

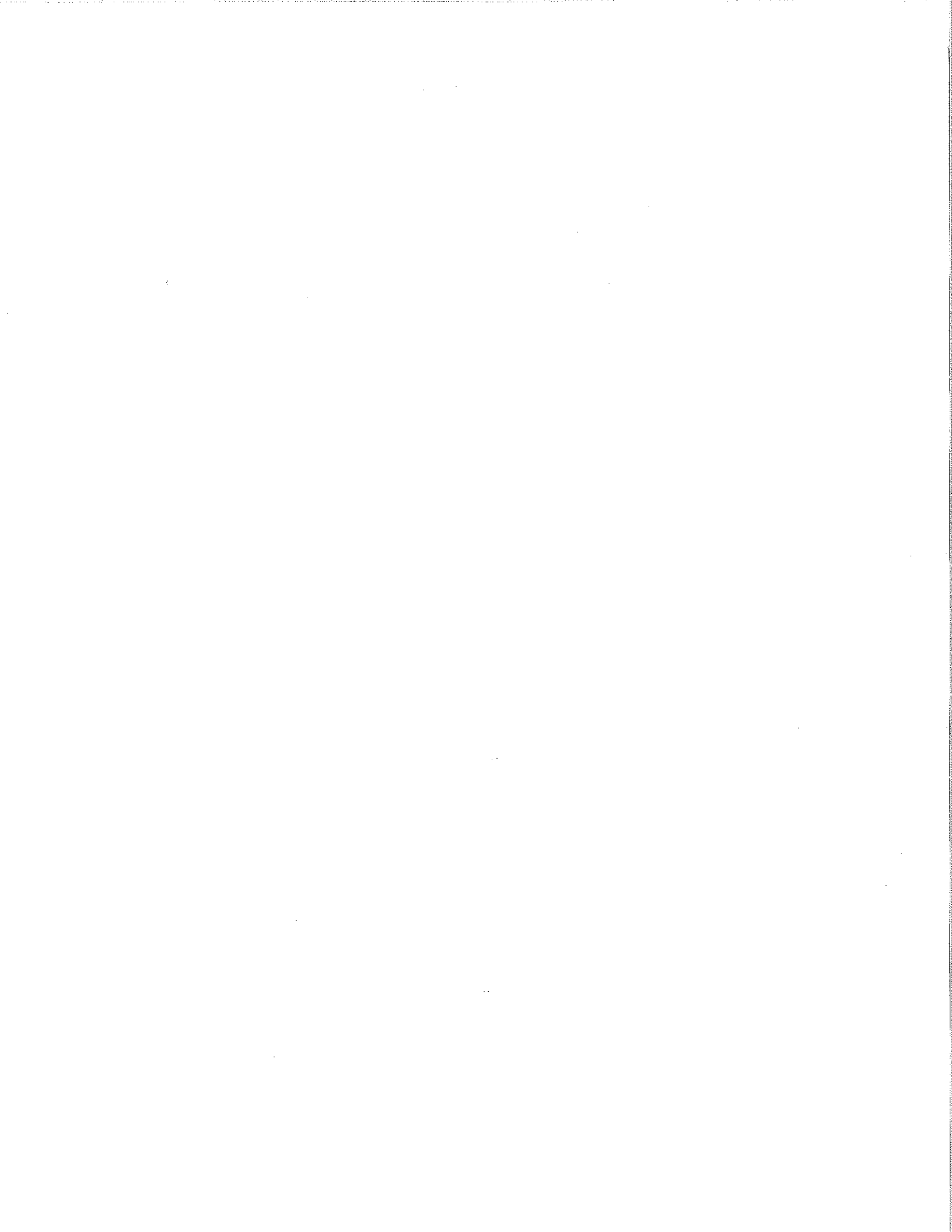
City of San Rafael

San Rafael, California

*Basic Financial Statements
and Independent Auditors' Report*

For the year ended June 30, 2006

C&L
Caporicci & Larson
Certified Public Accountants



City of San Rafael
Basic Financial Statements
For the year ended June 30, 2006

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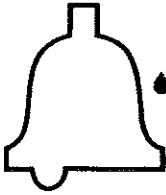
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Basic Financial Statements
For the year ended June 30, 2006

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CITY OF



San Rafael

*Mayor
Albert J. Boro*

*Council Members
Paul M. Cohen
Barbara Heller
Cyr N. Miller
Gary O. Phillips*

December 29, 2006

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

The Comprehensive Annual Financial Report (CAFR) of the City of San Rafael, California for the fiscal year ended June 30, 2006 is hereby submitted. The CAFR includes the independent auditor's report. The City Charter (Article VII, Section 12) requires that an independent Certified Public Accountant, hired by the City Council, conduct an annual audit of the City's financial transactions and issue appropriate reports to the City Council.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City management and is based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed the anticipated benefits derived from such a system, the objective is to provide reasonable assurance that the financial statements are free of material misstatements. We believe that the data enclosed is accurate in all material respects, and presented in a manner designed to fairly set forth the financial position and results of operations of the City. All significant disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

Caporicci and Larson, a firm of licensed certified public accountants, have audited the City of San Rafael's financial statements. They have issued an unqualified ("clean") opinion on the City's financial statements for the year ended June 30, 2006. The analysis of the financial condition and the result of operations are in the Management's Discussion and Analysis document in the Financial Section.

This Comprehensive Annual Financial Report is presented in three sections:

1. **Introductory Section** - This section includes this transmittal letter, the City's organizational chart, a list of municipal officers, and most recent certificates awarded to the City for excellence in financial reporting.

2. **Financial Section** - Included in this section are the Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Combining and Individual Fund Statements, and the required schedules and information.
3. **Statistical Section** - Although this section contains substantial financial information, these tables differ from financial statements in that they present some non-accounting data, cover multiple fiscal years, and are designed to provide demographic and economic data and reflect financial trends.

Profile of the City

The Mission San Rafael Archangel was founded in 1817. San Rafael was incorporated in 1874 and became a charter city in 1913 by vote within the City. The City Council is composed of five members; four are elected at large to four-year terms. The mayor is elected separately to a four-year term. Both the City Attorney and City Clerk are elected positions.

San Rafael has a Council-Manager form of government. The City Manager, appointed by the Council, serves as chief executive officer and is responsible for the day-to-day administration of City affairs. There are ten Boards and Commissions that are appointed by the City Council.

The City currently has a land area of 22 square miles that includes 17 square miles of land and five of water and tidelands. San Rafael's population in 2006 is 57,349. The City of San Rafael is located 17 miles north of San Francisco in Marin County. Protected by its Mediterranean like setting along the shores of the San Francisco Bay, the City enjoys a mild climate year round. As the County seat, San Rafael is considered the commercial, financial and cultural and civic hub of Marin County. Abundant recreational facilities are available in and around the San Rafael area. In addition to the City's cultural, park and recreational resources, there are other attractions that include Muir Woods, five State parks, the San Francisco area, Oakland and the nearby wine country.

Each year business merchants and the San Rafael Redevelopment Agency sponsor community events, including the Classic Car Parade, Farmers' Market, Winter Wonderland, Italian Street Painting Festival and the Parade of Lights. San Rafael is home to Marin County's cultural activities. Marin Center presents numerous ballets, concerts and speaking engagements. The Falkirk Cultural Center provides art exhibits and children's programming.

The City provides a full range of municipal services. These include police and fire protection, paramedic response, park maintenance, park development & recreation, library, child care, planning and zoning, building, sewer service, street maintenance, economic development, and general administrative services. The City offers twenty parks, three community centers, one library, and one public pool. Marin Municipal Water District, a separate government agency, provides water to the residents and businesses of the City of San Rafael. San Rafael has abundant shopping areas, including our downtown as well as two major shopping centers, Northgate Mall and Montecito Shopping Center.

The City operates on a two-year budget cycle. The two-year budget process requires that each

department submit two one-year expenditure plans and revenue estimates to the City Council for approval. At six month intervals over the two year cycle, Department Directors present performance reports to the City Manager and City Council to summarize budget status to date and to measure progress against established program goals and objectives. The Department Directors are responsible for containing expenditures within their budgeted appropriations as approved by the City Council. The level of budgetary control is the department within each fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts in the operating budget lapse one year after the end of the fiscal year. Capital improvements are administered by the CIP Coordinating Committee. Specific projects are established for each unique improvement and normally run into multiple fiscal years. Project budgets are established in the year the each project commences.

The City has adopted a set of "financial management principles" which reflect how San Rafael manages its assets, infrastructure and resources. These principles have guided budget development and resource allocation, and are integral to the data contained in this CAFR. These principles are intended to guide management and City Council actions throughout the City organization and community processes.

Factors Affecting Financial Condition

Local Economy. San Rafael is a regional employment center. The number of jobs within the City exceeds the number of employed residents. Our diversified economic mix includes high-tech, financial, service based, entertainment and industrial businesses. Successes for the past several years have been lead by the Redevelopment Agency's commitment to a revitalization of downtown. Partnerships with community members and the Chamber of Commerce have paved the way for both new businesses as well as expansion needs of existing companies. Tourism and travel continue to support hotel and related industries and many come from all over the world to enjoy the physical beauty of San Rafael and the surrounding areas.

General Fund Budget. The City's overall financial condition was turbulent once again in fiscal year 2005-2006. A loss of \$979,000 under Proposition 1A, coupled with higher employee benefit costs, flat retail sales, and a sluggish economy necessitated the closure of a \$3.4 million General Fund budget gap. Actions included:

- increases in existing fees or the establishment of new fees, and
- taking advantage of one time sources of money from the Vehicle License Fee loan repayment and ERAF funds, totaling \$1.8 million in fiscal year 2004-2005. This sum was added to our operating reserves in the prior fiscal year with the expectation it would be used as a one time source to close the 2005-2006 projected deficit, and
- Most importantly, not wishing to further erode essential services beyond the millions of dollars in reductions and loss of 30 General Fund employee positions over the past few years. Therefore, the City planned to reduce reserves for all of the \$3.4 million and put the direction of the City's future in the hands of San Rafael voters. With a thoughtful strategy, a high level of public trust, and numerous community outreach initiatives, a campaign was developed around a ½ cent Transaction and Use Tax

(TUT) that could provide approximately \$4.2 million in new General Fund revenues. In November of 2005, 70 percent of San Rafael voters approved Measure "S", which provides a TUT to be used for all essential City services for a period of 10 years. Although the use of reserves was estimated to be \$3.4 million for fiscal year 2005-2006, actual results required only a draw of \$2.6 million, leaving an operating reserve of roughly \$3 million. This level of contingency reflects only 6.7 percent of the 10 percent reserve established by City policy, and will require about \$1.5 million additional future resources in order to return to the 10 percent stated Policy level.

Appropriations Limit. The City remained well below the voter mandated Gann Appropriations Limit for the fiscal year 2005-2006, reaching only 82 percent of the legal limit. The Gann Limit was \$52.4 million and the City's appropriations subject to the limit were \$43.2 million.

Cash Management. The City follows the practice of pooling cash and investments of all funds with the City Treasurer. The City maintains these temporarily idle funds under the "prudent person" rule. This affords the City a broad spectrum of investment opportunities as long as the investment is deemed prudent and allowable under current legislation of the State of California, and the terms of the City's Investment Policies. Examples of investment instruments include U.S. Treasury notes, commercial paper, corporate bonds and the State of California investment pool. Investment policies are updated by the City Council each year; also, Monthly Investment Reports appear on both the Agency and Council's agenda.

At the end of the fiscal year the City's Portfolio, excluding invested bond proceeds, stood at \$37.2 million. The average yield for the year was 3.8 percent and the City earned \$1.1 million in interest income. The recognized investment income in the financial statements includes the effect of market value fluctuations. This approach resulted in a recognized return of 3.5 percent (as compared to the 3.8 percent without adjusting for market value fluctuations). The City's investment practice of "hold to maturity" will, over time, offset the effect of market fluctuations on reported earnings.

Risk Management. The City operates two Risk Management programs: General Liability and Workers' Compensation, with insurance coverage of \$25 million per occurrence for liability claims and \$10,000,000 for workers compensation. Deductible/self-insurance amounts are established at \$500,000 for general liability and \$250,000 for workers compensation. The General Liability program receives its funding from various funds through indirect cost allocation. The Workers' Compensation Program receives its funding through charges to the benefiting departments/funds of the City. Both programs are reported as internal service funds.

Pension and Other Post Employment Benefits. The City provides retirement benefits to its employees thru a contract with the Marin County Employees Retirement Association (MCERA). This is a defined benefit program under which the City is obligated to fund the plan to ensure that it will fully meet its obligations. The plan is funded with employee and employer contributions. The employee contribution rates are fixed based upon an 'age of entry' system. The employer contribution rates are set each year by MCERA based on annual actuarial studies.

The City also contributes towards retiree health premiums. The City contracts with the California Public Employee Retirement System (PERS) to administer health benefit programs for retirees. A portion of the City's health insurance cost for retirees is funded by MCERA. At the end of the fiscal year there were over 225 retired employees receiving this benefit.

Awards and Acknowledgments

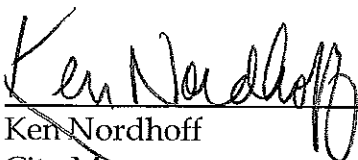
Certificates of Achievement. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards published by the Government Finance Officers Association of the United States and Canada (GFOA). Due to budget constraints, staff turnover and other citywide priorities, the City of San Rafael did not participate in this program for the prior year's audit period (fiscal year 2004-2005).

We believe our current report conforms to the Certificate requirements. Again, due to higher priorities in our organization, sufficient time and resources could not be directed toward the Certificate Program. Therefore we did not submit our CAFR to GFOA to determine its eligibility for another certificate.

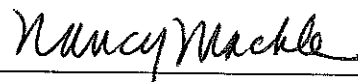
Acknowledgements. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Division staff and our auditors from Caporicci and Larson. Each member of the department and the audit team has our sincere appreciation for the contributions made in the preparation of this report. Special thanks go to Cindy Mosser, Finance Director for leading the City's portion of the audit engagement, to Van Bach, Accounting Supervisor, for shouldering much of the needed audit coordination and schedule preparation, and to Carl Tregner for working diligently on the financial worksheet and statement preparation.

Lastly, support by the Mayor and City Council members has allowed the Management Services staff to continue providing professional financial leadership to the San Rafael community. Staff works passionately to continue producing high quality products, including award winning annual financial reports. The City Council's openness to change and support in planning and conducting the operations of the City in a responsible, progressive manner empowers staff to achieve important goals for our City.

Respectfully submitted,

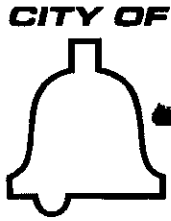


Ken Nordhoff
City Manager



Nancy Mackle
Interim Assistant City Manager





San Rafael

City Officials

City Council

Albert J. Boro, Mayor
Paul M. Cohen, Council Member
Barbara Heller, Council Member
Cyr N. Miller, Council Member
Gary O. Phillips, Council Member

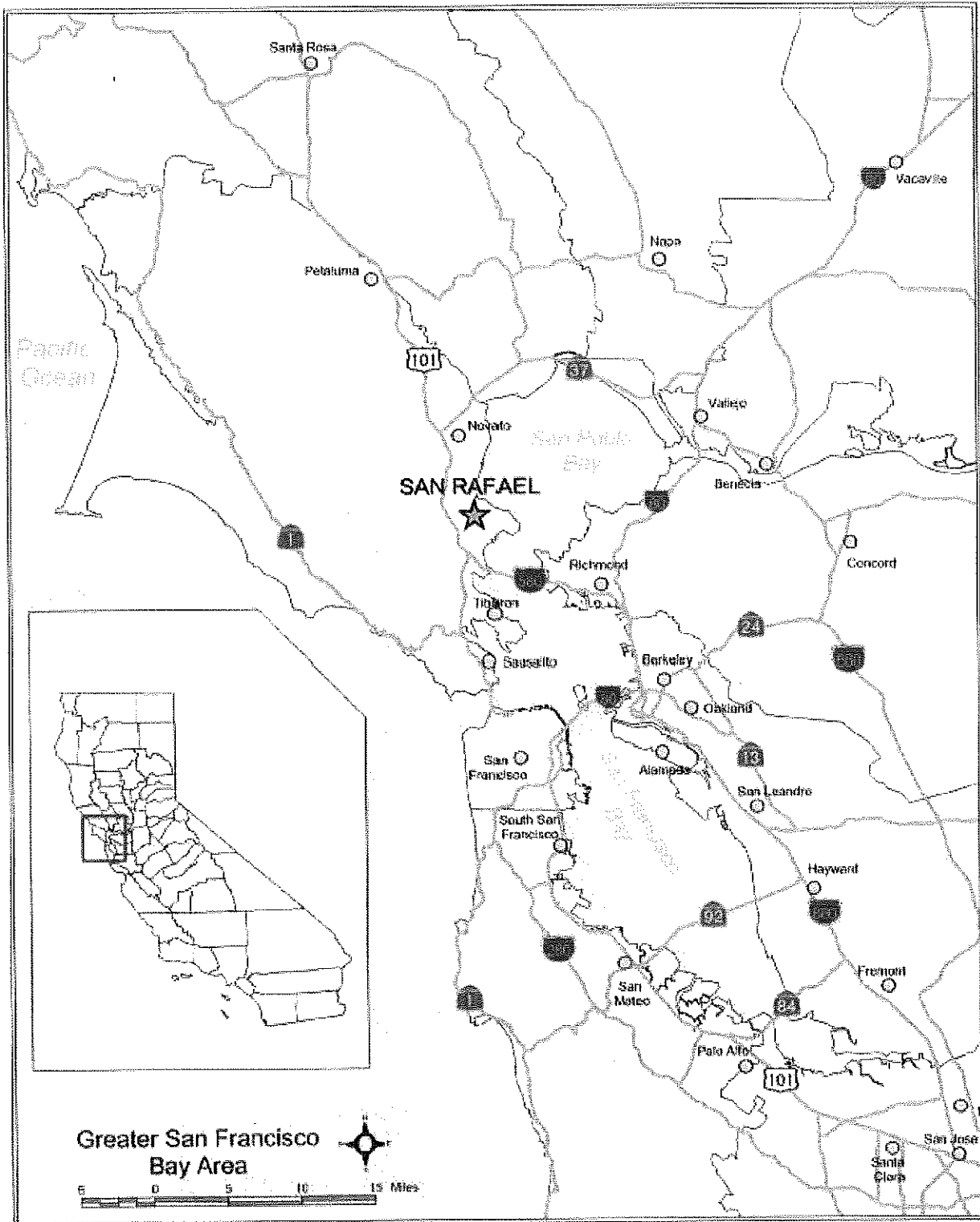
Elected Officials

Gary T. Ragghianti, City Attorney
Jeanne M. Leoncini, City Clerk

Management Team

Ken Nordhoff, City Manager
Nancy Mackle, Interim Assistant City Manager
Lydia Romero, Assistant to the City Manager

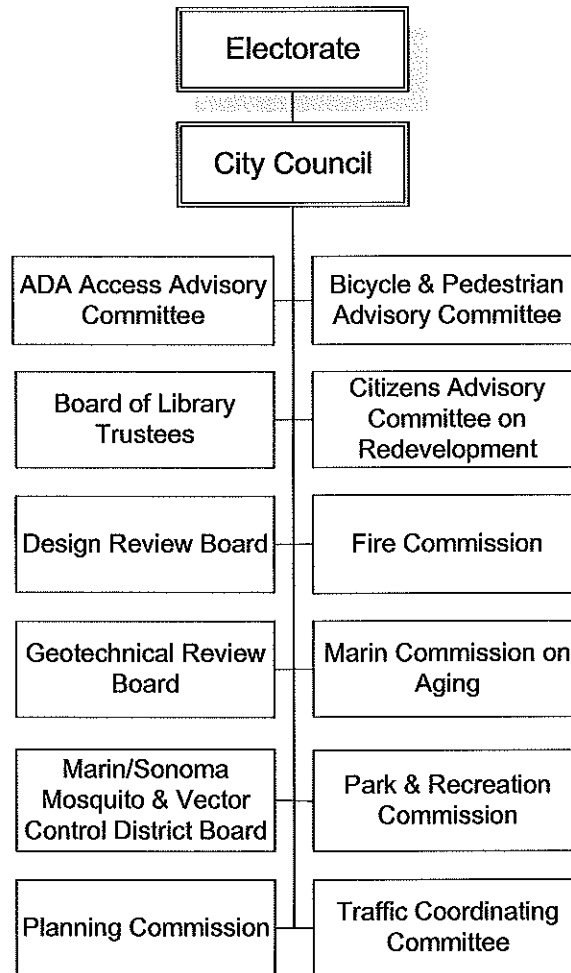
Bob Brown, Community Development Director
David Dodd, Library Director
Gus Guinan, Assistant City Attorney
Nancy Mackle, Economic Development Director
Carlene McCart, Community Services Director
John Montenero, Interim Fire Chief
Andy Preston, Public Works Director
Tom Simms, Interim Police Chief



LOCATION MAP

City of San Rafael Boards & Commissions

ORGANIZATION CHART



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2006, 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, 2006, 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 Statement of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2005, 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.

