



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2015



View overlooking San Rafael and the Bay



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2015

City of San Rafael, California
1400 Fifth Avenue
San Rafael, California 94901

Prepared by the Finance Department of the City of San Rafael





Downtown San Rafael

INTRODUCTORY



CITY OF SAN RAFAEL, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

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December 22, 2015

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

The Comprehensive Annual Financial Report (“CAFR”) of the City of San Rafael (“City”) for the year ended June 30, 2015, 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 and includes the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation, which has issued an unqualified, or “clean” opinion on the City’s financial statements for the fiscal year ended June 30, 2015.

The independent audit of the financial statements is part of a broader, federally mandated examination known as a “Single Audit”, which is designed to meet the needs of federal grantor agencies. The standards governing Single Audits 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 funding. These reports will be available in the City’s separately issued Single Audit Report.

City Management is responsible for both the data accuracy, and the completeness and fairness of the presentation of this report. 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. 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 can be found in the financial section of the Management’s Discussion and Analysis document. 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’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.

The most significant change in the presentation of the City's financial statements is the implementation of Governmental Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. The purpose of this reporting requirement is to improve the decision-making usefulness of information in financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The implementation of GASB 68 required a prior period adjustment to the City's net position as of July 1, 2014.

For the purpose of preparing the fiscal year 2014-2015 financial statements, the City used the most current net pension liability information that had been provided by MCERA at the time of the audit.

Following the completion of the audit (opinion dated September 30, 2015), on November 4, 2015, MCERA issued its GASB 67/68 Report as of June 30, 2015. The auditor's opinion has been dual dated, in order to accommodate the disclosure of this subsequently acquired information in the financial statements. More detailed information can be found in the Management's Discussion and Analysis and in Note 9D – Pension Plans in the financial section of this report.

REPORTING ENTITY – PROFILE OF THE GOVERNMENT

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 park and recreational resources include 19 city parks, 393 acres of developed parkland, city and county open space, and China Camp State Park. San Rafael is close to other attractions, including the Golden Gate Bridge, Muir Woods, Point Reyes National Seashore, Mount Tamalpais, multiple state parks, San Francisco, Oakland and the Sonoma and Napa wine country.

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 while the mayor is elected separately to a four-year term. The City's land area is 22 square miles, including seventeen square miles of land and 5 of water and tidelands. San Rafael's population on January 1, 2015 was 59,214, an increase of 1.1% from the January 1, 2014 population of 58,566.

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

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, recreation, childcare, permits, planning, code enforcement, and a library system serving two

locations. The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City of San Rafael accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 3, 2012, and now conducts its economic development activities with funding from its General Fund.

The City and California Municipal Finance Authority compose the San Rafael Joint Powers Financing Authority, originally established by the City and former Redevelopment Agency for the purpose of financing redevelopment and other 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 Note 1 – Summary of Significant Accounting Policies 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 Note 12 – Jointly Governed Organizations in the CAFR.

ECONOMIC FACTORS

The City has a diversified economic base, which includes an assortment of high-tech, financial, service-based, entertainment and industrial businesses. Downtown San Rafael provides a mix of restaurants, retail shops and financial institutions. The City's varied economic base is reflected also in its diverse property tax base, which is 77% residential, 18% commercial, 2% industrial, 1% unsecured and others. The top 50 sales tax producers provide 61% of overall sales tax revenues.

Fiscal year 2014-2015, marked the first full year of the Measure E Transaction Use Tax (TUT). This 0.75% tax took effect in April 2014, supplanting the former TUT (Measure S) of 0.50%. The revenue from this tax is projected to reach \$11.5 million, with one-third of the funds allocated to public safety facilities construction and improvements. Total Measure E revenues account for 16% of General Fund Revenues. Property-related taxes are projected to increase by approximately 5%. All other revenues, including business tax, franchise tax, charges for services and permit fees are expected to experience modest increases.

It is anticipated that the economy will continue to grow during the upcoming year, but job gains will be limited. The City continues to fund current year operating expenses without the use of one-time revenues or reserves. In addition, significant resources have been added over the past year to the general fund operating reserves, and other uses such as: technology to support City operations, facilities and open space maintenance, and to reduce retiree benefit-related pension and health liabilities.

Demographic Data

The following is a sample of demographic and economic attributes that make San Rafael an exceptional place to live and work.

- ☒ Economic development organizations in San Rafael include the San Rafael Chamber of Commerce, Downtown Business Improvement District, and the Marin Economic Forum.
- ☒ Marin County's top 10 employers include Kaiser Permanente, Marin General Hospital, BioMarin Pharmaceutical, Autodesk, Dominican University of California, Bradley Real Estate, Macy's, Wells Fargo, FICO, and W Bradley Electric.
- ☒ Major shopping areas, as measured in available retail square footage, include the Downtown corridor (938,000 aggregate), Northgate Mall (725,000), Montecito Center (130,000) and Northgate One (113,900).
- ☒ The top three sales tax categories in 2014 for San Rafael were: 1. Autos and Transportation (30%), 2. General Consumer Goods (18%), and 3. Building and Construction (15%).
- ☒ 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 787.
- ☒ Home buying and apartment rentals continue to be an affordability challenge both in San Rafael and Marin County. Rents for one-bedroom apartments range from \$1,700 to \$2,500, while two bedroom apartments go for \$2,200 to \$3,700. The median home value in San Rafael is \$836,900.

Recent growth and economic vibrancy:

- BioMarin Pharmaceutical recently completed a new research and development building (86,000 sq. ft.) along with a 600 space parking garage.
- BioMarin Pharmaceutical is seeking entitlements for a new office building (72,000 sq. ft.) along with the second phase of the parking garage (an additional 300 parking spaces). Should this project be approved, the BioMarin corporate headquarters facility will include a total of 473,000 sq. ft. at its campus.
- Construction is proceeding for various infrastructure projects related to the SMART (Sonoma Marin Area Rapid Transit) train. Train tracks, platforms and related infrastructure for the Downtown and Civic Center Stations are all under construction. Train service is anticipated to start in 2016.
- A new 16-unit apartment building was built at 1867 Lincoln Avenue.
- A new 10,000 sq. ft. office building (DaVita Dialysis) was built at 1415 Third Street.
- A new Sprouts Market (24,000 sq. ft.) opened in early 2015.
- A 40-unit apartment building at 815 B Street is proceeding with its entitlements – the current status is that environmental documents were released for public review.
- Whistlestop has submitted an application to build a 40-unit senior apartment building along with a senior services center at its current location at 930 Tamalpais Avenue.

FINANCIAL INFORMATION

The City's management 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 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. It is management's belief that 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 her or his budget allocations consistent with policies set by the City Council and monitored by the City Manager.

ACKNOWLEDGMENTS

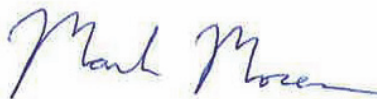
The preparation of this City-wide document would not have been possible without the assistance from each of the City's departments. We would like to specifically call out the diligent, dedicated efforts of the Finance Department's staff: appreciation goes to Van Bach, Accounting Manager; Carl Tregner, Accountant; and Francis Law, 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 fourth consecutive year that the City received the award.

Lastly, we appreciate the ongoing leadership and support from the Mayor, City Councilmembers and the City Council Finance Committee. Their strong commitment to financial accountability and stewardship provide inspiration to the organization for a high level of achievement.

Respectfully submitted,



Jim Schutz
City Manager



Mark Moses
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



City Council and Staff

City Council

Gary O. Phillips, Mayor
Andrew McCullough, Vice Mayor
Maribeth Bushey, Councilmember
Kate Colin, Councilmember
John Gamblin, Councilmember

Elected Officials

Rob Epstein, City Attorney
Esther Beirne, City Clerk

Executive Team

Nancy Mackle, City Manager
Jim Schutz, Assistant City Manager
Diana Bishop, Chief of Police
Deirdre Dolan, Human Resources Director
Chris Gray, Fire Chief
Sarah Houghton, Library Director
Paul Jensen, Community Development Director
Stephanie Lovette, Economic Development Manager
Kevin McGowan, Acting Director of Public Works
Carlene McCart, Community Services Director
Mark Moses, Finance Director
Doris Toy, District Manager/Engineer-SRSD

CAFR Team

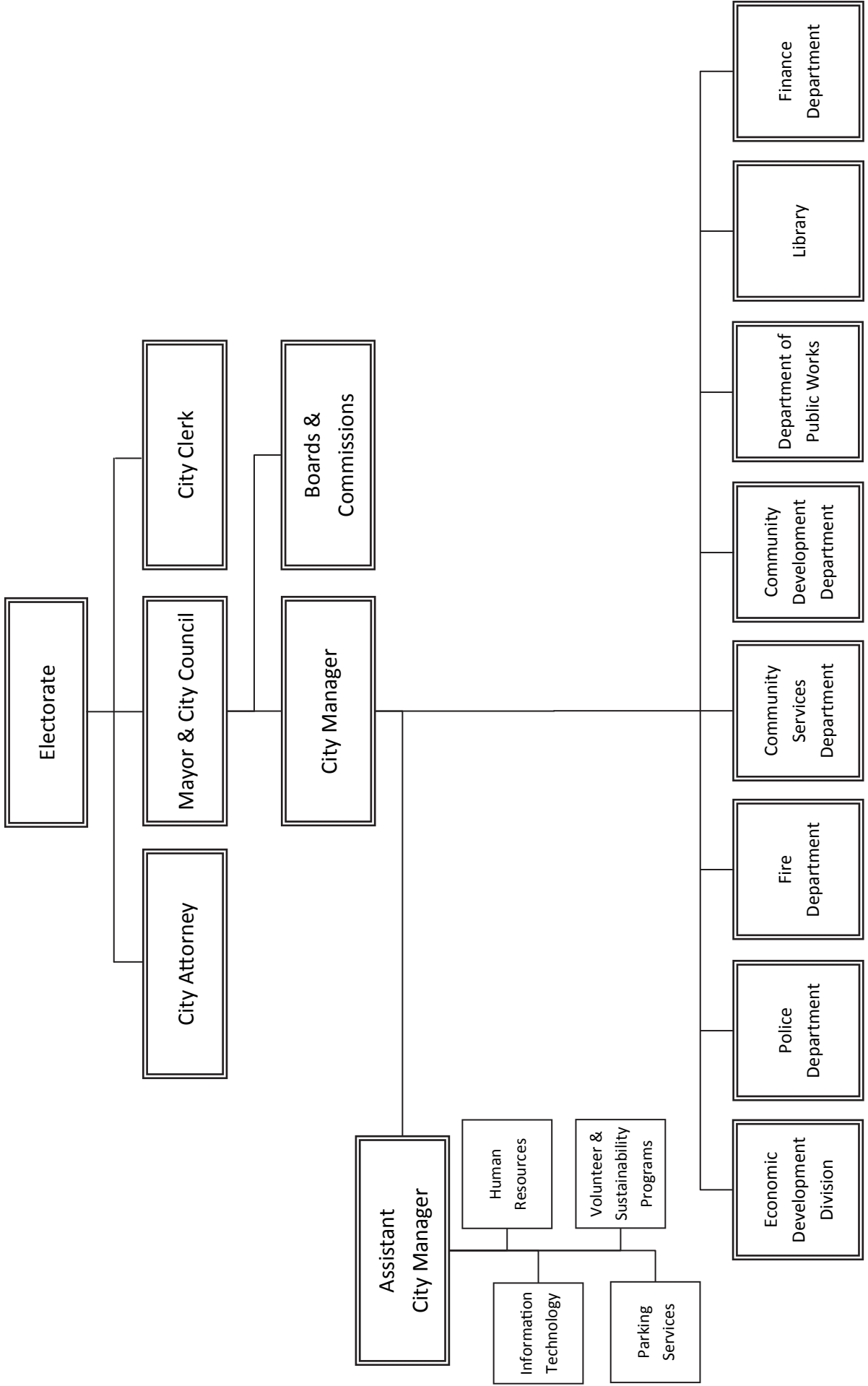
Mark Moses, Finance Director
Van Bach, Accounting Manager
Francis Law, Senior Accountant
Carl Tregner, Accountant



LOCATION MAP

City of San Rafael

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of San Rafael
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Plaza Sculpture

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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 (City), California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the San Rafael Sanitation District, which represents 17%, 27%, and 14%, respective, of the assets, net position, and revenue of the entity-wide reporting entity. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the San Rafael Sanitation District, is based solely on the report of these auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinions, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Pension Accounting Change - Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that had material effects on the financial statements, as discussed in Note 1 to the financial statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

In addition, as discussed in Note 1P, the City made prior period adjustments to the beginning net positions of the Equipment Replacement Fund.

Additional Information on Pension Liability - As discussed in Note 9D to the financial statements, on November 2, 2015 City staff presented the City's financial statements, along with our original report dated September 30, 2015 to Council for acceptance, at which time City staff and Council discussed the Pension Accounting Change required by GASB 68. After some discussion, management elected to include actuarial information as of June 30, 2014, under the disclosure requirement of Paragraph 80(f) of GASB 68. This information is more recent than the June 30, 2013 actuarial information used for the reporting of pension liability as of June 30, 2015, pursuant to GASB 68 requirements. Accordingly, management has included more recent actuarial and related data, as it was received subsequent to the release of our original opinion.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and required supplementary information 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 the required supplementary information in accordance with auditing standards generally accepted 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California

September 30, 2015 (except for Note 9D, which is as of December 22, 2015)



CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

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, 2015. Please read it in conjunction with the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:

In the fiscal year ended June 30, 2015, the City of San Rafael implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. The implementation of this pronouncement required a prior period adjustment and reduced the City's net position as of July 1, 2014, by \$108.3 million of which \$104.8 million was for governmental activities and \$3.5 million was for business-type activities.

- *Net Position* – The assets of the City exceeded its liabilities as of June 30, 2015 by \$151.5 million.
- *Activities* – During the fiscal year the City's total revenues of \$104.4 million were greater than expenses for governmental and business-type activities of \$84.8 million by \$19.6 million.
- *Changes in Net Position* – The City's total net position increased by \$19.6 million in fiscal year 2014-2015. Net position of governmental activities increased by \$19.1 million, while net position of the business-type activities increased by \$0.5 million.

Fund Level:

- *Governmental Funds* – As of the close of fiscal year 2014-2015, the City's governmental funds reported combined ending fund balances of \$47.8 million, an increase of \$7.9 million from the adjusted fund balance of the prior year. Of this total amount, \$0.4 million is nonspendable, \$31.8 million is restricted, \$0.9 million is committed, \$13.1 million is assigned, and \$1.6 million is unassigned.
- Governmental fund revenues were \$95.6 million, an increase of \$2.0 million from fiscal year 2014-2015. This increase was primarily driven by the Measure E TUT revenues, which were in effect for their first full fiscal year.
- Governmental fund expenditures increased by \$0.5 million to \$89.0 million, from \$88.5 million in the prior year, due primarily to expenditure increases in the General Fund.
- Enterprise fund operating revenue increased by \$0.7 million to \$5.2 million, from \$4.5 million in the prior year. This was attributable to an increase in parking rates that became effective in February 2014 and, therefore, were in effect for the entire fiscal year. Enterprise fund operating expenses were \$4.1 million, a modest increase of \$0.2 million from the prior fiscal year.

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

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

Government-wide Financial Statements

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

The *Statement of Net Position and the Statement of Activities and Changes in Net Position* report information about the City as a whole. 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 Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases in net position 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 Position* presents information showing how the City's net position changed during the year. All changes in net position 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 Position* and the *Statement of Activities and Changes in Net Position*, 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, Cultural and Recreation, and Government Administration (finance, human resources, legal, City Clerk and City Manager operations). Property tax, sales and use taxes, user fees, interest income, franchise fees, hotel taxes, business licenses, 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 25 through 27 of this report.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

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.

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 in Governmental Accounting Standards Board Statement No. 34. 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 100 through 119 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-one 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 twenty-eight governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 30 through 33 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 100 through 119 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 building maintenance; vehicle, equipment and computer replacement; workers' compensation; general liability; self-insured dental program; 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.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
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The basic proprietary fund financial statements can be found on pages 36 through 38 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. 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 Position and the Agency Funds Statement of Changes in Assets and Liabilities. The City's fiduciary funds include a private purpose trust fund to account for activities of the City of San Rafael Successor Agency and an agency fund that accounts for resources held by the City in a custodial capacity for the Pt. San Pedro Road Assessment District. Information for the fiduciary funds can be found on pages 40 through 41 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 85 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 88 through 94 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

For financial statements beginning with the year ended June 30, 2015, the City has implemented GASB 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-making usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

The implementation of GASB 68 required a restatement of the City's June 30, 2014 ending balances, and resulted in a \$108.3 million decrease in net position as of that date. (The net positions for Governmental Activities and Business-type activities were reduced by \$104.8 million and \$3.5 million, respectively.)

For the current fiscal year, the City reported total, noncurrent liabilities of \$103.2 million (\$94.9 million for Governmental Activities and \$8.3 million for Business-type Activities). Of this amount, \$74.3 million is attributable to the net pension liability as calculated under the audit's measurement date of June 30, 2014.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Subsequent to the completion of the fiscal year 2014-2015 audit, the Marin County Employees' Retirement Association issued a new GASB 67/68 report (as of June 30, 2015) which measured the City's net pension liability at \$142.3 million, a \$68.0 million increase from the previous year. The primary factors driving the increase in were: changes to generational mortality assumptions, a reduction in the investment rate of return from 7.50% to 7.25%, and lower than expected investment income in fiscal year 2014-2015. (For more detailed information, see Note 9 – Pension Plans on pages 67-74 of this report.)

During this fiscal year, the net position of the City was \$141.7 million from Governmental Activities and \$9.8 million from Business-type Activities, for a total of \$151.5 million. This represents an increase of \$19.6 million from the prior year, restated net position.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2015 and 2014.

Summary of Net Position
June 30, 2015 & 2014 (in thousands)

	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2015	2014		2015	2014	
Current and other assets	\$80,056	\$67,001	\$13,055	\$2,679	\$2,289	\$390
Capital assets	191,074	190,815	259	16,742	17,035	(293)
Total assets	<u>271,130</u>	<u>257,816</u>	<u>13,314</u>	<u>19,421</u>	<u>19,324</u>	<u>97</u>
Deferred outflows related to pension (Note 9)	<u>21,622</u>	<u>0</u>	<u>21,622</u>	<u>734</u>	<u>0</u>	<u>734</u>
Current and other liabilities	10,664	7,901	2,763	509	385	124
Noncurrent liabilities	94,916	22,486	72,430	8,294	6,103	2,191
Total liabilities	<u>105,580</u>	<u>30,387</u>	<u>75,193</u>	<u>8,803</u>	<u>6,488</u>	<u>2,315</u>
Deferred inflows related to pension (Note 9)	<u>45,498</u>	<u>0</u>	<u>45,498</u>	<u>1,546</u>	<u>0</u>	<u>1,546</u>
Net Position:						
Net investment in capital assets	190,621	190,286	335	10,745	10,786	(41)
Restricted	33,389	37,339	(3,950)	0	0	0
Unrestricted	(82,336)	(196)	(82,140)	(939)	2,050	(2,989)
Change due to Implementation of GASB 68 & GASB 71 (See Note 1)	0	(104,830)	104,830	0	(3,528)	3,528
Total net position	<u>\$141,674</u>	<u>\$122,599</u>	<u>\$19,075</u>	<u>\$9,806</u>	<u>\$9,308</u>	<u>\$498</u>

Governmental assets increased by \$13.3 million, primarily due to increases in cash accumulated from positive operating results and set aside for specific purposes (e.g., public safety facility construction and improvements, emergency and cash flow reserve, and childcare reserve). In addition, a long-term receivable of \$4.5 million from San Rafael Sanitation District is now being recognized for the District's share of pension and OPEB liabilities. Current and other liabilities increased by approximately \$2.8 million, primarily due to accrual of large invoices at the close of the year, coupled with an increase in liability claims payable (Note 13).

The net position in business-type activities, which reflects the activity of the Parking Services program, increased by \$498 thousand from the previous year due to the first full fiscal year of operations since the parking meter rates were increased in February 2014.

At June 30, 2015, the largest portion of net position in the amount of \$201.4 million consisted of the City's investment in capital assets net of related debt. This component represents the total amount of funds required to acquire capital assets less any related debt used for such acquisition that is still outstanding. The City uses these assets to provide services to residents.

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015**

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 position of \$33.4 million is subject to external restrictions, and their use is determined by those restrictions whether legal or by covenant. The remaining portion, unrestricted negative \$83.3 million, represents the extent to which the net investment in capital assets and restricted net position exceed total assets.

Net Position as of 6/30/2015	
Total = \$ 151,480 (in thousands)	
Invested in Capital Assets (net)	\$201,366
Restricted	33,389
Unrestricted	<u>(83,275)</u>
Total Net Position	<u><u>\$151,480</u></u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Statement of Activities - Governmental

The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2015 and 2014:

	Governmental Activities		Increase
	2015	2014	(Decrease)
REVENUES			
Program revenues:			
Charges for services	\$19,758	\$24,651	(\$4,893)
Operating grants and contributions	4,186	4,698	(512)
Capital grants and contributions	1,308	763	545
Total program revenues	<u>25,252</u>	<u>30,112</u>	<u>(4,860)</u>
General revenues:			
Property taxes	19,039	18,440	599
Sales taxes	32,270	27,759	4,511
Paramedic tax	3,820	3,816	4
Transient occupancy tax	2,662	2,332	330
Franchise tax	3,272	3,261	11
Business license tax	2,670	2,589	81
Other taxes	3,296	3,452	(156)
Investment earnings	216	184	32
Miscellaneous	2,255	1,141	1,114
Total general revenues	<u>69,500</u>	<u>62,974</u>	<u>6,526</u>
TOTAL REVENUES	<u>94,752</u>	<u>93,086</u>	<u>1,666</u>
EXPENSES			
General government	9,100	9,086	14
Public safety	39,969	43,800	(3,831)
Public works and parks	16,893	22,126	(5,233)
Community/economic development	3,128	3,451	(323)
Culture and recreation	11,198	11,847	(649)
Interest on long-term debt	284	327	(43)
TOTAL EXPENSES	<u>80,572</u>	<u>90,637</u>	<u>(10,065)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>14,180</u>	<u>2,449</u>	<u>11,731</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	433	450	(17)
Total Other Financing Sources (Uses)	<u>433</u>	<u>450</u>	<u>(17)</u>
Special Item (See Note 4H)	<u>4,462</u>	<u>0</u>	<u>4,462</u>
Net Change in Net Position	19,075	2,899	16,176
Beginning Net Position as of 7/1/2014	122,599	224,530	(101,931)
Change due to implementation of GASB 68 & 71 (See Note 1P)	<u>-</u>	<u>(104,830)</u>	<u>104,830</u>
Ending Net Position as of 6/30/2015	<u>\$141,674</u>	<u>\$122,599</u>	<u>\$19,075</u>

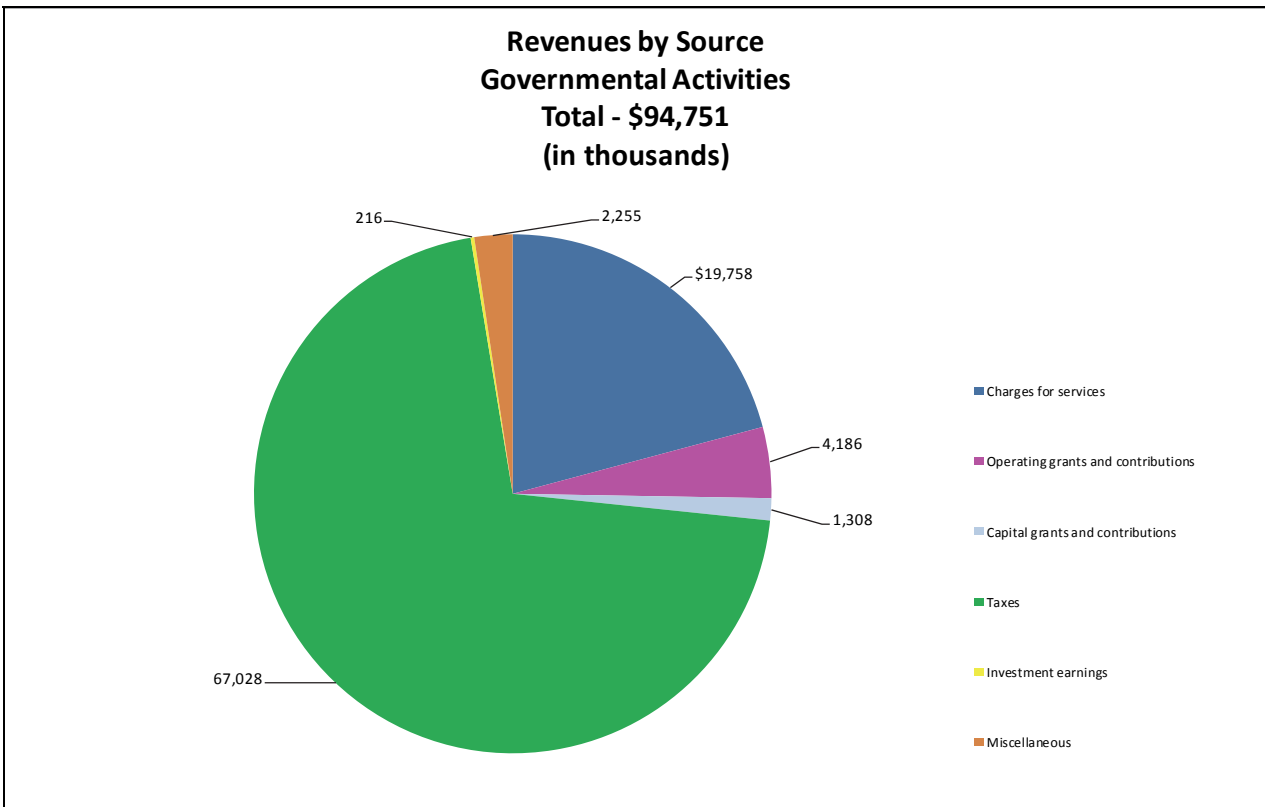
CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

The City's governmental activities net position increased by \$19.1 million during fiscal year 2014-2015. Charges for services were approximately \$4.9 million lower than those of the previous year. A significant portion of the drop, \$2.7 million, is due the change in the method of accounting for those of personnel reimbursements from the San Rafael Sanitation District (SRSD), a discretely presented component unit. In previous years, the City treated the reimbursements as charges for services; beginning in fiscal year 2014-2015, the reimbursements offset a receivable that was established for this activity.

