



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2012



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2012

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

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INTRODUCTORY SECTION

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CITY OF SAN RAFAEL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

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INTRODUCTORY SECTION

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MAYOR GARY O. PHILLIPS
COUNCILMEMBER DAMON CONNOLLY
COUNCILMEMBER BARBARA HELLER
COUNCILMEMBER MARC LEVINE
COUNCILMEMBER ANDREW CUYUGAN MCCULLOUGH

November 15, 2012

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, 2012, is hereby submitted as required by local ordinances, State statutes and bond covenants. This financial report has been prepared in conformance with Generally Accepted Accounting Principles as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation, who has issued an unqualified (“clean”) opinion on the City of San Rafael’s financial statements for the fiscal year ended June 30, 2012.

The independent audit of the financial statements is part of a broader, federally mandated “Single Audit” designed to meet the needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the audited agency’s internal controls and compliance with legal requirements, with special emphasis on such controls and requirements involving the administration of federal awards. These reports will be available in the City’s separately issued Single Audit 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. 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: police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, community services (including recreation and childcare), community development (encompassing building, planning and code enforcement), and a library system with two branches. The City performed certain infrastructure construction and economic development activities through a separate, redevelopment agency until its dissolution on January 31, 2012. The City of San Rafael accepted the role of successor agency to the Redevelopment Agency per Council action on January 3, 2012. The City and former Redevelopment Agency compose the San Rafael Joint Powers Financing Authority, which was established for the purpose of financing redevelopment projects. 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.

In 1874, the City of San Rafael became the first incorporated City in the County, later becoming a charter city in 1913 by vote of city residents. The City Council comprises five members; four are elected at large to four-year terms. The mayor is elected separately to a four-year term. The City's land area is 22 square miles, including 17 square miles of land and five of water and tidelands. San Rafael's population in 2012 was 58,305.

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, cultural and civic hub of Marin County. Abundant recreational facilities are available in and around the City. The City's cultural, park and recreational resources include --- 19 City parks, City and County open space, and China Camp State Park. San Rafael is close to other attractions, including Muir Woods, Mount Tamalpais, four other State parks, San Francisco, Oakland and the nearby wine country.

Downtown San Rafael is the location of many community events, including May Madness Classic Car Parade, a 26 week Farmers Market Festival on Thursday Nights, First Friday Art Walks, Twilight Criterium Bike Race, Mill Valley Film Festival, and the Winter Wonderland/Parade of Lights. San Rafael is also the heart of the County's cultural activities with venues such as the Marin Center, Falkirk Cultural Center, the Christopher B. Smith Film Center, and a host of diverse dining and entertainment venues. Marin Center presents numerous ballets, concerts, speaking engagements, and the award winning Marin County Fair. The Falkirk Cultural Center provides art exhibits and children's programming. The City is also home to the distinguished Dominican University of California.

ECONOMIC FACTORS

The City has a diversified economic base, which includes high-tech, financial, service-based, entertainment and industrial businesses. Downtown San Rafael provides a mix of restaurants, retail stores and financial institutions. The City's diversified economic base is also reflected in a diverse property tax base, which is 76% residential, 21% commercial and 3% industrial. The top 30 sales tax generators provide less than 50% of overall sales tax revenues.

San Rafael is a regional employment center. The number of jobs within the City exceeds the number of employed residents. 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.

For fiscal year 2012-2013, sales tax is projected to increase about 6%, Transaction Use Tax (Measure S) is projected to increase about 3%. All other revenues, including business tax, franchise tax, charges for services and permit fees are expected to be flat or experience modest increases.

We anticipate that economy will grow slowly the upcoming year, and that job gains will be limited. The City has achieved significant progress by balancing the general fund budget without the use of borrowed monies or reserves. However, the organization has deferred maintenance and capital replacement for several years, and reduced its organizational capacity by approximately 20% over the past five years.

The California state legislature enacted Assembly Bill x1 26 (the "Dissolution Act") which terminated all redevelopment agencies formed under the Community Redevelopment Law, effective February 1, 2012. Consequently, the City has had to absorb many of the economic development activities formerly associated with the Redevelopment Agency with its general fund supported operations. Future economic development activities and initiatives will likely require similar support.

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 Business Improvement District, Chamber of Commerce and the Marin County Economic Commission.
- ☒ San Rafael's population grew from 56,628 in 2002 to 58,305 in 2012, a ten-year growth rate of 3.9%.
- ☒ Unemployment rates for 2012 were 7.9% (2011 was 9.6%) for the City and 6.7% countywide.
- ☒ Countywide office vacancy rates in the second quarter of 2012 were 21.8% reduced from 27.8% in 2011.
- ☒ Median office rents in Central San Rafael during 2012 were \$2.58 per square foot; in North San Rafael the rate averaged \$2.26.
- ☒ Median industrial space rents averaged \$1.00 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 an affordability 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.
- ☒ While assessed property values have continued their decline in many regions throughout the state, they have proven to be stable in San Rafael.

Recent growth and economic vibrancy:

- Terrapin Crossroads food and entertainment venue
- Construction of new Audi/VW dealership (49,995 sq. ft.)
- Ground breaking on new Target store (137,000 sq. ft.)
- New Honda dealership (22,034 sq. ft.)
- Completion a new 82 unit apartment building at 33 North
- TJ Max replacement of Borders (20,000 sq. ft.)

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.

The City develops a budget based upon City 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 his or her budget allocations consistent with policies set by the City Council and monitored by the City Manager.

ACKNOWLEDGMENTS

The preparation of this City-wide document would not have been possible without the assistance from each of the City's departments. We would like to specifically call out the diligent, dedicated efforts of the Finance Department's staff. Appreciation goes to Van Bach, Accounting Supervisor, Helen Yu, Accountant, and Carl Tregner, Accountant. These employees were instrumental in coordinating the annual audit in a timely and professional manner. We believe this document meets the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting requirements, and will be submitting it to the GFOA to determine its eligibility. If accepted, this will mark the first time in more than ten years that the City received the award.

Lastly, 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.

Respectfully submitted,



Nancy Mackle
City Manager



Mark Moses
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

Gary O. Phillips, Mayor
Barbara Heller, Council Member
Damon Connolly, Council Member
Marc Levine, Council Member
Andrew Cuyugan McCullough, Council Member



City Council and Staff

City Council

Gary O. Phillips, Mayor
Barbara Heller, Council Member
Damon Connolly, Council Member
Marc B. Levine, Council Member
Andrew Cuyugan McCullough, Council Member

Elected Officials

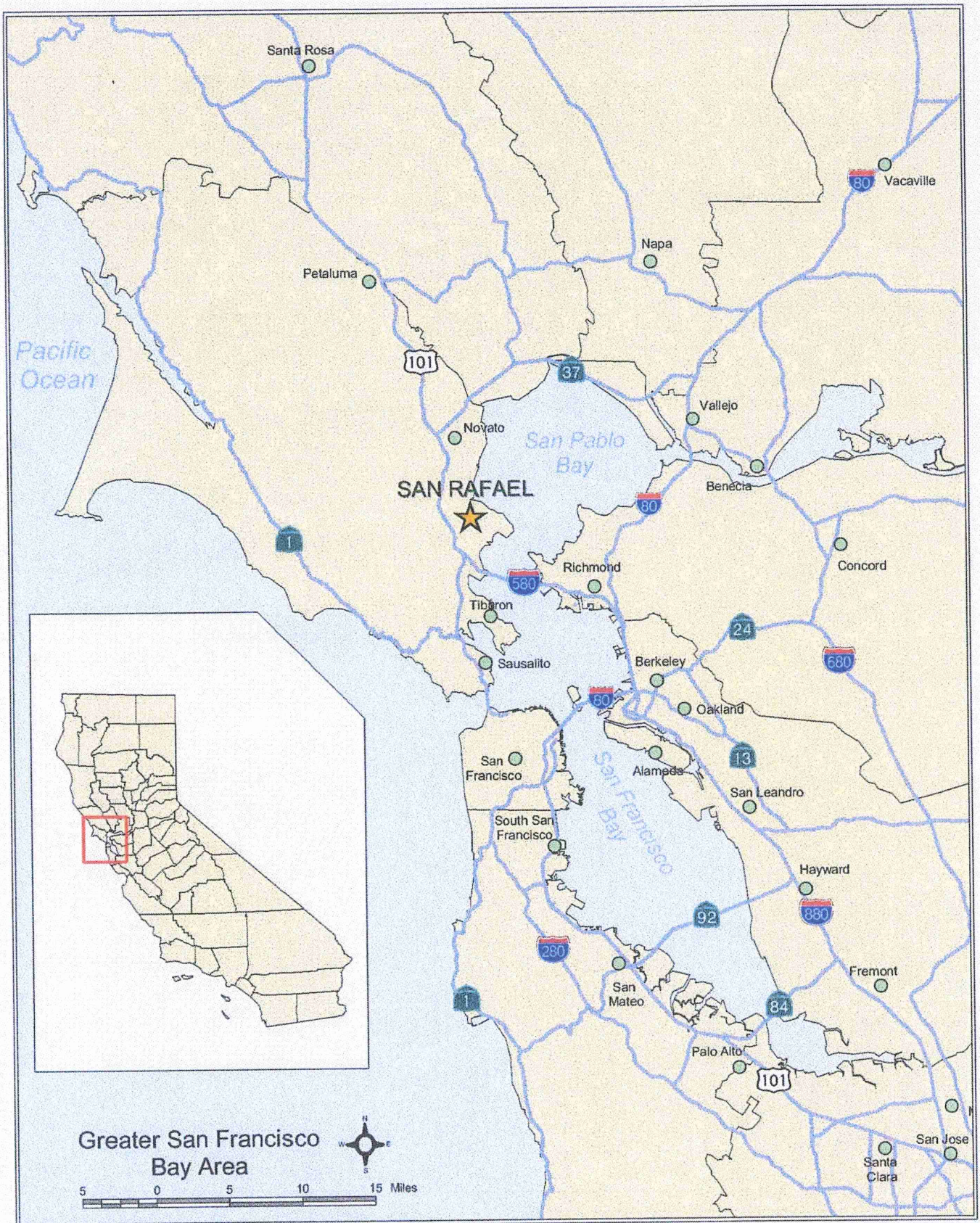
Rob Epstein, City Attorney
Esther Beirne, City Clerk

Management Team

Nancy Mackle, City Manager
Jim Schutz, Assistant City Manager
Paul Jensen, Community Development Director
Sarah Houghton, Library Director
Chris Gray, Fire Chief
Stephanie Lovette, Economic Development Director
Carlene McCart, Community Services Director
Mark Moses, Interim Finance Director
Nader Mansourian, Public Works Director
Diana Bishop, Police Chief
Doris Toy, District Manager/Engineer-SRSD

CAFR Team

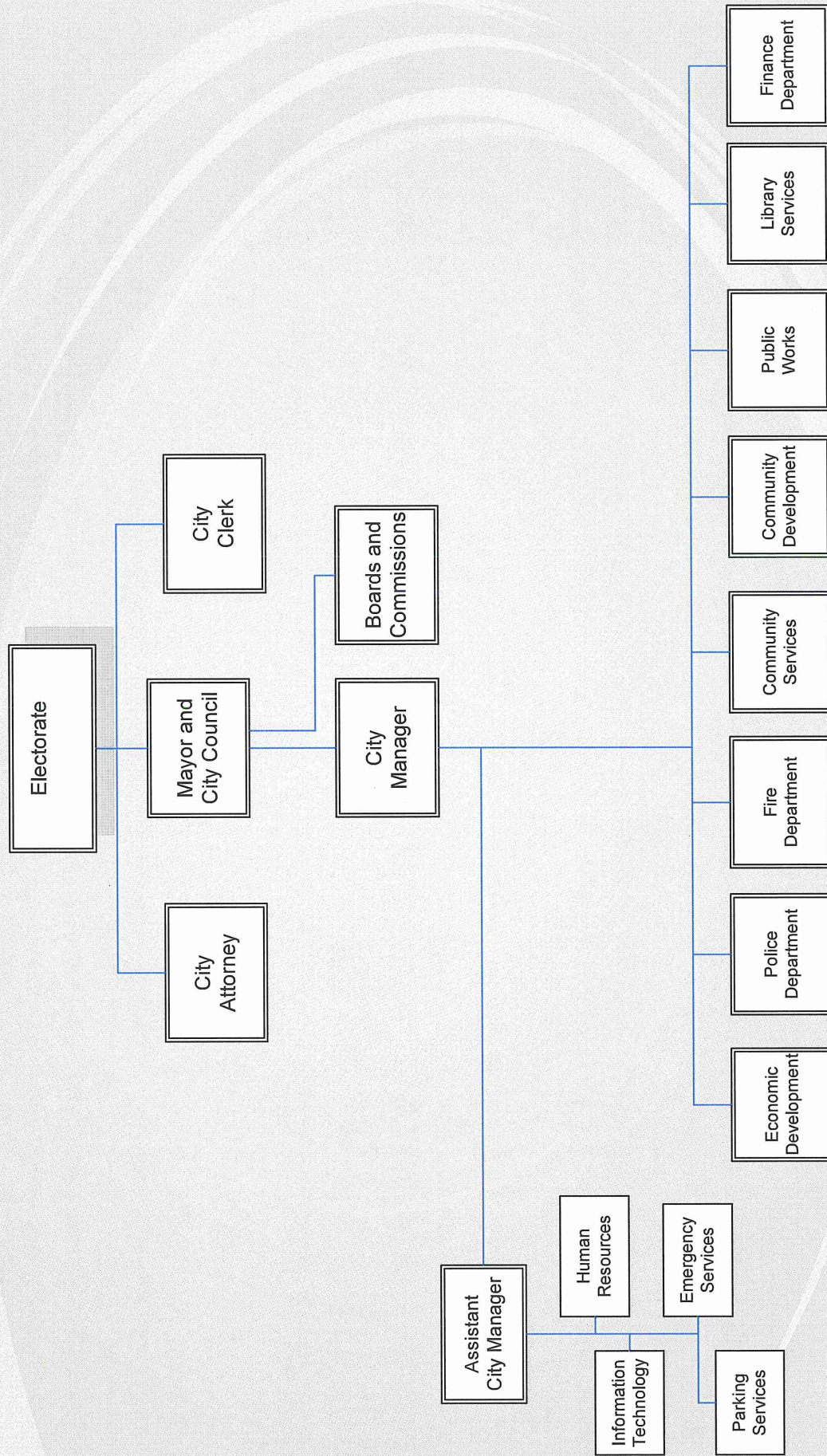
Mark Moses, Interim Finance Director
Van Bach, Accounting Supervisor
Helen Yu, Accountant
Carl Tregner, Accountant



LOCATION MAP

City of San Rafael

Organizational Chart



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FINANCIAL SECTION

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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, California, as of and for the year ended June 30, 2012, 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 1% and 12% 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 auditing standards generally accepted 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, 2012, 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 discussed in Note 1N, the City restated beginning fund balances of the General Fund, the Redevelopment Agency Capital Projects Fund, beginning net assets of the Governmental Activities Liability Insurance Internal Service Fund, the Workers' Compensation Internal Service Fund, and Retiree Health (OPEB) Internal Service Fund.

As discussed in Note 16, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the San Rafael Redevelopment Agency has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective January 31, 2012. Certain transactions undertaken by the Redevelopment Agency of the City of San Rafael prior to the date of dissolution may be subject to review by the State as discussed in Note 16, but the effect of that review can not be determined as of June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information for the General, Traffic and Housing Mitigation Special Revenue and Gas Tax Special Revenue Funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of San Rafael's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



November 15, 2012

CITY OF SAN RAFAEL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2012

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, 2012. 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 as of June 30, 2012 by \$240.9 million.
- *Activities* – During the fiscal year the City's total revenues (\$91.1 million) were greater than expenses for governmental and business-type activities (\$87.8 million) by \$3.3 million.
- *Changes in Net Assets* – The City's total net assets increased by \$32.3 million in fiscal year 2012. Most of this increase was due to the transfer of \$31.0 million of debt from the terminated Redevelopment Agency to the Successor Agency Private-Purpose Trust Fund. Net assets of governmental activities increased by \$31.9 million, while net assets of the business type activities increased by \$0.4 million.

Fund Highlights:

- *Governmental Funds – Fund Balances-* As of the close of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$30.8 million, an increase of \$0.6 million from the prior year. Of this total amount, \$1.3 million is nonspendable, \$16.9 million is restricted, \$5.8 million is committed, and \$6.8 million is assigned.
- Governmental Fund revenues were \$85.2 million; an increase of \$2.3 million from fiscal year 2011. This increase was attributable to stronger General fund and Emergency Medical Service fund revenue performance.
- Governmental Fund expenditures decreased by \$3.2 million to \$81.9 million in fiscal year 2012, from \$85.1 million in the prior year, due to expenditure reductions in the Gas tax and Grants funds.
- Enterprise Fund financial results remained relatively flat in fiscal year 2012.

OVERVIEW OF FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is composed of the following:

1. Introductory section, which includes the Transmittal Letter and general information
2. Management's Discussion and Analysis (this part)
3. Basic Financial Statements, which include the Government-wide and the Fund financial statements along with the Notes to these financial statements
4. Combining statements for Non -Major Governmental Funds, Internal Services Funds, and Fiduciary Funds.
5. Statistical Information

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have 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 Redevelopment Agency of the City of San Rafael and the San Rafael Joint Powers Financing Authority. These component units are, for practical purposes, departments of the City and have been included in the basic financial statements as integral parts of the primary government using the blended method.

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

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 Governmental 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 fees to customers to cover the full costs of certain services it provides. The City's Parking Services program is the City's sole business-type activity.

Discretely Presented Component Units - The government-wide financial statements include not only the City itself (the primary government), but also the San Rafael Sanitation District, a legally separate entity 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.

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 are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

The fund financial statements provide detailed 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 No. 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 86 through 106 of this report.

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

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

The City has thirty-five governmental funds, of which three are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's three major funds are - the General Fund, Gas Tax, and Traffic and Housing Mitigation. Data from the other thirty-two governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22 through 25 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 86 through 106 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, and reports it as a major fund. 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 vehicle replacement, building maintenance, radio systems, telephone systems, personal computer replacement program, self-insured workers compensation, general liability, and dental programs, and other employee and retiree 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 28 through 30 of this report.

Fiduciary Funds – The City acts as an agent on behalf of others, holding amounts collected, and disbursing them as directed or required. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 74 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the major funds (general, 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 78 through 80 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$240.9 million, an increase of \$32.3 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2012 and 2011.

June 30, (amounts in millions)						
	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2012	2011		2012	2011	
Assets:						
Current assets	\$ 64.5	\$ 51.0	\$ 13.5	\$ 2.7	\$ 2.4	\$ 0.3
Capital assets, net	195.7	202.0	(6.3)	17.1	17.4	(0.3)
Total assets	260.2	253.0	7.2	19.8	19.8	0.0
Liabilities:						
Current liabilities	11.0	16.3	(5.3)	0.4	0.4	-
Long-term liabilities	21.5	40.9	(19.4)	6.3	6.6	(0.3)
Total liabilities	32.5	57.2	(24.7)	6.7	7.0	(0.3)
Net Assets:						
Invested in capital assets, net of related debt	192.4	174.3	18.1	10.6	10.8	(0.2)
Restricted	24.7	21.3	3.4	-	-	-
Unrestricted	10.6	0.2	10.4	2.5	1.9	0.6
Total net assets	\$ 227.7	\$ 195.8	\$ 31.9	\$ 13.1	\$ 12.7	\$ 0.4

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

At June 30, 2012, the largest portion of net assets (84.5 percent) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The increase in total net assets from fiscal year 2011 to fiscal year 2012 is largely attributable to a reduction in long-term liabilities from the transfer of Redevelopment Agency debt to the Successor Agency Private-Purpose Trust.

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 (10.8 percent) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements.

For the year ended June 30, 2012, 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.



CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2012 and 2011:

City of San Rafael Statements of Activities and Changes in Net Assets For the Fiscal Years Ended June 30, (amounts in millions)						
	Governmental Activities		Increase	Business-Type Activities		Increase
	2012	2011	(Decrease)	2012	2011	(Decrease)
Revenues:						
Program revenues	\$ 29.3	\$ 25.5	\$ 3.8	\$ 3.9	\$ 4.0	\$ (0.1)
General revenues	57.9	57.7	0.2	-	-	-
Total revenues	87.2	83.2	4.0	3.9	4.0	(0.1)
Expenses	84.3	91.3	(7.0)	3.5	3.7	(0.2)
Change in net assets before transfers	2.9	(8.1)	11.0	0.4	0.3	0.1
Transfers	29.0	0.5	28.5	(0.0)	(0.5)	0.5
Net Assets:						
Beginning, as restated	195.8	203.4	(7.6)	12.7	12.9	(0.2)
Ending, as restated	<u>\$ 227.7</u>	<u>\$ 195.8</u>	<u>\$ 31.9</u>	<u>\$ 13.1</u>	<u>\$ 12.7</u>	<u>\$ 0.4</u>

Governmental Activities:

The City's governmental activities net assets increased by \$31.9 million, which represents a 16.3% increase from the previous year. The most significant factor in this change was the transfer of \$31.0 million in debt from the Redevelopment Agency to the Successor Agency Private-Purpose Trust.