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Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

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

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

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

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
October 13, 2006

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

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, 2006. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS**Government-Wide Highlights:**

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2006 by \$221.1 million. Of this amount, \$34.9 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Expense Activities - During the fiscal year the City's total expenses (\$80.2 million) exceeded revenues for governmental and business-type activities (\$78.9 million) by \$1.3 million. Excluding Depreciation (non-cash expense of \$6.6 million), collected revenues were \$5.3 million above expenses.

Changes in Net Assets - The City's total net assets decreased by \$1.3 million in fiscal year 2006. Net assets of governmental activities decreased by \$2.7 million, while net assets of the business type activities increased by \$1.4 million.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2006, the City's governmental funds reported combined ending fund balances of \$34.5 million, a decrease of \$6.0 million from the prior year. Of this total amount, \$23.9 million represents reserved fund balances and \$9.6 million is designated.

General Fund - The fund balance of the general fund on June 30, 2006 was \$5.7 million, a decrease of \$2.5 million from the prior year. \$2.3 million was held in reserve, and \$3.1 million is designated to meet our 10% reserve requirement as defined by the City's Financial Management Policies.

Long-Term Debt:

The City's total outstanding debt decreased by \$2.8 million (4.9 percent) during the fiscal year, which reflects payment on outstanding assessment district bonds and Redevelopment debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 17 through 21 of this report.

Fund Financial Statements and Major Component Unit Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial capacity.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City has twenty-eight governmental funds, of which three 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 four major funds are - the General Fund, Redevelopment Agency, Household Hazmat Facility and Traffic and Housing Mitigation. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 25 through 30 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 86 through 93 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Parking Services program. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, building maintenance, radio systems, telephone systems, personal computer replacement program, self-insurance for worker's compensation, dental, 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 31 through 34 of this report.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 72 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the major funds (general, redevelopment agency, household hazmat facility, and traffic and housing mitigation). The other section is a schedule of funding progress for the Marin County Employees' Retirement System. All budgeted positions that are filled by either full-time or permanent part-time employees (working seventy-five percent of full time equivalent) are eligible to participate in this system. Required supplementary information can be found on pages 73 through 78 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$221.1 million, which is a decrease of \$1.3 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2005 and 2006.

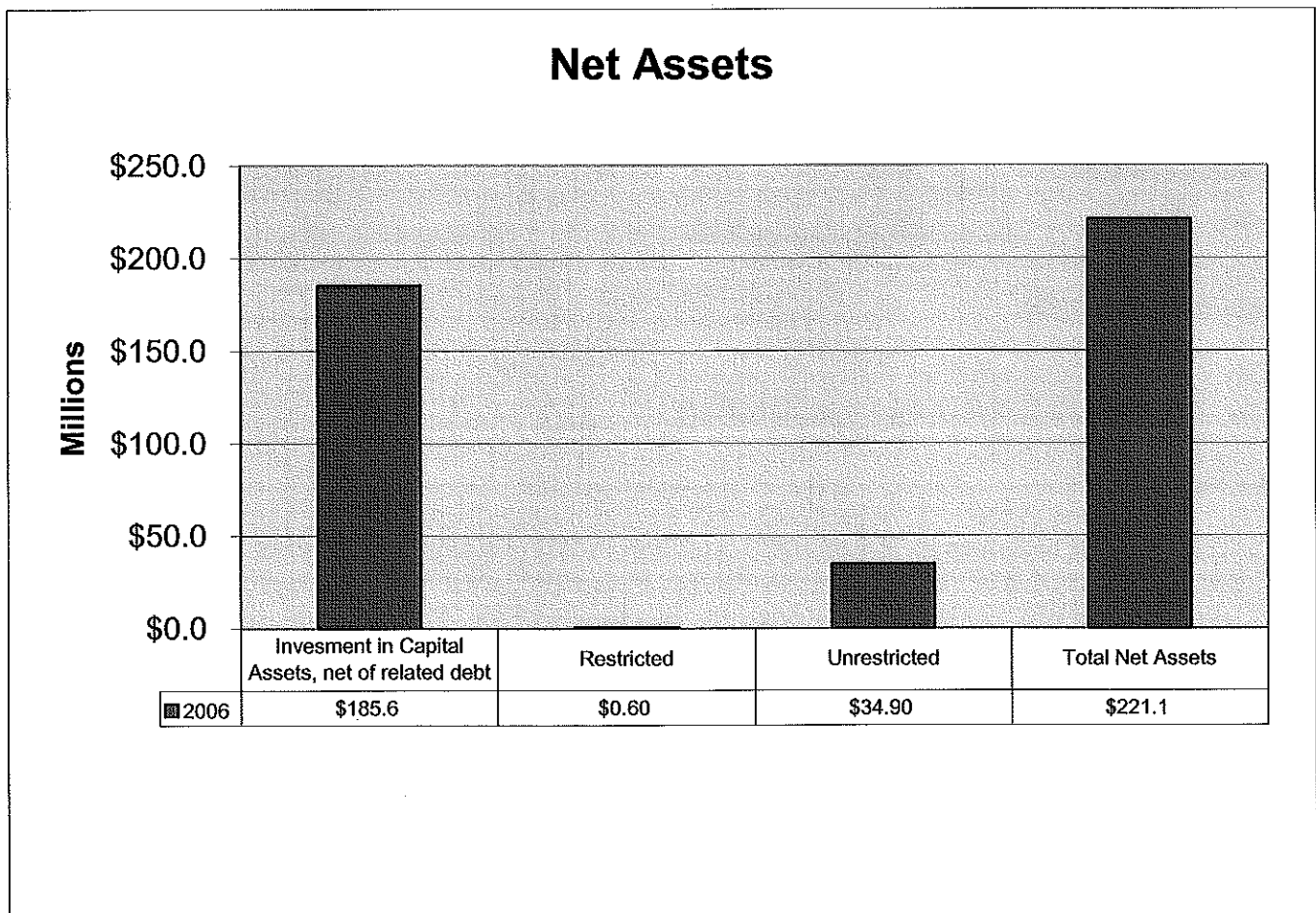
City of San Rafael Statements of Net Assets June 30, (Amounts in Millions)						
	Governmental Activities		Increase	Business-Type Activities		Increase
	2006	2005	(Decrease)	2006	2005	(Decrease)
Assets:						
Current assets	\$ 46.8	\$ 55.8	\$ (9.0)	\$ 2.3	\$ 2.1	\$ 0.2
Capital assets, net	216.1	216.4	(0.3)	17.3	16.2	1.1
Total assets	262.9	272.2	(9.3)	19.6	18.3	1.3
Liabilities:						
Current liabilities	9.5	12.5	(3.0)	0.3	0.3	-
Long-term liabilities	44.2	48.5	(4.3)	7.3	7.5	(0.2)
Total liabilities	53.7	61.0	(7.3)	7.6	7.8	(0.2)
Net Assets:						
Invested in capital assets, net of related debt	175.8	194.7	(18.9)	9.8	8.6	1.2
Restricted	0.6	2.4	(1.8)	-	-	-
Unrestricted	32.8	14.1	18.7	2.1	1.9	0.2
Total net assets	\$ 209.2	\$ 211.2	\$ (2.0)	\$ 11.9	\$ 10.5	\$ 1.4

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

At June 30, 2006, the largest portion of net assets (91.6 percent) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The decrease in total net assets from 2004-2005 to 2005-2006 is largely attributable to a netting of capital assets acquisition against depreciation expense for the year. Total depreciation for this current year was \$6.9 million, while capital asset acquisition totaled \$7.1 million, leaving a net change (increase) of \$.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 (.3 percent) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements. The remainder of net assets, \$34.8 million, may be used to meet the City's ongoing operations.

For the year ended June 30, 2006, 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.



CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2006 and 2005:

	(Amounts in Millions)					
	Governmental Activities		Increase	Business-Type Activities		Increase
	2006	2005	(Decrease)	2006	2005	(Decrease)
Revenues:						
Program revenues	\$ 23.5	\$ 19.3	\$ 4.2	\$ 3.0	\$ 2.6	\$ 0.4
General revenues	51.2	49.9	1.3	1.2	-	1.2
Total revenues	74.7	69.2	5.5	4.2	2.6	1.6
Expenses	77.4	70.8	6.6	2.8	2.4	0.4
Change in net assets before transfers	(2.7)	(1.6)	(1.1)	1.4	0.2	1.2
Transfers	-	-	\$ -	-	-	\$ -
Net Assets:						
Beginning, as restated	211.8	212.8		10.5	10.3	
Ending	\$ 209.1	\$ 211.2		\$ 11.9	\$ 10.5	

Governmental Activities:

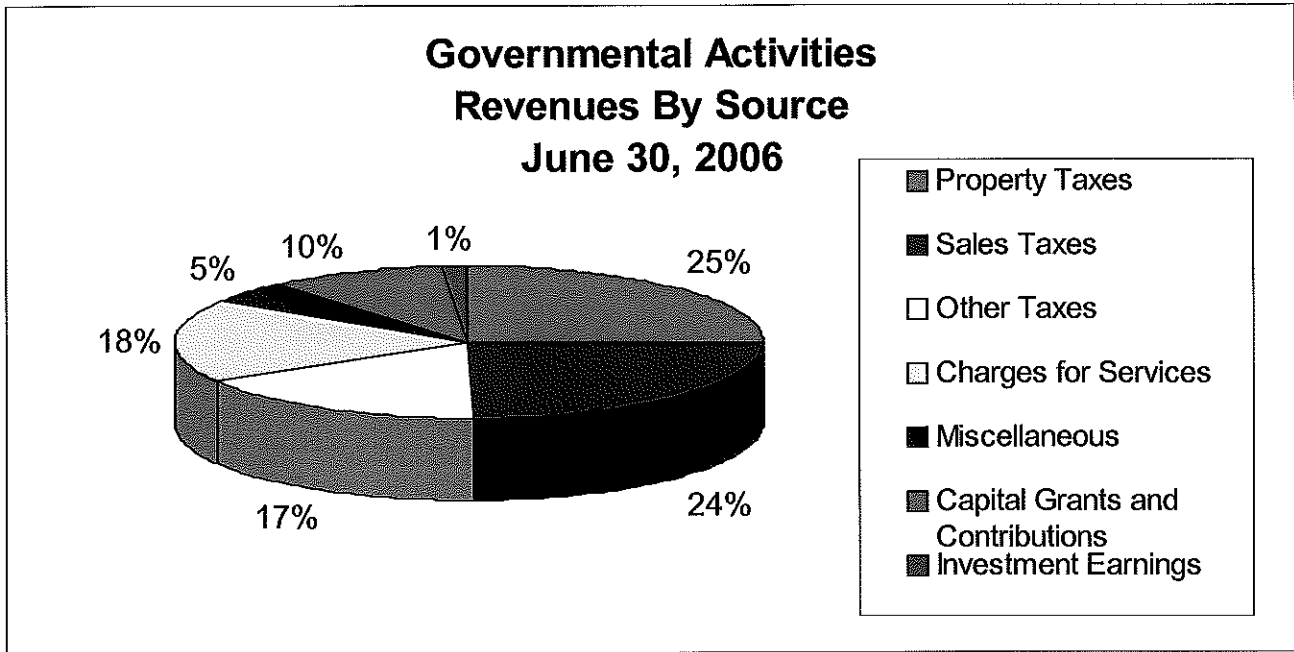
The City's governmental activities decreased net assets by \$2.7 million, which represents a 1.3% decrease from last year. Key elements of this change were as follows:

Revenue highlights:

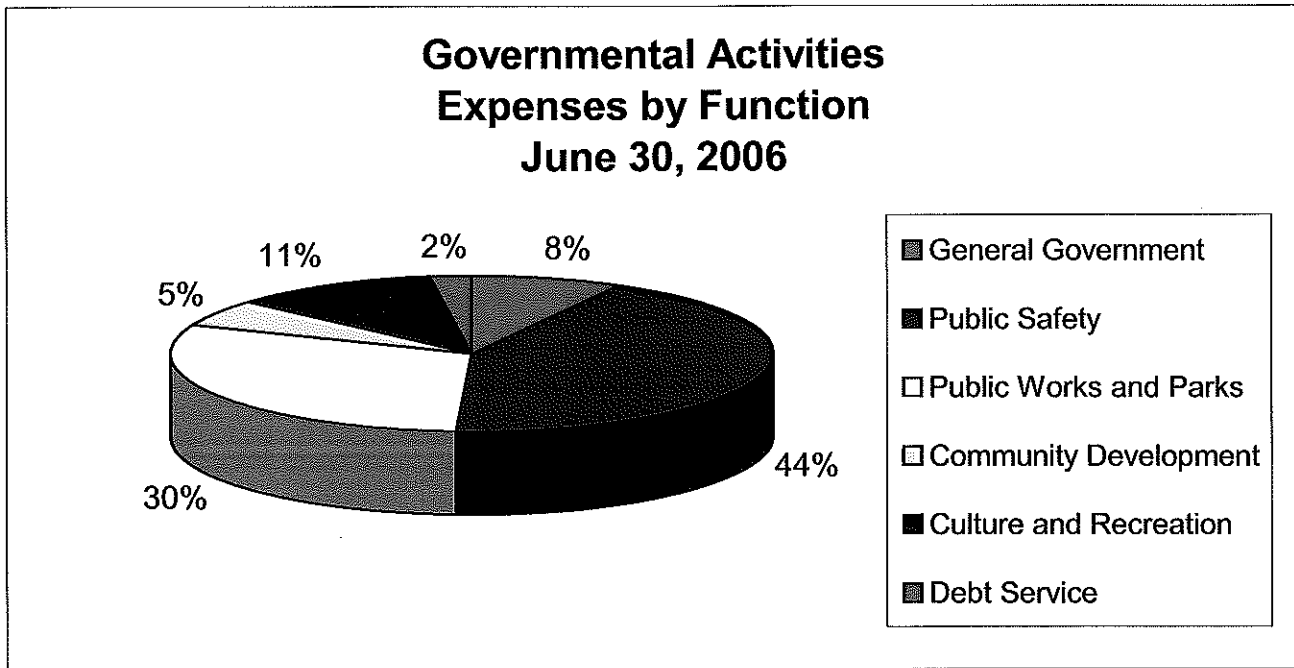
- Property Tax revenues increased by \$3.5 million or 20.1 percent in fiscal year 2006 due to the State's classification of the Vehicle License Fee (VLF) backfill, which was changed to an "In-lieu VLF" classification in FY2004-2005 to a property tax classification. The rationale is that the measurement and growth is now based on assessed valuations for fiscal year 2005-2006 and beyond.
- Sales tax increased by \$1.1 million or approximately 6.2 percent compared to fiscal year 2005. The increase in sales tax revenues includes the new voter approved transaction and use tax. In November 2005, the citizens passed a half-cent transaction and use tax effective April 2006. Over all the sales tax remained relatively flat and is dependent on consumer retail and business related activity in the City.
- Motor vehicles revenues decreased by \$4.3 million or 92 percent. The decrease is due to the reclassification of the State's VLF fee to property tax and from the one-time proceeds received from the sale of the VLF receivable in FY2004-2005.
- Other Tax revenues increased by \$1.8 million or approximately 35.2 percent compared to fiscal year 2005. The increases were primarily due to increases in franchise fees, which now include North San Rafael refuse area (\$347K); increases in transient occupancy taxes (\$203K) and increases in business license tax (\$137K). Also, \$1.1 million was classified as property tax in fiscal year 2005.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

Governmental Activities - Revenues:



Governmental Activities - Expenses:



Total expenses for governmental activities were \$75.7 million (not including interest on long-term debt of \$1.7 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$16.8 million in charges for services.
- A total of \$3.9 million in capital projects was funded by outside agencies through capital grants and contributions.

CITY OF SAN RAFAEL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2006

As a result, total expenses that were funded by tax revenues; investment income and other general revenues were \$56.9 million.

Functional expenses for the years ended June 30, 2006 were as follows:

Expenses by Function		
For the fiscal year ended June 30, 2006		
Function	Amount	Percent of Total
General Government	\$ 6,252,533	8.1%
Public Safety	33,178,537	42.9%
Public works and parks	23,401,246	30.2%
Community development	4,194,249	5.4%
Culture and recreation	8,652,445	11.2%
Interest on Debt	1,725,559	2.2%
Total Expenses	\$ 77,404,569	100.0%

Business-Type Activities:

Net assets for business-type activities were \$11.9 million, an increase of \$1.4 million from the prior fiscal year. Parking services is the City's only business type activity and income is derived from program revenues of \$3.0 million. Program revenues include parking meter coin at \$1.2 million, and parking garage hourly parking at \$0.3 million. Revenues also include parking and non-vehicle code fines totaling \$1.2 million and \$0.4 million for garage parking permits. Total expenses for parking services were \$2.8 million during fiscal year 2005-2006.

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 \$34.5 million. Approximately, \$.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 \$3.4 million, while total fund balance reached \$5.7 million. \$3.1 million is held as part of the 10 percent designated, unreserved fund balance 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 6.6 percent of total general fund expenditures including transfers out, while total fund balance represents 10.6 percent of that same amount.

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006**

The available fund balance of the City's general fund decreased by \$2.5 million during the current fiscal year. This decrease resulted from:

- The winter storm expenditures in excess of \$.8 million with minimal reimbursements from FEMA;
- True-up payment for the triple flip reduced the revenues by 10 percent from prior year.
- Expenditures increased with personnel costs mainly benefit costs leading the way.

