

**CITY OF SAN RAFAEL
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

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CITY OF SAN RAFAEL, CALIFORNIA

Basic Financial Statements
For the Year Ended June 30, 2008

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Rafael as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the San Rafael Sanitation District (District), which represents 12% and 11% of the assets and revenues and 4% and 8% of liabilities and expenses of the reporting entity, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Rafael as of June 30, 2008 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

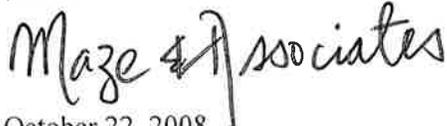
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008 on our consideration of the City of San Rafael's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 6 the City implemented the provisions of GASB Statement No. 48 Sales and Pledges of Receivables and Future Revenue and Intra-Entity Transfers of Assets and Future Revenues.

Management's Discussion and Analysis and Budget and Actual schedules for the General Fund, Traffic and Housing Mitigation Special Revenue Fund and Gas Tax Special Revenue Fund are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic statements of the City of San Rafael. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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


October 22, 2008

Management's Discussion and Analysis**Fiscal Year Ended June 30, 2008**

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, 2008. Please read it in conjunction with the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS**Government-Wide Highlights:**

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2008 by \$220.4 million. Of this amount, \$6.8 million was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Expense Activities - During the fiscal year the City's total revenues (\$94.0 million) exceeded expenses for governmental and business-type activities (\$93.0 million) by \$1.0 million. Excluding Depreciation (non-cash expense of \$7.1 million), collected revenues were \$8.1 million above expenses.

Changes in Net Assets - The City's total net assets increased by \$1.03 million in fiscal year 2008. Net assets of governmental activities increased by \$0.37 million, while net assets of the business type activities increased by \$.66 million.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$34.6 million, a decrease of \$4.9 million from the prior year. Of this total amount, \$19.8 million represents reserved fund balances and \$4.1 million is designated.

General Fund - The fund balance of the general fund on June 30, 2008 was \$6.2 million, an increase of \$0.3 million from the prior year. \$2.2 million was held in reserve, and \$4.0 million is designated to meet our 10% reserve requirement as defined by the City's Financial Management Policies.

Long-Term Debt:

The City's total outstanding debt decreased by \$2.4 million (5.0 percent) during the fiscal year, which reflects payment on redevelopment debt, court fine repayment note, and capitalized lease obligations.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Government-Wide Financial Statements

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

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

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

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

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

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

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

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

The government-wide financial statements can be found on pages 15 through 19 of this report.

Fund Financial Statements and Major Component Unit Financial Statements

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

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Further detail on the Non-major funds is presented on pages 71 through 96 of this report.

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

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

The City has twenty-eight governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major funds are - the General Fund, Redevelopment Agency Capital Projects, Gas Tax, and Traffic and Housing Mitigation. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 21 through 25 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 71 through 96 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Parking Services program. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, building maintenance, radio systems, telephone systems, personal computer replacement program, self-insurance for worker's compensation, dental, public liability, and employee benefits programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 27 through 30 of this report.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

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 31 through 60 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. One section includes budgetary comparison statements for the major funds (general, redevelopment agency capital project, gas tax, and traffic and housing mitigation). The other section is a schedule of funding progress for the Marin County Employees' Retirement System. All budgeted positions that are filled by either full-time or permanent part-time employees (working seventy-five percent of full time equivalent) are eligible to participate in this system. Required supplementary information can be found on pages 61 through 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the City's financial position. During this fiscal year, net assets of the City were \$220.4 million, which is an increase of \$1.0 million from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2007 and 2008.

	June 30, (Amounts in Millions)					
	Governmental Activities		Increase	Business-Type Activities		Increase
	2008	2007	(Decrease)	2008	2007	(Decrease)
Assets:						
Current assets	\$ 45.9	\$ 47.8	\$ (1.9)	\$ 2.7	\$ 2.5	\$ 0.2
Capital assets, net	214.9	213.7	1.2	17.3	17.0	0.3
Total assets	260.8	261.5	(0.7)	20.0	19.5	0.5
Liabilities:						
Current liabilities	10.1	9.1	1.0	0.3	0.3	-
Long-term liabilities	42.9	44.9	(2.0)	7.1	7.3	(0.2)
Total liabilities	53.0	54.0	(1.0)	7.4	7.6	(0.2)
Net Assets:						
Invested in capital assets, net of related debt	176.7	171.9	4.8	10.1	9.7	0.4
Restricted	26.8	31.1	(4.3)	-	-	-
Unrestricted	4.3	4.5	(0.2)	2.5	2.2	0.3
Total net assets	\$ 207.8	\$ 207.5	\$ 0.3	\$ 12.6	\$ 11.9	\$ 0.7

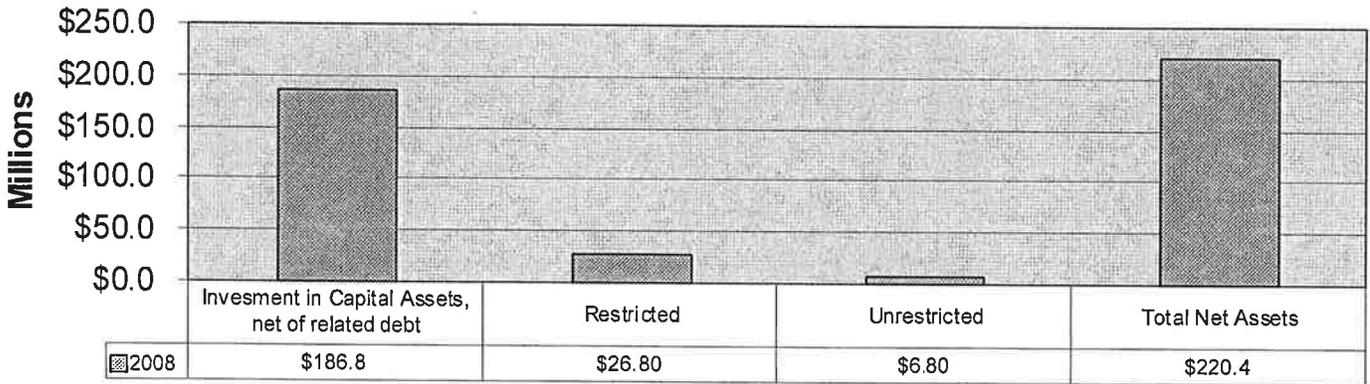
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

At June 30, 2008, the largest portion of net assets (84.8 percent) consists of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. The City uses these capital assets to provide services to citizens. The increase in total net assets from 2006-2007 to 2007-2008 is largely attributable to a netting of capital assets acquisition against depreciation expense for the year. Total depreciation for this current year was \$7.1 million, while capital asset acquisition totaled \$8.9 million, leaving a net increase of \$1.8 million.

The capital assets of the City are not sources of income for repayment of debt as most assets are not revenue generating and generally are not liquidated to repay debt. Therefore, debt service payments are funded from other sources available to the City. A portion of the City's net assets (12.2 percent) is subject to restrictions imposed by external parties and their use is determined by those restrictions and agreements. The remainder of net assets, \$6.8 million, may be used to meet the City's ongoing operations.

For the year ended June 30, 2008, the City reported positive balances in all three categories of net assets for governmental activities. Business-type activities reported positive net assets in capital and unrestricted net assets.

Net Assets



CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Statement of Activities

The following is the condensed Statement of Activities and Changes in Net Assets for the fiscal years ended June 30, 2008 and 2007:

	For the Fiscal Years Ended June 30,					
	(Amounts in Millions)					
	Governmental Activities		Increase	Business-Type Activities		Increase
	2008	2007	(Decrease)	2008	2007	(Decrease)
Revenues:						
Program revenues	\$ 26.9	\$ 24.7	\$ 2.2	\$ 4.2	\$ 3.2	\$ 1.0
General revenues	62.8	58.0	4.8	0.1	0.1	-
Total revenues	89.7	82.7	7.0	4.3	3.3	1.0
Expenses	89.7	83.5	6.2	3.3	3.1	0.2
Change in net assets before transfers	-	(0.8)	0.8	1.0	0.2	0.8
Transfers	0.3	0.2	\$ 0.1	(0.3)	(0.2)	\$ (0.1)
Net Assets:						
Beginning, as restated	207.5	208.1		11.9	11.9	
Ending	\$ 207.8	\$ 207.5		\$ 12.6	\$ 11.9	

Governmental Activities:

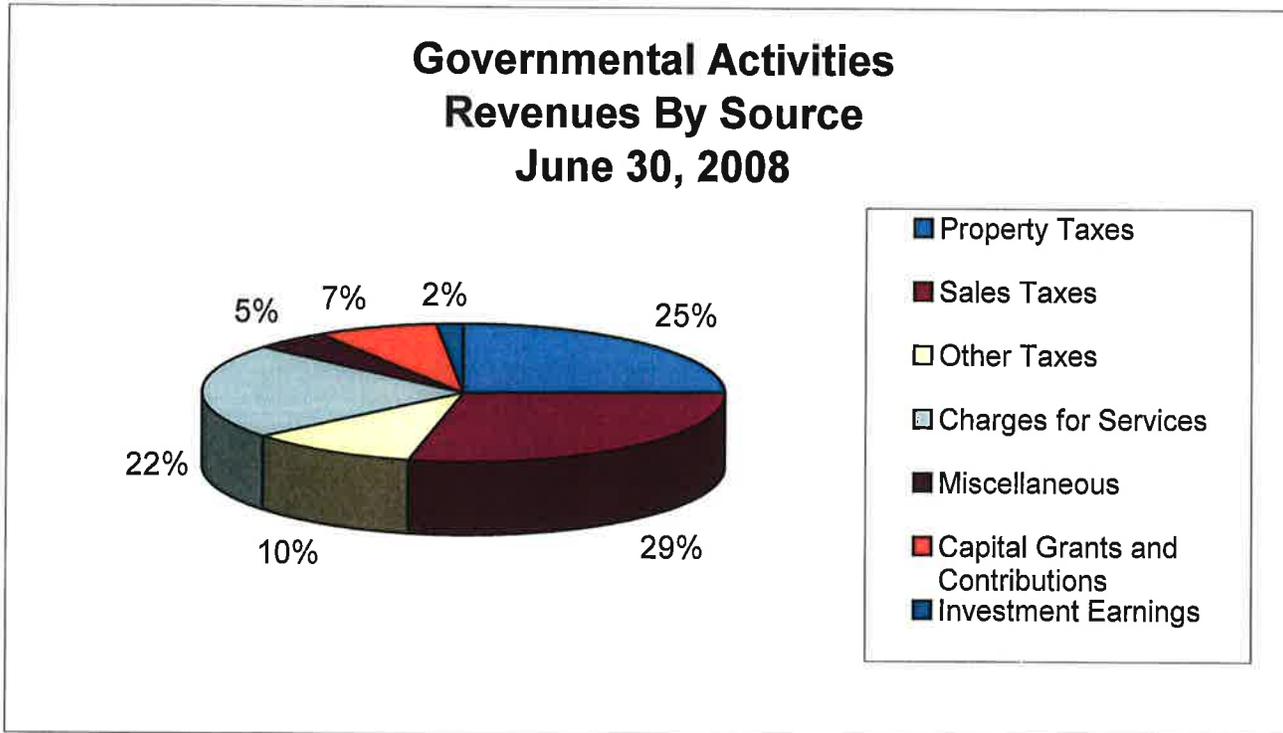
The City's governmental activities increased net assets by \$300,000, which represents a 0.1% increase from last year. Key elements of this change were as follows:

Revenue highlights:

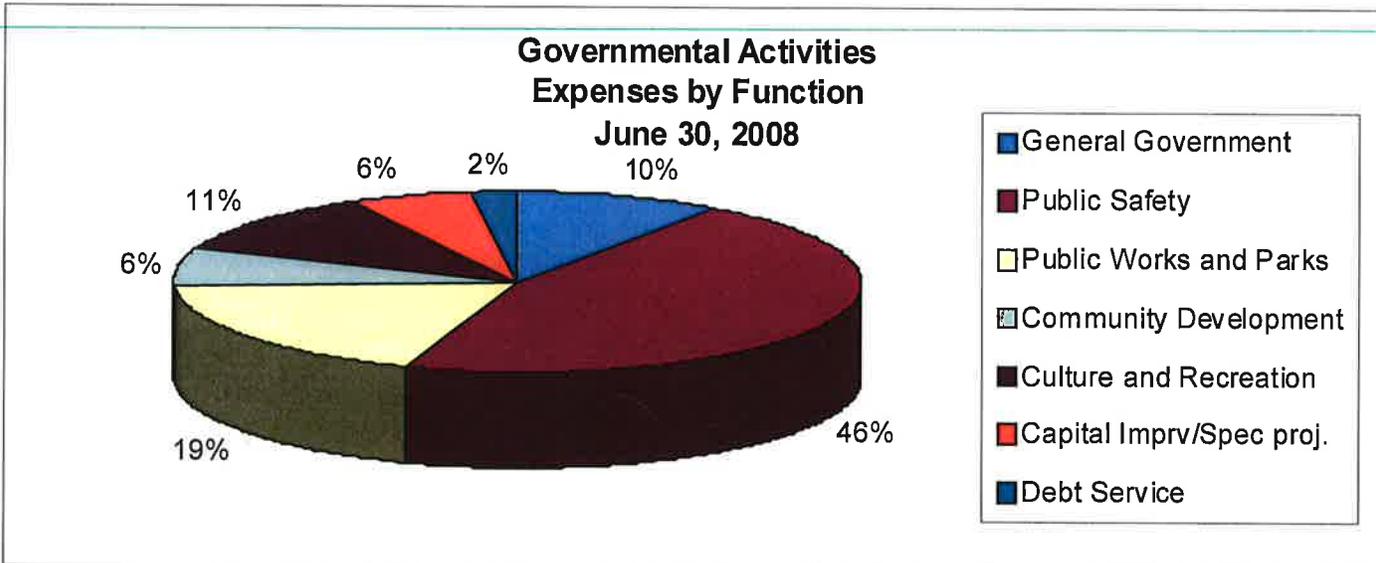
- Property Tax revenues increased by \$1.8 million or 9.0 percent in 2008. The increase includes \$934,000 for the SB418 settlement amount for excess Educational Revenue Augmentation Fund (ERAF).
- Sales tax increased by \$1.3 million or approximately 5.2 percent compared to fiscal year 2007. The increase in sales tax revenues includes an \$867,000 increase in the transaction and use tax revenue and a \$465,000 in the backfill amount received. Over all the sales tax remained relatively flat and is dependent on consumer retail and business related activity in the City.
- Motor vehicles revenues decreased by \$74,000 or 22 percent.
- Other Tax revenues increased by \$400,000 or approximately 4.7 percent compared to fiscal year 2007. The increases were primarily due to increases in franchise fees, which now include North San Rafael refuse area (\$105,000); increases in transient occupancy taxes (\$284,000) and increases in business license tax (\$16,000).