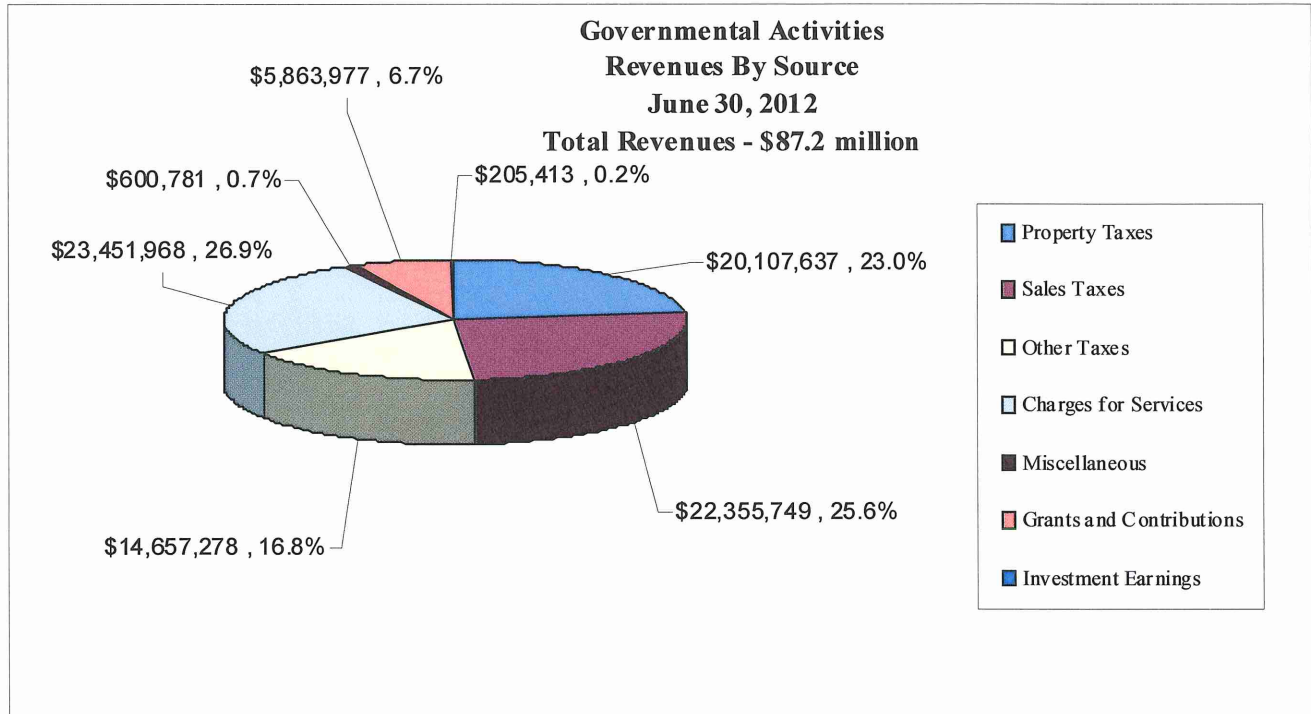
Revenue highlights:

- Sales tax (including Triple Flip Backfill and Measure S transactions and use tax) increased by \$0.7 million, a 3.4 percent increase compared to fiscal year 2011. The New Honda dealership and TJ Maxx store are the main contributors to the increase. The economic year-over year sales tax results exceeded 5.0 percent; however, one-time positive adjustments to the Triple Flip Backfill and Measure S in fiscal year 2011 reduced the actual year-over-year increase.
- Paramedic tax increased by \$146 thousand, or 4.0 percent. The paramedic tax rate was increased from \$85 to \$89 per unit for residential units, and from \$0.11 per square-foot to \$0.12 for all commercial/industrial sites in the City of San Rafael. The rates of the other three jurisdictions that receive paramedic services remained the same.
- Transient Occupancy Tax revenues increased by \$200 thousand, or 13.5 percent.
- Permits and Licenses increase by \$232 thousand, or 16.4 percent.
- Charges for services increased by \$3.8 million, or 23.7 percent, which included \$2.0 million to fund leave accrual, retiree medical, and building maintenance.

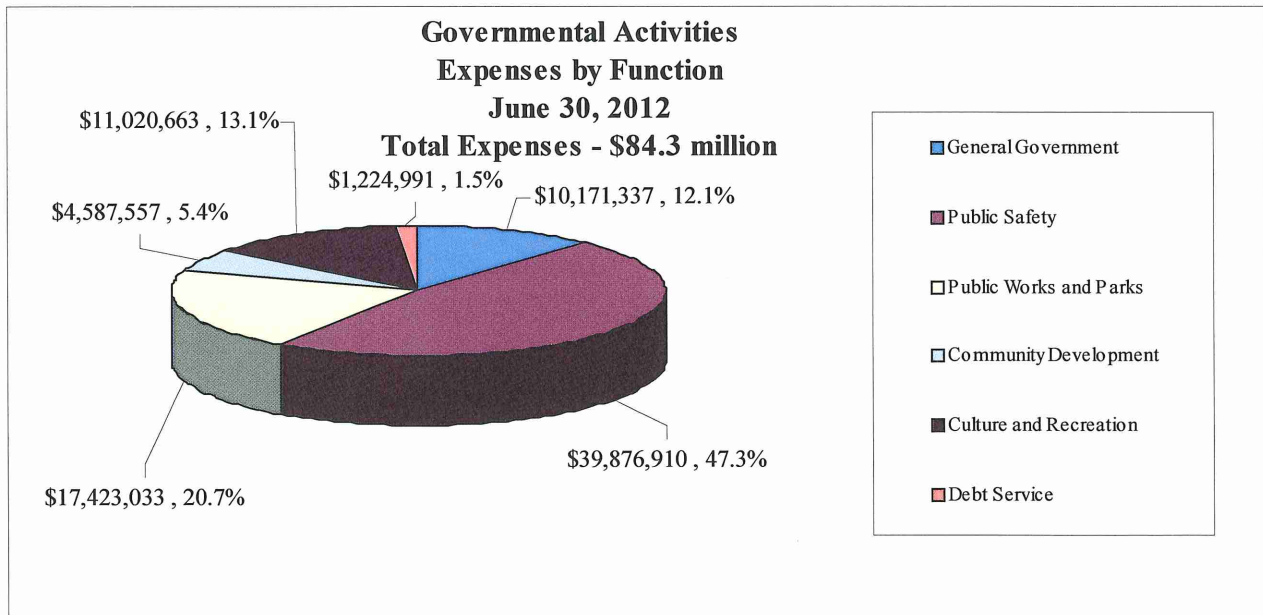
CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

Governmental Activities - Revenues:



Governmental Activities - Expenses:



Total expenses for governmental activities were \$83.1 million (excluding interest on long-term debt of \$1.2 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$23.4 million in charges for services.
- A total of \$5.9 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, 2012

As a result, total expenses that were funded by tax revenues, investment income and other general revenues were \$53.8 million.

Functional expenses for the years ended June 30, 2012 were as follows:

Expenses by Function For the fiscal year ended June 30, 2012		
Function	Amount	Percent of Total
General Government	\$ 10,171,337	12.1%
Public Safety	39,876,910	47.3%
Public works and parks	17,423,033	20.7%
Community development	4,587,557	5.4%
Culture and recreation	11,020,663	13.1%
Interest on Debt	1,224,991	1.5%
Total Expenses	\$ 84,304,491	100%

Business-type Activities:

Net assets for business-type activities were \$13.1 million, a \$0.4 million increase from the prior fiscal year. Parking services is the City's only business-type activity with income derived from program revenues of \$3.9 million. Program revenues include parking meter coin income of \$1.5 million, and parking garage hourly parking income of \$0.7 million. Revenues also include parking and non-vehicle code fines totaling \$1.7 million. Total expenses for parking services were \$3.5 million and transfers out to general fund and non-major governmental fund for support totaled \$0.5 million during fiscal year 2012.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

In February 2009, the Governmental 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 \$30.8 million, an increase of \$0.6 million from the prior year; \$1.3 million is nonspendable, \$16.9 million is restricted, \$5.8 million is committed, and \$6.8 million is assigned.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

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

General Fund – During fiscal year 2011-12, the City transferred the general liability and workers' compensation claims payable and the corresponding cash reserves from General Fund to the Liability Insurance and Workers' Compensation Internal Service Funds. The fund balance of the General Fund as of June 30, 2012 was \$2.8 million, representing \$40.0 thousand decrease from the prior year; \$0.5 million is nonspendable, \$0.1 million is restricted, \$0.7 million is committed, \$1.5 million is assigned, which includes \$1.3 million for emergencies and cash flow needs and is to be used to meet the 10% reserve requirement as defined by the City's financial management policies.

General Fund Budgetary Highlights:

The final amended General Fund budget projected total revenue at \$54.7 million, total expenditures at \$54.4 million, total interfund transfers at a net of \$0.3 million, with the resulting projected increase in fund balance of \$10.0 thousand.

Actual revenues, at \$54.9 million, exceeded the final budget by \$0.2 million, while actual expenditures were \$0.1 million under budget at \$54.3 million. Net transfers out of \$0.7 million exceeded the budgeted amount by \$0.4 million, due to a required transfer to Gas Tax related to a prior year. As a result, there was a net decrease to the fund balance of \$43.9 thousand.

Gas Tax Fund – The City established this fund to manage its allocation of State gasoline taxes and local funding for street maintenance projects. At June 30, 2012, Gas tax had a total fund balance of \$4.5 million of which \$2.9 million is committed for construction projects approved by the City Council.

Redevelopment Agency Capital Project Fund – The Redevelopment Agency was responsible for assisting in the clearance and rehabilitation of areas determined to be in a declining condition in the City. The Agency's operations were 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. Effective January 31, 2012, the Redevelopment Agency was dissolved. On February 1, 2012, the Fund's remaining net assets were transferred to the San Rafael Redevelopment Agency Successor Agency and City Housing Successor, which are reported as a Private-Purpose Trust Fund on the Statement of Fiduciary Net Assets and as a Special Revenue fund, respectively.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2012, non-major funds had a total fund balance of \$14.2 million of which 46.8% (\$6.6 million) is legally restricted for specific purposes by external funding source providers and 53.2% (\$7.6 million) is committed for special purposes by the City Council. More information about these aggregated non-major funds can be found in the combining statements which immediately follow the required supplementary information.

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 proprietary fund net assets increased by \$0.4 million reflecting net operations results in the Parking Services fund.

CITY OF SAN RAFAEL**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012****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, 2012 amounts to \$212.8 million, net of accumulated depreciation of \$136.1 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 \$1.6 million, offset by accumulated depreciation and retirements of \$8.2 million, thereby equaling a net decrease of \$6.6 million.

Major capital asset additions during the current fiscal included work in process such as the City Hall HVAC Upgrades, Dominican/Black Canyon Landscape, Puerto Suello- Transit Center Connector, Grand Ave. Pedestrian Bicycle (Bay Trail), and Traffic Signal Cabinet & Controller Upgrades.

Capital Projects

- Freitas Park Phase II project (Playground) was completed in 2012
- Francisco Blvd, East Improvement project was completed in 2012
- Terra Linda North San Rafael Improvement project was completed in 2012
- Canal St. Pedestrian Access & Safety Improvement project was completed in 2012

Additional information on the City's capital assets can be found in Note 5 on pages 52 through 53 of this report.

Debt Administration

Each of the City's debt is discussed in more detail in Note 7 to the financial statements. As previously discussed, the Redevelopment Agency dissolved on January 31, 2012. On February 1, 2012, the outstanding debt of the Redevelopment Agency was transferred to the Successor Agency, which is presented as a Private Purpose Trust Fund on the Statement of Fiduciary Net Assets. See Note 16 to the financial statements for additional information. The City's long-term obligations for the fiscal years 2012 and 2011 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue Bonds	\$ -	\$ -	\$ 6.4	\$ 6.6	\$ 6.4	\$ 6.6
Tax Allocation Bonds	-	33.3	-	-	-	33.3
Taxable Pension Obligation Bonds	4.5	4.5	-	-	4.5	4.5
Court Fine Promissory Note	-	0.1	-	-	-	0.1
Note Payable	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	-	0.1	-	-	-	0.1
Total Outstanding Debt	\$ 4.7	\$ 38.2	\$ 6.4	\$ 6.6	\$ 11.1	\$ 44.8

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2012

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

Many factors were considered in preparing the City's budget for fiscal year 2012-2013. The general fund budget was balanced with strategic remedies that included:

- Continued employee concessions of 4% of compensation from all employee groups, which resulted in a \$1.5 million savings to the general fund.
- Reduced childcare services.
- Reduced maintenance of small parks.
- Reduced resources in planning, and potentially in administrative and program support.
- One-time reduction in contributions to the Vehicle Replacement Fund and Equipment Replacement Fund.

These actions allowed the City to prepare a balanced budget without reliance on borrowed funds or use of reserves.

The projected trends for sales tax and transactions and use tax (Measure S), which combined represent the City's biggest tax revenue generators, are for continued growth. For fiscal year 2012-2013, sales tax is projected to increase by just under 6 %, transactions and use tax (Measure S) is projected to increase by about 3%.

The City's second largest tax generator is property tax. The City is expecting the fiscal year 2013 tax roll to remain relatively flat, in recognition of recent drops in commercial property, prompted by commercial vacancies.

The City's largest expenditure by far relates to personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. All bargaining groups agreed to a two-year contract that provides for a compensation reduction equal to 4.0%. This contract extends through fiscal year 2012-13.

Fiscal year 2012-2013 will be the first full year in decades that the City has not had the advantage of its Redevelopment Agency to promote economic development initiatives. Although the City no longer has the opportunity to finance economic development activities with tax increment financing, the general fund has absorbed the cost of some of the programs associated with continuing economic development outreach and promotion.

Please refer to Note 16 for further information on the dissolution of Redevelopment Agency.

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. They are also referred to as Government-wide financial statements.

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 of 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 (until its dissolution on January 31, 2012), 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, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$44,123,709	\$2,701,549	\$46,825,258	\$14,585,504
Restricted cash and investments (Note 2)	11,254,352		11,254,352	
Receivables:				
Accounts	2,703,367	20,924	2,724,291	12,960
Taxes	4,159,404		4,159,404	
Grants	584,704		584,704	
Interest	35,487		35,487	
Loans (Note 4)	1,592,606		1,592,606	
Prepaid expenses and others	22,423		22,423	195,394
Capital assets (Note 5):				
Nondepreciable	83,637,497	8,620,853	92,258,350	570,331
Depreciable, net	112,042,133	8,474,705	120,516,838	33,539,960
Total Assets	260,155,682	19,818,031	279,973,713	48,904,149
LIABILITIES				
Accounts payable	1,923,037	63,866	1,986,903	491,763
Deposits payable	31,451		31,451	
Interest payable		76,685	76,685	
Developer bonds payable	321,766		321,766	
Interest payable	243,942		243,942	
Claims payable (Note 14):				
Due in one year	1,842,820		1,842,820	
Due in more than one year	5,456,542		5,456,542	
Compensated absences (Note 1J):				
Due in one year	551,176	6,479	557,655	
Due in more than one year	3,824,027	79,554	3,903,581	
Long-term debt (Notes 6 and 7):				
Due in one year	6,001,208	190,000	6,191,208	
Due in more than one year	4,659,000	6,255,000	10,914,000	
Net OPEB liability (Note 12)	7,594,000		7,594,000	
Total Liabilities	32,448,969	6,671,584	39,120,553	491,763
NET ASSETS (Note 9):				
Invested in capital assets, net of related debt	192,361,245	10,650,558	203,011,803	34,110,291
Restricted for:				
Special revenue projects	19,453,720		19,453,720	
Capital projects	4,953,563		4,953,563	
Debt service	285,922		285,922	
Total Restricted Net Assets	24,693,205		24,693,205	
Unrestricted	10,652,263	2,495,889	13,148,152	14,302,095
Total Net Assets	\$227,706,713	\$13,146,447	240,853,160	\$48,412,386

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$10,171,332	\$1,986,791	\$189,740	
Public safety	39,876,910	7,122,396	609,325	
Public works and parks	17,423,033	5,214,267	1,738,824	\$2,705,696
Community development / redevelopment	4,587,557	3,255,367	102,000	
Culture and recreation	11,020,663	5,873,147	518,392	
Interest on long-term debt and fiscal charges	1,224,991			
Total Governmental Activities	84,304,486	23,451,968	3,158,281	2,705,696
Business-type Activities				
Parking services	3,446,482	3,901,175		
Total Business-type Activities	3,446,482	3,901,175		
Total Primary Government	<u>\$87,750,968</u>	<u>\$27,353,143</u>	<u>\$3,158,281</u>	<u>\$2,705,696</u>
Component Unit				
San Rafael Sanitation District	<u>\$10,185,779</u>	<u>\$12,368,889</u>		

General revenues:

Taxes:

 Property

 Sales

 Paramedic

 Transient occupancy

 Franchises

 Business licenses

 Other

Investment earnings

Miscellaneous

Aid from other governmental agencies

Transfers

Total general revenues and transfers

Extraordinary item:

 Transfer to Successor Agency (Note 16)

Change in Net Assets

Net Assets, beginning of year, as restated (Note 1N)

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
(\$7,994,801)		(\$7,994,801)	
(32,145,189)		(32,145,189)	
(7,764,246)		(7,764,246)	
(1,230,190)		(1,230,190)	
(4,629,124)		(4,629,124)	
(1,224,991)		(1,224,991)	
(54,988,541)		(54,988,541)	
	\$454,693	454,693	
	454,693	454,693	
(54,988,541)	454,693	(54,533,848)	
			\$2,183,110
20,107,637		20,107,637	1,192,566
22,355,749		22,355,749	
3,807,545		3,807,545	
1,866,575		1,866,575	
3,076,094		3,076,094	
2,332,146		2,332,146	
3,574,918		3,574,918	
205,413	7,675	213,088	38,191
542,816		542,816	
			9,613
57,960	(57,960)		
57,926,853	(50,285)	57,876,568	1,240,370
28,925,831		28,925,831	
31,864,143	404,408	32,268,551	3,423,480
195,842,570	12,742,039	208,584,609	44,988,906
\$227,706,713	\$13,146,447	\$240,853,160	\$48,412,386

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FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. Only individual major funds are presented in the Fund Financial Statements, while non-major funds are combined in a single column. Individual non-major funds may be found in the Supplemental Section.

The funds described below were determined to be Major Funds by the City in fiscal 2012.

GENERAL FUND

Established to account for all financial resources necessary to carry out basic governmental activities of the City which are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, building and street maintenance, libraries, recreation, parks and open space maintenance.