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

The Redevelopment Agency Capital Project Fund was established to account for capital improvement projects related to the various redevelopment areas. At the end of fiscal year 2006, the reserved fund balance was \$8.1 million, a decrease of \$5.1 million from the prior year. Expenditures exceeded revenues by \$5.1 million. The decrease is primarily related to \$8.9 million in expenditures for capital improvement projects including the final settlement payment for the 3rd and C Street parking structure and the Pickleweed Community Center expansion. The entire fund balance as of June 30, 2006 was reserved for future capital project and housing programs.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the City's net assets increased by \$1.4 million as a result of operations in the Parking Services fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

1. Decreases in the following budgets:

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

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$233.4 million, net of accumulated depreciation of \$93.3 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total additions to the City's investment in capital assets for the current fiscal year was \$.8 million, net of accumulated depreciation and retirements.

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

Capital Projects

- The Pickleweed Community Center expansion and renovation project had a grand reopening in the summer of 2006.
- The final settlement payment with the surety company for the 3rd and C Street parking structure was made in December 2005.
- The City had storm damage in two incidents, flooding and landslides, during the year.

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

Debt Administration

As of June 30, 2006, the City had outstanding debt issues as listed below. Not included in the following table is the Community Facilities District No.1 Special Tax Bond, which is backed by property tax levies against property owners. The City has no obligation for these bonds. Certain specific revenues back each of the City's other bonds or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2005 and 2006 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	\$ 1.2	\$ 1.7	\$ 7.5	\$ 7.6	\$ 8.7	\$ 9.3
Bonds	0.1	0.3	-	-	0.1	0.3
Tax Allocation Bonds	39.7	41.5	-	-	39.7	41.5
Redevelopment note	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	0.4	0.5	-	-	0.4	0.5
Compensated Absences	5.0	5.0	-	-	5.0	5.0
Total Outstanding Debt	\$ 46.6	\$ 49.2	\$ 7.5	\$ 7.6	\$ 54.1	\$ 56.8

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

In November 2005, the citizens of San Rafael passed Measure S with a 70 percent voter approval. This measure amended the Municipal Code to establish a .50 percent transactions and use tax within the City of San Rafael, effective April 1, 2006. This transactions and use tax, estimated at \$5.8 million for Fiscal Year 2006-2007, provides much needed funds for a structural deficit and will allow the City to maintain essential services.

Many factors were considered in preparing the City's budget for Fiscal Year 2006-2007. Salaries and benefits are tied to the labor agreements with each bargaining group. Forecasted expenses related to supplies, services, utilities and capital assets are adjusted by the use of a CPI formula. Fiscal Year 2005-2006 baseline operating costs were indexed by 1.4 percent for Fiscal Year 2006-2007. Major revenue changes were the new transactions and use tax and property tax increase of 4-5% based upon valuation changes and development (although very limited in San Rafael). Sales tax has remained relatively flat for the City.

In November 2006, the citizens of San Rafael, CSA #19, and CSA #13 passed a tax measure to increase the Paramedic Tax for Fiscal Year 2007-2008. The increase is estimated to cover the cost of the paramedic program for four years starting with Fiscal Year 2007-2008. For Fiscal Year 2006-2007, the General Fund will supplement any shortfall which currently is estimated at \$450,000.

The City will also start the repayment process with the Marin County Superior Court for the overpayment received in court fines and traffic school. The total overpayment received from the County was \$1.1 million and it will be repaid in five years, starting January 2007.

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.

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of San Rafael
Statement of Net Assets
June 30, 2006

	Primary Government			Discrete Component Unit
	Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
ASSETS				
Current assets:				
Cash and investments	\$ 34,982,589	\$ 2,251,769	\$ 37,234,358	\$ 7,257,496
Restricted cash and investments:				
Held by fiscal agents	3,124,260	148	3,124,408	485,571
Receivables:				
Accounts	1,910,808	35,622	1,946,430	75,093
Taxes	5,337,302	-	5,337,302	-
Grants	335,938	-	335,938	-
Interest	360,853	-	360,853	5,427
Loans	708,805	-	708,805	-
Prepaid expenses	-	-	-	36,702
Total current assets	<u>46,760,555</u>	<u>2,287,539</u>	<u>49,048,094</u>	<u>7,860,289</u>
Noncurrent assets:				
COP issuance costs, net	-	-	-	42,258
Capital assets:				
Nondepreciable assets	90,614,383	8,673,615	99,287,998	729,653
Depreciable assets, net	125,512,162	8,600,822	134,112,984	23,285,999
Total capital assets	<u>216,126,545</u>	<u>17,274,437</u>	<u>233,400,982</u>	<u>24,015,652</u>
Total noncurrent assets	<u>216,126,545</u>	<u>17,274,437</u>	<u>233,400,982</u>	<u>24,057,910</u>
Total assets	<u>262,887,100</u>	<u>19,561,976</u>	<u>282,449,076</u>	<u>31,918,199</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,932,564	86,702	3,019,266	192,269
Deposit payable	31,594	-	31,594	-
Interest payable	167,117	85,267	252,384	52,246
Developer bonds payable	424,548	-	424,548	-
Arbitrage payable	25,127	-	25,127	-
Unearned revenue	218,431	1,913	220,344	-
Compensated absences - due within one year	3,574,660	-	3,574,660	-
Insurance claims payable - due within one year	-	-	-	-
Long-term debt - due within one year	2,163,514	155,000	2,318,514	380,000
Total current liabilities	<u>9,537,555</u>	<u>328,882</u>	<u>9,866,437</u>	<u>624,515</u>
Long-term liabilities:				
Compensated absences - due in more than one year	1,475,115	-	1,475,115	-
Insurance claims payable - due in more than one year	3,346,192	-	3,346,192	-
Long-term debt - due in more than one year	39,361,931	7,300,000	46,661,931	2,472,828
Total long-term liabilities	<u>44,183,238</u>	<u>7,300,000</u>	<u>51,483,238</u>	<u>2,472,828</u>
Total liabilities	<u>53,720,793</u>	<u>7,628,882</u>	<u>61,349,675</u>	<u>3,097,343</u>
NET ASSETS				
Investments in capital assets, net of related debt	175,806,100	9,819,435	185,625,535	21,205,082
Restricted	620,889	-	620,889	438,752
Unrestricted	32,739,318	2,113,659	34,852,977	7,177,022
Total net assets	<u>\$ 209,166,307</u>	<u>\$ 11,933,094</u>	<u>\$ 221,099,401</u>	<u>\$ 28,820,856</u>

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, 2006

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 6,252,533	\$ 402,094	\$ 75,419	\$ -	\$ 477,513
Public safety	33,178,537	5,085,679	606,936	114,000	5,806,615
Public works and parks	23,401,246	3,799,861	1,217,060	1,283,696	6,300,617
Community development/redevelopment	4,194,249	3,190,832	-	2,518,676	5,709,508
Culture and recreation	8,652,445	4,368,274	846,155	20,102	5,234,531
Interest on long-term debt (unallocated)	1,725,559	-	-	-	-
Total governmental activities	77,404,569	16,846,740	2,745,570	3,936,474	23,528,784
Business-type activity:					
Parking services	2,761,511	3,025,380	-	-	3,025,380
Total primary government	\$ 80,166,080	\$ 19,872,120	\$ 2,745,570	\$ 3,936,474	\$ 26,554,164
Component unit:					
San Rafael Sanitation District	\$ 6,148,915	\$ 6,340,773	\$ -	\$ -	\$ 6,340,773

General revenues:

Taxes:

- Property taxes
- Sale taxes
- Special assessments
- Motor vehicles
- Other

Total taxes

Investment earnings

Miscellaneous

Aid from other governmental agencies

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Discrete Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
\$ (5,775,020)	\$ -	\$ (5,775,020)	\$ -
(27,371,922)	-	(27,371,922)	-
(17,100,629)	-	(17,100,629)	-
1,515,259	-	1,515,259	-
(3,417,914)	-	(3,417,914)	-
(1,725,559)	-	(1,725,559)	-
(53,875,785)	-	(53,875,785)	-
-	263,869	263,869	-
(53,875,785)	263,869	(53,611,916)	-
-	-	-	191,858
20,848,887	-	20,848,887	179,479
18,188,524	-	18,188,524	-
3,017,488	-	3,017,488	-
372,726	-	372,726	-
6,963,448	-	6,963,448	-
49,391,073	-	49,391,073	179,479
1,248,409	44,536	1,292,945	237,206
361,195	-	361,195	-
-	1,309,893	1,309,893	645,804
201,191	(201,191)	-	-
51,201,868	1,153,238	52,355,106	1,062,489
(2,673,917)	1,417,107	(1,256,810)	1,254,347
211,840,224	10,515,987	222,356,211	27,566,509
\$ 209,166,307	\$ 11,933,094	\$ 221,099,401	\$ 28,820,856

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Redevelopment Agency Capital Projects Fund - Accounts for the RDA Capital Improvement Fund are for improvement projects.

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

City of San Rafael
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds						
	General	Redevelopment Agency Capital Projects Fund	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds
			Traffic and Housing Mitigation	Household Hazmat Facility			
ASSETS							
Cash and investments	\$ 2,180,765	\$ 4,335,054	\$ 9,600,240	\$ 51,959	\$ 10,843,738	\$ 27,011,756	
Cash with fiscal agents	66,886	2,699,031	-	-	358,343	3,124,260	
Receivables:							
Accounts	140,462	37,325	-	574,448	235,084	987,319	
Taxes	4,186,359	984,314	-	-	166,629	5,337,302	
Grants	18,775	42,444	-	-	274,719	335,938	
Interest	308,875	51,978	-	-	-	360,853	
Loans	326,588	280,491	80,000	-	21,726	708,805	
Total assets	\$ 7,228,710	\$ 8,430,637	\$ 9,680,240	\$ 626,407	\$ 11,900,239	\$ 37,866,233	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,101,526	\$ 299,509	\$ 2,210	\$ 591,402	\$ 680,141	\$ 2,674,788	
Deposit Payable	31,594	-	-	-	-	31,594	
Developer bonds payable	398,048	25,000	-	-	1,500	424,548	
Arbitrage payable	-	25,127	-	-	-	25,127	
Deferred revenue	-	18,735	-	-	221,422	240,157	
Total liabilities	1,531,168	368,371	2,210	591,402	903,063	3,396,214	
Fund Balances:							
Reserved	2,335,391	8,062,266	9,598,030	10,427	3,933,001	23,939,115	
Unreserved:							
Designated, reported in:							
General Fund	3,086,216	-	-	-	-	3,086,216	
Special revenue funds	-	-	-	-	6,536,227	6,536,227	
Undesignated, reported in:							
Major funds	275,935	-	80,000	24,578	-	380,513	
Non-major funds reported in:							
Special revenue funds	-	-	-	-	527,948	527,948	
Total fund balances	5,697,542	8,062,266	9,678,030	35,005	10,997,176	34,470,019	
Total liabilities and fund balances	\$ 7,228,710	\$ 8,430,637	\$ 9,680,240	\$ 626,407	\$ 11,900,239	\$ 37,866,233	

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, 2006

Total Fund Balances - Total Governmental Funds \$ 34,470,019

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	90,614,383
Depreciable, net	<u>125,512,162</u>
Total capital assets	<u>216,126,545</u>

Deferred revenue recorded in the Fund Financial statements resulting from activities in which revenues were earned under the full accrual basis of accounting but funds were not available under the modified accrual basis of accounting are reclassified as revenues in the Government-Wide Financial Statements.

21,726

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.

(167,117)

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.

5,290,354

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	(5,049,775)
Long-term debt	<u>(41,525,445)</u>
Total long-term liabilities	<u>(46,575,220)</u>

Net Assets of Governmental Activities \$ 209,166,307

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City of San Rafael
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Major Funds						
	General	Redevelopment		Special Revenue Funds		Non-Major Governmental Funds	Total Governmental Funds
		Agency Capital Projects Fund	Traffic and Housing Mitigation	Household Hazmat Facility			
REVENUES:							
Taxes and special assessments	\$ 37,316,540	\$ 984,314	\$ -	\$ -	\$ 6,600,690	\$ 44,901,544	
Licenses and permits	1,169,927	-	-	5,103	-	1,175,030	
Fines and forfeitures	622,494	-	-	-	-	622,494	
Use of money and property	401,632	348,900	264,830	163	301,033	1,316,558	
Intergovernmental	6,021,170	1,888,960	-	15,010	3,780,777	11,705,917	
Charges for services	1,823,411	21,500	997,086	1,092,885	9,169,690	13,104,572	
Other revenue	223,914	656,977	-	1,650	592,537	1,475,078	
Total revenues	47,579,088	3,900,651	1,261,916	1,114,811	20,444,727	74,301,193	
EXPENDITURES:							
Current:							
General government	6,141,552	-	-	-	58,786	6,200,338	
Public safety	27,926,658	-	-	1,212,038	4,183,271	33,321,967	
Public works and parks	6,318,640	-	61,129	-	4,242,816	10,622,585	
Community development/ redevelopment	2,702,210	1,481,874	-	-	-	4,184,084	
Culture and recreation	1,710,065	-	-	-	6,699,768	8,409,833	
Capital outlay	45,249	-	-	12,399	2,763	60,411	
Capital improvement/special projects	816,328	7,426,075	901,003	64,966	3,992,500	13,200,872	
Debt service:							
Capitalized lease obligation	130,315	-	-	-	-	130,315	
Principal	-	-	-	-	2,525,000	2,525,000	
Interest and fiscal charges	-	-	-	-	1,878,265	1,878,265	
Total expenditures	45,791,017	8,907,949	962,132	1,289,403	23,583,169	80,533,670	
REVENUES OVER (UNDER) EXPENDITURES	1,788,071	(5,007,298)	299,784	(174,592)	(3,138,442)	(6,232,477)	
OTHER FINANCING SOURCES (USES):							
Transfers in	965,780	-	-	172,000	5,787,327	6,925,107	
Transfers out	(5,278,870)	(56,663)	(16,254)	-	(1,321,129)	(6,672,916)	
Total other financing sources (uses)	(4,313,090)	(56,663)	(16,254)	172,000	4,466,198	252,191	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,525,019)	(5,063,961)	283,530	(2,592)	1,327,756	(5,980,286)	
FUND BALANCES:							
Beginning of year	8,222,561	13,126,227	9,394,500	37,597	9,669,420	40,450,305	
End of year	\$ 5,697,542	\$ 8,062,266	\$ 9,678,030	\$ 35,005	\$ 10,997,176	\$ 34,470,019	

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, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (5,980,286)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay including capital improvement/special projects 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.	5,803,241
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Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(6,649,196)
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Loss on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they it does not require the use of current financial resources. Therefore, it is not reported in the Governmental Funds	(54,263)
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Expenses for compensated absences accrued but not paid are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds. This amount represents current compensated absences expense incurred.	(12,220)
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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 long-term debt repayments	2,525,000
This amount represents capitalized lease obligation payments	130,315
Total long-term debt	<u>2,655,315</u>

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. The following amount represents the change in accrued interest from prior year.	152,706
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Certain revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements.	21,726
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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.	<u>1,389,060</u>
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Change in Net Assets of Governmental Activities	<u>\$ (2,673,917)</u>
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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 office services.

City of San Rafael
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Major Fund</u>	<u>Governmental</u>
	<u>Parking</u>	<u>Activities</u>
	<u>Services</u>	<u>Internal</u>
		<u>Service Funds</u>
ASSETS		
Current assets:		
Cash and investments	\$ 2,251,769	\$ 7,970,833
Cash with fiscal agent	148	-
Receivables:		
Accounts	35,622	923,489
Interest	-	-
Loans	-	-
Due from other fund	-	419,424
Prepaid expenses	-	-
Total current assets	<u>2,287,539</u>	<u>9,313,746</u>
Noncurrent assets:		
COP issuance costs, net	-	-
Capital assets:		
Nondepreciable assets	8,673,615	-
Depreciable assets, net	8,600,822	-
Total capital assets	<u>17,274,437</u>	<u>-</u>
Total noncurrent assets	<u>17,274,437</u>	<u>-</u>
Total assets	<u>19,561,976</u>	<u>9,313,746</u>
LIABILITIES		
Current liabilities:		
Accounts payable	86,702	257,776
Interest payable	85,267	-
Due to other funds	-	419,424
Insurance claims payable	-	3,346,192
Deferred revenue	1,913	-
Long-term debt - due within one year	155,000	-
Total current liabilities	<u>328,882</u>	<u>4,023,392</u>
Long-term liabilities:		
Long-term debt - due in more than a year	7,300,000	-
Total liability	<u>7,628,882</u>	<u>4,023,392</u>
NET ASSETS		
Invested in capital assets, net of related debt	9,819,435	-
Restricted	-	-
Unrestricted	2,113,659	5,290,354
Total net assets	<u>\$ 11,933,094</u>	<u>\$ 5,290,354</u>

See accompanying Notes to Basic Financial Statements.

City of San Rafael
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Major Fund	Governmental
	Parking Services	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,508,575	\$ -
Cash payments to suppliers for goods and services	(1,528,611)	(6,541,586)
Cash received from/to other funds	-	7,544,626
Other operating revenues	913,796	-
Net cash provided (used) by operating activities	893,760	1,003,040
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes	-	-
Aid from governmental agencies	-	-
Transfers in	-	317,000
Transfers out	(201,191)	(368,000)
Net cash provided (used) by noncapital financing activities	(201,191)	(51,000)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Cash paid for capital acquisitions	(5,696)	-
Interest received from certificates of participation principal cash	-	-
Principal payment on financing authority liability	(150,000)	-
Principal payments on certificates of participation	-	-
Interest expenses and fiscal charges	(345,566)	-
Net cash provided (used) by capital financing activities	(501,262)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	44,536	206,542
Net cash provided (used) by investing activities	44,536	206,542
Net increase (decrease) in cash and cash equivalents	235,843	1,158,582
CASH AND CASH EQUIVALENTS:		
Beginning of year	2,016,074	6,812,251
End of year	<u>\$ 2,251,917</u>	<u>\$ 7,970,833</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 618,451	\$ 1,233,518
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	251,494	-
Changes in operating assets and liabilities:		
Accounts receivable	22,601	(83,708)
Loans receivable	-	5,000
Prepaid items	-	-
Accounts payable	1,199	216,702
Connection fees	-	-
Insurance claims payable	-	(368,472)
Deferred revenue	15	-
Total adjustments	<u>275,309</u>	<u>(230,478)</u>
Net cash provided (used) by operating activities	\$ 893,760	\$ 1,003,040

See accompanying Notes to Basic Financial Statements.