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

Governmental Activities - Revenues:



Governmental Activities - Expenses:



Total expenses for governmental activities were \$87.7 million (not including interest on long-term debt of \$2.0 million). Program revenues offset total expenditures as follows:

- Those who directly benefited from programs contributed \$20.2 million in charges for services.
- A total of \$3.2 million in capital projects was funded by outside agencies through capital grants and contributions.

CITY OF SAN RAFAEL

Management's Discussion and Analysis Fiscal Year Ended June 30, 2008

As a result, total expenses that were funded by tax revenues; investment income and other general revenues were \$60.8 million.

Functional expenses for the years ended June 30, 2008 were as follows:

Expenses by Function For the fiscal year ended June 30, 2008		
Function	Amount	Percent of Total
General Government	\$ 8,621,079	9.6%
Public Safety	40,845,347	45.5%
Public works and parks	16,981,276	18.9%
Community development	5,811,866	6.5%
Culture and recreation	10,300,230	11.5%
Capital Imprv / Spec Proj	5,124,091	5.7%
Interest on Debt	1,989,620	2.2%
Total Expenses	\$ 89,673,509	100.0%

Business-Type Activities:

Net assets for business-type activities were \$12.6 million, a \$0.7 million increase from the prior fiscal year. Parking services is the City's only business type activity and income is derived from program revenues of \$4.2 million. Program revenues include parking meter coin at \$1.3 million, and parking garage hourly parking at \$0.6 million. Revenues also include parking and non-vehicle code fines totaling \$1.7 million and \$0.3 million for garage parking permits. Total expenses for parking services were \$3.3 million during fiscal year 2007-2008.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial capacity. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34.6 million. Approximately, \$14.8 million of this amount constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been legally committed.

General Fund - The General Fund is the primary operating fund of the city.

At the end of the current fiscal year, unreserved fund balance of the general fund was \$4.0 million, while total fund balance reached \$6.2 million. \$4.0 million is held as part of the 10 percent designated unreserved for emergencies and cash flow cycles as defined in San Rafael's Financial Management Policies. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6.6 percent of total general fund expenditures including transfers out, while total fund balance represents 10.2 percent of that same amount.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

The available fund balance in the City's General Fund increased by \$0.3 million compared to the 2007 fiscal year. This increase resulted from:

- One-time allocation for the settlement amount from SB418 received from the County of Marin for the amount withheld from the excess Educational Revenue Augmentation Fund.
- Reimbursements received from FEMA and the State OES for the 2005-2006 winter storms.
- Expenditures increased with personnel costs mainly benefit costs leading the way.

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

The Redevelopment Agency Capital Project Fund was established to account for capital improvement projects related to the various redevelopment areas. At the end of fiscal year 2008, the reserved fund balance was \$5.9 million, a decrease of \$3.0 million from the prior year. Expenditures exceeded revenues by \$3.0 million. The increase is primarily related to increased expenditures for capital improvement projects. A total of \$5.3 million in fund balance as of June 30, 2008 was reserved for future capital project and housing programs.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As discussed in the business-type activities previously, the City's net assets increased by \$0.7 million as a result of operations in the Parking Services fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended budget totaled \$56.2 million, including an increase of \$1,884,593 in appropriations to the originally adopted budget. The amendments can be briefly summarized as follows:

1. Increases in the following budgets:

○ General Government	\$ 491,502
○ Public Safety	968,443
○ Public Works and Parks	81,526
○ Community Development/Redevelopment	110,908
○ Culture and Recreation	17,453
○ Capital Improvement/Special Projects	214,761

During the year, however, revenues exceeded budgetary estimates and expenditures did not exceed the final budgetary estimate. Overall, revenues exceeded expenditures by \$4.3 million. The transfers out exceeded the transfers in by \$4.0 million.

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

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, 2008 amounts to \$232.1 million, net of accumulated depreciation of \$106.5 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total additions to the City's investment in capital assets for the current fiscal year was \$7.7 million, offset by accumulated depreciation and retirements of \$6.8 million, thereby equaling a net increase of \$0.9 million.

Major capital asset additions during the current fiscal included work in process Medway Canal Intersection Improvements, Medway/Canal Rule 20B Underground, and 4th Street Rehabilitation-West End. The City also purchased twenty-seven vehicles, which included two ambulances and a Type III fire engine.

Capital Projects

- The Library HVAC and Window Replacement project was completed in 2008.
- Sun Valley ADA Compliance

Additional information on the City's capital assets can be found in Note 5 on pages 45 through 47 of this report.

Debt Administration

As of June 30, 2008, the City had outstanding debt issues as listed below. Not included in the following table is the Community Facilities District No.1 Special Tax Bond, which is backed by property tax levies against property owners. The City has no obligation for these bonds. Certain specific revenues back each of the City's other bonds or General Fund lease payments and carry respectable ratings. The City's long-term obligations for the fiscal years 2008 and 2007 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue Bonds	\$ 0.8	\$ 1.0	\$ 7.1	\$ 7.3	\$ 7.9	\$ 8.3
Special Assessment Bonds	-	-	-	-	-	-
Tax Allocation Bonds	37.5	39.2	-	-	37.5	39.2
Court Fine Promissory note	0.8	1.0	-	-	0.8	1.0
Redevelopment note	0.2	0.2	-	-	0.2	0.2
Capitalized Leases	0.4	0.6	-	-	0.4	0.6
Compensated Absences	4.6	4.5	-	-	4.6	4.5
Total Outstanding Debt	\$ 44.3	\$ 46.5	\$ 7.1	\$ 7.3	\$ 51.4	\$ 53.8

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2008

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

Many factors were considered in preparing the City's budget for fiscal year 2008-2009. In July, the budget was balanced with strategic remedies like freezing six positions, reducing reserves for liability and workers compensation funds, and using one-time sources of funding from the Library's Transaction Based Revenues. The magnitude and depth of the current recession could not be harnessed for the rest of the fiscal year. This downturn in the economy impacts many City revenues. Our sales tax, the City's biggest tax revenue generator, faces a decline of seven percent with no relief in sight. Other revenues affected by the economic downturn include the transient occupancy tax (also known as a hotel tax) with approximately a six percent decline since July's adopted budget. The credit crisis instigated a slow down in the sale of property causing a reduction in the City's property transfer tax.

The City's second largest tax generator is property tax. Although property sales are not as strong as in previous years, the assessed values of the properties rose slightly. We have included a 4 percent growth in property tax revenues for fiscal year 2008-2009.

In November of 2006, the citizens of San Rafael, CSA #13, CSA #19, and Marinwood passed Measure P, which raised the tax rate cap to \$85 per residential living units and \$0.11 per non-residential building square footage. To cover the proposed costs in the Paramedic Fund for fiscal year 2008-09, we raised the rates to \$77 per residential living unit and to \$.0960 per non-residential building square foot.

The City's largest expenditure by far relates personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. Except for known increases in contractual obligations, the Fiscal Year 2007-2008 baseline operating cost levels were maintained for Fiscal Year 2008-2009. Unfortunately, the City's revenues are not keeping up with the City's expenditures. Difficult decisions will be made in the coming months in order to achieve and maintain a balanced budget.

REQUEST FOR INFORMATION

This financial report is designed to provide our residents, businesses, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for providing high quality services within the limits of our fiscal resources. If you have questions about this report or need additional financial information, contact the City of San Rafael - Finance Department, 1400 Fifth Avenue, Room 204, San Rafael, California 94901.

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CITY OF SAN RAFAEL

**STATEMENT OF NET ASSETS AND
STATEMENT OF ACTIVITIES**

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

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

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

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

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

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

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

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CITY OF SAN RAFAEL
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$33,351,818	\$2,695,555	\$36,047,373	\$9,537,550
Restricted cash and investments (Note 2)	2,329,615	55	2,329,670	482,015
Receivables:				
Accounts	2,416,166	42,705	2,458,871	107,173
Taxes	4,740,493		4,740,493	
Grants	1,451,440		1,451,440	
Interest	308,791		308,791	3,714
Loans (Note 4)	1,297,317		1,297,317	
Internal balances (Note 3)	(21,865)	21,865		
Prepaid expenses and other	64,742		64,742	59,210
Capital assets (Note 5):				
Nondepreciable	86,367,316	8,743,714	95,111,030	251,394
Depreciable, net	128,490,354	8,526,615	137,016,969	26,403,000
Total Assets	260,796,187	20,030,509	280,826,696	36,844,056
LIABILITIES				
Accounts payable	3,478,247	68,440	3,546,687	182,835
Deposits payable	44,945		44,945	
Interest payable	326,921	82,904	409,825	39,646
Developer bonds payable	376,548		376,548	
Arbitrage payable	25,127		25,127	
Unearned revenue	235,101		235,101	
Claims payable (Note 13):				
Due in one year	2,284,387		2,284,387	
Due in more than one year	1,975,742		1,975,742	
Compensated absences (Note 1J):				
Due in one year	760,716	11,917	772,633	
Due in more than one year	3,737,361	125,802	3,863,163	
Long-term debt (Note 6):				
Due in one year	2,569,318	165,000	2,734,318	410,000
Due in more than one year	37,134,117	6,975,000	44,109,117	1,723,765
Total Liabilities	52,948,530	7,429,063	60,377,593	2,356,246
NET ASSETS (Note 8)				
Invested in capital assets, net of related debt	176,724,820	10,130,329	186,855,149	24,546,262
Restricted for:				
Special revenue projects	13,744,048		13,744,048	
Capital projects	4,359,953		4,359,953	
Debt service	2,818,762		2,818,762	446,083
Redevelopment projects	5,926,137		5,926,137	
Total Restricted Net Assets	26,848,900		26,848,900	446,083
Unrestricted	4,273,937	2,471,117	6,745,054	9,495,465
Total Net Assets	\$207,847,657	\$12,601,446	\$220,449,103	\$34,487,810

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$8,621,079	\$1,494,784	\$666,040	
Public safety	40,845,347	5,562,072	799,121	
Public works and parks	16,981,276	4,983,288	1,078,093	\$2,833,144
Community development / redevelopment	5,811,866	3,247,024		406,365
Culture and recreation	10,300,230	4,870,884	920,362	
Capital improvements / special projects	5,124,091			
Interest on long-term debt	1,989,620			
Total Governmental Activities	<u>89,673,509</u>	<u>20,158,052</u>	<u>3,463,616</u>	<u>3,239,509</u>
Business-type Activities				
Parking services	<u>3,282,235</u>	<u>4,161,936</u>		
Total Business-type Activities	<u>3,282,235</u>	<u>4,161,936</u>		
Total Primary Government	<u>\$92,955,744</u>	<u>\$24,319,988</u>	<u>\$3,463,616</u>	<u>\$3,239,509</u>
Component Unit				
San Rafael Sanitation District	<u>\$8,090,636</u>	<u>\$9,366,305</u>		

General revenues:

Taxes:

Property taxes
Sales taxes
Special assessments
Motor vehicles
Other

Investment earnings
Miscellaneous

Aid from other governmental agencies

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets, beginning of year

Net Assets, end of year

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	San Rafael Sanitation District
(\$6,460,255)		(\$6,460,255)	
(34,484,154)		(34,484,154)	
(8,086,751)		(8,086,751)	
(2,158,477)		(2,158,477)	
(4,508,984)		(4,508,984)	
(5,124,091)		(5,124,091)	
(1,989,620)		(1,989,620)	
<u>(62,812,332)</u>		<u>(62,812,332)</u>	
	\$879,701	879,701	
	<u>879,701</u>	<u>879,701</u>	
<u>(62,812,332)</u>	<u>879,701</u>	<u>(61,932,631)</u>	
			<u>\$1,275,669</u>
22,195,606		22,195,606	803,071
25,764,457		25,764,457	
3,503,555 (P)		3,503,555	
257,320 (P)		257,320	
9,242,241 ✓		9,242,241	
1,583,056 ✓	121,486	1,704,542	341,032
296,454 (I)		296,454	3,546
			577,860
<u>344,080</u>	<u>(344,080)</u>		
<u>63,186,769</u>	<u>(222,594)</u>	<u>62,964,175</u>	<u>1,725,509</u>
374,437	657,107	1,031,544	3,001,178
<u>207,473,220</u>	<u>11,944,339</u>	<u>219,417,559</u>	<u>31,486,632</u>
<u>\$207,847,657</u>	<u>\$12,601,446</u>	<u>\$220,449,103</u>	<u>\$34,487,810</u>

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FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City in fiscal 2008. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