TRAFFIC AND HOUSING MITIGATION FUND

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

GAS TAX FUND

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

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012

	General	Traffic and Housing Mitigation	Gas Tax	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments available for operations (Note 2)	\$5,455,184	\$9,341,095	\$4,359,401	\$13,053,146	\$32,208,826
Restricted cash and investments (Note 2)	76,188				76,188
Receivables:					
Accounts	1,795,113			835,316	2,630,429
Taxes	3,890,915		168,855	99,634	4,159,404
Grants	58,879		123,776	402,049	584,704
Interest	35,487				35,487
Loans (Note 4)	811,517	60,001		721,088	1,592,606
Prepays	15,481			6,942	22,423
Total Assets	<u>\$12,138,764</u>	<u>\$9,401,096</u>	<u>\$4,652,032</u>	<u>\$15,118,175</u>	<u>\$41,310,067</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$1,020,369		\$170,785	\$690,656	\$1,881,810
Deposits payable	31,451				31,451
Developer bonds payable	320,266			1,500	321,766
Note payable (Note 6)	6,001,208				6,001,208
Interest payable	17,988				17,988
Deferred revenue	1,976,020			244,556	2,220,576
Total Liabilities	<u>9,367,302</u>		<u>170,785</u>	<u>936,712</u>	<u>10,474,799</u>
Fund Balances (Note 9):					
Nonspendable	527,509	\$60,001		728,030	1,315,540
Restricted	76,188	9,341,095	1,608,641	5,907,223	16,933,147
Committed	651,121		2,872,606	2,262,651	5,786,378
Assigned	1,516,644			5,283,559	6,800,203
Total Fund Balances	<u>2,771,462</u>	<u>9,401,096</u>	<u>4,481,247</u>	<u>14,181,463</u>	<u>30,835,268</u>
Total Liabilities and Fund Balances	<u>\$12,138,764</u>	<u>\$9,401,096</u>	<u>\$4,652,032</u>	<u>\$15,118,175</u>	<u>\$41,310,067</u>

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total fund balances reported on the governmental funds balance sheet	\$30,835,268
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.	195,679,630
Internal service funds are used by management to charge the cost of management of building, 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.	8,231,396
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	(225,954)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(4,659,000)
Compensated absences	(4,375,203)
Deferred revenue	<u>2,220,576</u>
Net assets of governmental activities	<u><u>\$227,706,713</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, 2012

	General	Traffic and Housing Mitigation	Gas Tax	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and special assessments	\$43,437,974			\$7,957,142	\$51,395,116
Licenses and permits	1,648,890				1,648,890
Fines and forfeitures	801,758				801,758
Use of money and properties	153,195	\$27,797	\$8,379	126,190	315,561
Intergovernmental	6,431,644		2,557,421	1,548,331	10,537,396
Charges for services	2,060,631	287,609	955,691	16,345,502	19,649,433
Other revenue	368,840			502,117	870,957
Total Revenues	54,902,932	315,406	3,521,491	26,479,282	85,219,111
EXPENDITURES					
Current:					
General government	8,659,643			124,230	8,783,873
Public safety	31,753,176			7,558,375	39,311,551
Public works and parks	8,228,225	70,565	19,343	3,200,689	11,518,822
Community development / redevelopment	2,913,184			842,320	3,755,504
Culture and recreation	2,198,155			8,147,518	10,345,673
Capital outlay	200,203		411,973	700,207	1,312,383
Capital improvement / special projects	115,781		394,281	3,094,109	3,604,171
Debt service:					
Principal (Note 7)	124,222			2,394,098	2,518,320
Interest and fiscal charges	85,415			649,806	735,221
Total Expenditures	54,278,004	70,565	825,597	26,711,352	81,885,518
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	624,928	244,841	2,695,894	(232,070)	3,333,593
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3A)	1,535,944		792,139	2,211,563	4,539,646
Transfers out (Note 3A)	(2,204,744)		(447,579)	(2,211,970)	(4,864,293)
Total Other Financing Sources (Uses)	(668,800)		344,560	(407)	(324,647)
EXTRAORDINARY ITEM					
Transfers (out) to Successor Agency and Housing Successor (Note 16)				(2,352,584)	(2,352,584)
Net Change in Fund Balances	(43,872)	244,841	3,040,454	(2,585,061)	656,362
FUND BALANCES, BEGINNING OF YEAR, as restated (Note 1N)	2,815,334	9,156,255	1,440,793	16,766,524	30,178,906
FUND BALANCES, END OF YEAR	\$2,771,462	\$9,401,096	\$4,481,247	\$14,181,463	\$30,835,268

See accompanying notes to financial statements

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$656,362
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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	4,916,554
Non-capitalized capital outlay expenditures were reclassified to various governmental activities	(3,323,339)
Depreciation expense is deducted from the fund balance	(7,207,621)
Loss on retirement of capital assets is deducted from the fund balance	(693,868)

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	2,518,320
Bond interest accretion is deducted from fund balance	(128,938)
Bond premium amortization is added back to fund balance	79,860
Debt amount being transferred to Successor Agency is added back to fund balance	31,022,577

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	95,150
Compensated absences	(262,891)
Deferred revenue	1,857,826

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.

	2,334,151
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Change in Net Assets of Governmental Activities

	\$31,864,143
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See accompanying notes to financial statements

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PROPRIETARY FUND FINANCIAL STATEMENTS
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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 reports its only proprietary fund, an enterprise fund, as a major 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, 2012

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$2,657,939	\$11,958,493
Restricted cash and investments (Note 2)		11,178,164
Accounts receivable	20,924	72,938
Total Current Assets	2,678,863	23,209,595
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	
Depreciable, net	8,474,705	
Total Noncurrent Assets	17,095,558	
Total Assets	19,774,421	23,209,595
LIABILITIES		
Current Liabilities:		
Accounts payable	63,866	41,227
Interest payable	76,685	
Compensated absences, due in one year (Note 1J)	6,479	
Claims payable, due in one year (Note 14)		1,842,820
Long-term debt, due in one year (Note 7)	190,000	
Total Current Liabilities	337,030	1,884,047
Noncurrent Liabilities:		
Compensated absences (Note 1J)	79,554	
Claims payable (Note 14)		5,456,542
Long-term debt (Note 7)	6,255,000	
OPEB liability (Note 12)		7,594,000
Total Noncurrent Liabilities	6,334,554	13,050,542
Total Liabilities	6,671,584	14,934,589
NET ASSETS (Note 9):		
Invested in capital assets, net of related debt	10,650,558	
Restricted		3,584,164
Unrestricted	2,452,279	4,690,842
Total Net Assets	13,102,837	\$8,275,006
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.	43,610	
Net assets business-type activities	\$13,146,447	

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, 2012

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$2,204,565	\$7,302,228
Other operating revenues	1,696,610	1,098,584
Total Operating Revenues	3,901,175	8,400,812
OPERATING EXPENSES		
Personnel	1,865,957	
Insurance premiums and claims		5,323,966
Maintenance and repairs	56,548	218,861
Depreciation (Note 5)	328,034	
General and administrative	948,400	669,590
Total Operating Expenses	3,198,939	6,212,417
Operating Income	702,236	2,188,395
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,675	107,901
Interest expense	(312,291)	(280,004)
Total Nonoperating Revenues (Expenses)	(304,616)	(172,103)
Income Before Transfers	397,620	2,016,292
Transfers in (Note 3A)	400,000	749,707
Transfers out (Note 3A)	(457,960)	(367,100)
Change in Net Assets	339,660	2,398,899
NET ASSETS, BEGINNING OF YEAR, as restated (Note 1N)	12,763,177	5,876,107
NET ASSETS, END OF YEAR	13,102,837	\$8,275,006
Change in Net Assets	339,660	
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.	64,748	
Change in Net Assets of Business-type Activities	\$404,408	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$2,204,565	\$8,294,885
Cash payments to suppliers for goods and services	(1,064,600)	(2,471,720)
Cash payments to employees	(1,962,827)	
Other operating revenues	1,705,234	1,098,584
Cash Flows from Operating Activities	<u>882,372</u>	<u>6,921,749</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt		382,607
Interfund receipts (payments)	(57,960)	(280,004)
Interest expense		
Cash Flows from Noncapital Financing Activities	<u>(57,960)</u>	<u>102,603</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds	(185,000)	
Interest expenses and fiscal charges	(314,141)	
Cash Flows from Capital and Related Financing Activities	<u>(499,141)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	7,675	107,901
Cash Flows from Investing Activities	<u>7,675</u>	<u>107,901</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>332,946</u>	<u>7,132,253</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR, as restated (Note 1N)	<u>2,324,993</u>	<u>4,826,240</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$2,657,939</u></u>	<u><u>\$11,958,493</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	\$702,236	\$2,188,396
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	328,034	
Net change in assets and liabilities:		
Accounts receivable	8,624	992,656
Prepays and deposits		
Accounts payable	(59,652)	(229,479)
Compensated absence obligations	(96,870)	
Claims payable		3,970,176
Net Cash Provided by Operating Activities	<u><u>\$882,372</u></u>	<u><u>\$6,921,749</u></u>

See accompanying notes to basic financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS
--

Fiduciary funds are used to account for assets held by the City as an agent or custodian for other entities. The financial activities of such funds are excluded from the Government-wide financial statements and presented in fund statements that consist of a Statement of Net Assets.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY

A private-purpose trust fund was established to account for the activities of the Successor Agency to the San Rafael Redevelopment Agency.

CITY OF SAN RAFAEL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 2)	\$1,110,123
Cash and investments with fiscal agent (Note 2)	1,375,314
Receivable:	
Taxes	472,959
Interest	2,053
	<u>2,850,449</u>
Total Assets	<u><u>\$2,960,449</u></u>
LIABILITIES	
Accounts payable	\$169,517
Interest payable	255,838
Notes payable	299,489
Long-term debt (Note 16):	
Due within one year	2,425,000
Due more than one year	28,730,062
	<u>31,454,906</u>
Total Liabilities	<u><u>31,879,906</u></u>
NET ASSETS (DEFICIT):	
Held in trust for private purpose	<u><u>(\$28,919,457)</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
<hr/>	
ADDITIONS	
Property taxes	\$1,069,690
Use of money and property	2,330
Other revenue	1,354
	<hr/>
Total Additions	1,073,374
<hr/>	
DEDUCTIONS	
General government	329,621
Interest expense	737,379
	<hr/>
Total Deductions	1,067,000
<hr/>	
Net change in net assets before extraordinary item	6,374
 EXTRAORDINARY ITEM (Note 16)	
Assets transferred to/liabilities assumed by Successor Agency	(28,925,831)
 NET ASSETS HELD IN TRUST FUND FOR OTHER PURPOSES	
Beginning of year	<hr/>
End of year	<u><u>(\$28,919,457)</u></u>

See accompanying notes to financial statements

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CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 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 was to assist in the development of the property located in the central San Rafael business core and east San Rafael. The Agency received incremental tax revenues on the developed property attributable to increases in assessed value. The Agency functioned as an independent entity with the City Council serving 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.

As discussed in Note 16, the Agency was dissolved effective January 31, 2012.

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 and redevelopment-related activities in the City. The Authority is administered by a governing board whose members are the City Council of the City of San Rafael.

All of the Authority's assets, liabilities, revenues and expenditures are reported in the Fund Financial Statements. The Agency's capital assets and long-term debt are reported with the Governmental Activities in the Government-wide Financial Statements. Separate financial statements are not prepared for the Authority.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 ends on 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. 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*, *proprietary*, and *fiduciary* – 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 non-major funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 – Established to account for all financial resources necessary to carry out basic governmental activities of the City which are not accounted for in another fund.

Traffic and Housing Mitigation Fund – Established to maintain developer contributions for major housing and street improvement projects.

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

The City reported its only enterprise fund as a major fund in the accompanying financial statements. The enterprise fund 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, current employee benefits, liability insurance, workers' compensation, dental insurance, pension plan reserve, and retiree health (OPEB).

Fiduciary Fund - Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund – Established to account for the accumulation of resources held by the City as Successor Agency to the Redevelopment Agency to be used for payments at appropriate amounts and times in the future. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

F. *Basis of Accounting*

The government-wide, proprietary, fiduciary 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. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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. 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 Governmental Accounting Standards Board pronouncements.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgets, Budgetary Accounting, And Encumbrances

The City adopts a budget on an annual basis, to be effective July 1 for the ensuing fiscal year. The budget reflects estimated revenues and expenditures for each fiscal year, except for capital projects funds and the Peacock GAP Assessment District Special Revenue Fund. 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 fund level, which is the legal level of control. The City Manager is authorized to transfer budgeted amounts between accounts, departments or funds; the Council must approve any increase in the City's total budget. Several supplemental appropriations were approved during the course of the year.

The following funds incurred expenditures in excess of appropriations during fiscal year 2011-2012:

<u>Fund</u>	<u>Amount</u>
<i>Recreation Revolving Special Revenue</i>	\$235,437
<i>Baypoint Lagoons Assessment District Special Revenue</i>	4,391
<i>Household Hazmat Facility Special Revenue</i>	51,287
<i>Childcare Special Revenue</i>	16,722
<i>Library Assessment Special Revenue</i>	10,899
<i>Development Services Special Revenue</i>	86,792
<i>Emergency Medical Services Special Revenue</i>	290,511
<i>Pt. San Pedro-Maintenance Portion Special Revenue</i>	2,448
<i>Low and Moderate Income Housing Special Revenue</i>	75,914 (a)
<i>Pt. San Pedro-Debt-CIP Payment Debt Service</i>	3,443

(a) Due to the dissolution of Redevelopment Agency, the budgeted amount was presented in the former RDA funds.

Sufficient resources were available within the funds to finance these excesses.

Encumbrance accounting, under which purchase orders 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

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.

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	4 – 20 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 may be compensable up to 600 hours, depending upon the provisions of the MOUs, which vary by bargaining unit.

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning Balance	\$4,112,312	\$182,903	\$4,295,215
Additions	3,825,731	348	3,826,079
Payments	<u>(3,562,840)</u>	<u>(97,218)</u>	<u>(3,660,058)</u>
Ending Balance	<u>\$4,375,203</u>	<u>\$86,033</u>	<u>\$4,461,236</u>
Current Portion	<u>\$551,176</u>	<u>\$6,479</u>	<u>\$557,655</u>

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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M. *New Fund/Closed Funds*

The *Low and Moderate Income Housing Special Revenue Fund* was established to account for the activities related to the assets assumed by the City as Housing Successor to the San Rafael Redevelopment Agency for the housing activities of the former Redevelopment Agency.

The *Pt. San Pedro Debt-CIP Portion Payment Special Assessment District Debt Service Fund* and *Maintenance Portion Special Revenue Fund* were established to accumulate funds for payment of principal and interest for Pt. San Pedro Assessment District Bonds and ongoing maintenance needs.

The *OPEB/Retiree Medical Internal Service Fund* was established to account for activities related to the funding, administration and procurement of retiree medical benefits. In past years, this activity was included in the Employee Benefits Internal Service Fund.

The *Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund* was established to account for the activities of the Successor agency to the former Redevelopment Agency.

The Redevelopment Agency Capital Projects Fund and Redevelopment Agency Debt Service Fund were closed as of January 31, 2012, as a result of the dissolution of the Redevelopment Agency discussed in Note 16.

N. *Prior Period Adjustments*

During fiscal year 2011-2012, the City made the following prior period adjustments to restate its previously issued financial statements:

- a. Removed claims liability previously reported in the Government-Wide financial statements, within Governmental Activities, within Governmental Activities, and recorded the claims activities in the Liability Insurance and Workers' Compensation Internal Service Funds. As a result of transferring these activities, the General Fund transferred a cash balance of \$3,970,177 that had been set aside for payment of these claims, to the corresponding Internal Service Funds. The City also adjusted claims payable balance to match with the actuarial report.
- b. Recorded an outstanding advance between the Redevelopment Agency and the City. The advance is related to Resolution Number 4250 adopted during fiscal year 1971-1972, whereby, the City advanced the Redevelopment Agency \$20,000, at 7% interest per annum. The principal balance, plus accrued interest, was \$291,326 as of January 31, 2012.
- c. Removed the Pension Obligation Bond liability from the Employee Retirement Internal Service Fund and recorded the debt balance within the Governmental Activities.
- d. The Net OPEB Obligation (NOO) had been erroneously calculated during fiscal years 2009-2010 and 2010-2011, therefore, the OPEB liability was recalculated and adjusted within the newly created OPEB/Retiree Medical Internal Service Fund.
- e. To record cash held in 401(h) Trust dedicated to fund OPEB obligations and omitted from previous statements.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- f. Compensated absences was recalculated and it was determined that \$40,918 had been double-recorded in prior years.

The results of these restatements are as follows:

Government-Wide Financial Statements

Governmental Activities Net Assets

As previously reported	\$187,434,535
Advance recorded between City and Agency (b)	(291,326)
Net adjustment to OPEB obligation (d)	891,000
Record cash held in 401(h) Trust set-aside for OPEB (e)	11,178,465
Claims liability adjustments, net (a)	(3,329,186)
Compensated Absences adjustment (e)	(40,918)

Beginning net assets, as restated	\$195,842,570
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Fund Level Financial Statements

General Fund

As previously reported	\$6,785,511
Cash set aside for claims moved to Internal Service Funds	(3,970,177)
Beginning fund balance, as restated	\$2,815,334

Redevelopment Agency Capital Projects Fund

As previously reported	\$6,124,258
Advance to other funds	(291,326)
Beginning fund balance, as restated	\$5,832,932

Liability Insurance Internal Service Fund

As previously reported	\$1,560,736
Claims payable - Adjust to match with the actuarial report	(2,146,448)
Beginning fund balance, as restated	(\$585,712)

Workers' Compensation Internal Service Fund

As previously reported	\$584,605
Claims payable - Adjust to match with the actuarial report	(1,182,738)
Beginning fund balance, as restated	(\$598,133)

Employee Retirement Internal Service Fund

As previously reported	(\$1,492,798)
Move pension obligation bonds to Government-wide financial statement (c)	4,490,000
Beginning fund balance, as restated	\$2,997,202

OPEB/Retiree Medical Internal Service Fund

As previously reported	\$0
Cash held in 401(h) trust set aside for OPEB	11,178,465
Record Net OPEB Obligation (NOO) balance	(7,594,000)
Beginning fund balance, as restated	\$3,584,465

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS

The City's goal is to invest at the maximum yield, consistent with safety and liquidity.

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, 2012, 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	\$46,825,258
Restricted cash and investments	<u>11,254,352</u>
Total Primary Government Cash and Investments	<u>58,079,610</u>

San Rafael Sanitation District (Component Unit):

Cash and investments available for operations	<u>14,585,504</u>
Total San Rafael Sanitation District Cash and Investments	<u>14,585,504</u>

Statement of Fiduciary Net Assets (separate statement):

Successor Agency to the Redevelopment Agency:

Cash and investments available for operations	1,110,123
Restricted cash and investments	<u>1,375,314</u>
Total Fiduciary Cash and Investments	<u>2,485,437</u>
Total Cash and Investments	<u><u>\$75,150,551</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City does not normally 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 San Rafael Sanitation 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 County 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, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

The City and the Successor Agency to the Redevelopment Agency 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 there are insufficient resources to meet debt repayment obligations. 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, 2012

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	Total
City and Successor Agency:		
Money Market Mutual Funds	\$1,375,314	\$1,375,314
Local Agency Investment Fund	44,148,048	44,148,048
MCERA 401(h) Trust Fund	<u>11,178,164</u>	<u>11,178,164</u>
Total Investments	<u>\$56,701,526</u>	56,701,526
<i>Cash in banks and on hand</i>		<u>3,863,521</u>
Total City and Successor Agency Cash and Investments		<u>60,565,047</u>
San Rafael Sanitation District:		
<i>Cash in banks and short-term pooled investments</i>		<u>14,585,504</u>
Total District's Cash and Investments		<u>14,585,504</u>
Total Cash and Investments		<u>\$75,150,551</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, 2012, these investments matured in an average of 268 days.

Money Market Mutual Funds are available for withdrawal on demand and at June 30, 2012, matured in an average of 52 days.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012, 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	Aaa/AAA	Total
City and Successor Agency:		
Money Market Mutual Funds	\$1,375,314	\$1,375,314
Total rated investments		1,375,314
Not rated:		
Local Agency Investment Fund		44,148,048
MCERA 401(h) Trust Fund		11,178,164
Cash in banks and on hand		3,863,521
Total City and Trust Cash and Investments		60,565,047
San Rafael Sanitation District:		
Not rated:		
Cash in banks and short-term pooled investments		14,585,504
Total District's Cash and Investments		14,585,504
Total Cash and Investments		\$75,150,551

G. Concentration Risk

The City's investments that are greater than five percent of the total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 - INTER-FUND TRANSACTIONS

A. 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, 2012

NOTE 3 - INTER-FUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2012, were as follows:

From Fund	To Fund	Amount	
General Fund	Gas Tax	\$413,860	(C)
	Non-Major Governmental Funds	1,414,364	(A)
	Internal Service Funds	376,520	(B)
Gas Tax Fund	General Fund	440,000	(C)
	Non Major Governmental Fund	7,579	(A)
Non-Major Governmental Funds	General Fund	652,984	(C)
	Gas Tax Fund	378,279	(C)
	Parking Services Enterprise Fund	400,000	(D)
	Internal Service Funds	143,187	(D)
	Non Major Governmental Fund	637,520	(B)
Parking Services Enterprise Fund	General Fund	392,960	(C)
	Non-Major Governmental Funds	65,000	(A)
Internal Service Funds	General Fund	50,000	(C)
	Internal Services Funds	230,000	(B)
	Non-Major Governmental Funds	87,100	(A)
		\$5,689,353	

- (A) Transfers to the Non-major Governmental Funds were for administrative costs, program support, capital projects, and special projects.
- (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, administrative costs, and dispatch contract.
- (D) Transfers to Parking Services Enterprise Fund and Internal Service Funds for Capital Projects.