City of San Rafael
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2006

	<u>Major Fund</u>	<u>Governmental</u>
	<u>Parking</u>	<u>Activities</u>
	<u>Services</u>	<u>Internal</u>
		<u>Service Funds</u>
OPERATING REVENUES:		
Charges for current services	\$ 1,485,974	\$ 6,535,789
Refunds	-	513,499
Connection fees	-	-
Other operating revenues	1,539,406	952,505
Total operating revenues	<u>3,025,380</u>	<u>8,001,793</u>
OPERATING EXPENSES:		
Personnel	1,437,718	-
Insurance premiums and claims	-	2,886,620
Maintenance and repairs	92,107	397,594
Sewage collection	-	-
Sewage treatment	-	-
Depreciation and amortization	251,494	-
General and administrative	625,610	3,484,061
Total operating expenses	<u>2,406,929</u>	<u>6,768,275</u>
OPERATING INCOME (LOSS)	<u>618,451</u>	<u>1,233,518</u>
NONOPERATING REVENUES (EXPENSES):		
Property taxes	-	-
Aid from governmental agencies	-	-
Investment income	44,536	206,542
Interest expense	(344,441)	-
Loss on disposal of fixed assets	(10,141)	-
Total nonoperating revenues	<u>(310,046)</u>	<u>206,542</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>308,405</u>	<u>1,440,060</u>
Contribution from other City funds	1,309,893	-
Transfers in	-	317,000
Transfers out	(201,191)	(368,000)
Change in net assets	<u>1,417,107</u>	<u>1,389,060</u>
NET ASSETS:		
Beginning of year	10,515,987	3,901,294
End of year	<u>\$ 11,933,094</u>	<u>\$ 5,290,354</u>

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, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The City is also financially accountable for the San Rafael Sanitation District (District), since two of its three board members are appointed by the City Council. This legally separate entity is discretely presented in a separate column in the City's financial statement.

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 is 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, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Blended Component Units, Continued

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

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

Discretely Presented Component Unit

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

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

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

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. A Discretely Presented Component Unit Activities column is presented after the total column.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

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

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

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

- Due to, Due from other funds
- Transfers in, transfers 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 meet specific qualifications. The following are the descriptions for each major fund.

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

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.

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.

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 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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Interest Payable

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

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

D. Use of Restricted and Unrestricted Net Assets

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

E. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold current investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. The pooled interest earned is allocated quarterly to each fund based on an average of quarterly opening and closing balances of cash and investments.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturity of three months or less from the date of acquisition.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments, Continued

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

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Property Tax Levy Collection and Maximum Rates, Continued

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.

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 of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

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

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

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

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

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

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

- Bridges
- Street system
- Roadways
- Storm Drain System

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

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost. Interest accrued during construction of capital assets, if any, is capitalized for the business-type activities and proprietary funds as part of the asset cost.

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

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Capital Assets, Continued

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

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

J. Long-Term Lease Accounting

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

K. Compensated Absences

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

L. Claims and Judgments

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

M. Appropriation Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from proceeds of taxes. For the fiscal year ended June 30, 2007, 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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Net Assets/Fund Balance

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

Unrestricted – 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

In 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- Statement No. 44, *Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1)* – The Statement establishes the objectives of the statistical section and the five categories of information it contains; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* – The Statement addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specifies accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47, *Accounting for Termination Benefits* – The Statement provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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 \$1,140,274 at June 30, 2006. Bank balances at June 30, 2006 were \$2,610,945 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.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

The City is authorized by State statutes and in accordance with the City's Investment Policy (the Policy), adopted on April 18, 2005, to invest in the following:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Obligation	5 years	No limit	No limit
U.S. Agency Securities and Instruments	5 years	No limit	No limit
Repurchase agreements	1 year	No limit	No limit
Primer Commercial Paper	270 days	25%	\$1,000,000
Banker Acceptance	180 days	40%	\$2,000,000
Medium-Term Corporate Notes	5 years	30%	\$1,000,000
Negotiable Certificates of Deposit	5 years	30%	No limit
Non-negotiable certificates of Deposit	180 days	No limit	No limit
Local Agency Investment Fund	N/A	N/A	N/A
Money Market/Mutual Funds	N/A	10%	N/A

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income in all funds:

Interest income	\$ 1,126,319
Unrealized gain in changes in fair value of investments	<u>166,626</u>
Total investment income	\$ <u>1,292,945</u>

The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. In accordance with GASB Statement No. 31, the portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. The City's policy is to buy and hold investments until maturity.

The City's investments are carried at fair value as required by generally accepted accounting principles.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2006, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - 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, generally mortgage-backed securities that 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 (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2006, the City had \$22,530,660 invested in LAIF, which had invested 4.76% of the pool investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.998185821 was used to calculate the fair value of the investments in LAIF.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets		
	Governmental Activities	Business-Type Activities	Total
Cash and Investments	\$ 34,982,589	\$ 2,251,769	\$ 37,234,358
Restricted Cash and Investments	\$ 3,124,260	\$ 148	\$ 3,124,408
Total Cash and Investments			\$ 40,358,766

The following is a breakdown of cash deposits and investments at June 30, 2006:

	Total
Cash deposits	\$ 1,140,274
Investments	36,094,084
Total Cash and Investments	\$ 37,234,358

D. Risk Disclosures

Interest Risk: Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed five years.

Investments stated at fair value held in the City Treasury grouped by maturity date at June 30, 2006, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
U.S. Treasury Bill	\$ 1,488,350	\$ 991,100	\$ 497,250	\$ -	\$ -	\$ -
Securities of U.S. Government						
Treasury and Agencies:						
FHLB	2,969,044	-	980,100	1,988,944	-	-
FNMA	3,443,200	1,474,800	979,200	-	-	989,200
FHLMC	3,955,920	1,991,670	-	981,300	495,250	487,700
FFCB	723,200	-	-	483,300	239,900	-
Commercial Paper:						
GE Capital	983,710	983,710	-	-	-	-
Local Agency Investment Funds	22,530,660	22,530,660	-	-	-	-
Total	\$ 36,094,084	\$ 27,971,940	\$ 2,456,550	\$ 3,453,544	\$ 735,150	\$ 1,476,900

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Liquidity Standard: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy shall be matched with anticipated cash flow and known future liabilities.

Credit Risk. Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. According to the City's investment policy, no more than 10% of the total portfolio or \$1,000,000 whichever is less, may be invested in securities of any single issuer, other than the U.S. Government, its agencies and instrumentalities, and LAIF. If a security is downgraded by either Moody's or S&P to a level below the minimum quality required by the City, it shall be the City's policy to sell that security as soon as practicable.

At June 30, 2006, the City's investments had the following ratings:

	Credit Quality Ratings	
	Moody's	S&P
U.S. Treasury Bills	Aaa	AAA
Securities of U.S. Government Agencies:		
FHLB	Aaa	AAA
FNMA	Aaa	AAA
FHLMC	Aaa	AAA
FFCB	Aaa	AAA
Commercial Paper:		
GE Capital	P1	A-1+
Local Agency Investment Funds	Not Rated	

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

E. 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, 2006, cash and investments with fiscal agents totaling \$3,124,408 were recorded at fair value.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

F. 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. 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, 2006. The Fitch credit quality rating for the Marin County Pool at June 30, 2006 was AAA/V1+.

The District's investment in this pool do not represent specific securities in physical or book entry form, and accordingly, are not exposed to custodial credit risk.

Cash and investments at June 30, 2006, consisted of the following:

Cash and investments	\$ 7,742,992
Petty cash	75
Total	\$ 7,743,067
Unrestricted cash:	
Cash	\$ 7,257,496
Restricted cash:	
Certificates of participation	485,571
Total	\$ 7,743,067

3. LOANS RECEIVABLE

The City had the following loans receivable at June 30, 2006:

Loan to City Manager	\$ 309,637
Employees' Computer Loans	16,951
Centertown Associates	280,491
One "H" Street Associates	80,000
Muir Terrance Homes	21,726
Total	\$ 708,805

On August 1, 1996, the City made a 30-year loan to the City Manager in the amount of \$392,040, at an interest rate equivalent to the Local Agency Investment Fund interest rate, for the purchase of a home. The loan is secured by a Deed of Trust. The principal and interest are payable monthly commencing September 1, 1996 through August 31, 2026. The outstanding balance at June 30, 2006 was \$309,637.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

3. LOANS RECEIVABLE, Continued

Effective February 1, 2000, the City agreed to loan employees up to \$2,500 for the purchase of computer hardware and software. The loan program, which stipulates that employees may not have more than one loan outstanding, provides financial assistance from the City in the form of a no interest loan repaid through automatic payroll deductions. The outstanding balance at June 30, 2006 was \$16,951.

The City loaned Centertown Associates, Ltd. \$303,000 at 3% interest due semiannually. The final payment is due on July 31, 2065. The outstanding balance at June 30, 2006 was \$280,491.

The City loaned One "H" Street Associates \$100,000 at 0% interest with annual payments of \$2,857 and with a 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, 2006 was \$80,000.

In April 1996, Muir Terrace Homes entered into an agreement with the City to defer all development fee payments except the Traffic Mitigation fee which is waived for 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, 2006 was \$21,726.

4. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2006, the City had the following due to/from other funds:

	Due From Other Funds
	Internal
	Service Fund
Due To Other Funds	\$ 419,424
Internal Service Funds	\$ 419,424

The amounts due to and from internal service funds represent temporary negative cash balances pending receivables. Current inter-fund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. INTERFUND TRANSACTIONS, Continued

B. Transfers

Transfers for the year ended June 30, 2006, were as follows:

		Transfers In				
		Major Funds		Non-Major Governmental Funds	Proprietary Fund	
		General Fund	Household Hazmat Facility		Internal Service Fund	Total
Transfers Out	Major Funds:					
	General Fund	\$ -	\$ 172,000	\$ 4,819,870	\$ 287,000	\$ 5,278,870
	Redevelopment Agency Capital Projects Fund	-	-	56,663	-	56,663
	Traffic and Housing Mitigation Special Revenue Fund	-	-	16,254	-	16,254
	Non-Major Governmental Funds	493,589	-	827,540	-	1,321,129
	Parking Services Enterprise Fund	134,191	-	67,000	-	201,191
	Internal Service Funds	338,000	-	-	30,000	368,000
Total	\$ 965,780	\$ 172,000	\$ 5,787,327	\$ 317,000	\$ 7,242,107	

Transfers to the General Fund were for administrative costs and claims liabilities.

Transfers to the Household Hazmat Facility Special Revenue Funds were for program support.

Transfers to the Non-Major Governmental Funds were for administrative costs, capital projects and special projects.

Transfers to the Internal Service Funds were for benefits and claims reserves.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2006 the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total	Discrete Component Unit
Non-depreciable assets:				
Land	\$ 82,146,643	\$ 8,620,853	\$ 90,767,496	\$ 115,329
Construction in process	8,467,740	52,762	8,520,502	614,324
Total non-depreciable assets	<u>90,614,383</u>	<u>8,673,615</u>	<u>99,287,998</u>	<u>729,653</u>
Depreciable assets:				
Land improvements	7,419,678	-	7,419,678	-
Buildings and structures	27,057,835	8,808,876	35,866,711	-
Machinery and equipment	14,192,858	897,144	15,090,002	-
Infrastructure	168,987,948	-	168,987,948	-
Subsurface lines	-	-	-	12,152,655
Sewage collection facilities	-	-	-	28,348,164
General plant and administration	-	-	-	359,695
	<u>217,658,319</u>	<u>9,706,020</u>	<u>227,364,339</u>	<u>40,860,514</u>
Less accumulated depreciation	<u>(92,146,157)</u>	<u>(1,105,198)</u>	<u>(93,251,355)</u>	<u>(17,574,515)</u>
Total depreciable assets, net	<u>125,512,162</u>	<u>8,600,822</u>	<u>134,112,984</u>	<u>23,285,999</u>
Total capital assets	<u>\$ 216,126,545</u>	<u>\$ 17,274,437</u>	<u>\$ 233,400,982</u>	<u>\$ 24,015,652</u>

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006:

	Balance July 1, 2005	Additions	Retirements	Prior Period Adjustments/ Reclassifications	Balance June 30, 2006
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 82,146,643	\$ -	\$ -	\$ -	\$ 82,146,643
Construction in progress	8,383,859	5,420,447	-	(5,336,566)	8,467,740
Total capital assets, not being depreciated	<u>90,530,502</u>	<u>5,420,447</u>	<u>-</u>	<u>(5,336,566)</u>	<u>90,614,383</u>
Capital assets, being depreciated:					
Land improvements	7,419,678	-	-	-	7,419,678
Buildings and structures	24,831,954	-	-	2,225,881	27,057,835
Machinery and equipment	12,851,149	382,794	(387,908)	1,346,823	14,192,858
Infrastructure	166,408,256	-	-	2,579,692	168,987,948
Total capital assets, being depreciated	<u>211,511,037</u>	<u>382,794</u>	<u>(387,908)</u>	<u>6,152,396</u>	<u>217,658,319</u>
Accumulated depreciation:					
Land improvements	(2,790,448)	(274,647)	-	-	(3,065,095)
Buildings and structures	(5,541,962)	(677,610)	-	(60,131)	(6,279,703)
Machinery and equipment	(7,135,402)	(903,887)	333,645	(180,000)	(7,885,644)
Infrastructure	(70,182,794)	(4,793,052)	-	60,131	(74,915,715)
Total accumulated depreciation	<u>(85,650,606)</u>	<u>(6,649,196)</u>	<u>333,645</u>	<u>(180,000)</u>	<u>(92,146,157)</u>
Total capital assets, being depreciated, net	<u>125,860,431</u>	<u>(6,266,402)</u>	<u>(54,263)</u>	<u>5,972,396</u>	<u>125,512,162</u>
Governmental activities capital assets, net	<u><u>\$ 216,390,933</u></u>	<u><u>\$ (845,955)</u></u>	<u><u>\$ (54,263)</u></u>	<u><u>\$ 635,830</u></u>	<u><u>\$ 216,126,545</u></u>

Depreciation expense by program for capital assets for the year ended June 30, 2006 were as follows:

General government	\$ 128,270
Public safety	591,659
Public works and parks	5,595,712
Community development/redevelopment	51,710
Culture and recreation	281,845
Total depreciation expense	<u><u>\$ 6,649,196</u></u>

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2005	Additions	Retirements	Reclassification	Balance June 30, 2006
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 8,614,064	\$ 6,789	\$ -	\$ -	\$ 8,620,853
Construction in progress	328,037	78,612	-	(353,887)	52,762
Total capital assets, not being depreciated	<u>8,942,101</u>	<u>85,401</u>	<u>-</u>	<u>(353,887)</u>	<u>8,673,615</u>
Capital assets, being depreciated:					
Buildings and structures	7,578,688	1,230,188	-	-	8,808,876
Machinery and equipment	559,093	-	(15,836)	353,887	897,144
Total capital assets, being depreciated	<u>8,137,781</u>	<u>1,230,188</u>	<u>(15,836)</u>	<u>353,887</u>	<u>9,706,020</u>
Accumulated depreciation:					
Buildings and structures	(721,170)	(176,177)	-	-	(897,347)
Machinery and equipment	(138,229)	(75,317)	5,695	-	(207,851)
Less accumulated depreciation	<u>(859,399)</u>	<u>(251,494)</u>	<u>5,695</u>	<u>-</u>	<u>(1,105,198)</u>
Total capital assets, being depreciated, net	<u>7,278,382</u>	<u>978,694</u>	<u>(10,141)</u>	<u>353,887</u>	<u>8,600,822</u>
Business-type activities capital assets, net	<u>\$ 16,220,483</u>	<u>\$ 1,064,095</u>	<u>\$ (10,141)</u>	<u>\$ -</u>	<u>\$ 17,274,437</u>

Depreciation expense for parking services activities was \$251,494 for the year ended June 30, 2006.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of the District's fixed assets at June 30, 2006:

	Balance July 1, 2005	Reclassification/ Additions	Retirements	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 115,329	\$ -	\$ -	\$ 115,329
Construction in progress	2,548,633	(1,934,309)	-	614,324
Total capital assets, not being depreciated	2,663,962	(1,934,309)	-	729,653
Capital assets, being depreciated:				
Subsurface lines	12,152,655	-	-	12,152,655
Sewage collection facilities	25,495,451	2,852,713	-	28,348,164
General plant and administration	218,500	141,195	-	359,695
Total capital assets, being depreciated	37,866,606	2,993,908	-	40,860,514
Accumulated depreciation:				
Subsurface lines	(7,521,554)	(228,821)	-	(7,750,375)
Sewage collection facilities	(9,060,871)	(682,134)	-	(9,743,005)
General plant and administration	(55,208)	(25,927)	-	(81,135)
Less accumulated depreciation	(16,637,633)	(936,882)	-	(17,574,515)
Total capital assets, being depreciated, net	21,228,973	2,057,026	-	23,285,999
Capital assets, net	\$ 23,892,935	\$ 122,717	\$ -	\$ 24,015,652

Depreciation expense for the District was \$936,882 for the year ended June 30, 2006.

6. COMPENSATED ABSENCES

The City accrues a liability for vested and unpaid compensated absences (accrued vacation, sick leave, compensatory time and administrative leave). The balance at June 30, 2006 was \$5,049,775.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due in One Year	Due in More Than One Year
Governmental Activities:						
Compensated Absences	\$ 5,037,555	\$ 3,977,024	\$ (3,964,804)	\$ 5,049,775	\$ 3,574,660	\$ 1,475,115

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT

Governmental Activities

Long-term debt outstanding for Governmental Activities at June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due in One Year	Due in More Than One Year
Governmental Activities:						
San Rafael Joint Powers Financing						
Authority:						
1997 Authority Revenue Bonds	\$ 1,685,000	\$ -	\$ (530,000)	\$ 1,155,000	\$ 185,000	\$ 970,000
San Rafael Redevelopment Agency						
Tax Allocation Bonds:						
Series 1999	20,189,004	-	(630,000)	19,559,004	665,000	18,894,004
Series 2002	21,325,000	-	(1,145,000)	20,180,000	1,165,000	19,015,000
Total tax allocation bonds	41,514,004	-	(1,775,000)	39,739,004	1,830,000	37,909,004
Special Assessment Bonds						
(with governmental commitment):						
Peacock Gap Refunding	205,000	-	(205,000)	-	-	-
Mariposa Road Assessment	65,000	-	(15,000)	50,000	15,000	35,000
Total special assessment bonds	270,000	-	(220,000)	50,000	15,000	35,000
Note Payable	169,000	-	-	169,000	-	169,000
Capitalized Lease Obligations	542,756	-	(130,315)	412,441	133,514	278,927
Total governmental long-term debt	\$ 44,180,760	\$ -	\$ (2,655,315)	\$ 41,525,445	\$ 2,163,514	\$ 39,361,931

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 \$1,155,000 as of June 30, 2006.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. 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
2007	\$ 205,000	\$ 60,875	\$ 265,875
2008	170,000	50,450	220,450
2009	180,000	40,560	220,560
2010	185,000	30,065	215,065
2011	200,000	18,800	218,800
2012	215,000	6,450	221,450
Total	\$ 1,155,000	\$ 207,200	\$ 1,362,200

B. 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 \$19,559,004 as of June 30, 2006.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

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

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 665,000	\$ 834,769	\$ 1,499,769
2008	695,000	802,469	1,497,469
2009	730,000	768,625	1,498,625
2010	765,000	733,119	1,498,119
2011	800,000	695,350	1,495,350
2012-2016	4,670,000	2,818,250	7,488,250
2017-2021	7,398,794	1,491,875	8,890,669
2022-2023	3,835,210	144,250	3,979,460
Total	\$ 19,559,004	\$ 8,288,707	\$ 27,847,711

C. 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 2022, in amounts ranging from \$540,000 to \$1,920,000 and bear interest at rates ranging from 2.00% to 5.25%. Interest is payable semiannually on June 1 and December 1. The Bonds maturing on or after December 1, 2013, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or in inverse order of maturity and by lot within any one maturity date, on any date on or after December 1, 2012, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from tax revenues to be derived from the redevelopment activities of the Agency related to the Central San Rafael Redevelopment Project Area. The outstanding balance of the bonds was \$20,180,000 as of June 30, 2006.

