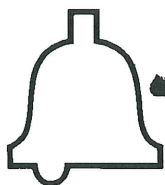


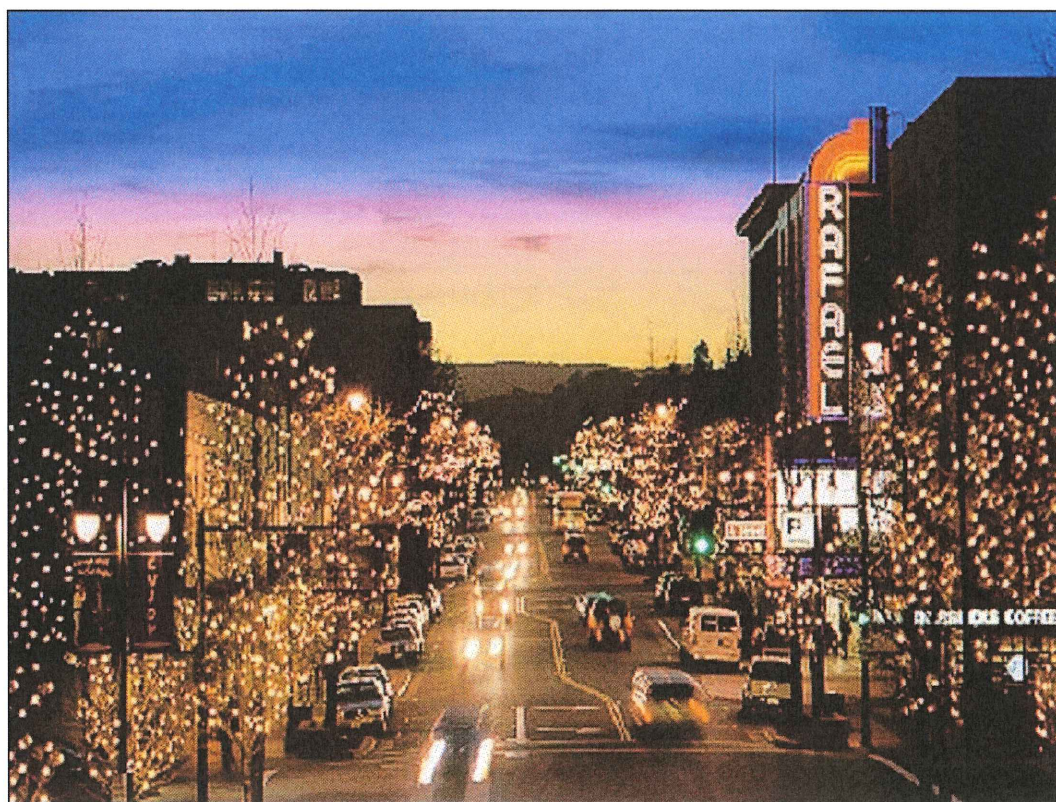
CITY OF



San Rafael

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2011



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2011

City of San Rafael, California
P.O. Box 151560
1400 Fifth Avenue
San Rafael, California 94915-1560

Prepared by the Finance Department
Janet Pendoley, Interim Finance Director

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INTRODUCTORY SECTION

CITY OF SAN RAFAEL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2011

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INTRODUCTORY SECTION

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CITY OF SAN RAFAEL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF SAN RAFAEL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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MAYOR GARY O. PHILLIPS
COUNCILMEMBER DAMON CONNOLLY
COUNCILMEMBER BARBARA HELLER
COUNCILMEMBER MARC LEVINE
COUNCILMEMBER ANDREW CUYUGAN MCCULLOUGH

December 15, 2011

Honorable Mayor, Members of the City Council and Residents of San Rafael:

The Comprehensive Annual Financial Report (CAFR) of the City of San Rafael for the year ended June 30, 2011, is hereby submitted as mandated by both local ordinances and State of California statutes. These ordinances and statutes require that the City of San Rafael annually issue a report on its financial position and activity, and that an independent firm of certified public accountants audits this report.

Responsibility for both the data accuracy, and the completeness and fairness of the presentation, rests with management. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of San Rafael. The financial statements are prepared in accordance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board (GASB) and include the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation.

Further, the CAFR is prepared in accordance with procedures and policies set by the Government Finance Officers Association. The analysis of the financial condition and the result of operations are in the Management's Discussion and Analysis document in the financial section. The CAFR is organized into three sections:

1. Introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of the City of San Rafael's elected and appointed officials.
2. Financial section includes the general-purpose financial statements, related footnote disclosures, and the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report.
3. Statistical section, which is unaudited, includes selected financial and demographic information, presented on a multi-year basis. Generally, ten-year data is presented for expenditures, revenues, assessed valuation for local properties and construction activity.

REPORTING ENTITY – PROFILE OF THE GOVERNMENT

The City of San Rafael provides a full range of municipal services required by statute or charter, namely: Fire, Police, Community Development (encompassing Building, Planning and Code Enforcement), Public Works, Community Services (both Recreation and Child Care programs),

Redevelopment, Library and Management Services. The City Council is financially accountable for the San Rafael Redevelopment Agency and the San Rafael Joint Powers Financing Authority. These entities are considered blended component units and are combined with the City's figures in this report. The San Rafael Sanitation District is a discretely presented component unit of the City of San Rafael and is presented independent of City financial information. For a further explanation of these entities, refer to Footnote No. 1 in the Financial Section of the CAFR.

The City participates in various organizations through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these agencies exercise full powers and authorities within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, and the power to make and execute contracts. Obligations and liabilities of the separate entities are not those of the City. For a further explanation of these separate entities, refer to Footnote No. 13 in the CAFR.

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. 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 2011 was 58,136.

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 SRDA 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.

ECONOMIC CONDITION

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. Approximately 72 percent of workers in San Rafael work for companies, 10 percent work for the government and 14 percent are self-employed. The median income for San Rafael households is \$72,389.

There may be slight economic improvement for the fiscal year 2011-2012. Sales tax trends for fiscal year 2010-2011 are slightly better than fiscal year 2009-2010, while property taxes are expected to be flat. Job growth looks to get better in the coming months.

The economy will grow slowly the rest of this year, and job gains will be limited. Major reductions to the City fiscal year 2011-2012 budget included compensation reduction, layoffs, furloughs, and reducing service hours. These changes were needed to balance fiscal year 2011-2012. The compensation reduction and furloughs will continue into fiscal year 2012-2013 budget.

Demographic Data

A sampling of demographic information is provided to give the user an understanding of the character and diversity that make San Rafael an exceptional place to live and work.

- ☑ Economic development organizations in San Rafael include the Redevelopment Agency, Business Improvement District, Chamber of Commerce and the Marin County Economic Commission.
- ☑ San Rafael's population rate grew at about 0.5% per annum from 2002 (56,691) to 2011 (58,136).
- ☑ Unemployment rates for 2011 were 9.6% (2010 was 9.9%) for the City and 7.2% countywide.
- ☑ Countywide office vacancy rates increased to 27.8% in 2011, from 21.1% in 2010.
- ☑ Median office rents in Central San Rafael were \$2.75 per square foot; in North San Rafael the rate averaged \$2.45.
- ☑ Median industrial space rents averaged \$0.95 per square foot for San Rafael.
- ☑ Major shopping areas, as measured in available retail square footage, include the Downtown corridor (938,000 aggregate), the Mall at Northgate (725,000), Montecito Center (130,000) and Northgate One (113,900).
- ☑ Total Marin County land acreage of 388,712 breaks down as 55,424 in waterways, 128,519 for public use, 23,241 subject to exemption, 97,615 contract restricted (open space and agriculture), and 83,913 as developed. The latter category denotes only 22% of all acreage is used for development.
- ☑ Several hotels and motels support tourism activity, led by 235 room facilities for both the Embassy Suites and Four Points Sheraton. Citywide, the total number of hotel rooms is 803.
- ☑ Home buying and apartment rentals continue to be a challenge both in San Rafael and Marin County. Mean household incomes in San Rafael are \$72,389 as of 2009, but less than 30% can afford to buy a median priced home. Rents for one bedroom apartments range from \$800-\$1,900, while two bedroom apartments go for \$1,150 to \$2,350.

MAJOR INITIATIVES

Current Year Projects, Accomplishments and Service Efforts

The City Council adopted a one-year budget in July of 2011 for the 2011-2012 fiscal year.

These objectives support Department goals, the City Council's five-year goals, and our Mission Statement. Progress reports are provided to the City Council and community at six-month intervals during the two-year budget.

The City issued the Tax and Revenue Anticipation Notes (TRANS) to bridge the gap between its regular flow of operating expenditures and the receipts of its semi-annual property taxes.

San Rafael's fiscal practices are codified in the City's Financial Management Policies. The Policies were adopted to manage current and long-term financial resources, allow for adequate controls, and most importantly, to encourage input and participation in the City's financial affairs.

FINANCIAL INFORMATION

The City's Management Team is responsible for establishing and maintaining internal controls to ensure that the City's assets are adequately protected from loss, theft or misuse. In addition, management controls should ensure that proper accounting data is collected so as to prepare reports in conformance with generally accepted accounting principles.

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

Budget Controls - The City develops a budget based upon Council priorities and Department objectives. The Finance Department maintains a traditional line item budget by major function. Budget control is accomplished at the functional or division level within each fund. This budget creates a comprehensive management and fiscal system aimed at achieving the objectives of each operating level consistent with those that have been set for the community by the City Council. Each department director is responsible for accomplishing goals within his or her functional area and monitoring the use of their budget allocations consistent with policies set by the City Council and monitored by the City Manager.

OTHER INFORMATION

Independent Audit - the Charter of the City of San Rafael requires an annual audit of the City's financial records and transactions by an independent certified public accounting firm. This year, the accounting firm of Maze and Associates Accountancy Corporation performed the audit. The audit requirement has been met and the auditors' opinion has been included in this report.

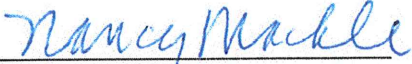
Acknowledgment - The preparation of this document was accomplished through the diligent, dedicated efforts of the Finance Department's staff. Appreciation goes to Van Bach, Accounting Supervisor, Helen Yu, Accountant, and Carl Tregner, Accountant. All of these top-notch employees were instrumental in coordinating the annual audit in a timely and professional manner.

Lastly, staffs support by the Mayor and City Council Members, with an emphasis on community focus and customer service, has allowed the Finance Department to bring professional level financial leadership and management home to San Rafael. Staff expects 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,

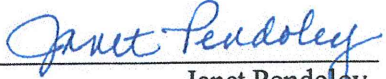
CAFR TRANSMITTAL LETTER

progressive manner empowers staff to achieve important goals through a commitment to excellence, professionalism and community interest.

Respectfully submitted,



Nancy Mackle
City Manager



Janet Pendoley
Interim Finance Director



MISSION STATEMENT

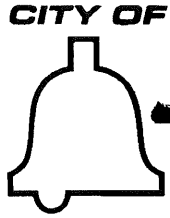
The Mission of the City of San Rafael is to enhance the quality of life and to provide for a safe, healthy, prosperous and livable environment in partnership with the community.

VISION STATEMENT

Our vision for San Rafael is to be a vibrant economic and cultural center reflective of our diversity, with unique and distinct neighborhoods in a beautiful natural environment, sustained by active and informed residents and a responsible innovative local government.

January 1996

Albert J. Boro, Mayor
Barbara Heller, Vice- Mayor
Greg Brockbank, Council Member
Damon Connolly, Council Member
Marc Levine, Council Member



San Rafael

City Officials

City Council

Albert J. Boro, Mayor
Greg Brockbank, Council Member
Damon Connolly, Council Member
Barbara Heller, Council Member
Marc B. Levine, Council Member

Elected Officials

Rob Epstein, City Attorney
Esther Beirne, City Clerk

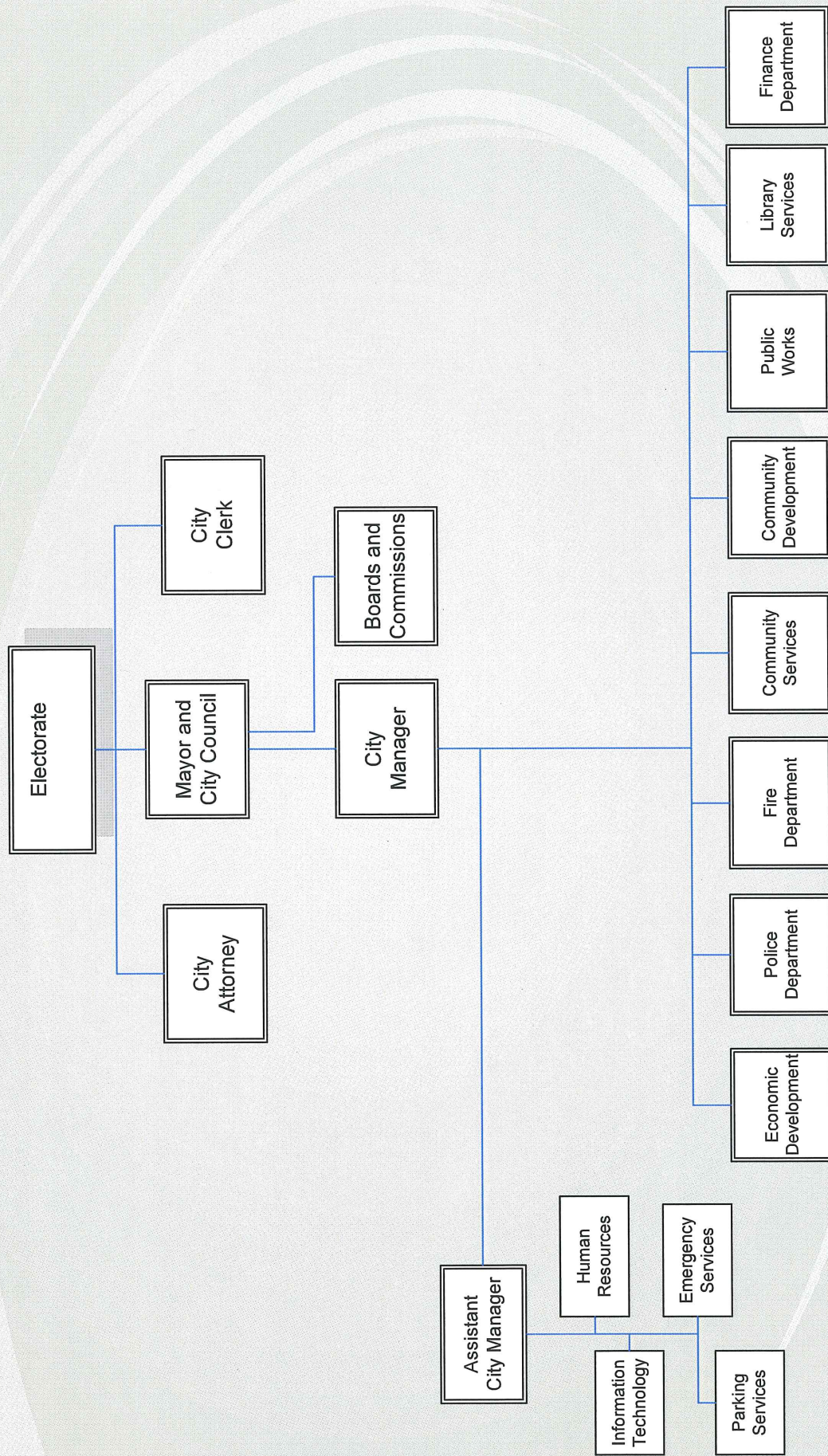
Management Team

Nancy Mackle, City Manager
Jim Schutz, Assistant City Manager
Bob Brown, Community Development Director
David Dodd, Library Director
Chris Gray, Fire Chief
Stephanie Lovette, Economic Development Director
Carlene McCart, Community Services Director
Janet Pendoley, Interim Finance Director
Nader Mansourian, Public Works Director
Matt Odetto, Police Chief
Doris Toy, District Manager/Engineer-SRSD



City of San Rafael

Organizational Chart



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the 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 as of and for the year ended June 30, 2011, 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 component unit financial statements of the San Rafael Sanitation District (District), which represents 15% and 13% of the assets and revenues and 3% and 9% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 of San Rafael as of June 30, 2011, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As disclosed in Note 17, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the City of San Rafael Redevelopment Agency, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the City of San Rafael Redevelopment Agency will continue as a going concern. The activities of the City of San Rafael Redevelopment Agency are included in the Redevelopment Agency Capital Projects Fund and Redevelopment Agency Debt Service Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 9 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011, on our consideration of the City of San Rafael's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplemental Information are not a required part of the basic financial statements but are supplementary information required by the Government 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 this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of San Rafael. This 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.

The introductory section listed in the Table of Contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

October 28, 2011

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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, 2011. Please read it in conjunction with 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, 2011 by \$200.1 million.
- *Expense Activities* - During the fiscal year the City's total revenues (\$87.3 million) are less than expenses for governmental and business-type activities (\$95.1 million) by \$7.8 million. Excluding Depreciation (non-cash expense of \$7.7 million), collected revenues were \$0.1 million above expenses.
- *Changes in Net Assets* - The City's total net assets decreased by \$7.8 million in fiscal year 2011. Net assets of governmental activities decreased by \$7.6 million, while net assets of the business type activities decreased by \$0.2 million.

Fund Highlights:

- *Governmental Funds – Fund Balances*- As of the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$34.4 million, a decrease of \$1.1 million from the prior year. Of this total amount, \$19.5 million represents restricted fund balances, \$4.4 million is committed fund balances, and \$9.5 million is assigned fund balances.
- *General Fund* - The fund balance of the general fund on June 30, 2011 was \$6.8 million, representing no increase from the prior year. \$0.6 million is nonspendable, \$0.2 million is restricted, \$0.6 million is committed, \$5.4 million is assigned, which includes \$1.3 million for emergencies and cash flow needs and is to be used to meet our 10% reserve requirement as defined by the city's financial management policies.

Long-Term Debt:

The City's total outstanding debt increased by \$2.0 million (4.6 percent) during the fiscal year, which reflects payment on redevelopment debt, court fine repayment note, capitalized lease obligations, and the issuance of \$4,490,000 in 2010 taxable pension obligation bonds.

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.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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*, City activities are separated 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 Economic Development, 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 19 of this report.

Fund Financial Statements and Major Component Unit Financial Statements

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

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Further detail on the Non-major funds is presented on pages 82 through 101 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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 thirty-two governmental funds, of which four 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 Capital Projects, Gas Tax, and Traffic and Housing Mitigation. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22 through 28 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 82 through 101 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 30 through 32 of this report.

Fiduciary Funds – The City currently has no fiduciary funds.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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 33 through 69 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 capital project, gas tax, 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 74 through 76 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 \$200.1 million, which is a decrease of \$8.0 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2010 and 2011.

City of San Rafael Statements of Net Assets June 30, (Amounts in Millions)						
	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2011	2010		2011	2010	
Assets:						
Current assets	\$ 51.0	\$ 40.4	\$ 10.6	\$ 2.4	\$ 2.4	\$ -
Capital assets, net	202.0	208.2	(6.2)	17.4	17.8	(0.4)
Total assets	<u>253.0</u>	<u>248.6</u>	<u>4.4</u>	<u>19.8</u>	<u>20.2</u>	<u>(0.4)</u>
Liabilities:						
Current liabilities	16.3	8.9	7.4	0.4	0.4	-
Long-term liabilities	49.3	44.7	4.6	6.6	6.8	(0.2)
Total liabilities	<u>65.6</u>	<u>53.6</u>	<u>12.0</u>	<u>7.0</u>	<u>7.2</u>	<u>(0.2)</u>
Net Assets:						
Invested in capital assets, net of related debt	174.3	173.5	0.8	10.8	11.0	(0.2)
Restricted	21.3	26.2	(4.9)	-	-	-
Unrestricted	(8.2)	(4.6)	(3.6)	1.9	2.0	(0.1)
Total net assets	<u>\$ 187.4</u>	<u>\$ 195.1</u>	<u>\$ (7.7)</u>	<u>\$ 12.7</u>	<u>\$ 13.0</u>	<u>\$ (0.3)</u>

At June 30, 2011, the largest portion of net assets (92.5 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

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

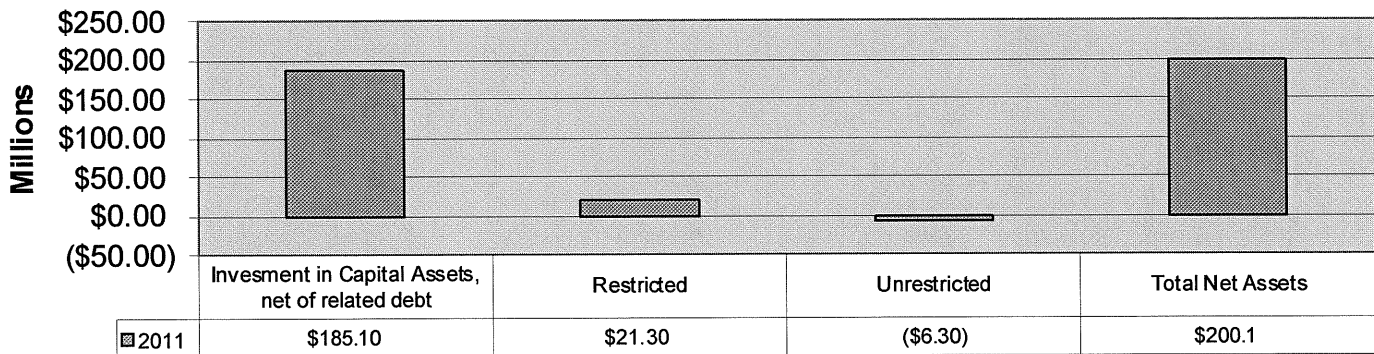
total net assets from fiscal year 2010 to fiscal year 2011 is largely attributable to a netting of capital assets acquisition against depreciation expense for the year. Total depreciation for this current year was \$7.9 million, while capital asset acquisition totaled \$1.4 million, leaving a net decrease of \$6.5 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 (10.7 percent) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements.

The City issued a Tax and Revenue Anticipation Notes (TRANS) for fiscal year 2010-2011 in amount of \$6.0 million, which was repaid in July 2011. This amount is reflected in increased current assets and current liabilities.

For the year ended June 30, 2011, the City reported positive balances of net assets in capital and restricted net assets for governmental activities. Business-type activities reported positive net assets in capital and unrestricted net assets.

