18,747	913	6,884	12,204	28,760
INCOME (LOSS) BEFORE OPERATING TRANSFERS	493,550	(187,425)	(100,197)	(838,333)	(602)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	35,000	-	775,000	-
Transfers out	-	-	(110,330)	-	-
Total other financing sources (uses)	-	35,000	(110,330)	775,000	-
Net income (loss)	493,550	(152,425)	(210,527)	(63,333)	(602)
NET ASSETS:					
Beginning of year	1,287,591	389,138	760,018	442,535	862
End of year	\$ 1,781,141	\$ 236,713	\$ 549,491	\$ 379,202	\$ 260

Dental	Radio	
Insurance	Replacement	Total
\$ 408,324	\$ 462,195	\$ 5,015,126
4,855	-	306,341
-	-	640,813
413,179	462,195	5,962,280
-	-	1,522,424
413,155	-	3,697,137
-	481,845	1,462,860
413,155	481,845	6,682,421
24	(19,650)	(720,141)
-	29,007	96,515
-	29,007	96,515
24	9,357	(623,626)
-	-	810,000
-	-	(110,330)
-	-	699,670
24	9,357	76,044
76	2,136,833	5,017,053
\$ 100	\$ 2,146,190	\$ 5,093,097

City of San Rafael
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2003

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers/other funds	\$ 1,198,850	\$ 53,630	\$ 813,682	\$ 746,501	\$ 1,657,582
Cash payments to suppliers for goods and services	(766,121)	(296,856)	(1,437,172)	(1,794,642)	(1,575,388)
Net cash provided (used) by operating activities	432,729	(243,226)	(623,490)	(1,048,141)	82,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	35,000	-	775,000	-
Transfers out	-	-	(110,330)	-	-
Net cash provided (used) by noncapital financing activities	-	35,000	(110,330)	775,000	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest revenue	18,747	913	6,884	12,204	28,760
Net cash provided (used) by investing activities	18,747	913	6,884	12,204	28,760
Net increase (decrease) in cash and cash equivalents	451,476	(207,313)	(726,936)	(260,937)	110,954
CASH AND CASH EQUIVALENTS:					
Beginning of year	1,339,323	432,358	769,340	1,139,373	3,177,527
End of year	\$ 1,790,799	\$ 225,045	\$ 42,404	\$ 878,436	\$ 3,288,481
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 474,803	\$ (188,338)	\$ (107,081)	\$ (850,537)	\$ (29,362)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
Loans receivable	-	(15,000)	(601,661)	-	-
Accounts payable	(42,074)	(39,888)	85,252	(1,329)	(1,840)
Insurance claims payable	-	-	-	(196,275)	113,396
Total adjustments	(42,074)	(54,888)	(516,409)	(197,604)	111,556
Net cash provided (used) by operating activities	\$ 432,729	\$ (243,226)	\$ (623,490)	\$ (1,048,141)	\$ 82,194

Dental Insurance	Radio Replacement	Total
\$ 413,179	\$ 462,195	\$ 5,345,619
(411,354)	(481,845)	(6,763,378)
1,825	(19,650)	(1,417,759)
-	-	810,000
-	-	(110,330)
-	-	699,670
-	29,007	96,515
-	29,007	96,515
1,825	9,357	(621,574)
76	2,136,833	8,994,830
\$ 1,901	\$ 2,146,190	\$ 8,373,256
\$ 24	\$ (19,650)	\$ (720,141)
-	-	(616,661)
1,801	-	1,922
-	-	(82,879)
1,801	-	(697,618)
\$ 1,825	\$ (19,650)	\$ (1,417,759)

This page intentionally left blank.