



SAN RAFAEL CITY COUNCIL AGENDA REPORT

Department: FINANCE

**Prepared by: Nadine Atieh Hade,
Finance Director**

City Manager Approval: 

TOPIC: YEAR-END FINANCIAL STATEMENTS AND RELATED AUDIT REPORTS

SUBJECT: FISCAL YEAR 2019-2020 ANNUAL FINANCIAL REPORT; GANN APPROPRIATIONS LIMIT; MEMORANDUM ON INTERNAL CONTROL; REPORT OF REQUIRED COMMUNICATIONS; CHILD DEVELOPMENT PROGRAM FINANCIAL REPORT; AND THE TRANSPORTATION DEVELOPMENT ACT FINANCIAL REPORT

RECOMMENDATIONS:

Accept the Fiscal Year 2019-2020 Annual Financial Report, Gann Appropriations Limit Report, Memorandum on Internal Control, Report of Required Communications, Child Development Program Financial Report, and the Transportation Development Act Financial Report.

BACKGROUND:

As required by local code, State law, bond covenants, and best practices, the City of San Rafael completes an annual audit of its financial activities. The auditing firm of Maze and Associates, Accountancy Corporation conducted the audit for fiscal year 2019-2020. Their work was completed in accordance with generally accepted auditing standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-133, Audits of State and Local Government and Non-Profit Organizations.

The requirements of Section 1.5 of Article XIII B of the California Constitution are met with an agreed-upon procedure report applied to the Gann Appropriation Limit calculated for the year ending June 30, 2021. A Memorandum on Internal Control is also prepared by the auditors to address the City's controls over its financial activities. These reports are attached to this staff report.

As part of the fiscal year-end activities, the Finance and Library & Recreation departments worked with the auditors to complete the annual audit of the City's childcare program, as required by the State of California.

For the year ending June 30, 2020, the City received funds under the purview of the Transportation Development Act. As part of the fiscal year-end activities, the Finance and Public Works departments worked with the auditors to complete the audit of the funds received, as required by the State of California.

FOR CITY CLERK ONLY

Council Meeting:

Disposition:

SAN RAFAEL CITY COUNCIL AGENDA REPORT / Page: 2

On November 4, 2020, these final reports were presented to the City Council Finance Committee, at which time it was agreed that staff would bring the reports forward to the full City Council.

ANALYSIS:

Overview

Fiscal Year 2019-2020 was a tale of two halves, with the first showing strong signs of growth and the second a sharp decline resulting from the COVID-19 pandemic. Property tax revenues remained strong, with growth in line with prior years, whereas sales taxes decreased year-over-year by \$1.8 million. The decrease in sales tax revenues, although significant, did not dip as low as expected as construction, auto sales, and allocations from the County pool stemming from the Wayfair decision finished the year stronger than forecasted. The City was forced to tap into its General Fund Emergency Reserves to continue to provide essential services during the economic downturn and prudent fiscal management will be necessary to restore it to the target level of ten percent of operating expenses established by City Council Policy. Although the City weathered the initial storm, challenges remain for the future as the effects of the pandemic continue while we simultaneously work on recovery.

Fiscal year 2019-2020 marks the sixth year of implementation of the pension accounting standard issued by the Governmental Accounting Standards Board (GASB) known as GASB 68, and the fourth year of implementation of the new Other Postemployment Benefits (OPEB) accounting standard issued by GASB known as GASB 75. These requirements, which affect all public agencies with defined benefit retiree plans, are designed to enhance the comparability of financial statements by requiring the measurement of pension-related assets and liabilities at fair value, using a consistent and detailed definition of fair value and accepted valuation techniques. The net impact of reporting under GASB 68 lowers the City's net position as of June 30, 2020 by \$114.5 million from a reporting perspective. The net pension liability as of this date was measured to be \$133.9 million. The net impact of reporting under GASB 75 lowers the City's net position as of June 30, 2020 by \$27.3 million. The net OPEB liability as of this date was measured to be \$26.6 million.

The full annual funding of the City's Retiree and OPEB costs have been incorporated into the adopted fiscal year 2020-2021 budget; therefore, there is no negative impact on City operations or services resulting from the reporting of financial information under these reporting standards.