Net Assets



CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2011 and 2010:

For the Fiscal Years Ended June 30, (Amounts in Millions)							
	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)	
	2011	2010		2011	2010		
Revenues:							
Program revenues	\$ 25.5	\$ 25.8	\$ (0.3)	\$ 4.0	\$ 4.2	\$ (0.2)	
General revenues	57.7	53.6	4.1	-	-	-	
Total revenues	<u>83.2</u>	<u>79.4</u>	<u>3.8</u>	<u>4.0</u>	<u>4.2</u>	<u>(0.2)</u>	
Expenses	<u>91.3</u>	<u>88.6</u>	<u>2.7</u>	<u>3.7</u>	<u>4.0</u>	<u>(0.3)</u>	
Change in net assets before transfers	(8.1)	(9.2)	1.1	0.3	0.2	0.1	
Transfers	<u>0.5</u>	<u>0.5</u>	<u>\$ -</u>	<u>(0.5)</u>	<u>(0.5)</u>	<u>\$ -</u>	
Net Assets:							
Beginning, as restated	<u>195.0</u>	<u>203.7</u>		<u>12.9</u>	<u>13.2</u>		
Ending	<u>\$ 187.4</u>	<u>\$ 195.0</u>		<u>\$ 12.7</u>	<u>\$ 12.9</u>		

Governmental Activities:

The City's governmental activities decreased net assets by \$7.6 million, which represents a 3.9% decrease from last year. Key elements of this change were as follows:

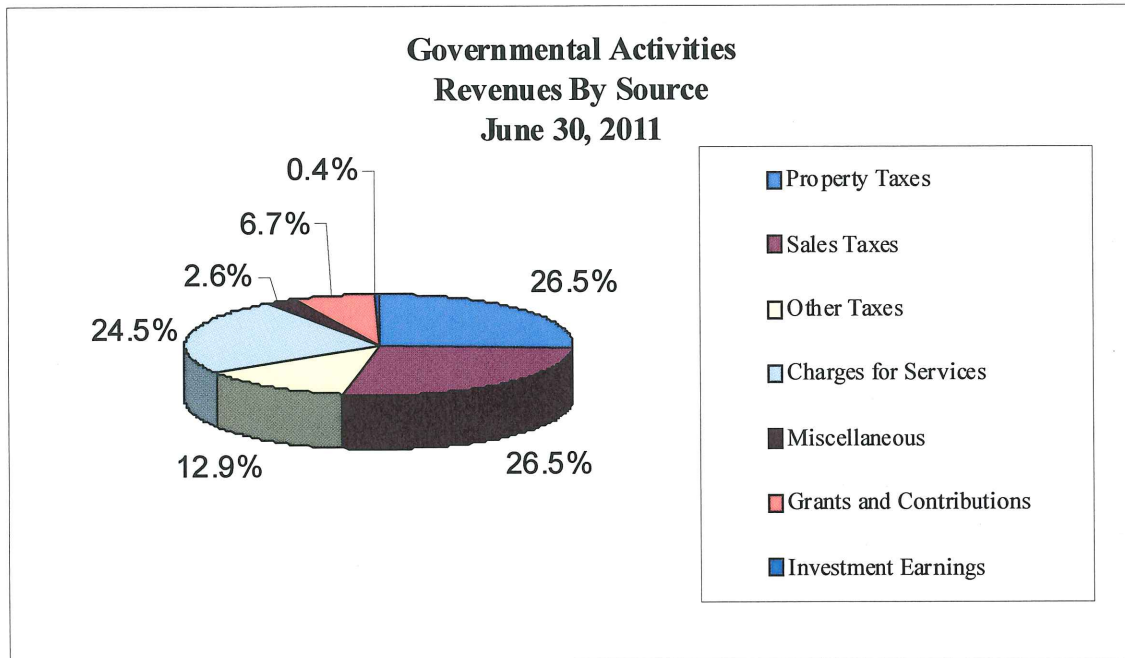
Revenue highlights:

- Sales tax including Triple Flip Backfill tax and Measure S use tax increased by \$2.6 million or approximately 13.5 percent compared to fiscal year 2010.
- Paramedic tax increased by \$172,000 or 4.9 percent.
- Motor vehicles revenues increased by \$126,000 or 73.4 percent due to receipt of excess MVLF revenue collections by state for fiscal years 2007 through 2010.
- Transient Occupancy Tax revenues increased by \$86,000 or 5.5 percent.
- Investment earnings decreased by \$126,000 or 41.6 percent.

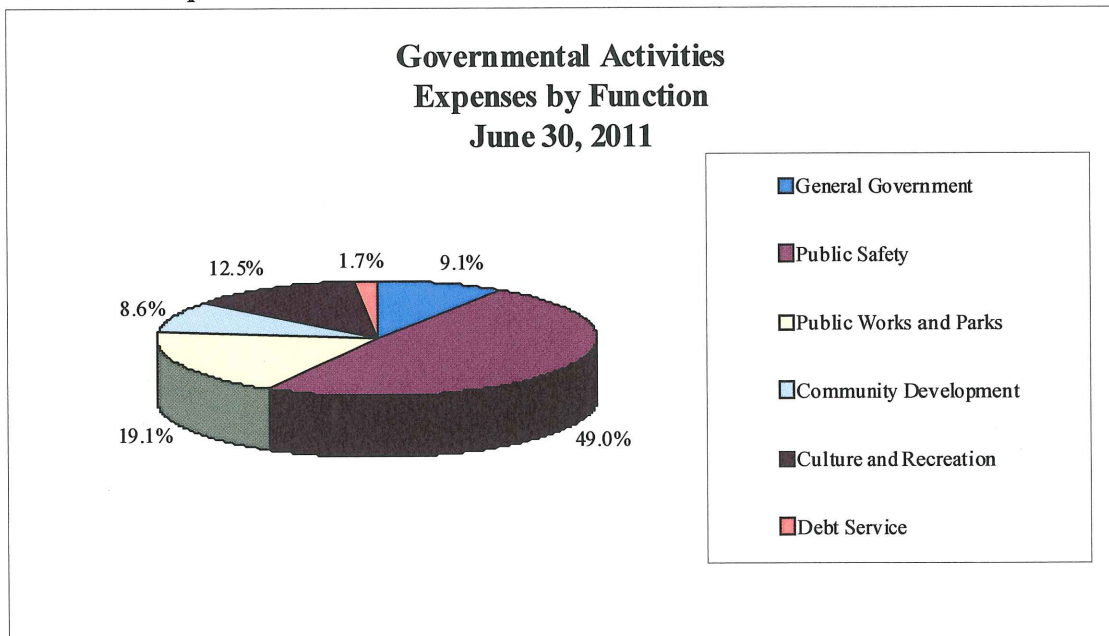
CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

Governmental Activities - Revenues:



Governmental Activities - Expenses:



Total expenses for governmental activities were \$89.7 million (not including interest on long-term debt of \$1.6 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$20.0 million in charges for services.
- A total of \$1.9 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, 2011

As a result, total expenses that were funded by tax revenues; investment income and other general revenues were \$67.8 million.

Functional expenses for the years ended June 30, 2011 were as follows:

Expenses by Function
For the fiscal year ended June 30, 2011

Function	Amount	Percent of Total
General Government	\$ 8,269,846	9.1%
Public Safety	44,735,486	49.0%
Public works and parks	17,408,038	19.1%
Community development	7,831,274	8.6%
Culture and recreation	11,461,375	12.5%
Interest on Debt	1,621,605	1.8%
Total Expenses	\$ 91,327,624	100.0%

Business-Type Activities:

Net assets for business-type activities were \$12.7 million, a \$0.2 million decrease from the prior fiscal year. Parking services is the City's only business type activity and income is derived from program revenues of \$4.0 million. Program revenues include parking meter coin at \$1.5 million, and parking garage hourly parking at \$0.7 million. Revenues also include parking and non-vehicle code fines totaling \$1.8 million. Total expenses for parking services were \$3.7 million and transfers out to general fund for support totaled \$0.5 million during fiscal year 2011.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

In February 2009, the Government Accounting Standards Board (GASB) issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" that is applicable to the financial statements issued by governmental entities for the reporting period ended June 30, 2011. The objective of GASB statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Before GASB 54, fund balances for the governmental funds were classified in three categories: reserved, unreserved designated and unreserved undesignated. Under GASB 54, fund balances are classified in five categories: nonspendable, restricted, committed, assigned, and unassigned based on hierarchy of constraint. Further details on fund balance classifications can be found in Note 9B.

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, unassigned 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 \$34.4 million. \$1.0 million is nonspendable, \$19.5 million is restricted, \$4.4 million is committed, and \$9.5 million is assigned.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

General Fund – *The General Fund is the primary operating fund of the city.*

At the end of the current fiscal year, the fund balance of the general fund was \$6.8 million. \$0.6 million was classified as nonspendable. \$0.08 million for assessment districts and \$0.12 million for a court fine audit was classified as restricted. \$0.6 million for project development was classified as committed. \$5.4 million of the fund balance comprised of \$3.5 for worker's compensations claims, \$0.4 million for liability claims and \$0.2 million for encumbrances and \$1.3 million for emergency and cash flow needs were classified as assigned. The \$1.3 million is intended to be used for emergency and cash flow needs. The goal is to set aside 10% for emergencies and cash flows as defined by the City's Financial Management Policies.

Redevelopment Agency Capital Project 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 2011, the restricted fund balance was \$4.7 million, which was 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 decreased by \$0.2 million as a result of operations in the Parking Services fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund budget projected total revenue at \$52.7 million, total expenditures at \$54.6 million, total interfund transfers at a net of \$1.7 million, with the resulting projected decrease in fund balance of (\$131,957).

Actual revenues, at \$53.6 million, exceeded budget by \$1.0 million. Actual expenditures at \$54.3 million and transfers at \$0.6 million fell short of budget by \$0.2 million and \$1.0 million, respectively. As a result, there was a net decrease to the fund balance of (\$16,284).

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

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, 2011 amounts to \$219.4 million, net of accumulated depreciation of \$128.7 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 \$1.4 million, offset by accumulated depreciation and retirements of \$7.9 million, thereby equaling a net decrease of \$6.5 million.

Major capital asset additions during the current fiscal included work in process such as the City Hall HVAC Upgrades, Canal Street Pedestrian Access & Safety Improvements, Safe Routes to Schools Sun Valley Elementary, and Traffic Signal Cabinet & Controller Upgrades.

Capital Projects

- Northgate Gap Closure project was completed in 2011

Additional information on the City's capital assets can be found in Note 5 on pages 48 through 49 of this report.

Debt Administration

As of June 30, 2011, 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 2011 and 2010 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$ -	\$ -	\$ 6.6	\$ 6.8	\$ 6.6	\$ 6.8
Special Assessment Bonds	-	-	-	-	-	-
Tax Allocation Bonds	33.3	35.4	-	-	33.3	35.4
Taxable Pension Obligation Bonds	4.5	-	-	-	4.5	-
Court Fine Promissory note	0.1	0.4	-	-	0.1	0.4
Redevelopment note	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	0.1	0.1	-	-	0.1	0.1
Compensated Absences	4.1	4.3	0.2	0.2	4.3	4.5
Total Outstanding Debt	\$ 42.3	\$ 40.4	\$ 6.8	\$ 7.0	\$ 49.1	\$ 47.4

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

Many factors were considered in preparing the City's budget for fiscal year 2011-2012. In July, the budget was balanced with strategic remedies such as:

- Total compensation reduction of 4.0% for all employee groups resulting in a savings of \$1.5 million to the general Fund.
- Use of pension reserves resulting in savings of \$1.0 million to the General Fund.
- Elimination of 6 positions for a total saving of \$0.8 million in the General Fund and an additional 4 positions for a total savings of \$0.3 million in the Parking Fund.

The trend for sales tax, the city's biggest tax revenue generator, appears to be slightly better than fiscal year 2011. A 1.7 % increase is estimated for fiscal year 2012. The sale of property is expected to increase causing a 5% increase in our property transfer tax.

The City's second largest tax generator is property tax. The City is expecting the fiscal year 2012 tax roll to remain relatively flat with a zero percent increase over the previous year.

The City's largest expenditure by far relates to personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. As indicated above, all bargaining groups agreed to a 2 year contract that provides an across the board pay reduction equal 4.0%. This contract will extend through the fiscal year 2012-13.

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring substantial annual contributions to local school and special districts. On July 18, the California Redevelopment Association, the league of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due. The San Rafael City Council and San Rafael Redevelopment Agency Board have chosen to participate in the Voluntary Alternative Redevelopment Program pursuant to Part 1.9 of the California Community Redevelopment Law. The City Council's intention was verified by the passage of Ordinance 1899 on September 19, 2011.

Please refer to Note 17 for further discussion on the potential consequences to the Agency from the decision of the Supreme Court.

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 – Finance Department, 1400 Fifth Avenue, Room 204, San Rafael, California 94901.

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CITY OF SAN RAFAEL

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the City of San Rafael Redevelopment Agency, and the San Rafael Joint Powers Financing Authority which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities. The balances and the activities of the discretely presented component units of the San Rafael Sanitation District are included in these statements as separate columns.

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CITY OF SAN RAFAEL
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$41,184,733	\$2,303,855	\$43,488,588	\$13,137,705
Restricted cash and investments (Note 2)	736,767		736,767	472,130
Receivables:				
Accounts	2,337,172	29,548	2,366,720	3,188
Taxes	4,295,718		4,295,718	
Grants	1,425,544		1,425,544	
Interest	65,012		65,012	560
Loans (Note 4)	926,902		926,902	
Prepaid expenses and others	40,111		40,111	144,748
Capital assets (Note 5):				
Nondepreciable	85,035,325	8,620,853	93,656,178	1,244,776
Depreciable, net	116,952,579	8,802,739	125,755,318	32,083,335
Total Assets	<u>252,999,863</u>	<u>19,756,995</u>	<u>272,756,858</u>	<u>47,086,442</u>
LIABILITIES				
Accounts payable	3,927,590	123,518	4,051,108	1,142,026
Deposits payable	35,276		35,276	
Interest payable	321,104	78,535	399,639	15,510
Developer bonds payable	346,766		346,766	
Arbitrage payable	25,127		25,127	
Interest payable	111,157		111,157	
Claims payable (Note 14):				
Due in one year	2,200,000		2,200,000	
Due in more than one year	1,770,177		1,770,177	
Compensated absences (Note 1J):				
Due in one year	740,718	15,769	756,487	
Due in more than one year	3,371,594	167,134	3,538,728	
Long-term debt (Note 6 and 7):				
Due in one year	8,598,320	185,000	8,783,320	940,000
Due in more than one year	35,632,499	6,445,000	42,077,499	
Net OPEB liability (Note 12)	8,485,000		8,485,000	
Total Liabilities	<u>65,565,328</u>	<u>7,014,956</u>	<u>72,580,284</u>	<u>2,097,536</u>
NET ASSETS (Note 9):				
Invested in capital assets, net of related debt	174,281,922	10,793,592	185,075,514	32,845,291
Restricted for:				
Special revenue projects	13,556,816		13,556,816	
Capital projects	4,201,575		4,201,575	
Debt service	(2,559,712)		(2,559,712)	
Redevelopment projects	6,124,258		6,124,258	
Total Restricted Net Assets	<u>21,322,937</u>		<u>21,322,937</u>	
Unrestricted	(8,170,324)	1,948,447	(6,221,877)	12,143,615
Total Net Assets	<u>\$187,434,535</u>	<u>\$12,742,039</u>	<u>\$200,176,574</u>	<u>\$44,988,906</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$8,269,846	\$1,636,542	\$500,651	
Public safety	44,735,486	6,167,925	845,169	
Public works and parks	17,408,038	4,141,103	1,564,703	\$1,857,670
Community development / redevelopment	7,804,650	2,676,663		
Culture and recreation	11,487,999	5,362,497	741,379	
Interest on long-term debt	1,621,605			
Total Governmental Activities	91,327,624	19,984,730	3,651,902	1,857,670
Business-type Activities				
Parking services	3,785,751	4,011,333		
Total Business-type Activities	3,785,751	4,011,333		
Total Primary Government	<u>\$95,113,375</u>	<u>\$23,996,063</u>	<u>\$3,651,902</u>	<u>\$1,857,670</u>
Component Unit				
San Rafael Sanitation District	<u>\$9,677,630</u>	<u>\$12,223,779</u>		

General revenues:

Taxes:

Property

Sales

Paramedic

Motor vehicles

Transient occupancy

Franchises

Business licenses

Other

Investment earnings

Miscellaneous

Aid from other governmental agencies

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets, beginning of year

Net Assets, end of year

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
(\$6,132,653)		(\$6,132,653)	
(37,722,392)		(37,722,392)	
(9,844,562)		(9,844,562)	
(5,127,987)		(5,127,987)	
(5,384,123)		(5,384,123)	
(1,621,605)		(1,621,605)	
(65,833,322)		(65,833,322)	
	\$225,582	225,582	
	225,582	225,582	
(65,833,322)	225,582	(65,607,740)	
			\$2,546,149
21,632,733		21,632,733	1,214,519
21,623,445		21,623,445	
3,661,064		3,661,064	
297,425		297,425	
1,644,262		1,644,262	
2,990,539		2,990,539	
2,296,460		2,296,460	
1,930,531		1,930,531	
176,502	11,878	188,380	59,265
1,496,174		1,496,174	
			6,499
463,600	(463,600)		
58,212,735	(451,722)	57,761,013	1,280,283
(7,620,587)	(226,140)	(7,846,727)	3,826,432
195,055,122	12,968,179	208,023,301	41,162,474
\$187,434,535	\$12,742,039	\$200,176,574	\$44,988,906

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City in fiscal 2011. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

Established to accounts for all financial resources and transactions except those required to be accounted for in other funds.

TRAFFIC AND HOUSING MITIGATION FUND

Established to maintain a long-term developer deposits for major housing and street improvement projects.

GAS TAX FUND

Established to receive and expend the City's allocation of the State gasoline taxes.

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

Established to account for the capital projects activities of the San Rafael Redevelopment Agency.

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Traffic and Housing Mitigation	Gas Tax	Redevelopment Agency Capital Projects
ASSETS				
Cash and investments available for operations (Note 2)	\$9,897,730	\$9,093,397	\$1,875,751	\$5,485,855
Restricted cash and investments (Note 2)	76,015			420,992
Receivables:				
Accounts	173,993		75,499	95,576
Taxes	4,008,671		178,383	2,024
Grants			510,814	26,624
Interest	60,326			4,658
Loans (Note 4)	549,722	62,858		314,322
Due from other funds (Note 3A)				
Prepaid expenses	40,111			
Total Assets	\$14,806,568	\$9,156,255	\$2,640,447	\$6,350,051
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$1,427,725		\$1,199,654	\$149,042
Deposits payable	35,276			
Developer bonds payable	320,266			25,000
Arbitrage payable				25,127
Note payable (Note 6)	6,080,000			
Interest payable	111,157			
Due to other funds (Note 3A)				
Deferred revenue	6,267			26,624
Compensated absences (Note 1J)	40,366			
Total Liabilities	8,021,057		1,199,654	225,793
Fund Balances (Note 9):				
Nonspendable	589,833	\$62,858		314,322
Restricted	200,238	9,093,397	1,138,226	4,684,936
Committed	555,561		28,816	1,120,000
Assigned	5,439,879		273,751	5,000
Unassigned				
Total Fund Balances	6,785,511	9,156,255	1,440,793	6,124,258
Total Liabilities and Fund Balances	\$14,806,568	\$9,156,255	\$2,640,447	\$6,350,051

See accompanying notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$10,213,792	\$36,566,525
10,590	507,597
926,510	1,271,578
106,640	4,295,718
888,106	1,425,544
28	65,012
	926,902
474,644	474,644
	40,111
<u>\$12,620,310</u>	<u>\$45,573,631</u>

\$880,463	\$3,656,884
	35,276
1,500	346,766
	25,127
	6,080,000
	111,157
474,644	474,644
329,859	362,750
252	40,618
<u>1,686,718</u>	<u>11,133,222</u>

	967,013
4,372,808	19,489,605
2,715,506	4,419,883
3,845,278	9,563,908
<u>10,933,592</u>	<u>34,440,409</u>
<u>\$12,620,310</u>	<u>\$45,573,631</u>

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CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total fund balances reported on the governmental funds balance sheet	\$34,440,409
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	201,987,904
Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Assets.	1,152,266
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	(321,104)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(33,660,819)
Long-term compensated absences	(4,071,694)
Net OPEB liability	(8,485,000)
Claims payable	(3,970,177)
Deferred revenue	<u>362,750</u>
Net assets of governmental activities	<u><u>\$187,434,535</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General	Traffic and Housing Mitigation	Gas Tax	Redevelopment Agency Capital Projects
REVENUES				
Taxes and special assessments	\$42,346,707			\$936,383
Licenses and permits	1,416,772			
Fines and forfeitures	862,820			
Use of money and properties	148,213	\$47,928	\$10,987	60,464
Intergovernmental	6,645,495		2,700,095	
Charges for services	1,819,641	22,115	528,261	29,525
Other revenue	395,558		83,615	109,020
Total Revenues	53,635,206	70,043	3,322,958	1,135,392
EXPENDITURES				
Current:				
General government	6,789,829			40,481
Public safety	34,098,697			
Public works and parks	7,475,774	68,376	18,790	106,893
Community development / redevelopment	3,074,897			1,452,454
Culture and recreation	2,211,033			
Capital outlay	162,267		701,403	
Capital improvement / special projects	152,814		2,432,293	307,118
Debt service:				
Principal (Note 7)	239,106			
Interest and fiscal charges	105,156			
Total Expenditures	54,309,573	68,376	3,152,486	1,906,946
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(674,367)	1,667	170,472	(771,554)
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 3B)	2,946,685		520,000	141,379
Transfers out (Note 3B)	(2,288,602)		(1,301,119)	
Total Other Financing Sources (Uses)	658,083		(781,119)	141,379
Net Change in Fund Balances	(16,284)	1,667	(610,647)	(630,175)
FUND BALANCES, BEGINNING OF YEAR	6,801,795	9,154,588	2,051,440	6,754,433
FUND BALANCES, END OF YEAR	\$6,785,511	\$9,156,255	\$1,440,793	\$6,124,258

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$8,165,040	\$51,448,130
	1,416,772
	862,820
113,128	380,720
2,518,537	11,864,127
13,489,208	15,888,750
438,652	1,026,845
24,724,565	82,888,164
32,832	6,863,142
6,868,655	40,967,352
2,996,343	10,666,176
	4,527,351
7,856,789	10,067,822
881,813	1,745,483
3,348,636	6,240,861
2,291,232	2,530,338
1,343,754	1,448,910
25,620,054	85,057,435
(895,489)	(2,169,271)
2,198,770	5,806,834
(1,067,605)	(4,657,326)
1,131,165	1,149,508
235,676	(1,019,763)
10,697,916	35,460,172
\$10,933,592	\$34,440,409

CITY OF SAN RAFAEL
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,019,763)

Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:

Capital Assets Transactions

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay and capital projects expenditures are therefore added back to fund balance	7,986,344
Non-capitalized capital outlay expenditures were reclassified to various governmental activities	(6,631,483)
Depreciation expense is deducted from the fund balance	(7,545,706)
Loss on retirement of capital assets is deducted from the fund balance	(40,440)

Long-Term Debt Proceeds and Payments

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

Principal debt service payments are added back to fund balance	2,530,338
Bond interest accretion is deducted from fund balance	(247,371)
Bond premium amortization is added back to fund balance	79,860

Accrual of Non-Current Items

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as revenue or expenditures in governmental funds (net change):

Interest payable	(5,184)
Compensated absences	205,288
Deferred revenue	362,750
Net OPEB liability	(2,220,000)
Claims payable	(371,590)

Allocation of Internal Service Fund Activities

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.

(703,630)

Change in Net Assets of Governmental Activities

(\$7,620,587)

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City reported its only enterprise fund as a major proprietary fund.