Meanwhile, the City recorded a \$4.5 million year-over-year increase in Sales taxes, \$2.8 million of which was due to the fact that this was the first full year of the Measure E transactions and use tax. Property taxes and transient occupancy taxes registered year-over year increases of \$0.6 million and \$0.3 million, respectively. Miscellaneous revenues were up \$1.1 million, led by approximately \$0.8 million in delayed reimbursements of State-mandated costs.

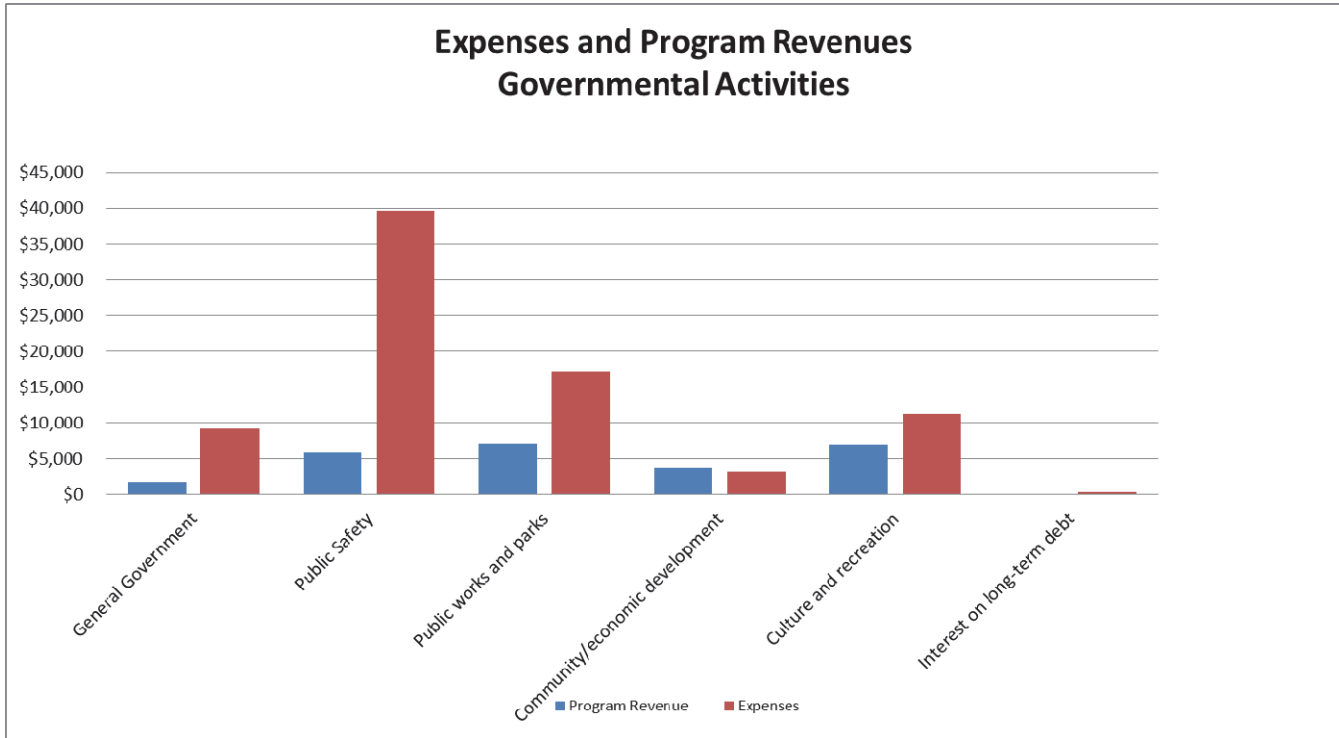
The fiscal year 2014-2015 governmental expenditures were \$10 million less than those of the previous fiscal year. This drop results from: 1) the implementation of GASB 68, which changed the methodology by which current period pension expenses are reported; and 2) the change in the treatment of the SRSD personnel costs, which are no longer reported as City expenditures.

The following graph shows governmental revenues by source:



CITY OF SAN RAFAEL

**Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2015**



Total expenses for governmental activities were \$80.6 million (excluding interest on long-term debt of \$284 thousand). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$19.8 million in charges for services.
- A total of \$5.5 million in operating and capital projects were funded by outside agencies through operating, capital grants, and contributions.

As a result, total expenses that were funded by tax revenues, investment income, and other general revenues were \$69.9 million.

Functional expenses for the year ended June 30, 2015 were as follows:

Expenses by Function

For the fiscal year ended June 30, 2015 (in thousands)

Function	Amount	Percent of Total
General government	\$9,100	11.3%
Public safety	39,969	49.6%
Public works and parks	16,893	21.0%
Community development	3,128	3.9%
Culture and recreation	11,198	13.9%
Interest on debt	284	0.3%
Total expenses	\$80,572	100%

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Statement of Activities – Business-type

Summary of Changes in Net Position
June 30, 2015 & 2014 (in thousands)

	Business-Type Activities		Increase (Decrease)
	2015	2014	
Revenues			
Program revenues:			
Charges for services	\$5,174	\$4,485	\$689
Total program revenues	<u>5,174</u>	<u>4,485</u>	<u>689</u>
General revenues:			
Miscellaneous	7	4	3
Total general revenues	<u>7</u>	<u>4</u>	<u>3</u>
TOTAL REVENUES	<u>5,181</u>	<u>4,489</u>	<u>692</u>
Expenses			
General government	4,250	4,125	125
TOTAL EXPENSES	<u>4,250</u>	<u>4,125</u>	<u>125</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	931	364	567
OTHER FINANCING SOURCES (USES)			
Transfers out	(433)	(450)	17
Total Other Financing sources (uses)	<u>(433)</u>	<u>(450)</u>	<u>17</u>
Net Change in Net Position	498	(86)	584
Net Position, Beginning	9,308	12,922	(3,614)
Change due to implementation of GASB 68 & 71 (See Note 1P)	-	(3,528)	3,528
Net Position, Ending	<u>\$9,806</u>	<u>\$9,308</u>	<u>\$498</u>

The net position for business-type activities was increased by \$584 thousand in fiscal year 2015 from the prior fiscal year. Due to the implementation of GASB 68 and 71, the beginning fund balance was reduced by \$3.53 million (See Note 1P).

Parking services is the City's only business-type activity with income derived from program revenues of \$5.2 million. Program revenues include parking meter coin income of \$1.9 million and parking garage hourly and monthly parking income of \$1.3 million. Revenues also include parking and non-vehicle code fines totaling \$2.0 million. Total expenses for parking services were \$4.3 million and transfers out to general fund and non-major governmental fund for support totaled \$433 thousand during the fiscal year 2014-2015.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

In February 2009, the Governmental Accounting Standards Board issued Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be applied. 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 8B.

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 June 30, 2015, the City reported a combined ending fund balance of \$47.8 million of all its total governmental funds (an increase of \$7.9 million from the prior year restated): \$0.4 million is non-spendable, \$31.8 million is restricted, \$0.9 million is committed, \$13.1 million is assigned and \$1.6 million is unassigned.

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

General Fund – The fund balance of the General Fund as of June 30, 2015 was \$14.4 million (an increase of \$7 million from the adjusted prior year balance): \$0.4 million is non-spendable, \$12.4 million is assigned, and \$1.6 million is unassigned. The assigned portion of the balance includes \$6.5 million for emergency and cash flow needs, which represents a 27 percent increase from the prior year and now exceeds the minimum target reserve of ten percent of operating expenditures.

General Fund Budgetary Highlights:

The original adopted General Fund budget projected total revenue of \$68.2 million and transfers-in of \$1.3 million for total resources of \$69.5 million. The budget appropriated expenditures of \$62.9 million and transfers-out of \$1.7 million for a total appropriation of \$64.6 million.

Actual revenues, at \$70.7 million, exceeded the original budgeted revenues by \$2.5 million. This positive performance was driven by tax revenues (property tax, sales tax, and transient occupancy tax) that exceeded budget projections, coupled with the receipt of delayed SB-90 State Mandate Costs reimbursements that were not expected to be received until later in the following fiscal year.

Fiscal year 2014-2015 General Fund revenues exceeded expenditures and net transfers by \$7.0 million. Of this amount, \$3.5 million was assigned to Measure E – Public Safety Facility reserve; \$1.4 million was added to the Emergency Cash Flow reserve; \$0.3 million was added to the General Plan / Long Range Planning reserve; \$0.2 million was used to establish an Infrastructure reserve; and \$1.6 million was retained in Unassigned General Fund balance.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2015 (in thousands)

	Adopted Budget	Revised Budget	Actual
Revenues	\$68,153	\$69,106	\$70,747
Transfers in	1,290	1,290	1,039
Total resources	<u>69,443</u>	<u>70,396</u>	<u>71,786</u>
Expenditures	62,854	\$63,286	63,096
Transfers out	1,650	1,698	1,698
Total uses	<u>64,504</u>	<u>64,984</u>	<u>64,794</u>
Net Operating Results	<u>\$4,939</u>	<u>\$5,412</u>	<u>\$6,992</u>

Traffic and Housing Mitigation Fund – The City uses this fund to collect developer contributions to be used for major street improvement and housing infrastructure projects. During the year, the fund balance decreased from \$12.6 million to \$12.3 million. Revenues totaled \$0.3 million, while \$0.6 million was charged against this fund to support the maintenance of the City-wide traffic model. The balance in the fund is being held in anticipation of major street projects identified in the General Plan 2020 and other qualifying expenditures.

Gas Tax Fund – The City uses this fund to manage its allocation of State gasoline taxes and local funding for street maintenance projects. Gas tax revenues exceeded expenditures and net transfers by \$621 thousand in fiscal year 2014-2015 and the ending fund balance increased from \$7.0 million as of June 30, 2014, to \$7.6 million as of June 30, 2015.

Major expenditures during fiscal year 2014-2015 include \$1.7 million for H Street roadway improvements, \$1.1 million annual resurfacing of the City's most severely worn roadways, \$337 thousand for the Downtown rail readiness project, and \$516 thousand for Traffic Signal Controller Upgrades and Traffic Signal LED Relamping. The largest sources of revenues included \$1.7 million from State gasoline taxes, \$809 thousand in local Measure A funds, \$1.5 million in development impact fees, and \$697 thousand in reimbursements.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2015, non-major funds had a total fund balance of \$13.5 million, a \$.6 million increase from the previous year. The increase resulted from a \$378 thousand increase to the childcare operating and capital reserves, a \$474 thousand increase in Library reserves, \$529 thousand increase in Parkland dedication reserves, and \$601 thousand decrease in capital project set-aside.

Of the ending total non-major fund balances of \$13.5 million: \$11.9 million (88%) is legally restricted for specific purposes by external funding source providers, \$0.9 million (7%) is committed for special purposes by the City Council, and \$ 0.7 million (5 %) is assigned. Additional information about these aggregated non-major funds is presented in the combining statements which immediately follow the required supplementary information.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Proprietary Funds

The City's proprietary funds are presented in the basic financial statements in a manner similar to that found in the government-wide financial statements, but in more detail. As noted in the Summary of Changes in Net Position – Business-type Activities at page 14, the City's proprietary fund net position was increased by \$498 thousand during the fiscal year. The Parking Services Fund is the City's sole business-type (Enterprise) activity.

Proprietary fund operating revenue increased by \$0.7 million in fiscal year 2014-2015 to \$5.2 million from \$4.5 million in the prior year. This was attributable to an increase in parking rates from \$1.00 per hour to \$1.50 per hour implemented in February 2014, and thus in effect for the entire fiscal year. The Enterprise fund operating expenses were \$4.1 million in fiscal year 2014-2015, a modest increase of \$0.2 million from the prior fiscal year at which time the parking meters were replaced.

The City's Internal Service Funds are also reported in this Proprietary Fund classification. In fiscal year 2014-2015, the Internal Services Funds were comprised of: Building Maintenance, Employee Benefits, Liability Insurance, Workers' Compensation, Dental Insurance, Employee Retirement, and OPEB/Retiree Medical. The following two funds have now been reclassified into Internal Service Funds:

Vehicle Replacement Fund – In prior years, this fund was part of the equipment replacement fund under the major Capital Project Fund. Effective in fiscal year 2014-2015, the city separated out the vehicle portion and established the Vehicle Replacement Fund to manage the replacement of vehicles. In addition, this fund was reclassified from a Capital Project Fund to an Internal Service Fund. As of June 30, 2015, the Vehicle Replacement Fund had a total fund balance of \$7.2 million, with \$2.4 million available for vehicle replacement.

Equipment Replacement Fund – In prior years, this fund was part of the equipment replacement fund under the major Capital Project Fund. Effective in fiscal year 2014-2015, the City separated out the equipment portion and established the Equipment Replacement Fund to manage the replacement of equipment, including computer systems and technology. In addition, this fund was reclassified from a Capital Project Fund to an Internal Service Fund. As of June 30, 2015, the Equipment Replacement fund had a total fund balance of \$3.0 million, with \$0.7 million available for fire equipment replacement, \$1.3 million for technology, and \$0.2 million for police-equipment replacement.

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, 2015 amounts to \$207.8 million, net of accumulated depreciation of \$155.2 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 net additions to the City's investment in capital assets for the current fiscal year was \$6.1 million, offset by accumulated depreciation of \$6.1 million, resulting in no net change to Capital Assets.

Additions to capital assets during fiscal year 2014-2015 included:

- Land acquisition: 1309 5th Avenue, San Rafael - \$0.8 million

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

- Construction in Progress: \$2.2 million:
 - H Street Drainage & Reconstruction - \$1.7 million
 - Downtown Rail Readiness - \$0.5 million
- Infrastructure: \$1.0 million
 - Pt. San Pedro Resurfacing - \$0.6 million
 - Safe Routes to School: Davidson - \$0.4 million
- Building & structures: \$1.2 million for the City Hall Improvements (HVAC renovation)
- Machinery & Equipment: \$0.8 million:
 - \$0.6 million net increase in vehicles
 - \$0.2 million net increase in equipment

The City's Capital Assets for the fiscal years ending June 30, 2015 and 2014 were as follows:

Summary of Capital Assets
 June 30, 2015 & 2014 (in thousands)

	2015	2014
Governmental Activities		
Land	\$83,261	\$82,464
Construction in progress	4,506	2,301
Land improvements	8,789	8,789
Buildings and structures	41,486	40,300
Machinery and equipment	18,927	18,102
Infrastructure	185,529	184,508
Less accumulated depreciation	(151,423)	(145,649)
Subtotal Governmental Activities	191,075	190,815
Business-type Activities		
Land	8,621	8,621
Buildings and structures	10,714	10,714
Machinery and equipment	1,185	1,179
Less accumulated depreciation	(3,778)	(3,479)
Subtotal Business-type Activities	16,742	17,035
Total Capital Assets	\$207,817	\$207,850

Additional information on the City's capital assets can be found in Note 5 on pages 60 through 62 of this report.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015

Debt Administration

The City's debt is discussed in more detail in Note 6 to the financial statements. The debt of the former Redevelopment Agency is reported under the Successor Agency, which is presented as Private-Purpose Trust Fund on the Statement of Fiduciary Net Position. See Note 15 to the financial statements for additional information. The City's long-term obligations for the fiscal years ending June 30, 2015 and 2014 were as follows:

Summary of Long-Term Debt
June 30, 2015 & 2014 (in thousands)

	2015	2014
Governmental Activity Debt:		
2010 Taxable Pension Obligation Bonds	\$4,490	\$4,490
PG & E City Hall HVAC Retrofit Note Payable	279	312
PG & E Street Light Retrofit Note Payable	175	217
Subtotal Governmental Activity Debt	4,944	5,019
 Business-type Debt:		
PG & E Parking Lot Lighting Retrofit Note Payable	55	62
2012 Authority Lease Revenue refunding Bonds, as adjusted	5,942	6,186
Subtotal Business-type Debt	5,997	6,248
 Total Long-Term Obligations	\$10,941	\$11,267

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015**

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

Six years after the official end of the Great Recession, the City's revenues have finally broken through their pre-recession peak. As the City looks ahead to fiscal year 2015-2016, management is encouraged by indicators that the local economy will remain vibrant. However, relatively strong growth in the regional economy is tempered by persistent uncertainty at the state, national, and international levels.

The nation continues to bounce back slowly, fueled by a resurgent housing market and consistent job growth. While elements of the national economy are on the mend, there are many longer-term issues the nation must address, including funding changes to the national healthcare system, long-term underemployment and unemployment, and resolving underfunded federal entitlements and state and local pensions.

The California economy continues to rebound from the recession. Although the 6.2% unemployment rate remains above the national average of 5.3%, it continues to fall and remains on a convergent track with the national average. Personal income has rebounded over the past few years, and the State continues to prosper from the flow of capital into the technology companies who are attracted to California. Notwithstanding the State's current \$8 billion surplus, major challenges persist. The "wall of debt" which, when pension and retiree medical liabilities are considered, reaches into the hundreds of billions of dollars and managing the impact of the severe drought affecting all 58 counties are likely to burden the State for several years.

Locally, the 3.3% Marin County unemployment rate is the second lowest in the State. According to the Marin Economic Forum, the County added 2,600 payroll jobs and gained approximately 200 payroll businesses in 2014. Real personal income is projected to grow at an average rate of just over 2% over the next year, and Marin County's taxable sales per capita are the third highest in the State. Marin County median home prices now hover around \$1 million and continue to rise, while the recovery of commercial real estate has led to stable rents averaging \$2.60 per square foot.

The City's general fund is fueled by the momentum of three consecutive years of strong operating results. Service levels have increased moderately over the past few years, with additional resources being allocated to homeless issues, massage ordinance enforcement, open space management, and deferred maintenance. At the same time, the City is fully funding its actuarially-determined, required contributions for both pension and retiree medical (OPEB) obligations.

The City enters fiscal year 2015-2016 with approximately \$4.4 million accumulated from a dedicated portion of its Measure E transactions and use tax (TUT) for public safety facilities construction and improvements. One-third of this twenty-year San Rafael three-quarter cent TUT, which became effective April 1, 2014, has been set aside by City Council direction for this purpose.

Reductions in staffing and service levels, coupled with deferred maintenance of City facilities during past economic downturns means that, although currently the City is able to maintain and, in some cases, improve on its level of services and make some strategic investments for the City's future, there will still be critical, unfunded capital and maintenance needs.

The trends for sales tax and the transactions and use tax (Measure E), which combined represent the City's largest tax revenue generators, suggest continued, but moderate growth. For fiscal year 2015-2016, these taxes are projected to increase by approximately four percent. During this year, the City also expects to receive approximately \$1.2 million in delayed sales tax disbursements associated with the termination of the Triple Flip. (The Triple Flip was a 10-year structural change to the manner in which sales tax was distributed by the State.)

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2015**

The City's second largest tax generator is property tax. The City is expecting the fiscal year 2015-2016 tax roll to increase by approximately five percent over the previous year. Other tax and non-tax revenues are expected to grow moderately, in the range of two to four percent.

The City's largest expenditure relates to personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. With the exception of SEIU-Childcare, which has a two-year contract terminating on October 31, 2015, the City's labor units are all operating under contracts that expire on June 30, 2016. Negotiated compensation increases in effect through June 30, 2016 range between 3.0 and 3.5% for the year.

In the bond markets, the San Rafael name is recognized as a high credit municipal entity given both the City's financial strength and solid financial management. Because the City's bonds are highly sought by investors and are fairly competitive in the marketplace, the City can borrow funds at reasonably attractive rates. The City maintains a AA- issuer credit rating with Standard & Poor's Ratings Services.

General Fund ending balances are anticipated to grow in the near term providing the City Council with options to increase reserves or to fund one-time needs in the future. These reserves are important to ensure the stability and reliability of City services.

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.



CITY OF SAN RAFAEL

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position 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 Position 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 Position focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position 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 position. 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 Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the San Rafael Joint Powers Financing Authority which are legally separate but are considered to be 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 San Rafael Sanitation District, a discretely presented component unit, are included in these statements in a separate column.



CITY OF SAN RAFAEL
STATEMENT OF NET POSITION
JUNE 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$63,237,818	\$2,591,915	\$65,829,733	\$22,797,010
Restricted cash and investments (Note 2)	76,511		76,511	
Receivables:				
Accounts	2,271,117	29,963	2,301,080	171,107
Taxes	6,304,844		6,304,844	
Grants	1,413,862	12,967	1,426,829	
Interest	88,756		88,756	
Loans (Note 4)	653,654		653,654	
Long-term receivable from the Successor Agency (Note 15D)	1,533,103		1,533,103	
Long-term receivable from San Rafael Sanitation District (Note 4H)	4,462,815		4,462,815	
Internal balances (Note 3B)	(41,417)	41,417		
Prepaid expenses and others	54,990	2,815	57,805	54,209
Capital assets (Note 5):				
Nondepreciable	87,767,431	8,620,853	96,388,284	706,633
Depreciable, net	103,307,321	8,121,247	111,428,568	38,485,196
Total Assets	<u>271,130,805</u>	<u>19,421,177</u>	<u>290,551,982</u>	<u>62,214,155</u>
DEFERRED OUTFLOWS				
Deferred outflows related to pension (Note 9)	<u>21,621,747</u>	<u>734,769</u>	<u>22,356,516</u>	
Total Deferred Outflows	<u>21,621,747</u>	<u>734,769</u>	<u>22,356,516</u>	
LIABILITIES				
Accounts payable	6,993,900	185,681	7,179,581	1,643,501
Deposits payable	301,941		301,941	
Interest payable		50,372	50,372	
Developer deposits payable	457,413		457,413	
Unearned revenue	362,356		362,356	
Claims payable (Note 13):				
Due in one year	1,945,792		1,945,792	
Due in more than one year	5,373,626		5,373,626	
Compensated absences (Note 1K):				
Due in one year	528,049	16,215	544,264	
Due in more than one year	3,696,341	113,508	3,809,849	
Long-term debt (Note 6):				
Due in one year	75,172	256,816	331,988	
Due in more than one year	4,868,495	5,740,332	10,608,827	
Long-term payable to the City of San Rafael (Note 4H)				4,462,815
Net OPEB liability (Note 11)	9,164,000		9,164,000	
Net Pension Liability (Note 9)	71,813,362	2,440,425	74,253,787	
Total Liabilities	<u>105,580,447</u>	<u>8,803,349</u>	<u>114,383,796</u>	<u>6,106,316</u>
DEFERRED INFLOWS				
Deferred inflows related to pension (Note 9)	<u>45,498,330</u>	<u>1,546,164</u>	<u>47,044,494</u>	
Total Deferred Inflows	<u>45,498,330</u>	<u>1,546,164</u>	<u>47,044,494</u>	
NET POSITION (Note 8):				
Net investment in capital assets	<u>190,621,085</u>	<u>10,744,952</u>	<u>201,366,037</u>	<u>39,191,829</u>
Restricted for:				
Special revenue projects:				
Housing and street improvements	20,785,243		20,785,243	
Stormwater	1,715,857		1,715,857	
Emergency medical services	1,187,276		1,187,276	
Other	7,538,627		7,538,627	
Capital projects	1,996,249		1,996,249	
Debt service	165,972		165,972	
Total Restricted Net Position	<u>33,389,224</u>		<u>33,389,224</u>	
Unrestricted	<u>(82,336,534)</u>	<u>(938,519)</u>	<u>(83,275,053)</u>	<u>16,916,010</u>
Total Net Position	<u>\$141,673,775</u>	<u>\$9,806,433</u>	<u>\$151,480,208</u>	<u>\$56,107,839</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$9,099,858	\$1,379,523	\$284,762	
Public safety	39,968,631	4,966,251	920,694	
Public works and parks	16,893,164	3,078,267	2,670,155	\$1,308,027
Community development	3,128,373	3,796,684		
Culture and recreation	11,198,151	6,537,646	309,839	
Interest on long-term debt and fiscal charges	284,288			
Total Governmental Activities	<u>80,572,465</u>	<u>19,758,371</u>	<u>4,185,450</u>	<u>1,308,027</u>
Business-type Activities				
Parking services	4,249,597	5,173,557	-	-
Total Business-type Activities	<u>4,249,597</u>	<u>5,173,557</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$84,822,062</u>	<u>\$24,931,928</u>	<u>\$4,185,450</u>	<u>\$1,308,027</u>
Component Unit				
San Rafael Sanitation District	<u>\$11,375,239</u>	<u>\$14,629,758</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property

Sales:

Sales and Use

Measure E half-cents sales tax

Measure E quarter-cents sales tax

Measure S

Paramedic

Transient occupancy

Franchise

Business license

Other

Investment earnings

Miscellaneous

Aid from other governmental agencies

Transfers (Note 3A)

Total general revenues and transfers

Special Item (Note 4H)

Change in Net Position

Net Position, beginning of year, as adjusted (Note 1P)

Net Position, end of year

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
(\$7,435,573)		(\$7,435,573)	
(34,081,686)		(34,081,686)	
(9,836,715)		(9,836,715)	
668,311		668,311	
(4,350,666)		(4,350,666)	
(284,288)		(284,288)	
<u>(55,320,617)</u>		<u>(55,320,617)</u>	
-	\$923,960	923,960	
-	923,960	923,960	
<u>(55,320,617)</u>	<u>923,960</u>	<u>(54,396,657)</u>	
			\$3,254,519
19,039,443		19,039,443	1,319,852
21,056,482		21,056,482	
7,702,530		7,702,530	
3,498,470		3,498,470	
12,433		12,433	
3,820,240		3,820,240	
2,661,878		2,661,878	
3,272,390		3,272,390	
2,670,071		2,670,071	
3,295,751		3,295,751	
216,066	7,008	223,074	171,804
2,254,901		2,254,901	
			35,090
<u>432,630</u>	<u>(432,630)</u>		
<u>69,933,285</u>	<u>(425,622)</u>	<u>69,507,663</u>	<u>1,526,746</u>
<u>4,462,815</u>	<u>-</u>	<u>4,462,815</u>	<u>(4,462,815)</u>
19,075,483	498,338	19,573,821	318,450
<u>122,598,292</u>	<u>9,308,095</u>	<u>131,906,387</u>	<u>55,789,389</u>
<u>\$141,673,775</u>	<u>\$9,806,433</u>	<u>\$151,480,208</u>	<u>\$56,107,839</u>



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 year 2014-2015.