The City made major progress on the Public Safety Facility initiative using Measure E funds, completing Fire Station 57 and the Public Safety Center. Construction expenses for the year totaled \$23.6 million, of which 90% were in support of the Public Safety Center and the remainder mainly in support of Station 57. Total project-to-date spending is approximately \$72 million.

Fiscal Year 2019-20 Annual Financial Report – Citywide Financial Results

The actual results of the City's financial activities are presented in the attached Comprehensive Annual Financial Report. The report includes Government-wide financial statements with governmental activities and business-type activities presented separately. Net position is one indicator of the City's financial position. At the end of the fiscal year, net position of the City governmental activities inclusive of all governmental funds, all assets of the City (including infrastructure) and all liabilities (including long-term debt) was \$138.1 million, an increase of \$1.2 million from the prior year adjusted balance. This increase is largely attributable to the reduction of expenses in the latter part of the year as a result of reduced capital project activity from shelter-in-place orders. The Parking Fund, reported as a business-type activity, ended the fiscal year with a net position of \$9.9 million, or \$57 thousand more than that of the previous fiscal year. The fund's cash balance makes up 27% of total net position.

Additional explanatory information is provided in the Management's Discussion and Analysis (MD&A) section beginning on page five of the attached CAFR. The MD&A provides key highlights and a summary view of financial activities for the year.

Financial Results: General Fund

General fund operating expenditures exceeded revenues by \$2.7 million. Measure E revenues of \$4.1 million dedicated to public safety facilities construction and infrastructure were transferred out of the General Fund in support of the projects whereas \$2.2 million was transferred from bond proceeds in the Essential Facilities Capital Projects Fund to cover interest payments.

The fund balance of the General Fund as of June 30, 2020 was \$9.8 million (a decrease of \$2.7 million from the prior year balance): \$8 thousand is non-spendable and \$9.8 million is assigned. The assigned portion of the balance includes \$7.8 million for emergency and cash flow needs. As forecasted as part of the [Fiscal Year 2020-2021 Budget Staff report](#) presented on June 15, 2020, the full amount of unassigned (one-time) available funds saved over prior years, \$2.2 million were absorbed to cover the deficit as well a small portion of the General Fund Emergency Reserves, \$100 thousand and \$404 thousand of the General Plan fund balance.

Gann Appropriations Limit

The Agreed-Upon Procedures report for the Gann Appropriations Limit required three procedures to be performed including testing the accuracy of the calculations and comparison of information presented. No exceptions were noted in these procedures for compliance with the Proposition 111 fiscal year 2020-2021 Appropriations Limit calculation.

Memorandum on Internal Control

The auditors are required to communicate to the City Council matters that come to their attention relating to the audit in a report entitled Memorandum on Internal Control. Findings of deficiencies in internal controls were mainly due to lack of documentation of review and approval, as well as segregation of duties in certain cash operations. Staff responses addressing each comment are included in the Memorandum.

Required Communications

Professional standards require that certain information regarding significant audit findings related to the audit be communicated to those charged with governance. These communications include minor changes to accounting policies, new accounting pronouncements, and a discussion of significant accounting estimates among other items. No adverse communications were noted.

Child Development Program (Childcare) Financial Report

The Childcare Program had negative operating results resulting from the pandemic, with \$3.2 million in total revenues and \$3.7 million in expenditures for the fiscal year. The fund balance decreased from \$1.7 million to \$1.3 million of which funds have been accumulated for capital improvements. The audit resulted in no adverse findings. This report still requires a closeout letter from the State of California as it needs to match to the dollar to the State numbers. The State is running behind on their closeout letters which results in a delay for the City in finalizing the Report. No material adjustments are expected, if any. Staff recommends moving forward with the acceptance of all reports and if there are any material changes, the Child Care Program Report will be brought back to Council prior to finalizing.

Transportation Development Act Financial Report

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The City has developed pedestrian and bicycle capital projects of which the Transportation Development Act provides funding assistance for eligible construction. These funds are distributed by the Metropolitan Transportation Commission and are included in the Gas Tax fund. The City has expended \$423,983 of a total grant amount of \$492,443 and has received reimbursement of the total amount expended as of June 30, 2020. The audit resulted in no adverse findings.