TRAFFIC AND HOUSING MITIGATION FUND

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

GAS TAX FUND

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

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

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

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	001 General	243 = 248 Traffic and Housing Mitigation	206 Gas Tax	450 : 480 Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments available for operations (Note 2)	\$824,055	\$9,816,172	\$2,541,924	\$4,202,285	\$10,441,460	\$27,825,896
Restricted cash and investments (Note 2)	73,273			1,594,297	662,045	2,329,615
Receivables:						
Accounts	277,511		33,464	48,307	806,556	1,165,838
Taxes	4,365,440		353,850	3,106	18,097	4,740,493
Grants			108,272	961,905	381,263	1,451,440
Interest	285,703			23,088		308,791
Loans (Note 4)	632,316	71,429		593,572		1,297,317
Due from other funds (Note 3A)	952,072					952,072
Prepaid expenses	55,859				1,426	57,285
Total Assets	\$7,466,229	\$9,887,601	\$3,037,510	\$7,426,560	\$12,310,847	\$40,128,744
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$866,126		\$896,508	\$488,391	\$1,153,864	\$3,404,889
Deposits payable	31,290	\$13,655				44,945
Developer bonds payable	350,048			25,000	1,500	376,548
Arbitrage payable				25,127		25,127
Due to other funds (Note 3A)					497,323	497,323
Deferred revenue				961,905	235,101	1,197,006
Total Liabilities	1,247,464	13,655	896,508	1,500,423	1,887,788	5,545,833
Fund Balances (Note 8):						
Reserved for:						
Encumbrances	181,589					181,589
Petty cash	3,795					3,795
Project development	433,202					433,202
Loans receivable	632,316	71,429		593,572		1,297,317
Prepaid expense	55,859					57,285
Debt service					753,444	753,444
Court fine audit	816,119					816,119
Assessment districts/open space	73,273					73,273
Improvement projects				3,999,263		3,999,263
Traffic and housing		9,802,517		2,377,491		12,180,008
Unreserved, designated:						
Emergency and cash flow	4,078,471					4,078,471
Unreserved, undesignated	(55,859)		2,141,002	(1,044,189)	9,668,189	10,709,143
Total Fund Balances	6,218,765	9,873,946	2,141,002	5,926,137	10,423,059	34,582,900
Total Liabilities and Fund Balances	\$7,466,229	\$9,887,601	\$3,037,510	\$7,426,560	\$12,310,847	\$40,128,744

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
 GOVERNMENTAL FUNDS
 BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
 FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet	\$34,582,909
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds because of the following:</p>	
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.</p>	214,857,670
<p>Internal service funds are used by management to charge the cost of management of communication, telephone, building, fleet maintenance, equipment replacement, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Assets.</p>	1,973,606
<p>Interest payable on long-term debt does not require the use of current financial resources and, therefore, are not reported in the Governmental Funds.</p>	(326,921)
<p>Revenues that are deferred because they are not available currently are taken into revenue in the Statement of Activities.</p>	961,905
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.</p>	(39,703,435)
<p>Long-term compensated absences</p>	<u>(4,498,077)</u>
<p>Net assets of governmental activities</p>	<u><u>\$207,847,657</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, 2008

	General	Traffic and Housing Mitigation	Gas Tax	Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and special assessments	\$48,084,486			\$964,526	\$7,080,183	\$56,129,195
Licenses and permits	1,489,748					1,489,748
Fines and forfeitures	796,081				1,000	797,081
Use of money and property	224,439	\$437,122	\$84,377	318,957	519,613	1,584,508
Intergovernmental	7,246,381		2,638,429	377,365	1,819,793	12,081,968
Charges for services	2,203,852	707,034	762,609	22,356	11,911,609	15,607,460
Other revenue	269,656		40,582	40,522	464,944	815,704
Total Revenues	60,314,643	1,144,156	3,525,997	1,723,726	21,797,142	88,505,664
EXPENDITURES						
Current:						
General government	7,023,660			31,317	1,233,193	8,288,170
Public safety	34,435,419				5,864,443	40,299,862
Public works and parks	7,602,332	68,763	107,315	137,530	5,725,725	13,641,665
Community development / redevelopment	3,705,928	698,472		1,382,261		5,786,661
Culture and recreation	2,292,848				7,527,517	9,820,365
Capital outlay	264,919	317,721	1,403,105	2,818,072	1,439,700	6,243,517
Capital improvement / special projects	484,926	19,720	1,874,605	401,594	2,343,246	5,124,091
Debt service:						
Principal	213,598				2,290,772	2,504,370
Interest and fiscal charges					1,776,354	1,776,354
Total Expenditures	56,023,630	1,104,676	3,385,025	4,770,774	28,200,950	93,485,055
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,291,013	39,480	140,972	(3,047,048)	(6,403,808)	(4,979,391)
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 3B)	933,760		268,061	31,000	5,120,395	6,353,216
Transfers out (Note 3B)	(4,928,005)	(100,000)	(384,189)		(916,942)	(6,329,136)
Total Other Financing Sources (Uses)	(3,994,245)	(100,000)	(116,128)	31,000	4,203,453	24,080
Net Change in Fund Balances	296,768	(60,520)	24,844	(3,016,048)	(2,200,355)	(4,955,311)
FUND BALANCES, BEGINNING OF YEAR	5,921,997	9,934,466	2,116,158	8,942,185	12,623,414	39,538,220
FUND BALANCES, END OF YEAR	\$6,218,765	\$9,873,946	\$2,141,002	\$5,926,137	\$10,423,059	\$34,582,909

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, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$4,955,311)

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.

Expenditures for capital assets are added back to fund balance	7,953,819
Current year depreciation is deducted from fund balance	(6,819,601)

Long-Term Debt Proceeds and Payments

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	2,504,370
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Bond interest accretion is deducted from fund balance	(209,660)
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Accrual of Non-Current Items

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

Interest payable	(3,606)
Compensated absences	(233,590)
Deferred revenue	961,905

Allocation of Internal Service Fund Activity

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.	1,176,111
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\$374,437

See accompanying notes to financial statements

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MAJOR PROPRIETARY FUNDS

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

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

PARKING SERVICES FUND

Established to maintain parking garages, lots and spaces in the Downtown Parking District (established over 40 years ago), and to pay for parking enforcement, meter collection, and downtown office services.

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$2,695,555	\$5,525,922
Restricted cash and investments (Note 2)	55	
Accounts receivable	42,705	1,250,328
Prepays and deposit		7,457
Total Current Assets	2,738,315	6,783,707
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,743,714	
Depreciable, net	8,526,615	
Total Noncurrent Assets	17,270,329	
Total Assets	20,008,644	6,783,707
LIABILITIES		
Current Liabilities:		
Accounts payable	68,440	73,358
Interest payable	82,904	
Due to other funds (Note 3A)		454,749
Claims payable, due in one year (Note 13)		2,284,387
Compensated absences, due in one year (Note 1J)	11,917	
Long-term debt, due in one year (Note 6)	165,000	
Total Current Liabilities	328,261	2,812,494
Noncurrent Liabilities:		
Claims payable (Note 13)		1,975,742
Compensated absences (Note 1J)	125,802	
Long-term debt (Note 6)	6,975,000	
Total Noncurrent Liabilities	7,100,802	1,975,742
Total Liabilities	7,429,063	4,788,236
NET ASSETS (Note 8)		
Invested in capital assets, net of related debt	10,295,329	
Unrestricted	2,284,252	1,995,471
Total Net Assets	12,579,581	\$1,995,471
Some amounts reported for <i>business-type activities</i> in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with <i>business-type</i> activities.	21,865	
Net assets <i>business-type activities</i>	\$12,601,446	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$2,229,615	\$5,346,965
Other operating revenues	1,932,321	1,876,037
Total Operating Revenues	4,161,936	7,223,002
OPERATING EXPENSES		
Personnel	1,929,825	
Insurance premiums and claims		5,617,670
Maintenance and repairs	49,668	391,625
Depreciation	289,845	
General and administrative	733,079	538,495
Total Operating Expenses	3,002,417	6,547,790
Operating Income (Loss)	1,159,519	675,212
NONOPERATING REVENUES (EXPENSES)		
Investment income	121,486	236,297
Interest expense	(335,216)	
Total Nonoperating Revenues (Expenses)	(213,730)	236,297
Income (Loss) Before Transfers	945,789	911,509
Transfers in (Note 3B)		350,000
Transfers out (Note 3B)	(344,080)	(30,000)
Change in Net Assets	601,709	1,231,509
NET ASSETS, BEGINNING OF YEAR	11,977,872	763,962
NET ASSETS, END OF YEAR	12,579,581	\$1,995,471
Change in Net Assets	601,709	
Some amounts reported for <i>business-type activities</i> in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.	55,398	
Change in Net Assets of Business-type Activities	\$657,107	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities - Enterprise Funds	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$2,229,115	\$5,163,153
Cash payments to suppliers for goods and services	(64,099)	(6,801,064)
Cash payments to employees	(2,650,979)	
Other operating revenues	1,920,265	1,876,037
Cash Flows from Operating Activities	1,434,302	238,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund payments	(344,080)	171,858
Cash Flows from Noncapital Financing Activities	(344,080)	171,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for capital acquisitions	(542,673)	
Principal payments on certificates of participation	(160,000)	
Interest expenses and fiscal charges	(336,416)	
Cash Flows from Capital and Related Financing Activities	(1,039,089)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	121,486	236,297
Cash Flows from Investing Activities	121,486	236,297
NET ASSETS, BEGINNING OF YEAR	172,619	646,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,522,991	4,879,641
CASH AND CASH EQUIVALENTS, END OF YEAR	\$2,695,610	\$5,525,922
FUND BALANCES, BEGINNING OF YEAR		
provided by operating activities:		
Operating income (loss)	\$1,159,519	\$675,212
Adjustments to reconcile operating income (loss) to cash flows from operating activities:		
Depreciation	289,845	
Net change in assets and liabilities:		
Accounts receivable	(12,056)	(183,812)
Prepays and deposits		(7,457)
Accounts payable	(14,431)	52,235
Deposits payable	(500)	
Compensated absence obligations	11,925	
Claims payable		(298,052)
Net Cash Provided by (Used in) Operating Activities	\$1,434,302	\$238,126

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Financial Reporting Entity*

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

B. *Description of Blended Component Units*

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

San Rafael Redevelopment Agency – The San Rafael Redevelopment Agency (Agency) was established under the provisions of the Community Redevelopment Law (California Health and Safety Code, commencing with Section 33000) primarily to assist in the clearance and rehabilitation of areas determined to be in a declining condition in the City. Financial activity of the Agency commenced in July 1983. Under the Agency's Redevelopment Plan (Plan), approved in November 1982, the Agency is to assist in the development of the property located in the central San Rafael business core and east San Rafael. The Agency receives incremental tax revenues on the developed property due to increases in assessed value. The Agency functions as an independent entity. The City Council serves as the governing board of the Agency.

The Agency's assets, liabilities, revenues and expenditures (other than those applicable to its capital assets and long-term debt) are reported in the Fund Financial Statements. The Agency's capital assets and long-term debt are reported with the Governmental Activities in the Government-Wide Financial Statements.

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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C. Description of Discretely Presented Component Unit

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

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

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

D. Basis of Presentation

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Major Funds

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

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

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

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

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

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

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

Parking Services Fund – Established to maintain parking garages, lots and spaces in the Downtown Parking District (established over 40 years ago), and to pay for parking enforcement, meter collection, and downtown officer services.

The City also reports the following fund types:

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Basis of Accounting

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

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

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

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

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budgets, Budgetary Accounting, And Encumbrances

The City adopts a budget on a biannual basis, to be effective July 1 for the ensuing and subsequent fiscal years. The two year budget reflects estimated revenues and expenditures for each fiscal year. From the effective date of the budget, which is adopted at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year. Expenditures may not exceed appropriations at the departmental level, which is the legal level of control. The City Manager is authorized to transfer budgeted amounts between accounts, departments or funds; the Council must approve any increase in the City's total budget. Several supplemental appropriations were approved during the course of the year.

The City legally adopts budgets for all its governmental funds, except for the East Francisco Boulevard Assessment District, 1915 Act Bonds and 1997 Reassessment Bonds debt service funds, because the City is only required to make debt service payments in the event of bondholder default.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. Encumbrances outstanding at year end are reported as a reservation of fund balances since they do not constitute expenditures or liabilities and are carried forward in the subsequent year's budget. All unencumbered appropriations lapse at year end.

The following departments incurred expenditures in excess of their budgets:

General Government	
Redevelopment Agency Capital Projects Fund	\$2,727
Grants Special Revenue Fund	81
Telephone Replacement Capital Projects Fund	36,600
Public Safety	
Public Safety Special Revenue Fund	17,383
Public Works and Parks	
Traffic and Housing Mitigation Special Revenue Fund	2,313
Baypoint Lagoon Assessment District Special Revenue Fund	386
Street Maintenance and Cleaning Special Revenue Fund	54,280
Loch Lomond Assessment District Special Revenue Fund	54
Development Services Special Revenue Fund	602
Community Development/Redevelopment	
General Fund	115,221
Culture and Recreation	
General Fund	58,761
Recreation Revolving Special Revenue Fund	258,220
Childcare Special Revenue Fund	211,335
	<u>\$757,963</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash Equivalents

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

I. Capital Assets

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

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

The 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.