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 SPECIAL REVENUE FUND

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

GAS TAX SPECIAL REVENUE 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, 2015

	<u>Special Revenue Funds</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Traffic and Housing Mitigation</u>	<u>Gas Tax</u>		
ASSETS					
Cash and investments available for operations (Note 2)	\$11,912,244	\$12,208,886	\$8,250,560	\$12,534,207	\$44,905,897
Restricted cash and investments (Note 2)				76,511	76,511
Receivables:					
Accounts	1,212,870		36,967	855,237	2,105,074
Taxes	5,906,885		157,965	239,994	6,304,844
Grants	7,940		101,879	1,304,043	1,413,862
Interest	88,654			102	88,756
Loans (Note 4)	350,282	51,430		230,066	631,778
Long-term receivable from the Successor Agency (Note 15D)	1,533,103				1,533,103
Prepays	49,017			2,359	51,376
Total Assets	<u>\$21,060,995</u>	<u>\$12,260,316</u>	<u>\$8,547,371</u>	<u>\$15,242,519</u>	<u>\$57,111,201</u>
LIABILITIES					
Accounts payable	\$3,531,630		\$946,426	\$1,135,236	\$5,613,292
Deposits payable	86,477	\$21,098		194,366	301,941
Developer deposits payable	455,913			1,500	457,413
Unearned revenue				362,356	362,356
Total Liabilities	<u>4,074,020</u>	<u>21,098</u>	<u>946,426</u>	<u>1,693,458</u>	<u>6,735,002</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - SB90 reimbursement receivable	1,092,071				1,092,071
Unavailable revenue - long-term receivable from Successor Agency	1,533,103				1,533,103
Total Deferred Inflows of Resources	<u>2,625,174</u>				<u>2,625,174</u>
Fund Balances (Note 8):					
Nonspendable	399,299			2,359	401,658
Restricted		12,239,218	7,600,945	11,902,021	31,742,184
Committed				931,871	931,871
Assigned	12,374,002			712,810	13,086,812
Unassigned	1,588,500				1,588,500
Total Fund Balances	<u>14,361,801</u>	<u>12,239,218</u>	<u>7,600,945</u>	<u>13,549,061</u>	<u>47,751,025</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$21,060,995</u>	<u>\$12,260,316</u>	<u>\$8,547,371</u>	<u>\$15,242,519</u>	<u>\$57,111,201</u>

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet	\$47,751,025
Amounts reported for Governmental Activities in the Statement of Net Position 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.	184,061,860
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 Position.	7,630,903
Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(4,943,667)
Compensated absences	(4,224,390)
Unavailable revenue	2,625,174
Long-term receivables from San Rafael Sanitation District	4,462,815
Deferred outflow related to pension	21,621,747
Net pension liability	(71,813,362)
Deferred inflow related to pension	<u>(45,498,330)</u>
Net position of governmental activities	<u><u>\$141,673,775</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, 2015

	Special Revenue Funds				Total Governmental Funds
	General	Traffic and Housing Mitigation	Gas Tax	Other Governmental Funds	
REVENUES					
Taxes and special assessments	\$56,541,604			\$5,262,624	\$61,804,228
Licenses and permits	2,456,820				2,456,820
Fines and forfeitures	505,029			51,047	556,076
Use of money and properties	290,103	\$35,984	\$22,785	95,885	444,757
Intergovernmental	7,846,436		3,028,659	2,358,408	13,233,503
Charges for services	2,660,869	288,728	1,513,798	10,883,399	15,346,794
Other revenue	446,272		729,150	601,581	1,777,003
Total Revenues	70,747,133	324,712	5,294,392	19,252,944	95,619,181
EXPENDITURES					
Current:					
General government	9,530,931		21,473	651,283	10,203,687
Public safety	36,564,699			7,389,816	43,954,515
Public works and parks	10,392,192		1,582,658	783,793	12,758,643
Community development	3,416,859				3,416,859
Culture and recreation	2,801,488			8,815,289	11,616,777
Capital outlay			2,465,703	2,033,221	4,498,924
Capital improvement / special projects	30,676	132,053	307,538	1,716,719	2,186,986
Debt service:					
Principal	75,172				75,172
Interest and fiscal charges	284,288				284,288
Total Expenditures	63,096,305	132,053	4,377,372	21,390,121	88,995,851
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,650,828	192,659	917,020	(2,137,177)	6,623,330
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3A)	1,039,150		528,835	2,780,164	4,348,149
Transfers out (Note 3A)	(1,697,664)	(528,835)	(825,000)		(3,051,499)
Total Other Financing Sources (Uses)	(658,514)	(528,835)	(296,165)	2,780,164	1,296,650
Net Change in Fund Balances	6,992,314	(336,176)	620,855	642,987	7,919,980
FUND BALANCES, BEGINNING OF YEAR AS ADJUSTED (NOTE 1P)					
	7,369,487	12,575,394	6,980,090	12,906,074	39,831,045
FUND BALANCES, END OF YEAR	\$14,361,801	\$12,239,218	\$7,600,945	\$13,549,061	\$47,751,025

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$7,919,980

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. this is the amount by which capital outlays exceeded depreciation expense in the current period. (1,488,520)

Long-Term Debt Proceeds and Payments

Repayments on long-term debt principal are expenditures in the governmental funds, but in the Statement of Net Position the repayments reduce long-term liabilities. 75,172

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):

Compensated absences 45,033

Unavailable revenue (1,017,979)

Long-term receivable from San Rafael Sanitary District 4,462,815

Net Pension Liability Transactions

Governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability. 8,140,355

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. 938,627

Change in Net Position of Governmental Activities \$19,075,483

See accompanying notes to financial statements



PROPRIETARY FUND FINANCIAL STATEMENTS

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, whether external or internal.

The City reports its only enterprise fund, as a major fund.

PARKING SERVICES FUND

Established to maintain parking garages, lots and spaces in the Downtown Parking District, and to pay for parking enforcement and meter collection.

INTERNAL SERVICE FUNDS

Established to 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.

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$2,591,915	\$18,331,921
Receivable:		
Accounts	29,963	166,043
Loans		21,876
Grants	12,967	
Prepays	2,815	3,614
Total Current Assets	2,637,660	18,523,454
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	204,136
Depreciable, net	8,121,247	6,808,756
Total Noncurrent Assets	16,742,100	7,012,892
Total Assets	19,379,760	25,536,346
DEFERRED OUTFLOWS		
Deferred outflows related to pension (Note 9)	734,769	
Total Deferred Outflows	734,769	
LIABILITIES		
Current Liabilities:		
Accounts payable	185,681	1,380,608
Interest payable	50,372	
Compensated absences, due in one year (Note 1K)	16,215	
Claims payable, due in one year (Note 13)		1,945,792
Long-term debt, due in one year (Note 6)	256,816	
Total Current Liabilities	509,084	3,326,400
Noncurrent Liabilities:		
Compensated absences (Note 1K)	113,508	
Claims payable (Note 13)		5,373,626
Long-term debt (Note 6)	5,740,332	
Net OPEB liability (Note 11)		9,164,000
Net Pension Liability (Note 9)	2,440,425	
Total Noncurrent Liabilities	8,294,265	14,537,626
Total Liabilities	8,803,349	17,864,026
DEFERRED INFLOWS		
Deferred inflows related to pension (Note 9)	1,546,164	
Total Deferred Inflows	1,546,164	
NET POSITION (Note 8):		
Net investment in capital assets	10,744,952	7,012,892
Unrestricted	(979,936)	659,428
Total Net Position	9,765,016	\$7,672,320
Some amounts reported for <i>business-type activities</i> in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with <i>business-type</i> activities.	41,417	
Net position <i>business-type activities</i>	\$9,806,433	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$3,134,849	\$10,873,971
Other operating revenues	2,038,708	1,022,167
Total Operating Revenues	<u>5,173,557</u>	<u>11,896,138</u>
OPERATING EXPENSES		
Personnel	1,931,672	170,597
Insurance premiums and claims		6,281,991
Maintenance and repairs	41,222	475,593
Depreciation (Note 5)	299,122	844,108
General and administrative	1,781,636	2,463,285
Total Operating Expenses	<u>4,053,652</u>	<u>10,235,574</u>
Operating Income	<u>1,119,905</u>	<u>1,660,564</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	7,008	53,880
Interest expense	(205,163)	
Miscellaneous income		87,421
Total Nonoperating Revenues (Expenses)	<u>(198,155)</u>	<u>141,301</u>
Income Before Transfers	<u>921,750</u>	<u>1,801,865</u>
CONTRIBUTIONS		
TRANSFERS OUT (Note 3A)	(432,630)	10,000
	<u>(432,630)</u>	<u>(864,020)</u>
Change in Net Position	489,120 *	947,845
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED (NOTE 1P)	<u>9,275,896</u>	<u>6,724,475</u>
NET POSITION, END OF YEAR	<u><u>\$9,765,016</u></u>	<u><u>\$7,672,320</u></u>

* Reconciliation of the Change in Net Position with the Statement of Activities

Change in Net Position	\$489,120
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Some amounts reported for *business-type activities* in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.

<u>9,218</u>

Change in Net Position of Business-type Activities	<u><u>\$498,338</u></u>
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See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$3,134,849	\$10,983,679
Cash payments to suppliers for goods and services	(1,705,714)	(7,323,673)
Cash payments to employees for salaries and benefits	(2,200,722)	(170,597)
Other operating revenues	2,020,556	1,022,167
Payment to OPEB Trust		(132,000)
	<u>1,248,969</u>	<u>4,379,576</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions		10,000
Interfund payments	(432,630)	(864,020)
	<u>(432,630)</u>	<u>(854,020)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds	(251,091)	
Interest expenses and fiscal charges	(206,388)	
Acquisition of capital assets	(6,392)	(2,592,268)
Proceeds from sale of property		87,421
	<u>(463,871)</u>	<u>(2,504,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	7,008	53,880
	<u>7,008</u>	<u>53,880</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	359,476	1,074,589
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,232,439	17,257,332
CASH AND CASH EQUIVALENTS, END OF YEAR	\$2,591,915	\$18,331,921
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$1,119,905	\$1,660,564
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	299,122	844,108
Net change in assets and liabilities:		
Accounts receivable	(18,152)	98,770
Loans receivable		10,938
Prepays and deposits	(2,815)	(3,509)
Net OPEB liabilities		(132,000)
Accounts payable	119,959	1,170,993
Compensated absence obligations	7,583	
(Decrease) increase in due to retirement system	(276,633)	
Claims payable		729,712
	<u>\$1,248,969</u>	<u>\$4,379,576</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 Position.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – PRIVATE PURPOSE TRUST FUND

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

PT. SAN PEDRO ROAD ASSESSMENT DISTRICT AGENCY FUND

Established to accumulate funds for payment of principal and interest for Pt. San Pedro Road Median Landscaping Assessment District bonds.

CITY OF SAN RAFAEL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
	Trust Fund
ADDITIONS	
Property taxes	\$3,337,015
Use of money and property	1,902
Other revenue	319,803
Total Additions	3,658,720
DEDUCTIONS	
General government	286,450
Interest expense	1,114,886
Total Deductions	1,401,336
Change in Net Position	2,257,384
NET POSITION HELD IN TRUST FUND FOR OTHER PURPOSES	
Beginning of year	(22,545,710)
End of year	(\$20,288,326)

See accompanying notes to financial statements



CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 Joint Powers Financing Authority – The San Rafael Joint Powers Financing Authority (Authority) was formed by the City of San Rafael and the former San Rafael Redevelopment Agency (Agency) 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. On March 18, 2013, the Agency was replaced by the California Municipal Finance Authority (CMFA) in order that the life of the Authority would extend beyond that of the Agency. The Authority is administered by a governing board whose members are the City Council of the City of San Rafael.

Activities of the Authority are reported in the Parking Services Enterprise Funds. Separate financial statements are not prepared for the Authority.

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 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 City contracts with the District to maintain the collection systems in the City and surrounding unincorporated areas. These employees are paid through the City's payroll department and participate in the City's cost-sharing multiple-employer defined benefit pension plan administered by the Marin County Employees' Retirement Association (Association). These costs are the obligation of the District and not the City. As discussed in Note 4H, a receivable from the District has been established.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the San Rafael Sanitation District, 111 Morphew Street, San Rafael, California 94901.

D. Basis of Presentation

Government-wide Statements - The Statement of Net Position 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.

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 and Other Reported 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Gas Tax Special Revenue 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, and to pay for parking enforcement, meter collection, and downtown enforcement services.

The City also reports the following fund types:

Internal Service Funds - These funds account for: building maintenance; vehicle, equipment and computer replacement; employee benefits; liability insurance; workers' compensation; dental insurance; employee retirement; and retiree medical (OPEB).

Fiduciary Fund – These funds include: *Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund* – which accounts for the accumulation of resources held by the Successor Agency to the Redevelopment Agency to be used for payments at appropriate amounts and times in the future; *Pt. San Pedro Road Assessment District Agency Fund* – which accumulates funds for the payment of principal and interest for Pt. San Pedro Road Median Landscaping District bonds. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 with the exception of sales and use tax revenues which are reported as available if collected within ninety days of 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 position 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.

G. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. *Unavailable revenue*, a type of deferred inflow of resources, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: taxes receivable, interest on interfund advances and loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Budgets, Budgetary Accounting, and Encumbrances

The City adopts an annual budget which is effective July 1 for the ensuing fiscal year. The budget reflects estimated revenues and expenditures, except for the capital projects funds and the Peacock Gap Assessment District Debt Service Fund. Appropriations and spending authorizations for projects in the capital projects funds and some special revenue funds are approved by the City 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 in order to respond to emerging needs, changes in resources, or shifting priorities. 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 operating expenditures as well as any appropriations for capital projects.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and Special Revenue Funds.

The following funds incurred expenditures in excess of appropriations during the fiscal year*:

Fund	Amount
<i>Recreation Revolving Special Revenue</i>	\$117,378
<i>Household Hazmat Facility Special Revenue</i>	9,507

*Sufficient resources were available within the funds to support the additional expenditures

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. All unencumbered appropriations lapse at year end.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

J. 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 exceed \$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

K. 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. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,269,695	\$122,140	\$4,391,835
Additions	3,728,859	107,325	3,836,184
Payments	(3,774,164)	(99,742)	(3,873,906)
Ending Balance	\$4,224,390	\$129,723	\$4,354,113
Current Portion	\$528,049	\$16,215	\$544,264

L. 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

M. 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Measurement of Risk Management Internal Service Fund Liabilities*

In Fiscal Year 2014-2015, the City adopted a new methodology for determining the liabilities in the Worker's Compensation and General Liability fund liabilities. Previously, the City used the expected values (50% confidence level) of outstanding losses in calculating these liabilities. The new methodology employs a 70% confidence level for the value of outstanding losses as well as an allowance for unallocated loss adjustment expenses and other measurable financial exposure.

O. *Implementation of Accounting Standards*

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The intention of this Statement is to improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The intention of this Statement is to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities.

P. *Prior Period Adjustments*

Implementation of Accounting Standards:

The implementation of GASB Statements No. 68 and No. 71 required the City to make prior period adjustments. As a result, the beginning net positions of the Governmental Activities and Business-Type Activities were reduced by \$104,830,300 and \$3,528,453, respectively. The beginning net position of the Parking Services Fund and Employee Retirement Fund were also reduced by \$3,528,453 and \$1,000,000, respectively, as part of this implementation. See Note 9 for additional information.

Equipment Replacement Funds Recategorization

In fiscal year 2014-2015, the City contributed fixed assets to the Building Replacement Fund from the fixed asset account group. It also reclassified the Equipment Replacement Fund, Technology Replacement Fund, Fire Equipment Replacement Fund and Police Equipment Replacement Fund from Governmental Capital Project Funds to Internal Service Funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of these changes, the July 1, 2014 balances were restated as follows:

Classifications	Fund Level			Entity-wide Level		Total Activities
	Internal Service Funds	Enterprise Fund	Governmental Funds	Business-type Activities	Governmental Activities	
Net Position/Fund Balance:						
Balances as previously reported	(\$1,464,687)	\$12,804,349	\$44,708,628	\$12,836,548	\$227,428,592	\$240,265,140
Increase (Decrease) in						
Net Position/Fund Balance						
Reclassification of Equipment Replacement Fund	4,877,583		(4,877,583)			
Capital Assets	4,311,579					
Implementation of GASB 68 and 71	(1,000,000)	(3,528,453)		(3,528,453)	(104,830,300)	(\$108,358,753)
Total Recategorizations	8,189,162	(3,528,453)	(4,877,583)	(3,528,453)	(104,830,300)	(108,358,753)
Net Position/Fund Balance:						
As adjusted	\$6,724,475	\$9,275,896	\$39,831,045	\$9,308,095	\$122,598,292	\$131,906,387

NOTE 2 - CASH AND INVESTMENTS

A. Policies

The City maintains an investment policy that emphasizes safety, liquidity and reasonable market yield. This policy is reviewed and approved by the City Council annually.

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

B. Classification

Cash and investments as of June 30, 2015, 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.

Statement of Net Position:

City of San Rafael:

Cash and investments available for operations	\$65,829,733
Restricted cash and investments	76,511
Total Primary Government Cash and Investments	65,906,244

San Rafael Sanitation District (Component Unit)

Cash and investments available for operations	22,797,010
Total San Rafael Sanitation District Cash and Investments	22,797,010

Statement of Fiduciary Net Position (separate statement):

Successor Agency to the Redevelopment Agency:

Cash and investments available for operations	2,486,284
Restricted cash and investments	23,843
Total Successor Agency Cash and Investments	2,510,127

Pt. San Pedro Road Assessment District Agency Fund

Total Fiduciary Cash and Investments	294,330
Total Fiduciary Cash and Investments	2,804,457
Total Cash and Investments	\$91,507,711

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

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	N/A	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%	10% of total outstanding commercial paper
Bankers' Acceptances	180 days	A-1	40%	\$2,000,000
Medium-Term Corporate Notes	5 years	A	30%	5% of portfolio
Negotiable Certificates of Deposit	5 years	A-1	30%	5% of portfolio
Non-negotiable Certificates of Deposit	5 years	N/A	30%	5% of portfolio
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 maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities.

The County Pool includes both voluntary and involuntary participation from external entities. The District is a voluntary participant. The State of California statutes require certain special districts and other governmental entities to maintain their cash surplus with the County Treasurer. The District has approved by resolution, the investment policy of the County of Marin which complies with the California Government Code.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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	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	Highest Category Rating	No Limit
Money Market Funds	N/A	Highest Category Rating	No Limit
Prime Commercial Paper	270 days	Highest Category Rating	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	Highest Category 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, 2015

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	More than 12 Months	Total
City and Fiduciary:			
Money Market Mutual Funds	\$582,543		\$582,543
Local Agency Investment Fund	28,761,550		28,761,550
U.S. Treasury Notes		\$4,761,738	4,761,738
U.S. Agency Securities and Instruments	500,985	7,015,038	7,516,023
Medium-Term Corporate Notes		2,577,550	2,577,550
Investment in Pt. San Pedro Bonds		1,641,500	1,641,500
	<u>\$29,845,078</u>	<u>\$15,995,826</u>	45,840,904
<i>Cash in banks and on hand</i>			<u>20,065,340</u>
Total City and Investments			<u>65,906,244</u>
Fiduciary:			
Money Market Mutual Funds	23,843		23,843
Local Agency Investment Fund	712,859		712,859
	<u>736,702</u>		736,702
<i>Cash in banks and on hand</i>			<u>2,067,755</u>
Total Fiduciary Cash and Investments			<u>2,804,457</u>
Total City and Fiduciary Cash and Investments			<u>68,710,701</u>
San Rafael Sanitary District:			
<i>Cash in banks and County Investment Pool</i>			<u>22,797,010</u>
Total District's Cash and Investments			<u>22,797,010</u>
Total Cash and Investments			<u>\$91,507,711</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2015, these investments matured in an average of 239 days.

Money Market Mutual Funds are available for withdrawal on demand. The investment portfolio of the Money Market Mutual Fund had an average maturity of 34 days at June 30, 2015.

The County's investment pool is not registered with the Securities and Exchange Commission as an investment company. The pool has a credit rating of "AAA/V1." Investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The objectives of the policy are in order of priority, safety, liquidity, yield, and public trust. The County has established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the members of the oversight committee and the investment pool participants every month. The report covers the types of investments in the pool, maturity dates, par value, actual costs and fair value.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015, for each of the Primary Government's investment types as provided by Standard and Poor's or Moody's investment rating systems, except as noted:

Type of Investment	A	AA-	AA	AA+	Aaa/AAA	AAA/V1	Total
City (except Fiduciary Funds):							
Money Market Mutual Funds					\$582,543		\$582,543
U.S. Agency Securities and Instruments					7,516,023		7,516,023
Medium-Term Corporate Notes	\$504,745	\$1,055,545	\$501,475	\$515,785			2,577,550
Total rated investments	<u>\$504,745</u>	<u>\$1,055,545</u>	<u>\$501,475</u>	<u>\$515,785</u>	<u>\$8,098,566</u>		<u>10,676,116</u>
Not rated:							
Local Agency Investment Fund							28,761,550
U.S. Treasury Notes							4,761,738
Investment in Pt. San Pedro Bonds							1,641,500
Cash in banks and on hand							<u>20,065,340</u>
Total City Cash and Investments							<u>65,906,244</u>
Fiduciary:							
Money Market Mutual Funds					\$23,843		23,843
Total rated investments					<u>\$23,843</u>		<u>23,843</u>
Not rated:							
Local Agency Investment Fund							712,859
Cash in banks and on hand							<u>2,067,755</u>
Total Fiduciary Cash and Investments							<u>2,804,457</u>
Total City and Fiduciary Cash and Investments							<u>68,710,701</u>
Component Unit							
San Rafael Sanitary District:							
Investment in County Pool (Rated AAA/V1)					\$22,797,010		22,797,010
Total District's Cash and Investments					<u>22,797,010</u>		<u>22,797,010</u>
Total Cash and Investments							<u>\$91,507,711</u>

G. Concentration Risk

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, and operating expenses.

Transfers between funds during the fiscal year ended June 30, 2015, were as follows:

From Fund	To Fund	Amount	
General Fund	Non-Major Governmental Funds	\$1,697,664	(A)
Traffic and Housing Mitigation Fund	Gas Tax Fund	528,835	(B)
Gas Tax Fund	General Fund	400,000	(C)
	Non-major Governmental Funds	425,000	(D)
Internal Service Funds	General Fund	276,520	(E)
	Non-Major Governmental Funds	587,500	(A)
Parking Services Enterprise Fund	Non-Major Governmental Funds	70,000	(A)
	General Fund	362,630	(E)
		\$4,348,149	

(A) Transfers to the Non-Major Governmental Funds were for administrative costs, program support, capital projects, and grant matching.

(B) Transfer to Gas Tax Fund for Downtown Rail Readiness Project.

(C) Transfers to the General Fund were for street maintenance support, administrative costs, and engineering support.

(D) Transfer to Capital Improvement Fund for the Puerto Suello Transit Center Connector.

(E) Transfers to General Fund were for the purpose of reimbursing administrative costs and debt service.

B. Internal Balances

GASB 34 requires internal balances to be 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.

NOTE 4 – LOANS RECEIVABLE

A. Summary of Loans Receivable

The City has identified the portion of fund balance represented by these loans as nonspendable or restricted as discussed in Note 8. At June 30, 2015, these loans totaled:

Employee Loans	\$5,857
Centertown Associates	230,066
One "H" Street Associates	51,430
Fire Chief Loan	344,425
Town of Ross	21,876
Total	\$653,654

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 – LOANS RECEIVABLE (Continued)

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 for the purchase of computer hardware and software. The loans are interest-free, have maximum terms of one year, and are repaid through automatic payroll deductions. As of June 30, 2015, the balance of the employee loans receivable was \$5,857.

C. *Centertown Associates Loan*

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. As of June 30, 2015, the balance of the loan was \$230,066.

D. *One "H" Street Associates Loan*

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. As of June 30, 2015, the balance of this loan was \$51,430.

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, 2015, the balance of the loan was \$344,425.

F. *Marin Housing Authority Loans*

On May 15, 2014, the City made a loan of \$102,500 to Marin Housing Authority for a low and moderate income unit. As with other loans made under this program, this loan became due upon the sale of the unit. This loan was paid off during this fiscal year 2014-2015, leaving a zero balance as of June 30, 2015.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 4 – LOANS RECEIVABLE (Continued)

G. Town of Ross Loan

In September 2013, the City Council authorized the sale of a police vehicle to the Town of Ross. The terms of the sale included a total sales price of \$39,614 to be paid in installment payments. The balance of this loan was \$21,876 as of June 30, 2015. Payments of \$10,938 will be due on November 1, 2015 and 2016.