B. Internal Balances

Internal balances are presented in the Government-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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012, these loans totaled:

Employee Loans	\$22,327
Centertown Associates	321,088
One "H" Street Associates	60,001
Fire Chief Loan	489,701
Successor Agency to Redevelopment Agency Trust Fund	299,489
Marin Housing Authority	<u>400,000</u>
 Total	 <u><u>\$1,592,606</u></u>

B. *Employee Loans*

The City administers a computer loan program that supports the use of technology by employees. Employees are permitted to borrow up to \$1,500 (reduced in April 2012 from the previous maximum of \$2,500) for the purchase of computer hardware and software. The loans are interest-free, have maximum terms of three years, and are repaid through automatic payroll deductions.

C. *Centertown Associates*

On August 20, 1990, the former Redevelopment Agency 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. With the dissolution of the Redevelopment Agency effective February 1, 2012, the assets of the Agency's Low and Moderate Income Housing fund, including the Centertown Associates loan, were assumed by the City's Low and Moderate Income Housing Special Revenue Fund.

D. *One "H" Street Associates*

On January 18, 1994, 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 4 – LOANS RECEIVABLE AND DEFERRED REVENUE (Continued)

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, 2012, the balance of the loan was \$489,701.

F. Redevelopment Agency Loan

In 1972, the City loaned the former Redevelopment Agency \$20,000 at an annual rate of 7%. This obligation, with a principal and accrued interest balance totaling \$299,489, was assumed by the Successor Agency of the Redevelopment Agency Private Purpose Trust. The obligation was included in the Third Recognized Obligation Payment Schedule, approved by the Successor Agency Oversight Board on August 31, 2012, and approved by the California Department of Finance on October 15, 2012.

G. Marin Housing Authority Loans

In 2012, the City, as Housing Successor to the Redevelopment Agency, loaned Marin Housing Authority \$235,000 and \$165,000 at zero percent interest for the purchase of two low and moderate income units. The loan will be repaid upon the sale of the units. With the dissolution of the Redevelopment Agency effective February 1, 2012, the assets of the Redevelopment Agency Low and Moderate Income Housing fund, including these Marin Housing Authority loans, were assumed by the City's Low and Moderate Income Housing Special Revenue fund.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$82,464,364				\$82,464,364
Construction in progress	2,570,961	\$844,007	(\$689,796)	(\$1,552,039)	1,173,133
Total capital assets not being depreciated	85,035,325	844,007	(689,796)	(1,552,039)	83,637,497
Capital assets being depreciated:					
Land improvements	8,236,061			344,855	8,580,916
Buildings and structures	38,830,105			25,540	38,855,645
Machinery and equipment	16,003,757	749,208	(149,045)		16,603,920
Infrastructure	180,016,012			1,181,644	181,197,656
Total capital assets being depreciated	243,085,935	749,208	(149,045)	1,552,039	245,238,137
Less accumulated depreciation for:					
Land improvements	(4,438,328)	(274,647)			(4,712,975)
Buildings and structures	(11,224,475)	(1,136,519)			(12,360,994)
Machinery and equipment	(12,033,483)	(1,033,978)	144,973		(12,922,488)
Infrastructure	(98,437,070)	(4,762,477)			(103,199,547)
Total accumulated depreciation	(126,133,356)	(7,207,621)	144,973		(133,196,004)
Total net capital assets being depreciated	116,952,579	(6,458,413)	(4,072)	1,552,039	112,042,133
Total governmental activity capital assets	\$201,987,904	(\$5,614,406)	(\$693,868)		\$195,679,630
	Balance June 30, 2011	Additions	Retirements	Adjustment	Balance June 30, 2012
Business-type Activities					
Capital assets not being depreciated:					
Land	\$8,620,853				\$8,620,853
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			(\$18,097)	1,097,136
Total capital assets being depreciated	11,349,754			(18,097)	11,331,657
Less accumulated depreciation for:					
Buildings and structures	(1,836,524)	(\$210,538)		(16,456)	(2,063,518)
Machinery and equipment	(710,491)	(117,496)		34,553	(793,434)
Total accumulated depreciation	(2,547,015)	(328,034)		18,097	(2,856,952)
Total net capital assets being depreciated	8,802,739	(328,034)			8,474,705
Total business-type activity capital assets	\$17,423,592	(\$328,034)			\$17,095,558

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Transfers & Adjustments	Balance June 30, 2012
San Rafael Sanitation District				
Capital assets not being depreciated:				
Land and easements	\$115,329			\$115,329
Construction in progress	1,129,447	\$1,941,755	\$2,616,200	455,002
Total capital assets not being depreciated	1,244,776	1,941,755	2,616,200	570,331
Capital assets being depreciated:				
Subsurface lines	18,266,110	58,939	(1,395,360)	19,720,409
Sewage collection facilities	35,590,971		(1,220,840)	36,811,811
General plant and administration	1,083,582	109,416		1,192,998
Total capital assets being depreciated	54,940,663	168,355	(2,616,200)	57,725,218
Less accumulated depreciation for:				
Subsurface lines	(8,859,789)	(341,176)		(9,200,965)
Sewage collection facilities	(13,706,164)	(824,283)		(14,530,447)
General plant and administration	(291,375)	(162,471)		(453,846)
Total accumulated depreciation	(22,857,328)	(1,327,930)		(24,185,258)
Total net capital assets being depreciated	32,083,335	(1,159,575)	(2,616,200)	33,539,960
Total District's capital assets	<u>\$33,328,111</u>	<u>\$782,180</u>		<u>\$34,110,291</u>

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	\$534,927
Public safety	768,068
Public works and parks	5,110,614
Community development/redevelopment	47,406
Culture and recreation	746,606
Total Governmental Activities	<u>\$7,207,621</u>
Business-type Activities	
Parking services	<u>\$328,034</u>
Total Business-type Activities	<u>\$328,034</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6 – NOTE PAYABLE

San Rafael Tax and Revenue Anticipation Note

On July 25, 2011, the City authorized and issued 2011-12 Tax and Revenue Anticipation Notes (TRANS) in the principal amount of \$6,000,000. 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 0.35% per year which was due along with principal on August 3, 2012. During fiscal 2011-12, the City collected property related taxes amounting to \$20,107,637 which were sufficient to cover the \$6,001,208 in principal and interest due and repaid on the TRANS.

NOTE 7 - LONG-TERM OBLIGATIONS

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

With the dissolution of the Redevelopment Agency as discussed in Note 16, the City as Successor Agency and Housing Successor assumed the long-term debt and loans for housing and non-housing obligations of the Redevelopment Agency as of February 1, 2012. This was reported as a transfer and as an Extraordinary Item in the Statement of Activities.

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2012, are as follows:

	Authorized and Issued	Balance June 30, 2011	Additions	Retirements	Extraordinary Item Debt assumed by Successor Agency	Balance June 30, 2012	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	\$4,610,174	\$128,938		\$4,739,112		
2002 Tax Allocation Refunding Bonds							
2.00%-5.25%, due 12/1/2021	25,020,000	13,945,000		\$1,420,000	12,525,000		
2009 Tax Allocation Refunding Bonds							
3.00%-5.00%, due 12/1/2022	14,660,000	13,785,000		905,000	12,880,000		
Add: deferred bond premium costs		958,325		79,860	878,465		
Total Tax Allocation Bonds		33,298,499	128,938	2,404,860	31,022,577		
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		4,490,000				4,490,000	
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	124,222		124,222			
Telephone System Capitalized Lease Obligations,							
4.28%, due 05/30/2012	318,000	69,098		69,098			
Total Governmental Long-term Debt		\$38,150,819	\$128,938	\$2,598,180	\$31,022,577	\$4,659,000	
Business-type Activities							
2003 Authority Lease Revenue Bonds							
3.00-4.70%, due 4/1/2033	7,605,000	\$6,630,000		\$185,000		\$6,445,000	\$190,000
Total Enterprise Fund Debt		\$6,630,000		\$185,000		\$6,445,000	\$190,000
San Rafael Sanitation District							
2001 Certificates of Participation							
3.25-4.40%, due 8/1/2012	4,710,000	\$940,000		\$940,000			
Total District Debt		\$940,000		\$940,000			

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

A. *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 are payable on January 1 and July 1 on each year. Principal payable on the Bonds will be paid on July 1 starting July 1, 2016. The Bonds were 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.

B. *Ground Lease Note Payable*

On November 6, 1989, the City of San Rafael Redevelopment Agency signed a \$169,000 promissory note with Bridge Housing Corporation, 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. Assembly Bill 1x26 dissolved all California redevelopment agencies, effective January 31, 2012, and required the transfer all assets and liabilities to the Successor Agency. The City of San Rafael as Housing Successor assumed the liabilities of the Successor Agency of the Housing fund. This note will be repaid from City Housing Successor Low and Moderate Income Housing special revenue fund.

C. *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 was 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 bore interest at 3.873% per annum and had been repaid as of June 30, 2012.

D. *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 bore interest at 4.28% per annum and had been repaid as of June 30, 2012.

E. *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, 2012, no redemption has occurred. The Lease Revenues are secured by lease payments made by the City to the Authority for leasing the City facilities.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

F. 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. The certificates had been repaid as of June 30, 2012.

G. Future Debt Service

Future debt service requirements, including interest, at June 30, 2012, are as follows:

For the Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013		\$276,512	\$190,000	\$306,741
2014		276,512	200,000	299,141
2015		276,512	205,000	291,141
2016		276,512	215,000	282,685
2017	\$100,000	273,512	225,000	273,548
2018 - 2022	2,050,000	1,083,729	1,280,000	1,209,446
2023 - 2027	2,509,000	303,443	1,605,000	879,130
2028 - 2032			2,050,000	436,250
2033 - 2033			475,000	23,750
Totals	\$4,659,000	\$2,766,732	\$6,445,000	\$4,001,832

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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, 2012
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$3,590,529	\$1,258,905
California Statewide Communities Development Authority Revenue Bonds	St. Marks School	5,605,000	4,675,000
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 Martinelli House	6,100,000 1,000,000	5,440,000
City of San Rafael Variable Rate Revenue Bonds	Kaiser Foundation Hospitals	275,000,000	195,630
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	2,148,678
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	269,069

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 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, 2012

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:

Nonspendable represents balances set aside that 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 that they 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, 2012

NOTE 9 – NET ASSETS AND FUND BALANCE (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2012, are below:

	Major Special Revenue Funds			
	General Fund	Traffic and Housing Mitigation	Gas Tax	Other Governmental Funds
				Total
Fund balances:				
Nonspendable:				
Loans receivable	\$512,028	\$60,001		\$721,088
Prepays	15,481			6,942
Total Nonspendable	527,509	60,001		728,030
Restricted for:				
Assessment District capital projects				223,946
Assessment Districts/open space	76,188			76,188
Baypoint Lagoons Assessment District				173,237
Bedroom tax capital projects				18,626
Business improvement				4,437
Capital improvement capital projects				200,870
Childcare				2,664
Emergency medical services				550,335
1997 financing authority revenue bonds debt service				145,623
Gas tax			\$1,608,641	1,608,641
Grants				569,936
Household hazmat facility				161,997
Library				10,383
Library assessment				560,726
Loch Lomond Assessment District				918,513
Mariposa Assessment District debt service				16,519
Parkland dedication				663,126
Peacock Gap Assessment District debt service				2,875
Public safety				188,465
Pt. San Pedro-Debt-CIP Portion Pmt				120,905
Pt. San Pedro- Maintenance Portion				85,975
Recreation revolving				14,879
Street maintenance and cleaning				549,292
Storm water				723,894
Traffic and housing mitigation		9,341,095		9,341,095
Total Restricted	76,188	9,341,095	1,608,641	5,907,223
Committed to:				
Assessment District capital projects				19,677
Capital improvement capital projects				19,486
Low and Moderate Income Housing				1,170,583
Childcare				1,485
Development services				137,600
Gas tax			2,872,606	2,872,606
Household hazmat facility				56,253
Library				95,538
Park capital projects				11,115
Parkland dedication				275,725
Project development	651,121			651,121
Recreation revolving				101,585
Storm water				278,160
Street maintenance and cleaning				82,643
Telephone replacement capital projects				12,801
Total Committed	651,121		2,872,606	2,262,651
Assigned to:				
Contractual commitments	81,899			81,899
Development services				650,503
Emergency and cash flow	1,319,745			1,319,745
Equipment replacement capital projects				3,613,149
Household hazmat facility				2,048
Library				140,177
Open space capital projects				134,559
Park capital projects				504
Project development	115,000			115,000
Radio replacement capital projects				560,363
Recreation revolving				12,649
Sewer Maintenance				31,140
Telephone replacement capital projects				138,467
Total Assigned	1,516,644			5,283,559
Total Fund Balances	\$2,771,462	\$9,401,096	\$4,481,247	\$14,181,463
				\$30,835,268

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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 53.76% and 68.77% of payroll to Fund for Police and Fire personnel, respectively, and 40.78% for other covered employees for the year ended June 30, 2012.

C. Annual Pension Cost

The annual required contribution was determined as part of the actuarial performed as of June 30, 2011. The employer rates for normal cost is determined using the Entry Age Normal Actuarial 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 2011 actuarial valuation include an assumed rate of return on invested assets of 7.50%, annual payroll increases reflecting 3.25% for inflation and an approximate range of 0.50% to 5.00% for merit and longevity. The actual rate of return on investments was a gain of 23.40%. 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 3.25% over the amortization period. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to the Association. 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
2010	\$12,745,613	100%	\$0
2011	15,409,519	100%	0
2012	14,627,709	100%	0

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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
6/30/09	\$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%)
6/30/11	258,963,000	412,743,000	(153,780,000)	63%	31,692,000	(485%)

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

The City contributes to the Public Agency Retirement System (PARS), which is a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are 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 12919, Newport Beach, California 92658.

Under a defined contribution retirement 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 part-time and temporary employees of the City become participants in the plan from the date that they are hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing a benefit under the Marin County Employees' Retirement Fund.

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.

During the year, the City and employees each contributed \$58,965. The total covered payroll of employees participating in the plan for the year ended June 30, 2012, was \$1,572,396. The total payroll for the year was \$35,391,347.

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 \$125,834 to the plan on behalf of the eligible employees.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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. Employees who meet the vesting criteria 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, 2012, 316 retirees and surviving spouses received post-employment health care benefits.

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2012, are summarized as follows:

	Elected Officials, Mid-Management, & Unrepresented Management	All other Bargaining Units
<i>Eligibility</i>	Retire directly from the City: - Age 50 (age 55 if hired \geq 7/1/11) with 10 years services (Including reciprocity) OR - 30 years service (Miscellaneous), 20 years service (Safety) OR - Disability Retirement	
<i>Benefit</i>	Hired \leq 1/1/09 Full premium/cap Hired $>$ 1/1/09 PEMHCA Min	Hired \leq 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 \geq 4/1/07 None	None
<i>Other</i>	No Dental, Vision, or Life Benefits	

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2011, 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) 4.25% investment rate of return and (b) 3.25% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 9.40% in 2013 to 5.00% for years starting 2021. 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. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and plan members at that point. 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 biennially 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 23-year fixed (closed) period for June 30, 2012 Unfunded Actuarially Accrued Liability.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

Funding Progress and Funded Status

During the fiscal year ended June 30, 2012, 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)	\$2,312
Interest on net OPEB obligation	621
Adjustment to annual required contribution	300
Annual OPEB cost	3,233
Contributions made:	
Benefits payment	2,124
Total contributions	2,124
Change in net OPEB obligation/(asset)	1,109
Net OPEB Obligation (Asset) at June 30, 2011, as restated*	6,485
Net OPEB Obligation (Asset) at June 30, 2012	\$7,594

*See Note 1.N. for explanation of restatement.

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, 2011, actuarial study, as of June 30, 2012 the account balance is \$11,178,164. During the fiscal year ended June 30, 2012, 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 OPEB Cost (AOC) (000's omitted)	Actual Contribution (000's omitted)	Percentage of AOC Contributed	Net OPEB Obligation (000's omitted)
June 30, 2010	\$4,390	\$5,576	\$2,344	31%	\$5,265
June 30, 2011	4,025	3,868	2,648	66%	6,485
June 30, 2012	2,312	3,233	2,124	92%	7,594

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

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

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, 2011, actuarial study is presented below:

Valuation Date	Actuarial		Unfunded Accrued Liability (000's omitted)	Funded Ratio	Annual 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%	\$36,470	(104.75%)
6/30/2009	12,773	56,262	(43,489)	23%	35,401	(122.85%)
6/30/2011	10,861	35,156	(24,295)	31%	33,819	(71.84%)

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 17.5% 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 \$142,681 to the System for operating costs for the year ended June 30, 2012. Financial statements of the System can be obtained at the County Librarian, Marin County Free Library, Civic Center, Administration Building, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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, 2012. Financial statements of the MGSA can be obtained at 27 Commercial Boulevard, Suite C, Novato, CA 94949.

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 \$256,400 to the Authority's operation and debt service for the fiscal year ended June 30, 2012. 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 \$61,026 for the year ended June 30, 2012. Financial statements of the Agency can be obtained at 371 Bel Marin Keys Blvd, Suite 100, Novato, CA 94949.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 \$13,187 for the year ended June 30, 2012. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

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 \$98,988,149. The City is self-insured up to \$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 liability claims up to the limit. During the fiscal year ended June 30, 2012, the City contributed \$222,403 for coverage during the current year and received a refund of \$133,846 of prior year excess contributions. Financial statements for the risk pools may be obtained from CJPRMA, 3252 Constitution Dr., Livermore CA 94551.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 14 - RISK MANAGEMENT (Continued)

Workers' Compensation Coverage

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

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	
			2012	2011
Balance, beginning of year	\$434,716	\$3,535,461	\$3,970,177	\$3,598,587
Current year claims and changes in estimates	2,482,475	1,458,131	3,940,606	2,387,289
Claims paid	(336,027)	(275,394)	(611,421)	(2,015,699)
Balance, end of year	<u>\$2,581,164</u>	<u>\$4,718,198</u>	<u>\$7,299,362</u>	<u>\$3,970,177</u>
Current portion	<u>\$472,257</u>	<u>\$1,370,563</u>	<u>\$1,842,820</u>	<u>\$2,200,000</u>

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

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 eight 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, 2012

NOTE 15 - COMMITMENTS AND CONTINGENCIES (Continued)
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Among those projects is the construction of 800 curb ramps throughout San Rafael. As of June 30, 2012, the City has construction 361 ramps with plans to install the remaining ramps over the life of the Agreement, which expires in 2014.

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. *Redevelopment Dissolution*

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited 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.

In addition, ABx1 26 and AB1484 directed the State Controller to review the activities of all redevelopment agencies and successor 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 legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller's Office has not yet scheduled its asset transfer review.

Effective January 31, 2012, all redevelopment agencies were dissolved. Certain assets of the Redevelopment Agency Capital Projects Fund were distributed to the Housing Successor and all remaining Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

The City elected to become the Housing Successor and on February 1, 2012, certain housing assets were transferred to the City's Low and Moderate Income Housing Special Revenue Fund.

The City also elected to become the Successor Agency and on February 1, 2012, the Redevelopment Agency's remaining net assets were distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 2, 2012. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

A summary of assets distributed and liabilities assumed by the Successor Agency, reported as an Extraordinary Item, is presented below:

	Governmental Activities (Prior to transfer)	Transfer to Successor Agency	Transfer to Housing Successor	Ending Balance January 31, 2012
ASSETS				
Current assets:				
Cash and investments	\$2,672,320	(\$1,283,907)	(\$1,388,413)	
Total current assets	<u>2,672,320</u>	<u>(1,283,907)</u>	<u>(1,388,413)</u>	
Noncurrent assets:				
Restricted cash and investments	1,375,315	(1,375,315)		
Loan receivable	553,307		(553,307)	
Capital assets				
Land	39,000		(39,000)	
Depreciable capital assets, net	<u>17,381</u>		<u>(17,381)</u>	
Total noncurrent assets	<u>1,985,003</u>	<u>(1,375,315)</u>	<u>(609,688)</u>	
Total Assets	<u>4,657,323</u>	<u>(2,659,222)</u>	<u>(1,998,101)</u>	
LIABILITIES				
Current liabilities:				
Accounts payable	31,973	(15,312)	(16,661)	
Interest payable	255,838	(255,838)		
Advances from the City of San Rafael	291,326	(291,326)		
Long-term debt - due within one year				
Total current liabilities	<u>579,137</u>	<u>(562,476)</u>	<u>(16,661)</u>	
Noncurrent liabilities:				
Long-term debt - due in more than one year	<u>31,191,577</u>	<u>(31,022,577)</u>	<u>(169,000)</u>	
Total noncurrent liabilities	<u>31,191,577</u>	<u>(31,022,577)</u>	<u>(169,000)</u>	
Total Liabilities	<u>31,770,714</u>	<u>(31,585,053)</u>	<u>(185,661)</u>	
NET ASSETS	<u>(\$27,113,391)</u>	<u>\$28,925,831</u>	<u>(\$1,812,440)</u>	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

See Notes 2, 4 and 5 for details of the cash and investments, loans and capital assets assumed by the Housing Successor Agency.