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
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$2,324,993	\$4,597,070
Restricted cash and investments (Note 2)		229,170
Accounts receivable	29,548	1,065,594
Due from other funds (Note 3A)		803,158
Total Current Assets	<u>2,354,541</u>	<u>6,694,992</u>
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	
Depreciable, net	<u>8,802,739</u>	
Total Noncurrent Assets	<u>17,423,592</u>	
Total Assets	<u>19,778,133</u>	<u>6,694,992</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	123,518	270,706
Interest payable	78,535	
Due to other funds (Note 3A)		803,158
Compensated absences, due in one year (Note 1J)	15,769	
Long-term debt, due in one year (Note 7)	<u>185,000</u>	
Total Current Liabilities	<u>402,822</u>	<u>1,073,864</u>
Noncurrent Liabilities:		
Compensated absences (Note 1J)	167,134	
Long-term debt (Note 7)	<u>6,445,000</u>	<u>4,490,000</u>
Total Noncurrent Liabilities	<u>6,612,134</u>	<u>4,490,000</u>
Total Liabilities	<u>7,014,956</u>	<u>5,563,864</u>
NET ASSETS (Note 9):		
Invested in capital assets, net of related debt	10,793,592	
Unrestricted	<u>1,969,585</u>	<u>1,131,128</u>
Total Net Assets	<u>12,763,177</u>	<u>\$1,131,128</u>
Some amounts reported for <i>business-type activities</i> in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.	<u>(21,138)</u>	
Net assets business-type activities	<u>\$12,742,039</u>	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$2,154,308	\$9,405,657
Other operating revenues	<u>1,857,025</u>	<u>2,002,980</u>
Total Operating Revenues	<u>4,011,333</u>	<u>11,408,637</u>
OPERATING EXPENSES		
Personnel	2,175,631	
Insurance premiums and claims		6,101,491
Maintenance and repairs	41,321	110,635
Depreciation	332,233	
General and administrative	884,459	744,613
OPEB Expense		<u>4,009,971</u>
Total Operating Expenses	<u>3,433,644</u>	<u>10,966,710</u>
Operating Income	<u>577,689</u>	<u>441,927</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	11,878	19,147
Interest expense	<u>(319,391)</u>	<u>(511,512)</u>
Total Nonoperating Revenues (Expenses)	<u>(307,513)</u>	<u>(492,365)</u>
Income Before Transfers	<u>270,176</u>	<u>(50,438)</u>
Transfers in (Note 3B)		358,032
Transfers out (Note 3B)	<u>(463,600)</u>	<u>(1,043,940)</u>
Change in Net Assets	(193,424)	(736,346)
NET ASSETS, BEGINNING OF YEAR	<u>12,956,601</u>	<u>1,867,474</u>
NET ASSETS, END OF YEAR	<u>12,763,177</u>	<u>\$1,131,128</u>
Change in Net Assets	(193,424)	
Some amounts reported for <i>business-type activities</i> in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.	<u>(32,716)</u>	
Change in Net Assets of Business-type Activities	<u>(\$226,140)</u>	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$2,154,308	\$9,393,746
Cash payments to suppliers for goods and services	(912,843)	(10,597,894)
Cash payments to employees	(2,180,301)	
Other operating revenues	1,882,161	2,002,980
	<u>943,325</u>	<u>798,832</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund payments	(463,600)	(685,908)
	<u>(463,600)</u>	<u>(685,908)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds received from issuance of long term debt		4,260,830
Principal payments on certificates of participation	(175,000)	
Interest expenses and fiscal charges	(321,141)	(511,512)
	<u>(496,141)</u>	<u>3,749,318</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	11,878	19,147
	<u>11,878</u>	<u>19,147</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,538)</u>	<u>3,881,389</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,329,531	715,681
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$2,324,993</u>	<u>\$4,597,070</u>
FUND BALANCES, BEGINNING OF YEAR		
provided by operating activities:		
Operating income	\$577,689	\$441,927
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	332,233	
Net change in assets and liabilities:		
Accounts receivable	25,136	(11,911)
Prepays and deposits	5,025	125,241
Accounts payable	7,912	243,575
Compensated absence obligations	(4,670)	
Claims payable		
	<u>\$943,325</u>	<u>\$798,832</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$943,325</u>	<u>\$798,832</u>

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

A. *Description of the Financial Reporting Entity*

As required by generally accepted accounting principles, the financial statements present the City of San Rafael (the City) as the Primary Government, with its component units for which the City is considered financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

B. *Description of Blended Component Units*

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component units, entities for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this entity is combined with the City. The City's following blended component units are described below.

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.

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 in the City.

All of the Authority's assets, liabilities, revenues and expenditures are reported in the Fund Financial Statements. The Authority'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
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

C. *Description of 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 in 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.

D. *Basis of Presentation*

Government-wide Statements - The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Interfund transfers and amounts owed between funds within the primary government have been eliminated from the statements. Amounts representing interfund services and uses remain in the statements. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

E. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

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

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

Redevelopment Agency Capital Projects Fund – Consist of five funds; 1) the 1999 Agency Bonds Funds, 2) the 2002 Agency Bonds Funds, 3) the RDA Capital Improvement Fund (for improvement projects), 4) project Administration Fund, and 5) the Housing Fund.

The City reported its only enterprise fund as a major fund in the accompanying financial statements. The enterprise funds is:

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.

The City also reports the following fund types:

Internal Service Funds - These funds account for: building maintenance, employee benefits, liability insurance, workers' compensation, dental insurance, and employee retirement, all of which are provided to other departments on a cost-reimbursement basis.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

F. *Basis of Accounting*

The government-wide, proprietary and discretely presented component unit financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, charges for services, fines and forfeitures. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes are recognized as revenue when the cash is received.

Non-exchange transactions, in which the City gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. Thus, both restricted and unrestricted net assets may be made available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City considers restricted shared state revenues such as gasoline taxes and public safety sales taxes, restricted locally imposed transportation sales taxes, fines, forfeitures, licenses, permits, charges for services, and program grants as program revenues.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

G. *Budgets, Budgetary Accounting, And Encumbrances*

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, except for capital projects funds. Projects in Capital Projects Fund are budgeted by the Council on a multi-year basis. 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.

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 a reservation 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.

The following Major Special Revenue Fund incurred expenditures in excess of their budget. Sufficient resources were available within each department to finance these overages.

Gas Tax Special Revenue Fund	<u><u>\$1,500,931</u></u>
------------------------------	---------------------------

H. *Cash Equivalents*

For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturity of three months or less when purchased to be cash equivalents. The City maintains a cash and investment pool that is available for use by all funds. As the proprietary funds' share of this pool is readily available when needed, such share is also considered to be cash equivalent. Deposit assets in the proprietary funds are related to insurance and benefits and are not considered cash equivalents for purposes of the statement of cash flows.

I. *Capital Assets*

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The City has included the value of all infrastructure capital assets into its Basic Financial Statements using the Basic Approach for infrastructure reporting.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets, excluding infrastructure, are recorded if acquisition or construction costs exceeds \$5,000. The similar threshold for infrastructure is \$25,000.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

The City has assigned the useful lives listed below to capital assets:

Buildings, improvements, and structures	20 – 50 years
Machinery and equipment	5 – 15 years
Infrastructure	15 – 50 years

J. *Compensated Absences*

Compensated absences are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Unused sick leave based upon the rate of two to three percent (2%-3%) for each year of service, one half of accumulated sick leave becomes vested, up to a maximum amount as specified under labor contract provisions. The vested portion is available for current use or, if unused, is payable at termination or retirement.

The long-term portion of the liability for compensated absences for governmental fund type operations is recorded as compensated absences in the government-wide financial statements. Compensated absences are liquidated by the fund that has recorded the liability. Proprietary fund liabilities are recorded within their respective funds.

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,276,982	\$187,573	\$4,464,555
Additions	3,660,856	116,090	3,776,946
Payments	<u>(3,825,526)</u>	<u>(120,760)</u>	<u>(3,946,286)</u>
Ending Balance	<u>\$4,112,312</u>	<u>\$182,903</u>	<u>\$4,295,215</u>
Current Portion	<u>\$740,718</u>	<u>\$15,769</u>	<u>\$756,487</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Property Tax Levy, Collection and Maximum Rates

State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 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 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. Marin County assesses properties, bills for and collects property taxes on the schedule that follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

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

Property taxes are levied and 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 authorized 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

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

M. New Fund

The City created Employee Retirement Internal Service Fund in fiscal year 2011 to account for a special parcel tax dedicated to public library services and facilities, equipment, and technology improvements. The City also created Library Assessment Special Revenue Fund to account for the principal payments, interest payments, and related cost of the 2010 Taxable Pension Obligation Bonds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments as of June 30, 2011, are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Financial Statement Presentation:

Statement of Net Assets:

City of San Rafael:

Cash and investments available for operations	\$43,488,588
Restricted cash and investments	<u>736,767</u>
Total Primary Government Cash and Investments	<u>44,225,355</u>

San Rafael Sanitation District:

Cash and investments available for operations	13,137,705
Restricted cash and investments	<u>472,130</u>
Total San Rafael Sanitation District Cash and Investments	<u>13,609,835</u>
Total Cash and Investments	<u><u>\$57,835,190</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow the City to invest in the following provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Government Obligation	5 years		No limit	No limit
U.S. Agency Securities and Instruments	5 years	AAA	No limit	No limit
Repurchase Agreements	1 year	A-1	No limit	No limit
Prime Commercial Paper	270 days	A-1	25%	\$1,000,000
Bankers' Acceptances	180 days	A-1	40%	\$2,000,000
Medium-Term Corporate Notes	5 years	A	30%	\$1,000,000
Negotiable Certificates of Deposit	5 years	AA	30%	No limit
Non-negotiable Certificates of Deposit	180 days	N/A	No limit	No limit
Local Agency Investment Fund	N/A	N/A	N/A	N/A
Money Market Mutual Funds	N/A	AAA	10%	N/A
Limited Obligation Improvement Bonds related to Special Assessment Districts and Special Tax Districts	30 years	N/A	N/A	N/A

The District adopted the investments policy of the Treasurer and Tax Collector of the County of Marin. Accordingly, the District, following the County, may invest in U.S. Treasury and agency securities, commercial papers, bankers' acceptances, time deposits, repurchase agreements, and the State of California LAIF. The District, additionally, may invest in the Marin Country Investment Pool. At year-end, the District's investments were in compliance with the above provisions

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
U.S. Treasury Obligations	5 years to no maximum	N/A	No Limit
U.S. Agency Securities	3- 5 years	N/A	No Limit
U.S. Agency Instruments	5 years	AAA	No Limit
Repurchase Agreements	1 year	A-1	No limit
Bankers' Acceptances	360 days	Category Highest Rating	No Limit
Money Market Funds	N/A	Category Highest Rating	No Limit
Prime Commercial Paper	270 days	Category Highest Rating	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	Category Highest Rating	No Limit
Municipal Obligations	N/A	Two Highest Category Ratings	No Limit
Medium-Term Corporate Notes	5 Years	A	No Limit
Non-Negotiable Certificates of Deposit	180 Days	N/A	No Limit
Negotiable Certificates of Deposit	5 Years	N/A	No limit
Local Agency Investment Fund	N/A	N/A	N/A

(A) Guaranteed Investment Contracts must be fully collateralized with U.S. Treasury Obligations or U.S. Agency Obligations.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City also manages its interest rate risk by holding most investments to maturity, thus reversing unrealized market gains and losses.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Type of Investment	12 Months or Less	13 to 24 Months	Total
City:			
U.S. Federal Agency Securities	\$1,003,295	\$1,501,995	\$2,505,290
Money Market Mutual Funds	1,680,499		1,680,499
Local Agency Investment Fund	38,112,057		38,112,057
Corporation Notes		507,885	507,885
Total Investments	<u>\$40,795,851</u>	<u>\$2,009,880</u>	42,805,731
<i>Cash in banks and on hand</i>			<u>1,419,624</u>
Total City Cash and Investments			<u>44,225,355</u>
San Rafael Sanitation District:			
<i>Cash in banks and short-term pooled investments</i>			<u>13,609,835</u>
Total District's Cash and Investments			<u>13,609,835</u>
Total Cash and Investments			<u>\$57,835,190</u>

The City is a 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 reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2011, these investments matured in an average of 237 days.

Money Market Mutual Funds are available for withdrawal on demand and at June 30, 2011, matured in an average of 19 days.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2011, for each of the Primary Government's investment types as provided by Standard and Poor's or Fitch investment rating systems, except as noted:

Type of Investment	Aa2/AA+	Aaa/AAA	Total
City:			
U.S. Federal Agency Securities		\$2,505,290	
Money Market Mutual Funds		1,680,499	
Corporation Notes	\$507,885		
Total rated investments			\$4,693,674
Not rated:			
Local Agency Investment Fund			38,112,057
Cash in banks and on hand			1,419,624
Total City Cash and Investments			44,225,355
San Rafael Sanitation District:			
Not rated:			
Cash in banks and short-term pooled investments		\$13,609,835	
Total District's Cash and Investments			13,609,835
Total Cash and Investments			\$57,835,190

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating and the C rating on the preferred stock of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+. As of June 30, 2011, the City's investments in these agencies were as follows: FHLB \$1,503,870, FFCB \$501,245 and FHLMC \$500,175.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

Investments in any one issuer, other than U. S. Treasury securities, money market mutual funds, and California Local Agency Investment Funds that represent 5% or more of total City-wide investments are as follows at June 30, 2011:

Reporting Unit	Issuer	Investment Type	Amount
Entity-wide	Federal Home Loan Bank	Federal Agencies Obligation	\$1,503,870
General Fund	Federal Home Loan Bank	Federal Agencies Obligation	1,503,870
	Federal Home Loan Mortgage Corporation	Federal Agencies Obligation	500,175
	Federal Farm Credit Bank	Federal Agencies Obligation	501,245
	GE Capital Corporate Medium Term Notes	Corporate Bonds	507,885

NOTE 3 - INTER-FUND TRANSACTIONS

A. Inter-fund Receivables and Payables

Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year.

As of June 30, 2011, the Childcare Special Revenue Fund owed the Recreation Revolving Special Revenue Fund \$29,304 and the Sewer Maintenance Special Revenue Fund owed the Stormwater Special Revenue Fund \$445,340.

The Employee Benefits Internal Service Fund owed the Liability Insurance Internal Service Funds \$803,158 respectively as of June 30, 2011.

B. Transfers

Resources may be transferred from one City fund to another. Transfers routinely fund capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - INTER-FUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2011, were as follows:

From Fund	To Fund	Amount	
General Fund	Non-Major Governmental Funds	1,930,570	A
	Internal Service Funds	358,032	B
Gas Tax Fund	General Fund	1,301,119	C
Non-Major Governmental Funds	General Fund	406,226	C
	Gas Tax Fund	520,000	C
	Redevelopment Agency Capital Projects Fund	141,379	D
Parking Services Enterprise Funds	General Fund	398,600	C
	Non-Major Governmental Funds	65,000	A
Internal Service Funds	General Fund	840,740	C
	Non-Major Governmental Funds	203,200	A
		<u>\$6,164,866</u>	

- (A) Transfers to the Non-Major Governmental Funds were for administrative costs, program support, capital projects, special projects and housing portion of debt service.
 (B) Transfers to the Internal Service Funds were to fund internal operations.
 (C) Transfers to the General Fund and Gas Tax Fund were for street maintenance support, admin costs, and dispatch contract.
 (D) Transfers to the Redevelopment Agency Capital Projects fund were for administrative costs and to fund capital projects.

C. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 4 – LOANS RECEIVABLE AND DEFERRED REVENUE

A. Summary of Loans Receivable

The City has reserved the portion of fund balance represented by these loans. At June 30, 2011, these loans totaled:

Employees' Loans	\$20,247
Centertown Associates	314,322
One "H" Street Associates	62,858
Fire Chief Loan	<u>529,475</u>
Total	<u><u>\$926,902</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 4 – LOANS RECEIVABLE AND DEFERRED REVENUE (Continued)

B. Employee Loans

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.

C. Centertown Associates

The City loaned Centertown Associates, Ltd, \$303,000 at 3% interest due semiannually. The loan was made for the construction of a 60-unit affordable Centertown apartment complex and is fully secured by a deed of trust. The final payment is due on July 31, 2065.

D. One "H" Street Associates

The City loaned One "H" Street Associates \$100,000 at zero percent interest with annual payments of \$2,857 and with a final payment due January 18, 2034. The loan was made in connection with an affordable housing project located at One "H" Street.

E. Fire Chief Loan

On September 17, 2007, the City Council approved a Home Loan Agreement to provide the Fire Chief with housing assistance. Under the Agreement, which was executed on October 3, 2007, the City loaned the Fire Chief \$600,000 to assist in the purchase of his primary residence. The loan is secured by a recorded Deed of Trust. The initial interest rate to be charged was 5.25% through August 31, 2008. On September 1, 2008, and on each September 1 following, until the loan is paid off, the interest rate of the loan will be adjusted based upon the then reported quarter-to-date Local Agency Investment Fund rate on the City's investment portfolio. As of June 30, 2011, the balance of the loan was \$529,475.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consist of:

	Balance June 30, 2010	Additions	Retirements	Transfers	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$82,464,364				\$82,464,364
Construction in progress	1,714,152	\$1,184,400	(\$34,134)	(\$293,457)	2,570,961
Total capital assets not being depreciated	84,178,516	1,184,400	(34,134)	(293,457)	85,035,325
Capital assets being depreciated:					
Land improvements	8,236,061				8,236,061
Buildings and structures	38,830,105				38,830,105
Machinery and equipment	16,089,788	170,461	(256,492)		16,003,757
Infrastructure	179,722,555			293,457	180,016,012
Total capital assets being depreciated	242,878,509	170,461	(256,492)	293,457	243,085,935
Less accumulated depreciation for:					
Land improvements	(4,163,681)	(274,647)			(4,438,328)
Buildings and structures	(10,087,957)	(1,136,518)			(11,224,475)
Machinery and equipment	(10,963,432)	(1,320,237)	250,186		(12,033,483)
Infrastructure	(93,622,766)	(4,814,304)			(98,437,070)
Total accumulated depreciation	(118,837,836)	(7,545,706)	250,186		(126,133,356)
Total net capital assets being depreciated	124,040,673	(7,375,245)	(6,306)	293,457	116,952,579
Total governmental activity capital assets	\$208,219,189	(\$6,190,845)	(\$40,440)		\$201,987,904
Business-type Activities					
Capital assets not being depreciated:					
Land	\$8,620,853				\$8,620,853
Construction in progress					
Total capital assets not being depreciated	8,620,853				8,620,853
Capital assets being depreciated:					
Buildings and structures	10,234,521				10,234,521
Machinery and equipment	1,115,233				1,115,233
Total capital assets being depreciated	11,349,754				11,349,754
Less accumulated depreciation for:					
Buildings and structures	(1,634,214)	(\$210,538)	\$8,228		(1,836,524)
Machinery and equipment	(580,568)	(121,695)	(8,228)		(710,491)
Total accumulated depreciation	(2,214,782)	(332,233)			(2,547,015)
Total net capital assets being depreciated	9,134,972	(332,233)			8,802,739
Total business-type activity capital assets	\$17,755,825	(\$332,233)			\$17,423,592

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2010	Additions	Transfers & Adjustments	Balance June 30, 2011
San Rafael Sanitation District				
Capital assets not being depreciated:				
Land and easements	\$115,329			\$115,329
Construction in progress	415,357	5,838,278	(\$5,124,188)	1,129,447
Total capital assets not being depreciated	530,686	5,838,278	(5,124,188)	1,244,776
Capital assets being depreciated:				
Subsurface lines	13,148,145		5,117,965	18,266,110
Sewage collection facilities	35,584,748		6,223	35,590,971
General plant and administration	833,841	249,741		1,083,582
Total capital assets being depreciated	49,566,734	249,741	5,124,188	54,940,663
Less accumulated depreciation for:				
Subsurface lines	(8,615,873)	(245,916)		(8,861,789)
Sewage collection facilities	(12,876,864)	(829,300)		(13,706,164)
General plant and administration	(226,951)	(64,414)		(291,365)
Total accumulated depreciation	(21,719,688)	(1,139,630)		(22,859,318)
Total net capital assets being depreciated	27,847,046	(889,889)		32,081,345
Total District's capital assets	\$28,377,732	\$4,948,389	(\$5,124,188)	\$33,326,121

Capital Asset Contributions - Some capital assets may have been acquired using Federal and State grant funds, or were contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Depreciation Allocation - Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General government	\$207,468
Public safety	1,025,300
Public works and parks	5,512,500
Community development/redevelopment	53,782
Culture and recreation	746,656
Total Governmental Activities	\$7,545,706
Business-type Activities	
Parking services	\$332,233
Total Business-type Activities	\$332,233

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 6 – NOTE PAYABLE

San Rafael Tax and Revenue Anticipation Note:

On July 14, 2010, the City authorized and issued 2010-11 Tax and Revenue Anticipation Notes (TRANS) in the principal amount of \$6,080,000. The TRANS were issued to finance City operating expenditures until the City received its semi-annual property taxes, which were pledged for debt service on the TRANS. The TRANS bore interest at 2% per year which was due along with principal on July 28, 2011. During fiscal 2010-11, City property taxes amounting to \$14,527,137 represented 43% of the \$6,201,262 in principal and interest due and repaid on the TRANS.

NOTE 7 - LONG-TERM OBLIGATIONS

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2011, are as follows:

	Authorized and Issued	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
Governmental Activities:						
San Rafael Redevelopment Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	2,389,004	\$4,362,803	\$247,371		\$4,610,174	
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	15,295,000		\$1,350,000	13,945,000	\$1,420,000
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	14,660,000		875,000	13,785,000	905,000
Add: deferred bond premium costs		1,038,185		79,860	958,325	
Total Tax Allocation Bonds		<u>35,355,988</u>	<u>247,371</u>	<u>2,225,000</u>	<u>33,298,499</u>	<u>2,325,000</u>
2010 Taxable Pension Obligation Bonds						
6%-6.25%, due 7/1/2025	4,490,000		4,490,000		4,490,000	
Total Pension Obligation Bonds			<u>4,490,000</u>		<u>4,490,000</u>	
Ground Lease Note Payable,						
8.00%, due 11/1/2024	169,000	169,000			169,000	
Court Fine Repayment Promissory Note,						
3.873%, due November 2011	1,133,458	363,328		239,106	124,222	124,222
Telephone System Capitalized Lease Obligations,						
4.28%, due 05/30/2012	318,000	135,330		66,232	69,098	69,098
Total Governmental Long-term Debt		<u>\$36,023,646</u>	<u>\$4,737,371</u>	<u>\$2,530,338</u>	<u>\$38,150,819</u>	<u>\$2,518,320</u>
Business-type Activities						
2003 Authority Lease Revenue Bonds						
3.00-4.70%, due 4/1/2033	7,605,000	\$6,805,000		\$175,000	\$6,630,000	\$185,000
Total Enterprise Fund Debt		<u>\$6,805,000</u>		<u>\$175,000</u>	<u>\$6,630,000</u>	<u>\$185,000</u>
San Rafael Sanitation District						
2001 Certificates of Participation	4,710,000	\$1,380,000		\$440,000	\$940,000	\$940,000
3.25-4.40%, due 8/1/2012						
Less: unamortized discount/ issuance cost		(30,299)		(30,299)		
Total District Debt		<u>\$1,349,701</u>		<u>\$409,701</u>	<u>\$940,000</u>	<u>\$940,000</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Long Term Debt

A. 1999 Tax Allocation Bonds and Capital Appreciation Bonds

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%.