H. Other Receivables

The City provides staffing to San Rafael Sanitation District (District) under a contractual arrangement originated in 1987 that requires the District to pay all related employee costs incurred by the City on its behalf. Accordingly, the cost of providing pension and post-employment health benefits incurred by the City for the District staff but not yet funded are reflected by the District as a noncurrent liability, and by the City as a noncurrent receivable. The obligation as of June 30, 2015 is \$4,462,815, and is composed of the following:

Long-term receivable from San Rafael Sanitation District:

Defined benefit pension liability allocation (GASB 68)	\$3,388,815
Other post-employment benefit liability allocation (GASB 45)	263,000
Other post-employment benefit liability in excess of GASB 45 allocation	811,000
Total long-term receivable from San Rafael Sanitation District	\$4,462,815

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Governmental Activities					
Capital assets not being depreciated:					
Land	\$82,464,364	\$789,569		\$7,235	\$83,261,168
Construction in progress	2,300,968	3,872,714		(1,667,419)	4,506,263
Total capital assets not being depreciated	84,765,332	4,662,283		(1,660,184)	87,767,431
Capital assets being depreciated:					
Land improvements	8,788,985				8,788,985
Buildings and structures	40,299,541	237,355		948,874	41,485,770
Machinery and equipment	18,101,851	2,234,653	(\$1,409,436)		18,927,068
Infrastructure	184,507,959	309,447		711,310	185,528,716
Total capital assets being depreciated	251,698,336	2,781,455	(1,409,436)	1,660,184	254,730,539
Less accumulated depreciation for:					
Land improvements	(5,259,973)	(270,056)			(5,530,029)
Buildings and structures	(14,701,882)	(1,188,882)			(15,890,764)
Machinery and equipment	(13,070,169)	(980,047)	1,407,463		(12,642,753)
Infrastructure	(112,616,530)	(4,743,142)			(117,359,672)
Total accumulated depreciation	(145,648,554)	(7,182,127)	1,407,463		(151,423,218)
Total net capital assets being depreciated	106,049,782	(4,400,672)	(1,973)	1,660,184	103,307,321
Total governmental activity capital assets	\$190,815,114	\$261,611	(\$1,973)		\$191,074,752

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2014	Additions	Balance June 30, 2015
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	10,713,814		10,713,814
Machinery and equipment	1,178,770	\$6,392	1,185,162
Total capital assets being depreciated	11,892,584	6,392	11,898,976
Less accumulated depreciation for:			
Buildings and structures	(2,483,870)	(205,363)	(2,689,233)
Machinery and equipment	(994,737)	(93,759)	(1,088,496)
Total accumulated depreciation	(3,478,607)	(299,122)	(3,777,729)
Total net capital assets being depreciated	8,413,977	(292,730)	8,121,247
Total business-type activity capital assets	\$17,034,830	(\$292,730)	\$16,742,100

	Balance June 30, 2014	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2015
San Rafael Sanitation District					
Capital assets not being depreciated:					
Land and easements	\$115,329				\$115,329
Construction in progress	377,960	\$6,071,040		(\$5,857,696)	591,304
Total capital assets not being depreciated	493,289	6,071,040		(5,857,696)	706,633
Capital assets being depreciated:					
Subsurface lines	22,260,272	65,579		3,334,178	25,660,029
Sewage collection facilities	36,644,328	23,458		2,523,518	39,191,304
General plant and administration	1,435,480	180,259			1,615,739
Total capital assets being depreciated	60,340,080	269,296		5,857,696	66,467,072
Less accumulated depreciation for:					
Subsurface lines	(9,949,215)	(410,041)			(10,359,256)
Sewage collection facilities	(15,962,746)	(831,046)			(16,793,792)
General plant and administration	(698,072)	(130,756)			(828,828)
Total accumulated depreciation	(26,610,033)	(1,371,843)			(27,981,876)
Total net capital assets being depreciated	33,730,047	(1,102,547)		5,857,696	38,485,196
Total District's capital assets	\$34,223,336	\$4,968,493			\$39,191,829

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 5 - CAPITAL ASSETS (Continued)

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	\$113,631
Public safety	792,793
Public works and parks	5,469,173
Community development/redevelopment	52,164
Culture and recreation	754,366
Total Governmental Activities	\$7,182,127
Business-type Activities	
Parking services	\$299,122
Total Business-type Activities	\$299,122

NOTE 6 – LONG TERM DEBT

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.

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2015, are as follows:

	Authorized and Issued	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Governmental Activities:						
2010 Taxable Pension Obligation Bonds 6.00%-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	
PG & E City Hall HVAC Retrofit Note Payable 0.00%, due 11/30/2023	334,585	312,398		\$33,280	279,118	\$33,280
PG & E Street Light Retrofit Note Payable 0.00%, due 8/31/2019	233,896	216,441		41,892	174,549	41,892
Total Governmental Long-term Debt		\$5,018,839		\$75,172	\$4,943,667	\$75,172
Business-type Activities						
PG & E Parking Lot Lighting Retrofit Note Payable 0.00%, due 11/30/2023	\$66,380	\$61,836		\$6,816	\$55,020	\$6,816
2012 Authority Lease Revenue Refunding Bonds 2.00-4.00%, due 4/1/2033	6,750,000	6,200,000		245,000	5,955,000	250,000
Less: unamortized bond discount		(13,597)		(725)	(12,872)	
Total Enterprise Fund Debt		\$6,248,239		\$251,091	\$5,997,148	\$256,816

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - LONG-TERM DEBT (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 on the Bonds.

B. *Pacific Gas and Electric Note Payable*

On September 30, 2013, the City executed a note payable agreement with Pacific Gas and Electric (PG&E) in the amount of \$634,861, bearing no interest. The debt was assumed as a means to finance energy-efficient retrofit projects which include updating existing heating, ventilation and air conditioning (HVAC) unit in City Hall and converting the street and parking lot light to light emitting diode (LED). \$334,585 of the loan is for the HVAC projects and \$300,276 of the loan is for the LED projects. Repayment of the loan commenced in December 2013, and is due monthly until paid in full in 2023.

C. *2012 Authority Lease Revenue Refunding Bonds*

On August 7, 2012, the Authority issued 2012 Authority Lease Revenue Refunding Bonds in the amount of \$6,750,000 bearing interest at rates from 2.00% to 4.00%. The proceeds of the Series 2012 Bonds were used to repay the Authority's 2003 Authority Lease Revenue Bonds that financed the construction of the 3rd and C Street parking structure and achieved lower interest rates and lower annual debt service payments. The refunding resulted in a net present value savings to the City in debt service of \$670,496. In addition, the requisition price exceeded the net carrying amount of the old debt by \$295,278. The Series 2012 Bonds are payable from lease payments made by the City to the Authority for leasing the City facilities. The rights to these lease payments have been irrevocably transferred by the Authority to the Trustee. Activities related to the Series 2012 Bonds are reported in the Parking Services Enterprise Fund. Principal payments are due annually on April 1 and interest is payable semiannually on October 1 and April 1. The Bonds maturing on or prior to April 1, 2022 are not subject to optional redemption prior to their maturity. The Bonds maturing on or after April 1, 2023 are subject to optional redemption as a whole or in part on any date after April 1, 2022 at the option of the Authority, at a redemption price equal to the principal amount of the Bonds subject to redemption, plus accrued interest to the date fixed for redemption, without premium.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

D. Future Debt Service

Future debt service requirements, including interest, at June 30, 2015, are as follows:

For the Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$75,172	\$276,512	\$256,816	\$201,488
2017	175,172	273,512	266,816	193,988
2018	280,172	264,362	276,816	186,188
2019	495,172	245,612	281,816	178,088
2020	485,261	219,662	291,816	169,838
2021 - 2025	2,792,718	637,530	1,570,940	716,040
2026 - 2030	640,000	20,006	1,810,000	447,042
2031 - 2034			1,255,000	100,588
Totals	\$4,943,667	\$1,937,196	6,010,020	\$2,193,260
Reconciliation of Long-term debt:				
Less: unamortized discount			(12,872)	
			\$5,997,148	

NOTE 7 – DEBT WITHOUT CITY COMMITMENT

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

	Project Description	Original Amount	Outstanding June 30, 2015
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2000A	162-175 Belvedere Apartments	\$3,590,529	\$1,161,535
California Statewide Communities Development Authority Revenue Bonds-2002	St. Marks School	5,605,000	4,125,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds-2001A	55 Fairfax Apartments	3,000,000	2,300,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001	San Rafael Commons Apartments	6,100,000	5,155,000
City of San Rafael Variable Rate Revenue Bonds-2001 Series C	Kaiser Foundation Hospitals	200,000,000	120,630,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	2,031,633
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	232,740
Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds-2012	Pt. San Pedro Road Median Landscaping	1,750,000	1,641,500

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – NET POSITION AND FUND BALANCE

A. *Net Position*

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

Net Investment in Capital Assets describes the portion of Net Position 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 Position 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.

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

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. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. 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 Manager as designated by the City Council and may be changed at the discretion of the City Council or City Manager. This authorization is given through Resolution No. 13173 which adopts the City's Fund Balance Policy. This category includes 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

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

Detailed classifications of the City’s fund balances, as of June 30, 2015, are below:

	General Fund	Special Revenue Funds		Other Governmental Funds	Total
		Traffic and Housing Mitigation	Gas Tax		
Fund balances:					
Nonspendable:					
Loans receivable	\$350,282				\$350,282
Prepays	49,017			\$2,359	51,376
Total Nonspendable	399,299			2,359	401,658
Restricted for:					
Assessment District capital projects				300,478	300,478
Baypoint Lagoons Assessment District				217,912	217,912
Bedroom tax capital projects				51,090	51,090
Business improvement				3,484	3,484
Childcare				897,286	897,286
Development services				999,395	999,395
Emergency medical services				1,185,463	1,185,463
1997 financing authority revenue bonds debt service				146,524	146,524
Gas tax			\$7,600,945		7,600,945
Grants				1,036,902	1,036,902
Household hazmat facility				259,758	259,758
Library				636,909	636,909
Library assessment				657,427	657,427
Loch Lomond Assessment District				669,018	669,018
Low and Moderate Income Housing				945,080	945,080
Mariposa Assessment District debt service				16,573	16,573
Measure A Open Space				345,312	345,312
Parkland dedication				1,416,360	1,416,360
Peacock Gap Assessment District debt service				2,875	2,875
Public safety				170,834	170,834
Pt. San Pedro - Maintenance Portion				168,660	168,660
Recreation revolving				27,573	27,573
Sewer Maintenance				31,496	31,496
Storm water				1,715,857	1,715,857
Traffic and housing mitigation		\$12,239,218			12,239,218
Total Restricted		12,239,218	7,600,945	11,902,266	31,742,429

(Continued)

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 – NET POSITION AND FUND BALANCE (Continued)

	Special Revenue Funds			Other Governmental Funds	Total
	General Fund	Traffic and Housing Mitigation	Gas Tax		
Committed to:					
Capital improvement capital projects				\$904,122	\$904,122
Equipment replacement capital projects					
Park capital projects				27,749	27,749
Total Committed				931,871	931,871
Assigned to:					
Contractual commitments	\$115,665				\$115,665
Emergency and cash flow	6,500,000				6,500,000
Infrastructure reserve	200,000				200,000
General plan / long range planning	1,168,867				1,168,867
Measure E - Public Safety Facility	4,389,470				4,389,470
Open space capital projects				123,337	123,337
Radio replacement capital projects				395,110	395,110
Telephone replacement capital projects				194,363	194,363
Total Assigned	12,374,002			712,810	13,086,812
Unassigned to:					
General Fund	1,588,500				1,588,500
	1,588,500				1,588,500
Total Fund Balances	\$14,361,801	\$12,239,218	\$7,600,945	\$13,549,306	\$47,751,270

NOTE 9 – PENSION PLANS

A. Plan Description

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

MCERA is a cost-sharing multiple-employer retirement system governed by the 1937 Act of the California Government Code. MCERA acts as a common administrative and investment agent for defined benefit retirement plan for various local governmental agencies within the County of Marin. MCERA 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. Copies of MCERA's annual financial reports, which include required supplementary information for each participant in the plan, may be obtained from the Marin County Employees' Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California 94903.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 9 – PENSION PLANS (Continued)

B. Funding Policy

The funding policy of MCERA provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay plan benefits when due. The employer rates for normal cost are determined using the Entry Age Normal Actuarial Cost Method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

The actual rate of return on investments during the year was 13.89%. 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 smoothed return yielded 7.61%. MCERA uses a 17-year level percentage, open method to amortize the unfunded actuarial liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to MCERA. The required contributions were determined as part of the actuarial valuation performed as of June 30, 2013. Contributions to the plan from the City were \$17,802,358 for the year ended June 30, 2015, based on a total payroll of \$38,294,270, of which \$31,073,560 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, \$1,297,149 is attributable to the San Rafael Sanitation District (SRSD), a component unit of the City.

The City contribution rates for the year ended June 30, 2015 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	46.00%	0.00% - 15.83%	2.7% @ 55	Highest year
City of San Rafael Misc Tier 2	42.93%	6.91% - 11.64%	2.0% @ 55	Highest year
City of San Rafael Fire Tier 1	71.89%	0.00% - 18.58%	3.0% @ 50	Highest year
City of San Rafael Fire Tier 2	67.84%	10.73% - 13.50%	3.0% @ 55	Highest year
City of San Rafael Safety Police Tier 1	70.76%	0.00% - 18.97%	3.0% @ 50	Highest year
City of San Rafael Safety Police Tier 2	74.04%	11.25% - 16.77%	3.0% @ 55	Highest year
PEPRA Misc	38.04%	8.59% - 9.59%	2.0% @ 62	Average three highest years
PEPRA Safety	62.71%	13.11%	2.7% @ 57	Average three highest years

C. Pension Liability and Pension Expense

At June 30, 2015, the City reported a liability of \$74,253,787 for its proportionate share of the net pension liability, deferred inflows of \$47,044,494, deferred outflows, due to the change of assumptions, of \$4,554,158, and deferred outflows of \$17,802,358 from pension contributions made after the measurement date. Consequently, the net impact on the City's Statement of Net Position before allocations is \$98,941,765. After allocations to the San Rafael Sanitation District, the net impact on the City's Statement of Position is \$95,552,950.

The proportionate share of the annual pension expense is \$9,356,796, or 29.77% of payroll.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – PENSION PLANS (Continued)

The table below provides a summary of the key results during this reporting period.

Summary of Results		
Description	Measurement Date	
	6/30/2014	6/30/2013
Net Pension Liability	\$74,253,787	\$124,935,549
Deferred Inflows	47,044,494	
Deferred Outflows	(4,554,158)	
Additional Deferred Outflows - Actual FY 14-15 Contributions	(17,802,358)	
Impact on Statement of Net Position before Allocations	98,941,765	124,935,549
Allocation of NPL to SRSD	2,543,237	4,279,119
Allocation of Deferred Inflows (measurement date) to SRSD	1,611,302	
Allocation of Deferred Outflows (measurement date) to SRSD	(155,983)	
Allocation of Additional Deferred Outflows (contributions) to SRSD	(609,741)	
Net Impact on Statement of Net Position, net of receivable from SRSD (see Note 4H)	95,552,950	120,656,430
Pension Expense (\$ Amount)	9,356,796	N/A
Covered Payroll (\$Amount)	31,429,178	
Pension Expense (% of Payroll)	29.77%	N/A

Projection of Total Pension Liability and Net Pension Liability

Total Pension Liability (TPL) is the actuarial present value of projected benefit payments attributed to past periods of employee service. For the purposes of Governmental Accounting Standards Board Statement No. 68 (GASB 68), MCERA and the City have adopted a measurement date of June 30, 2014. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2013. The TPL at the end of the measurement year, June 30, 2014, is also measured as of the valuation date of June 30, 2013, and projected to June 30, 2014. There were no significant events during the projection period, therefore only the addition of service cost and interest cost offset by actual benefit payments contribute to the change in TPL. (In future years, both the beginning and end of year TPL will be measured as of a valuation date one year prior and projected to the appropriate date).

The Plan Fiduciary Net Position (FNP) is the fair or market value of assets. The FNP at the beginning of the year is based on the actuarial valuation as of June 30, 2013. The FNP at the end of the measurement year, June 30, 2014, is also measured as of the valuation date of June 30, 2013, and projected to June 30, 2014. There were no significant events during the projection period, therefore only the employer and employee contributions, net investment income, benefit payments and administrative costs contribute to the change in FNP. (In future years, both the beginning and end of year FNP will be measured as of a valuation date one year prior and projected to the appropriate date).

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – PENSION PLANS (Continued)

The Net Pension Liability (NPL) is the City liability for benefits provided through its defined benefit plan administered by MCERA. It is calculated by reducing the TPL by the FNP.

Actuarial assumptions:

As noted on the previous page, both the TPL as of June 30, 2013, and the TPL as of June 30, 2014, were based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of June 30, 2013. The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2008 - June 30, 2011. The key assumptions in the valuation were:

- Inflation: 3.25%
- Amortization growth rate: 3.25%
- Salary increases: 3.25% plus merit component
- COLA increases:
 - 3.0% for those with a 4% COLA cap,
 - 2.7% for those with a 3% COLA cap, and
 - 1.9% for those with a 2% COLA cap
- Investment rate of return: 7.5% net of investment expense
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Mortality, projected to 2010 using Scale AA, with ages set back one year for male and two years for female members

Because the same actual valuation was used for both the beginning and ending TPLs, there was no change in TPL attributable to assumption changes.

The investment income exceeded the service cost, interest cost and administrative expense, which, coupled with employer and employee contributions, resulted in a decrease in the Net Pension Liability (NPL) from approximately \$124.9 million as of June 30, 2013, to approximately \$74.3 million as of June 30, 2014. This amount is used for the purpose of reporting the City's share of NPL in the current reporting year, because the only MCERA GASB 67/68 report available at the time of the audit was that prepared for its report as of June 30, 2014.

Asset Allocation Policy and Expected Long-term Rate of Return by Asset Class

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board's adopted asset allocation policy as of June 30, 2014:

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	5.35%
International Equity	22%	5.50%
Fixed Income	23%	0.75%
Real Estate	15%	3.90%
Private Equity	8%	6.25%
Total	<u>100%</u>	

Determination of Discount Rate

The discount rate used to measure the Total Pension Liability was 7.5%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2008 amortized over a closed period (25 years remaining as of the June 30, 2013 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (17 years remaining as of the June 30, 2013 actuarial valuation).

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 114%. A one percent increase in the discount rate decreases the TPL by approximately 10% and decreases the NPL by approximately 95%.

The table below shows the sensitivity of the NPL to a one percent decrease and a one percent increase in the discount rate:

Sensitivity of Net Pension Liability to Changes in Discount Rate

Description	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	\$762,606,311	\$677,753,566	\$607,192,271
Fiduciary Net Position	603,499,779	603,499,779	603,499,779
Net Pension Liability	<u>\$159,106,532</u>	<u>\$74,253,787</u>	<u>\$3,692,492</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	79.1%	89.0%	99.4%

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Pension Resources

The impact of experience gains or losses and assumption changes on the Total Pension Liability (TPL) are recognized in the proportionate share of the pension expense over the average expected remaining service life of all active and inactive members of the plan. As of the measurement date, this recognition period was 4 years.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – PENSION PLANS (Continued)

During the measurement year, the City of San Rafael’s proportionate share of the Net Pension Liability increased by \$6,072,211. Of this amount, \$1,518,053 was recognized in the current year, leaving a balance of \$4,554,158 to be reported as a deferred outflow that will be recognized in future years.

During the measurement year, the City of San Rafael’s proportionate share of the total contributions was \$4,804,506 less than its actual contribution. Of this amount, \$1,201,127 was recognized in the current year, leaving a balance of \$3,603,379 to be reported as a deferred inflow that will be recognized in future years.

The impact of investment gains and losses is recognized over a period of five years. During the measurement year, there was an investment gain of approximately \$54.3 million. Approximately \$10.9 million of that gain was recognized in the current year, leaving a balance of \$43.4 million of deferred inflows to be recognized at an equivalent amount over each of the next four years.

The following tables show the current balance and sources of deferred outflows and inflows related to the City’s defined benefit retirement plan, and the scheduled recognition of these deferred amounts:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$4,554,158	
Changes in proportion and difference between City contributions and proportionate share of contributions		\$3,603,379
Actual FY 14-15 contributions (post measurement date)	17,802,358	
Net difference between projected and actual earnings on pension plan investments		43,441,115
Deferred Inflows and Outflows Before Allocations	\$22,356,516	\$47,044,494
Allocation to SRSD		
Allocation of Deferred Inflows (measurement date)		\$1,611,302
Allocation of Deferred Outflows (measurement date)	\$155,983	
Allocation of Additional Deferred Outflows (contributions)	609,741	
Net Deferred Inflows and Outflows	\$21,590,792	\$45,433,192

\$17,802,358 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30,	Increase (Decrease) of Pension Expense
2016	(10,543,353)
2017	(10,543,353)
2018	(10,543,352)
2019	(10,860,278)

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 9 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the City recognized a pension expense of \$9,356,796. This expense is allocated to Governmental activities by function, as well as to the Parking Fund. The table below presents the sources of the pension expense.

Pension Expense for the year ended June 30, 2015

Operating Expenses	
Service cost	\$14,726,661
Employee contributions	(5,569,237)
Administrative expenses	1,353,194
Sub-total	<u>10,510,618</u>
Financing Expenses	
Interest cost	47,928,856
Expected return on assets	(38,539,325)
Sub-total	<u>9,389,531</u>
Changes	
Benefit changes	-
Recognition of assumption changes	316,926
Recognition of liability gains and losses	-
Recognition of investment gains and losses	(10,860,279)
Sub-total	<u>(10,543,353)</u>
Pension Expense	<u><u>\$9,356,796</u></u>
Pension Expense as % of Payroll	<u><u>29.77%</u></u>

D. Subsequent Event – Updated Actuarial Information

On November 2, 2015 City staff presented the City’s financial statements to Council for acceptance, at which time City staff and Council discussed the Pension Accounting Change required by GASB 68. After some discussion, management elected to disclose the impact on pension liability based on actuarial information as of June 30, 2014, which is more recent than the June 30, 2013 actuarial information used for the reporting of pension liability as of June 30, 2015, pursuant to GASB 68 requirements. On November 4, 2015, which followed the close of the fiscal year 2014-2015 audit, the MCERA Board accepted its financial statements and its GASB 67/68 report, as of June 30, 2015. As a result, the City became aware that its NPL increased significantly by \$68 million to \$142.3 million due to a change in actuarial assumptions. MCERA’s updated report incorporated the following two significant changes, both of which contributed to the increase in the measurement of pension liability:

- Investment rate of return: reduced from 7.50% to 7.25%, net of investment expense
- Post-Retirement Mortality: Adopted CALPERS mortality tables projected generationally using Scale MP2014

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 9 – PENSION PLANS (Continued)

In addition to these factors, the MCERA investment return for the fiscal year ended June 30, 2015, has been preliminary calculated to be 4.54%, which was short of the 7.25% assumption. MCERA measured the City’s share of NPL at \$142.3 million as of the report date, a \$68 million increase from that of the previous year. The table below compares the major assumptions and results:

	Pension Liability, measured on June 30, 2014 and reported by the City at June 30, 2015	Pension Liability, measured on June 30, 2015 and expected to be reported by the City at June 30, 2016
MCERA Valuation Date	June 30, 2013	June 30, 2014
Investment Rate of Return	7.50%	7.25%
Mortality Assumptions	RP-2000	CALPERS MP2014
Actual Investment Return	n/a	4.54% (preliminary)
Net Pension Liability	\$74.3 million	\$142.3 million

NOTE 10 - PUBLIC AGENCY RETIREMENT SYSTEM (DEFINED CONTRIBUTION RETIREMENT PLANS)

The City contributes to the Public Agency Retirement System (PARS), which administers 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 benefits a participant will receive depend on the amount contributed to the participant’s account, and the returns earned on investments on those contributions. The Plan’s trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

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. No forfeitures were noted during the current period.

During the year, the City and employees each contributed \$79,438. The total covered payroll of employees participating in the plan for the year ended June 30, 2015, was \$2,118,345. The total payroll for the year was \$38,294,270.

Additionally, the City participates in a 401(a) tax qualified plan for eligible executive management and mid-management employees, and elected officials. This program is separate from the Marin County Employees’ Retirement Association. Under this plan, the percent amount of contribution which can range from 3% to 4.6% of base salary of participating employees. During the year, the City contributed \$217,298 to the plan on behalf of these employees.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provides certain health care benefits for retired employees and their spouses under a cost sharing defined benefit plan. 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 receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment. At June 30, 2015, 323 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, 2015, 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 - Age 70 - 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 City's funding policy requires a minimum annual contribution equivalent to the annual required contribution (ARC).