B. Long Term Debt

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.

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

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, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

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 \$39.2 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year June 30, 2012, tax increment revenues transferred to the City by the County of Marin amounted to \$3.5 million which was used to make the debt service payments of \$3.5 million.

The Successor Agency assumed the long-term debt of the Redevelopment Agency as of February 1, 2012. The debt issues and transactions are summarized below and discussed in detail in Note 7.

	Authorized and Issued	Transfer from Redevelopment Agency as of February 1, 2012	Additions	Balance June 30, 2012	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	\$4,739,112	\$132,485	\$4,871,597	
2002 Tax Allocation Refunding Bonds					
2.00%-5.25%, due 12/1/2021	25,020,000	12,525,000		12,525,000	\$1,495,000
2009 Tax Allocation Refunding Bonds					
3.00%-5.00%, due 12/1/2022	14,660,000	12,880,000		12,880,000	930,000
Add: deferred bond premium costs		878,465		878,465	
Total Governmental Long-term Debt		<u>\$31,022,577</u>	<u>\$132,485</u>	<u>\$31,155,062</u>	<u>\$2,425,000</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$2,425,000	1,140,269
2014	2,540,000	1,023,576
2015	2,675,000	893,201
2016	2,800,000	766,926
2017	2,930,000	634,276
2018 - 2022	16,335,000	1,486,715
2023 - 2027	3,530,000	36,500
Totals	33,235,000	<u>\$5,981,463</u>
Reconciliation of long-term debt:		
Less unaccreted discount	(2,958,403)	
Add deferred bond premium costs	<u>878,465</u>	
	<u>\$31,155,062</u>	

C. Commitment and Contingencies

1. State Approval of Enforceable Obligation

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The State Department of Finance has stated that all items on a future ROPS are subject to a subsequent review. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

2. State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 16 – REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES (Continued)

3. Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of San Rafael Successor Agency (Agency) submitted an Oversight Board approved Low and Moderate Income Housing Due Diligence Review (DDR) to the California Department of Finance (DOF) on October 15, 2012. In November 2012, the DOF sent correspondence to the City questioning a transfer of \$1,371,751 for cash and investment transfers made. The City contends the transfers were lawfully made and has requested a “meet and confer” with the DOF regarding this issue, which has yet to be scheduled by the DOF.

4. Demand for True-Up Payment

Pursuant to Health and Safety Code section 34183.5 (b), Successor Agencies are required to remit a True-Up Payment representing a calculation of tax increment collected in December 2011 by the former Redevelopment Agency in excess of the enforceable obligations, as approved by the County Auditor/Controller. On July 9, 2012 the Successor Agency received a Demand from the County Auditor/Controller that had calculated a True-Up Payment of \$1,731,446. Management reviewed the calculation and believes it is inaccurate. Management’s calculation of the True-Up Payment amounted to \$148,589 and on July 12, 2012 the Successor Agency remitted that amount to the County Auditor/Controller. The remaining unpaid balance of the Demand has not been recorded in the accompanying financial statements as management believes its calculation is accurate.

NOTE 17 – SUBSEQUENT EVENTS

A. Refunding of 2003 Authority Lease Revenue Bonds

The San Rafael Joint Power Financing Authority financed the construction of the 3rd and C Street parking structure in 2003 through the issuance of lease revenue bonds in the original principal amount of \$7,605,000. These bonds were issued for 30 years and had an average coupon of 4.77% and annual debt service of approximately \$500,000. Based on favorable market conditions, the Authority was able to refinance the 2003 bonds in August 2012, and achieved lower interest rates and lower annual debt service payments. The City will realize annual savings of \$41,100 to \$50,200 per year for a total \$670,496 in total savings over the remaining 21 years. Savings will begin in the fiscal year 2012/13. This amount represents approximately 10% in present value savings.

B. Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds

The Pt. San Pedro Road Median Landscaping Assessment District was formed in June 2011 for the purpose of financing and maintaining median improvements that benefit property owners within the assessment district. The annual assessment tax levy is dedicated to Assessment District administration, debt service on bonds, and ongoing maintenance of the median improvements. The City Council approved the project and the construction contract was awarded to the lowest bidder on June 4, 2012 with instruction to proceed once financing had been secured.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 17 – SUBSEQUENT EVENTS (Continued)

The original engineer's plan estimated that the project would require the issuance of \$1,750,000 in bonds in order to support construction of the median improvements. The City chose to issue the bonds as a private placement to avoid the financing expenses associated with selling the bonds in the municipal market, and determined that there was sufficient liquidity in its investment portfolio to purchase the bonds for its own portfolio. In August 2012, the Financing Authority issued, and the City purchased the Assessment District bonds in the amount of \$1,750,000 with an annual interest rate of 5.25%.

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 No. 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Taxes and special assessments	\$42,673,640	\$43,586,030	\$43,437,974	(\$148,056)
Licenses and permits	1,406,350	1,585,350	1,648,890	63,540
Fines and forfeitures	459,200	715,200	801,758	86,558
Use of money and properties	168,200	148,200	153,195	4,995
Intergovernmental	6,608,580	6,396,784	6,431,644	34,860
Charges for services	1,561,470	1,958,000	2,060,631	102,631
Other revenue	107,360	299,840	368,840	69,000
Total Revenues	52,984,800	54,689,404	54,902,932	213,528
EXPENDITURES				
Current:				
General government	5,876,750	8,046,511	8,659,643	(613,132)
Public safety	33,368,550	32,457,705	31,753,176	704,529
Public works and parks	8,446,080	8,396,035	8,228,225	167,810
Community development/redevelopment	3,022,310	2,926,923	2,913,184	13,739
Culture and recreation	2,278,530	2,232,732	2,198,155	34,577
Capital outlay	44,850	40,764	200,203	(159,439)
Capital improvement/special projects	40,000	105,000	115,781	(10,781)
Debt service:				
Principal	123,460	123,460	124,222	(762)
Interest and fiscal charges		85,232	85,415	(183)
Total Expenditures	53,200,530	54,414,362	54,278,004	136,358
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(215,730)	275,042	624,928	349,886
OTHER FINANCING SOURCES (USES)				
Transfers in	2,490,940	1,526,692	1,535,944	9,252
Transfers out	(1,763,250)	(1,790,884)	(2,204,744)	(413,860)
Total Other Financing Sources (Uses)	727,690	(264,192)	(668,800)	(404,608)
Net Change in Fund Balances	\$511,960	\$10,850	(43,872)	(\$54,722)
FUND BALANCES, BEGINNING OF YEAR, as restated			2,815,334	
FUND BALANCES, END OF YEAR			\$2,771,462	

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Use of money and properties	\$48,100	\$18,940	\$27,797	\$8,857
Charges for services			287,609	287,609
Total Revenues	48,100	18,940	315,406	296,466
EXPENDITURES				
Current:				
Public works and parks	70,810	70,810	70,565	245
Total Expenditures	70,810	70,810	70,565	245
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(22,710)	(51,870)	244,841	296,711
Net Change in Fund Balances	<u>(\$22,710)</u>	<u>(\$51,870)</u>	244,841	<u>\$296,711</u>
FUND BALANCES, BEGINNING OF YEAR			<u>9,156,255</u>	
FUND BALANCES, END OF YEAR			<u>\$9,401,096</u>	

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and properties	\$10,090	\$3,750	\$8,379	\$4,629
Intergovernmental	3,714,390	2,514,390	2,557,421	43,031
Charges for services	496,000	496,000	955,691	459,691
Total Revenues	4,220,480	3,014,140	3,521,491	507,351
EXPENDITURES				
Current:				
Public works and parks	1,198,630	29,122	19,343	9,779
Capital outlay		796,000	411,973	384,027
Capital improvement/special projects	1,996,000	1,382,925	394,281	988,644
Total Expenditures	3,194,630	2,208,047	825,597	1,382,450
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,025,850	806,093	2,695,894	1,889,801
OTHER FINANCING SOURCES (USES)				
Transfers in		213,415	792,139	578,724
Transfers (out)	(440,000)	(440,000)	(447,579)	(7,579)
Total Other Financing Sources (Uses)	(440,000)	(226,585)	344,560	571,145
Net Change in Fund Balances	\$585,850	\$579,508	3,040,454	\$2,460,946
FUND BALANCES, BEGINNING OF YEAR			1,440,793	
FUND BALANCES, END OF YEAR			\$4,481,247	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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 geotechnical 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 (Continued)

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.

Pt. San Pedro Maintenance Portion Special Revenue Fund – Established to account for ongoing maintenance needs within the Pt. San Pedro assessment district.

Low and Moderate Income Housing Special Revenue Fund – Established to account for the activities related to the assets assumed by the City as Housing Successor to the San Rafael Redevelopment Agency for the housing activities of the former Redevelopment Agency.

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.

Pt. San Pedro Debt-CIP Portion Payment Debt Services Fund – Established to accumulate funds for payment of principal and interest for Pt. San Pedro Assessment District bonds.

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.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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.

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.

Redevelopment Agency Capital Project Fund – Established to account for the capital projects activities of the San Rafael Redevelopment Agency.

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

SPECIAL REVENUE FUNDS					
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$235,546	\$172,793	\$208,504	\$23,262	\$631,935
Receivables:					
Accounts	218,285		269,242		
Taxes		444			
Grants	1,831			18,287	
Loans					
Prepays					
Total Assets	<u>\$455,662</u>	<u>\$173,237</u>	<u>\$477,746</u>	<u>\$41,549</u>	<u>\$631,935</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$81,993		\$257,448	\$37,400	
Developer bonds payable					
Deferred revenue	244,556				
Total Liabilities	<u>326,549</u>		<u>257,448</u>	<u>37,400</u>	
Fund Balances:					
Nonspendable					
Restricted	14,879	\$173,237	161,997	2,664	\$549,292
Committed	101,585		56,253	1,485	82,643
Assigned	12,649		2,048		
Total Fund Balances	<u>129,113</u>	<u>173,237</u>	<u>220,298</u>	<u>4,149</u>	<u>631,935</u>
Total Liabilities and Fund Balances	<u>\$455,662</u>	<u>\$173,237</u>	<u>\$477,746</u>	<u>\$41,549</u>	<u>\$631,935</u>

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$918,240	\$248,266	\$567,090	\$155,828	\$1,006,434	\$798,916	\$443,934
273		14,912	33,194	13,713		181,557
<u>\$918,513</u>	<u>\$248,266</u>	<u>\$582,002</u>	<u>\$189,022</u>	<u>\$1,020,147</u>	<u>\$798,916</u>	<u>\$625,491</u>
	\$2,168	\$21,276	\$557	\$18,093	\$9,313 1,500	\$55,555
	<u>2,168</u>	<u>21,276</u>	<u>557</u>	<u>18,093</u>	<u>10,813</u>	<u>55,555</u>
\$918,513	10,383 95,538 140,177	560,726	188,465	723,894 278,160	137,600 650,503	569,936
<u>918,513</u>	<u>246,098</u>	<u>560,726</u>	<u>188,465</u>	<u>1,002,054</u>	<u>788,103</u>	<u>569,936</u>
<u>\$918,513</u>	<u>\$248,266</u>	<u>\$582,002</u>	<u>\$189,022</u>	<u>\$1,020,147</u>	<u>\$798,916</u>	<u>\$625,491</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Parkland Dedication	Emergency Medical Services	Business Improvement	Sewer Maintenance	Pt. San Pedro- Maintenance Portion
ASSETS					
Cash and investments	\$811,304	\$363,667	\$4,437	\$9,828	\$84,429
Receivables:					
Accounts	25,000	204,208		45,000	
Taxes		66,572			1,546
Grants	103,077				
Loans					
Prepays		6,942			
Total Assets	<u>\$939,381</u>	<u>\$641,389</u>	<u>\$4,437</u>	<u>\$54,828</u>	<u>\$85,975</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$530	\$84,112		\$23,688	
Developer bonds payable					
Deferred revenue					
Total Liabilities	<u>530</u>	<u>84,112</u>		<u>23,688</u>	
Fund Balances:					
Nonspendable		6,942			
Restricted	663,126	550,335	\$4,437		\$85,975
Committed	275,725				
Assigned				31,140	
Total Fund Balances	<u>938,851</u>	<u>557,277</u>	<u>4,437</u>	<u>31,140</u>	<u>85,975</u>
Total Liabilities and Fund Balances	<u>\$939,381</u>	<u>\$641,389</u>	<u>\$4,437</u>	<u>\$54,828</u>	<u>\$85,975</u>

SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS					CAPITAL PROJECT FUNDS
Low and Moderate Income Housing	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Pt. San Pedro- Debt-CIP Portion Payment	Redevelopment Agency Debt Service	Capital Improvement
\$1,130,196	\$2,875	\$16,519	\$145,623	\$118,731		\$123,242
40,387				2,174		97,297
721,088						
<u>\$1,891,671</u>	<u>\$2,875</u>	<u>\$16,519</u>	<u>\$145,623</u>	<u>\$120,905</u>		<u>\$220,539</u>
						\$183
						183
\$721,088	\$2,875	\$16,519	\$145,623	\$120,905		200,870
1,170,583						19,486
<u>1,891,671</u>	<u>2,875</u>	<u>16,519</u>	<u>145,623</u>	<u>120,905</u>		<u>220,356</u>
<u>\$1,891,671</u>	<u>\$2,875</u>	<u>\$16,519</u>	<u>\$145,623</u>	<u>\$120,905</u>		<u>\$220,539</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

CAPITAL PROJECT FUNDS					
	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	Equipment Replacement
ASSETS					
Cash and investments	\$18,626	\$243,623	\$21,510	\$134,559	\$3,670,827
Receivables:					
Accounts					
Taxes					
Grants					
Loans					
Prepays					
Total Assets	<u>\$18,626</u>	<u>\$243,623</u>	<u>\$21,510</u>	<u>\$134,559</u>	<u>\$3,670,827</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$9,891		\$57,678
Developer bonds payable					
Deferred revenue					
Total Liabilities			<u>9,891</u>		<u>57,678</u>
Fund Balances:					
Nonspendable					
Restricted	\$18,626	\$223,946			
Committed		19,677	11,115		
Assigned			504	\$134,559	3,613,149
Total Fund Balances	<u>18,626</u>	<u>243,623</u>	<u>11,619</u>	<u>134,559</u>	<u>3,613,149</u>
Total Liabilities and Fund Balances	<u>\$18,626</u>	<u>\$243,623</u>	<u>\$21,510</u>	<u>\$134,559</u>	<u>\$3,670,827</u>

CAPITAL PROJECT FUNDS

Radio Replacement	Telephone Replacement	Redevelopment Agency Capital Project	Total Non-Major Governmental Funds
\$560,363	\$182,039		\$13,053,146
			835,316
			99,634
			402,049
			721,088
			6,942
<u>\$560,363</u>	<u>\$182,039</u>		<u>\$15,118,175</u>
	\$30,771		\$690,656
			1,500
			244,556
	<u>30,771</u>		<u>936,712</u>
			728,030
			5,907,223
	12,801		2,262,651
<u>\$560,363</u>	<u>138,467</u>		<u>5,283,559</u>
<u>560,363</u>	<u>151,268</u>		<u>14,181,463</u>
<u>\$560,363</u>	<u>\$182,039</u>		<u>\$15,118,175</u>

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$606	489	\$439	\$10	\$1,897
Intergovernmental	22,000			253,349	
Charges for services	2,558,914		1,513,724	3,211,518	
Other revenue	32,221		7,424	2,859	2,395
Total Revenues	2,613,741	25,857	1,521,587	3,467,736	4,292
EXPENDITURES					
Current:					
General government					
Public safety			1,433,816		
Public works and parks		4,391			
Community development / redevelopment					
Culture and recreation	3,686,788			3,592,304	
Capital outlay	6,949				
Capital improvement/special projects	18,025				
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	3,711,762	4,391	1,433,816	3,592,304	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,098,021)	21,466	87,771	(124,568)	4,292
OTHER FINANCING SOURCES (USES)					
Transfers in	1,068,740			127,100	
Transfers out	(40,000)				
Total Other Financing Sources (Uses)	1,028,740			127,100	
EXTRAORDINARY ITEM					
Transfer (out) Successor Agency and Housing Successor					
Net Change in Fund Balances	(69,281)	21,466	87,771	2,532	4,292
Fund Balance, Beginning, as restated	198,394	151,771	132,527	1,617	627,643
Fund Balance, Ending	\$129,113	\$173,237	\$220,298	\$4,149	\$631,935

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$15,606		\$887,681				
2,733	\$38,288	1,427	\$474	\$2,839	\$30,442	\$1,094
	123,429		66,905			991,712
	6,666		3,713	785,256	48,378	
	29,300		5,030		52,532	10,000
18,339	197,683	889,108	76,122	788,095	131,352	1,002,806
			147,503			100,000
50				983,474	10	
	5,167	794,800				68,459
	7,561			157,099		69,694
	91,939		6,885		86,782	676,714
50	104,667	794,800	154,388	1,140,573	86,792	914,867
18,289	93,016	94,308	(78,266)	(352,478)	44,560	87,939
			65,000	267,990		85,213
						(224,116)
			65,000	267,990		(138,903)
18,289	93,016	94,308	(13,266)	(84,488)	44,560	(50,964)
900,224	153,082	466,418	201,731	1,086,542	743,543	620,900
\$918,513	\$246,098	\$560,726	\$188,465	\$1,002,054	\$788,103	\$569,936

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Parkland Dedication	Emergency Medical Services	Business Improvement	Sewer Maintenance	Pt. San Pedro - Maintenance Portion
REVENUES					
Taxes and special assessments	\$30,773	\$3,807,545			\$88,358
Use of money and properties	2,831	609	\$32		65
Intergovernmental	84,114		6,500		
Charges for services		2,780,846		\$2,351,445	
Other revenue	26,998	525	18,269		
Total Revenues	144,716	6,589,525	24,801	2,351,445	88,423
EXPENDITURES					
Current:					
General government			24,080		
Public safety		5,877,056			
Public works and parks				2,137,678	2,448
Community development / redevelopment					
Culture and recreation					
Capital outlay	142,851	19,754			
Capital improvement/special projects					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	142,851	5,896,810	24,080	2,137,678	2,448
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,865	692,715	721	213,767	85,975
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(117,647)	(281,980)		(216,000)	
Total Other Financing Sources (Uses)	(117,647)	(281,980)		(216,000)	
EXTRAORDINARY ITEM					
Transfer (out) Successor Agency and Housing Successor					
Net Change in Fund Balances	(115,782)	410,735	721	(2,233)	85,975
Fund Balance, Beginning, as restated	1,054,633	146,542	3,716	33,373	
Fund Balance, Ending	\$938,851	\$557,277	\$4,437	\$31,140	\$85,975

SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS					CAPITAL PROJECT FUNDS
Low and Moderate Income Housing	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Pt. San Pedro- Debt-CIP Portion Payment	Redevelopment Agency Debt Service	Capital Improvement
\$2,139		\$50	\$437	\$124,257 91	\$2,972,581 51	\$322
1,625						312,962
38,762						
42,526		50	437	124,348	2,972,632	313,284
75,914				3,443		
						126,117
						76,086
					2,325,000 647,581	
75,914				3,443	2,972,581	202,203
(33,388)		50	437	120,905	51	111,081
					292,260 (292,260)	
1,925,059					(44,882)	
1,891,671		50	437	120,905	(44,831)	111,081
	\$2,875	16,469	145,186		44,831	109,275
\$1,891,671	\$2,875	\$16,519	\$145,623	\$120,905		\$220,356