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,165,000	\$ 901,475	\$ 2,066,475
2008	1,195,000	876,381	2,071,381
2009	1,235,000	835,149	2,070,149
2010	1,290,000	778,337	2,068,337
2011	1,350,000	718,937	2,068,937
2012-2016	7,885,000	2,468,131	10,353,131
2017-2021	5,445,000	578,069	6,023,069
2022	615,000	13,069	628,069
Total	\$ 20,180,000	\$ 7,169,548	\$ 27,349,548

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

D. 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%. The bonds were paid off during the fiscal year.

E. 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 were issued as Serial Bonds and mature in various amounts on each September 2 commencing September 2, 1994 and ending September 2, 2008. Interest is 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, 2006, the outstanding balance of the bonds was \$50,000.

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 15,000	\$ 2,926	\$ 17,926
2008	15,000	1,898	16,898
2009	20,000	690	20,690
Total	\$ 50,000	\$ 5,514	\$ 55,514

F. Note Payable

At June 30, 2006, 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. The outstanding balance of the loan at June 30, 2006 was \$169,000 plus accrued interest of \$144,834 which is recorded as interest payable.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

G. Capitalized Lease Obligations

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

The future minimum lease obligations are due as follows:

Year Ending June 30,	Trucks
2007	\$ 133,524
2008	137,433
2009	141,484
Total	\$ 412,441

H. Business-Type Activities

Long-term debt outstanding for Business-Type Activities at June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due in One Year	Due in More Than One Year
Business-Type Activities:						
2003 Authority Lease Revenue Bonds	\$ 7,605,000	\$ -	\$ (150,000)	\$ 7,455,000	\$ 155,000	\$ 7,300,000

I. 2003 Authority Lease Revenue Bonds - Original Issue \$7,605,000

On March 26, 2003, the Authority issued 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 2033, 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 \$7,455,000 as of June 30, 2006.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

I. 2003 Authority Lease Revenue Bonds - Original Issue \$7,605,000, Continued

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 155,000	\$ 341,066	\$ 496,066
2008	160,000	336,416	496,416
2009	165,000	331,616	496,616
2010	170,000	326,666	496,666
2011	175,000	321,141	496,141
2012-2016	995,000	1,493,849	2,488,849
2017-2021	1,225,000	1,264,413	2,489,413
2022-2026	1,530,000	953,710	2,483,710
2027-2031	1,955,000	534,000	2,489,000
2032-2033	925,000	70,000	995,000
Total	\$ 7,455,000	\$ 5,972,877	\$ 13,427,877

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due in One Year	Due in More Than One Year
2001 Certificates of Participation	\$ 3,189,860	\$ -	\$ (337,032)	\$ 2,852,828	\$ 380,000	\$ 2,472,828

The District and its Financing Corporation on May 1, 2001 issued \$4,710,000 of Certificates of Participation at a discount of \$35,121 maturing in 2012. The certificates were to be used (1) to refund in whole the outstanding Series 1991 Certificates of Participation, (2) to finance the District's share of a new construction corporation yard, (3) to fund in whole or in part, a reserve fund for the certificates, and (4) to pay certain costs of issuing the certificates. The certificates are fully registered with principal due annually on August 1 and interest payable semiannually on February 1 and August 1. The certificates are subject to optional prepayment on any date on or after August 1, 2009. Terms of the Trust Agreement call for a premium at 101% to exercise optional prepayment between August 1, 2009 and July 31, 2010, and no premium August 1, 2010 and after.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

J. Discrete 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 outstanding of the 2001 Certificates of Participation was \$2,852,828 at June 30, 2006.

Total debt outstanding as of June 30, 2006 net of discounts and deferred amount on refunding were as follows:

Principal outstanding at June 30, 2005	\$ 2,995,000
Less:	
Discount	(17,706)
Deferred amount on refunding	(124,466)
Net bonds outstanding at June 30, 2006	<u><u>\$ 2,852,828</u></u>

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 380,000	\$ 118,170	\$ 498,170
2008	395,000	103,050	498,050
2009	410,000	86,745	496,745
2010	430,000	69,310	499,310
2011	440,000	50,820	490,820
2012	940,000	20,680	960,680
Total	<u><u>\$ 2,995,000</u></u>	<u><u>\$ 448,775</u></u>	<u><u>\$ 3,443,775</u></u>

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

7. LONG-TERM DEBT, Continued

K. Other Disclosure

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

8. NON-CITY OBLIGATIONS

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

	Project Description	Original Amount	Outstanding June 30, 2006
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$ 3,590,529	\$ 1,413,257
California Statewide Communities Development Authority Revenue Bonds	St. Marks School	5,605,000	5,495,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds	55 Fairfax Apartments	3,000,000	2,900,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001	San Rafael Commons Apartments	6,100,000	5,960,000
City of San Rafael Variable Rate Revenue Bonds	Kaiser Foundation Hospitals	275,000,000	270,630,000

9. FUND BALANCE RESERVATIONS AND DESIGNATIONS

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

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. FUND BALANCE RESERVATIONS AND DESIGNATIONS, Continued

A detailed schedule of the fund balances at June 30, 2006, follows:

	Major Funds					Total
	General	Redevelopment	Special Revenue		Non-Major Governmental Funds	
		Agency Capital Projects Fund	Traffic and Housing Mitigation	Household Hazmat Facility		
Reserved:						
Encumbrances	\$ 160,359	\$ 96,481	\$ -	\$ -	\$ 60,682	\$ 317,522
Petty cash	3,395	-	-	-	-	3,395
General plan	123,152	-	-	-	-	123,152
Department savings	126,036	-	-	-	-	126,036
Home loans	500,000	-	-	-	-	500,000
Loans receivable	309,637	273,725	-	-	-	583,362
Debt service	-	-	-	-	788,006	788,006
Improvement projects	-	6,342,060	-	-	2,446,578	8,788,638
Information systems projects	289,026	-	-	-	-	289,026
Equipment replacement	-	-	-	10,427	-	10,427
Assessment districts/open space	66,786	-	-	-	137,735	204,521
Mello Roos assessment	-	-	-	-	500,000	500,000
Traffic Mitigation	-	-	8,883,070	-	-	8,883,070
Housing	-	1,350,000	714,960	-	-	2,064,960
Court fine audit	757,000	-	-	-	-	757,000
Total reserved	2,335,391	8,062,266	9,598,030	10,427	3,933,001	23,939,115
Unreserved, Designated:						
Emergency and cash flow	3,086,216	-	-	-	106,352	3,192,568
Library/endowments	-	-	-	-	155,149	155,149
Public safety	-	-	-	-	211,248	211,248
Grant projects	-	-	-	-	1,233,943	1,233,943
Park projects	-	-	-	-	926,371	926,371
Street projects	-	-	-	-	3,903,164	3,903,164
Total designated	3,086,216	-	-	-	6,536,227	9,622,443
Unreserved, Undesignated	275,935	-	80,000	24,578	527,948	908,461
Total	\$ 5,697,542	\$ 8,062,266	\$ 9,678,030	\$ 35,005	\$ 10,997,176	\$ 34,470,019

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures</u>
Major Funds:			
Traffic and Housing Mitigation	\$ 59,610	\$ 962,132	\$ 902,522
Non-Major Funds:			
Recreation Revolving	2,958,382	3,204,527	246,145
Baypoint Lagoon Assessment District	-	9,868	9,868
Gas Tax	1,580,759	1,761,769	181,010
Childcare	3,052,408	3,091,352	38,944
Street Maintenance and Cleaning	1,793,685	1,821,295	27,610
Loch Lomond Assessment District	-	54	54
Development Services	-	604,073	604,073
Total	<u>\$ 9,444,844</u>	<u>\$ 11,455,070</u>	<u>\$ 2,010,226</u>

Traffic and Housing Mitigation - The traffic signal installation projects were budgeted in previous years but spent in the current year.

Recreation Revolving - Higher than expected revenues created higher contractual service costs for programs and classes provided to citizens.

Baypoint Lagoon Assessment District - Vegetation management funded by assessments were expended in the current year.

Gas Tax - Street resurfacing and 4th street rehabilitation projects were budgeted in previous years but spent in the current year.

Childcare - Higher than expected revenues created higher supply cost and higher credit card transaction fees.

Street Maintenance and Cleaning - Sidewalk replacement projects budgeted in previous years were spent in the current year.

Loch Lomond Assessment District - County administrative fees for the assessment was charged to the appropriate fund.

Development Services - The Loch Lomond Marina EIR was funded and budgeted in prior years, but spent in the current year.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. EMPLOYEES' RETIREMENT PLAN

A. Plan Description

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

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

B. Funding Policy

The funding policy of the Fund provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay Fund benefits when due. The City contributed 42.90% and 35.18% of payroll to the Fund for Police and Fire personnel, respectively, and 25.38% for other covered employees for the year ended June 30, 2006.

C. Annual Pension Cost

The City's annual pension cost to the Fund for the year ended June 30, 2006, of \$9,316,354 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, 2005. 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 2005 actuarial valuation include an assumed rate of return on invested assets of 8.25%, annual payroll increases reflecting 4.25% for inflation and an approximate range of 0.54% to 6.62% for merit and longevity. The actual rate of return on investments was a loss of 3.4%. 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 will increase 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, 2006

11. EMPLOYEES' RETIREMENT PLAN, Continued

D. Three-Year Historical Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	\$ 3,879,356	100%	\$ -
6/30/2005	7,630,990	100%	-
6/30/2006	9,316,354	100%	-

12. 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 plan is 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 and employees contributed \$72,785. The total covered payroll of employees participating in the plan for the year ended June 30, 2006, was \$1,940,933. The total payroll for the year was \$35,450,962.

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 \$154,019 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, 2006

13. 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, 2006, 246 retirees and surviving spouses received post-employment health care benefits. Those expenditures are reduced by reimbursements from the Marin County Retirement Office by 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, 2006, those costs totaled \$1,564,789 of which \$923,489 was reimbursed.

14. 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, \$750,000 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 \$40,000,000. The City purchases commercial insurance for workers' compensation claims in excess of the self-insured amount up to statutory limits excess. The City also purchases commercial insurance for property damage claims with an insured amount of \$65,704,863. The City accounts for and finances its risks of loss in the internal service funds. The City had established a claims liability of \$3,346,192 at June 30, 2006, 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, 2004, 2005, and 2006, are as follows:

<u>General Liability</u>	Balance at Beginning of Fiscal Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance at End of Fiscal Year
2003-04	\$ 493,400	\$ 835,521	\$ (641,776)	\$ 687,145
2004-05	687,145	716,619	(898,505)	505,259
2005-06	505,259	389,324	(449,520)	445,063
<u>Workers' Compensation Liability</u>	Balance at Beginning of Fiscal Year	Current Year Claims and Changes In Estimates	Claim Payments	Balance at End of Fiscal Year
2003-04	\$ 3,277,333	\$ 1,917,432	\$ (1,543,886)	\$ 3,650,879
2004-05	3,650,879	199,115	(640,589)	3,209,405
2005-06	3,209,405	335,898	(644,174)	2,901,129

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. 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 powers agreement consisting of 22 members which represent over 120 public agencies in California. The Risk Management Authority pools self-insurance losses of charter and associate members, develops risk management programs, and provides for administration of pooled coverage claims. The City paid \$359,047 in premiums to the Risk Management Authority during the fiscal year ended June 30, 2006. Condensed financial information for the California Joint Powers Risk Management Authority for the fiscal year ended June 30, 2006, was as follows:

Assets	<u>\$ 75,188,363</u>
Liabilities	\$ 42,846,283
Net assets	<u>32,342,080</u>
Total liabilities and net assets	<u>\$ 75,188,363</u>
Revenues	\$ 15,400,459
Expenses	(8,117,221)
Refunds to members	<u>(4,227,804)</u>
Change in net assets	<u>\$ 3,055,434</u>

15. 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, 2006

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

A. Joint Ventures, Continued

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

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

B. Jointly Governed Organizations

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

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

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

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.

City of San Rafael
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

16. COMMITMENT AND CONTINGENCIES

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

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

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

17. PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

In the governmental activities, capital assets were understated by \$635,830. The City did not record certain Construction In Progress that should have been in the prior years.

	Net Assets, as Previously Reported	Prior Period Adjustment <u>Capital Assets</u>	Net Assets, as Restated
Governmental Activities			
Net assets	\$ 211,204,394	\$ 635,830	\$ 211,840,224
Total Governmental Activities	<u>\$ 211,204,394</u>	<u>\$ 635,830</u>	<u>\$ 211,840,224</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of San Rafael
Required Supplementary Information
For the year ended June 30, 2006

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, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 35,232,660	\$ 35,688,800	\$ 37,316,540	\$ 1,627,740
Licenses and permits	944,940	1,169,670	1,169,927	257
Fines and forfeitures	903,050	663,050	622,494	(40,556)
Use of money and property	350,110	354,110	401,632	47,522
Intergovernmental	5,421,400	6,818,460	6,021,170	(797,290)
Charges for services	1,692,351	1,769,481	1,823,411	53,930
Other	165,550	165,550	223,914	58,364
Total revenues	44,710,061	46,629,121	47,579,088	949,967
EXPENDITURES:				
Current:				
General government	6,044,960	6,256,735	6,141,552	115,183
Public safety	27,786,430	28,165,240	27,926,658	238,582
Public works and parks	6,360,700	6,433,281	6,318,640	114,641
Community development/redevelopment	2,466,300	2,471,937	2,702,210	(230,273)
Culture and recreation	1,738,220	1,743,215	1,710,065	33,150
Capital outlay	55,688	67,604	45,249	22,355
Capital improvement/special projects	120,875	1,003,875	816,328	187,547
Debt service:				
Capitalized lease obligation	-	-	130,315	(130,315)
Total expenditures	44,573,173	46,141,887	45,791,017	350,870
REVENUES OVER (UNDER) EXPENDITURES	136,888	487,234	1,788,071	1,300,837
OTHER FINANCING SOURCES (USES):				
Transfers in	831,960	965,780	965,780	-
Transfers out	(4,479,870)	(5,012,870)	(5,278,870)	(266,000)
Total other financing sources (uses)	(3,647,910)	(4,047,090)	(4,313,090)	(266,000)
Net change in fund balance	\$ (3,511,022)	\$ (3,559,856)	(2,525,019)	\$ 1,034,837
FUND BALANCE:				
Beginning of year			8,222,561	
End of year			\$ 5,697,542	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Traffic and Housing Mitigation Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 264,830	\$ 264,830
Charges for services	-	698,500	997,086	298,586
Total revenues	-	698,500	1,261,916	563,416
EXPENDITURES:				
Current:				
Public works and parks	59,610	59,610	61,129	(1,519)
Capital improvement/special projects	-	-	901,003	(901,003)
Total expenditures	59,610	59,610	962,132	(902,522)
REVENUE OVER (UNDER) EXPENDITURES	(59,610)	638,890	299,784	(339,106)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(16,254)	(16,254)	-
Total other financing sources/uses	-	(16,254)	(16,254)	-
Net change in fund balance	\$ (59,610)	\$ 622,636	283,530	\$ 1,465,938
FUND BALANCE:				
Beginning of year			9,394,500	
End of year			\$ 9,678,030	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Household Hazmat Facility Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Licenses and permits	\$ 5,170	\$ 5,170	\$ 5,103	\$ (67)
Use of money and property	10,650	10,650	163	(10,487)
Intergovernmental	16,000	16,000	15,010	(990)
Charges for services	1,460,302	1,328,004	1,092,885	(235,119)
Other	-	-	1,650	1,650
Total revenues	1,492,122	1,359,824	1,114,811	(245,013)
EXPENDITURES:				
Current:				
Public safety	1,645,132	1,555,818	1,212,038	343,780
Capital outlay	12,310	12,310	12,399	(89)
Capital improvement/special projects	-	-	64,966	(64,966)
Total expenditures	1,657,442	1,568,128	1,289,403	278,725
REVENUES OVER (UNDER) EXPENDITURES	(165,320)	(208,304)	(174,592)	33,712
OTHER FINANCING SOURCES (USES):				
Transfers in	86,000	172,000	172,000	-
Total other financing sources (uses)	86,000	172,000	172,000	-
Net change in fund balance	\$ (79,320)	\$ (36,304)	(2,592)	\$ 33,712
FUND BALANCE:				
Beginning of year			37,597	
End of year			\$ 35,005	

City of San Rafael
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess (Deficit) Assets Over AAL	Funded Ratio	Covered Payroll	Excess (Deficit) Assets Over AAI As a % of Payroll
6/30/2003	\$ 185,632,000	\$ 219,845,000	\$ (34,213,000)	84%	\$ 27,453,000	(124.6)%
6/30/2004	188,956,000	248,665,000	(59,709,000)	76%	29,299,000	(203.8)%
6/30/2005	195,698,000	265,205,000	(69,507,000)	74%	28,357,000	(245.1)%

* Latest information available.

SUPPLEMENTARY INFORMATION

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City of San Rafael

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

Redevelopment Agency Capital Projects Fund - Major Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessment	\$ 953,648	\$ 953,648	\$ 984,314	\$ 30,666
Use of money and property	153,240	153,240	348,900	195,660
Intergovernmental	-	-	1,888,960	1,888,960
Charges for services	41,060	8,560	21,500	12,940
Other	10,000	10,000	656,977	646,977
Total revenues	1,157,948	1,125,448	3,900,651	2,775,203
EXPENDITURES:				
Current:				
Community development/redevelopment	1,688,878	1,707,146	1,481,874	225,272
Capital improvement/special projects	179,000	4,231,076	7,426,075	(3,194,999)
Total expenditures	1,867,878	5,938,222	8,907,949	(2,969,727)
REVENUE OVER (UNDER) EXPENDITURES	(709,930)	(4,812,774)	(5,007,298)	(194,524)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(56,663)	(56,663)	-
Total other financing sources (uses)	-	(56,663)	(56,663)	-
Net change in fund balance	\$ (709,930)	\$ (4,869,437)	(5,063,961)	\$ (194,524)
FUND BALANCE:				
Beginning of year			13,126,227	
End of year			\$ 8,062,266	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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NON-MAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS:

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

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

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

Redevelopment Agency Fund - Established to account for the principal payments, interest payments, and related costs of the 199 Project Tax Allocation Bonds and 2002 Tax Allocation Refunding Bonds.

CAPITAL PROJECTS FUNDS:

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

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

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

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.