The ARC was determined as part of a June 30, 2013 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) 4.00% investment rate of return and (b) 3.25% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 8.30% in 2015 to 5.00% for the years starting 2021. In addition, the fixed dollar benefit amounts are assumed to be held flat 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 21-year fixed (closed) period for June 30, 2014 in its June 30, 2013 actuarial valuation.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Progress and Funded Status

During the fiscal year ended June 30, 2015, the City has recorded a Net OPEB Liability in the Statements of Net Position, representing the difference between the ARC and actual contributions, as presented below:

	Amounts (in thousands)
Annual required contribution (ARC)	\$2,112
Interest on net OPEB obligation	705
Adjustment to annual required contribution	(699)
Annual OPEB cost	2,118
Contributions made:	
Benefits payment	2,100
Additional contribution to OPEB Trust	150
Total contributions	2,250
Change in net OPEB obligation/(asset)	(132)
Net OPEB Obligation (Asset) at June 30, 2014	9,296
Net OPEB Obligation (Asset) at June 30, 2015	\$9,164

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 to and withdrawals from a 401(h) account held and administered by the MCERA were made by the City in prior years and included in actuarial valuations prior to June 30, 2013. On June 25, 2013, the assets were transferred from the 401(h) account to an irrevocable trust under the California Employers' Retiree Benefit Trust Fund (CERBT) managed by CalPERS. As of June 30, 2015, the account balance in the CERBT was \$15,607,756.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 11 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

For the past three fiscal years, the City has calculated and recorded 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 (Asset) (000's omitted)
June 30, 2013	\$2,434	\$2,495	\$2,573	103%	\$9,516
June 30, 2014	2,496	2,380	2,600	109%	9,296
June 30, 2015	2,112	2,118	2,250	106%	9,164

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 last three actuarial studies is presented below:

Valuation Date	Actuarial Value of Assets (000's omitted)	Actuarial Accrued Liability (000's omitted)	Unfunded Accrued Liability (000's omitted)	Funded Ratio	Annual Covered Payroll (000's omitted)	Overfunded (Underfunded) Actuarial Liability as a Percentage of Covered Payroll
6/30/2009	\$12,773	\$56,262	(\$43,489)	23%	\$36,470	(119%)
6/30/2011	9,861	35,156	(25,295)	28%	31,692	(80%)
6/30/2013	12,505	33,549	(21,044)	37%	31,429	(67%)

NOTE 12 – 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 MARINet Library Consortium was formed to provide for the procurement, ownership, operation, maintenance, and governance of shared library services among the libraries, public and academic, in Marin County. Current services shared and paid for on a consortial level through annual membership dues include an integrated library system including patron database, cataloging system, and online catalog of materials; delivery of items between libraries in Marin, a statewide library delivery service called Link+, numerous online resources, and more. 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 annual operating costs is 16.40 % or \$193,729 for the year ended June 30, 2015. Financial statements of the System can be obtained from the County Librarian, Marin County Free Library, Marin County Civic Center, 3501 Civic Center Drive, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – 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 an eminent domain action against PG&E, and coordinate 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. MGSA services now include street light maintenance, abandoned vehicle abatement, taxicab regulation and administrative responsibility for MarinMap. The City's contribution to MGSA was \$3,170 for the year ended June 30, 2015. Financial statements of the MGSA can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

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 are 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 \$287,327 of the Authority's operation and debt service for the fiscal year ended June 30, 2015. 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 95 Rowland Way, Novato, California 94945.

D. The Countywide Planning Agency

The Agency was established on October 16, 1990, by the County of Marin and the cities of Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon 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 Countrywide 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 \$119,231 for the year ended June 30, 2015. Financial statements of the Agency can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 12 – 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 \$15,750 for the year ended June 30, 2015. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

NOTE 13 - RISK MANAGEMENT

The City is exposed to various exposures related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the Risk Management Internal Service Fund to account for and finance its uninsured risks of loss. The City manages risk by participating in a public entity risk pool (described below), purchasing insurance and by retaining certain risks.

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 purpose of CJPRMA is to spread the adverse effects of general liability losses among the member agencies. The City also purchases commercial insurance for property damage claims with an insured amount of \$99,471,049. 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, 2015, the City contributed \$248,844 for coverage during the current year and received a refund of \$44,876 of prior year excess contributions. Five years after settlement of all claims for a program year, CJPRMA retroactively adjusts premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for the risk pools may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, California 94551.

Workers' Compensation Coverage

The City purchases 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 \$1,000,000 for each worker's compensation claim.

B. Insurance Internal Service Funds and Financial Reporting

The City records estimated liabilities for claims filed up to the amounts for which it retains risk in the General Liability and Workers Compensation Internal Service Funds. Charges to the General Fund and other funds are based on relative general liability and workers compensation risk associated with the activities of each fund. Charges are recorded in the funds as expenditures or expenses and as revenues in the respective internal service funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 13 - RISK MANAGEMENT (Continued)

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 Statements of Net Position. The liability is based on an actuarial valuation prepared as of June 30, 2015:

	General Liability	Workers' Compensation	Totals, as of June 30	
			2015	2014
Balance, beginning of year	\$1,128,436	\$5,461,270	\$6,589,706	\$5,915,349
Current year claims and changes in estimates	724,471	2,012,974	2,737,445	2,545,591
Claims paid	(525,867)	(1,481,866)	(2,007,733)	(1,871,234)
Balance, end of year	<u>\$1,327,040</u>	<u>\$5,992,378</u>	<u>\$7,319,418</u>	<u>\$6,589,706</u>
Due in one year	\$544,399	\$1,401,393	\$1,945,792	\$2,079,523
Due in more than one year	782,641	4,590,985	5,373,626	4,510,183
Total claim liabilities	<u>\$1,327,040</u>	<u>\$5,992,378</u>	<u>\$7,319,418</u>	<u>\$6,589,706</u>

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

NOTE 14 - 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 August 2004, the City of San Rafael entered into a ten-year 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). At the City's request, the Settlement Agreement was revised in 2013, and now expires in February 2019.

The original Settlement Agreement called for the construction of 797ADA compliant curb ramps throughout San Rafael. The Department of Justice has approved the City's request to reduce this number to 765 ramps. As of June 30, 2015, the City had constructed 400 ramps.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES
--

A. *Redevelopment Dissolution*

In an effort to mitigate its budget deficit, 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 requires the State Controller to order the asset returned to the redevelopment agency. This review was performed in May 2013, and a report issued on July 29, 2013 (see section B of this footnote).

The City elected to become the Successor Agency to the Redevelopment 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.

Pursuant to the dissolution of the City of San Rafael Redevelopment Agency, 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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B. *Due Diligence and Other Required Reviews*

Low and Moderate Income Housing Fund Due Diligence Review

Pursuant to Health and Safety Code 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 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 contended that the transfers were lawfully made and requested a meet-and-confer session. Following this meeting, the DOF upheld its position and demanded payment of \$1,371,751. The full payment was made from the Low and Moderate Income Housing Fund to the Marin County Auditor Controller on December 19, 2012. The Auditor Controller has indicated the housing funds have been distributed to the taxing entities.

Non-Housing Funds Due Diligence Review

Pursuant to Health and Safety Code section 34179.6(c), the City of San Rafael Successor Agency submitted an Oversight Board approved Non-Housing Funds Due Diligence Review to the California Department of Finance (DOF) on February 26, 2013. As of the end of the 45-day review period, there was no requirement to pay funds from the Non-Housing funds.

State Asset Transfer Review

Pursuant to Health and Safety Code section 34167.5, the State Controller's Office is required to review the records of the former redevelopment agency for asset transfers that took place after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency through its termination on January 31, 2012. The State Controller's Office is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABx1 26, be turned over to the Successor Agency. The State Controller's Office completed this review on May 17, 2013, and issued its report on July 29, 2013. The report resulted in no action required by the City of San Rafael Successor Agency.

Finding of Completion and Long-Range Property Management Plan

On November 24, 2014, the City of San Rafael received a finding of completion from the California Department of Finance. The finding of completion enables the Successor Agency to place loan agreements between the former redevelopment agency and the sponsoring entity on the Recognized Obligations Payments Schedule (ROPS), as an enforceable obligation, provided the Oversight Board makes a finding that the loan was for legitimate purposes in accordance with the Health and Safety Code.

On May 24, 2015, in accordance with Health and Safety Code Section 34191.5(b), the City submitted its Long-Range Property Management Plan (LRPMP) to the California Department of Finance. The LRPMP was approved by the Oversight Board on May 18, 2015 by Resolution 2015-6.

The final resolution of the Long-Range Property Management plan is uncertain, and will be dependent upon future actions taken by the State. The properties subject to the plan are currently reflected in the City's fixed assets and may be subject to transfer back to the Successor Agency. The City does not believe that these adjustments, if required, will be material.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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C. Long-Term Debt

1999 Tax Allocation Bonds and Capital Appreciation Bonds

On June 16, 1999, the former 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 former Agency's Central San Rafael Redevelopment Project Area.

In December, 2009 of the former Agency exercised the redemption option of the Current Interest Bonds. The outstanding balance of the Bonds was 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 former 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 former Agency related to the Central San Rafael Redevelopment Project Area.

2009 Tax Allocation Refunding Bonds

On December 14, 2009, the former 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 former 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

The former Agency 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 \$28.7 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year June 30, 2015, tax increment revenues amounted to \$3.6 million which was used to make the debt service payments of \$3.6 million.

The following table summarizes the activity for the fiscal year ended June 30, 2015:

	Authorized and Issued	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
San Rafael Redevelopment Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	\$2,389,004	\$5,439,725	\$308,442		\$5,748,167	
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	9,455,000		\$1,655,000	7,800,000	\$1,740,000
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	10,985,000		1,020,000	9,965,000	1,060,000
Add: deferred bond premium costs		718,744		79,861	638,883	
Total Successor Agency Long-term Debt		<u>\$26,598,469</u>	<u>\$308,442</u>	<u>\$2,754,861</u>	<u>\$24,152,050</u>	<u>\$2,800,000</u>

Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ended June 30	Governmental Activities	
	Principal	Interest
2016	\$2,800,000	\$766,926
2017	2,930,000	634,276
2018	3,080,000	484,026
2019	3,229,081	370,676
2020	3,309,082	297,019
2021 - 2023	10,380,354	371,494
Totals	25,728,517	<u>\$2,924,417</u>

Reconciliation of long-term debt:

Less unaccreted discount	(2,215,350)
Add deferred bond premium costs	638,883
	<u>\$24,152,050</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 15 – SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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D. Other Long-Term Obligations

During the fiscal year ending June 30, 2013, the San Rafael Successor Agency Oversight Board approved two personnel-related obligations of the former Redevelopment Agency. On August 30, 2012, the Oversight Board approved the inclusion of \$1,904,431, representing the unfunded pension liability attributable to former Redevelopment Agency employees; the repayment is being made in ten equal, annual installments. On January 22, 2013, the Oversight Board approved the inclusion of \$502,000, representing the unfunded OPEB (retiree medical) liability attributable to former Redevelopment Agency employees; the repayment is being made in nine equal, annual installments.

The following table summarizes the activity for the fiscal year ended June 30, 2015:

	Approved Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Unfunded Pension Liability	\$1,904,431	\$1,333,102		\$190,443	\$1,142,659
Unfunded OPEB Liability	502,000	446,222		55,778	390,444
Total Long Term Obligations		\$1,779,324		\$246,221	\$1,533,103

E. Commitment and Contingencies

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. As of June 30, 2015, the Successor Agency had prepared eight ROPS, all of which have been approved by the Oversight Board and the California Department of Finance. The 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 Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 years*

	6/30/2015
City's proportionate share	30.0453%
Proportionate share of total pension liability	\$677,753,565
Proportionate share of fiduciary net position	603,499,779
Proportionate share of the net pension liability	\$74,253,786
Plan fiduciary net position as a percentage of the total pension liability	89.04%
Covered employee payroll	\$31,429,178
Net pension liability as a percentage of covered employee payroll	236.26%

* - The fiscal year ended June 30, 2015 was the first year of implementation, therefore only one year is shown

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2015

Schedule of Contributions
City of San Rafael, an Agent Multiple-Employer Defined Benefit Pension
As of June 30, 2015

Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)

	2015
Contractually required contribution	\$ 17,802,358
Contributions in Relation to the Contractually required contribution	17,802,358
Contribution Deficiency/ (Excess)	\$ -
Covered employee payroll	\$ 31,073,560
Contributions as a percentage of covered employee payroll	57.29%

Notes to Schedule

Valuation Date / Timing 6/30/2013 (for contributions made in FY2014-2015)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2014-15):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Actuarial Loss from 2009
Remaining Amortization period	Unfunded liability - 17 years / Extraordinary Actuarial Loss - 25 years
Asset valuation method	5-year smoothed market, 80% /120% corridor around market
Inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment Rate of Return	7.50%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRAs Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set back one year for male members / two years for female members
Disabled Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with ages set forward three years for all members



**GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
BUDGET-TO-ACTUAL STATEMENTS**

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.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund and 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and special assessments	\$55,766,400	\$56,302,761	\$56,541,604	\$238,843
Licenses and permits	1,883,000	2,083,000	2,456,820	373,820
Fines and forfeitures	463,368	463,368	505,029	41,661
Use of money and properties	269,474	269,474	290,103	20,629
Intergovernmental	6,968,712	7,084,898	7,846,436	761,538
Charges for services	2,255,000	2,355,000	2,660,869	305,869
Other revenue	547,299	547,299	446,272	(101,027)
	<u>68,153,253</u>	<u>69,105,800</u>	<u>70,747,133</u>	<u>1,641,333</u>
EXPENDITURES				
Current:				
General government	9,543,140	9,333,799	9,530,931	(197,132)
Public safety	36,741,618	36,755,281	36,564,699	190,582
Public works and parks	10,452,515	10,391,313	10,392,192	(879)
Community development	3,305,736	3,428,738	3,416,859	11,879
Culture and recreation	2,811,278	2,879,917	2,801,488	78,429
Capital outlay		130,000		130,000
Capital improvement/special projects		15,522	30,676	(15,154)
Debt service:				
Principal			75,172	(75,172)
Interest and fiscal charges		351,685	284,288	67,397
	<u>62,854,287</u>	<u>63,286,255</u>	<u>63,096,305</u>	<u>189,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>5,298,966</u>	<u>5,819,545</u>	<u>7,650,828</u>	<u>1,831,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,290,207	1,290,207	1,039,150	(251,057)
Transfers out	(1,650,000)	(1,697,664)	(1,697,664)	
	<u>(359,793)</u>	<u>(407,457)</u>	<u>(658,514)</u>	<u>(251,057)</u>
Net Change in Fund Balances				
	<u>\$4,939,173</u>	<u>\$5,412,088</u>	6,992,314	<u>\$1,580,226</u>
FUND BALANCES, BEGINNING OF YEAR			<u>7,369,487</u>	
FUND BALANCES, END OF YEAR			<u>\$14,361,801</u>	

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and properties	\$20,400	\$20,400	\$35,984	\$15,584
Charges for services	30,000	30,000	288,728	258,728
Total Revenues	50,400	50,400	324,712	274,312
EXPENDITURES				
Capital improvement/special projects		300,000	132,053	167,947
Total Expenditures		300,000	132,053	167,947
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	50,400	(249,600)	192,659	442,259
OTHER FINANCING SOURCES (USES)				
Transfers out		(528,835)	(528,835)	
Total Other Financing Sources (Uses)		(528,835)	(528,835)	
Net Change in Fund Balances	\$50,400	(\$778,435)	(336,176)	\$442,259
FUND BALANCES, BEGINNING OF YEAR			12,575,394	
FUND BALANCES, END OF YEAR			\$12,239,218	

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and properties	\$9,000	\$9,000	\$22,785	\$13,785
Intergovernmental	2,147,763	2,400,265	3,028,659	628,394
Charges for services	843,600	843,600	1,513,798	670,198
Other revenue		762,625	729,150	(33,475)
Total Revenues	<u>3,000,363</u>	<u>4,015,490</u>	<u>5,294,392</u>	<u>1,278,902</u>
EXPENDITURES				
Current:				
General government	21,027	21,027	21,473	(446)
Public works and parks	3,571,934	5,279,963	1,582,658	3,697,305
Capital outlay		4,171,575	2,465,703	1,705,872
Capital improvement/special projects		1,771,917	307,538	1,464,379
Total Expenditures	<u>3,592,961</u>	<u>11,244,482</u>	<u>4,377,372</u>	<u>6,867,110</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(592,598)</u>	<u>(7,228,992)</u>	<u>917,020</u>	<u>8,146,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		528,835	528,835	
Transfers out	(400,000)	(825,000)	(825,000)	
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>(296,165)</u>	<u>(296,165)</u>	
Net Change in Fund Balances	<u>(\$992,598)</u>	<u>(\$7,525,157)</u>	<u>620,855</u>	<u>\$8,146,012</u>
FUND BALANCES, BEGINNING OF YEAR			<u>6,980,090</u>	
FUND BALANCES, END OF YEAR			<u>\$7,600,945</u>	

SUPPLEMENTARY INFORMATION



NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Recreation Revolving Fund – Established to administer the Community Services 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 ten sites throughout the City.

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.

Measure A Open Space Special Revenue Fund – Established to account for the use of proceeds distributed by the County of Marin from Measure A, as well as other supplementary matching or City-funding for the operation or maintenance of open space, park or recreation lands.

DEBT SERVICE FUNDS

Peacock Gap Assessment District Fund – Established to accumulate funds for the payment of principal and interest for the 1993 Bonds which matured 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 matured 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 matured 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.

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.

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 organization.

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond Assessment District
ASSETS					
Cash and investments	\$338,887	\$230,682	\$235,555	\$922,930	\$668,901
Restricted cash and investments					
Receivables:					
Accounts	193,220		248,611		
Taxes		190			117
Grants				19,822	
Interest					
Loans					
Prepays	421				
	<u>\$532,528</u>	<u>\$230,872</u>	<u>\$484,166</u>	<u>\$942,752</u>	<u>\$669,018</u>
Total Assets					
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$142,178	\$12,960	\$224,408	\$30,944	
Deposits payable					
Developer deposits payable					
Unearned revenue	362,356				
	<u>504,534</u>	<u>12,960</u>	<u>224,408</u>	<u>30,944</u>	
Total Liabilities					
Fund Balances:					
Nonspendable	421				
Restricted	27,573	\$217,912	259,758	911,808	\$669,018
Committed					
Assigned					
	<u>27,994</u>	<u>217,912</u>	<u>259,758</u>	<u>911,808</u>	<u>669,018</u>
Total Fund Balances					
Total Liabilities and Fund Balances	<u>\$532,528</u>	<u>\$230,872</u>	<u>\$484,166</u>	<u>\$942,752</u>	<u>\$669,018</u>

SPECIAL REVENUE FUNDS

Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
\$637,418	\$666,443	\$163,328	\$1,773,547	\$995,225	\$967,524	\$1,419,687
		8,650	5,763	45,000	737	
					284,166	
125						
<u>\$637,543</u>	<u>\$666,443</u>	<u>\$171,978</u>	<u>\$1,779,310</u>	<u>\$1,040,225</u>	<u>\$1,252,427</u>	<u>\$1,419,687</u>
\$509	\$9,261	\$1,145	\$43,453 20,000	\$16,267 23,063 1,500	\$91,950 138,096	\$3,327
<u>509</u>	<u>9,261</u>	<u>1,145</u>	<u>63,453</u>	<u>40,830</u>	<u>230,046</u>	<u>3,327</u>
125						
636,909	657,182	170,833	1,715,857	999,395	1,022,381	1,416,360
<u>637,034</u>	<u>657,182</u>	<u>170,833</u>	<u>1,715,857</u>	<u>999,395</u>	<u>1,022,381</u>	<u>1,416,360</u>
<u>\$637,543</u>	<u>\$666,443</u>	<u>\$171,978</u>	<u>\$1,779,310</u>	<u>\$1,040,225</u>	<u>\$1,252,427</u>	<u>\$1,419,687</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Sewer Maintenance	Pt. San Pedro Maintenance Portion	Low and Moderate Income Housing
ASSETS					
Cash and investments	\$848,757	\$16,691	\$182,852	\$184,558	\$629,585
Restricted cash and investments					
Receivables:					
Accounts	251,096				91,145
Taxes	26,906			548	
Grants	77,055				
Interest					102
Loans					230,066
Prepays	1,813				
Total Assets	<u>\$1,205,627</u>	<u>\$16,691</u>	<u>\$182,852</u>	<u>\$185,106</u>	<u>\$950,898</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$18,351		\$151,356	\$16,446	\$5,818
Deposits payable		\$13,207			
Developer deposits payable					
Unearned revenue					
Total Liabilities	<u>18,351</u>	<u>13,207</u>	<u>151,356</u>	<u>16,446</u>	<u>5,818</u>
Fund Balances:					
Nonspendable	1,813				
Restricted	1,185,463	3,484	31,496	\$168,660	945,080
Committed					
Assigned					
Total Fund Balances	<u>1,187,276</u>	<u>3,484</u>	<u>31,496</u>	<u>168,660</u>	<u>945,080</u>
Total Liabilities and Fund Balances	<u>\$1,205,627</u>	<u>\$16,691</u>	<u>\$182,852</u>	<u>\$185,106</u>	<u>\$950,898</u>

SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
	Measure A Open Space	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement	Bedroom Tax
\$242,499	\$2,875	\$16,573	\$146,524	\$201,085	\$51,090	\$223,967 76,511
206,470				16,778		
				923,000		
<u>\$448,969</u>	<u>\$2,875</u>	<u>\$16,573</u>	<u>\$146,524</u>	<u>\$1,140,863</u>	<u>\$51,090</u>	<u>\$300,478</u>
\$103,657				\$236,741		
<u>103,657</u>				<u>236,741</u>		
345,312	\$2,875	\$16,573	\$146,524	904,122	\$51,090	\$300,478
<u>345,312</u>	<u>2,875</u>	<u>16,573</u>	<u>146,524</u>	<u>904,122</u>	<u>51,090</u>	<u>300,478</u>
<u>\$448,969</u>	<u>\$2,875</u>	<u>\$16,573</u>	<u>\$146,524</u>	<u>\$1,140,863</u>	<u>\$51,090</u>	<u>\$300,478</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	CAPITAL PROJECT FUNDS				Total Non-Major Governmental Funds
	Park Capital Projects	Open Space	Radio Replacement	Telephone Replacement	
ASSETS					
Cash and investments	\$27,749	\$123,337	\$395,110	\$220,828	\$12,534,207
Restricted cash and investments					76,511
Receivables:					
Accounts					855,237
Taxes					239,994
Grants					1,304,043
Interest					102
Loans					230,066
Prepays					2,359
					<u>2,359</u>
Total Assets	<u>\$27,749</u>	<u>\$123,337</u>	<u>\$395,110</u>	<u>\$220,828</u>	<u>\$15,242,519</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable				\$26,465	\$1,135,236
Deposits payable					194,366
Developer deposits payable					1,500
Unearned revenue					362,356
					<u>362,356</u>
Total Liabilities				<u>26,465</u>	<u>1,693,458</u>
Fund Balances:					
Nonspendable					2,359
Restricted					11,902,021
Committed	\$27,749				931,871
Assigned		\$123,337	\$395,110	194,363	712,810
					<u>712,810</u>
Total Fund Balances	<u>27,749</u>	<u>123,337</u>	<u>395,110</u>	<u>194,363</u>	<u>13,549,061</u>
Total Liabilities and Fund Balances	<u>\$27,749</u>	<u>\$123,337</u>	<u>\$395,110</u>	<u>\$220,828</u>	<u>\$15,242,519</u>



CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond Assessment District
REVENUES					
Taxes and special assessments		\$25,368			\$15,606
Fines and forfeitures					
Use of money and properties	\$25,687	667	\$551	\$2,176	1,947
Intergovernmental	17,595			281,001	
Charges for services	2,725,379		145,795	3,751,090	
Other revenue	15,664		1,407	3,895	
Total Revenues	<u>2,784,325</u>	<u>26,035</u>	<u>147,753</u>	<u>4,038,162</u>	<u>17,553</u>
EXPENDITURES					
Current:					
General government					
Public safety			155,625		
Public works and parks		23,503			2,810
Culture and recreation	4,237,745			3,685,473	
Capital outlay					
Capital improvement/special projects	28,272		350		
Total Expenditures	<u>4,266,017</u>	<u>23,503</u>	<u>155,975</u>	<u>3,685,473</u>	<u>2,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,481,692)</u>	<u>2,532</u>	<u>(8,222)</u>	<u>352,689</u>	<u>14,743</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,375,000			25,000	
Total Other Financing Sources (Uses)	<u>1,375,000</u>			<u>25,000</u>	
Net Change in Fund Balances	(106,692)	2,532	(8,222)	377,689	14,743
Fund Balance, Beginning	134,686	215,380	267,980	534,119	654,275
Fund Balance, Ending	<u>\$27,994</u>	<u>\$217,912</u>	<u>\$259,758</u>	<u>\$911,808</u>	<u>\$669,018</u>

SPECIAL REVENUE FUNDS

Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
	\$867,181					\$20,533
\$1,420	1,838	\$221	\$5,256	\$33,174	\$51,047	3,936
29,335		70,000			933,899	
6,701		2,200	778,048	49,399		
463,733		79,916				
501,189	869,019	152,337	783,304	82,573	987,656	24,469
				32,356	537,034	
		251,625			603,938	
16,446	838,325		456,115			37,300
41,905			443,371		38,640	45,375
58,351	838,325	251,625	899,486	32,356	1,223,930	82,675
442,838	30,694	(99,288)	(116,182)	50,217	(236,274)	(58,206)
		70,000			297,664	587,500
		70,000			297,664	587,500
442,838	30,694	(29,288)	(116,182)	50,217	61,390	529,294
194,196	626,488	200,121	1,832,039	949,178	960,991	887,066
\$637,034	\$657,182	\$170,833	\$1,715,857	\$999,395	\$1,022,381	\$1,416,360

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS				
	Emergency Medical Services	Business Improvement	Sewer Maintenance	Pt. San Pedro - Maintenance Portion	Low and Moderate Income Housing
REVENUES					
Taxes and special assessments	\$3,820,240			\$73,077	
Fines and forfeitures					
Use of money and properties	1,921			509	\$8,273
Intergovernmental	77,055				
Charges for services	2,341,127				
Other revenue					14,963
Total Revenues	6,240,343			73,586	23,236
EXPENDITURES					
Current:					
General government					81,893
Public safety	6,273,859				
Public works and parks				83,626	
Culture and recreation					
Capital outlay					
Capital improvement/special projects					
Total Expenditures	6,273,859			83,626	81,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(33,516)			(10,040)	(58,657)
OTHER FINANCING SOURCES (USES)					
Transfers in					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(33,516)			(10,040)	(58,657)
Fund Balance, Beginning	1,220,792	\$3,484	\$31,496	178,700	1,003,737
Fund Balance, Ending	<u>\$1,187,276</u>	<u>\$3,484</u>	<u>\$31,496</u>	<u>\$168,660</u>	<u>\$945,080</u>

SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS		
	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement	Bedroom Tax	Assessment Districts
\$422,004					\$18,615	
601			\$429	\$2,679 949,523		\$140
				16,778		
<u>422,605</u>			<u>429</u>	<u>968,980</u>	<u>18,615</u>	<u>140</u>
104,769 217,739				1,994,581		
<u>322,508</u>				<u>1,994,581</u>		
100,097			429	(1,025,601)	18,615	140
				425,000		
				425,000		
100,097			429	(600,601)	18,615	140
<u>245,215</u>	<u>\$2,875</u>	<u>\$16,573</u>	<u>146,095</u>	<u>1,504,723</u>	<u>32,475</u>	<u>300,338</u>
<u>\$345,312</u>	<u>\$2,875</u>	<u>\$16,573</u>	<u>\$146,524</u>	<u>\$904,122</u>	<u>\$51,090</u>	<u>\$300,478</u>

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	CAPITAL PROJECT FUNDS				Total Non-Major Governmental Funds
	Park Capital Projects	Open Space	Radio Replacement	Telephone Replacement	
REVENUES					
Taxes and special assessments					\$5,262,624
Fines and forfeitures					51,047
Use of money and properties		\$364	\$710	\$676	95,885
Intergovernmental					2,358,408
Charges for services			648,660	435,000	10,883,399
Other revenue	\$5,225				601,581
Total Revenues	<u>5,225</u>	<u>364</u>	<u>649,370</u>	<u>435,676</u>	<u>19,252,944</u>
EXPENDITURES					
Current:					
General government					651,283
Public safety					7,389,816
Public works and parks					783,793
Culture and recreation					8,815,289
Capital outlay					2,033,221
Capital improvement/special projects	313	4,056	646,191	462,568	1,716,719
Total Expenditures	<u>313</u>	<u>4,056</u>	<u>646,191</u>	<u>462,568</u>	<u>21,390,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,912</u>	<u>(3,692)</u>	<u>3,179</u>	<u>(26,892)</u>	<u>(2,137,177)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					2,780,164
Total Other Financing Sources (Uses)					<u>2,780,164</u>
Net Change in Fund Balances	4,912	(3,692)	3,179	(26,892)	642,987
Fund Balance, Beginning	22,837	127,029	391,931	221,255	12,906,074
Fund Balance, Ending	<u>\$27,749</u>	<u>\$123,337</u>	<u>\$395,110</u>	<u>\$194,363</u>	<u>\$13,549,061</u>



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, 2015

	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				\$25,500	\$25,368	(\$132)
Licenses and permits						
Fines and forfeitures						
Use of money and properties	\$25,250	\$25,687	\$437	280	667	387
Intergovernmental	29,363	17,595	(11,768)			
Charges for services	2,885,830	2,725,379	(160,451)			
Other revenue	28,750	15,664	(13,086)			
Total Revenues	<u>2,969,193</u>	<u>2,784,325</u>	<u>(184,868)</u>	<u>25,780</u>	<u>26,035</u>	<u>255</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks				40,871	23,503	17,368
Culture and recreation	4,113,608	4,237,745	(124,137)			
Capital outlay						
Capital improvement/special projects	35,031	28,272	6,759			
Total Expenditures	<u>4,148,639</u>	<u>4,266,017</u>	<u>(117,378)</u>	<u>40,871</u>	<u>23,503</u>	<u>17,368</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,179,446)</u>	<u>(1,481,692)</u>	<u>(302,246)</u>	<u>(15,091)</u>	<u>2,532</u>	<u>17,623</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,300,000	1,375,000	75,000			
Transfers out						
Total Other Financing Sources (Uses)	<u>1,300,000</u>	<u>1,375,000</u>	<u>75,000</u>			
FUND BALANCES, BEGINNING OF YEAR AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>\$120,554</u>	<u>(106,692)</u>	<u>(\$227,246)</u>	<u>(\$15,091)</u>	<u>2,532</u>	<u>\$17,623</u>
FUND BALANCES, BEGINNING OF YEAR		<u>134,686</u>			<u>215,380</u>	
FUND BALANCES, END OF YEAR		<u>\$27,994</u>			<u>\$217,912</u>	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Loch Lomond Assessment District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						\$15,610	\$15,606	(\$4)
\$160	\$551	\$391	\$300	\$2,176	\$1,876	800	1,947	1,147
			272,691	281,001	8,310			
145,788	145,795	7	3,520,095	3,751,090	230,995			
1,000	1,407	407		3,895	3,895			
146,948	147,753	805	3,793,086	4,038,162	245,076	16,410	17,553	1,143
145,468	155,625	(10,157)						
			3,866,867	3,685,473	181,394	37,836	2,810	35,026
1,000	350	650						
146,468	155,975	(9,507)	3,866,867	3,685,473	181,394	37,836	2,810	35,026
480	(8,222)	(8,702)	(73,781)	352,689	426,470	(21,426)	14,743	36,169
			100,000	25,000	(75,000)			
			100,000	25,000	(75,000)			
\$480	(8,222)	(\$8,702)	\$26,219	377,689	\$351,470	(\$21,426)	14,743	\$36,169
	267,980			534,119			654,275	
	\$259,758			\$911,808			\$669,018	

(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, 2015

SPECIAL REVENUE FUNDS						
	Library			Library Assessment		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				\$875,000	\$867,181	(\$7,819)
Licenses and permits						
Fines and forfeitures						
Use of money and properties	\$20,540	\$1,420	(\$19,120)	850	1,838	988
Intergovernmental	25,800	29,335	3,535			
Charges for services	7,038	6,701	(337)			
Other revenue		463,733	463,733			
Total Revenues	<u>53,378</u>	<u>501,189</u>	<u>447,811</u>	<u>875,850</u>	<u>869,019</u>	<u>(6,831)</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks						
Culture and recreation		16,446	(16,446)	875,648	838,325	37,323
Capital outlay						
Capital improvement/special projects	66,183	41,905	24,278			
Total Expenditures	<u>66,183</u>	<u>58,351</u>	<u>7,832</u>	<u>875,648</u>	<u>838,325</u>	<u>37,323</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,805)</u>	<u>442,838</u>	<u>455,643</u>	<u>202</u>	<u>30,694</u>	<u>30,492</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>(\$12,805)</u>	<u>442,838</u>	<u>\$455,643</u>	<u>\$202</u>	<u>30,694</u>	<u>\$30,492</u>
FUND BALANCES, BEGINNING OF YEAR		<u>194,196</u>			<u>626,488</u>	
FUND BALANCES, END OF YEAR		<u>\$637,034</u>			<u>\$657,182</u>	

SPECIAL REVENUE FUNDS

Public Safety			Stormwater			Development Services		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
			\$5,000		(\$5,000)			
\$70,000	\$221 70,000	\$221	2,200	\$5,256	3,056	\$31,600	\$33,174	\$1,574
75,000	2,200 79,916	2,200 4,916	772,800 5,000	778,048	5,248 (5,000)	1,500	49,399	47,899
145,000	152,337	7,337	785,000	783,304	(1,696)	33,100	82,573	49,473
						90,000	32,356	57,644
278,372	251,625	26,747	825,870	456,115	369,755			
			1,138,544	443,371	695,173			
278,372	251,625	26,747	1,964,414	899,486	1,064,928	90,000	32,356	57,644
(133,372)	(99,288)	34,084	(1,179,414)	(116,182)	1,063,232	(56,900)	50,217	\$107,117
70,000	70,000							
70,000	70,000							
(\$63,372)	(29,288)	\$34,084	(\$1,179,414)	(116,182)	\$1,063,232	(\$56,900)	50,217	\$107,117
	200,121			1,832,039			949,178	
	\$170,833			\$1,715,857			\$999,395	

(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, 2015

SPECIAL REVENUE FUNDS						
	Grants			Parkland Dedication		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments					\$20,533	\$20,533
Licenses and permits						
Fines and forfeitures	\$70,000	\$51,047	(\$18,953)			
Use of money and properties	1,180	2,710	1,530	\$1,200	3,936	2,736
Intergovernmental	1,173,566	933,899	(239,667)			
Charges for services						
Other revenue	197,000		(197,000)			
Total Revenues	<u>1,441,746</u>	<u>987,656</u>	<u>(454,090)</u>	<u>1,200</u>	<u>24,469</u>	<u>23,269</u>
EXPENDITURES						
Current:						
General government	682,600	537,034	145,566			
Public safety	605,976	603,938	2,038			
Public works and parks	225,000		225,000			
Culture and recreation					37,300	(37,300)
Capital outlay	39,334	38,640	694			
Capital improvement/special projects	288,320	44,318	244,002	1,036,994	45,375	991,619
Total Expenditures	<u>1,841,230</u>	<u>1,223,930</u>	<u>617,300</u>	<u>1,036,994</u>	<u>82,675</u>	<u>954,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(399,484)</u>	<u>(236,274)</u>	<u>163,210</u>	<u>(1,035,794)</u>	<u>(58,206)</u>	<u>977,588</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	297,664	297,664		587,500	587,500	
Transfers out						
Total Other Financing Sources (Uses)	<u>297,664</u>	<u>297,664</u>		<u>587,500</u>	<u>587,500</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>(\$101,820)</u>	<u>61,390</u>	<u>\$163,210</u>	<u>(\$448,294)</u>	<u>529,294</u>	<u>\$977,588</u>
FUND BALANCES, BEGINNING OF YEAR		<u>960,991</u>			<u>887,066</u>	
FUND BALANCES, END OF YEAR		<u>\$1,022,381</u>			<u>\$1,416,360</u>	

SPECIAL REVENUE FUNDS

Emergency Medical Services			Business Improvement			Sewer Maintenance		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$3,816,506	\$3,820,240	\$3,734						
500	1,921	1,421						
174,371	77,055	(97,316)						
2,535,000	2,341,127	(193,873)				\$251,057		(\$251,057)
<u>6,526,377</u>	<u>6,240,343</u>	<u>(286,034)</u>				<u>251,057</u>		<u>(251,057)</u>
6,596,635	6,273,859	322,776						
<u>6,596,635</u>	<u>6,273,859</u>	<u>322,776</u>						
<u>(70,258)</u>	<u>(33,516)</u>	<u>36,742</u>				<u>251,057</u>		<u>(251,057)</u>
						(251,057)		251,057
						(251,057)		251,057
<u>(\$70,258)</u>	<u>(33,516)</u>	<u>\$36,742</u>						
	<u>1,220,792</u>			<u>\$3,484</u>			<u>\$31,496</u>	
	<u>\$1,187,276</u>			<u>\$3,484</u>			<u>\$31,496</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, 2015

	SPECIAL REVENUE FUNDS					
	Pt. San Pedro-Maintenance Portion			Low and Moderate Income Housing		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments	\$88,600	\$73,077	(\$15,523)			
Licenses and permits						
Use of money and properties	240	509	269	\$250	\$8,273	\$8,023
Intergovernmental						
Charges for services						
Other revenue				70,000	14,963	(55,037)
Total Revenues	88,840	73,586	(15,254)	70,250	23,236	(47,014)
EXPENDITURES						
Current:						
General government				305,000	81,893	223,107
Public safety						
Public works and parks	86,000	83,626	2,374			
Culture and recreation						
Capital outlay						
Capital improvement/special projects						
Total Expenditures	86,000	83,626	2,374	305,000	81,893	223,107
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,840	(10,040)	(12,880)	(234,750)	(58,657)	176,093
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>\$2,840</u>	<u>(10,040)</u>	<u>(\$12,880)</u>	<u>(\$234,750)</u>	<u>(58,657)</u>	<u>\$176,093</u>
FUND BALANCES, BEGINNING OF YEAR		178,700			1,003,737	
FUND BALANCES, END OF YEAR		<u>\$168,660</u>			<u>\$945,080</u>	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS					
Measure A			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)
\$350,000	\$422,004	\$72,004						
210	601	391				\$200	\$429	\$229
<u>350,210</u>	<u>422,605</u>	<u>72,395</u>				<u>200</u>	<u>429</u>	<u>229</u>
145,030	104,769	40,261						
325,000	217,739	107,261						
<u>470,030</u>	<u>322,508</u>	<u>147,522</u>						
<u>(119,820)</u>	<u>100,097</u>	<u>219,917</u>				<u>200</u>	<u>429</u>	<u>229</u>
<u>(\$119,820)</u>	<u>100,097</u>	<u>\$219,917</u>				<u>\$200</u>	<u>429</u>	<u>\$229</u>
	<u>245,215</u>			<u>\$16,573</u>			<u>146,095</u>	
	<u>\$345,312</u>			<u>\$16,573</u>			<u>\$146,524</u>	



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.

Vehicle Replacement Fund – Established to provide for the replacement of vehicles.

Equipment Replacement Fund – Established to provide for the replacement of computers and equipment.

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 – Established to maintain sufficient reserves to fund debt service payments on the 2010 Taxable Pension Obligation Bonds and other pension related obligations.

OPEB/Retiree Medical Fund – Established to account for activities related to the funding, administration and procurement of retiree medical benefits.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2015

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
ASSETS					
Current Assets:					
Cash and investments	\$1,252,318	\$3,363,615	\$2,361,733	\$708,522	\$1,384,731
Accounts receivable		44,175			44,876
Loans receivable		21,876			
Prepays			765		2,849
Capital assets:					
Nondepreciable assets	204,136				
Depreciable assets, net	<u>1,247,349</u>	<u>4,693,475</u>	<u>867,932</u>		
Total Assets	<u>2,703,803</u>	<u>8,123,141</u>	<u>3,230,430</u>	<u>708,522</u>	<u>1,432,456</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	254,128	915,557	188,037	8,320	
Claims payable - due in one year					544,399
Non-current Liabilities:					
Claims payable - due in more than one year					782,641
OPEB liability					
Total Liabilities	<u>254,128</u>	<u>915,557</u>	<u>188,037</u>	<u>8,320</u>	<u>1,327,040</u>
NET POSITION:					
Net investment in capital assets	1,451,485	4,693,475	867,932		
Unrestricted	<u>998,190</u>	<u>2,514,109</u>	<u>2,174,461</u>	<u>700,202</u>	<u>105,416</u>
Total Net Position	<u>\$2,449,675</u>	<u>\$7,207,584</u>	<u>\$3,042,393</u>	<u>\$700,202</u>	<u>\$105,416</u>

<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Insurance</u>	<u>Employee</u> <u>Retirement</u>	<u>OPEB/</u> <u>Retiree</u> <u>Medical</u>	<u>Total</u>
\$6,418,746	\$128,267	\$2,284,238	\$429,751 76,992	\$18,331,921 166,043 21,876 3,614
				204,136
				<u>6,808,756</u>
<u>6,418,746</u>	<u>128,267</u>	<u>2,284,238</u>	<u>506,743</u>	<u>25,536,346</u>
10,953	3,613			1,380,608
1,401,393				1,945,792
4,590,985				5,373,626
			<u>9,164,000</u>	<u>9,164,000</u>
<u>6,003,331</u>	<u>3,613</u>		<u>9,164,000</u>	<u>17,864,026</u>
				7,012,892
<u>415,415</u>	<u>124,654</u>	<u>2,284,238</u>	<u>(8,657,257)</u>	<u>659,428</u>
<u>\$415,415</u>	<u>\$124,654</u>	<u>\$2,284,238</u>	<u>(\$8,657,257)</u>	<u>\$7,672,320</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
OPERATING REVENUES					
Charges for current services	\$700,000	\$1,350,481	\$2,272,424	\$775,000	\$914,880
Other operating revenues				27,850	44,876
Total Operating Revenues	<u>700,000</u>	<u>1,350,481</u>	<u>2,272,424</u>	<u>802,850</u>	<u>959,756</u>
OPERATING EXPENSES					
Personnel			166,162	4,435	
Insurance premiums and claims					861,089
Maintenance and repairs	426,448	38,000	11,145		
General and administrative			1,559,098	619,762	170,513
Depreciation expense	3,375	746,971	93,762		
Total Operating Expenses	<u>429,823</u>	<u>784,971</u>	<u>1,830,167</u>	<u>624,197</u>	<u>1,031,602</u>
Operating Income (Loss)	<u>270,177</u>	<u>565,510</u>	<u>442,257</u>	<u>178,653</u>	<u>(71,846)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	3,458	8,809	4,982	6,232	4,452
Miscellaneous Income		87,421			
Total Nonoperating Revenues (Expenses)	<u>3,458</u>	<u>96,230</u>	<u>4,982</u>	<u>6,232</u>	<u>4,452</u>
Net income (loss) before transfers	<u>273,635</u>	<u>661,740</u>	<u>447,239</u>	<u>184,885</u>	<u>(67,394)</u>
CONTRIBUTIONS					
TRANSFERS OUT	<u>(587,500)</u>		10,000		
Change in Net Position	(313,865)	661,740	457,239	184,885	(67,394)
NET POSITION, BEGINNING OF YEAR, AS ADJUSTED					
	<u>2,763,540</u>	<u>6,545,844</u>	<u>2,585,154</u>	<u>515,317</u>	<u>172,810</u>
NET POSITION, END OF YEAR					
	<u>\$2,449,675</u>	<u>\$7,207,584</u>	<u>\$3,042,393</u>	<u>\$700,202</u>	<u>\$105,416</u>

<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Insurance</u>	<u>Employee</u> <u>Retirement</u>	<u>OPEB/</u> <u>Retiree</u> <u>Medical</u>	<u>Total</u>
\$1,686,340	\$399,223	\$450,000	\$2,325,623	\$10,873,971
	2,644		946,797	1,022,167
<u>1,686,340</u>	<u>401,867</u>	<u>450,000</u>	<u>3,272,420</u>	<u>11,896,138</u>
				170,597
1,790,808	408,628		3,221,466	6,281,991
				475,593
110,570		3,342		2,463,285
				844,108
<u>1,901,378</u>	<u>408,628</u>	<u>3,342</u>	<u>3,221,466</u>	<u>10,235,574</u>
<u>(215,038)</u>	<u>(6,761)</u>	<u>446,658</u>	<u>50,954</u>	<u>1,660,564</u>
19,108	557	6,283	(1)	53,880
				87,421
<u>19,108</u>	<u>557</u>	<u>6,283</u>	<u>(1)</u>	<u>141,301</u>
<u>(195,930)</u>	<u>(6,204)</u>	<u>452,941</u>	<u>50,953</u>	<u>1,801,865</u>
				10,000
		<u>(276,520)</u>		<u>(864,020)</u>
<u>(195,930)</u>	<u>(6,204)</u>	<u>176,421</u>	<u>50,953</u>	<u>947,845</u>
<u>611,345</u>	<u>130,858</u>	<u>2,107,817</u>	<u>(8,708,210)</u>	<u>6,724,475</u>
<u>\$415,415</u>	<u>\$124,654</u>	<u>\$2,284,238</u>	<u>(\$8,657,257)</u>	<u>\$7,672,320</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	\$700,000	\$1,317,244	\$2,272,424	\$775,000	\$950,696
Cash payments to suppliers for goods and services	(189,557)	786,041	(1,456,575)	(627,274)	(836,013)
Cash payments to employees for salaries and benefits			(166,162)	(4,435)	
Other operating revenues				27,850	44,876
Payment to OPEB Trust					
Cash Flows from Operating Activities	510,443	2,103,285	649,687	171,141	159,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Contributions			10,000		
Interfund payments	(587,500)				
Cash Flows from Noncapital Financing Activities	(587,500)		10,000		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(443,543)	(1,654,098)	(494,627)		
Proceeds from sale of property		87,421			
Cash Flows from Investing Activities	(443,543)	(1,566,677)	(494,627)		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,458	8,809	4,982	6,232	4,452
Cash Flows from Investing Activities	3,458	8,809	4,982	6,232	4,452
Net increase (decrease) in cash and cash equivalents	(517,142)	545,417	170,042	177,373	164,011
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,769,460	2,818,198	2,191,691	531,149	1,220,720
CASH AND CASH EQUIVALENTS, END OF YEAR	\$1,252,318	\$3,363,615	\$2,361,733	\$708,522	\$1,384,731
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$270,177	\$565,510	\$442,257	\$178,653	(\$71,846)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	3,375	746,971	93,762		
Net change in assets and liabilities:					
Accounts receivable		(44,175)			35,816
Loans receivable		10,938			
Prepays and deposits			(765)		(2,849)
Net OPEB Liability					
Accounts payable	236,891	824,041	114,433	(7,512)	(166)
Claims payable					198,604
Net Cash Provided by (Used in) Operating Activities	\$510,443	\$2,103,285	\$649,687	\$171,141	\$159,559

<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Insurance</u>	<u>Employee</u> <u>Retirement</u>	<u>OPEB/</u> <u>Employee</u> <u>Retirement</u>	<u>Total</u>
\$1,686,873	\$399,223	\$450,000	\$2,432,219	\$10,983,679
(1,366,200)	(408,659)	(3,342)	(3,222,094)	(7,323,673)
	2,644		946,797	1,022,167
			(132,000)	(132,000)
<u>320,673</u>	<u>(6,792)</u>	<u>446,658</u>	<u>24,922</u>	<u>4,379,576</u>
				10,000
		(276,520)		(864,020)
		(276,520)		(854,020)
				(2,592,268)
				87,421
				(2,504,847)
<u>19,108</u>	<u>557</u>	<u>6,283</u>	<u>(1)</u>	<u>53,880</u>
<u>19,108</u>	<u>557</u>	<u>6,283</u>	<u>(1)</u>	<u>53,880</u>
339,781	(6,235)	176,421	24,921	1,074,589
<u>6,078,965</u>	<u>134,502</u>	<u>2,107,817</u>	<u>404,830</u>	<u>17,257,332</u>
<u>\$6,418,746</u>	<u>\$128,267</u>	<u>\$2,284,238</u>	<u>\$429,751</u>	<u>\$18,331,921</u>
(\$215,038)	(\$6,761)	\$446,658	\$50,954	\$1,660,564
				844,108
533			106,596	98,770
				10,938
			105	(3,509)
			(132,000)	(132,000)
4,070	(31)		(733)	1,170,993
<u>531,108</u>				<u>729,712</u>
<u>\$320,673</u>	<u>(\$6,792)</u>	<u>\$446,658</u>	<u>\$24,922</u>	<u>\$4,379,576</u>



AGENCY FUNDS

Agency Funds account of assets held by the City as agent for individuals, governmental entities, and non-public organizations.

Pt. San Pedro Road Assessment District Fund - Established to accumulate funds for payment of principal and interest for Pt. San Pedro Road Median Landscaping Assessment District bonds.

CITY OF SAN RAFAEL
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<hr style="border: 0.5px solid black;"/>				
<u>Pt. San Pedro Road Assessment District</u>				
<hr style="border: 0.5px solid black;"/>				
<u>Assets</u>				
Restricted cash and investments	\$297,808	\$1,210	\$4,688	\$294,330
Taxes receivable	1,210	1,134	1,210	1,134
Total Assets	\$299,018	\$2,344	\$5,898	\$295,464
 <u>Liabilities</u>				
Interest payable	\$29,704		\$978	\$28,726
Due to bondholders	269,314	\$2,344	4,920	266,738
Total Liabilities	\$299,018	\$2,344	\$5,898	\$295,464
 <hr style="border: 0.5px solid black;"/>				
Total Agency Fund				
<hr style="border: 0.5px solid black;"/>				
<u>Assets</u>				
Restricted cash and investments	\$297,808	\$1,210	\$4,688	\$294,330
Taxes receivable	1,210	1,134	1,210	1,134
Total Assets	\$299,018	\$2,344	\$5,898	\$295,464
 <u>Liabilities</u>				
Interest payable	\$29,704		\$978	\$28,726
Due to bondholders	269,314	\$2,344	4,920	266,738
Total Liabilities	\$299,018	\$2,344	\$5,898	\$295,464



Public Works Truck

STATISTICAL SECTION



STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

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

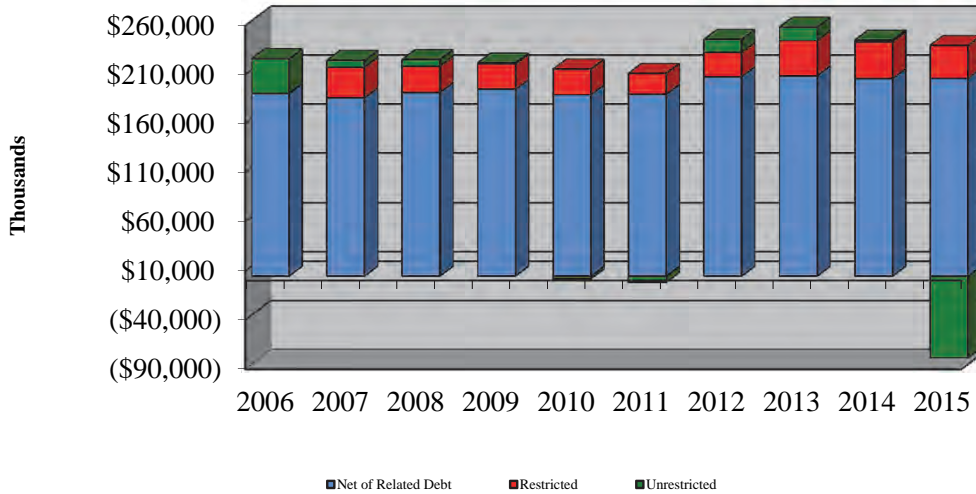
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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.

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



	As of June 30			
	2006	2007	2008	2009
Governmental activities				
Net investment in capital assets	\$175,806,100	\$171,849,149	\$176,724,820	\$178,744,119
Restricted	620,889	31,124,935	26,848,900	25,721,231
Unrestricted	32,739,318	4,499,136	4,273,937	(700,985)
Total governmental activities net position	\$209,166,307	\$207,473,220	\$207,847,657	\$203,764,365
Business-type activities				
Net investment in capital assets	\$9,819,435	\$9,717,501	\$10,130,329	\$11,243,637
Unrestricted	2,113,659	2,226,838	2,471,117	1,936,958
Total business-type activities net position	\$11,933,094	\$11,944,339	\$12,601,446	\$13,180,595
Primary government				
Net investments in capital assets	\$185,625,535	\$181,566,650	\$186,855,149	\$189,987,756
Restricted	620,889	31,124,935	26,848,900	25,721,231
Unrestricted	34,852,977	6,725,974	6,745,054	1,235,973
Total primary government net position	\$221,099,401	\$219,417,559	\$220,449,103	\$216,944,960

(a) The City adjusted certain beginning balances during fiscal years 2013-2014 and 2014-2015. Financial data shown for preceding years were not adjusted for the presentation.