FISCAL IMPACT:

No fiscal impact occurs by the City Council's acceptance of these reports. The fiscal year 2019-2020 Comprehensive Annual Financial Report and related reports are presented as the actual results of the City and related entities' financial activities for the year.

RECOMMENDATION:

Staff recommends that City Council accept the reports as presented. The reports will remain as "draft" until City Council has accepted the reports.

ATTACHMENTS:

1. FY 2019-20 Draft Comprehensive Annual Financial Report
2. FY 2019-20 Draft Gann Appropriations Limit
3. FY 2019-20 Draft Memorandum of Internal Controls
4. FY 2019-20 Draft Required Communications
5. FY 2019-20 Draft Child Development Program Financial Report
6. FY 2019-20 Draft Transportation Development Act Financial Report



SAN RAFAEL
THE CITY WITH A MISSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2020



Mental Health Comfort Dog, Blue



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2020

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

Prepared by the Finance Department of the City of San Rafael





China Camp

INTRODUCTORY SECTION



CITY OF SAN RAFAEL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2020

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INTRODUCTORY SECTION

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CITY OF SAN RAFAEL, CALIFORNIA

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CITY OF SAN RAFAEL, CALIFORNIA

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CITY OF SAN RAFAEL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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November 9, 2020

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

The Comprehensive Annual Financial Report (“CAFR”) of the City of San Rafael (“City”) for the year ended June 30, 2020, is hereby submitted as required by local ordinances, state statutes and bond covenants. This financial report has been prepared in conformance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent certified public accounting firm, Maze and Associates Accountancy Corporation, which has issued an unmodified, or “clean” opinion on the City’s financial statements for the fiscal year ended June 30, 2020.

The independent audit of the financial statements is part of a broader, federally mandated examination known as a “Single Audit”, which is designed to meet the needs of federal grantor agencies. The standards governing Single Audits require the independent auditor to report on the audited agency’s internal controls and compliance with legal requirements, with special emphasis on such controls and requirements involving the administration of federal funding. These reports will be available in the City’s separately issued Single Audit Report.

City Management is responsible for both the data accuracy, and the completeness and fairness of the presentation of this report. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City. Further, the CAFR is prepared in accordance with procedures and policies set by the Government Finance Officers Association. The analysis of the financial condition and the result of operations can be found in the financial section of the Management’s Discussion and Analysis document. The CAFR is organized into three sections:

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



REPORTING ENTITY – PROFILE OF THE GOVERNMENT

The City of San Rafael is located 17 miles north of San Francisco in Marin County. Protected by its Mediterranean like setting along the shores of the San Francisco Bay, the City enjoys a mild climate year-round. As the County seat, San Rafael is considered the commercial, financial, cultural and civic hub of Marin County. Abundant recreational facilities are available in and around the City. The City's park and recreational resources include 19 city parks, 393 acres of developed parkland, city and county open space, and China Camp State Park. San Rafael is close to other attractions, including the Golden Gate Bridge, Muir Woods, Point Reyes National Seashore, Mount Tamalpais, multiple state parks, San Francisco, Oakland and the Sonoma and Napa wine country.

In 1874, the City of San Rafael became the first incorporated city in the county, later becoming a charter city in 1913 by vote of City residents. The City Council comprises five members; four are elected at-large to four-year terms while the mayor is elected separately to a four-year term. The City's land area is 22 square miles, including seventeen square miles of land and 5 of water and tidelands. San Rafael's population on January 1, 2020 was 59,807.

In a normal year Downtown San Rafael is the location of many community events, including the Thursday night Summer Market Festivals, Second Friday Art Walks, the Twilight Criterium Bike Race, Mill Valley Film Festival, Winter Wonderland/Parade of Lights. and is one of only 14 Cultural Arts Districts in the State of California. San Rafael is also the heart of the County's cultural activities with venues such as the Marin Center, which presents numerous ballets, concerts, speaking engagements as well as the award-winning Marin County Fair; the Falkirk Cultural Center, providing art exhibits and children's programming; the Christopher B. Smith Film Center, and a host of other diverse dining and entertainment venues. The City is also one of only 14 Cultural Arts Districts in the State of California.