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

City of San Rafael
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue				
	Recreation Revolving	Baypoint Lagoon Assessment District	Gas Tax	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$ 342,686	\$ 40,160	\$ 1,836,564	\$ 7,115	\$ 994,613
Cash with fiscal agent	-	-	-	-	-
Receivables:					
Accounts	220,307	-	-	-	-
Tax	-	127	150,860	-	-
Grants	-	-	-	26,521	-
Loans	-	-	-	-	-
Total assets	\$ 562,993	\$ 40,287	\$ 1,987,424	33,636	\$ 994,613
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 105,615	\$ 5,526	\$ 87,830	\$ 33,128	\$ 42,121
Developer bonds payable	-	-	-	-	-
Deferred revenue	199,696	-	-	-	-
Total liabilities	305,311	5,526	87,830	33,128	42,121
Fund Balances (Note 9):					
Reserved	-	-	-	-	-
Unreserved:					
Designated	-	-	1,899,594	-	952,492
Undesignated	257,682	34,761	-	508	-
Total fund balances	257,682	34,761	1,899,594	508	952,492
Total liabilities and fund balances	\$ 562,993	\$ 40,287	\$ 1,987,424	\$ 33,636	\$ 994,613

Special Revenue

Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication	Emergency Medical Services
\$ 730,997	\$ 114,422	\$ 196,728	\$ 1,046,484	\$ 250,105	\$ 1,264,701	\$ 875,076	\$ 125,338
-	-	-	-	-	-	-	-
-	-	14,777	-	-	-	-	-
66	-	-	2,734	-	-	-	11,344
-	64,687	-	-	-	126,591	51,295	-
-	-	-	-	-	-	21,726	-
<u>\$ 731,063</u>	<u>\$ 179,109</u>	<u>\$ 211,505</u>	<u>\$ 1,049,218</u>	<u>\$ 250,105</u>	<u>\$ 1,391,292</u>	<u>\$ 948,097</u>	<u>\$ 136,682</u>
\$ -	\$ 23,960	\$ 257	\$ 40,213	\$ 117,064	\$ 102,382	\$ -	\$ 30,330
-	-	-	-	1,500	-	-	-
-	-	-	-	-	-	21,726	-
-	23,960	257	40,213	118,564	102,382	21,726	30,330
500,000	-	-	-	131,541	54,967	-	-
-	155,149	211,248	1,009,005	-	1,233,943	926,371	106,352
231,063	-	-	-	-	-	-	-
<u>731,063</u>	<u>155,149</u>	<u>211,248</u>	<u>1,009,005</u>	<u>131,541</u>	<u>1,288,910</u>	<u>926,371</u>	<u>106,352</u>
<u>\$ 731,063</u>	<u>\$ 179,109</u>	<u>\$ 211,505</u>	<u>\$ 1,049,218</u>	<u>\$ 250,105</u>	<u>\$ 1,391,292</u>	<u>\$ 948,097</u>	<u>\$ 136,682</u>

(Continued)

City of San Rafael
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2006

	Special Revenue		Debt Service		
	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds
ASSETS					
Cash and investments	\$ 3,997	\$ 116,998	\$ 2,875	\$ 48,224	\$ 345,226
Cash with fiscal agent	-	-	-	-	357,649
Receivables:					
Accounts	-	-	-	-	-
Tax	-	-	-	94	1,404
Grants	-	-	-	-	-
Loans	-	-	-	-	-
Total assets	\$ 3,997	\$ 116,998	\$ 2,875	\$ 48,318	\$ 704,279
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 63	\$ 74,925	\$ -	\$ -	\$ -
Developer bonds payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	63	74,925	-	-	-
Fund Balances (Note 9):					
Reserved	-	-	2,875	48,318	704,279
Unreserved:					
Designated	-	42,073	-	-	-
Undesignated	3,934	-	-	-	-
Total fund balances	3,934	42,073	2,875	48,318	704,279
Total liabilities and fund balances	\$ 3,997	\$ 116,998	\$ 2,875	\$ 48,318	\$ 704,279

Debt Service		Capital Projects				Total	
Redevelopment Agency	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	Non-Major Governmental Funds	
\$ 31,840	\$ 1,907,667	\$ 188,365	\$ 223,741	\$ 12,081	\$ 137,735	\$ 10,843,738	
694	-	-	-	-	-	358,343	
-	-	-	-	-	-	235,084	
-	-	-	-	-	-	166,629	
-	-	-	-	5,625	-	274,719	
-	-	-	-	-	-	21,726	
<u>\$ 32,534</u>	<u>\$ 1,907,667</u>	<u>\$ 188,365</u>	<u>\$ 223,741</u>	<u>\$ 17,706</u>	<u>\$ 137,735</u>	<u>\$ 11,900,239</u>	
\$ -	\$ 16,727	\$ -	\$ -	\$ -	\$ -	\$ 680,141	
-	-	-	-	-	-	1,500	
-	-	-	-	-	-	221,422	
-	16,727	-	-	-	-	903,063	
32,534	1,890,940	188,365	223,741	17,706	137,735	3,933,001	
-	-	-	-	-	-	6,536,227	
-	-	-	-	-	-	527,948	
<u>32,534</u>	<u>1,890,940</u>	<u>188,365</u>	<u>223,741</u>	<u>17,706</u>	<u>137,735</u>	<u>10,997,176</u>	
<u>\$ 32,534</u>	<u>\$ 1,907,667</u>	<u>\$ 188,365</u>	<u>\$ 223,741</u>	<u>\$ 17,706</u>	<u>\$ 137,735</u>	<u>\$ 11,900,239</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, 2006

	Special Revenue				
	Recreation Revolving	Baypoint Lagoons Assessment District	Gas Tax	Childcare	Street Maintenance and Cleaning
REVENUES:					
Taxes and special assessments	\$ -	\$ 25,368	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	7,996	874	34,849	1,171	16,897
Intergovernmental	-	-	1,195,928	374,274	973,714
Charges for current services	1,725,314	-	1,100,180	2,576,814	-
Other revenue	10,732	-	3,276	-	56,185
Total revenues	1,744,042	26,242	2,334,233	2,952,259	1,046,796
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	9,868	120,639	-	1,669,784
Culture and recreation	3,120,283	-	-	3,088,860	-
Capital outlay	271	-	-	2,492	-
Capital improvement/special projects	83,973	-	1,641,130	-	151,511
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,204,527	9,868	1,761,769	3,091,352	1,821,295
REVENUES OVER (UNDER) EXPENDITURES	(1,460,485)	16,374	572,464	(139,093)	(774,499)
OTHER FINANCING SOURCES (USES):					
Transfers in	1,413,000	-	138,915	190,590	1,618,620
Transfers out	-	-	(304,200)	(71,120)	(122,661)
Total other financing sources (uses)	1,413,000	-	(165,285)	119,470	1,495,959
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(47,485)	16,374	407,179	(19,623)	721,460
FUND BALANCES:					
Beginning of year	305,167	18,387	1,492,415	20,131	231,032
End of year	\$ 257,682	\$ 34,761	\$ 1,899,594	\$ 508	\$ 952,492

Special Revenue

Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Service	Grants	Parkland Dedication	Emergency Medical Services
\$ 13,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,668,491
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,284	57,074	4,563	23,526	12,407	33,335	23,223	-
-	131,565	77,506	-	-	826,734	-	-
-	6,433	4,445	798,873	33,151	-	9,681	1,506,213
-	23,043	280	51,199	254,493	146,040	-	-
<u>32,541</u>	<u>218,115</u>	<u>86,794</u>	<u>873,598</u>	<u>300,051</u>	<u>1,006,109</u>	<u>32,904</u>	<u>4,174,704</u>
-	-	-	-	-	7,497	-	-
-	-	141,538	-	-	100,000	-	3,941,733
54	-	-	1,149,065	-	-	-	-
-	175,137	-	-	-	315,488	-	-
-	-	-	-	-	-	-	-
-	83,636	6,405	336,883	604,073	786,689	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>54</u>	<u>258,773</u>	<u>147,943</u>	<u>1,485,948</u>	<u>604,073</u>	<u>1,209,674</u>	<u>-</u>	<u>3,941,733</u>
<u>32,487</u>	<u>(40,658)</u>	<u>(61,149)</u>	<u>(612,350)</u>	<u>(304,022)</u>	<u>(203,565)</u>	<u>32,904</u>	<u>232,971</u>
-	-	112,000	908,714	-	404,539	-	180,500
-	(320,449)	-	-	-	-	-	(370,760)
-	(320,449)	112,000	908,714	-	404,539	-	(190,260)
<u>32,487</u>	<u>(361,107)</u>	<u>50,851</u>	<u>296,364</u>	<u>(304,022)</u>	<u>200,974</u>	<u>32,904</u>	<u>42,711</u>
<u>698,576</u>	<u>516,256</u>	<u>160,397</u>	<u>712,641</u>	<u>435,563</u>	<u>1,087,936</u>	<u>893,467</u>	<u>63,641</u>
<u>\$ 731,063</u>	<u>\$ 155,149</u>	<u>\$ 211,248</u>	<u>\$ 1,009,005</u>	<u>\$ 131,541</u>	<u>\$ 1,288,910</u>	<u>\$ 926,371</u>	<u>\$ 106,352</u>

(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, 2006

	Special Revenue		Debt Service		1997 Financing Authority Revenue Bonds
	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District	Mariposa Assessment District	
REVENUES:					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 26,297	\$ 284,072
Licenses and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Use of money and property	362	1,405	-	1,115	20,734
Intergovernmental	32,500	-	-	-	-
Charges for current services	-	1,408,586	-	-	-
Other revenue	16,546	-	-	-	-
Total revenues	49,408	1,409,991	-	27,412	304,806
EXPENDITURES:					
Current:					
General government	48,501	-	-	-	-
Public safety	-	-	-	-	-
Public works and parks	-	1,293,406	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital improvement/special projects	-	-	-	-	-
Debt service:					
Principal retirement	-	-	205,000	15,000	530,000
Interest and fiscal charges	-	-	6,331	5,166	76,669
Total expenditures	48,501	1,293,406	211,331	20,166	606,669
REVENUES OVER (UNDER) EXPENDITURES	907	116,585	(211,331)	7,246	(301,863)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(115,180)	(2,580)	(150)	(4,920)
Total other financing sources (uses)	-	(115,180)	(2,580)	(150)	(4,920)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	907	1,405	(213,911)	7,096	(306,783)
FUND BALANCES:					
Beginning of year	3,027	40,668	216,786	41,222	1,011,062
End of year	\$ 3,934	\$ 42,073	\$ 2,875	\$ 48,318	\$ 704,279

Debt Service		Capital Projects					Total
Redevelopment Agency	Capital Improvement	Bedroom Tax	Assessment District	Park Capital Projects	Open Space	Non-Major Governmental Funds	
\$ 3,565,100	\$ -	\$ 18,105	\$ -	\$ -	\$ -	\$ 6,600,690	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
518	32,985	4,882	-	162	3,671	301,033	
-	148,454	-	-	20,102	-	3,780,777	
-	-	-	-	-	-	9,169,690	
-	27,000	-	-	3,743	-	592,537	
3,565,618	208,439	22,987	-	24,007	3,671	20,444,727	
-	-	-	-	-	2,788	58,786	
-	-	-	-	-	-	4,183,271	
-	-	-	-	-	-	4,242,816	
-	-	-	-	-	-	6,699,768	
-	-	-	-	-	-	2,763	
-	284,574	-	-	13,626	-	3,992,500	
1,775,000	-	-	-	-	-	2,525,000	
1,790,099	-	-	-	-	-	1,878,265	
3,565,099	284,574	-	-	13,626	2,788	23,583,169	
519	(76,135)	22,987	-	10,381	883	(3,138,442)	
-	820,449	-	-	-	-	5,787,327	
-	-	-	-	(9,109)	-	(1,321,129)	
-	820,449	-	-	(9,109)	-	4,466,198	
519	744,314	22,987	-	1,272	883	1,327,756	
32,015	1,146,626	165,378	223,741	16,434	136,852	9,669,420	
\$ 32,534	\$ 1,890,940	\$ 188,365	\$ 223,741	\$ 17,706	\$ 137,735	\$ 10,997,176	

(Concluded)

City of San Rafael

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

Recreation Revolving Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 1,520	\$ 1,520	\$ 7,996	\$ 6,476
Intergovernmental	1,000	1,000	-	(1,000)
Charges for current services	1,460,200	1,460,200	1,725,314	265,114
Other revenue	4,490	4,490	10,732	6,242
Total revenues	1,467,210	1,467,210	1,744,042	276,832
EXPENDITURES:				
Current:				
Culture and recreation	2,896,750	2,899,922	3,120,283	(220,361)
Capital outlay	6,060	6,060	271	5,789
Capital improvement/special projects	52,400	52,400	83,973	(31,573)
Total expenditures	2,955,210	2,958,382	3,204,527	(246,145)
REVENUES OVER (UNDER) EXPENDITURES	(1,488,000)	(1,491,172)	(1,460,485)	30,687
OTHER FINANCING SOURCES (USES):				
Transfers in	1,413,000	1,413,000	1,413,000	-
Total other financing sources (uses)	1,413,000	1,413,000	1,413,000	-
Net change in fund balance	\$ (75,000)	\$ (78,172)	(47,485)	\$ 30,687
FUND BALANCE:				
Beginning of year			305,167	
End of year			\$ 257,682	

City of San Rafael

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

Baypoint Lagoons Assessment District Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 25,000	\$ 25,000	\$ 25,368	\$ 368
Use of money and property	400	400	874	474
Total revenues	25,400	25,400	26,242	842
EXPENDITURES:				
Current:				
Public works and parks	-	-	9,868	(9,868)
Total expenditures	-	-	9,868	(9,868)
Net change in fund balance	\$ 25,400	\$ 25,400	16,374	\$ (9,026)
FUND BALANCE:				
Beginning of year			18,387	
End of year			\$ 34,761	

City of San Rafael

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

Gas Tax Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 30,420	\$ 30,420	\$ 34,849	\$ 4,429
Intergovernmental	1,154,900	1,154,900	1,195,928	41,028
Charges for current services	500,000	500,000	1,100,180	600,180
Other revenue	-	-	3,276	3,276
Total revenues	1,685,320	1,685,320	2,334,233	648,913
EXPENDITURES:				
Current:				
Public works and parks	130,240	130,759	120,639	10,120
Capital improvement/special projects	1,450,000	1,450,000	1,641,130	(191,130)
Total expenditures	1,580,240	1,580,759	1,761,769	(181,010)
REVENUES OVER (UNDER) EXPENDITURES	105,080	104,561	572,464	467,903
OTHER FINANCING SOURCES (USES):				
Transfers in	-	138,915	138,915	-
Transfers out	(304,200)	(304,200)	(304,200)	-
Total other financing sources (uses)	(304,200)	(165,285)	(165,285)	-
Net change in fund balance	\$ 105,080	\$ 104,561	407,179	\$ 302,618
FUND BALANCE:				
Beginning of year			1,492,415	
End of year			\$ 1,899,594	

City of San Rafael

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

Childcare Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,171	\$ 1,171
Intergovernmental	351,690	353,935	374,274	20,339
Charges for current services	2,478,515	2,478,515	2,576,814	98,299
Other revenue	1,500	1,500	-	(1,500)
Total revenues	2,831,705	2,833,950	2,952,259	118,309
EXPENDITURES:				
Current:				
Culture and recreation	3,024,540	3,041,328	3,088,860	(47,532)
Capital outlay	11,080	11,080	2,492	8,588
Total expenditures	3,035,620	3,052,408	3,091,352	(38,944)
REVENUES OVER (UNDER) EXPENDITURES	(203,915)	(218,458)	(139,093)	79,365
OTHER FINANCING SOURCES (USES):				
Transfers in	189,590	189,590	190,590	(1,000)
Transfers out	(71,120)	(71,120)	(71,120)	-
Total other financing sources (uses)	118,470	118,470	119,470	-
Net change in fund balance	\$ (85,445)	\$ (99,988)	(19,623)	\$ 80,365
FUND BALANCE:				
Beginning of year			20,131	
End of year			<u>\$ 508</u>	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Street Maintenance and Cleaning Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 11,150	\$ 11,150	\$ 16,897	\$ 5,747
Intergovernmental	16,220	16,220	973,714	957,494
Other revenue	2,390	2,390	56,185	53,795
Total revenues	29,760	29,760	1,046,796	1,017,036
EXPENDITURES:				
Current:				
Public works and parks	1,655,420	1,693,685	1,669,784	23,901
Capital improvement/special projects	100,000	100,000	151,511	(51,511)
Total expenditures	1,755,420	1,793,685	1,821,295	(27,610)
REVENUES OVER (UNDER) EXPENDITURES	(1,725,660)	(1,763,925)	(774,499)	989,426
OTHER FINANCING SOURCES (USES):				
Transfers in	1,618,620	1,618,620	1,618,620	-
Transfers out	-	(122,661)	(122,661)	-
Total other financing sources (uses)	1,618,620	1,495,959	1,495,959	-
Net change in fund balance	\$ (107,040)	\$ (267,966)	721,460	\$ 989,426
FUND BALANCE:				
Beginning of year			231,032	
End of year			\$ 952,492	

City of San Rafael

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

Loch Lomond Assessment District Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 13,000	\$ 13,000	\$ 13,257	\$ 257
Use of money and property	10,500	10,500	19,284	8,784
Total revenues	23,500	23,500	32,541	9,041
EXPENDITURES:				
Current:				
Public works and parks	-	-	54	(54)
Total expenditures	-	-	54	(54)
Net change in fund balance	\$ 23,500	\$ 23,500	32,487	\$ 8,987
FUND BALANCE:				
Beginning of year			698,576	
End of year			\$ 731,063	

City of San Rafael

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

Library Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 40,000	\$ 40,000	\$ 57,074	\$ 17,074
Intergovernmental	129,700	129,700	131,565	1,865
Charges for current services	5,000	5,000	6,433	1,433
Other revenue	70,000	70,000	23,043	(46,957)
Total revenues	244,700	244,700	218,115	(26,585)
EXPENDITURES:				
Current:				
Culture and recreation	169,520	169,520	175,137	(5,617)
Capital improvement/special projects	116,250	116,250	83,636	32,614
Total expenditures	285,770	285,770	258,773	26,997
REVENUES OVER (UNDER) EXPENDITURES	(41,070)	(41,070)	(40,658)	412
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(320,449)	(320,449)
Total other financing sources (uses)	-	-	(320,449)	(320,449)
Net change in fund balance	\$ (41,070)	\$ (41,070)	(361,107)	\$ (320,037)
FUND BALANCE:				
Beginning of year			516,256	
End of year			\$ 155,149	

City of San Rafael

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

Public Safety Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 12,170	\$ 12,170	\$ -	\$ (12,170)
Use of money and property	900	900	4,563	3,663
Intergovernmental	61,850	117,850	77,506	(40,344)
Charges for current services	28,400	28,400	4,445	(23,955)
Other revenue	2,500	2,500	280	(2,220)
Total revenues	105,820	161,820	86,794	(75,026)
EXPENDITURES:				
Current:				
Public safety	137,060	187,967	141,538	46,429
Capital improvement/special projects	14,500	115,500	6,405	109,095
Total expenditures	151,560	303,467	147,943	155,524
REVENUES OVER (UNDER) EXPENDITURES	(45,740)	(141,647)	(61,149)	80,498
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	112,000	112,000
Total other financing sources (uses)	-	-	112,000	112,000
Net change in fund balance	\$ (45,740)	\$ (141,647)	50,851	\$ 192,498
FUND BALANCE:				
Beginning of year			160,397	
End of year			\$ 211,248	

City of San Rafael

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

Stormwater Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 2,090	\$ 2,090	\$ -	\$ (2,090)
Use of money and property	10,140	10,140	23,526	13,386
Charges for current services	825,000	825,000	798,873	(26,127)
Other revenue	-	-	51,199	51,199
Total revenues	837,230	837,230	873,598	36,368
EXPENDITURES:				
Current:				
Public works and parks	1,235,590	1,237,922	1,149,065	88,857
Capital improvement/special projects	550,000	550,000	336,883	213,117
Total expenditures	1,785,590	1,787,922	1,485,948	301,974
REVENUES OVER (UNDER) EXPENDITURES	(948,360)	(950,692)	(612,350)	338,342
OTHER FINANCING SOURCES (USES):				
Transfers in	852,050	908,714	908,714	-
Total other financing sources (uses)	852,050	908,714	908,714	-
Net change in fund balance	\$ (96,310)	\$ (41,978)	296,364	\$ 338,342
FUND BALANCE:				
Beginning of year			712,641	
End of year			\$ 1,009,005	