2010	2011	2012	2013	2014	2015	(a)
\$173,536,144	\$174,281,922	\$192,361,245	\$193,222,791	\$190,286,275	\$190,621,085	
26,150,254	21,322,937	24,693,205	35,780,412	37,339,141	33,389,224	
(4,631,276)	(8,170,324)	10,652,263	11,151,318	(196,824)	(82,336,534)	
<u>\$195,055,122</u>	<u>\$187,434,535</u>	<u>\$227,706,713</u>	<u>\$240,154,521</u>	<u>\$227,428,592</u>	<u>\$141,673,775</u>	
\$10,950,825	\$10,793,592	\$10,650,558	\$10,670,190	\$10,786,591	\$10,744,952	
2,017,354	1,948,447	2,495,889	2,501,498	2,049,957	(938,519)	
<u>\$12,968,179</u>	<u>\$12,742,039</u>	<u>\$13,146,447</u>	<u>\$13,171,688</u>	<u>\$12,836,548</u>	<u>\$9,806,433</u>	
\$184,486,969	\$185,075,514	\$203,011,803	\$203,892,981	\$201,072,866	\$201,366,037	
26,150,254	21,322,937	24,693,205	35,780,412	37,339,141	33,389,224	
(2,613,922)	(6,221,877)	13,148,152	13,652,816	1,853,133	(83,275,053)	
<u>\$208,023,301</u>	<u>\$200,176,574</u>	<u>\$240,853,160</u>	<u>\$253,326,209</u>	<u>\$240,265,140</u>	<u>\$151,480,208</u>	

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

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses				
Governmental Activities:				
General government	\$6,252,533	\$8,908,433	\$8,621,079	\$8,075,344
Public safety	33,178,537	37,271,272	40,845,347	42,708,538
Public works and parks	23,401,246	20,998,749	22,105,367	23,036,676
Community development	4,194,249	4,384,408	5,811,866	5,759,171
Culture and recreation	8,652,445	9,729,485	10,300,230	11,505,896
Interest on long-term debt and fiscal charges	1,725,559	2,183,683	1,989,620	1,907,229
Total Governmental Activities Expenses	<u>77,404,569</u>	<u>83,476,030</u>	<u>89,673,509</u>	<u>92,992,854</u>
Business-Type Activities:				
Parking services	2,761,511	3,110,254	3,282,235	3,563,235
Total Business-Type Activities Expenses	<u>2,761,511</u>	<u>3,110,254</u>	<u>3,282,235</u>	<u>3,563,235</u>
Total Primary Government Expenses	<u>\$80,166,080</u>	<u>\$86,586,284</u>	<u>\$92,955,744</u>	<u>\$96,556,089</u>
Component Unit:				
San Rafael Sanitation District	<u>\$6,148,915</u>	<u>\$6,656,432</u>	<u>\$8,090,636</u>	<u>\$9,143,977</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$402,094	\$1,512,814	\$1,494,784	\$1,738,685
Public safety	5,085,679	5,279,785	5,562,072	5,906,445
Public works and parks	3,799,861	4,030,060	4,983,288	4,753,817
Community development	3,190,832	2,815,009	3,247,024	2,915,872
Culture and recreation	4,368,274	4,521,004	4,870,884	5,253,683
Operating grants and contributions	2,745,570	3,701,901	3,463,616	3,544,248
Capital grants and contributions	3,936,474	2,786,761	3,239,509	7,311,173
Total Government Activities Program Revenues	<u>23,528,784</u>	<u>24,647,334</u>	<u>26,861,177</u>	<u>31,423,923</u>
Business-Type Activities:				
Charges for services:				
Parking services	3,025,380	3,242,046	4,161,936	4,454,490
Total Business-Type Activities Program Revenues	<u>3,025,380</u>	<u>3,242,046</u>	<u>4,161,936</u>	<u>4,454,490</u>
Total Primary Government Program Revenues	<u>\$26,554,164</u>	<u>\$27,889,380</u>	<u>\$31,023,113</u>	<u>\$35,878,413</u>
Component Unit:				
Charges for services:				
San Rafael Sanitation District	<u>\$6,340,773</u>	<u>\$7,857,916</u>	<u>\$9,366,305</u>	<u>\$10,567,647</u>
Net (Expense)/Revenue				
Governmental Activities	(\$53,875,785)	(\$58,828,696)	(\$62,812,332)	(\$61,568,931)
Business-Type Activities	<u>263,869</u>	<u>131,792</u>	<u>879,701</u>	<u>891,255</u>
Total Primary Government Net Expense	<u>(\$53,611,916)</u>	<u>(\$58,696,904)</u>	<u>(\$61,932,631)</u>	<u>(\$60,677,676)</u>
Component Unit Activities	<u>\$191,858</u>	<u>\$1,201,484</u>	<u>\$1,275,669</u>	<u>\$1,423,670</u>

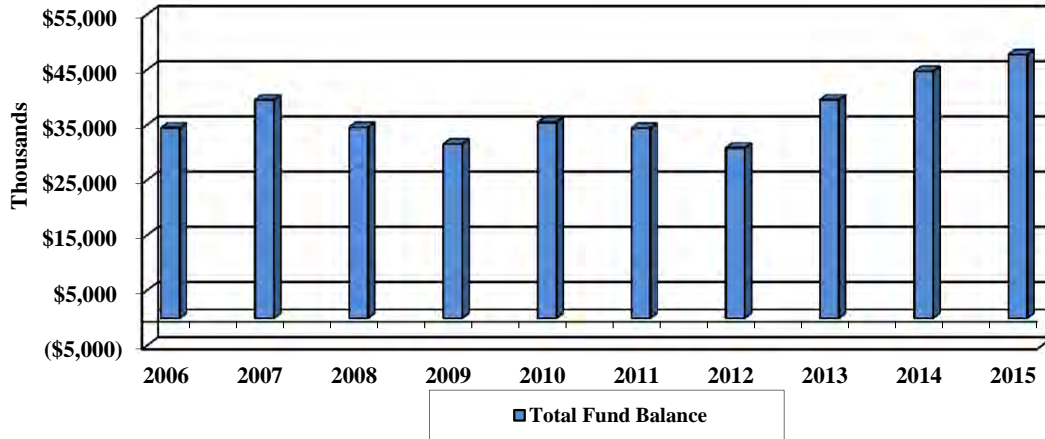
2010	2011	2012	2013	2014	2015
\$8,396,759	\$8,269,846	\$10,171,332	\$10,202,530	\$9,085,672	\$9,099,858
42,752,033	44,735,486	39,876,910	41,966,065	43,800,158	39,968,631
17,401,923	17,408,038	17,423,033	17,695,164	22,125,336	16,893,164
6,738,873	7,804,650	4,587,557	3,403,158	3,451,244	3,128,373
11,139,225	11,487,999	11,020,663	11,330,058	11,846,818	11,198,151
2,200,024	1,621,605	1,224,991	283,805	327,350	284,288
<u>88,628,837</u>	<u>91,327,624</u>	<u>84,304,486</u>	<u>84,880,780</u>	<u>90,636,578</u>	<u>80,572,465</u>
<u>4,016,198</u>	<u>3,785,751</u>	<u>3,446,482</u>	<u>3,545,387</u>	<u>4,125,476</u>	<u>4,249,597</u>
<u>4,016,198</u>	<u>3,785,751</u>	<u>3,446,482</u>	<u>3,545,387</u>	<u>4,125,476</u>	<u>4,249,597</u>
<u>\$92,645,035</u>	<u>\$95,113,375</u>	<u>\$87,750,968</u>	<u>\$88,426,167</u>	<u>\$94,762,054</u>	<u>\$84,822,062</u>
<u>\$9,087,354</u>	<u>\$9,677,630</u>	<u>\$10,185,779</u>	<u>\$10,169,082</u>	<u>\$11,378,055</u>	<u>\$11,375,239</u>
\$1,665,460	\$1,636,542	\$1,986,791	\$2,655,749	\$2,838,940	\$1,379,523
6,308,912	6,167,925	7,122,396	6,478,321	6,014,034	4,966,251
3,916,874	4,141,103	5,214,267	7,837,472	6,101,460	3,078,267
2,830,179	2,676,663	3,255,367	3,984,204	3,279,251	3,796,684
5,280,458	5,362,497	5,873,147	6,075,129	6,417,003	6,537,646
3,721,055	3,651,902	3,158,281	4,085,073	4,698,142	4,185,450
2,116,906	1,857,670	2,705,696	5,876,993	762,719	1,308,027
<u>25,839,844</u>	<u>25,494,302</u>	<u>29,315,945</u>	<u>36,992,941</u>	<u>30,111,549</u>	<u>25,251,848</u>
<u>4,244,404</u>	<u>4,011,333</u>	<u>3,901,175</u>	<u>3,990,706</u>	<u>4,485,394</u>	<u>5,173,557</u>
<u>4,244,404</u>	<u>4,011,333</u>	<u>3,901,175</u>	<u>3,990,706</u>	<u>4,485,394</u>	<u>5,173,557</u>
<u>\$30,084,248</u>	<u>\$29,505,635</u>	<u>\$33,217,120</u>	<u>\$40,983,647</u>	<u>\$34,596,943</u>	<u>\$30,425,405</u>
<u>\$11,559,549</u>	<u>\$12,223,779</u>	<u>\$12,368,889</u>	<u>\$12,413,123</u>	<u>\$13,732,496</u>	<u>\$14,629,758</u>
(\$62,788,993)	(\$65,833,322)	(\$54,988,541)	(\$47,887,839)	(\$60,525,029)	(\$55,320,617)
228,206	225,582	454,693	445,319	359,918	923,960
<u>(\$62,560,787)</u>	<u>(\$65,607,740)</u>	<u>(\$54,533,848)</u>	<u>(\$47,442,520)</u>	<u>(\$60,165,111)</u>	<u>(\$54,396,657)</u>
<u>\$2,472,195</u>	<u>\$2,546,149</u>	<u>\$2,183,110</u>	<u>\$2,244,041</u>	<u>\$2,354,441</u>	<u>\$3,254,519</u>

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

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property	\$20,848,887	\$20,360,475	\$22,195,606	\$21,978,859
Sales	18,188,524	24,484,356	25,764,457	21,970,262
Special assessments	3,017,488	2,998,925	3,503,555	
Paramedic				3,210,317
Motor vehicles	372,726	331,620	257,320	197,989
Transient occupancy				1,678,912
Franchise				2,941,149
Business license				2,405,934
Other	6,963,448	8,830,955	9,242,241	1,561,835
Investment earnings	1,248,409	1,669,181	1,583,056	717,968
Gain (Loss) on disposal of assets				
Miscellaneous	361,195	491,488	296,454	461,224
Special item - Court fines repayment		(1,133,458)		
Transfers	201,191	212,170	344,080	361,190
Total Government Activities	51,201,868	58,245,712	63,186,769	57,485,639
Business-Type Activities:				
Investment earnings	44,536	91,623	121,486	49,084
Aid from other government agencies	1,309,893			
Transfers	(201,191)	(212,170)	(344,080)	(361,190)
Total Business-Type Activities	1,153,238	(120,547)	(222,594)	(312,106)
Total Primary Government	\$52,355,106	\$58,125,165	\$62,964,175	\$57,173,533
Component Unit:				
San Rafael Sanitation District				
Property Taxes	\$179,479	\$755,763	\$803,071	\$855,511
Investment earnings	237,206	367,887	341,032	206,752
Miscellaneous			3,546	3,540
Aid from other governmental agencies	645,804	340,642	577,860	381,144
Total Component Unit	\$1,062,489	\$1,464,292	\$1,725,509	\$1,446,947
Special Item				
Governmental Activities				
Component Unit Activities				
Change in Net Position				
Governmental Activities	(\$2,673,917)	(\$582,984)	\$374,437	(\$4,083,292)
Business-Type Activities	1,417,107	11,245	657,107	579,149
Total Primary Government	(\$1,256,810)	(\$571,739)	\$1,031,544	(\$3,504,143)
Change in Net Position				
Component Unit Activities	\$1,254,347	\$2,665,776	\$3,001,178	\$2,870,617

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$21,684,131	\$21,632,733	\$20,107,637	\$17,317,772	\$18,439,619	\$19,039,443
19,055,124	21,623,445	22,355,749	24,262,282	27,758,971	32,269,915
3,489,494	3,661,064	3,807,545	3,804,985	3,816,070	3,820,240
171,518	297,425				
1,558,243	1,644,262	1,866,575	2,185,287	2,332,277	2,661,878
2,868,332	2,990,539	3,076,094	3,331,160	3,260,958	3,272,390
2,317,664	2,296,460	2,332,146	2,507,785	2,588,728	2,670,071
1,411,583	1,930,531	3,574,918	2,929,915	3,452,171	3,295,751
302,180	176,502	205,413	991,762	184,171	216,066
221,791					
541,390	1,496,174	542,816	2,580,882	1,140,743	2,254,901
<u>458,300</u>	<u>463,600</u>	<u>57,960</u>	<u>423,817</u>	<u>449,917</u>	<u>432,630</u>
<u>54,079,750</u>	<u>58,212,735</u>	<u>57,926,853</u>	<u>60,335,647</u>	<u>63,423,625</u>	<u>69,933,285</u>
17,678	11,878	7,675	3,739	4,375	7,008
<u>(458,300)</u>	<u>(463,600)</u>	<u>(57,960)</u>	<u>(423,817)</u>	<u>(449,917)</u>	<u>(432,630)</u>
<u>(440,622)</u>	<u>(451,722)</u>	<u>(50,285)</u>	<u>(420,078)</u>	<u>(445,542)</u>	<u>(425,622)</u>
<u>\$53,639,128</u>	<u>\$57,761,013</u>	<u>\$57,876,568</u>	<u>\$59,915,569</u>	<u>\$62,978,083</u>	<u>\$69,507,663</u>
\$823,187	\$1,214,519	\$1,192,566	\$1,177,469	\$1,345,018	\$1,319,852
93,274	59,265	38,191	25,591	151,729	171,804
<u>415,391</u>	<u>6,499</u>	<u>9,613</u>	<u>56,589</u>	<u>22,125</u>	<u>35,090</u>
<u>\$1,331,852</u>	<u>\$1,280,283</u>	<u>\$1,240,370</u>	<u>\$1,259,649</u>	<u>\$1,518,872</u>	<u>\$1,526,746</u>
					<u>\$4,462,815</u>
					<u>(\$4,462,815)</u>
(\$8,709,243)	(\$7,620,587)	\$2,938,312	\$12,447,808	\$2,898,596	\$19,075,483
<u>(212,416)</u>	<u>(226,140)</u>	<u>404,408</u>	<u>25,241</u>	<u>(85,624)</u>	<u>498,338</u>
<u>(\$8,921,659)</u>	<u>(\$7,846,727)</u>	<u>\$3,342,720</u>	<u>\$12,473,049</u>	<u>\$2,812,972</u>	<u>\$19,573,821</u>
<u>\$3,804,047</u>	<u>\$3,826,432</u>	<u>\$3,423,480</u>	<u>\$3,503,690</u>	<u>\$3,873,313</u>	<u>\$318,450</u>

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



	As of June 30				
	2006	2007	2008	2009	2010
General Fund					
Pre-GASB 54 Presentation:					
Reserved	\$2,335,391	\$905,068	\$2,196,153	\$2,225,775	\$1,763,622
Unreserved	3,362,151	5,016,929	4,022,612	1,670,455	5,038,173
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Unassigned					
Total General Fund	\$5,697,542	\$5,921,997	\$6,218,765	\$3,896,230	\$6,801,795
All Other Governmental Funds					
Pre-GASB 54 Presentation:					
Reserved	\$21,603,724	\$20,773,760	\$17,599,142	\$16,680,568	\$15,352,723
Unreserved, reported in:					
Special Revenue Funds	7,168,753	8,107,477	7,413,808	8,641,239	8,778,027
Capital Project Funds			35,430	(1,030,293)	4,527,627
Debt Service Funds		4,734,986	3,315,764	3,360,540	
Expendable Trust Fund					
GASB 54 Presentation:					
Nonspendable					
Restricted					
Committed					
Assigned					
Total all other governmental funds	\$28,772,477	\$33,616,223	\$28,364,144	\$27,652,054	\$28,658,377

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

(b) The City adjusted certain beginning balances during fiscal years 2013-2014 and 2014-2015. Financial data shown for preceding years were not adjusted for the presentation.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$589,833	\$527,509	\$527,235	\$503,338	\$399,299
200,238	76,188			
555,561	651,121	800,876		
5,439,879	1,516,644	2,476,676	6,866,149	12,374,002
				<u>1,588,500</u>
<u>\$6,785,511</u>	<u>\$2,771,462</u>	<u>\$3,804,787</u>	<u>\$7,369,487</u> (a)	<u>\$14,361,801</u> (a)

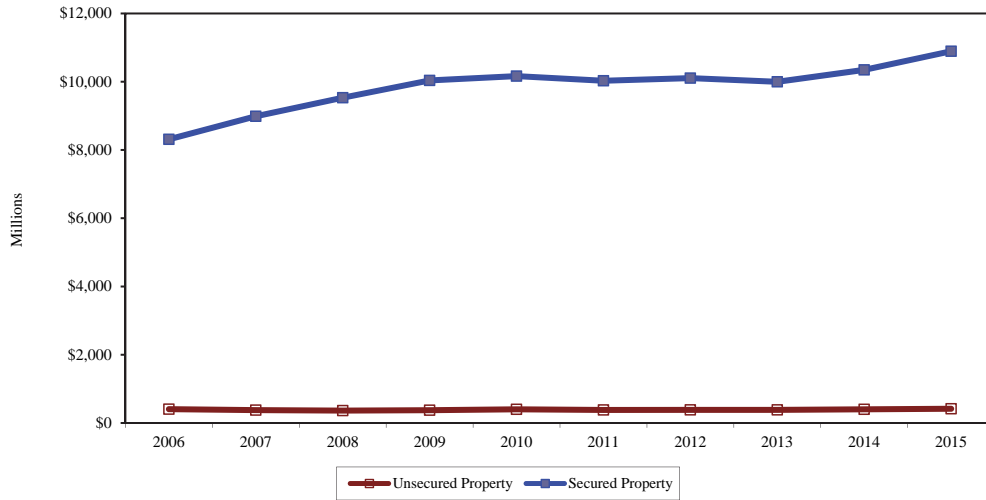
\$377,180	\$788,031	\$51,521	\$8,719	\$2,359
19,289,367	16,856,959	20,769,546	30,185,064	31,742,184
3,864,322	5,135,257	8,447,495	2,185,825	931,871
4,124,029	5,283,559	6,511,850	4,959,533	712,810
<u>\$27,654,898</u>	<u>\$28,063,806</u>	<u>\$35,780,412</u>	<u>\$37,339,141</u>	<u>\$33,389,224</u>

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

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Revenues					
Taxes and special assessments	\$44,901,544	\$52,472,246	\$56,129,195	\$51,019,143	\$47,678,541
Licenses and permits	1,175,030	1,157,981	1,489,748	1,472,913	1,518,819
Fines and forfeitures	622,494	515,528	797,081	660,338	787,411
Use of money and properties	1,316,558	1,744,688	1,584,508	847,120	433,874
Intergovernmental	11,705,917	12,760,496	12,081,968	17,518,670	13,001,703
Charges for services	13,104,572	13,504,621	15,607,460	16,384,265	15,787,325
Other revenue	1,475,078	1,468,743	815,704	759,320	716,760
Total Revenues	74,301,193	83,624,303	88,505,664	88,661,769	79,924,433
Expenditures					
Current:					
General government	6,200,338	8,188,999	8,288,170	8,059,526	7,997,067
Public safety	33,321,967	36,264,321	40,299,862	41,209,972	39,574,091
Public works and parks	10,622,585	11,972,537	13,641,665	12,926,646	10,731,669
Community development	4,184,084	4,319,042	5,786,661	5,572,079	4,398,594
Culture and recreation	8,409,833	9,005,370	9,820,365	10,233,361	9,605,684
Capital outlay	60,411	6,716,630	6,243,517	5,048,044	1,890,559
Capital improvement / special projects	13,200,872	1,189,613	5,124,091	6,606,857	3,436,608
Debt service:					
Capitalized lease obligation	130,315				
Principal	2,525,000	2,287,255	2,504,370	2,714,358	2,804,258
Interest and fiscal charges	1,878,265	1,829,091	1,776,354	1,683,240	1,979,372
Total Expenditures	80,533,670	81,772,858	93,485,055	94,054,083	82,417,902
Excess (deficiency) of revenues over (under) expenditures	(6,232,477)	1,851,445	(4,979,391)	(5,392,314)	(2,493,469)
Other Financing Sources (Uses)					
Issuance of debt					14,660,000
Payment to refunded bonds					(14,315,000)
Bond premiums					1,038,185
Capital lease for equipment acquisition		318,000			
Proceeds from PG&E loans					221,791
Proceeds from sale of capital asset					221,791
Transfers in	6,925,107	6,812,260	6,353,216	8,972,495	7,494,560
Transfers (out)	(6,672,916)	(6,958,046)	(6,329,136)	(6,614,806)	(6,411,150)
Total other financing sources (uses)	252,191	172,214	24,080	2,357,689	2,688,386
Extraordinary Item					
Transfer to Successor Agency					
Net Change in fund balances	(\$5,980,286)	\$2,023,659	(\$4,955,311)	(\$3,034,625)	\$194,917
Debt service as a percentage of noncapital expenditures	6.7%	5.6%	5.2%	5.3%	6.2%

2011	2012	2013	2014	2015
\$51,448,130	\$51,395,116	\$51,549,306	\$56,686,142	\$61,804,228
1,416,772	1,648,890	1,929,387	1,934,755	2,456,820
862,820	801,758	734,005	669,553	556,076
380,720	315,561	325,043	363,089	444,757
11,864,127	10,537,396	11,869,889	11,953,308	13,233,503
15,888,750	19,649,433	23,575,374	19,949,333	15,346,794
1,026,845	870,957	4,092,411	2,045,407	1,777,003
82,888,164	85,219,111	94,075,415	93,601,587	95,619,181
6,863,142	8,783,873	10,529,480	8,678,833	10,203,687
40,967,352	39,311,551	41,377,062	41,900,762	43,954,515
10,666,176	11,518,822	12,002,448	13,697,957	12,758,643
4,527,351	3,755,504	2,961,275	3,296,375	3,416,859
10,067,822	10,345,673	10,591,057	11,106,367	11,616,777
1,745,483	1,312,383	4,009,454	2,154,900	4,498,924
6,240,861	3,604,171	5,284,720	7,168,776	2,186,986
2,530,338	2,518,320		208,642	75,172
1,448,910	735,221	283,805	327,350	284,288
85,057,435	81,885,518	87,039,301	88,539,962	88,995,851
(2,169,271)	3,333,593	7,036,114	5,061,625	6,623,330
			568,481	
5,806,834	4,539,646	8,425,474	3,655,302	4,348,149
(4,657,326)	(4,864,293)	(6,711,657)	(3,053,865)	(3,051,499)
1,149,508	(324,647)	1,713,817	1,169,918	1,296,650
		(2,352,584)		
(\$1,019,763)	\$3,008,946	\$6,397,347	\$6,231,543	\$7,919,980
5.2%	4.2%	0.4%	0.7%	0.4%

**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					
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%
2013	7,265,617,525	1,987,170,644	245,917,096	115,453,836	9,614,159,101	384,534,108	9,998,693,209	9,998,693,209	0.17456%
2014	7,558,708,224	2,009,718,415	245,674,195	130,594,237	9,944,695,071	402,261,887	10,346,956,958	10,346,956,958	0.11985%
2015	7,991,224,952	2,120,065,908	249,864,918	115,675,852	10,476,831,630	417,217,272	10,894,048,902	10,894,048,902	0.11657%

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

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

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

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total
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	1.2779
2013	0.154	0.295	0.7743	0.0461	1.2691
2014	0.154	0.295	0.7890	0.0461	1.2838
2015	0.154	0.295	0.7651	0.0461	1.2599

Notes:

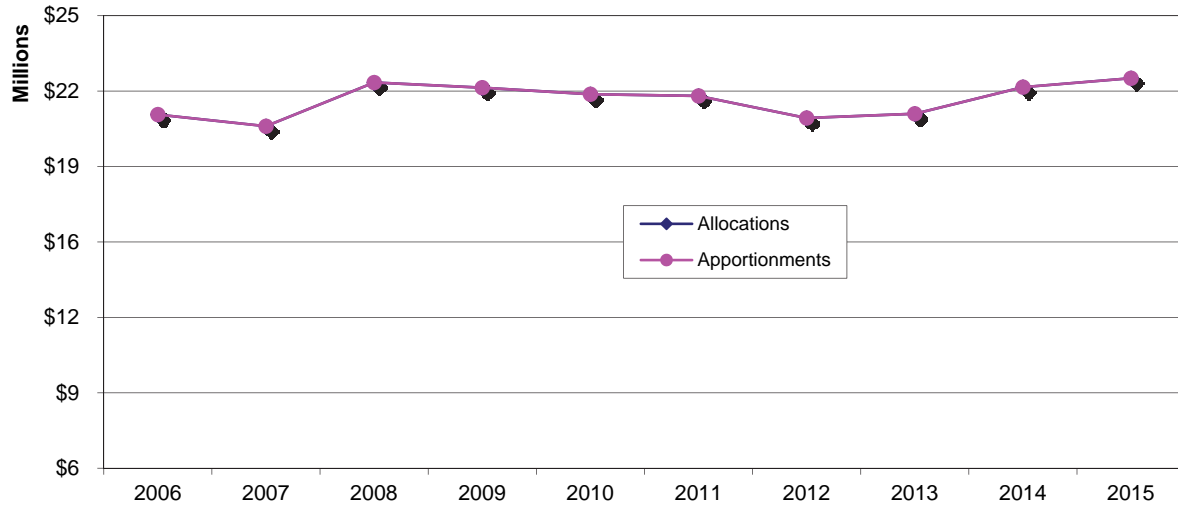
(1) Like other cities, San Rafael includes several property tax rate areas with different rates. A mean average is indicated.