In December, 2009 of the Agency exercised the redemption option. The outstanding balance of the Bonds were refunded, on a current basis, through the issuance of the 2009 Tax Allocation Refunding Bonds as discussed on Note 7D below.

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 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 (refunded in 2002), by a pledge and a lien on tax revenues and amounts on deposit in certain funds and accounts held by the fiscal agent.

B. 2002 Tax Allocation Refunding Bonds

On October 9, 2002, the Agency issued Tax Allocation Refunding Bonds in the amount of \$25,020,000. The proceeds of the bonds were used to refund 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, and by lot within any one maturity, prior to their respective maturity dates, on any date on or after December 1, 2012, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from tax revenues to be derived from the redevelopment activities of the Agency related to the Central San Rafael Redevelopment Project Area.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

C. 2009 Tax Allocation Refunding Bonds

On December 14, 2009, the Agency issued 2009 Tax Allocation Refunding Bonds in the amount of \$14,660,000 bearing interest at rates from 3.00% to 5.00%. The proceeds of the Series 2009 Bonds were used to refund the Agency's 1999 Tax Allocation Current Interest Bonds, to advance funds to the City to finance street and parking improvements for the benefit of the Agency's Central San Rafael Redevelopment Project. Principal payments are due annually on December 30 and interest payable semiannually on June 30 and December 30.

The Series 2009 Bonds maturing on or before December 1, 2019, are not subject to optional redemption prior to their respective stated maturities. The Series 2009 Bonds maturing on or after December 1, 2020, are subject to optional redemption as a whole or in part either on a pro rata basis among maturities or in inverse order of maturity, and by lot within any one maturity, prior to their respective maturity dates, at the option of the Agency, on any date on or after December 1, 2019, at a price equal to the principal amount of such Series 2009 Bonds called for redemption, together with interest accrued on the date fixed for redemption, without premium.

The Agency has pledged all future tax increment revenues, less amounts required to be set aside in the Low and Moderate Income Housing Fund, for the repayment of the 1999 Capital Appreciation Bonds, and the 2002 and 2009 Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues ends upon repayment of \$43 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year 2011 tax increment revenues amounted to \$4.5 million and debt service also amounted to \$3.6 million.

D. 2010 Taxable Pension Obligation Bonds

On July 1, 2010, the City issued 2010 Taxable Pension Obligation Bonds in the amount of \$4,490,000 bearing interest at rates from 6.00% to 6.25%. Interest on the Bonds will be payable on January 1 and July 1 on each year, commencing January 1, 2011. Principal payable on the Bonds will be paid on July 1 starting July 1, 2016. The Bonds are being issued to prefund a portion of the obligations of the City to the Marin County Employees' Retirement Association. Payment of the principal and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys of the City. The City is not empowered or obligated to levy or pledge taxes to make payments to the Bonds.

E. Note Payable

At June 30, 2011, Note Payable consisted of a \$169,000 promissory note bearing interest at 8% with principal and accrued interest due and payable in November 2024. The note was assumed to finance the purchase of certain property by the Agency.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

F. Court Fine Repayment Promissory Note

On December 29, 2006, the City signed a promissory note in the amount of \$1,133,458 to repay the Superior Court of California, County of Marin. The purpose of the note is to repay the Superior Court for over payment of court revenues, generated from traffic violations, made to the City from the period July 1999 through June 2006. The note bears interest at 3.873% per annum. Principal and interest are payable monthly commencing from January 2007 until December 2011.

G. Telephone System Capital Lease

On May 30, 2007, the City entered into a capital lease agreement in the amount of \$318,000 to purchase telephone related network equipment and services. Principal and interest payments are due each May 30 and November 30, commencing November 30, 2007, until November 30, 2011. The capital lease bears interest at 4.28% per annum.

H. 2003 Authority Lease Revenue Bonds

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. As of June 30, 2011, no redemption has occurred. The Lease Revenues are secured by lease payments made by the City to the Authority for leasing the City facilities.

I. Discretely Presented Component Unit – San Rafael Sanitation District – 2001 Certificates of Participation

The District and its Financing Corporation on May 1, 2001, issued \$4,710,000 of Certificates of Participation at a discount of \$35,702. 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 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 semi-annually 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
For the Year Ended June 30, 2011

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

J. Future Debt Services

Future debt service requirements, including interest and capital leases, at June 30, 2011, were as follows:

For the Year Ended June 30	Governmental Activities		Business-type Activities		Component Unit San Rafael Sanitation District	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$2,518,320	\$1,522,222	\$185,000	\$314,141	\$940,000	\$20,680
2013	2,425,000	1,416,781	190,000	306,741		
2014	2,540,000	1,300,088	200,000	299,141		
2015	2,675,000	1,169,713	205,000	291,141		
2016	2,800,000	1,043,438	215,000	282,685		
2017 - 2021	17,465,000	3,195,382	1,225,000	1,264,414		
2022 - 2026	9,989,000	622,793	1,530,000	953,710		
2027 - 2031			1,955,000	534,000		
2032 - 2033			925,000	70,000		
Totals	40,412,320	\$10,270,417	\$6,630,000	\$4,315,973	940,000	\$20,680
Reconciliation of long-term debt:						
Less unaccredited discount		(3,219,826)				
Less unamortized original issue discount						
Add deferred bond premium costs		958,325				
		<u>\$38,150,819</u>			<u>\$940,000</u>	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 – DEBT WITHOUT CITY COMMITMENT

The City has sponsored the issuance of the following debt, for which the City is not liable for repayment but is only acting as an agent for the property owners and bondholders:

	Project Description	Original Amount	Outstanding June 30, 2011
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$3,590,529	\$1,290,988
California Statewide Communities Development Authority Revenue Bonds	St. Marks School	5,605,000	4,835,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds	55 Fairfax Apartments	3,000,000	2,600,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001	San Rafael Commons Apartments	6,100,000	5,560,000
City of San Rafael Variable Rate Revenue Bonds	Kaiser Foundation Hospitals	275,000,000	195,630,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	2,179,699
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	278,704

NOTE 9 – NET ASSETS AND FUND BALANCE

A. Net Assets

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level and business type activity and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include assets restricted due to Redevelopment Agency bond covenants or low and moderate income housing loan agreements.

Unrestricted describes the portion of Net Assets which is not restricted to use.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 9 – NET ASSETS AND FUND BALANCE (Continued)

B. Fund Balance

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. The City's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 9 – NET ASSETS AND FUND BALANCE (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2011, are below:

	Major Special Revenue Funds		Redevelopment Agency Capital Project Funds	Other Governmental Funds	Total
	General Fund	Traffic and Housing Mitigation	Gas Tax		
Fund balances:					
Nonspendable:					
Loans receivable	\$549,722	\$62,858		\$314,322	\$926,902
Prepays	40,111				40,111
Total Nonspendable	589,833	62,858		314,322	967,013
Restricted for:					
Assessment Districts / open space	76,015				76,015
Court fine audit	124,223				124,223
Traffic and housing mitigation		9,093,397			9,093,397
Gas tax			\$1,138,226		1,138,226
Redevelopment Agency capital projects				4,684,936	4,684,936
Recreation revolving				\$148,038	148,038
Baypoint Lagoons Assessment District				151,771	151,771
Household hazmat facility				132,527	132,527
Childcare				1,617	1,617
Street maintenance and cleaning				545,248	545,248
Loch Lomond Assessment District				900,224	900,224
Library				128,867	128,867
Public safety				201,731	201,731
Storm water				1,086,542	1,086,542
Grants				620,900	620,900
Emergency medical services				146,542	146,542
Peacock Gap Assessment District debt service				2,875	2,875
Mariposa Assessment District debt service				16,469	16,469
1997 financing authority revenue bonds debt service				145,186	145,186
Redevelopment Agency debt service				44,831	44,831
Capital improvement capital projects				99,440	99,440
Total Restricted	200,238	9,093,397	1,138,226	4,372,808	19,489,605
Committed to:					
Project development	555,561				555,561
Gas tax			28,816		28,816
Recreation revolving				50,356	50,356
Street maintenance and cleaning				82,395	82,395
Library				24,215	24,215
Library assessment				466,418	466,418
Development services				743,543	743,543
Parkland dedication				1,054,633	1,054,633
Business improvement				3,716	3,716
Capital improvement capital projects				9,835	9,835
Bedroom tax capital projects				26,564	26,564
Redevelopment activities			1,120,000		1,120,000
Assessment District capital projects				253,831	253,831
Total Committed	555,561		28,816	2,715,506	4,419,883
Assigned to:					
Contingent liabilities	3,970,177				3,970,177
Contractual commitments	148,522				148,522
Emergency and cash flow	1,321,180				1,321,180
Gas tax			273,751		273,751
Sewer maintenance				33,373	33,373
Park capital projects				29,473	29,473
Open space capital projects				137,975	137,975
Equipment replacement capital projects				2,991,414	2,991,414
Radio replacement capital projects				525,509	525,509
Redevelopment activities			5,000		5,000
Telephone replacement capital projects				127,534	127,534
Total Assigned	5,439,879		273,751	3,845,278	9,563,908
Total Fund Balances	\$6,785,511	\$9,156,255	\$1,440,793	\$10,933,592	\$34,440,409

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 10 – EMPLOYEES RETIREMENT PLAN

A. Plan Description

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

The Association 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 Association 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 Association, which can be obtained from Marin County Employee's Retirement Association, 3501 Civic Center Drive, Room 408, Civic Center, San Rafael, California 94903.

B. Funding Policy

The funding policy of the Association 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 52.68% and 68.91% of payroll to Fund for Police and Fire personnel, respectively, and 34.90% for other covered employees for the year ended June 30, 2011.

C. Annual Pension Cost

The annual required contribution was determined as part of the actuarial performed as of June 30, 2010. The employer rates for normal cost is determined using the Entry Age Normal Actuarial Cost Method, 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 2010 actuarial valuation include an assumed rate of return on invested assets of 7.75%, annual payroll increases reflecting 3.5% for inflation and an approximate range of 0.50% to 8.00% for merit and longevity. The actual rate of return on investments was a gain of 8.2%. 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 Association also uses the level percentage-open method to amortize the unfunded actuarial liability which was revised to sixteen years level in the amortization period. It is assumed that payroll will increase at an annual inflation rate of 4.00% over the amortization period. The required contributions and related rates for the year ended June 30 were as follows:

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$13,746,154	100%	\$0
2010	12,745,613	100%	0
2011	15,409,519	100%	0

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

NOTE 10 – EMPLOYEES RETIREMENT PLAN (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available is set forth below at their actuarial valuation date of June 30:

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 AAL As a % of Payroll
6/30/08	\$262,677,000	\$360,298,000	(\$97,621,000)	73%	\$31,854,000	(306%)
6/30/09	239,841,000	379,801,000	(139,960,000)	63%	32,413,000	(432%)
6/30/10	248,500,000	394,889,000	(146,389,000)	63%	30,320,000	(483%)

NOTE 11 - PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLANS)

The City contributes to the Public Agency Retirement System (PARS), which is 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 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 participants in the plan from the date that they 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.

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. Contributions made by an employee and the employer vest immediately.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 11 - PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLANS) (Continued)

During the year, the City and employees contributed \$69,256. The total covered payroll of employees participating in the plan for the year ended June 30, 2011, was \$1,846,827. The total payroll for the year was \$37,248,008.

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 Association. 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 \$140,271 to the plan on behalf of the eligible employees.

NOTE 12 - POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provides certain health care benefits for retired employees and their spouses. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. Seq. of the Government Code. Substantially, all of the City's employees may become eligible for these benefits if they are receiving a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. At June 30, 2011, 298 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 provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2011, are summarized as follows:

	Elected Officials, Mid-Management, & Unrepresented Management	All other Bargaining Units
<i>Eligibility</i>	Retire directly from the City: - Age 50 with 10 years services OR 30 years service (Miscellaneous), 20 '- years service (Safety) OR - Disability Retirement	
<i>Benefit</i>	Hired ≤ 1/1/09 Full premium/cap Hired > 1/1/09 PEMHCA Min	Hired ≤ 1/1/10 Up to cap Hired > 1/1/10 PEMHCA Min
<i>Surviving Spouse Benefit</i>	Continuation to surviving spouse	
<i>Medicare Part B</i>	Hired < 4/1/07 Full reimbursement Hired ≥ 4/1/07 None	None
<i>Other</i>	No Dental, Vision, or Life Benefits	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.50% investment rate of return and (b) 3.50% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 9.80% in 2012 to 5.00% for years starting 2018. In addition, the fixed dollar benefit amounts are assumed to increase according to general inflation in the future and the premium related benefits are assumed to increase with the healthcare trend rate. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a maximum 30 year combined amortization period.

Funding Progress and Funded Status

During the fiscal year ended June 30, 2011, the City has recorded a Net OPEB Obligation in the Statement of Net Assets, representing the difference between the ARC and actual contributions, as presented below:

	Amounts (in thousands)
Annual required contribution (ARC)	\$4,025
Interest on net OPEB obligation	335
Adjustment to annual required contribution	(492)
Annual OPEB cost	<u>3,868</u>
Contributions made:	
Benefits payment	2,648
Trust prefunding	<u>(1,000)</u>
Total contributions	<u>1,648</u>
Change in net OPEB obligation/(asset)	2,220
Net OPEB Obligation (Asset) at June 30, 2010	<u>6,265</u>
Net OPEB Obligation (Asset) at June 30, 2011	<u><u>\$8,485</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 12 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

In accordance with the City's budget, the City's annual contributions to the Plan are based on pay-as-you-go financing. Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Contributions a 401 (h) account held and administered by the MCERA were made by the City in prior years and were included in the June 30, 2009, actuarial study. During the fiscal year ended June 30, 2011, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, and contributions, as presented below:

Fiscal Year Ended	Annual Required Contribution (ARC) (000's omitted)	Annual Pension Cost (000's omitted)	Actual Contribution (000's omitted)	Percentage of ARC Contributed	Net OPEB Obligation (000's omitted)
June 30, 2009	\$4,269	\$4,269	\$2,236	52%	\$2,033
June 30, 2010	4,390	5,576	1,344	31%	6,265
June 30, 2011	4,025	3,868	1,648	41%	8,485

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the June 30, 2009, actuarial study is presented below:

Valuation Date	Actuarial		Unfunded Accrued Liability (000's omitted)	Funded Ratio	Covered Payroll (000's omitted)	Overfunded (Underfunded) Actuarial Liability as a Percentage of Covered Payroll
	Value of Assets (000's omitted)	Accrued Liability (000's omitted)				
6/30/2007	\$14,563	\$52,767	(\$38,204)	28%	\$38,480	-99.28%
6/30/2009	12,773	56,262	(43,489)	23%	36,470	-119.25%

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and 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 Agreements 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. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

A. The Marin County Integrated On-Line Library System (System)

The Marin County Integrated On-Line Library System was formed to provide for the procurement, ownership, operation, maintenance, and governance of an integrated on-line 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 17.39% of ownership in the System. Operating costs for the System are also shared by each participant by applying the cost sharing formula. The City contributed \$124,025 to the System for operating costs for the year ended June 30, 2011. Financial statements of the System can be obtained at the County Librarian, Marin County Free Library, Civic Center, Administration Building, San Rafael, California 94903.

B. The Marin General Services Authority (MGSA)

The MGSA was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during the tendency of an eminent domain action against PG&E, and the subsequent transfer of the facilities to the individual local 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. The City's contribution to MGSA was \$3,134 for the year ended June 30, 2011. Financial statements of the MGSA can be obtained at 27 Commercial Boulevard, Suite C, Novato, CA 94949.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. The Marin Emergency Radio Authority (MERA)

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 contributed \$255,876 for the Authority's operation and debt service for the fiscal year ended June 30, 2011. 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.

D. The Countywide Planning Agency

The 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. Financial statements of the Agency can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

E. The Marin Telecommunications Agency

The Agency was established to regulate the rates for cable television service and equipment and to advise the participants of their license authority. The Governing Board of the Marin Telecommunications Agency consists of one member from each of the eleven participating agencies. The City's contribution to the Agency was \$84,879 for the year ended June 30, 2011. Financial statements of the Agency can be obtained at 371 Bel Marin Keys Blvd, Suite 100, Novato, CA 94949.

F. The Marin County Hazardous and Solid Waste Joint Powers Authority

The 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. The City's contribution to the Authority was \$13,220 for the year ended June 30, 2011. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

G. Friends of San Rafael

Friends of San Rafael is a California nonprofit Public Benefit Corporation 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 improvement and infrastructure. Financial statements of the Corporation can be obtained at P.O. Box 151560, San Rafael, CA 94915.

NOTE 14 - RISK MANAGEMENT

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements 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. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

Liability Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$40,000,000. The City also purchases commercial insurance for property damage claims with an insured amount of \$100,967,912. The City is self-insured up to a maximum of \$500,000 for each general liability claim and \$25,000 for each property damage claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2011, the City contributed \$221,808 for coverage during the current year and received a refund of \$154,687 of prior year excess contributions. Financial statements for the risk pools may be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, CA 95608.

Workers' Compensation Coverage

The City purchased insurance for workers' compensation through AIG Excess Workers' Compensation and Employers Liability Insurance with coverage up to statutory limits. The City is self-insured up to a minimum of \$750,000 for each worker's compensation claim.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 14 - RISK MANAGEMENT (Continued)

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

B. Insurance Internal Service Funds

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured general liability claims and workers' compensation claims, including claims incurred but not reported, are reported in the Statement of Net Assets. The liability is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	General Liability	Workers' Compensation	Totals, as of June 30	
			2011	2010
Balance, beginning of year	\$517,694	\$3,080,893	\$3,598,587	\$3,716,971
Current year claims and changes				
in estimates	466,798	1,920,491	2,387,289	1,000,464
Claims paid	<u>(549,776)</u>	<u>(1,465,923)</u>	<u>(2,015,699)</u>	<u>(1,118,848)</u>
Balance, end of year	<u>\$434,716</u>	<u>\$3,535,461</u>	<u>\$3,970,177</u>	<u>\$3,598,587</u>
Current portion	<u>\$300,000</u>	<u>\$1,900,000</u>	<u>\$2,200,000</u>	<u>\$2,200,000</u>

The claims settlements have not exceeded insurance coverage for the past three years.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

In 2004, the City of San Rafael entered into a Settlement Agreement with the federal Department of Justice to bring City managed programs, activities, services and facilities into compliance with the Americans with Disabilities Act (ADA). The City has made significant progress over the past seven years and is in the process of completing the few remaining projects identified in the Settlement Agreement.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)

Among those projects is the construction of 800 curb ramps throughout San Rafael. As of October 2011, the City has construction 354 ramps with plans to install the remaining ramps over the life of the Agreement, which expires in 2014.

On October 1, 2002, the City of San Rafael Redevelopment Agency entered into a second amendment to Section 33401 Tax Sharing Agreement with 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.

NOTE 16 – SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND (SERAF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its final SERAF payment of \$282,450 in fiscal year 2010-11.

NOTE 17 – SUBSEQUENT EVENTS

A. *Tax and Revenue Anticipation Notes*

Subsequent to June 30, 2011, the City of San Rafael issued the 2011-12 Tax and Revenue Anticipation Notes (TRANS) in the principal amount of \$6,000,000 which is due on August 3, 2012, along with unpaid interest accruing. TRANS are short-term, tax-free bonds issued for the purpose of covering potential cash-flow deficits for governmental agencies that rely heavily on property tax distributions as a source of revenue. The City is issuing the TRANS to bridge the gap between its regular flow of operating expenditures and the receipt of its semi-annual property taxes. The City does not expect any direct fiscal impact from the issuance of the TRANS because the actual size of the issuance is based on the City's anticipated cash flow needs. The TRANS is repayable from future City property tax revenues.

B. *Proposed Dissolution of Redevelopment Agencies*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 17 – SUBSEQUENT EVENTS (Continued)
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On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency Board adopted its Enforceable Obligation Payment Schedule (EOPS) on September 6, 2011. The San Rafael City Council and San Rafael Redevelopment Agency Board have chosen to participate in the Voluntary Alternative Redevelopment Program pursuant to Part 1.9 of the California Community Redevelopment Law. The City Council's intention was verified by the passage of Ordinance 1899 on September 19, 2011.

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$299,490.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 17 – SUBSEQUENT EVENTS (Continued)
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If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City, that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of October 28, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

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REQUIRED SUPPLEMENTAL INFORMATION
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<p style="text-align: center;">GENERAL FUND AND MAJOR SPECIAL REVENUE FUND BUDGET-TO-ACTUAL STATEMENTS</p>

GASB Statement 34 dictates that budget-to-actual information in the basic financial statements should be limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Statements for the General Fund, Traffic and Housing Mitigation, and the Gas Tax Special Revenue Funds.