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

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

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

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

J. Compensated Absences

Compensated absences are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. After five to twenty years of employment, one half of accumulated sick leave becomes vested, up to a maximum amount as specified under labor contract provisions. The vested portion is available for current use or, if unused, is payable at termination or retirement.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,355,720	\$125,794	\$4,481,514
Additions	3,880,151	97,318	3,977,469
Payments	(3,737,794)	(85,393)	(3,823,187)
Ending Balance	<u>\$4,498,077</u>	<u>\$137,719</u>	<u>\$4,635,796</u>
Current Portion	<u>\$760,716</u>	<u>\$11,917</u>	<u>\$772,633</u>

K. Property Tax Levy, Collection and Maximum Rates

State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts. Marin County assesses properties, bills for and collects property taxes on the schedule that follows:

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

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

Property taxes are levied and recorded as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and the County of Marin. The Teeter Plan authorized the auditor-controller of the County of Marin to allocate 100% of the secured property taxes billed, but not yet paid. The County of Marin remits tax monies to the City in three installments, as follows:

- 55 % remitted on December 15
- 40% remitted on April 15
- 5% remitted on June 15

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

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

NOTE 2 - CASH AND INVESTMENTS

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

A. Policies

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2008 are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Financial Statement Presentation:

Statement of Net Assets:

City of San Rafael:

Cash and investments available for operations	\$36,047,373
Restricted cash and investments	<u>2,329,670</u>
 Total Primary Government Cash and Investments	 <u>38,377,043</u>

San Rafael Sanitation District:

Cash and investments available for operations	9,537,550
Restricted cash and investments	<u>482,015</u>
 Total San Rafael Sanitation District Cash and Investments	 <u>10,019,565</u>
 Total Cash and Investments	 <u>\$48,396,608</u>

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

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City of San Rafael Sanitation District adopted the investments policy of the Treasurer and Tax Collector of the County of the Marin. Accordingly, the District, following the County, may invest in U.S. Treasury and agency securities, commercial paper, banker's acceptances, time deposits, repurchases agreements, and the State of California LAIF. The district, additionally, may invest in the Marin County Investment Pool. At year-end, the District's investments were in compliance with the above provisions.

D. Investments Authorized by Debt Agreements

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	N/A	N/A	No Limit
U.S. Agency Securities	3 years	N/A	No Limit
Bankers' Acceptances	360 days	Category Highest Rating	No Limit
Money Market Funds	N/A	Category Highest Rating	No Limit
Commercial Paper	270 days	Category Highest Rating	No Limit
Guaranteed Investment Contracts (fully collateralized) (A)	N/A	Category Highest Rating	No Limit
Municipal Obligations	N/A	Two Highest Category Ratings	No Limit

(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, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

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

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

Type of Investment	12 Months or Less	13 to 24 Months	25 to 60 Months	Total
City:				
U.S. Treasury Bill	\$1,009,258	\$1,033,163		\$2,042,421
U.S. Federal Agency Securities	1,015,625	1,513,039	\$4,090,590	6,619,254
Money Market Mutual Funds	2,329,670			2,329,670
Local Agency Investment Fund	25,266,945			25,266,945
Corporation Notes			509,615	509,615
Total Investments	<u><u>\$29,621,498</u></u>	<u><u>\$2,546,202</u></u>	<u><u>\$4,600,205</u></u>	36,767,905
<i>Cash in banks and on hand</i>				<u>1,609,138</u>
Total City Cash and Investments				<u>38,377,043</u>
San Rafael Sanitation District:				
<i>Cash in banks and short-term pooled investments</i>				10,019,565
Total District's Cash and Investments				<u>10,019,565</u>
Total Cash and Investments				<u><u>\$48,396,608</u></u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2008, these investments matured in an average of 212 days.

Money Market Mutual Funds are available for withdrawal on demand and at June 30, 2008 matured in an average of 7 to 55 days.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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, 2008 for each of the Primary Government's investment types as provided by Standard and Poor's or Fitch investment rating systems, except as noted:

Type of Investment	Aaa/AAA	Total
City:		
U.S. Federal Agency Securities	\$6,619,254	
Money Market Mutual Funds	2,329,670	
Corporation Notes	509,615	\$9,458,539
Not rated:		
U.S. Treasury Bill		2,042,421
Local Agency Investment Fund		25,266,945
Cash in banks and on hand		1,609,138
Total City Cash and Investments		38,377,043
 San Rafael Sanitation District:		
Not rated:		
Cash in banks and short-term pooled investments	\$10,019,565	
Total District's Cash and Investments		10,019,565
Total Cash and Investments		\$48,396,608

NOTE 3 - INTER-FUND TRANSACTIONS

A. Inter-fund Receivables and Payables

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

As of June 30, 2008, the Household Hazmat Facility Special Revenue Fund, the Telephone Replacement Capital Project Fund, and the Employee Benefits Internal Service Fund owed the General Fund \$242,077, 255,246, and \$454,749, respectively.

B. Transfers

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 3 - INTER-FUND TRANSACTIONS (Continued)

Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

From Fund	To Fund	Amount	
General Fund	Non-Major Governmental Funds	\$4,578,005	A
	Internal Service Funds	350,000	B
Traffic and Housing Mitigation Fund	Gas Tax Fund	100,000	C
Gas Tax Fund	Redevelopment Agency Capital Projects Fund	31,000	D
	Non-Major Governmental Funds	353,189	A
Non-Major Governmental Funds	General Fund	648,140	E
	Gas Tax Fund	168,061	C
	Non-Major Governmental Funds	100,741	A
Parking Services Enterprise Funds	General Fund	264,080	E
	Non-Major Governmental Funds	80,000	A
Internal Service Funds	General Fund	21,540	E
	Non-Major Governmental Funds	8,460	A
		<u>\$6,703,216</u>	

- (A) Transfers to the Non-major Governmental Funds were for administrative costs, program support, capital projects, special projects and housing portion of debt service.
- (B) Transfers to the Internal Service Funds were for benefits and claims reserves.
- (C) Transfers to Gas Tax Fund for capital projects cost.
- (D) Transfers to Redevelopment Agency Capital Projects Fund is for Administrative support.
- (E) Transfers to the General Fund were for administrative costs and costs of dispatch.

C. Internal Balances

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

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

NOTE 4 – LOANS RECEIVABLE AND DEFERRED REVENUE

A. Summary of Loans Receivable

The City has reserved the portion of fund balance represented by these loans. At June 30, 2008, these loans totaled:

Employee Loans	\$37,907
Centertown Associates	294,023
One "H" Street Associates	71,429
Fire Chief Loan	594,409
Marin Housing Authority	<u>299,549</u>
Total	<u><u>\$1,297,317</u></u>

B. Employee Loans

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

C. Centertown Associates

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

D. One "H" Street Associates

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

E. Fire Chief Loan

On September 17, 2007 the City Council approved a Home Loan Agreement to provide the Fire Chief with housing assistance. 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, under 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. On October 3, 2007, the Home Loan Agreement was executed. Repayment of the Loan is deducted through payroll withholding. As of June 30, 2008, the balance of the loan was \$594,409.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 4 – LOANS RECEIVABLE AND DEFERRED REVENUE (Continued)

F. Marin Housing Authority

On April 7, 2008 the Redevelopment Agency approved a loan in the amount of \$333,000 to the Marin Housing Authority. This loan is funded by the Agency's Low and Moderate Income Housing Capital Projects Fund to assist the Authority in the acquisition of a housing unit so that the unit might remain in the City's Below Market Rate program. The Agency further approved a subsidy of up to \$35,000 to reduce the sales price of the unit. As of June 30, 2008 the balance of the loan was \$299,549.

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consist of:

	Balance June 30, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental Activities					
Capital assets not being depreciated:					
Land	\$82,146,643	\$317,721			\$82,464,364
Construction in progress	10,016,438	4,606,817	(\$160,076)	(\$10,560,227)	3,902,952
Total capital assets not being depreciated	92,163,081	4,924,538	(160,076)	(10,560,227)	86,367,316
Capital assets being depreciated:					
Land improvements	7,954,041				7,954,041
Buildings and structures	28,081,015		(209,661)	10,560,227	38,431,581
Machinery and equipment	14,567,758	1,457,265	(297,394)		15,727,629
Infrastructure	169,310,418	1,970,706			171,281,124
Total capital assets being depreciated	219,913,232	3,427,971	(507,055)	10,560,227	233,394,375
Less accumulated depreciation for:					
Land improvements	(3,339,742)	(274,646)			(3,614,388)
Buildings and structures	(6,910,764)	(665,822)		(240,524)	(7,817,110)
Machinery and equipment	(8,500,681)	(1,186,739)	268,441		(9,418,979)
Infrastructure	(79,601,674)	(4,692,394)		240,524	(84,053,544)
Total accumulated depreciation	(98,352,861)	(6,819,601)	268,441		(104,904,021)
Total net capital assets being depreciated	121,560,371	(3,391,630)	(238,614)	10,560,227	128,490,354
Total governmental activity capital assets	<u>\$213,723,452</u>	<u>\$1,532,908</u>	<u>(\$398,690)</u>		<u>\$214,857,670</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2007	Additions	Retirements	Transfer	Balance June 30, 2008
Business-type Activities					
Capital assets not being depreciated:					
Land	\$8,620,853				\$8,620,853
Construction in progress	44,250	\$122,861		(\$44,250)	122,861
Total capital assets not being depreciated	8,665,103	122,861		(44,250)	8,743,714
Capital assets being depreciated:					
Buildings and structures	8,808,876	195,230			9,004,106
Machinery and equipment	888,847	224,582	(\$54,291)	44,250	1,103,388
Total capital assets being depreciated	9,697,723	419,812	(54,291)	44,250	10,107,494
Less accumulated depreciation for:					
Buildings and structures	(1,073,524)	(178,200)			(1,251,724)
Machinery and equipment	(271,801)	(111,645)	54,291		(329,155)
Total accumulated depreciation	(1,345,325)	(289,845)	54,291		(1,580,879)
Total net capital assets being depreciated	8,352,398	129,967		44,250	8,526,615
Total business-type activity capital asset:	<u>\$17,017,501</u>	<u>\$252,828</u>			<u>\$17,270,329</u>

	Balance June 30, 2007	Additions	Transfers	Balance June 30, 2008
San Rafael Sanitation District				
Capital assets not being depreciated:				
Land and easements	\$115,329			\$115,329
Construction in progress	3,496,227	\$1,684,449	(\$5,044,611)	136,065
Total capital assets not being depreciated	3,611,556	1,684,449	(5,044,611)	251,394
Capital assets being depreciated:				
Subsurface lines	12,152,655			12,152,655
Sewage collection facilities	28,383,975		5,044,611	33,428,586
General plant and administration	371,394			371,394
Total capital assets being depreciated	40,908,024		5,044,611	45,952,635
Less accumulated depreciation for:				
Subsurface lines	(7,961,772)	(211,397)		(8,173,169)
Sewage collection facilities	(10,476,395)	(751,474)		(11,227,869)
General plant and administration	(114,335)	(34,262)		(148,597)
Total accumulated depreciation	(18,552,502)	(997,133)		(19,549,635)
Total net capital assets being depreciated	22,355,522	(997,133)	5,044,611	26,403,000
Total District's capital assets	<u>\$25,967,078</u>	<u>\$687,316</u>		<u>\$26,654,394</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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. GASB Statement 34 requires that these contributions be 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	\$561,831
Public safety	719,704
Public works and parks	5,217,803
Community development/redevelopment	50,728
Culture and recreation	<u>269,535</u>
Total Governmental Activities	<u>\$6,819,601</u>
Business-type Activities	
Parking services	<u>\$289,845</u>
Total Business-type Activities	<u>\$289,845</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2008, follows:

	Authorized and Issued	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activities:						
San Rafael Joint Powers Financing Authority						
1997 Authority Revenue Bonds						
4.00%-6.00%, due 9/2/2011	\$5,250,000	\$950,000		\$170,000	\$780,000	\$180,000
San Rafael Redevelopment Agency						
1999 Tax Allocation Bonds						
Current Interest Bonds						
4.5%-5.00%, due 12/1/2022	21,115,000	16,505,000		695,000	15,810,000	730,000
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	2,389,004	3,697,501	\$209,660		3,907,161	
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	19,015,000		1,195,000	17,820,000	1,235,000
Total Tax Allocation Bonds		39,217,501	209,660	1,890,000	37,537,161	1,965,000
Special Assessment Bonds						
Mariposa Road Assessment						
4.50%-6.90%, due 9/2/2008	233,688	35,000		35,000		
Total Special Assessment Bonds		35,000		35,000		
Ground Lease Note Payable,						
8.00%, due 11/1/2024	169,000	169,000			169,000	
Court Fine Repayment Promissory Note,						
3.873%, due November 2011	1,133,458	1,029,717		213,598	816,119	222,019
Fire Truck Capitalized Lease Obligations,						
2.92%, due 3/24/2009	668,134	278,927		137,442	141,485	141,445
Telephone System Capitalized Lease Obligations,						
4.28%, due 05/30/2012	318,000	318,000		58,330	259,670	60,854
Total Governmental Long-term Debt		\$41,998,145	\$209,660	\$2,504,370	\$39,703,435	\$2,569,318
Business-type Activities						
2003 Authority Lease Revenue Bonds	7,605,000	\$7,300,000		\$160,000	\$7,140,000	\$165,000
Total Enterprise Fund Debt		\$7,300,000		\$160,000	\$7,140,000	\$165,000
San Rafael Sanitation District						
2001 Certificates of Participation	4,710,000	\$2,615,000		\$395,000	\$2,220,000	\$410,000
Less: unamortized discount/ issuance cost		(\$114,204)		(27,969)	(86,235)	
Total District Debt		\$2,500,796		\$367,031	\$2,133,765	\$410,000

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

A. 1997 Authority Revenue Bonds

On January 28, 1997, the San Rafael Joint Powers Financing Authority issued the 1997 Authority Revenue Bonds in the amount of \$5,250,000 bearing interest at rates from 4.00% to 6.00%. The proceeds of the bonds were used to consolidate and refund the previously issued Limited Obligation Refunding Bonds. The bonds mature annually each September 2 from 1997 to 2011, in amounts ranging from \$20,000 to \$555,000. Interest is payable semiannually on March 2 and September 2. The bonds are subject to redemption on any March 2 or September 2 in advance of maturity at the option of the City upon payment of the principal and interest accrued thereon to the date of redemption plus a redemption premium ranging from 2.00% to 5.00%. Revenues from the repayment of the Refunding Bonds and the reserve account are utilized to meet debt service requirements of the Revenue Bonds. The Refunding Bonds are secured by unpaid reassessments confirmed against private property within the Reassessment District. This pledge of revenues ends upon repayment of the \$876 thousand in remaining debt service on the Authority's long-term debt which is scheduled to occur in fiscal 2012. For fiscal year 2008 pledged special assessment revenues amounted to \$239 thousand and debt service of these Bonds amounted to \$220 thousand.