Source: Marin County Assessors Office 2005/06 - 2014/15 Tax Rate Tables

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

Taxpayer	2014-2015		2005-2006	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Northgate Mall Associates	\$136,547,395	1.25%	\$82,427,151	0.99%
California Corporate Center AC	113,704,290	1.04%		
Sutter Health	50,853,957	0.47%		
Regency Center II Associates LP	43,760,844	0.40%	38,494,662	0.46%
Northbay Properties 11	43,428,710	0.40%	31,882,488	0.38%
Bay Apartment Communities Inc.	41,597,687	0.38%	32,579,948	0.39%
Barbara Fasken 1995 Trust Etal	41,017,922	0.38%		
Marin Sanitary Service	39,428,530	0.36%	30,374,668	0.37%
North Associates LLC	37,581,141	0.34%		
MPB Associates LLC	36,320,878	0.33%		
AMG Realty Partners LP			68,689,210	0.83%
San Rafael Corporate Center LLC			46,989,710	0.57%
Lucas Digital			34,968,499	0.42%
Rafael Town Center Investors LLC			30,662,293	0.37%
BIT Holdings Forty Five Inc.			30,030,209	0.36%
Subtotal	\$584,241,354	5.36%	\$427,098,838	5.14%
Total Net Assessed Valuation:				
Fiscal Year 2014-2015	\$10,894,048,902			
Fiscal Year 2005-2006	\$8,312,743,278			

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



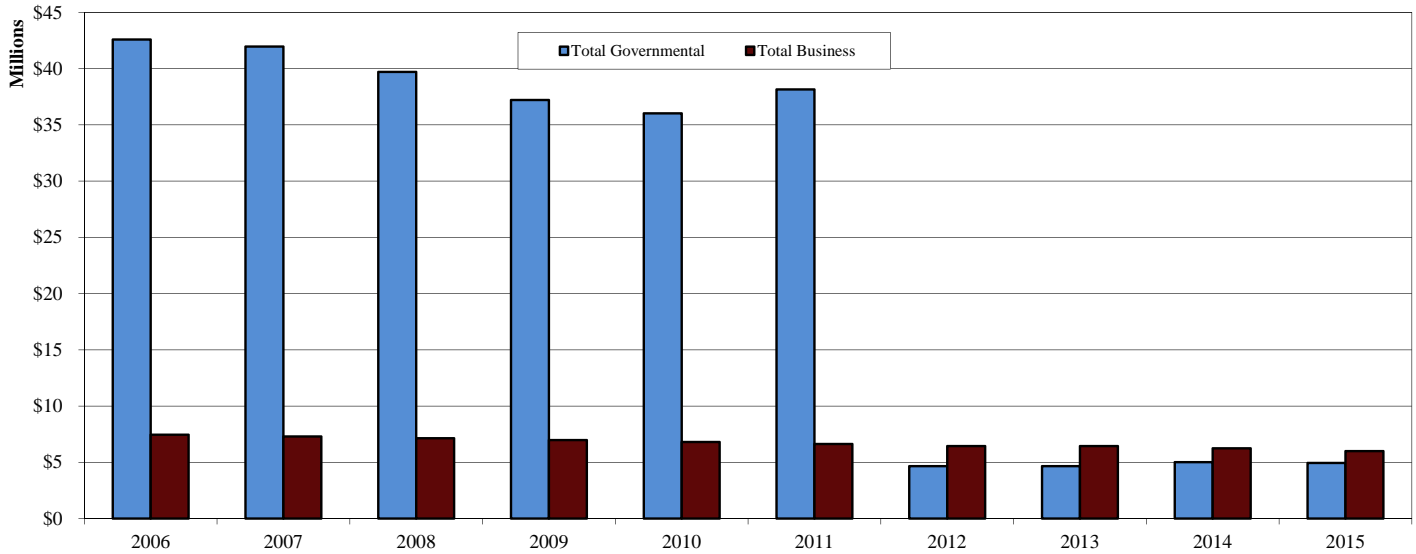
Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2006	1.00	(2)	\$20,848,887	(2)	\$20,848,887	(2)	0.0%
2007	1.00	(2)	20,360,475	(2)	20,360,475	(2)	0.0%
2008	1.00	(2)	22,195,606	(2)	22,195,606	(2)	0.0%
2009	1.00	(2)	21,978,859	(2)	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%
2013	1.00	(2)	20,883,041	(2)	20,883,041	(2)	0.0%
2014	1.00	(2)	22,001,357	(2)	22,001,357	(2)	0.0%
2015	1.00	(2)	22,376,457	(2)	22,376,457	(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 Status 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
2006	\$40,849,107	\$1,155,000	\$169,000	-	\$412,441	-	\$42,585,548
2007	39,217,501	950,000	169,000	\$1,029,717	596,927	-	41,963,145
2008	37,537,161	780,000	169,000	816,119	401,155	-	39,703,435
2009	35,793,692	455,000	169,000	594,100	198,816	-	37,210,608
2010	35,355,988	0	169,000	363,328	135,330	-	36,023,646
2011	33,298,499	0	169,000	124,222	69,098	\$4,490,000	38,150,819
2012	0	0	169,000	0	0	4,490,000	4,659,000
2013	0	0	169,000	0	0	4,490,000	4,659,000
2014	0	0	528,839	0	0	4,490,000	5,018,839
2015	0	0	453,667	0	0	4,490,000	4,943,667

Business-Type Activities

Fiscal Year	Parking Services Bonds	Note Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	0.46%	190.45
2013	6,445,000		6,445,000	11,104,000	0.44%	190.85
2014	6,186,403	\$61,836	6,248,239	11,267,078	0.43%	192.38
2015	5,942,128	55,020	5,997,148	10,940,815	n/a	184.77

Notes : Debt amounts exclude any premiums, discounts, or other amortization amounts.
In August 2012, the series 2003 parking services bonds were refunded with series 2012 refunding bonds.

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, 2015

2012-13 Assessed Valuation:	\$10,894,048,902
Redevelopment Incremental Valuation:	<u>2,360,528,567</u>
Adjusted Assessed Valuation:	\$8,533,520,335

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
Marin Community College District	\$218,635,000	17.540%	\$38,348,579
San Rafael High School District	42,595,315	78.319%	33,360,225
Tamalpais Union High School District	132,610,000	0.080%	106,088
Dixie School District	20,335,810	66.291%	13,480,812
Ross School District	19,799,941	1.516%	300,167
Ross Valley School District	40,269,071	0.014%	5,638
San Rafael School District	50,234,835	83.604%	<u>42,073,575</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$127,675,084
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County Certificates of Participation	\$68,906,897	17.509%	\$12,064,909
Marin County Pension Obligations	103,195,000	17.509%	18,068,413
Marin County Transit District General Fund Obligations	150,627	17.509%	26,373
Marin Municipal Water District General Fund Obligations	122,544	22.432%	27,489
Marin Community College District Certification of Participation	2,600,834	17.540%	456,186
San Rafael School District Certificates of Participation	3,650,000	83.604%	3,051,546
City of San Rafael General Fund Obligations	8,609,376	100.000%	8,609,376 (2)
City of San Rafael Pension Obligations	4,490,000	100.000%	4,490,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$46,794,292
Less: City of San Rafael lease revenue bonds supported by parking revenues			5,997,148
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			40,797,144
 <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	 20,154,004	 100.000%	 20,154,004
 TOTAL GROSS DIRECT DEBT			 \$13,099,376
TOTAL NET DIRECT DEBT			\$7,102,228
TOTAL OVERLAPPING DEBT			\$181,524,004
 GROSS COMBINED TOTAL DEBT			 \$194,623,380 (3)
NET COMBINED TOTAL DEBT			\$188,626,232

(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 and \$508,687 PG&E notes.

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

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.17%
Total Gross Direct Debt (\$13,099,376)	0.12%
Total Net Direct Debt (\$7,102,228)	0.07%
Gross Combined Total Debt	1.79%
Net Combined Total Debt	1.73%

Ratios to Redevelopment Incremental Valuation (\$2,360,528,567):

Total Overlapping Tax Increment Debt	0.85%
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Source: MuniServices

**CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2015**

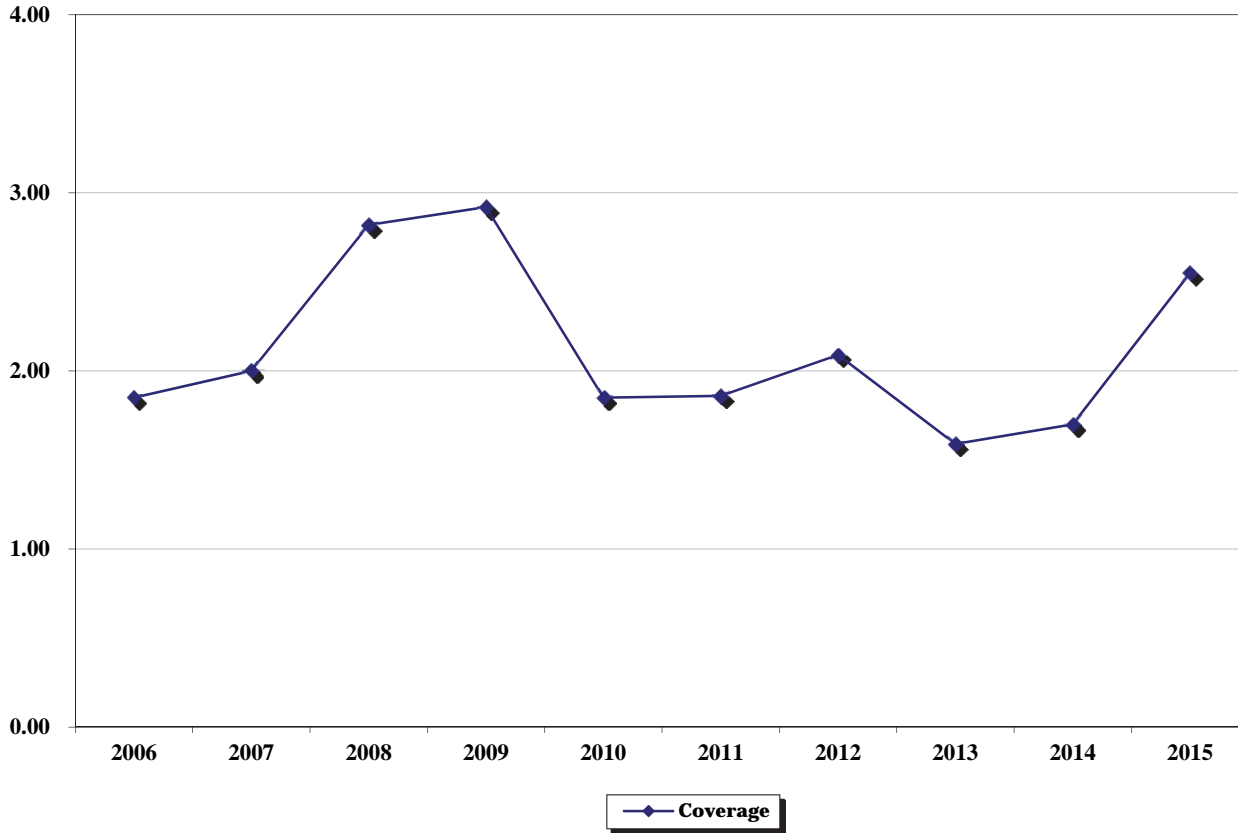
ASSESSED VALUATION:	\$10,894,048,902
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	408,526,834
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	4,943,667
LEGAL BONDED DEBT MARGIN	\$403,583,167

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
2006	\$311,727,085	\$42,585,548	\$269,141,537	15.82%
2007	337,021,287	41,963,145	295,058,142	14.22%
2008	357,440,434	39,703,435	317,736,999	12.50%
2009	376,420,238	37,210,608	339,209,630	10.97%
2010	381,164,135	36,023,646	345,140,489	10.44%
2011	376,057,576	38,150,819	337,906,757	11.29%
2012	378,920,952	4,659,000	374,261,952	1.24%
2013	374,950,995	4,659,000	370,291,995	1.26%
2014	388,010,886	5,018,839	382,992,047	1.31%
2015	408,526,834	4,943,667	403,583,167	1.22%

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: City of San Rafael's Finance Department

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



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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
2013	3,994,446	3,121,964	872,481	310,000	240,012	550,012	1.59
2014	4,489,769	3,716,552	773,217	245,000	210,063	455,063	1.70
2015	5,180,554	4,031,161	1,149,393	245,000	205,163	450,163	2.55

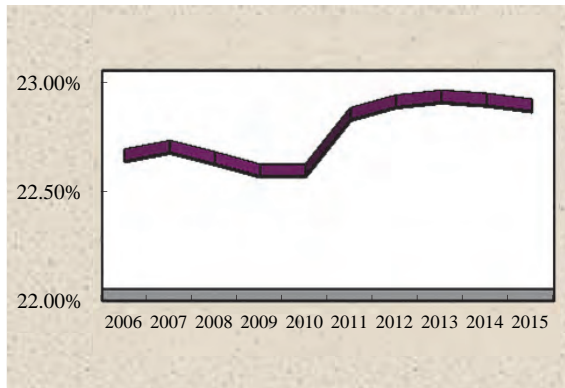
Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new parking facility. On August 12, 2012, the City Financing Authority refunded the series 2003 lease revenue bonds with series 2012 lease revenue refunding bonds to take advantage of lower interest rates.

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

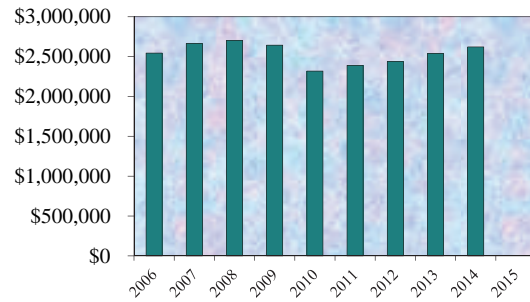
(2) Includes all Parking Facility Operating Expenses less Depreciation and Interest

Source: San Rafael Finance Department Revenue and Expenditure Status Reports

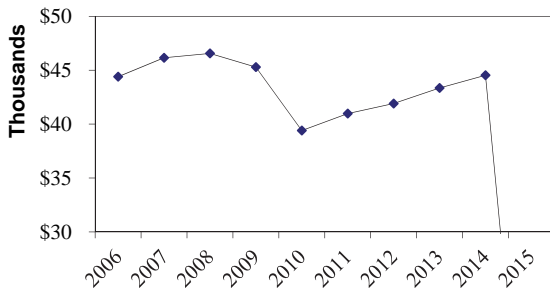
**CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



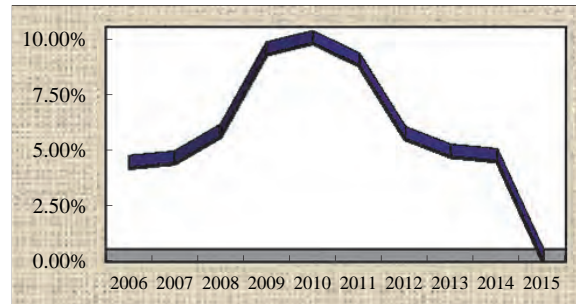
■ City Population as a % of County Population



■ Personal Income (2) (in thousands)



◆ Per Capita Personal Income (2)



■ Unemployment Rate (%)

<u>Fiscal Year</u>	<u>City Population (1)</u>	<u>Personal Income (2) (in thousands)</u>	<u>Per Capita Personal Income (2)</u>	<u>Average Unemployment Rate (3)</u>	<u>Marin County Population</u>	<u>City Population % of County</u>
2006	57,349	\$2,544,221	\$44,400	4.20%	253,341	22.64%
2007	58,047	2,663,922	46,152	4.40%	255,982	22.68%
2008	58,235	2,703,213	46,557	5.60%	257,406	22.62%
2009	58,363	2,642,978	45,288	9.30%	258,618	22.57%
2010	58,822	2,317,704	39,402	9.80%	260,651	22.57%
2011	58,136	2,389,222	40,978	8.80%	254,692	22.83%
2012	58,305	2,438,291	41,908	5.50%	254,790	22.88%
2013	58,182	2,538,895	43,351	4.70%	254,007	22.91%
2014	58,566	2,621,228	44,531	4.50%	255,846	22.89%
2015	59,214	n/a	n/a	n/a	258,972	22.87%

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) 2006-2009 Income Data--Demographic Estimates are based on the last available census. Projections are developed by incorporating all of the prior census data released to date.

2010 and later- Income - US Census Bureau, most recent American Community Survey

(3) Unemployment Data: California Employment Development Department

**CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2014-2015
LAST SEVEN CALENDAR YEARS**

Employer	2015*		2014*		2013*		2012*		2011*		2010*		2009*	
	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)
Kaiser Permanente	1,575	4.82%	1,637	5.26%	1,756	5.74%	1,803	6.68%	1,330	4.93%	1,311	4.88%	2,267	8.15%
Autodesk, Inc.	763	2.33%	1,095	3.52%	1,000	3.27%	878	3.25%	928	3.44%	1,028	3.83%	1,200	4.32%
Golden Gate Bridge Highway & Transp. Dist.	-	-	-	-	-	-	-	-	-	-	-	-	828	2.98%
San Rafael Elementary/High Schools Dist(s)	650	1.99%	600	1.93%	600	1.96%	600	2.22%	600	2.22%	600	2.23%	575	2.07%
City of San Rafael	581	1.78%	666	2.14%	643	2.10%	521	1.93%	592	2.19%	630	2.34%	633	2.28%
MHN	-	-	-	-	350	1.14%	350	1.30%	350	1.30%	350	1.30%	-	-
Dominican University of California	422	1.29%	354	1.14%	347	1.13%	346	1.28%	336	1.24%	370	1.38%	508	1.83%
Bradley Real Estate	418	1.28%	385	1.24%	369	1.21%	376	1.39%	350	1.30%	-	-	-	-
Macy's	380	1.16%	380	1.22%	380	1.24%	380	1.41%	450	1.67%	445	1.66%	-	-
Wells Fargo Bank	306	0.94%	308	0.99%	334	1.09%	-	-	-	-	-	-	-	-
Fair Issac Corp	300	0.92%	300	0.96%	-	-	-	-	-	-	-	-	350	1.26%
Community Action Marin	225	0.69%	300	0.96%	300	0.98%	-	-	-	-	-	-	-	-
Safeway	-	-	-	-	-	-	841	3.11%	452	1.67%	452	1.68%	-	-
Comcast	-	-	-	-	-	-	620	2.30%	619	2.29%	619	2.30%	-	-
Guide Dogs for the Blind	-	-	-	-	-	-	-	-	-	-	287	1.07%	-	-
YMCA	-	-	-	-	-	-	-	-	-	-	-	-	348	1.25%
San Rafael City High School District	-	-	-	-	-	-	-	-	-	-	-	-	250	0.90%
Ghilotti Bros.	-	-	-	-	-	-	-	-	-	-	-	-	240	0.86%
Totals	5,620	17.19%	6,025	19.37%	6,079	19.87%	6,715	24.87%	6,007	22.25%	6,092	22.67%	7,199	25.90%

- Number of employees
(A) percentage of total employment

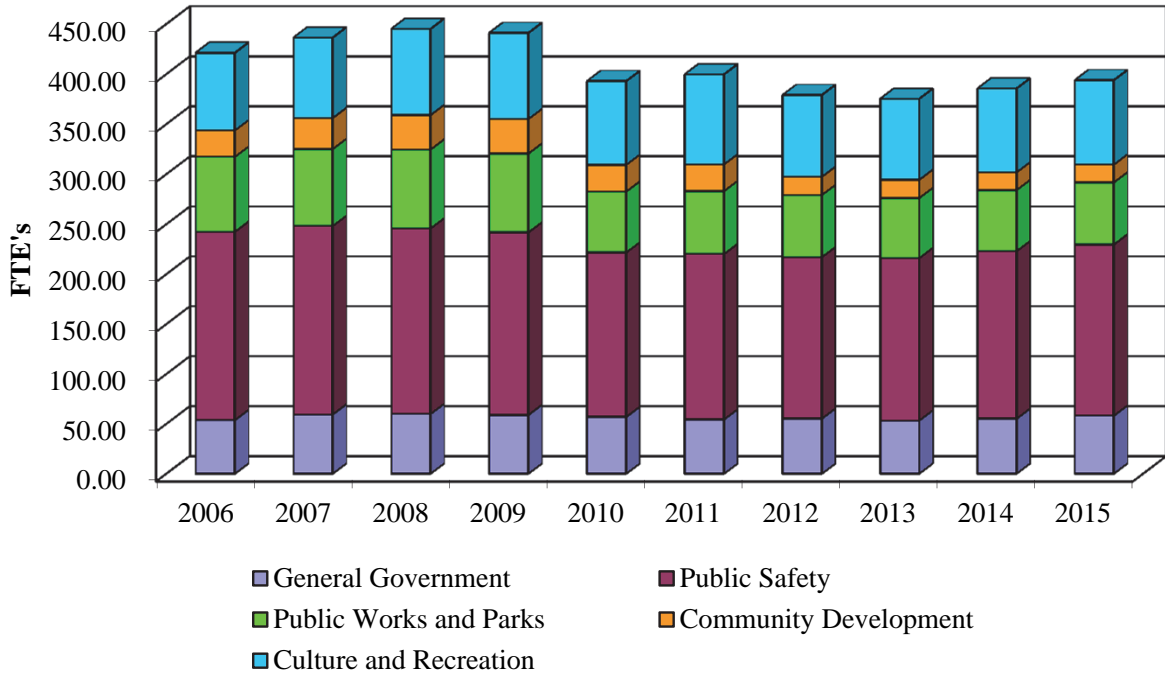
Note: Total employment in the City of San Rafael as of June 2015 was 32,700

*- The number of total employment for the City is available for the last seven fiscal years only.

Source: State of California, Employment Development Department, Labor Market Information Division
North Bay Business Journal, Annual Book of Lists



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



Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	53.71	59.38	59.88	58.88	56.88	54.35	55.23	53.23	55.11	58.11
Public Safety	188.86	189.00	186.00	183.00	165.00	166.00	162.00	163.00	168.00	171.75
Public Works and Parks	74.80	76.80	78.80	78.80	60.80	62.80	62.00	60.00	61.00	62.00
Community Development	26.43	31.00	34.50	34.50	26.75	26.75	18.25	18.25	17.80	17.80
Culture and Recreation	77.49	80.22	85.90	85.90	83.49	89.82	81.56	80.76	83.66	84.23
Total	421.29	436.40	445.08	441.08	392.92	399.72	379.04	375.24	385.57	393.89

Source: City of San Rafael's Finance Department

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

	2006	2007	2008	2009
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	N/A	143	217	196
Police:				
Police calls for service	N/A	43,480	43,488	42,227
Law violations:				
Part I crimes	N/A	2,557	2,314	2,352
Physical arrests (adult and juvenile)	N/A	3,809	4,182	4,487
Traffic violations	N/A	5,197	9,241	5,777
Parking violations	33,610	36,228	42,481	44,913
Public works				
Street resurfacing (miles) (Eng Div)	1.08	N/A	4.95	2.77
Potholes repaired (square miles)	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	N/A	N/A	N/A	N/A
Culture and recreation:				
Recreation class participants	8,000	8,000	8,000	8,000
Items in collection (thousands)				
Library:				
Items in collection (thousands)	123.12	124.46	N/A	124.40
Total items borrowed (thousands)	333.15	359.41	N/A	N/A

Note: N/A denotes information not available.

2010	2011	2012	2013	2014	2015
307	294	282	307	261	282
42,227	39,512	39,537	42,707	51,261	55,805
2,352	2,180	2,101	2,523	2,289	2,533
4,487	3,102	2,981	2,951	3,227	3,450
5,777	8,190	4,048	3,448	4,498	4,168
42,806	34,590	32,492	30,881	38,814	36,398
2.77	7.40	N/A	2.70	9.00	6.40
N/A	N/A	N/A	N/A	N/A	N/A
N/A	10,809	178.9	7,500	10,700	11,000
9,524	9,000	12,075	7,082	9,857	10,023
151.88	158.30	159.18	125.92	168.62	127.76
371.12	435.66	366.46	392.23	478.96	443.64

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

	2006	2007	2008	2009
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	19	19	20	20
City parks acreage	41	41	42	42
Playgrounds	13	13	14	14
City trails	15	20	20	20
Community gardens	1	1	1	1
Community centers	4	4	4	4
Senior centers	0	0	0	0
Sports centers	0	0	0	0
Performing arts centers	0	0	0	0
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Basketball Courts	5	5	5	5
Baseball/softball diamonds	5	5	5	5
Soccer/football fields	2	2	2	2
Library:				
City Libraries	1	1	1	2
Wastewater:				
Miles of sanitary sewers	179	179	179	179

(1) Source: City of San Rafael's Finance Department

2010	2011	2012	2013	2014	2015
6	6	6	6	6	6
1	1	1	1	1	1
173	173	173	173	173	173
4,435	4,435	4,435	4,435	4,435	4,435
89	89	89	89	89	89
20	20	20	20	20	20
42	42	42	42	42	42
14	14	14	14	14	14
20	20	20	20	20	20
1	1	1	1	1	1
4	4	4	4	4	4
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1	1	1	1	1	1
10	10	10	10	10	10
5	5	5	5	5	5
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
179	179	179	179	145	145