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CAPITAL PROJECT FUNDS				
	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	Equipment Replacement
REVENUES					
Taxes and special assessments	\$4,973				
Use of money and properties	89	\$577	\$48	\$406	\$10,663
Intergovernmental					
Charges for services					1,619,950
Other revenue		159,397	7,423		39,693
Total Revenues	5,062	159,974	7,471	406	1,670,306
EXPENDITURES					
Current:					
General government					
Public safety					
Public works and parks					
Community development / redevelopment					
Culture and recreation					
Capital outlay		170,182			
Capital improvement/special projects			38,325	3,822	1,048,571
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures		170,182	38,325	3,822	1,048,571
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,062	(10,208)	(30,854)	(3,416)	621,735
OTHER FINANCING SOURCES (USES)					
Transfers in			13,000		
Transfers out	(13,000)				
Total Other Financing Sources (Uses)	(13,000)		13,000		
EXTRAORDINARY ITEM					
Transfer (out) Successor Agency and Housing Successor					
Net Change in Fund Balances	(7,938)	(10,208)	(17,854)	(3,416)	621,735
Fund Balance, Beginning, as restated	26,564	\$253,831	29,473	137,975	2,991,414
Fund Balance, Ending	\$18,626	\$243,623	\$11,619	\$134,559	\$3,613,149

CAPITAL PROJECT FUNDS			
Radio Replacement	Telephone Replacement	Redevelopment Agency Capital Projects	Total Non-Major Governmental Funds
			\$7,957,142
\$1,107	\$530	\$25,727	126,190
			1,548,331
648,660	481,000	20,845	16,345,502
		69,289	502,117
649,767	481,530	115,861	26,479,282
		24,236	124,230
			7,558,375
		69,195	3,200,689
		842,320	842,320
			8,147,518
			700,207
614,913	386,473	45,574	3,094,109
	69,098		2,394,098
	2,225		649,806
614,913	457,796	981,325	26,711,352
34,854	23,734	(865,464)	(232,070)
		292,260	2,211,563
		(1,026,967)	(2,211,970)
		(734,707)	(407)
		(4,232,761)	(2,352,584)
34,854	23,734	(5,832,932)	(2,585,061)
525,509	127,534	5,832,932	16,766,524
\$560,363	\$151,268		\$14,181,463

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$420	\$606	\$186	330	489	159
Intergovernmental	20,000	22,000	2,000			
Charges for services	2,494,520	2,558,914	64,394			
Other revenue	8,480	32,221	23,741			
Total Revenues	2,523,420	2,613,741	90,321	25,330	25,857	527
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks					4,391	(4,391)
Culture and recreation	3,476,325	3,686,788	(210,463)			
Capital outlay		6,949	(6,949)			
Capital improvement/special projects		18,025	(18,025)			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	3,476,325	3,711,762	(235,437)		4,391	(4,391)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(952,905)	(1,098,021)	(145,116)	25,330	21,466	(3,864)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,068,740	1,068,740				
Transfers out		(40,000)	(40,000)			
Total Other Financing Sources (Uses)	1,068,740	1,028,740	(40,000)			
EXTRAORDINARY ITEM						
Transfers to Successor Agency / Housing Successor						
FUND BALANCES, BEGINNING OF YEAR AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	\$115,835	(69,281)	(\$185,116)	\$25,330	21,466	(\$3,864)
FUND BALANCES, BEGINNING OF YEAR, as restated		198,394			151,771	
FUND BALANCES, END OF YEAR		\$129,113			\$173,237	

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)
\$150	\$439	\$289		\$10	\$10	\$1,370	\$1,897	\$527
5,330		(5,330)	\$243,185	253,349	10,164			
1,473,280	1,513,724	40,444	3,273,410	3,211,518	(61,892)			
	7,424	7,424		2,859	2,859		2,395	2,395
1,478,760	1,521,587	42,827	3,516,595	3,467,736	(48,859)	1,370	4,292	2,922
1,382,529	1,433,816	(51,287)						
			3,563,692	3,592,304	(28,612)			
			11,890		11,890			
1,382,529	1,433,816	(51,287)	3,575,582	3,592,304	(16,722)			
96,231	87,771	(8,460)	(58,987)	(124,568)	(65,581)	1,370	4,292	2,922
			127,100	127,100				
			(40,000)		40,000			
			87,100	127,100	40,000			
\$96,231	87,771	(\$8,460)	\$28,113	2,532	(\$25,581)	\$1,370	4,292	\$2,922
	132,527			1,617			627,643	
	\$220,298			\$4,149			\$631,935	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

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	\$15,610	\$15,606	(\$4)			
Licenses and permits						
Fines and forfeitures						
Use of money and properties	1,900	2,733	833	\$40,390	\$38,288	(\$2,102)
Intergovernmental				291,530	123,429	(168,101)
Charges for services				4,000	6,666	2,666
Other revenue				49,000	29,300	(19,700)
Total Revenues	17,510	18,339	829	384,920	197,683	(187,237)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks	50	50				
Culture and recreation				148,858	5,167	143,691
Capital outlay					7,561	(7,561)
Capital improvement/special projects				139,981	91,939	48,042
Debt service						
Principal						
Interest and fiscal charges						
Total Expenditures	50	50		288,839	104,667	184,172
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,460	18,289	829	96,081	93,016	(3,065)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
EXTRAORDINARY ITEM						
Transfers to Successor Agency / Housing Successor						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>\$17,460</u>	<u>18,289</u>	<u>\$829</u>	<u>\$96,081</u>	<u>93,016</u>	<u>(\$3,065)</u>
FUND BALANCES, BEGINNING OF YEAR, as restated		<u>900,224</u>			<u>153,082</u>	
FUND BALANCES, END OF YEAR		<u>\$918,513</u>			<u>\$246,098</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	\$887,681	\$12,181				\$5,000		(\$5,000)
						2,260		(2,260)
\$900	1,427	527	\$340	\$474	\$134	2,200	\$2,839	639
			65,100	66,905	1,805			
			10,000	3,713	(6,287)	793,000	785,256	(7,744)
				5,030	5,030			
876,400	889,108	12,708	75,440	76,122	682	802,460	788,095	(14,365)
			154,821	147,503	7,318			
783,901	794,800	(10,899)				1,078,895	983,474	95,421
						100,000	157,099	(57,099)
			10,000	6,885	3,115			
783,901	794,800	(10,899)	164,821	154,388	10,433	1,178,895	1,140,573	38,322
92,499	94,308	1,809	(89,381)	(78,266)	11,115	(376,435)	(352,478)	23,957
			65,000	65,000		267,990	267,990	
			65,000	65,000		267,990	267,990	
<u>\$92,499</u>	94,308	<u>\$1,809</u>	<u>(\$24,381)</u>	(13,266)	<u>\$11,115</u>	<u>(\$108,445)</u>	(84,488)	<u>\$23,957</u>
	466,418			201,731			1,086,542	
	<u>\$560,726</u>			<u>\$188,465</u>			<u>\$1,002,054</u>	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$26,100	\$30,442	\$4,342	\$730	\$1,094	\$364
Intergovernmental				1,304,831	991,712	(313,119)
Charges for services		48,378	48,378			
Other revenue		52,532	52,532	67,000	10,000	(57,000)
Total Revenues	26,100	131,352	105,252	1,372,561	1,002,806	(369,755)
EXPENDITURES						
Current:						
General government				5		5
Public safety				100,000	100,000	
Public works and parks		10	(10)			
Culture and recreation				377,220	68,459	308,761
Capital outlay				133,126	69,694	63,432
Capital improvement/special projects		86,782	(86,782)	894,466	676,714	217,752
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures		86,792	(86,792)	1,504,817	914,867	589,950
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,100	44,560	\$18,460	(132,256)	87,939	220,195
OTHER FINANCING SOURCES (USES)						
Transfers in				77,634	85,213	7,579
Transfers out				(50,000)	(224,116)	(174,116)
Total Other Financing Sources (Uses)				27,634	(138,903)	(166,537)
EXTRAORDINARY ITEM						
Transfers to Successor Agency / Housing Successor						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	\$26,100	44,560	\$18,460	(\$104,622)	(50,964)	\$53,658
FUND BALANCES, BEGINNING OF YEAR, as restated		743,543			620,900	
FUND BALANCES, END OF YEAR		\$788,103			\$569,936	

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)
	\$30,773	\$30,773	\$3,869,500	\$3,807,545	(\$61,955)			
\$2,040	2,831	791		609	609	\$10	\$32	\$22
	84,114	84,114	20,500		(20,500)	16,510	6,500	(10,010)
			2,100,000	2,780,846	680,846			
	26,998	26,998		525	525	22,520	18,269	(4,251)
2,040	144,716	142,676	5,990,000	6,589,525	599,525	39,040	24,801	(14,239)
			5,600,299	5,877,056	(276,757)	39,580	24,080	15,500
\$255,000	142,851	112,149	6,000	19,754	(13,754)			
255,000	142,851	112,149	5,606,299	5,896,810	(290,511)	39,580	24,080	15,500
(252,960)	1,865	254,825	383,701	692,715	309,014	(540)	721	1,261
	(117,647)	(117,647)	(281,980)	(281,980)				
	(117,647)	(117,647)	(281,980)	(281,980)				
(\$252,960)	(115,782)	\$137,178	\$101,721	410,735	\$309,014	(\$540)	721	\$1,261
	1,054,633			146,542			3,716	
	\$938,851			\$557,277			\$4,437	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

SPECIAL REVENUE FUNDS					
	Sewer Maintenance			Pt. San Pedro-Maintenance Portion	
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Variance Positive (Negative)
REVENUES					
Taxes and special assessments					\$88,358
Licenses and permits					
Fines and forfeitures					
Use of money and properties					65
Intergovernmental					
Charges for services	\$2,376,360	\$2,351,445	(\$24,915)		
Other revenue					
Total Revenues	<u>2,376,360</u>	<u>2,351,445</u>	<u>(24,915)</u>	<u>88,423</u>	<u>88,423</u>
EXPENDITURES					
Current:					
General government					
Public safety					
Public works and parks	2,166,291	2,137,678	28,613	2,448	(2,448)
Culture and recreation					
Capital outlay					
Capital improvement/special projects					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	<u>2,166,291</u>	<u>2,137,678</u>	<u>28,613</u>	<u>2,448</u>	<u>(2,448)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>210,069</u>	<u>213,767</u>	<u>3,698</u>	<u>85,975</u>	<u>85,975</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(216,000)	(216,000)			
Total Other Financing Sources (Uses)	<u>(216,000)</u>	<u>(216,000)</u>			
EXTRAORDINARY ITEM					
Transfers to Successor Agency / Housing Successor					
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>(\$5,931)</u>	<u>(2,233)</u>	<u>\$3,698</u>	<u>85,975</u>	<u>\$85,975</u>
FUND BALANCES, BEGINNING OF YEAR, as restated		<u>33,373</u>			
FUND BALANCES, END OF YEAR		<u>\$31,140</u>		<u>\$85,975</u>	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND					
Low and Moderate Income Housing			Mariposa Assessment District			1997 Financing Authority Revenue Bonds		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						\$228,000		(\$228,000)
	\$2,139	\$2,139	\$40	\$50	\$10	310	\$437	127
	1,625	1,625						
	38,762							
	42,526	3,764	40	50	10	228,310	437	(227,873)
	75,914	(75,914)						
						123,000		123,000
						24,460		24,460
	75,914	(75,914)				147,460		147,460
	(33,388)	(33,388)	40	50	10	80,850	437	(\$80,413)
	1,925,059							
	(33,388)	(33,388)	\$40	50	\$10	\$80,850	437	(\$80,413)
				16,469			145,186	
	\$1,891,671			\$16,519			\$145,623	

(Continued)

CITY OF SAN RAFAEL
BUDGETED NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

DEBT SERVICE FUND					
	Pt. San Pedro-Debt-CIP Payment			Redevelopment Agency Debt Service	
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual Variance Positive (Negative)
REVENUES					
Taxes and special assessments		\$124,257	\$124,257	\$3,569,320	\$2,972,581 (\$596,739)
Licenses and permits					
Fines and forfeitures					
Use of money and properties		91	91	130	51 (79)
Intergovernmental					
Charges for services					
Other revenue					
Total Revenues		124,348	124,348	3,569,450	2,972,632 (\$596,818)
EXPENDITURES					
Current:					
General government					
Public safety					
Public works and parks		3,443	(3,443)		
Culture and recreation					
Capital outlay					
Capital improvement/special projects					
Debt service:					
Principal				2,325,000	2,325,000
Interest and fiscal charges				1,244,320	647,581 596,739
Total Expenditures		3,443	(3,443)	3,569,320	2,972,581 596,739
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		120,905	\$120,905	130	51 (\$79)
OTHER FINANCING SOURCES (USES)					
Transfers in				292,260	292,260
Transfers out				(292,260)	(292,260)
Total Other Financing Sources (Uses)					
EXTRAORDINARY ITEM					
Transfers to Successor Agency / Housing Successor					(44,882)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES		120,905	\$120,905	\$130	51 (\$79)
FUND BALANCES, BEGINNING OF YEAR, as restated					44,831
FUND BALANCES, END OF YEAR		\$120,905			

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.

OPEB/Retiree Medical Fund – Established to account for activities related to the funding, administration and procurement of retiree medical benefits. In past years, this activity was included in the Employee Benefits Internal Service Fund.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2012

	<u>Building Maintenance</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>
ASSETS				
Current Assets:				
Cash and investments	\$745,549	\$322,088	\$2,588,343	\$4,727,633
Restricted cash and investments				
Accounts receivable		72,938		
Total Assets	<u>745,549</u>	<u>395,026</u>	<u>2,588,343</u>	<u>4,727,633</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	5,913	15,026	7,179	9,435
Claims payable - due in one year			472,257	1,370,563
Non-current Liabilities:				
Claims payable - due in more than one year			2,108,907	3,347,635
OPEB liability				
Total Liabilities	<u>5,913</u>	<u>15,026</u>	<u>2,588,343</u>	<u>4,727,633</u>
NET ASSETS:				
Restricted				
Unrestricted	<u>739,636</u>	<u>380,000</u>		
Total Net Assets	<u><u>\$739,636</u></u>	<u><u>\$380,000</u></u>		

<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Retiree Medical</u>	<u>Total</u>
\$211,170	\$3,002,190	\$361,520	\$11,958,493
		11,178,164	11,178,164
			72,938
<u>211,170</u>	<u>3,002,190</u>	<u>11,539,684</u>	<u>23,209,595</u>
3,674			41,227
			1,842,820
			5,456,542
		<u>7,594,000</u>	<u>7,594,000</u>
<u>3,674</u>		<u>7,594,000</u>	<u>14,934,589</u>
		3,584,164	3,584,164
<u>207,496</u>	<u>3,002,190</u>	<u>361,520</u>	<u>4,690,842</u>
<u>\$207,496</u>	<u>\$3,002,190</u>	<u>\$3,945,684</u>	<u>\$8,275,006</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation
OPERATING REVENUES				
Charges for current services	\$376,190	\$2,938,512	\$1,506,154	\$1,417,815
Other operating revenues	8,700	946,998	133,846	
Total Operating Revenues	384,890	3,885,510	1,640,000	1,417,815
OPERATING EXPENSES				
Insurance premiums and claims		3,102,630	780,249	823,501
Maintenance and repairs	218,651			210
General and administrative	16,888	652,702		
OPEB expense				
Total Operating Expenses	235,539	3,755,332	780,249	823,711
Operating Income (Loss)	149,351	130,178	859,751	594,104
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,274		5,961	4,029
Interest expense				
Total Nonoperating Revenues (Expenses)	1,274		5,961	4,029
Net income (loss) before transfers	150,625	130,178	865,712	598,133
Transfers in	243,187	230,000		
Transfers out			(280,000)	
Change in Net Assets	393,812	360,178	585,712	598,133
NET ASSETS, BEGINNING OF YEAR (RESTATED)	345,824	19,822	(585,712)	(598,133)
NET ASSETS, END OF YEAR	\$739,636	\$380,000		

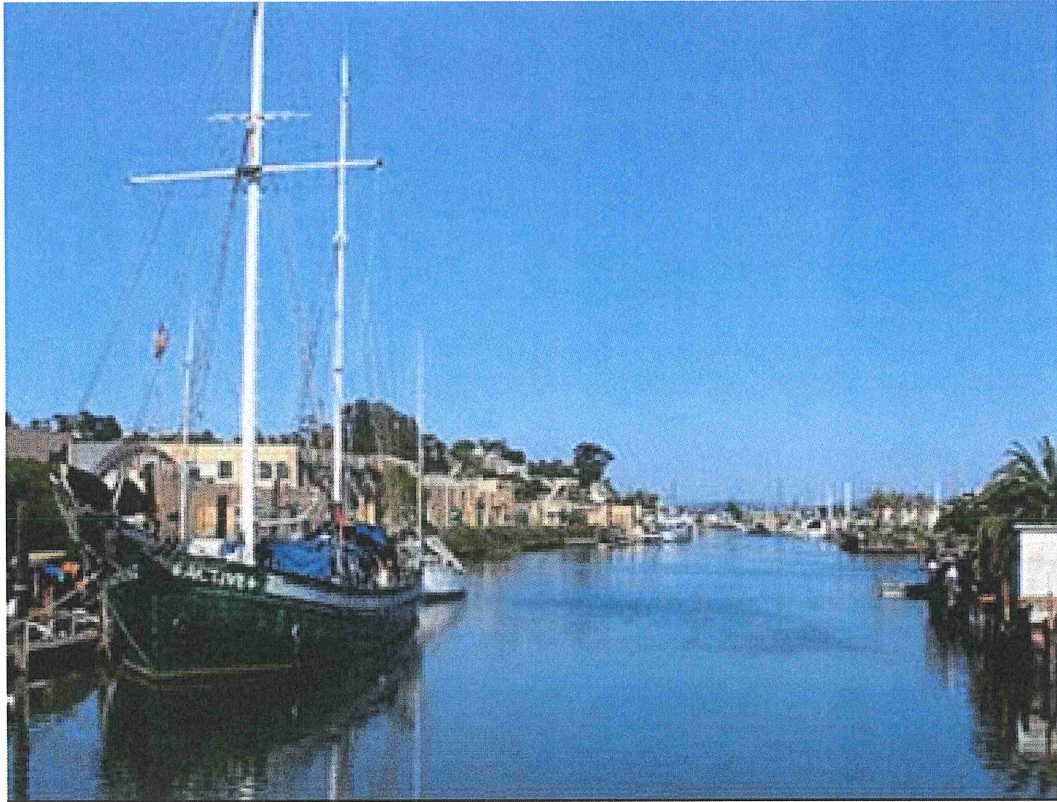
<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Retiree Medical</u>	<u>Total</u>
\$473,320	\$228,718	\$361,519	\$7,302,228
9,040			1,098,584
482,360	228,718	361,519	8,400,812
388,416	229,170		5,323,966
			218,861
			669,590
388,416	229,170		6,212,417
93,944	(452)	361,519	2,188,395
613	96,024		107,901
	(280,004)		(280,004)
613	(183,980)		(172,103)
94,557	(184,432)	361,519	2,016,292
	276,520		749,707
	(87,100)		(367,100)
94,557	4,988	361,519	2,398,899
112,939	2,997,202	3,584,165	5,876,107
<u>\$207,496</u>	<u>\$3,002,190</u>	<u>\$3,945,684</u>	<u>\$8,275,006</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers/other funds	\$376,190	\$3,931,168	\$1,506,154	\$1,417,815
Cash payments to suppliers for goods and services	(237,821)	(3,982,920)	(346,098)	2,709,102
Other operating revenues	8,700	946,998	133,846	
	<u>147,069</u>	<u>895,246</u>	<u>1,293,902</u>	<u>4,126,917</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from issuance of long term debt				
Interfund receipts (payments)	243,187	(573,158)	523,158	
Interest expense				
	<u>243,187</u>	<u>(573,158)</u>	<u>523,158</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment received	1,274		5,961	4,029
	<u>1,274</u>		<u>5,961</u>	<u>4,029</u>
Net increase (decrease) in cash and cash equivalents	391,530	322,088	1,823,021	4,130,946
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR as restated	<u>354,019</u>		<u>765,322</u>	<u>596,687</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$745,549</u>	<u>\$322,088</u>	<u>\$2,588,343</u>	<u>\$4,727,633</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$149,351	\$130,178	\$859,751	\$594,104
Net change in assets and liabilities:				
Accounts receivable		992,656		
Prepays and deposits				
Accounts payable	(2,282)	(227,588)	(565)	(2,647)
Claims payable			434,716	3,535,460
	<u>\$147,069</u>	<u>\$895,246</u>	<u>\$1,293,902</u>	<u>\$4,126,917</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$147,069</u>	<u>\$895,246</u>	<u>\$1,293,902</u>	<u>\$4,126,917</u>

<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Employee Retirement</u>	<u>Total</u>
\$473,320	\$228,718	\$361,520	\$8,294,885
(384,813)	(229,170)		(2,471,720)
9,040			1,098,584
<u>97,547</u>	<u>(452)</u>	<u>361,520</u>	<u>6,921,749</u>
	189,420		382,607
	(280,004)		(280,004)
	<u>(90,584)</u>		<u>102,603</u>
<u>613</u>	<u>96,024</u>		<u>107,901</u>
<u>613</u>	<u>96,024</u>		<u>107,901</u>
98,160	4,988	361,520	7,132,253
<u>113,010</u>	<u>2,997,202</u>		<u>4,826,240</u>
<u>\$211,170</u>	<u>\$3,002,190</u>	<u>\$361,520</u>	<u>\$11,958,493</u>
\$93,944	(\$452)	\$361,520	\$2,188,396
			992,656
3,603			(229,479)
			<u>3,970,176</u>
<u>\$97,547</u>	<u>(\$452)</u>	<u>\$361,520</u>	<u>\$6,921,749</u>

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STATISTICAL SECTION

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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 Direct and 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

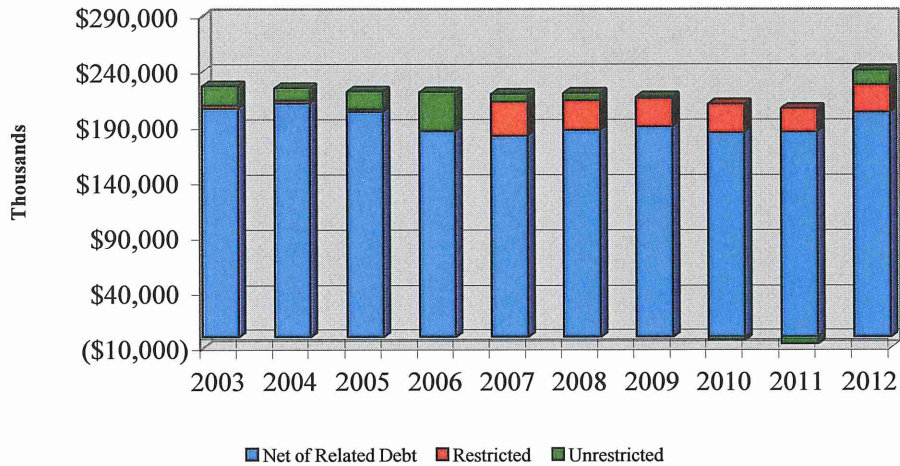
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 government wide information include information beginning in that year.