City of San Rafael

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

Development Services Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10,140	\$ 10,140	\$ 12,407	\$ 2,267
Charges for services	-	-	33,151	33,151
Other	-	-	254,493	254,493
Total revenues	10,140	10,140	300,051	289,911
EXPENDITURES:				
Capital improvement/special projects	-	-	604,073	(604,073)
Total expenditures	-	-	604,073	(604,073)
Net change in fund balance	\$ 10,140	\$ 10,140	(304,022)	\$ (314,162)
FUND BALANCE:				
Beginning of year			435,563	
End of year			\$ 131,541	

City of San Rafael

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

Grants Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,420	\$ 1,420	\$ 33,335	\$ 31,915
Intergovernmental	634,910	1,475,587	826,734	(648,853)
Other revenue	7,500	165,000	146,040	(18,960)
Total revenues	643,830	1,642,007	1,006,109	(635,898)
EXPENDITURES:				
Current:				
General government	11,020	11,020	7,497	3,523
Public safety	-	100,000	100,000	-
Culture and recreation	222,700	245,570	315,488	(69,918)
Capital improvement/special projects	858,320	1,730,610	786,689	943,921
Total expenditures	1,092,040	2,087,200	1,209,674	877,526
REVENUES OVER (UNDER) EXPENDITURES	(448,210)	(445,193)	(203,565)	241,628
OTHER FINANCING SOURCES (USES):				
Transfers in	395,430	404,539	404,539	-
Total other financing sources (uses)	395,430	404,539	404,539	-
Net change in fund balance	\$ (52,780)	\$ (40,654)	200,974	\$ 241,628
FUND BALANCE:				
Beginning of year			1,087,936	
End of year			\$ 1,288,910	

City of San Rafael

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

Parkland Dedication Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 23,223	\$ 23,223
Charges for current services	-	-	9,681	9,681
Total revenues	-	-	32,904	32,904
Net change in fund balance	\$ -	\$ -	32,904	\$ 32,904
FUND BALANCE:				
Beginning of year			893,467	
End of year			\$ 926,371	

City of San Rafael

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

Emergency Medical Services Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 2,704,000	\$ 2,704,000	\$ 2,668,491	\$ (35,509)
Use of money and property	2,000	2,000	-	(2,000)
Charges for current services	1,415,000	1,485,750	1,506,213	20,463
Total revenues	4,121,000	4,191,750	4,174,704	(17,046)
EXPENDITURES:				
Current:				
Public safety	3,948,520	3,948,561	3,941,733	6,828
Capital outlay	28,010	28,010	-	28,010
Total expenditures	3,976,530	3,976,571	3,941,733	34,838
REVENUES OVER (UNDER) EXPENDITURES	144,470	215,179	232,971	17,792
OTHER FINANCING SOURCES (USES):				
Transfer in	180,500	180,500	180,500	-
Transfers out	(324,940)	(370,760)	(370,760)	-
Total other financing sources (uses)	(144,440)	(190,260)	(190,260)	-
Net change in fund balance	\$ 30	\$ 24,919	42,711	\$ 17,792
FUND BALANCE:				
Beginning of year			63,641	
End of year			\$ 106,352	

City of San Rafael

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

Business Improvement Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 510	\$ 510	\$ 362	\$ (148)
Intergovernmental	35,000	35,000	32,500	(2,500)
Other revenue	20,850	20,850	16,546	(4,304)
Total revenues	56,360	56,360	49,408	(6,952)
EXPENDITURES:				
Current:				
General government	57,020	57,020	48,501	8,519
Total expenditures	57,020	57,020	48,501	8,519
Net change in fund balance	\$ (660)	\$ (660)	907	\$ (1,567)
FUND BALANCE:				
Beginning of year			3,027	
End of year			\$ 3,934	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Sewer Maintenance Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,070	\$ 5,070	\$ 1,405	\$ (3,665)
Charges for services	1,478,420	1,478,420	1,408,586	(69,834)
Total revenues	1,483,490	1,483,490	1,409,991	(73,499)
EXPENDITURES:				
Current:				
Public works and parks	1,367,070	1,368,331	1,293,406	74,925
Total expenditures	1,367,070	1,368,331	1,293,406	74,925
REVENUES OVER (UNDER) EXPENDITURES	116,420	115,159	116,585	1,426
OTHER FINANCING SOURCES (USES):				
Transfers out	(115,180)	(115,180)	(115,180)	-
Total other financing sources (uses)	(115,180)	(115,180)	(115,180)	-
Net change in fund balance	\$ 1,240	\$ (21)	1,405	\$ 1,426
FUND BALANCE:				
Beginning of year			40,668	
End of year			\$ 42,073	

City of San Rafael

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

Peacock Gap Assessment District Debt Service Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 205,330	\$ 205,330	\$ -	\$ (205,330)
Use of money and property	10,140	10,140	-	(10,140)
Total revenues	215,470	215,470	-	(215,470)
EXPENDITURES:				
Debt service:				
Principal retirement	205,000	205,000	205,000	-
Interest and fiscal charges	10,470	10,470	6,331	4,139
Total expenditures	215,470	215,470	211,331	4,139
REVENUES OVER (UNDER) EXPENDITURES	-	-	(211,331)	(211,331)
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,580)	(2,580)	(2,580)	-
Total other financing sources (uses)	(2,580)	(2,580)	(2,580)	-
Net change in fund balance	\$ (2,580)	\$ (2,580)	(213,911)	\$ (211,331)
FUND BALANCE:				
Beginning of year			216,786	
End of year			<u>\$ 2,875</u>	

City of San Rafael

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

Mariposa Assessment District Debt Service Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 19,500	\$ 19,500	\$ 26,297	\$ 6,797
Use of money and property	1,010	1,010	1,115	105
Total revenues	20,510	20,510	27,412	6,902
EXPENDITURES:				
Debt service:				
Principal retirement	15,000	15,000	15,000	-
Interest and fiscal charges	5,510	5,510	5,166	344
Total expenditures	20,510	20,510	20,166	344
REVENUES OVER (UNDER) EXPENDITURES	-	-	7,246	7,246
OTHER FINANCING SOURCES (USES):				
Transfers out	(150)	(150)	(150)	-
Total other financing sources (uses)	(150)	(150)	(150)	-
Net change in fund balance	\$ (150)	\$ (150)	7,096	\$ 7,246
FUND BALANCE:				
Beginning of year			41,222	
End of year			\$ 48,318	

City of San Rafael

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

1997 Financing Authority Revenue Bonds Debt Service Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 629,090	\$ 629,090	\$ 284,072	\$ (345,018)
Use of money and property	8,010	8,010	20,734	12,724
Total revenues	637,100	637,100	304,806	(332,294)
EXPENDITURES:				
Debt service:				
Principal retirement	513,000	513,000	530,000	(17,000)
Interest and fiscal charges	124,010	124,010	76,669	47,341
Total expenditures	637,010	637,010	606,669	30,341
REVENUES OVER (UNDER) EXPENDITURES	90	90	(301,863)	(301,953)
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,920)	(4,920)	(4,920)	-
Total other financing sources (uses)	(4,920)	(4,920)	(4,920)	-
Net change in fund balance	\$ (4,830)	\$ (4,830)	(306,783)	\$ (301,953)
FUND BALANCE:				
Beginning of year			1,011,062	
End of year			\$ 704,279	

City of San Rafael

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Redevelopment Agency Debt Service Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ 3,565,110	\$ 3,565,110	\$ 3,565,100	\$ (10)
Use of money and property	-	-	518	518
Total revenues	3,565,110	3,565,110	3,565,618	508
EXPENDITURES:				
Debt service:				
Principal retirement	1,775,000	1,775,000	1,775,000	-
Interest and fiscal charges	1,790,105	1,790,105	1,790,099	6
Total expenditures	3,565,105	3,565,105	3,565,099	6
REVENUES OVER (UNDER) EXPENDITURES	5	5	519	514
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ 5	\$ 5	519	\$ 514
FUND BALANCE:				
Beginning of year			32,015	
End of year			\$ 32,534	

City of San Rafael

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

Capital Improvement Capital Projects Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 32,985	\$ 32,985
Intergovernmental	-	-	148,454	148,454
Other revenue	-	-	27,000	27,000
Total revenues	-	-	208,439	208,439
EXPENDITURES:				
Capital improvement/special projects	78,930	899,379	284,574	614,805
Total expenditures	78,930	899,379	284,574	614,805
REVENUES OVER (UNDER) EXPENDITURES	(78,930)	(899,379)	(76,135)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	570,449	820,449	250,000
Total other financing sources (uses)	-	570,449	820,449	250,000
Net change in fund balance	\$ (78,930)	\$ (328,930)	744,314	\$ (1,073,244)
FUND BALANCE:				
Beginning of year			1,146,626	
End of year			<u>\$ 1,890,940</u>	

City of San Rafael

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

Bedroom Tax Capital Projects Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and special assessments	\$ -	\$ -	\$ 18,105	\$ 18,105
Use of money and property	-	-	4,882	4,882
Total revenues	<u>-</u>	<u>-</u>	<u>22,987</u>	<u>22,987</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	22,987	<u>\$ 22,987</u>
FUND BALANCE:				
Beginning of year			<u>165,378</u>	
End of year			<u>\$ 188,365</u>	

City of San Rafael

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

Park Capital Projects Capital Projects Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 162	\$ 162
Intergovernmental	-	-	20,102	20,102
Other revenues	14,000	14,000	3,743	(10,257)
Total revenues	14,000	14,000	24,007	10,007
EXPENDITURES:				
Capital improvement/special projects	25,000	21,000	13,626	7,374
Total expenditures	25,000	21,000	13,626	7,374
REVENUES OVER (UNDER) EXPENDITURES	(11,000)	(7,000)	10,381	17,381
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(9,109)	(9,109)	-
Total other financing sources (uses)	-	(9,109)	(9,109)	-
Net change in fund balance	\$ (11,000)	\$ (16,109)	1,272	\$ 17,381
FUND BALANCE:				
Beginning of year			16,434	
End of year			\$ 17,706	

City of San Rafael

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

Open Space Capital Projects Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance from Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,070	\$ 5,070	\$ 3,671	\$ (1,399)
Total revenues	<u>5,070</u>	<u>5,070</u>	<u>3,671</u>	<u>(1,399)</u>
EXPENDITURES:				
Current:				
General government	12,000	12,000	2,788	9,212
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>2,788</u>	<u>9,212</u>
Net change in fund balance	<u>\$ (6,930)</u>	<u>\$ (6,930)</u>	883	<u>\$ 7,813</u>
FUND BALANCE:				
Beginning of year			<u>136,852</u>	
End of year			<u>\$ 137,735</u>	

INTERNAL SERVICE FUNDS

City of San Rafael
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2006

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
ASSETS					
Current assets:					
Cash and investments	\$ 1,310,461	\$ 606,102	\$ -	\$ 795,535	\$ 3,914,373
Accounts receivable	-	-	923,489	-	-
Due from other funds	419,424	-	-	-	-
Total assets	1,729,885	606,102	923,489	795,535	3,914,373
LIABILITIES					
Current liabilities:					
Accounts payable	9,795	27,649	137,941	65,850	3,882
Due to other funds	-	-	419,424	-	-
Insurance claims payable	-	-	-	445,063	2,901,129
Total liabilities	9,795	27,649	557,365	510,913	2,905,011
NET ASSETS					
Unrestricted	1,720,090	578,453	366,124	284,622	1,009,362
Total net assets	\$ 1,720,090	\$ 578,453	\$ 366,124	\$ 284,622	\$ 1,009,362

Dental Insurance	Radio Replacement	Telephone Replacement	Total
\$ 7,251	\$ 1,322,144	\$ 14,967	\$ 7,970,833
-	-	-	923,489
-	-	-	419,424
7,251	1,322,144	14,967	9,313,746
-	-	12,659	257,776
-	-	-	419,424
-	-	-	3,346,192
-	-	12,659	4,023,392
7,251	1,322,144	2,308	5,290,354
\$ 7,251	\$ 1,322,144	\$ 2,308	\$ 5,290,354

City of San Rafael

Combining Statement of Revenues, Expenses and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2006

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
OPERATING REVENUES:					
Charges for services	\$ 1,141,820	\$ 70,970	\$ 1,303,765	\$ 1,341,100	\$ 1,798,345
Refunds	-	-	301,448	61,489	135,562
Other operating revenues	29,016	-	923,489	-	-
Total operating revenues	1,170,836	70,970	2,528,702	1,402,589	1,933,907
OPERATING EXPENSES:					
General and administrative	527,902	-	2,203,134	-	-
Insurance premiums and claims	-	-	-	1,204,482	1,257,050
Capital improvement project	270,370	127,224	-	-	-
Total operating expenses	798,272	127,224	2,203,134	1,204,482	1,257,050
OPERATING INCOME (LOSS)	372,564	(56,254)	325,568	198,107	676,857
NONOPERATING REVENUES:					
Investment income	43,407	10,339	-	19,242	99,308
Total nonoperating revenues	43,407	10,339	-	19,242	99,308
INCOME (LOSS) BEFORE OPERATING TRANSFERS	415,971	(45,915)	325,568	217,349	776,165
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	-	-	-	-	-
Transfers in	-	282,000	-	-	20,000
Transfers out	(250,000)	-	-	(118,000)	-
Total other financing sources (uses)	(250,000)	282,000	-	(118,000)	20,000
Net income (loss)	165,971	236,085	325,568	99,349	796,165
NET ASSETS:					
Beginning of year	1,554,119	342,368	40,556	185,273	213,197
End of year	\$ 1,720,090	\$ 578,453	\$ 366,124	\$ 284,622	\$ 1,009,362

Dental Insurance	Radio Replacement	Telephone Replacement	Total
\$ 408,689	\$ 258,250	\$ 212,850	\$ 6,535,789
15,000	-	-	513,499
-	-	-	952,505
423,689	258,250	212,850	8,001,793
-	527,136	225,889	3,484,061
425,088	-	-	2,886,620
-	-	-	397,594
425,088	527,136	225,889	6,768,275
(1,399)	(268,886)	(13,039)	1,233,518
945	32,954	347	206,542
945	32,954	347	206,542
(454)	(235,932)	(12,692)	1,440,060
-	-	-	-
-	-	15,000	317,000
-	-	-	(368,000)
-	-	15,000	(51,000)
(454)	(235,932)	2,308	1,389,060
7,705	1,558,076	-	3,901,294
\$ 7,251	\$ 1,322,144	\$ 2,308	\$ 5,290,354

City of San Rafael
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2006

	Equipment Replacement	Building Maintenance	Employee Benefits	Liability Insurance	Worker's Compensation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from other funds	\$ 1,170,836	\$ 75,970	\$ 2,066,535	\$ 1,402,589	\$ 1,933,907
Cash payments to suppliers for goods and services	(415,366)	(116,692)	(2,066,535)	(1,216,095)	(1,561,444)
Net cash provided (used) by operating activities	755,470	(40,722)	-	186,494	372,463
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	282,000	-	-	20,000
Transfers out	(250,000)	-	-	(118,000)	-
Net cash provided (used) by noncapital financing activities	(250,000)	282,000	-	(118,000)	20,000
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest revenue	43,407	10,339	-	19,242	99,308
Net cash provided (used) by investing activities	43,407	10,339	-	19,242	99,308
Net increase (decrease) in cash and cash equivalents	548,877	251,617	-	87,736	491,771
CASH AND CASH EQUIVALENTS:					
Beginning of year	761,584	354,485	-	707,799	3,422,602
End of year	\$ 1,310,461	\$ 606,102	\$ -	\$ 795,535	\$ 3,914,373
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 372,564	\$ (56,254)	\$ 325,568	\$ 198,107	\$ 676,857
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in operating assets and liabilities:					
Due to/from other funds	378,459	-	(378,459)	-	-
Accounts receivable	-	-	(83,708)	-	-
Loans receivable	-	5,000	-	-	-
Accounts payable	4,447	10,532	136,599	48,583	3,882
Insurance claims payable	-	-	-	(60,196)	(308,276)
Total adjustments	382,906	15,532	(325,568)	(11,613)	(304,394)
Net cash provided (used) by operating activities	\$ 755,470	\$ (40,722)	\$ -	\$ 186,494	\$ 372,463

Dental Insurance	Radio Replacement	Telephone Replacement	Total
\$ 423,689	\$ 258,250	\$ 212,850	\$ 7,544,626
(425,088)	(527,136)	(213,230)	(6,541,586)
(1,399)	(268,886)	(380)	1,003,040
-	-	15,000	317,000
-	-	-	(368,000)
-	-	15,000	(51,000)
945	32,954	347	206,542
945	32,954	347	206,542
(454)	(235,932)	14,967	1,158,582
7,705	1,558,076	-	6,812,251
\$ 7,251	\$ 1,322,144	\$ 14,967	\$ 7,970,833
\$ (1,399)	\$ (268,886)	\$ (13,039)	\$ 1,233,518
-	-	-	-
-	-	-	(83,708)
-	-	-	5,000
-	-	12,659	216,702
-	-	-	(368,472)
-	-	12,659	(230,478)
\$ (1,399)	\$ (268,886)	\$ (380)	\$ 1,003,040

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City of San Rafael
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 198,031,181	\$ 202,215,793	\$ 194,658,126	\$ 175,806,100
Restricted	2,933,294	2,708,397	2,378,641	620,889
Unrestricted	16,216,230	9,775,565	14,167,627	32,739,318
Total governmental activities net assets	\$ 217,180,705	\$ 214,699,755	\$ 211,204,394	\$ 209,166,307
Business-type activities:				
Invested in capital assets, net of related debt	\$ 8,464,417	\$ 8,749,750	\$ 8,615,483	\$ 9,819,435
Restricted	-	-	-	-
Unrestricted	1,078,245	1,447,467	1,900,504	2,113,659
Total business-type activities net assets	\$ 9,542,662	\$ 10,197,217	\$ 10,515,987	\$ 11,933,094
Primary government:				
Invested in capital assets, net of related debt	\$ 206,495,598	\$ 210,965,543	\$ 203,273,609	\$ 185,625,535
Restricted	2,933,294	2,708,397	2,378,641	620,889
Unrestricted	17,294,475	11,223,032	16,068,131	34,852,977
Total primary government net assets	\$ 226,723,367	\$ 224,896,972	\$ 221,720,381	\$ 221,099,401
San Rafael Sanitation District:				
Invested in capital assets, net of related debt	\$ 18,888,125	\$ 18,673,455	\$ 20,753,646	\$ 21,205,082
Restricted	417,121	418,421	426,901	438,752
Unrestricted	5,300,690	6,849,496	6,385,962	7,177,022
Total discrete component unit net assets	\$ 24,605,936	\$ 25,941,372	\$ 27,566,509	\$ 28,820,856