CITY OF SAN RAFAEL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes and special assessments	\$41,678,130	\$41,938,130	\$42,346,707	\$408,577
Licenses and permits	1,228,224	1,228,224	1,416,772	188,548
Fines and forfeitures	742,540	742,540	862,820	120,280
Use of money and properties	198,860	140,076	148,213	8,137
Intergovernmental	6,698,780	6,698,780	6,645,495	(53,285)
Charges for services	1,784,164	1,784,164	1,819,641	35,477
Other revenue	127,780	167,780	395,558	227,778
Total Revenues	52,458,478	52,699,694	53,635,206	935,512
EXPENDITURES				
Current:				
General government	7,456,047	7,088,476	6,789,829	298,647
Public safety	33,418,010	33,681,198	34,098,697	(417,499)
Public works and parks	7,874,220	7,967,785	7,475,774	492,011
Community development/redevelopment	3,010,108	3,006,270	3,074,897	(68,627)
Culture and recreation	2,142,429	2,124,336	2,211,033	(86,697)
Capital outlay	44,850	54,850	162,267	(107,417)
Capital improvement/special projects	33,000	35,500	152,814	(117,314)
Debt service:				
Principal	239,870	239,870	239,106	764
Interest and fiscal charges		357,450	105,156	252,294
Total Expenditures	54,218,534	54,555,735	54,309,573	246,162
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,760,056)	(1,856,041)	(674,367)	1,181,674
OTHER FINANCING SOURCES (USES)				
Transfers in	3,742,400	3,753,100	2,946,685	(806,415)
Transfers out	(2,027,200)	(2,029,016)	(2,288,602)	(259,586)
Total Other Financing Sources (Uses)	1,715,200	1,724,084	658,083	(1,066,001)
Net Change in Fund Balances	(\$44,856)	(\$131,957)	(16,284)	\$115,673
FUND BALANCES, BEGINNING OF YEAR			6,801,795	
FUND BALANCES, END OF YEAR			\$6,785,511	

CITY OF SAN RAFAEL
 TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and properties	\$21,000	\$176,834	\$47,928	(\$128,906)
Charges for services			22,115	22,115
Total Revenues	21,000	176,834	70,043	(106,791)
EXPENDITURES				
Current:				
Public works and parks	68,970	68,438	68,376	62
Total Expenditures	68,970	68,438	68,376	62
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(47,970)	108,396	1,667	(106,729)
Net Change in Fund Balances	(\$47,970)	\$108,396	1,667	(\$106,729)
FUND BALANCES, BEGINNING OF YEAR			9,154,588	
FUND BALANCES, END OF YEAR			\$9,156,255	

CITY OF SAN RAFAEL
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and properties	\$32,860	\$25,044	\$10,987	(\$14,057)
Intergovernmental	1,375,550	2,421,949	2,700,095	278,146
Charges for services			528,261	528,261
Other revenue			83,615	83,615
Total Revenues	<u>1,408,410</u>	<u>2,446,993</u>	<u>3,322,958</u>	<u>875,965</u>
EXPENDITURES				
Current:				
Public works and parks	28,135	28,447	18,790	9,657
Capital outlay		595,162	701,403	(106,241)
Capital improvement/special projects		1,027,946	2,432,293	(1,404,347)
Total Expenditures	<u>28,135</u>	<u>1,651,555</u>	<u>3,152,486</u>	<u>(1,500,931)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,380,275</u>	<u>795,438</u>	<u>170,472</u>	<u>(624,966)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		520,000	520,000	
Transfers (out)	<u>(1,404,050)</u>	<u>(1,404,050)</u>	<u>(1,301,119)</u>	<u>102,931</u>
Total Other Financing Sources (Uses)	<u>(1,404,050)</u>	<u>(884,050)</u>	<u>(781,119)</u>	<u>102,931</u>
Net Change in Fund Balances	<u>(\$23,775)</u>	<u>(\$88,612)</u>	<u>(\$610,647)</u>	<u>(\$522,035)</u>
FUND BALANCES, BEGINNING OF YEAR			<u>2,051,440</u>	
FUND BALANCES, END OF YEAR			<u>\$1,440,793</u>	

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes and special assessments	\$900,000	\$900,000	\$936,383	\$36,383
Use of money and properties	193,710	102,385	60,464	(41,921)
Intergovernmental		20,000		(20,000)
Charges for services	13,580	13,250	29,525	16,275
Other revenue			109,020	109,020
Total Revenues	1,107,290	1,035,635	1,135,392	99,757
EXPENDITURES				
Current:				
General government	42,090	34,673	40,481	(5,808)
Public works and parks	108,450	108,324	106,893	1,431
Community development/redevelopment	1,611,060	1,641,702	1,452,454	189,248
Capital outlay				
Capital improvement/special projects	623,120	549,620	307,118	242,502
Total Expenditures	2,384,720	2,334,319	1,906,946	427,373
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset				
Transfers in		433,309	141,379	(291,930)
Transfers (out)		(291,930)		291,930
Total Other Financing Sources (Uses)		141,379	141,379	
Net Assets (Accumulated Deficit), beginning of year				
OVER (UNDER) EXPENDITURES	(1,277,430)	(1,157,305)	(630,175)	527,130
Net Change in Fund Balances	(\$1,277,430)	(\$1,157,305)	(630,175)	\$527,130
FUND BALANCES, BEGINNING OF YEAR			6,754,433	
FUND BALANCES, END OF YEAR			\$6,124,258	

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.

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 countywide Household Hazardous Waste Program.

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.

Library Assessment Fund – Established to account for a special parcel tax dedicated to public library services and facilities, equipment, and technology improvements.

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

Stormwater Fund – Established to provide for 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.

NON-MAJOR GOVERNMENTAL FUNDS

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

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

DEBT SERVICE FUNDS

Peacock Gap Assessment District Fund – Established to accumulate funds for the payment of principal and interest for the 1993 Bonds which mature 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 1999 Project Tax Allocation Bonds, 2002 Tax Allocation Refunding Bonds, and 2009 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 District 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 partnership with the community.

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

NON-MAJOR GOVERNMENTAL FUNDS

Equipment Replacement Fund - Established to provide replacement of equipment.

Radio Replacement Fund - Established to meet radio system operating costs, capital acquisition and replacement, and operating lease obligations for the Public Works, Fire, Community Development and Police Departments. The Marin Emergency Radio Authority (MERA) is a countywide JPA that has taken the roll in procurement and installation of a new digital radio system. This fund supports San Rafael's portion of the MERA efforts and related contractual obligations.

Telephone Replacement Fund – Established to provide ongoing support services for telephone equipment and usage throughout the City.

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

SPECIAL REVENUE FUNDS					
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$317,469	\$151,264	\$183,188		\$611,998
Restricted cash and investments					
Receivables:					
Accounts	173,978		91,229	\$24,653	15,645
Taxes		507			
Grants	1,462			39,539	
Interest					
Due from other funds	29,304				
Total Assets	<u>\$522,213</u>	<u>\$151,771</u>	<u>\$274,417</u>	<u>\$64,192</u>	<u>\$627,643</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$124,978		\$141,890	\$33,271	
Developer bonds payable					
Due to other funds				29,304	
Deferred revenue	198,841				
Compensated absences					
Total Liabilities	<u>323,819</u>		<u>141,890</u>	<u>62,575</u>	
Fund Balances:					
Nonspendable					
Restricted	148,038	\$151,771	132,527	1,617	\$545,248
Committed	50,356				82,395
Assigned					
Total Fund Balances	<u>198,394</u>	<u>151,771</u>	<u>132,527</u>	<u>1,617</u>	<u>627,643</u>
Total Liabilities and Fund Balances	<u>\$522,213</u>	<u>\$151,771</u>	<u>\$274,417</u>	<u>\$64,192</u>	<u>\$627,643</u>

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$899,919	\$101,083	\$464,083	\$184,424	\$639,814	\$743,501	\$149,251
305	64,748	16,789	18,000	15,818	20,000	619,008
				445,340		
<u>\$900,224</u>	<u>\$165,831</u>	<u>\$480,872</u>	<u>\$202,424</u>	<u>\$1,100,972</u>	<u>\$763,501</u>	<u>\$768,259</u>
	\$12,497	\$14,454	\$693	\$14,430	\$18,458 1,500	\$147,359
	252					
	12,749	14,454	693	14,430	19,958	147,359
\$900,224	128,867 24,215	466,418	201,731	1,086,542	743,543	620,900
900,224	153,082	466,418	201,731	1,086,542	743,543	620,900
<u>\$900,224</u>	<u>\$165,831</u>	<u>\$480,872</u>	<u>\$202,424</u>	<u>\$1,100,972</u>	<u>\$763,501</u>	<u>\$768,259</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS
	Parkland Dedication	Emergency Medical Services	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District
ASSETS					
Cash and investments	\$1,126,472	\$101,339	\$3,930		\$2,875
Restricted cash and investments					
Receivables:					
Accounts				\$572,525	
Taxes		73,221			
Grants	18,963				
Interest					
Due from other funds					
Total Assets	<u>\$1,145,435</u>	<u>\$174,560</u>	<u>\$3,930</u>	<u>\$572,525</u>	<u>\$2,875</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$90,802	\$28,018	\$214	\$93,812	
Developer bonds payable					
Due to other funds				445,340	
Deferred revenue					
Compensated absences					
Total Liabilities	<u>90,802</u>	<u>28,018</u>	<u>214</u>	<u>539,152</u>	
Fund Balances:					
Nonspendable					
Restricted		146,542			\$2,875
Committed	1,054,633		3,716		
Assigned				33,373	
Total Fund Balances	<u>1,054,633</u>	<u>146,542</u>	<u>3,716</u>	<u>33,373</u>	<u>2,875</u>
Total Liabilities and Fund Balances	<u>\$1,145,435</u>	<u>\$174,560</u>	<u>\$3,930</u>	<u>\$572,525</u>	<u>\$2,875</u>

DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			
Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Redevelopment Agency Debt Service	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects
\$16,469	\$145,186	\$34,213 10,590	\$111,942	\$26,564	\$264,658	\$29,473
			144,386			
		28				
<u>\$16,469</u>	<u>\$145,186</u>	<u>\$44,831</u>	<u>\$256,328</u>	<u>\$26,564</u>	<u>\$264,658</u>	<u>\$29,473</u>
			\$16,035		\$10,827	
			131,018			
			147,053		10,827	
\$16,469	\$145,186	\$44,831	99,440 9,835	\$26,564	253,831	\$29,473
<u>16,469</u>	<u>145,186</u>	<u>44,831</u>	<u>109,275</u>	<u>26,564</u>	<u>253,831</u>	<u>29,473</u>
<u>\$16,469</u>	<u>\$145,186</u>	<u>\$44,831</u>	<u>\$256,328</u>	<u>\$26,564</u>	<u>\$264,658</u>	<u>\$29,473</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	CAPITAL PROJECT FUNDS				Total Non-Major Governmental Funds
	Open Space	Equipment Replacement	Radio Replacement	Telephone Replacement	
ASSETS					
Cash and investments	\$137,975	\$3,091,312	\$525,509	\$149,881	\$10,213,792
Restricted cash and investments					10,590
Receivables:					
Accounts		10,480			926,510
Taxes					106,640
Grants					888,106
Interest					28
Due from other funds					474,644
Total Assets	<u>\$137,975</u>	<u>\$3,101,792</u>	<u>\$525,509</u>	<u>\$149,881</u>	<u>\$12,620,310</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$110,378		\$22,347	\$880,463
Developer bonds payable					1,500
Due to other funds					474,644
Deferred revenue					329,859
Compensated absences					252
Total Liabilities		<u>110,378</u>		<u>22,347</u>	<u>1,686,718</u>
Fund Balances:					
Nonspendable					
Restricted					4,372,808
Committed					2,715,506
Assigned	<u>\$137,975</u>	<u>2,991,414</u>	<u>\$525,509</u>	<u>127,534</u>	<u>3,845,278</u>
Total Fund Balances	<u>137,975</u>	<u>2,991,414</u>	<u>525,509</u>	<u>127,534</u>	<u>10,933,592</u>
Total Liabilities and Fund Balances	<u>\$137,975</u>	<u>\$3,101,792</u>	<u>\$525,509</u>	<u>\$149,881</u>	<u>\$12,620,310</u>

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CITY OF SAN RAFAEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Street Maintenance and Cleaning
REVENUES					
Taxes and special assessments		\$25,368			
Use of money and properties	\$1,382	737	\$518	\$88	\$4,458
Intergovernmental	20,000		5,156	265,429	15,645
Charges for services	2,243,443		1,234,157	3,003,866	
Other revenue	55,404		2,600	3,010	590
Total Revenues	2,320,229	26,105	1,242,431	3,272,393	20,693
EXPENDITURES					
Current:					
General government					
Public safety			1,241,239		
Public works and parks		4,345			41,655
Culture and recreation	3,565,431			3,492,088	
Capital outlay					
Capital improvement/special projects	57,488				
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	3,622,919	4,345	1,241,239	3,492,088	41,655
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,302,690)	21,760	1,192	(219,695)	(20,962)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,277,200			203,200	
Transfers out					(520,000)
Total Other Financing Sources (Uses)	1,277,200			203,200	(520,000)
Net Change in Fund Balances	(25,490)	21,760	1,192	(16,495)	(540,962)
Fund Balance, Beginning	223,884	130,011	131,335	18,112	1,168,605
Fund Balance, Ending	\$198,394	\$151,771	\$132,527	\$1,617	\$627,643

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$15,228		\$895,664				
4,700	\$36,316	1,335	\$985	\$5,202	\$31,168	\$1,253
	316,683		69,993			1,792,668
	4,686		5,601	795,448	26,810	
	3,223		10,650		226,288	5,300
19,928	360,908	896,999	87,229	800,650	284,266	1,799,221
			143,739			100,000
53				967,127		
	79,500	430,581				289,189
				325,496		53,483
	244,556		15,756		237,338	1,419,200
53	324,056	430,581	159,495	1,292,623	237,338	1,861,872
19,875	36,852	466,418	(72,266)	(491,973)	46,928	(62,651)
			65,000	600,000		53,370
						(7,476)
			65,000	600,000		45,894
19,875	36,852	466,418	(7,266)	108,027	46,928	(16,757)
880,349	116,230		208,997	978,515	696,615	637,657
\$900,224	\$153,082	\$466,418	\$201,731	\$1,086,542	\$743,543	\$620,900

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS
	Parkland Dedication	Emergency Medical Services	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District
REVENUES					
Taxes and special assessments	\$483	\$3,661,064			
Use of money and properties	6,211	126	\$39		
Intergovernmental	18,963		13,000		
Charges for services		1,661,227		\$2,181,462	
Other revenue			15,250		
Total Revenues	25,657	5,322,417	28,289	2,181,462	
EXPENDITURES					
Current:					
General government		3,105	29,727		
Public safety		5,383,677			
Public works and parks				1,983,163	
Culture and recreation					
Capital outlay	189,834				
Capital improvement/special projects					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	189,834	5,386,782	29,727	1,983,163	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(164,177)	(64,365)	(1,438)	198,299	
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out		(190,000)		(207,000)	
Total Other Financing Sources (Uses)		(190,000)		(207,000)	
Net Change in Fund Balances	(164,177)	(254,365)	(1,438)	(8,701)	
Fund Balance, Beginning	1,218,810	400,907	5,154	42,074	\$2,875
Fund Balance, Ending	\$1,054,633	\$146,542	\$3,716	\$33,373	\$2,875

DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			
Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Redevelopment Agency Debt Service	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects
		\$3,563,663		\$3,570		
\$87	\$768	123		88	\$116	\$151
			\$1,000 213,313			
					68,094	6,869
87	768	3,563,786	214,313	3,658	68,210	7,020
			264,965 73,437	9,915	38,120	
		2,225,000 1,338,663				
		3,563,663	338,402	9,915	38,120	
87	768	123	(124,089)	(6,257)	30,090	7,020
	(1,750)		(141,379)			
	(1,750)		(141,379)			
87	(982)	123	(265,468)	(6,257)	30,090	7,020
16,382	146,168	44,708	374,743	32,821	\$223,741	22,453
\$16,469	\$145,186	\$44,831	\$109,275	\$26,564	\$253,831	\$29,473

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

	CAPITAL PROJECT FUNDS				Total Non-Major Governmental Funds
	Open Space	Equipment Replacement	Radio Replacement	Telephone Replacement	
REVENUES					
Taxes and special assessments					\$8,165,040
Use of money and properties	\$729	\$14,699	\$1,380	\$469	113,128
Intergovernmental					2,518,537
Charges for services		1,092,535	648,660	378,000	13,489,208
Other revenue		41,374			438,652
Total Revenues	729	1,148,608	650,040	378,469	24,724,565
EXPENDITURES					
Current:					
General government					32,832
Public safety					6,868,655
Public works and parks					2,996,343
Culture and recreation					7,856,789
Capital outlay					881,813
Capital improvement/special projects	3,763	458,533	568,555	270,010	3,348,636
Debt service:					
Principal				66,232	2,291,232
Interest and fiscal charges				5,091	1,343,754
Total Expenditures	3,763	458,533	568,555	341,333	25,620,054
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,034)	690,075	81,485	37,136	(895,489)
OTHER FINANCING SOURCES (USES)					
Transfers in					2,198,770
Transfers out					(1,067,605)
Total Other Financing Sources (Uses)					1,131,165
Net Change in Fund Balances	(3,034)	690,075	81,485	37,136	235,676
Fund Balance, Beginning	141,009	2,301,339	444,024	90,398	10,697,916
Fund Balance, Ending	\$137,975	\$2,991,414	\$525,509	\$127,534	\$10,933,592

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CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	Recreation Revolving			Baypoint Lagoons Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				\$25,000	\$25,368	\$368
Licenses and permits						
Fines and forfeitures						
Use of money and properties	\$954	\$1,382	\$428	2,254	737	(1,517)
Intergovernmental	20,000	20,000				
Charges for services	2,374,630	2,243,443	(131,187)			
Other revenue	29,850	55,404	25,554			
Total Revenues	2,425,434	2,320,229	(105,205)	27,254	26,105	(1,149)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks					4,345	(4,345)
Culture and recreation	3,346,741	3,565,431	(218,690)			
Capital outlay	2,480		2,480			
Capital improvement/special projects	25,000	57,488	(32,488)			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	3,374,221	3,622,919	(248,698)		4,345	(4,345)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(948,787)	(1,302,690)	(353,903)	27,254	21,760	(5,494)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,277,200	1,277,200				
Transfers out						
Total Other Financing Sources (Uses)	1,277,200	1,277,200				
FUND BALANCES, BEGINNING OF YEAR AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	\$328,413	(25,490)	(\$353,903)	\$27,254	21,760	(\$5,494)
FUND BALANCES, BEGINNING OF YEAR		223,884			130,011	
FUND BALANCES, END OF YEAR		\$198,394			\$151,771	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Street Maintenance and Cleaning		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,075	\$518	(\$557)	\$224	\$88	(\$136)	\$12,831	\$4,458	(\$8,373)
7,330	5,156	(2,174)	274,200	265,429	(8,771)		15,645	15,645
1,473,280	1,234,157	(239,123)	3,239,450	3,003,866	(235,584)			
300	2,600	2,300		3,010	3,010	2,580	590	(1,990)
1,481,985	1,242,431	(239,554)	3,513,874	3,272,393	(241,481)	15,411	20,693	5,282
1,419,220	1,241,239	177,981						
			3,667,585	3,492,088	175,497	132	41,655	(41,523)
			11,890		11,890			
3,200		3,200						
1,422,420	1,241,239	181,181	3,679,475	3,492,088	187,387	132	41,655	(41,523)
59,565	1,192	(58,373)	(165,601)	(219,695)	(54,094)	15,279	(20,962)	(36,241)
			202,700	203,200	500			
			(45,500)		45,500	(520,000)	(520,000)	
			157,200	203,200	46,000	(520,000)	(520,000)	
\$59,565	1,192	(\$58,373)	(\$8,401)	(16,495)	(\$8,094)	(\$504,721)	(540,962)	(\$36,241)
	131,335			18,112			1,168,605	
	\$132,527			\$1,617			\$627,643	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS						
	Loch Lomond Assessment District			Library		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments	\$15,200	\$15,228	\$28			
Licenses and permits						
Fines and forfeitures						
Use of money and properties	16,788	4,700	(12,088)	\$42,008	\$36,316	(\$5,692)
Intergovernmental				291,530	316,683	25,153
Charges for services				4,000	4,686	686
Other revenue				34,000	3,223	(30,777)
Total Revenues	31,988	19,928	(12,060)	371,538	360,908	(10,630)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks	50	53	(3)			
Culture and recreation				157,803	79,500	78,303
Capital outlay						
Capital improvement/special projects				205,835	244,556	(38,721)
Debt service						
Principle						
Interest and fiscal charges						
Total Expenditures	50	53	(3)	363,638	324,056	39,582
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,938	19,875	(12,063)	7,900	36,852	28,952
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>\$31,938</u>	<u>19,875</u>	<u>(\$12,063)</u>	<u>\$7,900</u>	<u>36,852</u>	<u>\$28,952</u>
FUND BALANCES, BEGINNING OF YEAR		880,349			116,230	
FUND BALANCES, END OF YEAR		<u>\$900,224</u>			<u>\$153,082</u>	

SPECIAL REVENUE FUNDS

Library Assessment			Public Safety			Stormwater		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$875,500	\$895,664	\$20,164						
						\$5,000		(\$5,000)
						2,260		(2,260)
	1,335	1,335	\$3,458	\$985	(\$2,473)	17,063	\$5,202	(11,861)
			65,350	69,993	4,643			
			3,000	5,601	2,601	793,000	795,448	2,448
			500	10,650	10,150			
875,500	896,999	21,499	72,308	87,229	14,921	817,323	800,650	(16,673)
			152,453	143,739	8,714			
458,651	430,581	28,070				1,150,503	967,127	183,376
						324,740	325,496	(756)
			1,000	15,756	(14,756)			
458,651	430,581	28,070	153,453	159,495	(6,042)	1,475,243	1,292,623	182,620
416,849	466,418	49,569	(81,145)	(72,266)	8,879	(657,920)	(491,973)	165,947
			65,000	65,000		600,000	600,000	
			65,000	65,000		600,000	600,000	
\$416,849	466,418	\$49,569	(\$16,145)	(7,266)	\$8,879	(\$57,920)	108,027	\$165,947
				208,997			978,515	
	\$466,418			\$201,731			\$1,086,542	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

SPECIAL REVENUE FUNDS					
Development Services			Grants		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES					
Taxes and special assessments					
Licenses and permits					
Fines and forfeitures					
Use of money and properties	\$37,071	\$31,168	(\$5,903)	\$8,454	\$1,253
Intergovernmental			945,026	1,792,668	847,642
Charges for services		26,810	26,810		
Other revenue		226,288	226,288	67,000	5,300
Total Revenues	37,071	284,266	247,195	1,020,480	1,799,221
EXPENDITURES					
Current:					
General government					
Public safety			100,000	100,000	
Public works and parks					
Culture and recreation			334,496	289,189	45,307
Capital outlay			52,500	53,483	(983)
Capital improvement/special projects		237,338	(237,338)	591,988	1,419,200
Debt service:					
Principle					
Interest and fiscal charges					
Total Expenditures		237,338	(237,338)	1,078,984	1,861,872
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,071	46,928	\$9,857	(58,504)	(62,651)
OTHER FINANCING SOURCES (USES)					
Transfers in			51,816	53,370	1,554
Transfers out			(41,000)	(7,476)	33,524
Total Other Financing Sources (Uses)			10,816	45,894	35,078
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	\$37,071	46,928	\$9,857	(16,757)	\$30,931
FUND BALANCES, BEGINNING OF YEAR		696,615		637,657	
FUND BALANCES, END OF YEAR		\$743,543		\$620,900	

SPECIAL REVENUE FUNDS

Parkland Dedication			Emergency Medical Services			Business Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$483	\$483	\$3,685,000	\$3,661,064	(\$23,936)			
\$23,920	6,211	(17,709)	7,099	126	(6,973)	\$64	\$39	(\$25)
103,077	18,963	(84,114)				16,510	13,000	(3,510)
			2,100,000	1,661,227	(438,773)			
						22,520	15,250	(7,270)
126,997	25,657	(101,340)	5,792,099	5,322,417	(469,682)	39,094	28,289	(10,805)
				3,105	(3,105)	39,580	29,727	9,853
			5,599,163	5,383,677	215,486			
\$103,077	189,834	(86,757)	6,000		6,000			
103,077	189,834	(86,757)	5,605,163	5,386,782	218,381	39,580	29,727	9,853
23,920	(164,177)	(188,097)	186,936	(64,365)	(251,301)	(486)	(1,438)	(952)
			(190,000)	(190,000)				
			(190,000)	(190,000)				
\$23,920	(164,177)	(\$188,097)	(\$3,064)	(254,365)	(\$251,301)	(\$486)	(1,438)	(\$952)
	1,218,810			400,907			5,154	
	<u>\$1,054,633</u>			<u>\$146,542</u>			<u>\$3,716</u>	(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
	Sewer Maintenance			Mariposa Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Licenses and permits						
Fines and forfeitures						
Use of money and properties				\$313	\$87	(\$226)
Intergovernmental						
Charges for services	\$2,394,434	\$2,181,462	(212,972)			
Other revenue						
Total Revenues	<u>2,394,434</u>	<u>2,181,462</u>	<u>(212,972)</u>	<u>313</u>	<u>87</u>	<u>(226)</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks	2,176,734	1,983,163	193,571			
Culture and recreation						
Capital outlay						
Capital improvement/special projects						
Debt service:						
Principle						
Interest and fiscal charges						
Total Expenditures	<u>2,176,734</u>	<u>1,983,163</u>	<u>193,571</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>217,700</u>	<u>198,299</u>	<u>(19,401)</u>	<u>313</u>	<u>87</u>	<u>(226)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	<u>(217,700)</u>	<u>(207,000)</u>	<u>10,700</u>			
Total Other Financing Sources (Uses)	<u>(217,700)</u>	<u>(207,000)</u>	<u>10,700</u>			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u><u> </u></u>	<u><u>(8,701)</u></u>	<u><u>(\$8,701)</u></u>	<u><u>\$313</u></u>	<u><u>87</u></u>	<u><u>(\$226)</u></u>
FUND BALANCES, BEGINNING OF YEAR		<u>42,074</u>			<u>16,382</u>	
FUND BALANCES, END OF YEAR		<u><u>\$33,373</u></u>			<u><u>\$16,469</u></u>	

DEBT SERVICE FUND

1997 Financing Authority Revenue Bonds			Redevelopment Agency Debt Service		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$228,000		(\$228,000)	\$3,563,940	\$3,563,663	(\$277)
2,845	\$768	(2,077)		123	123
230,845	768	(230,077)	3,563,940	3,563,786	(154)
123,000		123,000	2,225,000	2,225,000	
24,460		24,460	1,338,940	1,338,663	277
147,460		147,460	3,563,940	3,563,663	277
83,385	768	(\$82,617)		123	\$123
(1,750)	(1,750)		291,930		(291,930)
			(291,930)		291,930
(1,750)	(1,750)				
<u>\$81,635</u>	(982)	<u>(\$82,617)</u>	<u></u>	123	<u>\$123</u>
	146,168			44,708	
	<u>\$145,186</u>			<u>\$44,831</u>	

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INTERNAL SERVICE FUNDS

Internal service funds account for department services and financing performed for other departments within the same governmental jurisdiction. Funding comes from charges assessed to the departments benefiting from the service.