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



	As of June 30			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$198,031,181	\$202,215,793	\$194,658,126	\$175,806,100
Restricted	2,933,294	2,708,397	2,378,641	620,889
Unrestricted	16,216,230	9,775,565	14,167,627	32,739,318
Total governmental activities net assets	<u>\$217,180,705</u>	<u>\$214,699,755</u>	<u>\$211,204,394</u>	<u>\$209,166,307</u>
Business-type activities				
Invested in capital assets, net of related debt	\$8,464,417	\$8,749,750	\$8,615,483	\$9,819,435
Unrestricted	1,078,245	1,447,467	1,900,504	2,113,659
Total business-type activities net assets	<u>\$9,542,662</u>	<u>\$10,197,217</u>	<u>\$10,515,987</u>	<u>\$11,933,094</u>
Primary government				
Invested in capital assets, net of related debt	\$206,495,598	\$210,965,543	\$203,273,609	\$185,625,535
Restricted	2,933,294	2,708,397	2,378,641	620,889
Unrestricted	17,294,475	11,223,032	16,068,131	34,852,977
Total primary government net assets	<u>\$226,723,367</u>	<u>\$224,896,972</u>	<u>\$221,720,381</u>	<u>\$221,099,401</u>

As of June 30					
2007	2008	2009	2010	2011	2012
\$171,849,149	\$176,724,820	\$178,744,119	\$173,536,144	\$174,281,922	\$192,361,245
31,124,935	26,848,900	25,721,231	26,150,254	21,322,937	24,693,205
4,499,136	4,273,937	(700,985)	(4,631,276)	(8,170,324)	10,652,263
<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>	<u>\$227,706,713</u>
\$9,717,501	\$10,130,329	\$11,243,637	\$10,950,825	\$10,793,592	\$10,650,558
2,226,838	2,471,117	1,936,958	2,017,354	1,948,447	2,495,889
<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>	<u>\$13,146,447</u>
\$181,566,650	\$186,855,149	\$189,987,756	\$184,486,969	\$185,075,514	\$203,011,803
31,124,935	26,848,900	25,721,231	26,150,254	21,322,937	24,693,205
6,725,974	6,745,054	1,235,973	(2,613,922)	(6,221,877)	13,148,152
<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>	<u>\$240,853,160</u>

**CITY OF SAN RAFAEL
CHANGES IN NET ASSETS
Last Ten 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 and fiscal charges	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	2012
\$8,908,433	\$8,621,079	\$8,075,344	\$8,396,759	\$8,269,846	\$10,171,332
37,271,272	40,845,347	42,708,538	42,752,033	44,735,486	39,876,910
20,998,749	22,105,367	23,036,676	17,401,923	17,408,038	17,423,033
4,384,408	5,811,866	5,759,171	6,738,873	7,804,650	4,587,557
9,729,485	10,300,230	11,505,896	11,139,225	11,487,999	11,020,663
2,183,683	1,989,620	1,907,229	2,200,024	1,621,605	1,224,991
83,476,030	89,673,509	92,992,854	88,628,837	91,327,624	84,304,486
3,110,254	3,282,235	3,563,235	4,016,198	3,785,751	3,446,482
3,110,254	3,282,235	3,563,235	4,016,198	3,785,751	3,446,482
\$86,586,284	\$92,955,744	\$96,556,089	\$92,645,035	\$95,113,375	\$87,750,968
\$6,656,432	\$8,090,636	\$9,143,977	\$9,087,354	\$9,677,630	\$10,185,779
\$1,512,814	\$1,494,784	\$1,738,685	\$1,665,460	\$1,636,542	\$1,986,791
5,279,785	5,562,072	5,906,445	6,308,912	6,167,925	7,122,396
4,030,060	4,983,288	4,753,817	3,916,874	4,141,103	5,214,267
2,815,009	3,247,024	2,915,872	2,830,179	2,676,663	3,255,367
4,521,004	4,870,884	5,253,683	5,280,458	5,362,497	5,873,147
3,701,901	3,463,616	3,544,248	3,721,055	3,651,902	3,158,281
2,786,761	3,239,509	7,311,173	2,116,906	1,857,670	2,705,696
24,647,334	26,861,177	31,423,923	25,839,844	25,494,302	29,315,945
3,242,046	4,161,936	4,454,490	4,244,404	4,011,333	3,901,175
3,242,046	4,161,936	4,454,490	4,244,404	4,011,333	3,901,175
\$27,889,380	\$31,023,113	\$35,878,413	\$30,084,248	\$29,505,635	\$33,217,120
\$7,857,916	\$9,366,305	\$10,567,647	\$11,559,549	\$12,223,779	\$12,368,889
(\$58,828,696)	(\$62,812,332)	(\$61,568,931)	(\$62,788,993)	(\$65,833,322)	(\$54,988,541)
131,792	879,701	891,255	228,206	225,582	454,693
(\$58,696,904)	(\$61,932,631)	(\$60,677,676)	(\$62,560,787)	(\$65,607,740)	(\$54,533,848)
\$1,201,484	\$1,275,669	\$1,423,670	\$2,472,195	\$2,546,149	\$2,183,110

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

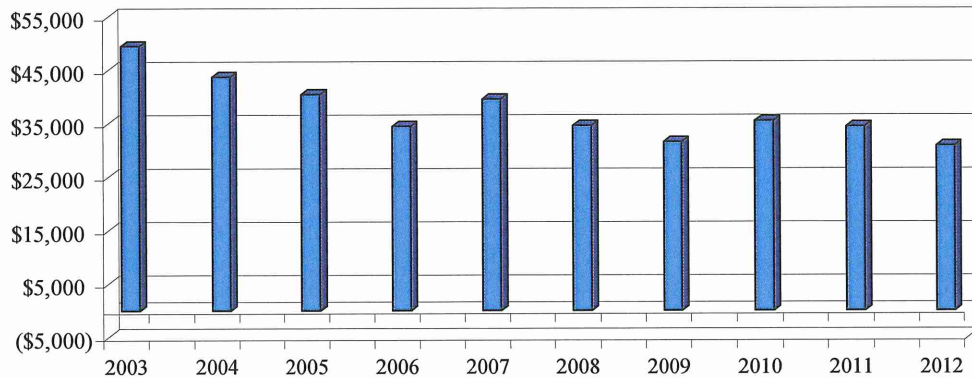
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property	\$13,983,697	\$14,895,188	\$17,385,722	\$20,848,887
Sales	16,779,878	17,166,966	17,132,100	18,188,524
Special assessments	3,055,575	3,329,680	3,642,184	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>\$45,860,105</u>	<u>\$44,700,452</u>	<u>\$50,027,740</u>	<u>\$52,355,106</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>\$805,941</u>	<u>\$821,736</u>	<u>\$852,726</u>	<u>\$1,062,489</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>(\$13,545,417)</u>	<u>(\$1,826,395)</u>	<u>(\$1,360,753)</u>	<u>(\$1,256,810)</u>
Change in Net Assets				
Component Unit Activities	<u>\$664,343</u>	<u>\$1,335,436</u>	<u>\$1,625,137</u>	<u>\$1,254,347</u>

2007	2008	2009	2010	2011	2012
\$20,360,475	22,195,606	\$21,978,859	\$21,684,131	\$21,632,733	\$20,107,637
24,484,356	25,764,457	21,970,262	19,055,124	21,623,445	22,355,749
2,998,925	3,503,555				
		3,210,317	3,489,494	3,661,064	3,807,545
331,620	257,320	197,989	171,518	297,425	
		1,678,912	1,558,243	1,644,262	1,866,575
		2,941,149	2,868,332	2,990,539	3,076,094
		2,405,934	2,317,664	2,296,460	2,332,146
8,830,955	9,242,241	1,561,835	1,411,583	1,930,531	3,574,918
1,669,181	1,583,056	717,968	302,180	176,502	205,413
			221,791		
491,488	296,454	461,224	541,390	1,496,174	542,816
(1,133,458)					
212,170	344,080	361,190	458,300	463,600	57,960
58,245,712	63,186,769	57,485,639	54,079,750	58,212,735	57,926,853
91,623	121,486	49,084	17,678	11,878	7,675
(212,170)	(344,080)	(361,190)	(458,300)	(463,600)	(57,960)
(120,547)	(222,594)	(312,106)	(440,622)	(451,722)	(50,285)
\$58,125,165	\$62,964,175	\$57,173,533	\$53,639,128	\$57,761,013	\$57,876,568
\$755,763	\$803,071	\$855,511	\$823,187	\$1,214,519	\$1,192,566
367,887	341,032	206,752	93,274	59,265	38,191
	3,546	3,540			
340,642	577,860	381,144	415,391	6,499	9,613
\$1,464,292	\$1,725,509	\$1,446,947	\$1,331,852	\$1,280,283	\$1,240,370
(\$582,984)	\$374,437	(\$4,083,292)	(\$8,709,243)	(\$7,620,587)	\$2,938,312
11,245	657,107	579,149	(212,416)	(226,140)	404,408
(\$571,739)	\$1,031,544	(\$3,504,143)	(\$8,921,659)	(\$7,846,727)	\$3,342,720
\$2,665,776	\$3,001,178	\$2,870,617	\$3,804,047	\$3,826,432	\$3,423,480

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

Total Fund Balance

Thousands



■ Total Fund Balance

	2003	2004	2005	2006	2007
General Fund					
Pre-GASB 54 Presentation:					
Reserved	\$2,357,904	\$1,451,036	\$2,442,881	\$2,335,391	\$905,068
Unreserved	4,139,618	4,246,152	5,779,680	3,362,151	5,016,929
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total General Fund	<u>\$6,497,522</u>	<u>\$5,697,188</u>	<u>\$8,222,561</u>	<u>\$5,697,542</u>	<u>\$5,921,997</u>
All Other Governmental Funds					
Pre-GASB 54 Presentation:					
Reserved	\$36,695,318	\$32,471,197	\$26,599,557	\$21,603,724	\$20,773,760
Unreserved, reported in:					
Special Revenue Funds	6,317,972	5,574,048	5,628,187	7,168,753	8,107,477
Capital Project Funds					
Debt Service Funds					4,734,986
Expendable Trust Fund					
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total all other governmental funds	<u>\$43,013,290</u>	<u>\$38,045,245</u>	<u>\$32,227,744</u>	<u>\$28,772,477</u>	<u>\$33,616,223</u>

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

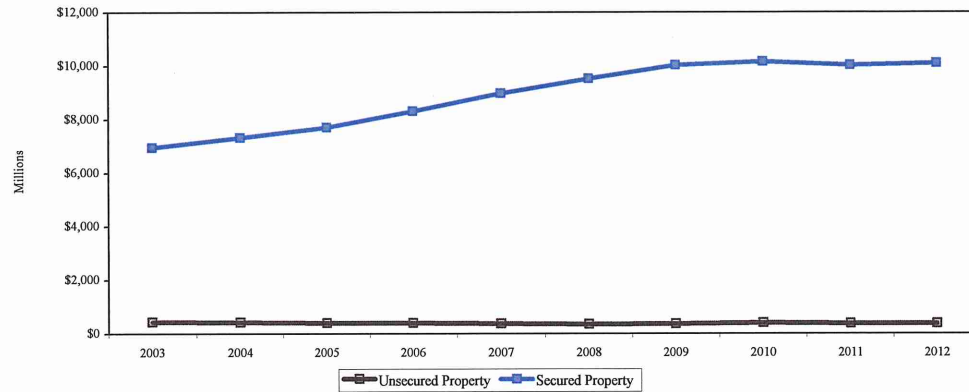
As of June 30				
2008	2009	2010	2011	2012
\$2,196,153	\$2,225,775	\$1,763,622		
4,022,612	1,670,455	5,038,173		
			\$589,833	\$527,509
			200,238	76,188
			555,561	651,121
			5,439,879	1,516,644
<u>\$6,218,765</u>	<u>\$3,896,230</u>	<u>\$6,801,795</u>	<u>\$6,785,511 (a)</u>	<u>\$2,771,462</u>
\$17,599,142	\$16,680,568	\$15,352,723		
7,413,808	8,641,239	8,778,027		
35,430	(1,030,293)	4,527,627		
3,315,764	3,360,540			
			\$377,180	\$788,031
			19,289,367	16,856,959
			3,864,322	5,135,257
			4,124,029	5,283,559
<u>\$28,364,144</u>	<u>\$27,652,054</u>	<u>\$28,658,377</u>	<u>\$27,654,898 (a)</u>	<u>\$28,063,806</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues					
Taxes and special assessments	\$39,284,643	\$40,875,826	\$42,901,520	\$44,901,544	\$52,472,246
Licenses and permits	735,109	928,303	929,993	1,175,030	1,157,981
Fines and forfeitures	770,632	791,975	1,088,459	622,494	515,528
Use of money and properties	1,897,339	1,024,199	1,244,406	1,316,558	1,744,688
Intergovernmental	9,405,422	8,049,002	10,522,095	11,705,917	12,760,496
Charges for services	10,102,392	10,423,754	11,407,622	13,104,572	13,504,621
Other revenue	3,568,297	735,976	1,135,485	1,475,078	1,468,743
Total Revenues	<u>65,763,834</u>	<u>62,829,035</u>	<u>69,229,580</u>	<u>74,301,193</u>	<u>83,624,303</u>
Expenditures					
Current:					
General government	4,740,703	5,014,452	5,539,191	6,200,338	8,188,999
Public safety	28,041,079	28,863,197	31,784,872	33,321,967	36,264,321
Public works and parks	9,491,552	9,257,991	9,294,419	10,622,585	11,972,537
Community development / redevelopment	3,253,947	3,875,542	3,763,614	4,184,084	4,319,042
Culture and recreation	7,176,097	7,145,264	7,538,607	8,409,833	9,005,370
Capital outlay	125,884	31,703	1,027,267	60,411	6,716,630
Capital improvement / special projects	11,058,796	9,825,103	9,253,661	13,200,872	1,189,613
Debt service:					
Capitalized lease obligation	197,132	10,775	141,197	130,315	
Principal	24,290,000	2,360,000	2,585,000	2,525,000	2,287,255
Interest and fiscal charges	4,046,170	2,456,357	2,140,673	1,878,265	1,829,091
Total Expenditures	<u>92,421,360</u>	<u>68,840,384</u>	<u>73,068,501</u>	<u>80,533,670</u>	<u>81,772,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,657,526)</u>	<u>(6,011,349)</u>	<u>(3,838,921)</u>	<u>(6,232,477)</u>	<u>1,851,445</u>
Other Financing Sources (Uses)					
Issuance of debt	32,625,000				
Payment to refunded bonds					
Bond premiums					
Capital lease for equipment acquisition					318,000
Contribution from Sanitation District	744,556				
Proceeds from sale of capital asset					
Transfers in	42,503,976	5,222,868	8,636,544	6,925,107	6,812,260
Transfers (out)	(42,971,248)	(4,979,898)	(7,740,324)	(6,672,916)	(6,958,046)
Total other financing sources (uses)	<u>32,902,284</u>	<u>242,970</u>	<u>896,220</u>	<u>252,191</u>	<u>172,214</u>
Extraordinary Item					
Transfer to Successor Agency					
Net Change in fund balances	<u>\$6,244,758</u>	<u>(\$5,768,379)</u>	<u>(\$2,942,701)</u>	<u>(\$5,980,286)</u>	<u>\$2,023,659</u>
Debt service as a percentage of noncapital expenditures	35.1%	8.2%	7.8%	6.7%	5.6%

Fiscal Year Ended June 30,				
2008	2009	2010	2011	2012
\$56,129,195	\$51,019,143	\$47,678,541	\$51,448,130	\$51,395,116
1,489,748	1,472,913	1,518,819	1,416,772	1,648,890
797,081	660,338	787,411	862,820	801,758
1,584,508	847,120	433,874	380,720	315,561
12,081,968	17,518,670	13,001,703	11,864,127	10,537,396
15,607,460	16,384,265	15,787,325	15,888,750	19,649,433
815,704	759,320	716,760	1,026,845	870,957
88,505,664	88,661,769	79,924,433	82,888,164	85,219,111
8,288,170	8,059,526	7,997,067	6,863,142	8,783,873
40,299,862	41,209,972	39,574,091	40,967,352	39,311,551
13,641,665	12,926,646	10,731,669	10,666,176	11,518,822
5,786,661	5,572,079	4,398,594	4,527,351	3,755,504
9,820,365	10,233,361	9,605,684	10,067,822	10,345,673
6,243,517	5,048,044	1,890,559	1,745,483	1,312,383
5,124,091	6,606,857	3,436,608	6,240,861	3,604,171
2,504,370	2,714,358	2,804,258	2,530,338	2,518,320
1,776,354	1,683,240	1,979,372	1,448,910	735,221
93,485,055	94,054,083	82,417,902	85,057,435	81,885,518
(4,979,391)	(5,392,314)	(2,493,469)	(2,169,271)	3,333,593
		14,660,000		
		(14,315,000)		
		1,038,185		
		221,791		
6,353,216	8,972,495	7,494,560	5,806,834	4,539,646
(6,329,136)	(6,614,806)	(6,411,150)	(4,657,326)	(4,864,293)
24,080	2,357,689	2,688,386	1,149,508	(324,647)
				(2,352,584)
(\$4,955,311)	(\$3,034,625)	\$194,917	(\$1,019,763)	\$656,362
5.2%	5.3%	6.2%	5.2%	4.2%

**CITY OF SAN RAFAEL
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
LAST TEN 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%
2012	7,317,280,602	2,036,262,351	247,485,238	118,579,648	9,719,607,839	384,950,872	10,104,558,711	10,104,558,711	0.17827%

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 DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total
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
2012	0.154	0.295	0.7831	0.0461	1.2782

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 2002/03 - 2011/12 Tax Rate Tables