B. 1999 Tax Allocation Bonds and Capital Appreciation Bonds

On June 16, 1999, the Agency issued Tax Allocation Bonds in the amount of \$23,504,004. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$21,115,000 and as Capital Appreciation Bonds in the original amount of \$2,389,004. The proceeds of the bonds were used to finance certain redevelopment activities of benefit to the Agency's Central San Rafael Redevelopment Project Area. The Current Interest Bonds mature annually each December 1 from 2000 to 2022, in amounts ranging from \$560,000 to \$1,460,000 and bear interest at rates ranging from 4.50% to 5.00%. Interest is payable semiannually on June 1 and December 1. The Current Interest Bonds maturing on or after December 1, 2008, are subject to optional redemption prior to maturity, in whole or in part, either in inverse order of maturity or on a pro rata basis among maturities, on any date on or after December 1, 2007, at a price equal to the principal amount, plus accrued interest on the redemption date, plus a premium ranging from 0.00% to 2.00%. 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

The pledge of future tax increment revenues ends upon repayment of the \$19.7 million in remaining debt service on the Redevelopment Agency's long-term debt which is scheduled to occur in 2022. For fiscal year 2008 tax increment revenues amounted to \$1.5 million and debt service amounted to \$1.5 million.

C. 2002 Tax Allocation Refunding Bonds

On October 9, 2002, the Agency issued Tax Allocation Refunding Bonds in the amount of \$25,020,000. The proceeds of the bonds were used to refund the 1992 Tax Allocation Refunding Bonds and the 1995 Tax Allocation Bonds. The Bonds mature annually each December 1 from 2002 to 2022, in amounts ranging from \$540,000 to \$1,920,000 and bear interest at rates ranging from 2.00% to 5.25%. Interest is payable semiannually on June 1 and December 1. The Bonds maturing on or after December 1, 2013, are subject to optional redemption prior to maturity, in whole or in part, and by lot within any one maturity, prior to their respective maturity dates, on any date on or after December 1, 2012, at a price equal to the principal amount, plus accrued interest on the redemption date. The bonds are payable from tax revenues to be derived from the redevelopment activities of the Agency related to the Central San Rafael Redevelopment Project Area.

The pledge of future tax increment revenues ends upon repayment of the \$17.8 million in remaining debt service on the Redevelopment Agency's long term debt which is scheduled to occur in 2021. For fiscal year 2008 tax increment revenues amounted to \$2.1 million and debt service also amounted to \$2.1 million.

D. Mariposa Road Assessment District Limited Obligation Improvement Bonds

On January 6, 1993, the City issued Limited Obligation Refunding Improvement Bonds for the Mariposa Road Assessment District in the amount of \$233,688. The proceeds of the bonds were used to finance the grading and paving of Mariposa Road, to fund a Reserve Fund, and to pay the cost of issuance on the bonds. The bonds were issued as Serial Bonds and mature in various amounts on each September 2 commencing September 2, 1994 and ending September 2, 2008. Interest is payable commencing on March 2, 1993, and semiannually thereafter on September 2 and March 2 of each year until maturity, at rates ranging from 4.50% to 6.90%. The bonds were called on September 2, 2007.

E. Note Payable

At June 30, 2007, Notes Payable consisted of a \$169,000 promissory note bearing interest at 8% with principal and accrued interest due and payable in November 2024. The note was assumed to finance the purchase of certain property by the Agency. The outstanding balance of the loan at June 30, 2008 was \$169,000 plus accrued interest of \$171,874 which is recorded as interest payable.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

F. Capitalized Lease Obligations

The City leased two fire trucks in the amount of \$668,134. The annual lease payment of \$72,295 for five years started in September 2004. The lease expires in 2009. Under the lease agreements, ownership of the fire trucks passes to the City at the end of the lease. Since the lease is in essence a financing arrangement, the cost of the fire trucks and the amount of the leases have been included in the City's financial statements.

G. Court Fine Repayment Promissory Note

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

H. Telephone System Capital Lease

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

I. 2003 Authority Lease Revenue Bonds

On March 26, 2003, the Authority issued 2003 Authority Lease Revenue Bonds in the amount of \$7,605,000 bearing interest at rates from 3.00% to 4.70%. The proceeds of the bonds were provided for the design and construction of a new public parking garage. The bonds mature annually each April 1 from 2006 to 2033, in amounts ranging from \$150,000 to \$290,000. Interest is payable semiannually on April 1 and October 1. The bonds maturing on or after April 1, 2011 are subject to optional redemption prior to maturity on or after April 1, 2010 at the option of the City, as a whole on any date. The Lease Revenues are secured by lease payments made by the City to the Authority for leasing the City facilities.

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Future debt service requirements, including interest and capital leases, at June 30, 2008, were as follows:

For the Year Ended June 30	Governmental Activities		Business-type Activities		Component Unit San Rafael Sanitation District	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$2,565,318	\$1,675,137	\$165,000	\$331,616	\$410,000	\$86,745
2010	2,538,298	1,560,463	170,000	326,666	430,000	69,310
2011	2,656,103	1,442,930	175,000	321,141	440,000	50,820
2012	2,672,555	1,313,760	185,000	314,141	940,000	20,680
2013	2,380,000	1,186,144	190,000	306,741		
2014-2018	13,879,946	3,958,130	1,080,000	1,410,388		
2019-2023	16,765,054	1,063,464	1,335,000	1,151,203		
2024-2028	169,000		1,685,000	799,750		
2029-2033			2,155,000	333,750		
Totals	43,626,274	\$12,200,028	\$7,140,000	\$5,295,396	2,220,000	\$227,555
Reconciliation of long-term debt:						
Less unaccreted discount		(3,922,839)				
Less unamortized original issue discount					(86,235)	
		<u>\$39,703,435</u>			<u>\$2,133,765</u>	

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 is only acting as an agent for the property owners and bondholders:

	Project Description	Original Amount	Outstanding June 30, 2008
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds	162-175 Belvedere Apartments	\$3,590,529	\$1,367,780
California Statewide Communities Development Authority Revenue Bonds	St. Marks School	5,605,000	5,255,000
San Rafael Redevelopment Agency Variable Rate Demand Multifamily Housing Revenue Bonds	55 Fairfax Apartments	3,000,000	2,700,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2001 Multifamily Housing Revenue Bonds-2007	San Rafael Commons Apartments Martinelli House	6,100,000 1,000,000	5,720,000
City of San Rafael Variable Rate Revenue Bonds	Kaiser Foundation Hospitals	275,000,000	195,630
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Set	Martinelli House Project	6,000,000	5,745,338

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 8 - NET ASSETS AND FUND BALANCES

A. *Net Assets*

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

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

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

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

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. Portions of a fund's balance may be reserved or designated for future expenditure.

C. *Reservations*

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. The City cannot modify or remove these restrictions or reserves.

D. *Designations*

Designations are imposed by City Council to reflect the future spending plans or concerns about the availability of future resources. Designations may be modified, amended, or removed by Council action.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 9 – EMPLOYEES RETIREMENT PLAN

A. Plan Description

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

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

B. Funding Policy

The funding policy of the Fund provides for actuarially determined periodic contributions by the City at rates such that sufficient assets will be available to pay Fund benefits when due. The City contributed 53.93% and 64.38% of payroll to Fund for Police and Fire personnel, respectively, and 30.32% for other covered employees for the year ended June 30, 2008.

C. Annual Pension Cost

The City's annual pension cost to the Fund for the year ended June 30, 2008, of \$13,754,798 was equal to the City's required and actual contributions. The annual required contribution was determined as part of the actuarial performed as of June 30, 2007. The employer rates for normal cost is determined using the Entry Age Normal Actuarial Cost Method, projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. The significant assumptions used in the 2007 actuarial valuation include an assumed rate of return on invested assets of 8.00%, annual payroll increases reflecting 4.00% for inflation and an approximate range of 0.50% to 3.00% for merit and longevity. The actual rate of return on investments was a gain of 12%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a period of five years. The Fund also uses the level percentage-open method to amortize the unfunded actuarial liability which was revised to sixteen years level in the amortization period. It is assumed that payroll will increase at an annual inflation rate of 4.00% over the amortization period.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 9 – EMPLOYEES RETIREMENT PLAN (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Excess (Deficit) Assets Over AAL	Funded Ratio	Covered Payroll	Excess (Deficit) Assets Over AAL As a % of Payroll
6/30/05	\$195,698,000	\$265,205,000	(\$69,507,000)	74%	\$28,357,000	(245%)
6/30/06	209,785,000	306,079,000	(96,294,000)	69%	28,606,000	(337%)
6/30/07	234,930,000	314,604,000	(79,674,000)	75%	28,729,000	(277%)

Actuarially required contributions for fiscal years 2008, 2007, and 2006 were \$13,754,798, \$11,108,650, and \$9,316,354, respectively. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of other additional employee compensation.

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

The City contributes to the Public Agency Retirement System (PARS), which is defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined instead of specifying the amount of benefits the individual is to receive. The plan is administered by Phase II located at P.O. Box 10009, Costa Mesa, California 92627.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments on those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

As established by the plan, all eligible non represented employees of the City will become participants in the plan from the date that they hired. An eligible employee is any employee who, at any time during which the employer maintains this plan, is not accruing a benefit under the Marin County Employees' Retirement Fund.

As determined by the plan, each employee must contribute 3.75% of gross earnings to the plan. The City contributes an additional 3.75% of the employee's gross earnings. Contributions made by an employee and the employer vest immediately.

During the year, the City and employees contributed \$69,940. The total covered payroll of employees participating in the plan for the year ended June 30, 2008, was \$1,865,066. The total payroll for the year was \$38,867,057.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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

Additionally, the City participates in a 401(a) tax qualified plan for eligible non-represented management/mid-management employees. This is an employer only contribution program separate from the Marin County Employees' Retirement Fund. The City Manager, as Plan Administrator, annually determines the percent amount of contribution which can range from 0% to 5% of base salary of eligible employees. During the year, the City contributed \$139,124 to the plan on behalf of the eligible employees.

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provides certain health care benefits for retired employees and their spouses. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. Seq. of the Government Code. Substantially, all of the City's employees may become eligible for these benefits if they are receiving a retirement benefit from the Marin County Employees' Retirement Fund within 120 days of retirement from City employment. At June 30, 2008, 268 retirees and surviving spouses received post-employment health care benefits. Those expenditures are reduced by reimbursements from the Marin County retirement Office by the annual amount set forth in the County Retirement Rules and Regulations 1937 Act as amended and in Sections 31450 et. seq. of the Government Code. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. For the fiscal year ended June 30, 2008, those costs totaled \$2,037,878 of which \$1,206,071 was reimbursed.

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.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

The Marin County Integrated On-Line Library System was formed to provide for the procurement, ownership, operation, maintenance, and governance of an integrated on-line system that is jointly owned and operated by the cities of San Rafael, Mill Valley, Sausalito, and the County of Marin. The Governing Board of the System consists of the library director or designated alternate of each participant in the System. In accordance with the cost sharing formula developed by the library directors of the participants, the City's share of the acquisition cost in the amount of \$108,007 represents 17.35% of ownership in the System. Operating costs for the System are also shared by each participant by applying the cost sharing formula. The City contributed \$111,064 to the System for operating costs for the year ended June 30, 2008. Financial statements of the System can be obtained at the County Librarian, Marin County Free Library, Civic Center, Administration Building, San Rafael, California 94903.

B. *The Marin Street Light Acquisition Joint Powers Authority (MSLAJPA)*

The MSLAJPA was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during the tendency of an eminent domain action against PG&E, and the subsequent transfer of the facilities to the individual local agencies. Each of the local agency's share of contributions was based on the number of street lights to be acquired in the local agency's individual jurisdiction in relation to the total number of street lights to be acquired by the MSLAJPA. The City's contribution to MSLAJPA was \$2,267 for the year ended June 30, 2008. Financial statements of the MSLAJPA can be obtained at 27 Commercial Boulevard, Suite C, Novato, CA 94949.

C. *The Marin Emergency Radio Authority (MERA)*

MERA was formed on February 28, 1998 by the County of Marin and 25 local agencies within the County to plan, finance, implement, manage, own, and operate a County-wide public safety and emergency radio system. The Governing Board consists of one representative from each member. On February 1, 1999, the Authority issued the 1999 Revenue Bonds in the amount of \$26,940,000 with interest rates ranging from 4.75% to 5.01%, maturing on August 15, 2016, to finance the acquisition and installation of the system. The costs of maintenance, operation, and debt service will be divided on a pro rata share based on an agreed-upon formula established by a majority of the Governing Board. The members entered into a Project Operating Agreement on February 1, 1999. Under the Operating Agreement, members are obligated to contribute service payments to cover the Authority's operation and debt service. The City's portion of the obligation is 16.913%. The first operating service payment was in July 1999. The first debt service payment was in August 2002. The City contributed \$647,890 for the Authority's operation and debt service for the fiscal year ended June 30, 2008. The City has established a reserve in its internal service funds to pay future service payments. Financial statements of the MERA can be obtained at 3501 Civic Centre Drive, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. The Countywide Planning Agency

The Agency was established by the County of Marin and ten local cities to implement countywide performance standards for traffic, housing, water and sewer facilities, and environmental protection to ensure that residential and commercial growth does not exceed local water, sewer and transportation capacities. The Governing Board of the Countywide Planning Agency consists of one member of the County Board of Supervisors and one member of the City Council of each participating city. Financial statements of the Agency can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

E. The Marin Telecommunications Agency

The Agency was established to regulate the rates for cable television service and equipment and to advise the participants of their license authority. The Governing Board of the Marin Telecommunications Agency consists of one member from each of the eleven participating agencies. The City's contribution to the Agency was \$133,401 for the year ended June 30, 2008. Financial statements of the Agency can be obtained at 371 Bel Marin Keys Blvd, Suite 100, Novato, CA 94949.