Building Maintenance Fund - Established to account for construction projects and cyclical large dollar maintenance tasks (roof, painting) completed on City owned buildings.

Employee Benefits Fund - This fund is utilized for the payment of retiree benefits, unemployment insurance, accumulated leave requirements and other negotiated benefits not tied to a specific department.

Liability Insurance Fund - Established to maintain sufficient reserves for outstanding claims. All costs associated with liability premiums are paid from this fund.

Workers' Compensation Fund - Established to maintain sufficient reserves for injury claims. All costs associated with workers compensation, including safety training, wellness programs, claim expenses and insurance premiums are paid from this fund.

Dental Insurance Fund - Set up to maintain sufficient reserves for dental claims. All costs associated with dental claims and administrations are paid from this fund.

Employee Retirement Fund – Set up to account for the principal payments, interest payments, and related cost of the 2010 Taxable Pension Obligation Bonds.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Building Maintenance</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>
ASSETS				
Current Assets:				
Cash and investments	\$354,019		\$765,322	\$596,687
Restricted cash and investments				
Accounts receivable		\$1,065,594		
Due from other funds			803,158	
	<u>354,019</u>	<u>1,065,594</u>	<u>1,568,480</u>	<u>596,687</u>
Total Assets				
	<u>354,019</u>	<u>1,065,594</u>	<u>1,568,480</u>	<u>596,687</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	8,195	242,614	7,744	12,082
Due to other funds		803,158		
Non-current Liabilities:				
Long term debt				
	<u>8,195</u>	<u>1,045,772</u>	<u>7,744</u>	<u>12,082</u>
Total Liabilities				
	<u>8,195</u>	<u>1,045,772</u>	<u>7,744</u>	<u>12,082</u>
NET ASSETS:				
Unrestricted	<u>345,824</u>	<u>19,822</u>	<u>1,560,736</u>	<u>584,605</u>
	<u>\$345,824</u>	<u>\$19,822</u>	<u>\$1,560,736</u>	<u>\$584,605</u>
Total Net Assets				
	<u>\$345,824</u>	<u>\$19,822</u>	<u>\$1,560,736</u>	<u>\$584,605</u>

<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>Total</u>
\$113,010	\$2,768,032	\$4,597,070
	229,170	229,170
		1,065,594
		803,158
<u>113,010</u>	<u>2,997,202</u>	<u>6,694,992</u>
71		270,706
		803,158
	<u>4,490,000</u>	<u>4,490,000</u>
<u>71</u>	<u>4,490,000</u>	<u>5,563,864</u>
<u>112,939</u>	<u>(1,492,798)</u>	<u>1,131,128</u>
<u>\$112,939</u>	<u>(\$1,492,798)</u>	<u>\$1,131,128</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation
OPERATING REVENUES				
Charges for current services	\$110,690	\$1,292,154	\$1,569,880	\$1,941,176
Other operating revenues		1,839,980	154,687	
Total Operating Revenues	110,690	3,132,134	1,724,567	1,941,176
OPERATING EXPENSES				
Insurance premiums and claims		2,790,908	996,515	1,855,109
Maintenance and repairs	110,635			
General and administrative		744,613		
OPEB expense				
Total Operating Expenses	110,635	3,535,521	996,515	1,855,109
Operating Income (Loss)	55	(403,387)	728,052	86,067
NONOPERATING REVENUES (EXPENSES)				
Investment income	2,210		5,657	3,477
Interest expense				
Total Nonoperating Revenues (Expenses)	2,210		5,657	3,477
Net income (loss) before transfers	2,265	(403,387)	733,709	89,544
Transfers in	140,000	218,032		
Transfers out	(73,200)			
Change in Net Assets	69,065	(185,355)	733,709	89,544
NET ASSETS, BEGINNING OF YEAR	276,759	205,177	827,027	495,061
NET ASSETS, END OF YEAR	\$345,824	\$19,822	\$1,560,736	\$584,605

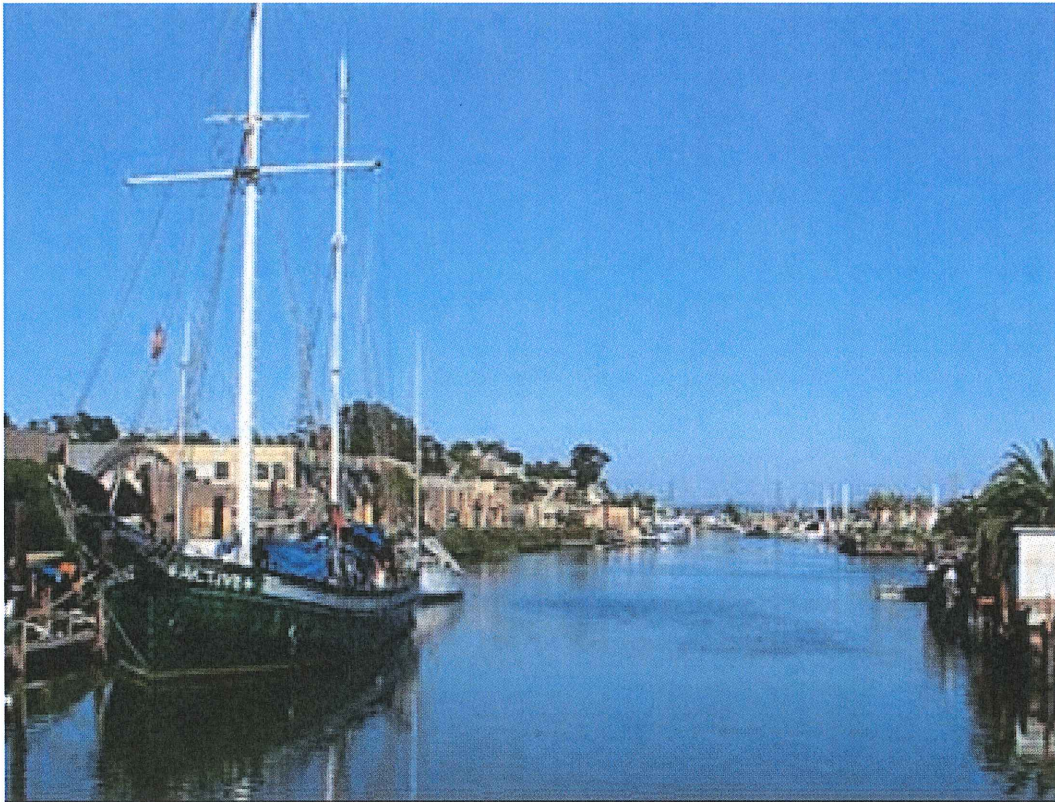
<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>Total</u>
\$499,534	\$3,992,223	\$9,405,657
8,313		2,002,980
<u>507,847</u>	<u>3,992,223</u>	<u>11,408,637</u>
458,959		6,101,491
		110,635
		744,613
	4,009,971	4,009,971
<u>458,959</u>	<u>4,009,971</u>	<u>10,966,710</u>
<u>48,888</u>	<u>(17,748)</u>	<u>441,927</u>
601	7,202	19,147
	(511,512)	(511,512)
<u>601</u>	<u>(504,310)</u>	<u>(492,365)</u>
<u>49,489</u>	<u>(522,058)</u>	<u>(50,438)</u>
		358,032
	(970,740)	(1,043,940)
49,489	(1,492,798)	(736,346)
<u>63,450</u>		<u>1,867,474</u>
<u>\$112,939</u>	<u>(\$1,492,798)</u>	<u>\$1,131,128</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers/other funds	\$110,690	\$1,280,243	\$1,569,880	\$1,941,176
Cash payments to suppliers for goods and services	(102,440)	(3,295,729)	(988,834)	(1,738,216)
Other operating revenues		1,839,980	154,687	
Cash Flows from Operating Activities	8,250	(175,506)	735,733	202,960
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from issuance of long term debt				
Interfund receipts (payments)	66,800	175,506	23,932	18,594
Interest expense				
Cash Flows from Noncapital Financing Activities	66,800	175,506	23,932	18,594
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment received	2,210		5,657	3,477
Cash Flows from Investing Activities	2,210		5,657	3,477
Net increase (decrease) in cash and cash equivalents	77,260		765,322	225,031
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	276,759			371,656
CASH AND CASH EQUIVALENTS, END OF YEAR	\$354,019		\$765,322	\$596,687
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$55	(\$403,387)	\$728,052	\$86,067
Net change in assets and liabilities:				
Accounts receivable		(11,911)		
Prepays and deposits				125,241
Accounts payable	8,195	239,792	7,681	(8,348)
Net Cash Provided by (Used in) Operating Activities	\$8,250	(\$175,506)	\$735,733	\$202,960

<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>Total</u>
\$499,534	\$3,992,223	\$9,393,746
(462,704)	(4,009,971)	(10,597,894)
8,313		2,002,980
<u>45,143</u>	<u>(17,748)</u>	<u>798,832</u>
	4,260,830	4,260,830
	(970,740)	(685,908)
	<u>(511,512)</u>	<u>(511,512)</u>
	<u>2,778,578</u>	<u>3,063,410</u>
<u>601</u>	<u>7,202</u>	<u>19,147</u>
<u>601</u>	<u>7,202</u>	<u>19,147</u>
45,744	2,768,032	3,881,389
<u>67,266</u>		<u>715,681</u>
<u>\$113,010</u>	<u>\$2,768,032</u>	<u>\$4,597,070</u>
\$48,888	(\$17,748)	\$441,927
		(11,911)
		125,241
<u>(3,745)</u>		<u>243,575</u>
<u>\$45,143</u>	<u>(\$17,748)</u>	<u>\$798,832</u>

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STATISTICAL SECTION

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Revenue Bond Coverage Parking Facility
5. Redevelopment Pledged Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

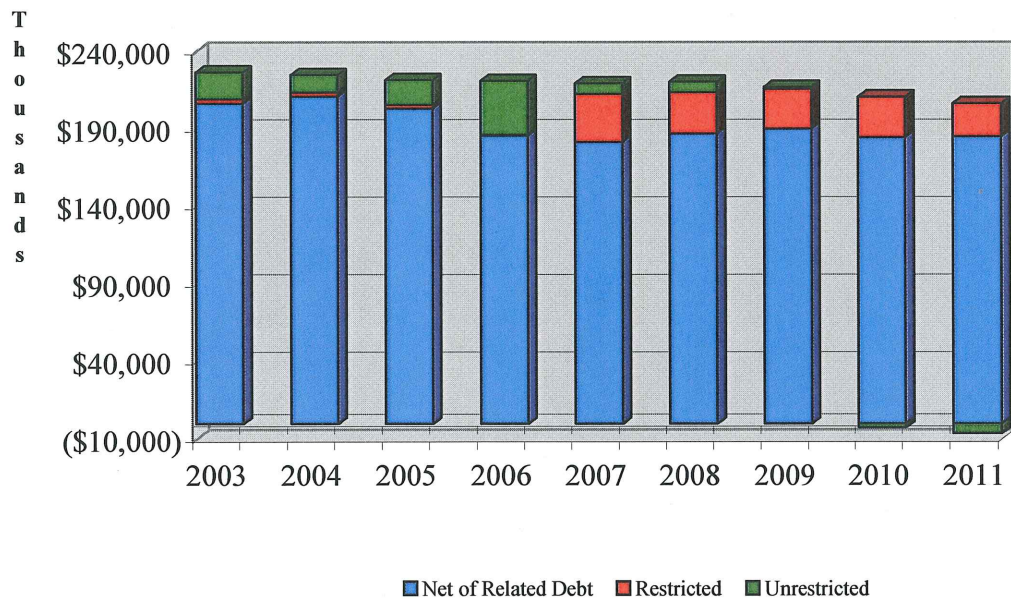
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting governmentwide information include information beginning in that year.

CITY OF SAN RAFAEL
NET ASSETS BY COMPONENT
Last Nine Fiscal Years
(accrual basis of accounting)



	As of June 30		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$198,031,181	\$202,215,793	\$194,658,126
Restricted	2,933,294	2,708,397	2,378,641
Unrestricted	16,216,230	9,775,565	14,167,627
Total governmental activities net assets	\$217,180,705	\$214,699,755	\$211,204,394
Business-type activities			
Invested in capital assets, net of related debt	\$8,464,417	\$8,749,750	\$8,615,483
Unrestricted	1,078,245	1,447,467	1,900,504
Total business-type activities net assets	\$9,542,662	\$10,197,217	\$10,515,987
Primary government			
Invested in capital assets, net of related debt	\$206,495,598	\$210,965,543	\$203,273,609
Restricted	2,933,294	2,708,397	2,378,641
Unrestricted	17,294,475	11,223,032	16,068,131
Total primary government net assets	\$226,723,367	\$224,896,972	\$221,720,381

As of June 30

2006	2007	2008	2009	2010	2011
\$175,806,100	\$171,849,149	\$176,724,820	\$178,744,119	\$173,536,144	\$174,281,922
620,889	31,124,935	26,848,900	25,721,231	26,150,254	21,322,937
32,739,318	4,499,136	4,273,937	(700,985)	(4,631,276)	(8,170,324)
<u>\$209,166,307</u>	<u>\$207,473,220</u>	<u>\$207,847,657</u>	<u>\$203,764,365</u>	<u>\$195,055,122</u>	<u>\$187,434,535</u>
\$9,819,435	\$9,717,501	\$10,130,329	\$11,243,637	\$10,950,825	\$10,793,592
2,113,659	2,226,838	2,471,117	1,936,958	2,017,354	1,948,447
<u>\$11,933,094</u>	<u>\$11,944,339</u>	<u>\$12,601,446</u>	<u>\$13,180,595</u>	<u>\$12,968,179</u>	<u>\$12,742,039</u>
\$185,625,535	\$181,566,650	\$186,855,149	\$189,987,756	\$184,486,969	\$185,075,514
620,889	31,124,935	26,848,900	25,721,231	26,150,254	21,322,937
34,852,977	6,725,974	6,745,054	1,235,973	(2,613,922)	(6,221,877)
<u>\$221,099,401</u>	<u>\$219,417,559</u>	<u>\$220,449,103</u>	<u>\$216,944,960</u>	<u>\$208,023,301</u>	<u>\$200,176,574</u>

CITY OF SAN RAFAEL
CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	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	80,135,923	65,452,955	70,811,715	77,404,569
Business-Type Activities:				
Parking services	1,245,316	1,539,441	2,451,941	2,761,511
Total Business-Type Activities Expenses	1,245,316	1,539,441	2,451,941	2,761,511
Total Primary Government Expenses	<u>\$81,381,239</u>	<u>\$66,992,396</u>	<u>\$73,263,656</u>	<u>\$80,166,080</u>
Component Unit:				
San Rafael Sanitation District	<u>\$5,708,208</u>	<u>\$5,297,737</u>	<u>\$5,288,582</u>	<u>\$6,148,915</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	1,744,556	573,485	606,589	3,936,474
Total Government Activities Program Revenues	20,165,238	18,158,117	19,271,097	23,528,784
Business-Type Activities:				
Charges for services:				
Parking services	1,810,479	2,307,432	2,604,066	3,025,380
Total Business-Type Activities Program Revenues	1,810,479	2,307,432	2,604,066	3,025,380
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>
Component Unit:				
Charges for services:				
San Rafael Sanitation District	<u>\$5,566,610</u>	<u>\$5,811,437</u>	<u>\$6,060,993</u>	<u>\$6,340,773</u>
Net (Expense)/Revenue				
Governmental Activities	(\$59,970,685)	(\$47,294,838)	(\$51,540,618)	(\$53,875,785)
Business-Type Activities	565,163	767,991	152,125	263,869
Total Primary Government Net Expense	<u>(\$59,405,522)</u>	<u>(\$46,526,847)</u>	<u>(\$51,388,493)</u>	<u>(\$53,611,916)</u>
Component Unit Activities	<u>(\$141,598)</u>	<u>\$513,700</u>	<u>\$772,411</u>	<u>\$191,858</u>

2007	2008	2009	2010	2011
\$8,908,433	\$8,621,079	\$8,075,344	\$8,396,759	\$8,269,846
37,271,272	40,845,347	42,708,538	42,752,033	44,735,486
20,998,749	22,105,367	23,036,676	17,401,923	17,408,038
4,384,408	5,811,866	5,759,171	6,738,873	7,804,650
9,729,485	10,300,230	11,505,896	11,139,225	11,487,999
2,183,683	1,989,620	1,907,229	2,200,024	1,621,605
83,476,030	89,673,509	92,992,854	88,628,837	91,327,624
3,110,254	3,282,235	3,563,235	4,016,198	3,785,751
3,110,254	3,282,235	3,563,235	4,016,198	3,785,751
\$86,586,284	\$92,955,744	\$96,556,089	\$92,645,035	\$95,113,375
\$6,656,432	\$8,090,636	\$9,143,977	\$9,087,354	\$9,677,630
\$1,512,814	\$1,494,784	\$1,738,685	\$1,665,460	\$1,636,542
5,279,785	5,562,072	5,906,445	6,308,912	6,167,925
4,030,060	4,983,288	4,753,817	3,916,874	4,141,103
2,815,009	3,247,024	2,915,872	2,830,179	2,676,663
4,521,004	4,870,884	5,253,683	5,280,458	5,362,497
3,701,901	3,463,616	3,544,248	3,721,055	3,651,902
2,786,761	3,239,509	7,311,173	2,116,906	1,857,670
24,647,334	26,861,177	31,423,923	25,839,844	25,494,302
3,242,046	4,161,936	4,454,490	4,244,404	4,011,333
3,242,046	4,161,936	4,454,490	4,244,404	4,011,333
\$27,889,380	\$31,023,113	\$35,878,413	\$30,084,248	\$29,505,635
\$7,857,916	\$9,366,305	\$10,567,647	\$11,559,549	\$12,223,779
(\$58,828,696)	(\$62,812,332)	(\$61,568,931)	(\$62,788,993)	(\$65,833,322)
131,792	879,701	891,255	228,206	225,582
(\$58,696,904)	(\$61,932,631)	(\$60,677,676)	(\$62,560,787)	(\$65,607,740)
\$1,201,484	\$1,275,669	\$1,423,670	\$2,472,195	\$2,546,149

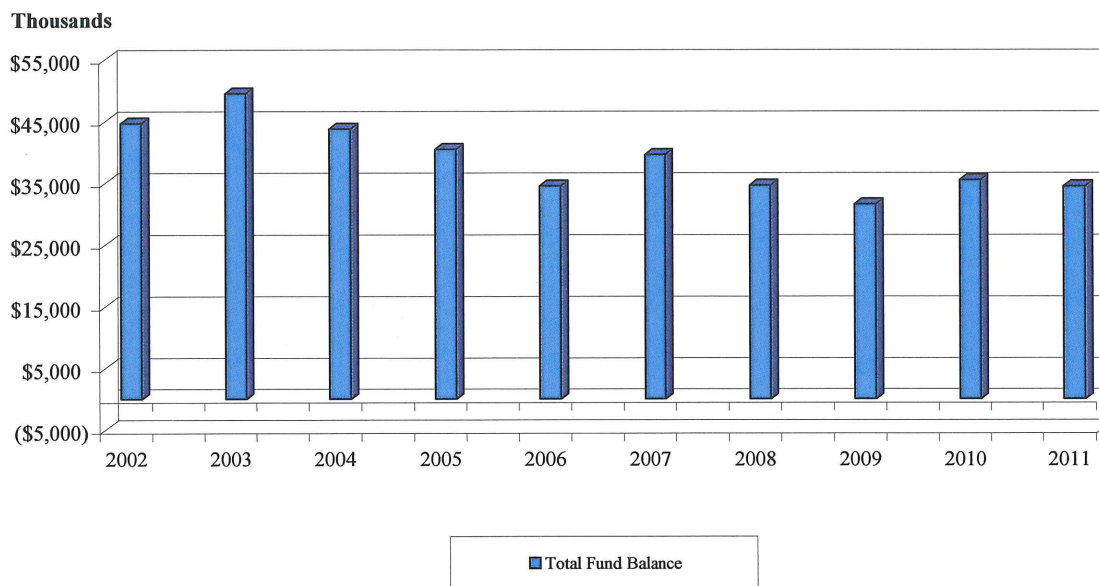
CITY OF SAN RAFAEL
CHANGES IN NET ASSETS
(continued)
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property	\$13,983,697	\$14,895,188	\$17,385,722	\$20,848,887
Sales	16,779,878	17,166,966	17,132,100	18,188,524
Special assessments	3,055,575	3,329,680	3,642,184	3,017,488
Paramedic				
Motor vehicles	3,317,710	2,495,598	4,657,817	372,726
Transient occupancy				
Franchises				
Business licenses				
Other	5,465,495	5,476,044	5,151,205	6,963,448
Investment earnings	1,897,339	809,242	1,112,548	1,248,409
Gain (Loss) on disposal of assets	(500,819)			
Miscellaneous	1,843,458	498,200	876,907	361,195
Special item - Court fines repayment				
Transfers	<u>232,398</u>	<u>142,970</u>	<u>15,720</u>	<u>201,191</u>
Total Government 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 earnings	17,772	29,534	28,522	44,536
Aid from other government agencies			40,735	1,309,893
Transfers	<u>(232,398)</u>	<u>(142,970)</u>	<u>(15,720)</u>	<u>(201,191)</u>
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><u>\$45,860,105</u></u>	<u><u>\$44,700,452</u></u>	<u><u>\$50,027,740</u></u>	<u><u>\$52,355,106</u></u>
Component Unit:				
San Rafael Sanitation District				
Property Taxes	\$560,269	\$591,078	\$125,959	\$179,479
Investment earnings	104,358	75,739	117,348	237,206
Miscellaneous		154,919		
Aid from other governmental agencies	<u>141,314</u>		<u>609,419</u>	<u>645,804</u>
Total Component Unit	<u><u>\$805,941</u></u>	<u><u>\$821,736</u></u>	<u><u>\$852,726</u></u>	<u><u>\$1,062,489</u></u>
Change in Net Assets				
Governmental Activities	(\$13,895,954)	(\$2,480,950)	(\$1,566,415)	(\$2,673,917)
Business-Type Activities	<u>350,537</u>	<u>654,555</u>	<u>205,662</u>	<u>1,417,107</u>
Total Primary Government	<u><u>(\$13,545,417)</u></u>	<u><u>(\$1,826,395)</u></u>	<u><u>(\$1,360,753)</u></u>	<u><u>(\$1,256,810)</u></u>
Change in Net Assets				
Component Unit Activities	<u><u>\$664,343</u></u>	<u><u>\$1,335,436</u></u>	<u><u>\$1,625,137</u></u>	<u><u>\$1,254,347</u></u>