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

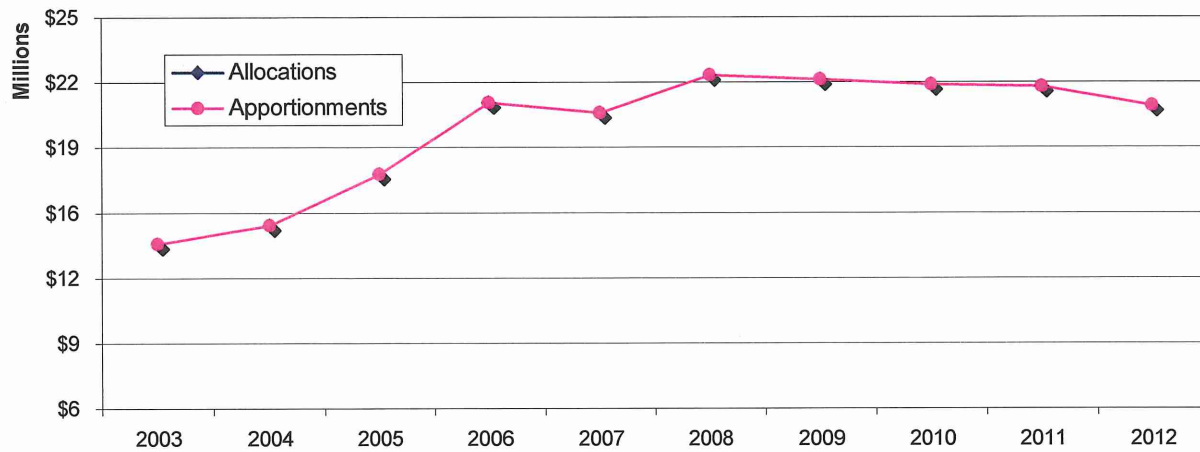
Taxpayer	2011-12		2002-2003	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Northgate Mall Associates	\$128,055,911	1.27%	\$80,357,695	1.16%
SR Corporation Center Phase 1	79,314,980	0.78%	45,538,519	0.65%
SR Corporation Center Phase Two	71,241,415	0.71%		0.00%
Sutter Health	48,659,081	0.48%		0.00%
Robert Dickson Trust	44,303,303	0.44%		0.00%
County of Marin	42,050,425	0.42%		0.00%
Regency Center II Associates LP	41,904,940	0.41%	36,325,034	0.52%
Northbay Properties 11	41,269,164	0.41%	30,142,083	0.43%
Marin Sanitary Service	38,636,950	0.38%		0.00%
Bay Apartment Communities	35,800,438		30,619,158	0.44%
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%
Subtotal	<u>\$571,236,607</u>	<u>5.65%</u>	<u>\$435,775,817</u>	<u>6.26%</u>

Total Net Assessed Valuation:

Fiscal Year 2011-2012	\$10,104,558,711
Fiscal Year 2002-2003	\$6,955,981,369

Source: HdL Coren & Cone, Marin County Assessor 2002-2003 & 2011-2012 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	Delinquencies	Delinquent taxes as a Percent of Allocations
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%
2012	1.00	(2)	20,704,368	(2)	20,704,368	(2)	0.0%

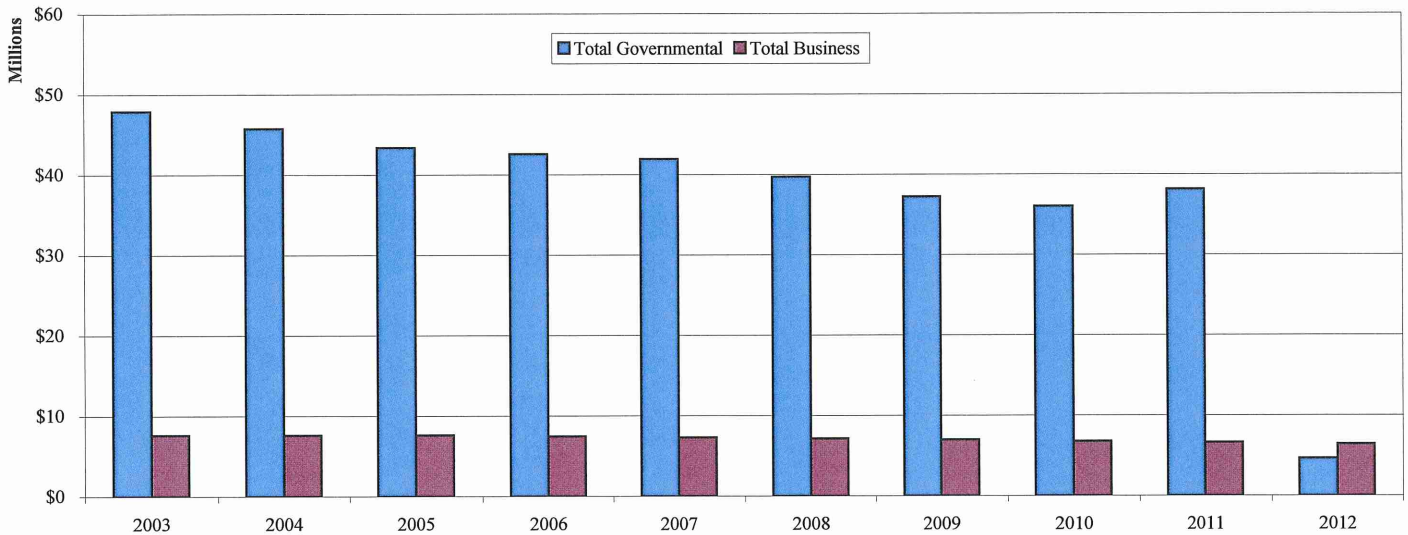
Notes:

(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
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		169,000	363,328	135,330		36,023,646
2011	33,298,499		169,000	124,222	69,098	\$4,490,000	38,150,819
2012			169,000			4,490,000	4,659,000

Business-Type Activities					
Fiscal Year	Parking Services Bonds	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	1.87%	770.28
2012	6,445,000	6,445,000	11,104,000	n/a	190.45

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, 2012

2011-12 Assessed Valuation:	\$10,104,558,711
Redevelopment Incremental Valuation:	<u>2,219,133,565</u>
Adjusted Assessed Valuation:	\$7,885,425,146

	Total Debt 6/30/2012	% Applicable (1)	City's Share of Debt 6/30/12
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Marin Community College District	\$178,950,003	15.055%	\$26,940,923
San Rafael High School District	50,185,315	74.314%	37,294,715
Tamalpais Union High School District	158,100,000	0.086%	135,966
Dixie School District	6,865,811	67.176%	4,612,177
Ross School District	18,164,940	1.660%	301,538
Ross Valley School District	22,060,000	0.015%	3,309
San Rafael School District	58,296,382	78.518%	<u>45,773,153</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$115,061,781
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Certificates of Participation	\$77,042,311	15.027%	\$11,577,148
Marin County Pension Obligations	110,185,000	15.027%	16,557,500
Marin County Transit District General Fund Obligations	205,024	15.027%	30,809
Marin Municipal Water District General Fund Obligations	166,801	19.121%	31,894
Marin Community College District Certification of Participation	2,800,837	15.055%	421,666
San Rafael School District Certificates of Participation	3,979,999	78.518%	3,125,016
City of San Rafael General Fund Obligations	9,383,112	100.000%	9,383,112 (2)
City of San Rafael Pension Obligations	4,490,000	100.000%	<u>4,490,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$45,617,145
Less: City of San Rafael lease revenue bonds supported by enterprise revenues			<u>6,445,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			39,172,145
TOTAL GROSS DIRECT DEBT			\$13,873,112
TOTAL NET DIRECT DEBT			\$7,428,112
TOTAL OVERLAPPING DEBT			\$153,160,747
 GROSS COMBINED TOTAL DEBT			 \$160,678,926 (3)
NET COMBINED TOTAL DEBT			\$154,233,926

(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 2011-12 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.14%
Ratios to Adjusted Assessed Valuation:	
Gross Combined Direct Debt (\$13,873,112)	0.18%
Net Combined Direct Debt (\$7,428,112)	0.09%
Gross Combined Total Debt	2.04%
Net Combined Total Debt	1.96%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: \$0

Source: California Municipal Statistics, Inc.

CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2012

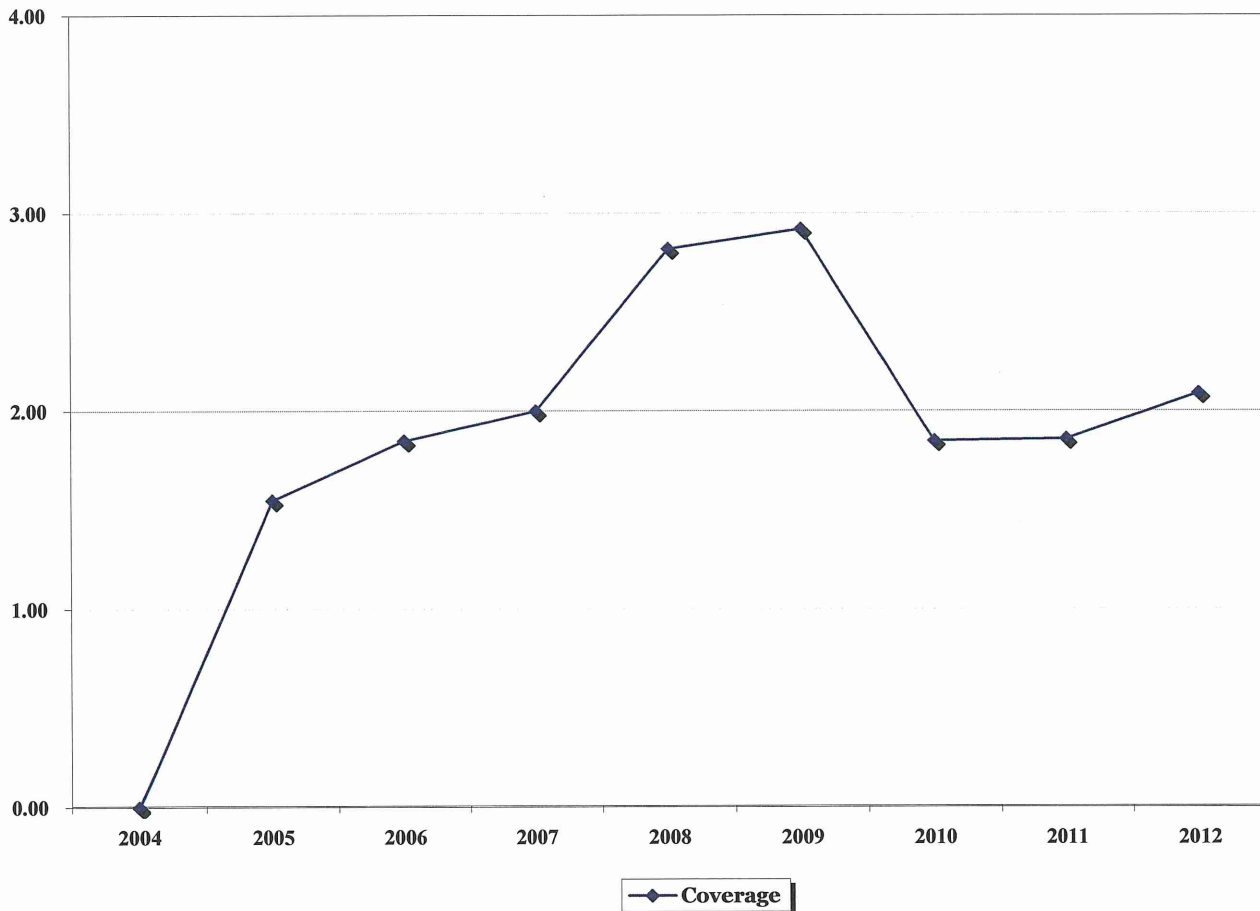
ASSESSED VALUATION:	<u><u>\$10,104,558,711</u></u>
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>378,920,952</u>
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	<u>4,490,000</u>
LEGAL BONDED DEBT MARGIN	<u><u>\$374,430,952</u></u>

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
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%
2011	378,920,952	4,490,000	374,430,952	1.20%

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

**CITY OF SAN RAFAEL
REVENUE BOND COVERAGE
PARKING FACILITY
LAST NINE 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
2012	3,908,664	2,870,718	1,037,946	185,000	312,291	497,291	2.09

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

(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	
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	
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

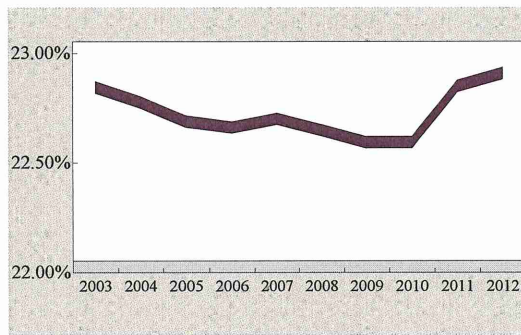
Fiscal Year	Available Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2010	\$265,445		\$ 265,445	\$ 265,445	1.00
2011	1,494,725	\$ 875,000	619,725	1,494,725	1.00

Notes: The available revenue in the tables above reflect only the amounts that were distributed to the City of San Rafael Redevelopment Agency, and do not include the total tax revenues pledged or provided as security to the RDA Tax Allocation Bonds listed above. 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 manually after December 1, 2018.

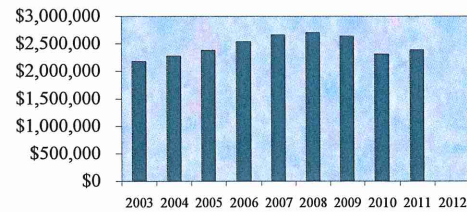
The Redevelopment Agency was dissolved on January 31, 2012. On February 1, 2012, all the debts and obligations were transferred to the Successor Agency Private-Purpose Trust.

Source: San Rafael Finance Department

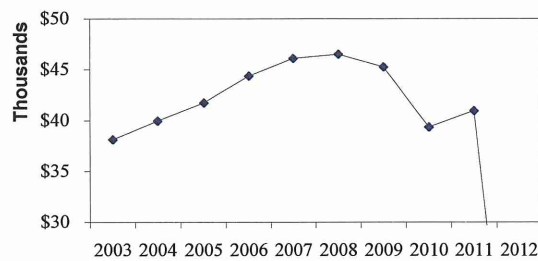
**CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



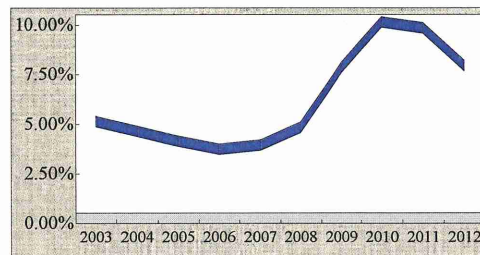
■ City Population as a % of County Population



■ 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
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	2,389,222	40,978	9.60%	254,692	22.83%
2012	58,305	n/a	n/a	7.70%	254,790	22.88%

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

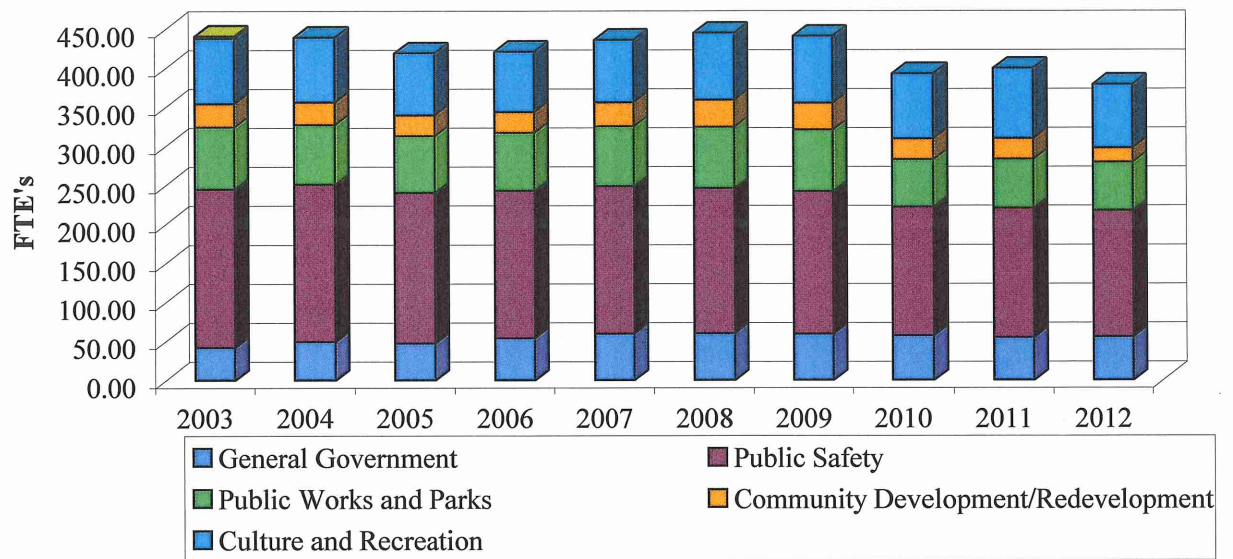
**CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2011-2012**

Employer	Number of Employees	Percentage of total employment in San Rafael
Kaiser Permanente	1,803	6.68%
Autodesk, Inc.	878	3.25%
Safeway	841	3.11%
City of San Rafael	521	1.93%
Comcast	620	2.30%
Macy's	380	1.41%
Bradley Real Estate	376	1.39%
MHN	350	1.30%
Dominican University of California	346	1.28%
Wells Fargo Bank	332	1.23%
Totals	6,447	23.88%

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	41.73	49.27	47.02	53.71	59.38	59.88	58.88	56.88	54.35	55.23
Public Safety	203.03	201.63	193.13	188.86	189.00	186.00	183.00	165.00	166.00	162.00
Public Works and Parks	79.95	76.70	72.80	74.80	76.80	78.80	78.80	60.80	62.80	62.00
Community Development/Redevelopment	29.75	28.75	26.75	26.43	31.00	34.50	34.50	26.75	26.75	18.25
Culture and Recreation	83.76	83.26	79.73	77.49	80.22	85.90	85.90	83.49	89.82	81.56
Total	438.22	439.61	419.43	421.29	436.40	445.08	441.08	392.92	399.72	379.04

Source: City of San Rafael

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

	2003	2004	2005	2006	2007	2008
Function/Program						
Public safety:						
Fire:						
Inspection permit issued	N/A	N/A	N/A	N/A	143	217
Police:						
Police calls for service	N/A	N/A	N/A	N/A	43,480	43,488
Law violations:						
Part I crimes	N/A	N/A	N/A	N/A	2,557	2,314
Physical arrests (adult and juvenile)	N/A	N/A	N/A	N/A	3,809	4,182
Traffic violations	N/A	N/A	N/A	N/A	5,197	9,241
Parking violations	26,308	30,946	39,421	33,610	36,228	42,481
Public works						
Street resurfacing (miles) (Eng Div)	1.20	5.70	6.80	1.08	N/A	4.95
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	7,000	7,000	7,000	8,000	8,000	8,000
Items in collection (thousands)						
Library:						
Items in collection (thousands)	128.12	118.24	121.81	123.12	124.46	N/A
Total items borrowed (thousands)	338.60	332.33	299.30	333.15	359.41	N/A
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.

	2009	2010	2011	2012
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	196	307	294	282
Police:				
Police calls for service	42,227	42,227	39,512	39,537
Law violations:				
Part I crimes	2,352	2,352	2,180	2,101
Physical arrests (adult and juvenile)	4,487	4,487	3,102	2,981
Traffic violations	5,777	5,777	8,190	4,048
Parking violations	44,913	42,806	34,590	32,492
Public works				
Street resurfacing (miles) (Eng Div)	2.77	2.77	7.40	N/A
Potholes repaired (square miles)	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	N/A	N/A	112.6	178.9
Culture and recreation:				
Recreation class participants	8,000	9,524	9,000	12,075
Items in collection (thousands)				
Library:				
Items in collection (thousands)	124.40	151.88	158.30	159.18
Total items borrowed (thousands)	N/A	371.12	435.66	366.46
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

	2003	2004	2005	2006	2007	2008
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	172	172	173	173	173
Street lights	4,200	4,333	4,333	4,435	4,435	4,435
Parking District lights						
Traffic Signals	85	85	85	89	89	89
Culture and recreation:						
Community services:						
City parks	19	19	19	19	19	20
City parks acreage	41	41	41	41	41	42
Playgrounds	13	13	13	13	13	14
City trails	15	15	15	15	20	20
Community gardens	2	2	2	1	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	178.40	179.15	179.15	179.15	179.15	179.15
	53.50	57.60	57.60	57.60	57.60	57.60
Number of treatment plants	1	1	1	1	1	1

(1) Source: City of San Rafael

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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	2	2	2	2
Wastewater				
Miles of sanitary sewers	179.15	179	179	179
	57.60	58	58	58
Number of treatment plants	1	1	1	1

(1) Source: City of San Rafael

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