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

The Authority was established by the County, local cities, and waste franchising districts to finance, prepare and implement source reduction and recycling elements on a county-wide integrated waste management plan as required by State Assembly Bill 939. The City's contribution to the Authority was \$8,816 for the year ended June 30, 2008. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

G. Friends of San Rafael

Friends of San Rafael is a California nonprofit Public Benefit Corporation established to help finance and accomplish the City's efforts to erect, construct and maintain public buildings, roads, monuments, plazas, parks, gardens, safety features and similar public improvement and infrastructure. Financial statements of the Corporation can be obtained at P.O. Box 151560, San Rafael, CA 94915.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 13 - RISK MANAGEMENT

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

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

A. Risk Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$40,000,000 and workers' compensation claims up to the statutory limits. The City also purchases commercial insurance for property damage claims with an insured amount of \$65,704,863. The City is self-insured up to a maximum of \$500,000 for each general liability claim, \$750,000 for each worker's compensation claim, and \$25,000 for each property damage claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2008, the City contributed \$411,436 for coverage during the current year and received a refund of \$128,025 of prior year excess contributions.

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

B. Insurance Internal Service Funds

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

NOTE 13 - RISK MANAGEMENT (Continued)

The City's liability for uninsured general liability claims and workers' compensation claims, including claims incurred but not reported, are reported in the City's Liability Insurance Internal Service Fund and Workers' Compensation Internal Service Fund, respectively. The liability is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	General Liability	Workers' Compensation	Total
Balance, beginning of year	\$916,023	\$3,642,158	\$4,558,181
Current year claims and changes in estimates	756	1,328,897	1,329,653
Claims paid	<u>(479,261)</u>	<u>(1,148,444)</u>	<u>(1,627,705)</u>
Balance, end of year	<u>\$437,518</u>	<u>\$3,822,611</u>	<u>\$4,260,129</u>
Current portion	<u>\$284,387</u>	<u>\$2,000,000</u>	<u>\$2,284,387</u>

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

The City worked with the Department of Justice (DOJ) to determine the City's compliance with the Americans with Disabilities Act of 1990 (ADA). The DOJ ratified an ADA Settlement Agreement in August 2004 providing a number of specific remedies including timelines, law specific solutions and reporting over the next ten years. For example, several facility deficiencies require resolution within the next year, the City's Web site needs an ADA overhaul, and a significant amount of items relate to curb ramps. The City determined a range from \$2,000,000 to \$3,000,000 to expend on the remedies determined by the Agreement. However, this is only an estimate and the City does not have a measurable amount at this time. Therefore, no liability has been recorded. As of June 30, 2008, the City has made significant progress in improving the accessibility of its programs, activities, services, and facilities. The majority of the remaining items relate to curb ramps. The 325 to 400 ramps can range in price between \$3,500 to \$5,000.

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

REQUIRED SUPPLEMENTAL INFORMATION

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

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

CITY OF SAN RAFAEL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and special assessments	\$45,773,562	\$48,153,318	\$48,084,486	(\$68,832)
Licenses and permits	1,278,285	1,386,895	1,489,748	102,853
Fines and forfeitures	476,650	703,640	796,081	92,441
Use of money and property	449,218	449,218	224,439	(224,779)
Intergovernmental	6,326,038	6,716,428	7,246,381	529,953
Charges for services	1,841,008	2,064,918	2,203,852	138,934
Other revenue	123,860	105,300	269,656	164,356
Total Revenues	<u>56,268,621</u>	<u>59,579,717</u>	<u>60,314,643</u>	<u>734,926</u>
EXPENDITURES				
Current:				
General government	6,925,810	7,417,312	7,023,660	393,652
Public safety	33,656,950	34,625,393	34,435,419	189,974
Public works and parks	7,589,110	7,670,636	7,602,332	68,304
Community development/redevelopment	3,479,799	3,590,707	3,705,928	(115,221)
Culture and recreation	2,216,634	2,234,087	2,292,848	(58,761)
Capital outlay	140,470	140,470	264,919	(124,449)
Capital improvement/special projects	56,380	271,141	484,926	(213,785)
Debt service:				
Principal	213,600	213,600	213,598	2
Total Expenditures	<u>54,278,753</u>	<u>56,163,346</u>	<u>56,023,630</u>	<u>139,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,989,868</u>	<u>3,416,371</u>	<u>4,291,013</u>	<u>874,642</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	942,220	933,760	933,760	
Transfers out	(4,822,790)	(4,822,790)	(4,928,005)	(105,215)
Total Other Financing Sources (Uses)	<u>(3,880,570)</u>	<u>(3,889,030)</u>	<u>(3,994,245)</u>	<u>(105,215)</u>
Net Change in Fund Balances	<u>(\$1,890,702)</u>	<u>(\$472,659)</u>	296,768	<u>\$769,427</u>
FUND BALANCES, BEGINNING OF YEAR			<u>5,921,997</u>	
FUND BALANCES, END OF YEAR			<u>\$6,218,765</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$21,000	\$21,000	\$437,122	\$416,122
Charges for services			707,034	707,034
Total Revenues	<u>21,000</u>	<u>21,000</u>	<u>1,144,156</u>	<u>1,123,156</u>
EXPENDITURES				
Current:				
Public works and parks	\$65,640	\$66,450	68,763	(2,313)
Community development / redevelopment		698,472	698,472	
Capital outlay			317,721	(317,721)
Capital improvement/special projects			19,720	(19,720)
Total Expenditures	<u>65,640</u>	<u>764,922</u>	<u>1,104,676</u>	<u>(339,754)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(44,640)</u>	<u>(743,922)</u>	<u>39,480</u>	<u>783,402</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(268,061)	(100,000)	168,061
Total Other Financing Sources (Uses)	<u>(44,640)</u>	<u>(268,061)</u>	<u>(100,000)</u>	<u>168,061</u>
Net Change in Fund Balances	<u>(\$44,640)</u>	<u>(\$1,011,983)</u>	<u>(60,520)</u>	<u>\$951,463</u>
FUND BALANCES, BEGINNING OF YEAR			<u>9,934,466</u>	
FUND BALANCES, END OF YEAR			<u>\$9,873,946</u>	

CITY OF SAN RAFAEL
GAS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property	\$31,840	\$31,840	\$84,377	\$52,537
Intergovernmental	1,585,400	1,485,400	2,638,429	1,153,029
Charges for services	621,000	621,000	762,609	141,609
Other revenue		39,784	40,582	798
Total Revenues	<u>2,238,240</u>	<u>2,178,024</u>	<u>3,525,997</u>	<u>1,347,973</u>
EXPENDITURES				
Current:				
Public works and parks	143,410	143,560	107,315	36,245
Capital outlay	1,769,830	1,709,614	1,403,105	306,509
Capital improvement / special projects			1,874,605	(1,874,605)
Total Expenditures	<u>1,913,240</u>	<u>1,853,174</u>	<u>3,385,025</u>	<u>(1,531,851)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>325,000</u>	<u>324,850</u>	<u>140,972</u>	<u>(183,878)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		268,061	268,061	
Transfers out	(325,000)	(353,189)	(384,189)	(31,000)
Total Other Financing Sources (Uses)	<u>(325,000)</u>	<u>(85,128)</u>	<u>(116,128)</u>	<u>(31,000)</u>
Net Change in Fund Balances		<u>\$239,722</u>	\$24,844	<u>(\$214,878)</u>
FUND BALANCES, BEGINNING OF YEAR			<u>2,116,158</u>	
FUND BALANCES, END OF YEAR			<u>\$2,141,002</u>	

SUPPLEMENTARY INFORMATION

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CITY OF SAN RAFAEL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and special assessments	\$900,000	\$900,000	\$964,526	\$64,526
Use of money and property	263,240	263,240	318,957	55,717
Intergovernmental	900,000	900,000	377,365	(522,635)
Charges for services	13,570	13,570	22,356	8,786
Other revenue			40,522	40,522
	<u>2,076,810</u>	<u>2,076,810</u>	<u>1,723,726</u>	<u>(353,084)</u>
EXPENDITURES				
Current:				
General government	28,590	28,590	31,317	(2,727)
Public works and parks	154,640	154,740	137,530	17,210
Community development/redevelopment	1,527,530	1,564,460	1,382,261	182,199
Capital outlay	900,000	900,000	2,818,072	(1,918,072)
Capital improvement/special projects	247,950	257,950	401,594	(143,644)
	<u>2,858,710</u>	<u>2,905,740</u>	<u>4,770,774</u>	<u>(1,865,034)</u>
Net Assets (Accumulated Deficit), beginning of year				
OVER (UNDER) EXPENDITURES	<u>(781,900)</u>	<u>(828,930)</u>	<u>(3,047,048)</u>	<u>(2,218,118)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			31,000	31,000
			<u>31,000</u>	<u>31,000</u>
Total Other Financing Sources (Uses)			31,000	31,000
Net Change in Fund Balances	<u>(\$781,900)</u>	<u>(\$828,930)</u>	<u>(3,016,048)</u>	<u>(\$2,187,118)</u>
FUND BALANCES, BEGINNING OF YEAR			<u>8,942,185</u>	
FUND BALANCES, END OF YEAR			<u>\$5,926,137</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

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

DEBT SERVICE FUNDS

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

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

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

Redevelopment Agency Fund – Established to account for the principal payments, interest payments, and related costs of the 1999 Project Tax Allocation Bonds and 2002 Tax Allocation Refunding Bonds.

CAPITAL PROJECTS FUNDS

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

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

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

Park Capital Projects Fund – Established to account for capital improvements for all City owned parks, whether paid for by City funds, grants, donations, or partnership with the community.

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

Equipment Replacement Fund - ^{600,601 602} Established to provide replacement of equipment.

NON-MAJOR GOVERNMENTAL FUNDS

⁶⁰⁸
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.

⁶⁰⁹
Telephone Replacement Fund - Established to provide ongoing support services for telephone equipment and usage throughout the City.

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Street Maintenance and Cleaning
ASSETS					
Cash and investments	\$199,953	\$85,961		\$82,329	\$518,374
Restricted cash and investments					
Receivables:					
Accounts	168,176		\$594,737	11,772	
Taxes		127			
Grants				42,818	
Prepays and deposits					
Total Assets	<u>\$368,129</u>	<u>\$86,088</u>	<u>\$594,737</u>	<u>\$136,919</u>	<u>\$518,374</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$116,677		\$309,041	\$35,185	\$31,106
Developer bonds payable					
Due to other funds			242,077		
Deferred revenue	218,572			4,518	
Total Liabilities	<u>335,249</u>		<u>551,118</u>	<u>39,703</u>	<u>31,106</u>
Fund Balances:					
Reserved for:					
Prepays and deposits					
Debt service					
Unreserved, undesignated	32,880	\$86,088	43,619	97,216	487,268
Total Fund Balances	<u>32,880</u>	<u>86,088</u>	<u>43,619</u>	<u>97,216</u>	<u>487,268</u>
Total Liabilities and Fund Balances	<u>\$368,129</u>	<u>\$86,088</u>	<u>\$594,737</u>	<u>\$136,919</u>	<u>\$518,374</u>

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
\$824,263	\$32,276	\$140,342	\$471,770	\$797,365	\$962,705	\$959,551
71	167,440	31,871	2,627		118,523	
<u>\$824,334</u>	<u>\$199,716</u>	<u>\$172,213</u>	<u>\$474,397</u>	<u>\$797,365</u>	<u>\$1,081,228</u>	<u>\$959,551</u>
	\$11,794	\$601	\$15,253	\$122,964 1,500	\$101,508	
	<u>11,794</u>	<u>601</u>	<u>15,253</u>	<u>124,464</u>	<u>101,508</u>	
<u>\$824,334</u>	<u>187,922</u>	<u>171,612</u>	<u>459,144</u>	<u>672,901</u>	<u>979,720</u>	<u>\$959,551</u>
824,334	187,922	171,612	459,144	672,901	979,720	959,551
<u>\$824,334</u>	<u>\$199,716</u>	<u>\$172,213</u>	<u>\$474,397</u>	<u>\$797,365</u>	<u>\$1,081,228</u>	<u>\$959,551</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS	
	Emergency Medical Services	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District	Mariposa Assessment District
ASSETS					
Cash and investments	\$231,623	\$4,892	\$285,764	\$2,875	\$15,999
Restricted cash and investments					
Receivables:					
Accounts					
Taxes	15,272				
Grants					
Prepays and deposits	1,426				
Total Assets	<u>\$248,321</u>	<u>\$4,892</u>	<u>\$285,764</u>	<u>\$2,875</u>	<u>\$15,999</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$23,342	(\$33)	\$243,691		
Developer bonds payable					
Due to other funds					
Deferred revenue					
Total Liabilities	<u>23,342</u>	<u>(33)</u>	<u>243,691</u>		
Fund Balances:					
Reserved for:					
Prepays and deposits	1,426				
Debt service				\$2,875	\$15,999
Unreserved, undesignated	223,553	4,925	42,073		
Total Fund Balances	<u>224,979</u>	<u>4,925</u>	<u>42,073</u>	<u>2,875</u>	<u>15,999</u>
Total Liabilities and Fund Balances	<u>\$248,321</u>	<u>\$4,892</u>	<u>\$285,764</u>	<u>\$2,875</u>	<u>\$15,999</u>

DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS				
1997						
Financing Authority Revenue Bonds	Redevelopment Agency	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space
\$414,397	\$33,622	\$909,821	\$224,967	\$223,741	\$31,379	\$143,745
332,184	1,808					
		52,482				
<u>\$746,581</u>	<u>\$35,430</u>	<u>\$962,303</u>	<u>\$224,967</u>	<u>\$223,741</u>	<u>\$31,379</u>	<u>\$143,745</u>
		\$129,469	\$8,626			
\$12,011						
12,011		129,469	8,626			
734,570	\$35,430	832,834	216,341	\$223,741	\$31,379	\$143,745
734,570	35,430	832,834	216,341	223,741	31,379	143,745
<u>\$746,581</u>	<u>\$35,430</u>	<u>\$962,303</u>	<u>\$224,967</u>	<u>\$223,741</u>	<u>\$31,379</u>	<u>\$143,745</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>CAPITAL PROJECT FUNDS</u>			Total Non-Major Governmental Funds
	<u>Equipment Replacement</u>	<u>Radio Replacement</u>	<u>Telephone Replacement</u>	
ASSETS				
Cash and investments	\$2,036,087	\$807,659		\$10,441,460
Restricted cash and investments			\$328,053	662,045
Receivables:				
Accounts				806,556
Taxes				18,097
Grants				381,263
Prepays and deposits				1,426
Total Assets	<u>\$2,036,087</u>	<u>\$807,659</u>	<u>\$328,053</u>	<u>\$12,310,847</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$2,983		\$1,657	\$1,153,864
Developer bonds payable				1,500
Due to other funds			255,246	497,323
Deferred revenue				235,101
Total Liabilities	<u>2,983</u>		<u>256,903</u>	<u>1,887,788</u>
Fund Balances:				
Reserved for:				
Prepays and deposits				1,426
Debt service				753,444
Unreserved, undesignated	<u>2,033,104</u>	<u>\$807,659</u>	<u>71,150</u>	<u>9,668,189</u>
Total Fund Balances	<u>2,033,104</u>	<u>807,659</u>	<u>71,150</u>	<u>10,423,059</u>
Total Liabilities and Fund Balances	<u>\$2,036,087</u>	<u>\$807,659</u>	<u>\$328,053</u>	<u>\$12,310,847</u>

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CITY OF SAN RAFAEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Street Maintenance and Cleaning
REVENUES					
Taxes and special assessments		\$25,368			
Fines and forfeitures					
Use of money and property	\$3,378	3,394	\$1,692	\$4,765	\$45,550
Intergovernmental			15,722	399,439	15,241
Charges for services	1,990,630		1,240,870	2,724,868	
Other revenue	53,549		20	1,085	3,902
Total Revenues	2,047,557	28,762	1,258,304	3,130,157	64,693
EXPENDITURES					
Current:					
General government					
Public safety			1,266,914		
Public works and parks		386			1,916,608
Culture and recreation	3,700,960			3,423,400	
Capital outlay					21,033
Capital improvement/special projects	58,618				794,088
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures	3,759,578	386	1,266,914	3,423,400	2,731,729
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,712,021)	28,376	(8,610)	(293,243)	(2,667,036)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,578,300		4,000	253,920	1,792,219
Transfers out					(168,061)
Total Other Financing Sources (Uses)	1,578,300		4,000	253,920	1,624,158
Net Change in Fund Balances	(133,721)	28,376	(4,610)	(39,323)	(1,042,878)
Fund Balance, Beginning	166,601	57,712	48,229	136,539	1,530,146
Fund Balance, Ending	\$32,880	\$86,088	\$43,619	\$97,216	\$487,268

SPECIAL REVENUE FUNDS

Loch Lomond Assessment District	Library	Public Safety	Stormwater	Development Services	Grants	Parkland Dedication
\$14,256			\$1,000			
36,502	\$45,980	\$5,684	10,994	\$45,254	\$36,047	\$42,829
	194,379	76,529			1,092,176	(51,295)
	5,970	6,439	793,928	24,761		1,968
	65,185	850	1,139	298,615	12,460	90
50,758	311,514	89,502	807,061	368,630	1,140,683	(6,408)
					12,351	
54		195,703	1,334,517	602	100,000	
	102,533				300,624	
		13,369	161,643		231,889	
	217,631	8,777	175,499	353,129	643,884	
54	320,164	217,849	1,671,659	353,731	1,288,748	
50,704	(8,650)	(128,347)	(864,598)	14,899	(148,065)	(6,408)
		80,000	1,055,340		228,491	
					(97,941)	(2,800)
		80,000	1,055,340		130,550	(2,800)
50,704	(8,650)	(48,347)	190,742	14,899	(17,515)	(9,208)
773,630	196,572	219,959	268,402	658,002	997,235	968,759
\$824,334	\$187,922	\$171,612	\$459,144	\$672,901	\$979,720	\$959,551

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS	
	Emergency Medical Services	Business Improvement	Sewer Maintenance	Peacock Gap Assessment District	Mariposa Assessment District
REVENUES					
Taxes and special assessments	\$3,224,610				
Fines and forfeitures					
Use of money and property	3,552	\$380	\$2,048		\$716
Intergovernmental		13,000			
Charges for services	1,676,412		1,421,749		
Other revenue		17,269			
Total Revenues	<u>4,904,574</u>	<u>30,649</u>	<u>1,423,797</u>		<u>716</u>
EXPENDITURES					
Current:					
General government		29,883			
Public safety	4,301,826				
Public works and parks			1,282,072		
Culture and recreation					
Capital outlay	18,139				
Capital improvement/special projects					
Debt service:					
Principal					35,000
Interest and fiscal charges					1,996
Total Expenditures	<u>4,319,965</u>	<u>29,883</u>	<u>1,282,072</u>		<u>36,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>584,609</u>	<u>766</u>	<u>141,725</u>		<u>(36,280)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,460				
Transfers out	(368,090)		(129,400)		(150)
Total Other Financing Sources (Uses)	<u>(359,630)</u>		<u>(129,400)</u>		<u>(150)</u>
Net Change in Fund Balances	224,979	766	12,325		(36,430)
Fund Balance, Beginning		4,159	29,748	\$2,875	52,429
Fund Balance, Ending	<u>\$224,979</u>	<u>\$4,925</u>	<u>\$42,073</u>	<u>\$2,875</u>	<u>\$15,999</u>

DEBT SERVICE FUNDS

CAPITAL PROJECT FUNDS

1997 Financing Authority Revenue Bonds	Redevelopment Agency	Capital Improvement	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space
\$239,321	\$3,568,850		\$7,778			
26,562	1,314	\$50,643 52,482	9,917		\$1,380 (5,625)	\$6,426
					5,795	
265,883	3,570,164	103,125	17,695		1,550	6,426
		742,203 68,185	8,626		11,933	2,876
170,000 75,366	1,890,000 1,678,850					
245,366	3,568,850	810,388	8,626		11,933	2,876
20,517	1,314	(707,263)	9,069		(10,383)	3,550
(1,750)		97,941 (148,750)				
(1,750)		(50,809)				
18,767	1,314	(758,072)	9,069		(10,383)	3,550
715,803	34,116	1,590,906	207,272	\$223,741	41,762	140,195
<u>\$734,570</u>	<u>\$35,430</u>	<u>\$832,834</u>	<u>\$216,341</u>	<u>\$223,741</u>	<u>\$31,379</u>	<u>\$143,745</u>

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	CAPITAL PROJECT FUNDS			Total Non-Major Governmental Funds
	Equipment Replacement	Radio Replacement	Telephone Replacement	
REVENUES				
Taxes and special assessments				\$7,080,183
Fines and forfeitures				1,000
Use of money and property	\$94,741	\$29,812	\$10,053	519,613
Intergovernmental	17,745			1,819,793
Charges for services	1,353,774	420,240	250,000	11,911,609
Other revenue	4,985			464,944
Total Revenues	<u>1,471,245</u>	<u>450,052</u>	<u>260,053</u>	<u>21,797,142</u>
EXPENDITURES				
Current:				
General government	335,989	647,890	207,080	1,233,193
Public safety				5,864,443
Public works and parks	1,191,486			5,725,725
Culture and recreation				7,527,517
Capital outlay			251,424	1,439,700
Capital improvement/special projects				2,343,246
Debt service:				
Principal	137,442		58,330	2,290,772
Interest and fiscal charges	7,149		12,993	1,776,354
Total Expenditures	<u>1,672,066</u>	<u>647,890</u>	<u>529,827</u>	<u>28,200,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(200,821)</u>	<u>(197,838)</u>	<u>(269,774)</u>	<u>(6,403,808)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			21,724	5,120,395
Transfers out				(916,942)
Total Other Financing Sources (Uses)			<u>21,724</u>	<u>4,203,453</u>
Net Change in Fund Balances	(200,821)	(197,838)	(248,050)	(2,200,355)
Fund Balance, Beginning	<u>2,233,925</u>	<u>1,005,497</u>	<u>319,200</u>	<u>12,623,414</u>
Fund Balance, Ending	<u>\$2,033,104</u>	<u>\$807,659</u>	<u>\$71,150</u>	<u>\$10,423,059</u>

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CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					
	Recreation Revolving			Baypoint Lagoons Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				\$25,000	\$25,368	\$368
Fines and forfeitures				800	3,394	2,594
Use of money and property	\$5,000	\$3,378	(\$1,622)			
Intergovernmental						
Charges for services	1,892,680	1,990,630	97,950			
Other revenue	19,700	53,549	33,849			
Total Revenues	<u>1,917,380</u>	<u>2,047,557</u>	<u>130,177</u>	<u>25,800</u>	<u>28,762</u>	<u>2,962</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks					386	(386)
Culture and recreation	3,442,740	3,700,960	(258,220)			
Capital outlay	2,480		2,480			
Capital improvement/special projects	15,000	58,618	(43,618)			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>3,460,220</u>	<u>3,759,578</u>	<u>(299,358)</u>		<u>386</u>	<u>(386)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,542,840)</u>	<u>(1,712,021)</u>	<u>(169,181)</u>	<u>25,800</u>	<u>28,376</u>	<u>2,576</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,441,500	1,578,300	136,800			
Transfers out						
Total Other Financing Sources (Uses)	<u>1,441,500</u>	<u>1,578,300</u>	<u>136,800</u>			
FUND BALANCES, BEGINNING OF YEAR AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>(\$101,340)</u>	<u>(133,721)</u>	<u>(\$32,381)</u>	<u>\$25,800</u>	<u>28,376</u>	<u>\$2,576</u>
FUND BALANCES, BEGINNING OF YEAR		<u>166,601</u>			<u>57,712</u>	
FUND BALANCES, END OF YEAR		<u>\$32,880</u>			<u>\$86,088</u>	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Street Maintenance and Cleaning		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,540	\$1,692	\$152		\$4,765	\$4,765	\$21,050	\$45,550	\$24,500
5,160	15,722	10,562	\$391,383	399,439	8,056		15,241	15,241
1,342,800	1,240,870	(101,930)	2,597,800	2,724,868	127,068			
	20	20		1,085	1,085	2,500	3,902	1,402
<u>1,349,500</u>	<u>1,258,304</u>	<u>(91,196)</u>	<u>2,989,183</u>	<u>3,130,157</u>	<u>140,974</u>	<u>23,550</u>	<u>64,693</u>	<u>41,143</u>
1,334,174	1,266,914	67,260						
			3,212,066	3,423,400	(211,334)	1,862,328	1,916,608	(54,280)
			11,520		11,520	119,310	21,033	98,277
6,000		6,000					794,088	(794,088)
<u>1,340,174</u>	<u>1,266,914</u>	<u>73,260</u>	<u>3,223,586</u>	<u>3,423,400</u>	<u>(199,814)</u>	<u>1,981,638</u>	<u>2,731,729</u>	<u>(750,091)</u>
9,326	(8,610)	(17,936)	(234,403)	(293,243)	(58,840)	(1,958,088)	(2,667,036)	(708,948)
	4,000	4,000	342,930	253,920	(89,010)	1,792,219	1,792,219	
			(89,010)		89,010		(168,061)	(168,061)
	4,000	4,000	253,920	253,920		1,792,219	1,624,158	(168,061)
<u>\$9,326</u>	<u>(4,610)</u>	<u>(\$13,936)</u>	<u>\$19,517</u>	<u>(39,323)</u>	<u>(\$58,840)</u>	<u>(\$165,869)</u>	<u>(1,042,878)</u>	<u>(\$877,009)</u>
	48,229			136,539			1,530,146	
	<u>\$43,619</u>			<u>\$97,216</u>			<u>\$487,268</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					
	Loch Lomond Assessment District			Library		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments	\$14,260	\$14,256	(\$4)			
Fines and forfeitures						
Use of money and property	20,000	36,502	16,502	\$26,060	\$45,980	\$19,920
Intergovernmental				123,152	194,379	71,227
Charges for services				4,000	5,970	1,970
Other revenue				22,982	65,185	42,203
Total Revenues	34,260	50,758	16,498	176,194	311,514	135,320
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks		54	(54)			
Culture and recreation				178,510	102,533	75,977
Capital outlay						
Capital improvement/special projects				67,834	217,631	(149,797)
Debt service						
Principle						
Interest and fiscal charges						
Total Expenditures		54	(54)	246,344	320,164	(73,820)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34,260	50,704	16,444	(70,150)	(8,650)	61,500
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>\$34,260</u>	<u>50,704</u>	<u>\$16,444</u>	<u>(\$70,150)</u>	<u>(8,650)</u>	<u>\$61,500</u>
FUND BALANCES, BEGINNING OF YEAR		<u>773,630</u>			<u>196,572</u>	
FUND BALANCES, END OF YEAR		<u>\$824,334</u>			<u>\$187,922</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)
			\$2,190	\$1,000	(\$1,190)			
\$2,110	\$5,684	\$3,574	10,610	10,994	384	\$33,110	\$45,254	\$12,144
65,710	76,529	10,819					24,761	24,761
15,890	6,439	(9,451)	851,400	793,928	(57,472)		298,615	242,546
2,580	850	(1,730)		1,139		56,069		
<u>86,290</u>	<u>89,502</u>	<u>3,212</u>	<u>864,200</u>	<u>807,061</u>	<u>(58,278)</u>	<u>89,179</u>	<u>368,630</u>	<u>279,451</u>
178,320	195,703	(17,383)	1,445,577	1,334,517	111,060		602	(602)
51,000	13,369	37,631	535,000	161,643	373,357			
1,000	8,777	(7,777)		175,499	(175,499)	56,069	353,129	(297,060)
<u>230,320</u>	<u>217,849</u>	<u>12,471</u>	<u>1,980,577</u>	<u>1,671,659</u>	<u>308,918</u>	<u>56,069</u>	<u>353,731</u>	<u>(297,662)</u>
(144,030)	(128,347)	15,683	(1,116,377)	(864,598)	251,779	33,110	14,899	(\$18,211)
80,000	80,000		1,055,340	1,055,340				
80,000	80,000		1,055,340	1,055,340				
<u>(\$64,030)</u>	<u>(48,347)</u>	<u>\$15,683</u>	<u>(\$61,037)</u>	190,742	<u>\$251,779</u>	<u>\$33,110</u>	14,899	<u>(\$18,211)</u>
	219,959			268,402			658,002	
	<u>\$171,612</u>			<u>\$459,144</u>			<u>\$672,901</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					
	Grants			Parkland Dedication		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Fines and forfeitures						
Use of money and property	\$26,430	\$36,047	\$9,617		\$42,829	\$42,829
Intergovernmental	552,168	1,092,176	540,008		(51,295)	(51,295)
Charges for services					1,968	1,968
Other revenue	128,730	12,460	(116,270)		90	90
Total Revenues	<u>707,328</u>	<u>1,140,683</u>	<u>433,355</u>		<u>(6,408)</u>	<u>(6,408)</u>
EXPENDITURES						
Current:						
General government	12,270	12,351	(81)			
Public safety	112,240	100,000	12,240			
Public works and parks						
Culture and recreation	411,370	300,624	110,746			
Capital outlay	225,000	231,889	(6,889)			
Capital improvement/special projects	255,808	643,884	(388,076)			
Debt service:						
Principle						
Interest and fiscal charges						
Total Expenditures	<u>1,016,688</u>	<u>1,288,748</u>	<u>(272,060)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(309,360)</u>	<u>(148,065)</u>	<u>161,295</u>		<u>(6,408)</u>	<u>(6,408)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	283,000	228,491	(54,509)			
Transfers out		(97,941)	(97,941)		(2,800)	(2,800)
Total Other Financing Sources (Uses)	<u>283,000</u>	<u>130,550</u>	<u>(152,450)</u>		<u>(2,800)</u>	<u>(2,800)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u>(\$26,360)</u>	<u>(17,515)</u>	<u>\$8,845</u>		<u>(9,208)</u>	<u>(\$9,208)</u>
FUND BALANCES, BEGINNING OF YEAR		<u>997,235</u>			<u>968,759</u>	
FUND BALANCES, END OF YEAR		<u>\$979,720</u>			<u>\$959,551</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)
\$3,235,000	\$3,224,610	(\$10,390)						
	3,552	3,552	\$540	\$380	(\$160)	\$6,800	\$2,048	(\$4,752)
1,675,000	1,676,412	1,412	16,000	13,000	(3,000)	1,647,270	1,421,749	(225,521)
			21,820	17,269	(4,551)			
<u>4,910,000</u>	<u>4,904,574</u>	<u>(5,426)</u>	<u>38,360</u>	<u>30,649</u>	<u>(7,711)</u>	<u>1,654,070</u>	<u>1,423,797</u>	<u>(230,273)</u>
			38,350	29,883	8,467			
4,497,559	4,301,826	195,733				1,543,692	1,282,072	261,620
7,500	18,139	(10,639)						
<u>4,505,059</u>	<u>4,319,965</u>	<u>185,094</u>	<u>38,350</u>	<u>29,883</u>	<u>8,467</u>	<u>1,543,692</u>	<u>1,282,072</u>	<u>261,620</u>
404,941	584,609	179,668	10	766	756	110,378	141,725	31,347
8,460	8,460							
(368,090)	(368,090)					(129,400)	(129,400)	
(359,630)	(359,630)					(129,400)	(129,400)	
<u>\$45,311</u>	<u>224,979</u>	<u>\$179,668</u>	<u>\$10</u>	<u>766</u>	<u>\$756</u>	<u>(\$19,022)</u>	<u>12,325</u>	<u>\$31,347</u>
				4,159			29,748	
	<u>\$224,979</u>			<u>\$4,925</u>			<u>\$42,073</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUNDS						
	Peacock Gap Assessment District			Mariposa Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Fines and forfeitures						
Use of money and property				\$1,050	\$716	(\$334)
Intergovernmental						
Charges for services						
Other revenue						
Total Revenues				1,050	716	(334)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks						
Culture and recreation						
Capital outlay						
Capital improvement/special projects						
Debt service:						
Principle				35,600	35,000	600
Interest and fiscal charges				3,530	1,996	1,534
Total Expenditures				39,130	36,996	2,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				(38,080)	(36,280)	1,800
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out				(150)	(150)	
Total Other Financing Sources (Uses)				(150)	(150)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES				(38,230)	(36,430)	\$1,800
FUND BALANCES, BEGINNING OF YEAR		\$2,875			52,429	
FUND BALANCES, END OF YEAR		\$2,875			\$15,999	