2007	2008	2009	2010	2011
\$20,360,475	22,195,606	\$21,978,859	\$21,684,131	\$21,632,733
24,484,356	25,764,457	21,970,262	19,055,124	21,623,445
2,998,925	3,503,555			
		3,210,317	3,489,494	3,661,064
331,620	257,320	197,989	171,518	297,425
		1,678,912	1,558,243	1,644,262
		2,941,149	2,868,332	2,990,539
		2,405,934	2,317,664	2,296,460
8,830,955	9,242,241	1,561,835	1,411,583	1,930,531
1,669,181	1,583,056	717,968	302,180	176,502
			221,791	
491,488	296,454	461,224	541,390	1,496,174
(1,133,458)				
212,170	344,080	361,190	458,300	463,600
58,245,712	63,186,769	57,485,639	54,079,750	58,212,735
91,623	121,486	49,084	17,678	11,878
(212,170)	(344,080)	(361,190)	(458,300)	(463,600)
(120,547)	(222,594)	(312,106)	(440,622)	(451,722)
\$58,125,165	\$62,964,175	\$57,173,533	\$53,639,128	\$57,761,013
\$755,763	\$803,071	\$855,511	\$823,187	\$1,214,519
367,887	341,032	206,752	93,274	59,265
	3,546	3,540		
340,642	577,860	381,144	415,391	6,499
\$1,464,292	\$1,725,509	\$1,446,947	\$1,331,852	\$1,280,283
(\$582,984)	\$374,437	(\$4,083,292)	(\$8,709,243)	(\$7,620,587)
11,245	657,107	579,149	(212,416)	(226,140)
(\$571,739)	\$1,031,544	(\$3,504,143)	(\$8,921,659)	(\$7,846,727)
\$2,665,776	\$3,001,178	\$2,870,617	\$3,804,047	\$3,826,432

CITY SAN RAFAEL
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Total Fund Balance



	As of June 30				
	2002	2003	2004	2005	2006
General Fund					
Pre-GASB 54 Presentation:					
Reserved	\$3,347,494	\$2,357,904	\$1,451,036	\$2,442,881	\$2,335,391
Unreserved	5,112,926	4,139,618	4,246,152	5,779,680	3,362,151
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total General Fund	<u>\$8,460,420</u>	<u>\$6,497,522</u>	<u>\$5,697,188</u>	<u>\$8,222,561</u>	<u>\$5,697,542</u>
All Other Governmental Funds					
Pre-GASB 54 Presentation:					
Reserved	\$22,579,186	\$36,695,318	\$32,471,197	\$26,599,557	\$21,603,724
Unreserved, reported in:					
Special Revenue Funds	13,195,852	6,317,972	5,574,048	5,628,187	7,168,753
Capital Project Funds					
Debt Service Funds					
Expendable Trust Fund	422,188				
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total all other governmental funds	<u>\$36,197,226</u>	<u>\$43,013,290</u>	<u>\$38,045,245</u>	<u>\$32,227,744</u>	<u>\$28,772,477</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

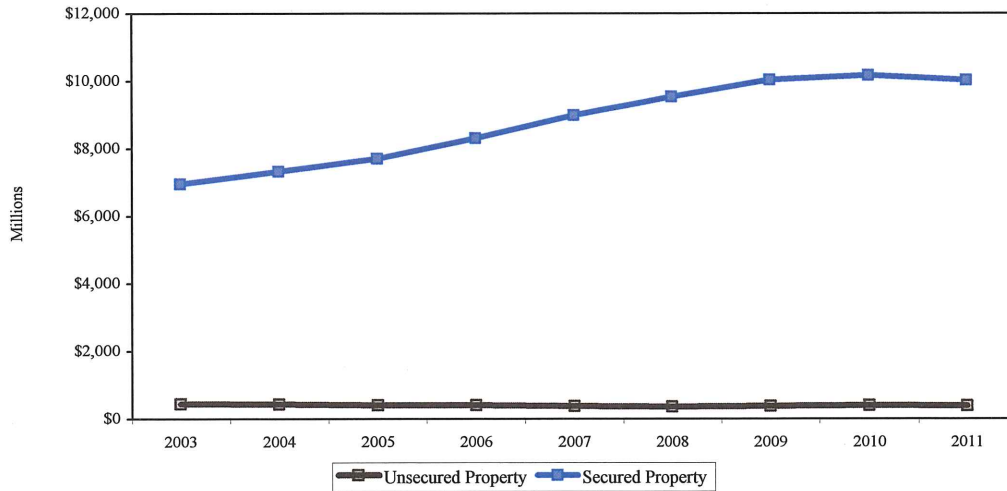
As of June 30				
2007	2008	2009	2010	2011
\$905,068	\$2,196,153	\$2,225,775	\$1,763,622	
5,016,929	4,022,612	1,670,455	5,038,173	
				\$589,833
				200,238
				555,561
				5,439,879
<u>\$5,921,997</u>	<u>\$6,218,765</u>	<u>\$3,896,230</u>	<u>\$6,801,795</u>	<u>\$6,785,511</u> (a)
\$20,773,760	\$17,599,142	\$16,680,568	\$15,352,723	
8,107,477	7,413,808	8,641,239	8,778,027	
	35,430	(1,030,293)	4,527,627	
4,734,986	3,315,764	3,360,540		
				\$377,180
				19,289,367
				3,864,322
				4,124,029
<u>\$33,616,223</u>	<u>\$28,364,144</u>	<u>\$27,652,054</u>	<u>\$28,658,377</u>	<u>\$27,654,898</u> (a)

CITY OF SAN RAFAEL
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Revenues					
Taxes and special assessments	\$38,530,602	\$39,284,643	\$40,875,826	\$42,901,520	\$44,901,544
Licenses and permits	690,077	735,109	928,303	929,993	1,175,030
Fines and forfeitures	773,239	770,632	791,975	1,088,459	622,494
Use of money and properties	2,465,306	1,897,339	1,024,199	1,244,406	1,316,558
Intergovernmental	8,590,790	9,405,422	8,049,002	10,522,095	11,705,917
Charges for services	9,704,113	10,102,392	10,423,754	11,407,622	13,104,572
Other revenue	1,148,767	3,568,297	735,976	1,135,485	1,475,078
Total Revenues	61,902,894	65,763,834	62,829,035	69,229,580	74,301,193
Expenditures					
Current:					
General government	6,188,702	4,740,703	5,014,452	5,539,191	6,200,338
Public safety	25,898,206	28,041,079	28,863,197	31,784,872	33,321,967
Public works and parks	9,329,346	9,491,552	9,257,991	9,294,419	10,622,585
Community development / redevelopment	3,610,108	3,253,947	3,875,542	3,763,614	4,184,084
Culture and recreation	7,077,117	7,176,097	7,145,264	7,538,607	8,409,833
Capital outlay	307,483	125,884	31,703	1,027,267	60,411
Capital improvement / special projects	15,760,086	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	1,849,000	24,290,000	2,360,000	2,585,000	2,525,000
Interest and fiscal charges	2,641,111	4,046,170	2,456,357	2,140,673	1,878,265
Total Expenditures	72,661,159	92,421,360	68,840,384	73,068,501	80,533,670
Excess (deficiency) of revenues over (under) expenditures	<u>(10,758,265)</u>	<u>(26,657,526)</u>	<u>(6,011,349)</u>	<u>(3,838,921)</u>	<u>(6,232,477)</u>
Other Financing Sources (Uses)					
Issuance of debt		32,625,000			
Payment to refunded bonds					
Bond premiums					
Capital lease for equipment acquisition					
Contribution from Sanitation District		744,556			
Proceeds from sale of capital asset					
Transfers in	5,750,044	42,503,976	5,222,868	8,636,544	6,925,107
Transfers (out)	(6,432,801)	(42,971,248)	(4,979,898)	(7,740,324)	(6,672,916)
Total other financing sources (uses)	(682,757)	32,902,284	242,970	896,220	252,191
Net Change in fund balances	<u>(\$11,441,022)</u>	<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	7.9%	35.1%	8.2%	7.8%	6.7%

Fiscal Year Ended June 30,				
2007	2008	2009	2010	2011
\$52,472,246	\$56,129,195	\$51,019,143	\$47,678,541	\$51,448,130
1,157,981	1,489,748	1,472,913	1,518,819	1,416,772
515,528	797,081	660,338	787,411	862,820
1,744,688	1,584,508	847,120	433,874	380,720
12,760,496	12,081,968	17,518,670	13,001,703	11,864,127
13,504,621	15,607,460	16,384,265	15,787,325	15,888,750
1,468,743	815,704	759,320	716,760	1,026,845
83,624,303	88,505,664	88,661,769	79,924,433	82,888,164
8,188,999	8,288,170	8,059,526	7,997,067	6,863,142
36,264,321	40,299,862	41,209,972	39,574,091	40,967,352
11,972,537	13,641,665	12,926,646	10,731,669	10,666,176
4,319,042	5,786,661	5,572,079	4,398,594	4,527,351
9,005,370	9,820,365	10,233,361	9,605,684	10,067,822
6,716,630	6,243,517	5,048,044	1,890,559	1,745,483
1,189,613	5,124,091	6,606,857	3,436,608	6,240,861
2,287,255	2,504,370	2,714,358	2,804,258	2,530,338
1,829,091	1,776,354	1,683,240	1,979,372	1,448,910
81,772,858	93,485,055	94,054,083	82,417,902	85,057,435
1,851,445	(4,979,391)	(5,392,314)	(2,493,469)	(2,169,271)
			14,660,000	
			(14,315,000)	
			1,038,185	
318,000				
			221,791	
6,812,260	6,353,216	8,972,495	7,494,560	5,806,834
(6,958,046)	(6,329,136)	(6,614,806)	(6,411,150)	(4,657,326)
172,214	24,080	2,357,689	2,688,386	1,149,508
\$2,023,659	(\$4,955,311)	(\$3,034,625)	\$194,917	(\$1,019,763)
5.6%	5.2%	5.3%	6.2%	5.2%

**CITY OF SAN RAFAEL
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST NINE FISCAL YEARS**



Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2003	\$4,827,556,658	\$ 1,480,344,464	\$ 128,546,036	\$ 74,236,658	\$6,510,683,816	\$445,297,553	\$6,955,981,369	\$6,955,981,369	0.20678%
2004	5,160,984,286	1,514,445,365	130,514,420	91,737,340	6,897,681,411	431,291,562	7,328,972,973	7,328,972,973	0.20661%
2005	5,510,630,728	1,546,579,852	146,822,250	93,875,824	7,297,908,654	406,163,129	7,704,071,783	7,704,071,783	0.19903%
2006	6,018,318,932	1,618,091,589	177,974,231	91,321,393	7,905,706,145	407,016,133	8,312,722,278	8,312,722,278	0.19349%
2007	6,544,841,348	1,745,483,576	197,040,979	122,977,950	8,610,343,853	376,890,454	8,987,234,307	8,987,234,307	0.18087%
2008	7,024,610,641	1,824,656,505	214,341,528	105,409,028	9,169,017,702	362,727,209	9,531,744,911	9,531,744,911	0.17718%
2009	7,357,121,277	1,941,927,620	234,669,841	129,177,656	9,662,896,394	374,976,613	10,037,873,007	10,037,873,007	0.17951%
2010	7,335,863,721	2,052,276,292	244,857,019	130,177,994	9,763,175,026	401,201,906	10,164,376,932	10,164,376,932	0.19215%
2011	7,215,965,203	2,056,985,417	247,409,955	124,426,487	9,644,787,062	383,414,952	10,028,202,014	10,028,202,014	0.17851%

Source: HdL Coren & Cone, Marin County Assessor 2001/02-2010/11 Combined Tax Rolls

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

**CITY OF SAN RAFAEL
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total
2002	0.154	0.295	0.5873	0.0461	1.0820
2003	0.154	0.295	0.6163	0.0461	1.1110
2004	0.154	0.295	0.6483	0.0461	1.1430
2005	0.154	0.295	0.6593	0.0461	1.1540
2006	0.154	0.295	0.6828	0.0461	1.1775
2007	0.154	0.295	0.7160	0.0461	1.2107
2008	0.154	0.295	0.7225	0.0461	1.2172
2009	0.154	0.295	0.7192	0.0461	1.2139
2010	0.154	0.295	0.7402	0.0461	1.2349
2011	0.154	0.295	0.7542	0.0461	1.2489

Notes:

(1) Like other cities, San Rafael includes several property tax rate areas with different rates. A mean average is indicated.

Source: Marin County Assessors Office 2001/02 - 2010/11 Tax Rate Tables

**CITY OF SAN RAFAEL
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND EIGHT YEARS AGO**

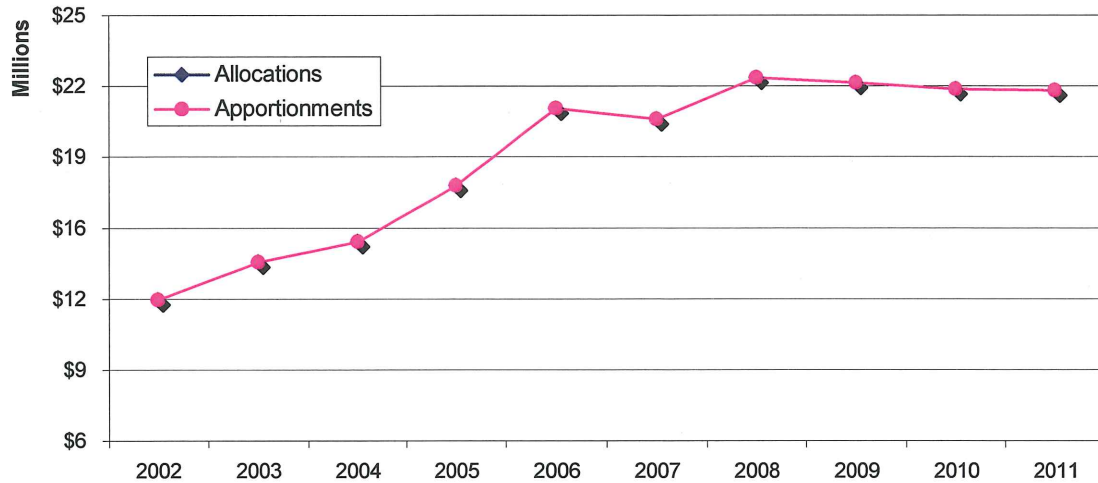
Taxpayer	2010-11		2002-2003	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Northgate Mall Associates	\$124,804,203	1.24%	\$80,357,695	1.16%
SR Corporation Center Phase 1	78,722,382	0.79%	45,538,519	0.65%
SR Corporation Center Phase Two	71,885,994	0.72%		
Corac LLC	59,878,503	0.60%		0.00%
Sutter Health	48,295,644	0.48%		0.00%
Robert Dickson Trust	43,972,278	0.44%		0.00%
Regency Center II Associates LP	41,605,911	0.41%	36,325,034	0.52%
Northbay Properties 11	38,739,218	0.39%	30,142,083	0.43%
Marin Sanitary Service	38,498,898	0.38%		0.00%
Kilroy Realty LP	36,499,999	0.36%		0.00%
AMG Realty Partners LP			68,508,225	0.98%
Lucas Digital Ltd. LLC			41,900,697	0.60%
Autodesk Inc			37,334,639	0.54%
4040 Civic Center LLC			34,090,441	0.49%
Tele-Vue Systems Inc			30,959,326	0.45%
Bay Apartment Communities			30,619,158	0.44%
Subtotal	<u>\$582,903,030</u>	<u>5.81%</u>	<u>\$435,775,817</u>	<u>6.26%</u>

Total Net Assessed Valuation:

Fiscal Year 2010-2011	\$10,028,202,014
Fiscal Year 2002-2003	\$6,955,981,369

Source: HdL Coren & Cone, Marin County Assessor 2002-2003 & 2010-2011 Net Taxable Value History

**CITY OF SAN RAFAEL
PROPERTY TAX LEVIES AND COLLECTIONS ⁽¹⁾
LAST TEN FISCAL YEARS**



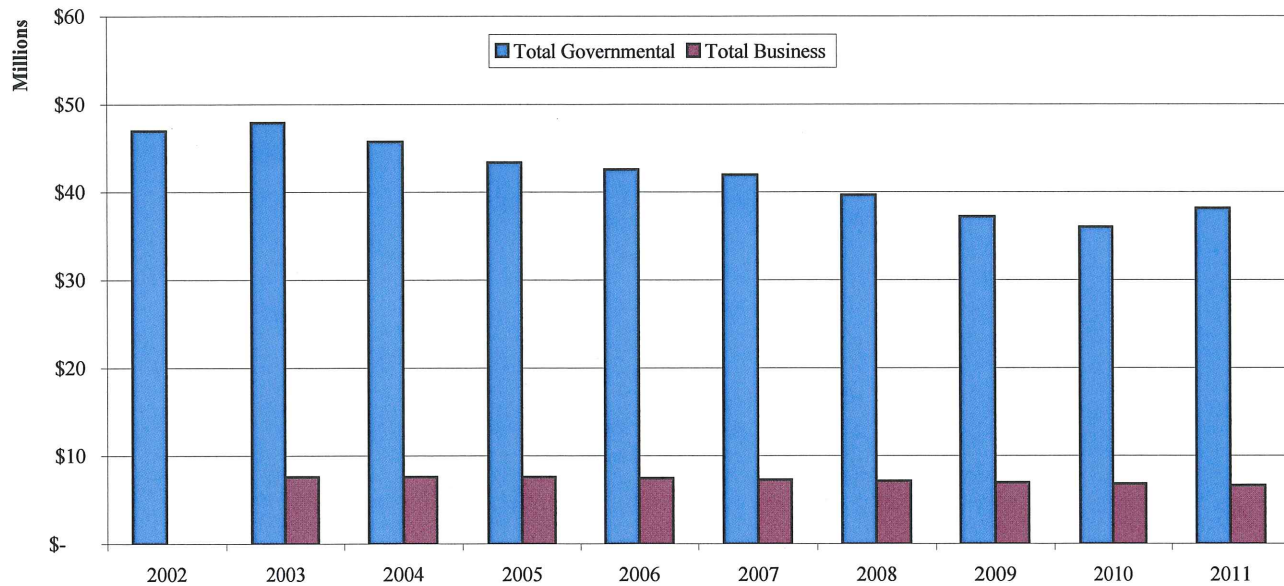
Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquent taxes as a Percent of Allocations
2002	1.00	(2)	\$ 12,293,952	(2)	\$12,293,952	(2) 0.0%
2003	1.00	(2)	13,983,697	(2)	13,983,697	(2) 0.0%
2004	1.00	(2)	14,895,188	(2)	14,895,188	(2) 0.0%
2005	1.00	(2)	17,385,722	(2)	17,385,722	(2) 0.0%
2006	1.00	(2)	20,848,887	(2)	20,848,887	(2) 0.0%
2007	1.00	(2)	20,360,475	(2)	20,360,475	(2) 0.0%
2008	1.00	(2)	22,195,606	(2)	22,195,606	(2) 0.0%
2009	1.00	(2)	21,978,859	(2)	21,978,859	(2) 0.0%
2010	1.00	(2)	21,702,536	(2)	21,702,536	(2) 0.0%
2011	1.00	(2)	21,632,731	(2)	21,632,731	(2) 0.0%

Notes:

- (1) Includes deductions for County property tax administration.
- (2) Information not applicable. All general purpose property taxes are levied by the county and allocated to other governmental entities.

Source: San Rafael Finance Department Revenue Reports

**CITY OF SAN RAFAEL
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**



Governmental Activities							
Fiscal Year	RDA Tax Allocation Bonds	Financing Authority Revenue Bonds	Note Payable	Court Fine Promissory Note	Capitalized Lease Obligations	Pension Obligation Bonds	Total
2002	\$43,479,004	\$3,335,000	\$ 169,000	-	-	-	\$ 46,983,004
2003	44,914,000	2,820,000	169,000	-	-	-	47,903,000
2004	43,239,004	2,340,000	169,000	-	-	-	45,748,004
2005	41,514,004	1,685,000	169,000	-	-	-	43,368,004
2006	40,849,107	1,155,000	169,000	-	\$ 412,441	-	42,585,548
2007	39,217,501	950,000	169,000	\$ 1,029,717	596,927	-	41,963,145
2008	37,537,161	780,000	169,000	816,119	401,155	-	39,703,435
2009	35,793,692	455,000	169,000	594,100	198,816	-	37,210,608
2010	35,355,988	0	169,000	363,328	135,330	-	36,023,646
2011	33,298,499	0	169,000	124,222	69,098	\$ 4,490,000	38,150,819

Business-Type Activities					
Fiscal Year	Parking Services Bonds	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2002	-	-	\$46,983,004	2.23%	\$ 828.76
2003	\$ 7,605,000	\$7,605,000	55,508,000	2.54%	973.72
2004	7,605,000	7,605,000	53,353,004	2.34%	933.04
2005	7,605,000	7,605,000	50,973,004	2.14%	890.76
2006	7,455,000	7,455,000	50,040,548	1.97%	872.56
2007	7,300,000	7,300,000	49,263,145	1.85%	848.68
2008	7,140,000	7,140,000	46,843,435	1.73%	804.39
2009	6,975,000	6,975,000	44,185,608	1.67%	757.08
2010	6,805,000	6,805,000	42,828,646	1.85%	728.11
2011	6,630,000	6,630,000	44,780,819	N/A	770.28

Note : Debt amounts exclude any premiums, discounts, or other amortization amounts.