The City of San Rafael implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

City of San Rafael
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Expenses:				
Governmental activities:				
General government	\$ 5,555,915	\$ 5,074,335	\$ 5,895,390	\$ 6,252,533
Public safety	30,476,353	30,453,108	32,891,692	33,178,537
Public works and parks	27,237,899	16,043,092	16,820,453	23,401,246
Community development/redevelopment	3,727,315	3,921,422	4,624,345	4,194,249
Culture and recreation	9,055,681	7,444,339	8,450,017	8,652,445
Interest on long-term debt	4,082,760	2,516,659	2,129,818	1,725,559
Total governmental activities expenses	<u>80,135,923</u>	<u>65,452,955</u>	<u>70,811,715</u>	<u>77,404,569</u>
Business-type activities:				
Parking services	<u>1,245,316</u>	<u>1,539,441</u>	<u>2,451,941</u>	<u>2,761,511</u>
Total business-type activities expenses	<u>1,245,316</u>	<u>1,539,441</u>	<u>2,451,941</u>	<u>2,761,511</u>
Total primary government expenses	<u>81,381,239</u>	<u>66,992,396</u>	<u>73,263,656</u>	<u>80,166,080</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	1,433,372	1,487,595	1,831,269	402,094
Public safety	2,530,916	2,203,371	4,315,141	5,085,679
Public works and parks	3,072,849	2,697,858	3,298,076	3,799,861
Community development/redevelopment	1,691,427	1,982,211	1,974,527	3,190,832
Culture and recreation	3,688,418	3,960,777	3,924,360	4,368,274
Operating grants and contributions	6,003,700	5,252,820	3,321,135	2,745,570
Capital grants and contributions	<u>1,744,556</u>	<u>573,485</u>	<u>606,589</u>	<u>3,936,474</u>
Total governmental activities program revenues	<u>20,165,238</u>	<u>18,158,117</u>	<u>19,271,097</u>	<u>23,528,784</u>
Business-type activities:				
Charges for services:				
Parking services	1,810,479	2,307,432	2,604,066	3,025,380
Operating grants and contributions				
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>1,810,479</u>	<u>2,307,432</u>	<u>2,604,066</u>	<u>3,025,380</u>
Total primary government program revenues	<u>21,975,717</u>	<u>20,465,549</u>	<u>21,875,163</u>	<u>26,554,164</u>
Net revenues (expenses):				
Governmental activities	(59,970,685)	(47,294,838)	(51,540,618)	(53,875,785)
Business-type activities	<u>565,163</u>	<u>767,991</u>	<u>152,125</u>	<u>263,869</u>
Total net revenues (expenses)	<u>(59,405,522)</u>	<u>(46,526,847)</u>	<u>(51,388,493)</u>	<u>(53,611,916)</u>

City of San Rafael
Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property Taxes	\$ 13,983,697	\$ 14,895,188	\$ 17,385,722	\$ 22,498,584
Sale Taxes	16,779,878	17,166,966	17,132,100	14,570,084
Special Assessments	3,055,575	3,329,680	3,642,184	3,017,488
Motor Vehicles	3,317,710	2,495,598	4,657,817	372,726
Other	5,465,495	5,476,044	5,151,205	8,932,191
Investment earnings	1,897,339	809,242	1,112,548	1,248,409
Miscellaneous	1,843,458	498,200	876,907	361,195
Loss on disposal of assets	(500,819)	-	-	-
Transfers	232,398	142,970	15,720	201,191
Total governmental activities	<u>46,074,731</u>	<u>44,813,888</u>	<u>49,974,203</u>	<u>51,201,868</u>
Business-type activities:				
Investment income	17,772	29,534	28,522	44,536
Aid from other governmental agencies	-	-	40,735	1,309,893
Transfers	(232,398)	(142,970)	(15,720)	(201,191)
Total business-type activities	<u>(214,626)</u>	<u>(113,436)</u>	<u>53,537</u>	<u>1,153,238</u>
Total primary government	<u>45,860,105</u>	<u>44,700,452</u>	<u>50,027,740</u>	<u>52,355,106</u>
Changes in net assets				
Governmental activities	(13,895,954)	(2,480,950)	(1,566,415)	(2,673,917)
Business-type activities	350,537	654,555	205,662	1,417,107
Total primary government	<u>\$ (13,545,417)</u>	<u>\$ (1,826,395)</u>	<u>\$ (1,360,753)</u>	<u>\$ (1,256,810)</u>

The City of San Rafael implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

City of San Rafael
Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006
General fund:				
Reserved	\$ 2,357,904	\$ 1,451,036	\$ 2,442,881	\$ 2,335,391
Unreserved	<u>4,139,618</u>	<u>4,246,152</u>	<u>5,779,680</u>	<u>3,362,151</u>
Total general fund	<u>\$ 6,497,522</u>	<u>\$ 5,697,188</u>	<u>\$ 8,222,561</u>	<u>\$ 5,697,542</u>
All other governmental funds:				
Reserved	\$ 36,695,318	\$ 32,471,197	\$ 26,599,557	\$ 21,603,724
Unreserved, reported in:				
Special revenue funds	6,317,972	5,574,048	5,628,187	7,168,753
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 43,013,290</u>	<u>\$ 38,045,245</u>	<u>\$ 32,227,744</u>	<u>\$ 28,772,477</u>

The City of San Rafael has elected to show only four years of data for this schedule.

City of San Rafael
Changes in Fund Balances of Governmental Funds
Last Four Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006
Revenues:				
Taxes	\$ 39,284,643	\$ 40,875,826	\$ 42,901,520	\$ 44,901,544
Licenses and permits	735,109	928,303	929,993	1,175,030
Fines & Penalties	770,632	791,975	1,088,459	622,494
Interest & use of property	1,897,339	1,024,199	1,244,406	1,316,558
Intergovernmental revenues	9,405,422	8,049,002	10,522,095	11,705,917
Charges for services	10,102,392	10,423,754	11,407,622	13,104,572
Other	3,568,297	735,976	1,135,485	1,475,078
Total revenues	<u>65,763,834</u>	<u>62,829,035</u>	<u>69,229,580</u>	<u>74,301,193</u>
Expenditures				
Current:				
General government	4,740,703	5,014,452	5,539,191	6,200,338
Public safety	28,041,079	28,863,197	31,784,872	33,321,967
Public works and parks	9,491,552	9,257,991	9,294,419	10,622,585
Community development/redevelopment	3,253,947	3,875,542	3,763,614	4,184,084
Culture and recreation	7,176,097	7,145,264	7,538,607	8,409,833
Capital Outlay	125,884	31,703	1,027,267	60,411
Capital improvement / special projects	11,058,796	9,825,103	9,253,661	13,200,872
Debt service:				
Capitalized lease obligation	197,132	10,775	141,197	130,315
Principal retirement	24,290,000	2,360,000	2,585,000	2,525,000
Interest and fiscal charges	4,046,170	2,456,357	2,140,673	1,878,265
Total expenditures	<u>92,421,360</u>	<u>68,840,384</u>	<u>73,068,501</u>	<u>80,533,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,657,526)</u>	<u>(6,011,349)</u>	<u>(3,838,921)</u>	<u>(6,232,477)</u>
Other financing sources (uses):				
Proceeds from issuance of debt	32,625,000	-	-	-
Contribution from Sanitation District	744,556	-	-	-
Transfers in	42,503,976	5,222,868	8,636,544	6,925,107
Transfers out	(42,971,248)	(4,979,898)	(7,740,324)	(6,672,916)
Total other financing sources (uses)	<u>32,902,284</u>	<u>242,970</u>	<u>896,220</u>	<u>252,191</u>
Net change in fund balances	<u>\$ 6,244,758</u>	<u>\$ (5,768,379)</u>	<u>\$ (2,942,701)</u>	<u>\$ (5,980,286)</u>
Debt service as a percentage of noncapital expenditures	54.1%	8.9%	8.4%	7.2%

The City of San Rafael has elected to show only four years of data for this schedule.

City of San Rafael
Assessed Value and Estimated Actual Value of Taxable Property
Last Four Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	City			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions ¹		
2003	\$ 6,502,120,862	\$ 445,297,553	\$ -	\$ 6,947,418,415	0.322%
2004	6,887,011,624	431,291,562	-	7,318,303,186	0.320%
2005	7,294,055,669	406,163,129	-	7,700,218,798	0.308%
2006	7,902,266,919	407,016,133	-	8,309,283,052	0.308%

¹ Beginning with the fiscal year ended June 30, 2003, exemptions are netted directly against the individual property categories.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: Marin County Assessor's Office as summarized by HdL Coren & Cone

City of San Rafael
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Four Fiscal Years

	2003	2004	2005	2006
City Direct Rates:				
City basic rate	0.15359	0.15359	0.15359	0.15359
Redevelopment agency	-	-	-	-
Total City Direct Rate	0.15359	0.15359	0.15359	0.15359
Overlapping Rates:				
Bay Area Air Quality Management	0.00222	0.00222	0.00222	0.00222
County General	0.29502	0.29502	0.29502	0.29502
County School Service Fund	0.02731	0.02731	0.02731	0.02731
Marin Community College	0.07960	0.07960	0.07960	0.07960
Marin County Open Space	0.01158	0.01158	0.01158	0.01158
Marin County Transit District	0.00676	0.00676	0.00676	0.00676
Marin-Sonoma Mosquito Abatement	0.00346	0.00346	0.00346	0.00346
San Rafael High Schools	0.17056	0.17056	0.17056	0.17056
San Rafael Sanitation	0.02204	0.02204	0.02204	0.02204
San Rafael Schools - Elementary	0.22786	0.22786	0.22786	0.22786
Dixie School Bonds 2000	0.02200	0.02100	0.01900	0.01930
Marin Comm. College Bonds 2004	0.00000	0.00000	0.00000	0.01880
San Rafael High School Bonds 1999A	0.00400	0.00400	0.00400	0.00350
San Rafael High School Bonds 1999B	0.00400	0.00300	0.00300	0.00340
San Rafael High School Bonds 2002A	0.00000	0.00900	0.00800	0.00350
San Rafael High School Bonds 2002B	0.00000	0.00000	0.00800	0.01640
Total Direct Rate	1.03000	1.03700	1.04200	1.06490

NOTE:

In 1978, California voters passed Proposition 13 which sets the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Marin County Assessor's Office

City of San Rafael
Top Ten Property Tax Payers
Current Year and Three Years Ago

Taxpayer (Number of Parcels)	2006		2003	
	Taxable Assessed Value	Percent of Total City Taxable Assessed Value	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
San Rafael Yard NF (8)	\$ 46,926,592	1.69%	\$ 45,466,680	1.84%
Lucas Digital/Lucas Arts (15)	34,794,055	1.16%	41,900,697	1.87%
Marin Sanitary Service (6)	30,964,668	1.12%	27,713,993	1.12%
Rafael Town Center Investors LLC (1)	30,662,293	1.10%	24,764,600	1.00%
Montecito Market Place Associates (2)	21,425,100	0.77%	20,237,685	0.82%
Home Depot USA Inc. (1)	21,178,221	0.76%	20,077,833	0.81%
Tele Vue Systems Inc. (9)	-	-	30,959,326	0.80%
Jack W. Fritz (1)	18,330,720	0.66%	-	-
Albert Lofts Apartments LLC (2)	17,424,112	0.63%	15,080,772	0.61%
Parker Jonathan 40, Et. Al. (2)	-	-	17,701,678	0.72%
MC2 Capital Partners LLC (5)	17,186,998	0.62%	-	-
Toys R Us Inc. (3)	14,819,789	0.53%	13,983,394	0.57%
	<u>\$ 253,712,548</u>	<u>9.04%</u>	<u>\$ 257,886,658</u>	<u>10.16%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

Source: Marin County Assessor's Office

City of San Rafael
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997*	\$ 8,210,688	\$ 8,210,688	100.00%	N/A	N/A	0.00%
1998*	8,195,563	8,195,563	100.00%	N/A	N/A	0.00%
1999*	8,661,660	8,661,660	100.00%	N/A	N/A	0.00%
2000*	8,844,272	8,844,272	100.00%	N/A	N/A	0.00%
2001*	9,895,312	9,895,312	100.00%	N/A	N/A	100.00%
2002*	10,620,967	10,620,967	100.00%	N/A	N/A	100.00%
2003*	11,165,974	11,165,974	100.00%	N/A	N/A	100.00%
2004*	11,841,291	11,841,291	100.00%	N/A	N/A	100.00%
2005*	12,401,426	12,401,426	100.00%	N/A	N/A	100.00%
2006*	11,584,881	11,584,881	100.00%	N/A	N/A	100.00%

NOTE:

*Beginning FYE 93/94, the City began participating in the Teeter Plan through the County. Every year, the County distributes the full amount of secured property taxes levied to the City and the County retains any delinquent taxes collected, including interest and penalties.

In 93/94, the County paid the City a lump-sum amount for all outstanding delinquencies.

Source: County Auditor Controller's Office

City of San Rafael
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities			Total Primary Government
	General Obligation Bonds	Tax Allocation Bonds	Loans	Total Governmental Activities	Parking Authority Bonds	Certificates of Participation	Total Business-type Activities	
	2000	\$ -	\$ 45,899,004	\$ -	\$ 45,899,004	\$ -	\$ -	
2001	-	44,719,004	-	44,719,004	-	-	-	44,719,004
2002	-	43,479,004	-	43,479,004	-	-	-	43,479,004
2003	-	44,914,004	-	44,914,004	-	-	-	44,914,004
2004	-	43,239,004	-	43,239,004	-	-	-	43,239,004
2005	-	41,514,004	-	41,514,004	7,605,000	-	7,605,000	49,119,004
2006	-	39,739,004	-	39,739,004	7,455,000	-	7,455,000	47,194,004

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of San Rafael
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year Ended June 30	Outstanding General Bonded Debt			Percent of Assessed Value ¹	Per Capita
	General Obligation Bonds	Tax Allocation Bonds	Total		
2000	\$ -	\$ 45,899	\$ 45,899	0.83%	838.31
2001	-	44,719	44,719	0.74%	785.33
2002	-	43,479	43,479	0.66%	767.41
2003	-	44,914	44,914	0.65%	785.95
2004	-	43,239	43,239	0.59%	759.71
2005	-	41,514	41,514	0.54%	725.46
2006	-	39,739	39,739	0.48%	692.93

General bonded debt is debt payable with governmental fund resources and general obligation bonds recorded in enterprise funds (of which, the City has none).

¹ Assessed value has been used because the actual value of taxable property is not readily available in the State of California.

City of San Rafael
Computation of Direct and Overlapping Debt
June 30, 2006

2005-06 Assessed Valuation:	\$ 8,309,283,052
Redevelopment Incremental Valuation:	1,817,965,060
Adjusted Assessed Valuation:	<u>\$ 6,491,317,992</u>

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:

	<u>% Applicable (1)</u>	<u>Debt 6/30/05</u>
City of San Rafael	100.000	\$ -
City of San Rafael 1915 Act Bonds	100.000	1,414,000 (2)
Marin Community College District	15.332	11,499,000
San Rafael High School District	73.811	44,504,575
Tamalpais Union High School District	0.096	110,035
Dixie School District	65.964	6,125,292
San Rafael School District	78.566	56,754,744
Ross Valley School District	0.010	1,738
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u><u>\$ 120,409,384</u></u>

OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Marin County Certificates of Participation	15.303	\$ 8,059,090
Marin County Pension Obligations	15.303	17,262,549
Marin County Transit District General Fund Obligations	15.303	42,092
Marin County Water District General Fund Obligations	19.707	44,100
Marin Community College District Certificates of Participation	15.332	464,687
Dixie School District Certificates of Participation	65.964	841,041
San Rafael School District Certificates of Participation	78.566	3,535,470
City of San Rafael General Fund Obligations	100.000	11,396,721
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		<u><u>41,645,750</u></u>
GROSS COMBINED TOTAL DEBT		<u><u>\$ 162,055,134 (3)</u></u>

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

(2) Excludes any optional bond calls that may have occurred after 9/3/04

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Total Overlapping Tax and Assessment Debt1.45%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$11,396,721)18%
 Combined Total Debt 2.50%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each

Source: California Municipal Statistics, Inc.

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City of San Rafael
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
Assessed valuation	\$ 4,712,137,772	\$ 4,944,722,690	\$ 5,163,095,206	\$ 5,537,739,272
Redevelopment Incremental Valuation	958,599,112	1,012,701,872	1,050,944,840	1,149,552,469
Adjusted assessed valuation	3,753,538,660	3,932,020,818	4,112,150,366	4,388,186,803
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	938,384,665	983,005,205	1,028,037,592	1,097,046,701
Debt limit percentage	15%	15%	15%	15%
Debt limit	140,757,700	147,450,781	154,205,639	164,557,005
Total net debt applicable to limit:				
General obligation bonds	-	-	-	-
Legal debt margin	\$ 140,757,700	\$ 147,450,781	\$ 154,205,639	\$ 164,557,005
Total debt applicable to the limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: California Municipal Statistics, Inc. and the City of San Rafael's Finance Department

		Fiscal Year									
		2001	2002	2003	2004	2005	2006				
\$	6,026,335,000	\$	6,573,753,689	\$	6,947,418,415	\$	7,318,303,186	\$	7,700,218,798	\$	8,309,283,052
	<u>1,242,758,183</u>		<u>1,444,400,886</u>		<u>1,558,030,161</u>		<u>1,610,566,919</u>		<u>1,687,053,641</u>		<u>1,817,965,060</u>
	4,783,576,817		5,129,352,803		5,389,388,254		5,707,736,267		6,013,165,157		6,491,317,992
	<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>		<u>25%</u>
	1,195,894,204		1,282,338,201		1,347,347,064		1,426,934,067		1,503,291,289		1,622,829,498
	<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>		<u>15%</u>
	179,384,131		192,350,730		202,102,060		214,040,110		225,493,693		243,424,425
	<u>-</u>		<u>-</u>		<u>12,015,128</u>		<u>11,864,629</u>		<u>11,708,211</u>		<u>11,396,721</u>
\$	<u>179,384,131</u>	\$	<u>192,350,730</u>	\$	<u>190,086,932</u>	\$	<u>202,175,481</u>	\$	<u>213,785,482</u>	\$	<u>232,027,704</u>
	0.0%		0.0%		5.9%		5.5%		5.2%		4.7%

City of San Rafael
Full-time and Part-time City Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>Full-Time and Part-time Employees as of June 30</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	25	28	29	30	32	33	44	43	41	46
Public safety	194	195	200	202	202	203	203	202	193	188
Public works and parks	71	68	73	76	79	80	80	77	73	74
Community development/redevelopment	20	23	27	28	29	32	30	29	27	25
Culture and recreation	62	61	81	82	83	84	84	83	81	77
Total	<u>372</u>	<u>375</u>	<u>409</u>	<u>418</u>	<u>425</u>	<u>432</u>	<u>441</u>	<u>434</u>	<u>415</u>	<u>410</u>

Source: City Budget Office

City of San Rafael
Capital Asset Statistics by Function
Last Seven Fiscal Years

	Fiscal Year		Fiscal Year				
	2000	2001	2002	2003	2004	2005	2006
Police:							
Stations	1	1	1	1	1	1	1
Sub-Stations	2	2	2	2	2	2	2
Fire:							
Fire stations	6	6	6	6	6	6	6
Public works:							
Streets (miles)	165.00	165.00	171.00	171.00	172.00	172.00	173.00
Streetlights	4,167	4,167	4,200	4,200	4,333	4,333	4,435
Traffic signals	86	86	85	85	85	85	89
Parks and recreation:							
Parks	22	22	22	22	22	20	20
Number of Acres	146	146	146	146	149	149	149
Community centers	3	3	3	3	3	3	3

Source: City of San Rafael