DEBT SERVICE FUNDS

CAPITAL PROJECT FUND

1997 Financing Authority Revenue Bonds			Redevelopment Agency			Capital Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$318,910	\$239,321	(\$79,589)	\$3,568,850	\$3,568,850				
2,540	26,562	24,022		1,314	\$1,314		\$50,643	\$50,643
						\$6,950,000	52,482	(6,897,518)
<u>321,450</u>	<u>265,883</u>	<u>(55,567)</u>	<u>3,568,850</u>	<u>3,570,164</u>	<u>\$1,314</u>	<u>\$6,950,000</u>	<u>103,125</u>	<u>(6,846,875)</u>
							742,203	(742,203)
						6,950,000	68,185	6,881,815
194,770	170,000	24,770	1,890,000	1,890,000				
65,490	75,366	(9,876)	1,678,850	1,678,850				
<u>260,260</u>	<u>245,366</u>	<u>14,894</u>	<u>3,568,850</u>	<u>3,568,850</u>		<u>6,950,000</u>	<u>810,388</u>	<u>6,139,612</u>
61,190	20,517	(\$40,673)		1,314	1,314		(707,263)	(707,263)
(1,750)	(1,750)						97,941	97,941
						(148,750)	(148,750)	
(1,750)	(1,750)					(148,750)	(50,809)	97,941
<u>\$59,440</u>	<u>18,767</u>	<u>(\$40,673)</u>		<u>1,314</u>	<u>\$1,314</u>	<u>(\$148,750)</u>	<u>(758,072)</u>	<u>(\$609,322)</u>
	<u>715,803</u>			<u>34,116</u>			<u>1,590,906</u>	
	<u>\$734,570</u>			<u>\$35,430</u>			<u>\$832,834</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

CAPITAL PROJECT FUNDS

	Bedroom Tax		Assessment Districts			
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments		\$7,778	\$7,778			
Fines and forfeitures						
Use of money and property		9,917	9,917			
Intergovernmental						
Charges for services						
Other revenue						
Total Revenues		<u>17,695</u>	<u>17,695</u>			
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks						
Culture and recreation						
Capital outlay						
Capital improvement/special projects		8,626	(8,626)			
Debt service:						
Principle						
Interest and fiscal charges						
Total Expenditures		<u>8,626</u>	<u>(8,626)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES		<u>9,069</u>	<u>9,069</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>9,069</u>	<u>\$9,069</u>			
FUND BALANCES, BEGINNING OF YEAR		<u>207,272</u>			<u>\$223,741</u>	
FUND BALANCES, END OF YEAR		<u>\$216,341</u>			<u>\$223,741</u>	

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2008

	CAPITAL PROJECT FUNDS					
	Radio Replacement			Telephone Replacement		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Fines and forfeitures						
Use of money and property	\$31,840	\$29,812	(\$2,028)	\$300	\$10,053	\$9,753
Intergovernmental						
Charges for services	420,240	420,240		250,000	250,000	
Other revenue						
Total Revenues	<u>452,080</u>	<u>450,052</u>	<u>(2,028)</u>	<u>250,300</u>	<u>260,053</u>	<u>9,753</u>
EXPENDITURES						
Current:						
General government	1,135,890	647,890	488,000	170,480	207,080	(36,600)
Public safety						
Public works and parks						
Culture and recreation						
Capital outlay				262,000	251,424	10,576
Capital improvement/special projects						
Debt service:						
Principle				58,330	58,330	
Interest and fiscal charges				12,990	12,993	(3)
Total Expenditures	<u>1,135,890</u>	<u>647,890</u>	<u>488,000</u>	<u>503,800</u>	<u>529,827</u>	<u>(26,027)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(683,810)</u>	<u>(197,838)</u>	<u>485,972</u>	<u>(253,500)</u>	<u>(269,774)</u>	<u>(16,274)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in					21,724	21,724
Transfers out						
Total Other Financing Sources (Uses)					<u>21,724</u>	<u>21,724</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES OVER (UNDER) EXPENDITURES	<u><u>(\$683,810)</u></u>	<u><u>(197,838)</u></u>	<u><u>\$485,972</u></u>	<u><u>(\$253,500)</u></u>	<u><u>(248,050)</u></u>	<u><u>\$5,450</u></u>
FUND BALANCES, BEGINNING OF YEAR		<u>1,005,497</u>			<u>319,200</u>	
FUND BALANCES, END OF YEAR		<u><u>\$807,659</u></u>			<u><u>\$71,150</u></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.

603

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

604

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.

605

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

606

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.

607

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.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Building Maintenance</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Dental Insurance</u>	<u>Total</u>
ASSETS						
Current Assets:						
Cash and investments	\$406,027		\$907,415	\$4,205,526	\$6,954	\$5,525,922
Accounts receivable		\$1,250,328				1,250,328
Prepays and deposits			4,118	3,339		7,457
Total Assets	<u>406,027</u>	<u>1,250,328</u>	<u>911,533</u>	<u>4,208,865</u>	<u>6,954</u>	<u>6,783,707</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	61,009	516	3,083	4,560	4,190	73,358
Due to other funds		454,749				454,749
Claims payable			284,387	2,000,000		2,284,387
Total Current Liabilities	<u>61,009</u>	<u>455,265</u>	<u>287,470</u>	<u>2,004,560</u>	<u>4,190</u>	<u>2,812,494</u>
Noncurrent Liabilities:						
Claims payable			153,131	1,822,611		1,975,742
Total Noncurrent Liabilities			<u>153,131</u>	<u>1,822,611</u>		<u>1,975,742</u>
Net Assets Total Liabilities	<u>61,009</u>	<u>455,265</u>	<u>440,601</u>	<u>3,827,171</u>	<u>4,190</u>	<u>4,788,236</u>
NET ASSETS:						
Unrestricted	345,018	795,063	470,932	381,694	2,764	1,995,471
Total Net Assets	<u>\$345,018</u>	<u>\$795,063</u>	<u>\$470,932</u>	<u>\$381,694</u>	<u>\$2,764</u>	<u>\$1,995,471</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation	Dental Insurance	Total
OPERATING REVENUES						
Charges for current services	\$91,070	\$1,287,418	\$1,525,829	\$1,949,525	\$493,123	\$5,346,965
Other operating revenues		1,737,893	128,025	59	10,060	1,876,037
Total Operating Revenues	91,070	3,025,311	1,653,854	1,949,584	503,183	7,223,002
OPERATING EXPENSES						
Insurance premiums and claims		2,157,139	1,214,008	1,735,436	511,087	5,617,670
Maintenance and repairs	391,625					391,625
General and administrative		538,477	18			538,495
Total Operating Expenses	391,625	2,695,616	1,214,026	1,735,436	511,087	6,547,790
Operating Income (Loss)	(300,555)	329,695	439,828	214,148	(7,904)	675,212
NONOPERATING REVENUES (EXPENSES)						
Investment income	25,369	2,450	31,104	176,800	574	236,297
Total Nonoperating Revenues (Expenses)	25,369	2,450	31,104	176,800	574	236,297
Net income (loss) before transfers	(275,186)	332,145	470,932	390,948	(7,330)	911,509
Transfers in	350,000					350,000
Transfers out				(30,000)		(30,000)
Change in Net Assets	74,814	332,145	470,932	360,948	(7,330)	1,231,509
NET ASSETS, BEGINNING OF YEAR	270,204	462,918		20,746	10,094	763,962
NET ASSETS, END OF YEAR	\$345,018	\$795,063	\$470,932	\$381,694	\$2,764	\$1,995,471

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Building Maintenance	Employee Benefits	Liability Insurance	Workers' Compensation	Dental Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers/other funds	\$91,070	\$1,103,606	\$1,525,829	\$1,949,525	\$493,123	\$5,163,153
Cash payments to suppliers for goods and services	(341,836)	(2,695,807)	(1,696,765)	(1,557,482)	(509,174)	(6,801,064)
Other operating revenues		1,737,893	128,025	59	10,060	1,876,037
Cash Flows from Operating Activities	(250,766)	145,692	(42,911)	392,102	(5,991)	238,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	350,000	(148,142)		(30,000)		171,858
Cash Flows from Noncapital Financing Activities	350,000	(148,142)		(30,000)		171,858
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment received	25,369	2,450	31,104	176,800	574	236,297
Cash Flows from Investing Activities	25,369	2,450	31,104	176,800	574	236,297
Net Increase (Decrease) in cash and cash equivalents	124,603		(11,807)	538,902	(5,417)	646,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	281,424		919,222	3,666,624	12,371	4,879,641
CASH AND CASH EQUIVALENTS, END OF YEAR	\$406,027		\$907,415	\$4,205,526	\$6,954	\$5,525,922
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	(\$300,555)	\$329,695	\$439,828	\$214,148	(\$7,904)	\$675,212
Net change in assets and liabilities:						
Accounts receivable		(183,812)				(183,812)
Prepays and deposits			(4,118)	(3,339)		(7,457)
Accounts payable	49,789	(191)	(116)	840	1,913	52,235
Claims payable			(478,505)	180,453		(298,052)
Net Cash Provided by (Used in) Operating Activities	(250,766)	\$145,692	(42,911)	\$392,102	(5,991)	\$238,126