Sources: City of San Rafael

State of California, Department of Finance (population)

U.S. Department of commerce, Bureau of the Census (income)

(a) See Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SAN RAFAEL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2011

2010-11 Assessed Valuation:	\$10,028,202,014
Redevelopment Incremental Valuation:	2,246,741,694
Adjusted Assessed Valuation:	<u>\$7,781,460,320</u>

	Total Debt 6/30/2011	% Applicable (1)	City's Share of Debt 6/30/09
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Marin Community College District	\$180,400,000	14.992%	\$27,045,568
San Rafael High School District	53,320,315	74.254%	39,592,467
Tamalpais Union High School District	167,530,000	0.085%	142,401
Dixie School District	7,805,810	67.208%	5,246,129
Ross School District	18,364,941	1.674%	307,429
Ross Valley School District	23,149,639	0.008%	1,852
San Rafael School District	61,823,301	78.402%	48,470,704
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$120,806,550</u>
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Certificates of Participation	\$79,984,112	14.967%	\$11,971,222
Marin County Pension Obligations	111,480,000	14.967%	16,685,212
Marin County Transit District General Fund Obligations	219,185	14.967%	32,805
Marin Municipal Water District General Fund Obligations	178,320	19.117%	34,089
Marin Community College District Certification of Participation	2,855,834	14.992%	428,147
San Rafael School District Certificates of Participation	4,085,000	78.402%	3,202,722
City of San Rafael General Fund Obligations	9,771,032	100.000%	9,771,032 (2)
City of San Rafael Pension Obligations	4,490,000	100.000%	4,490,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$46,615,229</u>
Less: City of San Rafael lease revenue bonds supported by enterprise revenues			<u>6,630,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>39,985,229</u>
TOTAL GROSS DIRECT DEBT			\$14,261,032
TOTAL NET DIRECT DEBT			\$7,631,032
TOTAL OVERLAPPING DEBT			\$153,160,747
GROSS COMBINED TOTAL DEBT			\$167,421,779 (3)
NET COMBINED TOTAL DEBT			\$160,791,779

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

(2) Include city's share of Marin Emergency Radio Authority refunding revenue bonds.

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

Ratios to 2010-11 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.21%

Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt (\$14,261,032)	0.18%
Net Combined Direct Debt (\$7,631,032)	0.10%
Gross Combined Total Debt	2.15%
Net Combined Total Debt	2.07%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/1	\$0
--	-----

Source: California Municipal Statistics, Inc.

**CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
6/30/2011**

ASSESSED VALUATION:	<u>\$10,028,202,014</u>
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>376,057,576</u>
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	<u>37,788,499</u>
LEGAL BONDED DEBT MARGIN	<u>\$338,269,077</u>

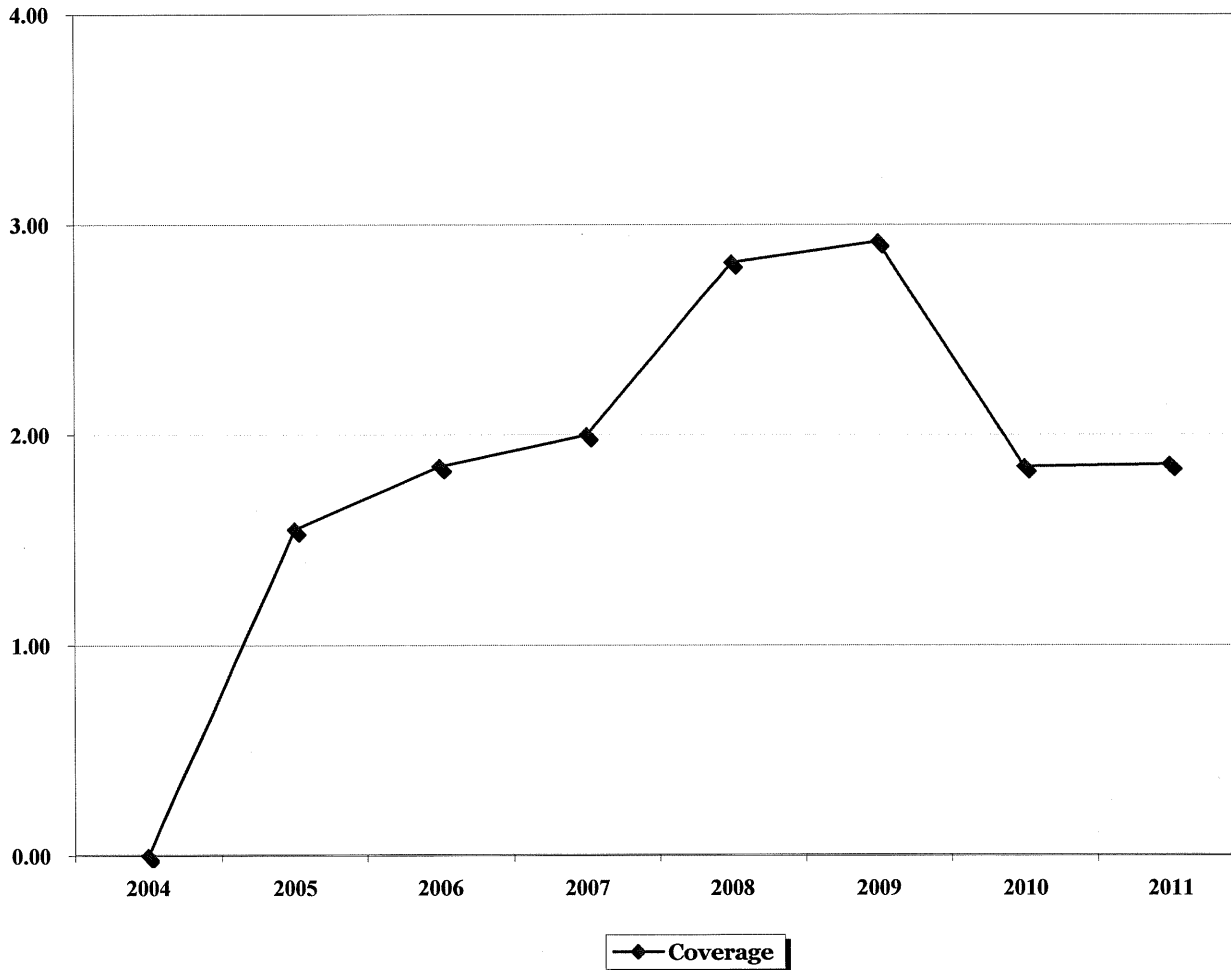
Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2002	n/a	\$ 43,479,004	n/a	n/a
2003	\$ 260,849,301	44,914,000	\$ 215,935,301	20.80%
2004	274,836,486	43,239,004	231,597,482	18.67%
2005	288,902,692	41,514,004	247,388,688	16.78%
2006	311,727,085	40,849,107	270,877,978	15.08%
2007	337,021,287	39,217,501	297,803,786	13.17%
2008	357,440,434	37,537,161	319,903,273	11.73%
2009	376,420,238	35,793,692	340,626,546	10.51%
2010	381,164,135	35,355,988	345,808,147	10.22%
2011	376,057,576	37,788,499	338,269,077	11.17%

NOTE: (a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth

Source: California Municipal Statistics. Inc. and City of San Rafael's Management Service Department

Note: Data not available for 2002

**CITY OF SAN RAFAEL
REVENUE BOND COVERAGE
PARKING FACILITY
LAST EIGHT FISCAL YEARS**



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 2,336,966	\$ 1,498,740	\$ 838,226	-	-	-	N/A
2005	2,632,588	1,964,713	667,875	-	\$ 431,958	\$ 431,958	1.55
2006	3,069,915	2,155,435	914,480	\$ 150,000	344,441	494,441	1.85
2007	3,331,754	2,344,285	987,469	155,000	339,904	494,904	2.00
2008	4,089,112	2,692,086	1,397,026	160,000	335,216	495,216	2.82
2009	4,425,813	2,980,083	1,445,730	165,000	330,379	495,379	2.92
2010	4,262,082	3,343,680	918,402	170,000	325,285	495,285	1.85
2011	4,023,211	3,101,411	921,800	175,000	319,391	494,391	1.86

Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new park

(1) Includes all Parking Facility Operating Revenues and Non-operating Interest Revenue

(2) Includes all Parking Facility Operating Expenses less Depreciation and Interest

Source: City of San Rafael Annual Financial Statements

**CITY OF SAN RAFAEL
REDEVELOPMENT PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

1999 RDA Tax Allocation Bonds (1)

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2002	\$1,499,475	\$525,000	\$974,445	\$1,499,445	1.00
2003	1,499,600	550,000	949,600	1,499,600	1.00
2004	1,497,881	575,000	922,881	1,497,881	1.00
2005	1,499,856	605,000	894,856	1,499,856	1.00
2006	1,495,525	630,000	865,525	1,495,525	1.00
2007	1,499,769	665,000	834,769	1,499,769	1.00
2008	1,497,469	695,000	802,469	1,497,469	1.00
2009	1,498,625	730,000	768,625	1,498,625	1.00
2010	1,255,830	765,000	490,830	1,255,830	1.00
2011	0	0	0	0	0

2002 RDA Tax Allocation Bonds

Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2002	N/A	N/A	N/A	N/A	N/A
2003	\$2,069,768	\$1,475,000	\$ 594,768	\$ 2,069,768	1.00
2004	2,069,425	1,100,000	969,425	2,069,425	1.00
2005	2,067,225	1,120,000	947,225	2,067,225	1.00
2006	2,069,575	1,145,000	924,575	2,069,575	1.00
2007	2,066,475	1,165,000	901,475	2,066,475	1.00
2008	2,070,381	1,195,000	876,381	2,071,381	1.00
2009	2,070,150	1,235,000	835,150	2,070,150	1.00
2010	2,068,338	1,290,000	778,338	2,068,338	1.00
2011	2,068,938	1,350,000	718,938	2,068,938	1.00

2009 RDA Tax Allocation Bonds (1)

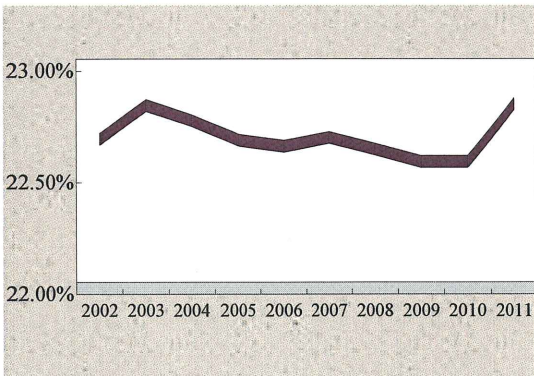
Funding Source: RDA tax increment revenues

Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2010	\$265,445		\$ 265,445	\$ 265,445	1.00
2011	1,494,725	\$ 875,000	619,725	1,494,725	1.00

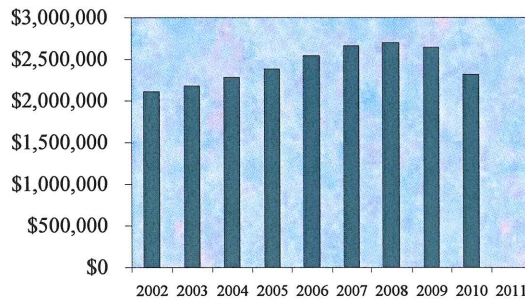
Notes: The 1999 RDA Tax Allocation Bonds, Current Interest Bonds portion were refunded by the issuance of the 2009 RDA Tax Allocation Bonds in December 2009. The Capital Appreciation Bonds mature annually on December 1 2018. No pledged revenue is required for 1999 Capital Appreciation Bonds at June 30, 2011.

Source: San Rafael Finance Department

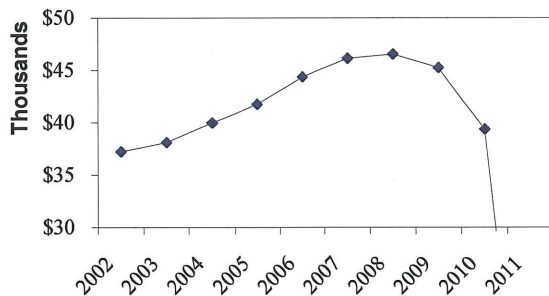
**CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



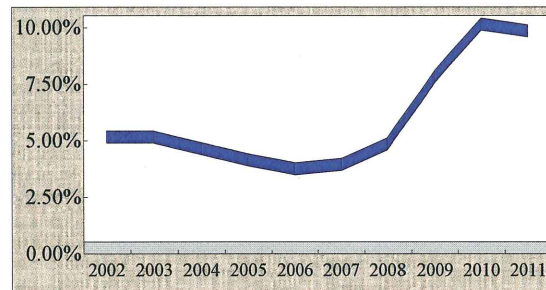
■ City Population as a % of County Population



■ Personal Income (2) (in thousands)



—◆— Per Capita Personal Income (2)



■ Unemployment Rate (%)

Fiscal Year	City Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Average Unemployment Rate (3)	Marin County Population	City Population % of County
2002	56,691	\$ 2,110,465	\$ 37,269	4.90%	250,078	22.67%
2003	57,006	2,181,297	38,152	4.90%	249,808	22.82%
2004	57,182	2,282,733	39,991	4.40%	251,330	22.75%
2005	57,224	2,382,096	41,765	3.90%	252,485	22.66%
2006	57,349	2,544,221	44,400	3.50%	253,341	22.64%
2007	58,047	2,663,922	46,152	3.70%	255,982	22.68%
2008	58,235	2,703,213	46,557	4.60%	257,406	22.62%
2009	58,363	2,642,978	45,288	7.60%	258,618	22.57%
2010	58,822	2,317,704	39,402	9.90%	260,651	22.57%
2011	58,136	n/a	n/a	9.60%	254,692	22.83%

Source (1) State of California, Department of Finance - Demographic Research Unit. The data represents the City's population January 1, of each year.

(2) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce. Data is Marin county-wide rate.

(3) Employment Development Department, Labor Market Information Division. Data represents Marin county-wide rate only and is not seasonally adjusted.

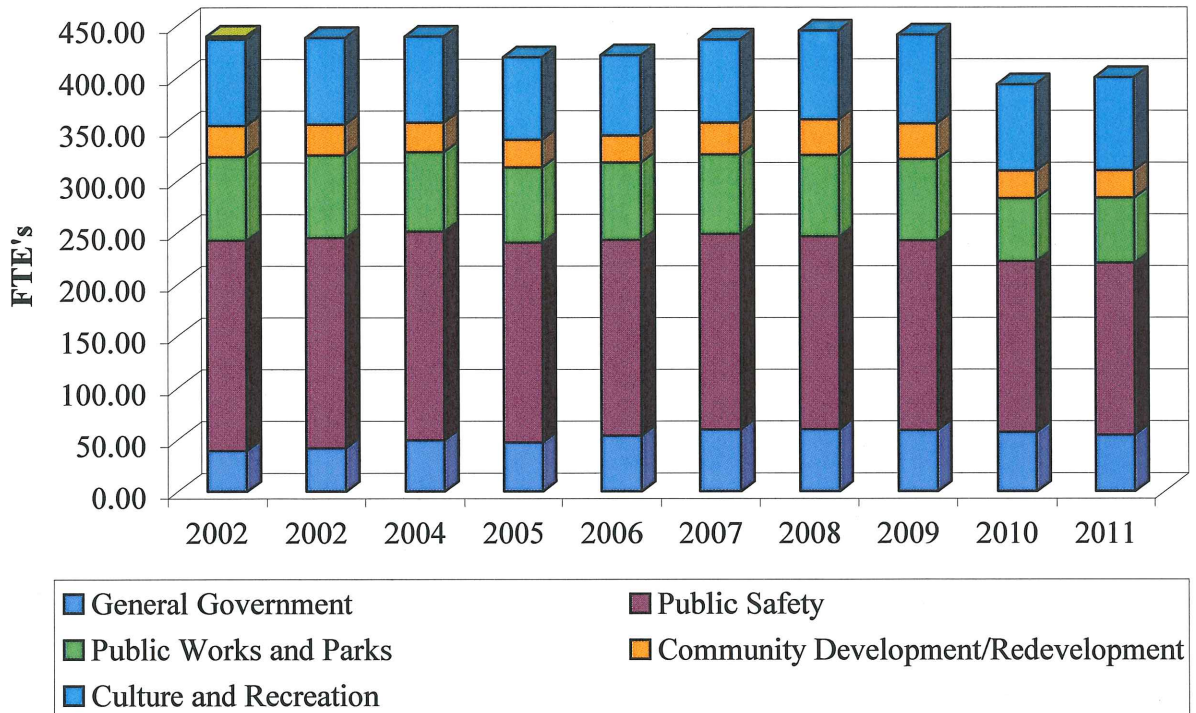
**CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2010-2011**

Employer	Number of Employees	Percentage of total employment in San Rafael
Kaiser Permanente	1,330	4.93%
Autodesk, Inc.	928	3.44%
City of San Rafael	592	2.19%
Comcast	619	2.29%
Safeway	452	1.67%
Macy's	450	1.67%
Dominican University of California	336	1.24%
MHN	350	1.30%
Bradley Real Estate	350	1.30%
Guide Dogs for the Blind	280	1.04%
Totals	5,407	20.03%

Source: State of California, Employment Development Department, Labor Market Information Division
San Francisco Business Times, 2011 Book of Lists

Note: Total employment in the City of San Rafael as of June 2011 was 27,000

**CITY OF SAN RAFAEL
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**



Function	2002	2002	2004	2005	2006	2007	2008	2009	2010	2011
General Government	39.20	41.73	49.27	47.02	53.71	59.38	59.88	58.88	56.88	54.35
Public Safety	203.03	203.03	201.63	193.13	188.86	189.00	186.00	183.00	165.00	166.00
Public Works and Parks	80.70	79.95	76.70	72.80	74.80	76.80	78.80	78.80	60.80	62.80
Community Development/Redevelopment	30.28	29.75	28.75	26.75	26.43	31.00	34.50	34.50	26.75	26.75
Culture and Recreation	83.76	83.76	83.26	79.73	77.49	80.22	85.90	85.90	83.49	89.82
Total	436.97	438.22	439.61	419.43	421.29	436.40	445.08	441.08	392.92	399.72

Source: City of San Rafael

**CITY OF SAN RAFAEL
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	2002	2003	2004	2005	2006	2007
Function/Program						
Public safety:						
Fire:						
Inspection permit issued	N/A	N/A	N/A	N/A	N/A	143
Police:						
Police calls for service	N/A	N/A	N/A	N/A	N/A	43,480
Law violations:						
Part I crimes	N/A	N/A	N/A	N/A	N/A	2,557
Physical arrests (adult and juvenile)	N/A	N/A	N/A	N/A	N/A	3,809
Traffic violations	N/A	N/A	N/A	N/A	N/A	5,197
Parking violations	15,468	26,308	30,946	39,421	33,610	36,228
Public works						
Street resurfacing (miles) (Eng Div)	N/A	1.20	5.70	6.80	1.08	N/A
Potholes repaired (square miles)	N/A	N/A	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	N/A	N/A	N/A	N/A	N/A	N/A
Culture and recreation:						
Recreation class participants	6,000	7,000	7,000	7,000	8,000	8,000
Items in collection (thousands)						
Library:						
Items in collection (thousands)	121.85	128.12	118.24	121.81	123.12	124.46
Total items borrowed (thousands)	336.57	338.60	332.33	299.30	333.15	359.41
Wastewater						
Residential connections						
Commercial connections						
Other connections						
Average daily sewage treatment (millions of gallons)	6.976	6.976	6.976	6.976	6.976	6.976

Note: N/A denotes information not available.

	2008	2009	2010	2011
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	217	196	307	294
Police:				
Police calls for service	43,488	42,227	42,227	39,512
Law violations:				
Part I crimes	2,314	2,352	2,352	2,180
Physical arrests (adult and juvenile)	4,182	4,487	4,487	3,102
Traffic violations	9,241	5,777	5,777	8,190
Parking violations	42,481	44,913	42,806	34,590
Public works				
Street resurfacing (miles) (Eng Div)	4.95	2.77	2.77	7.40
Potholes repaired (square miles)	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	N/A	N/A	N/A	112.6
Culture and recreation:				
Recreation class participants	8,000	8,000	9,524	9,000
Items in collection (thousands)				
Library:				
Items in collection (thousands)	N/A	124.40	151.88	158.30
Total items borrowed (thousands)	N/A	N/A	371.12	435.66
Wastewater				
Residential connections				
Commercial connections				
Other connections				
Average daily sewage treatment (millions of gallons)	6.976	6.976	6.976	6.976

Note: N/A denotes information not available.

**CITY OF SAN RAFAEL
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Function/Program						
Public safety:						
Fire stations	6	6	6	6	6	6
Police stations	1	1	1	1	1	1
Police Fleet						
Public works						
Miles of streets	171	171	172	172	173	173
Street lights	4,200	4,200	4,333	4,333	4,435	4,435
Parking District lights						
Traffic Signals	85	85	85	85	89	89
Culture and recreation:						
Community services:						
City parks	19	19	19	19	19	19
City parks acreage	41	41	41	41	41	41
Playgrounds	13	13	13	13	13	13
City trails	15	15	15	15	15	20
Community gardens	2	2	2	2	1	1
Community centers	4	4	4	4	4	4
Senior centers	0	0	0	0	0	0
Sports centers	0	0	0	0	0	0
Performing arts centers	0	0	0	0	0	0
Swimming pools	1	1	1	1	1	1
Tennis courts	10	10	10	10	10	10
Basketball Courts	5	5	5	5	5	5
Baseball/softball diamonds	5	5	5	5	5	5
Soccer/football fields	2	2	2	2	2	2
Library:						
City Libraries	1	1	1	1	1	1
Wastewater						
Miles of sanitary sewers	176.90	178.40	179.15	179.15	179.15	179.15
	51.40	53.50	57.60	57.60	57.60	57.60
Number of treatment plants	1	1	1	1	1	1

(1) Source: City of San Rafael

	2008	2009	2010	2011
Function/Program				
Public safety:				
Fire stations	6	6	6	6
Police stations	1	1	1	1
Police Fleet				
Public works				
Miles of streets	173	173	173	173
Street lights	4,435	4,435	4,435	4,435
Parking District lights				
Traffic Signals	89	89	89	89
Culture and recreation:				
Community services:				
City parks	20	20	20	20
City parks acreage	42	42	42	42
Playgrounds	14	14	14	14
City trails	20	20	20	20
Community gardens	1	1	1	1
Community centers	4	4	4	4
Senior centers	0	0	0	0
Sports centers	0	0	0	0
Performing arts centers	0	0	0	0
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Basketball Courts	5	5	5	5
Baseball/softball diamonds	5	5	5	5
Soccer/football fields	2	2	2	2
Library:				
City Libraries	1	2	2	2
Wastewater				
Miles of sanitary sewers	179.15	179.15	179	179
	57.60	57.60	58	58
Number of treatment plants	1	1	1	1

(1) Source: City of San Rafael

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