The City of San Rafael provides a full range of municipal services required by statute or charter, namely: police and fire protection, construction and maintenance of streets, parks, storm drains and other infrastructure, recreation, childcare, permits, planning, code enforcement, and a library system serving two locations along with a temporary pop-up at the Northgate Mall. The City performed certain infrastructure construction and economic development activities through a separate Redevelopment Agency until its dissolution on February 1, 2012. The City of San Rafael accepted the role of Successor Agency to the Redevelopment Agency per Council action on January 3, 2012, and now conducts its economic development activities with funding from its General Fund.

The City and California Municipal Finance Authority compose the San Rafael Joint Powers Financing Authority, originally established by the City and former Redevelopment Agency



for the purpose of financing redevelopment and other projects. The San Rafael Sanitation District is a discretely presented component unit of the City of San Rafael and is presented independent of City financial information. For a further explanation of these entities, refer to Note 1 – Summary of Significant Accounting Policies in the Financial Section of the CAFR.

The City participates in various organizations through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these agencies exercise full powers and authorities within the scope of the related Joint Powers Agreement including the preparation of annual budgets, accountability for all funds, and the power to make and execute contracts. Obligations and liabilities of the separate entities are not those of the City. For a further explanation of these separate entities, refer to Note 12 – Jointly Governed Organizations in the CAFR.

During fiscal year 2019-2020, the City made significant progress towards improving our essential facilities. Building from over a decade of community efforts to address San Rafael's aging essential public safety facilities, the Essential Facilities project targets several buildings recommended for either replacement or renovation, including a new public safety center across the street from City Hall. These new buildings will be seismically safe and provide modern facilities for our firefighters, police officers, paramedics and dispatchers. They include an upgraded dispatch and communications center, and a new classroom and training tower for emergency preparedness. The architectural review for Fire Station 54 and Fire Station 55 commenced in mid-2019. Construction of Fire Station 57 located at 3530 Civic Center Drive was completed in November 2019, Fire Station 52 located at 210 3rd Street was completed in April 2019, and the Public Safety Center was completed in August of 2020.

ECONOMIC FACTORS

The City has a diversified economic base, which includes an assortment of high-tech, financial, service-based, entertainment and industrial businesses. Downtown San Rafael provides a mix of restaurants, retail shops and financial institutions. The City's varied economic base is reflected in its property tax base, which is 74% residential, 20% commercial, 2% industrial, and 4% unsecured and others. The top 25 sales tax producers provide 49% of overall sales tax revenues.

The COVID-19 pandemic has severely impacted the California economy. Where the unemployment rate had fallen to record lows pre-pandemic it stands at 11% as of September 2020. Initial forecasts of a sharp, or V shaped, recovery have been tempered by the re-emergence of the virus which has paused re-opening plans. California has a challenging road ahead as prospects of a prolonged recovery appear more likely as time passes.



Locally, Marin County is also reeling from the effects of the pandemic, however, as the county's workforce is more concentrated in the finance, science and information sectors there is hope the region's employment figures will outperform much of the state that relies more heavily on personal service and retail. A bright spot in an otherwise murky landscape for post-COVID recovery.

Demographic Data

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

- ☒ Economic development organizations in San Rafael include the San Rafael Chamber of Commerce, Downtown Business Improvement District, and the Marin Economic Forum.
- ☒ Marin County's top 10 employers include Kaiser Permanente, Marin Health Medical Center, Dominican University of California, Marin Community Clinics, Novato Community Hospital, Hospice by the Bay, W Bradley Electric, Wells Fargo, Community Action Marin, and BioMarin.
- ☒ Major shopping areas, as measured in available retail square footage, include the Downtown corridor (938,000 aggregate), Northgate Mall (725,000), Montecito Center (130,000) and Northgate One (113,900).
- ☒ The top three sales tax categories in 2019 for San Rafael were: 1. Autos and Transportation (24.1%), 2. Building and Construction (17.7%), and 3. State and County Pools (15.9%).
- ☒ Several hotels and motels support tourism activity, led by a combined 471 rooms in the Embassy Suites and Four Points Sheraton. Citywide, the total number of hotel rooms is 787.
- ☒ Establishing and maintaining affordable residential housing for sale and lease continues to be a challenge both in San Rafael and throughout Marin County. The median rent for an apartment in San Rafael is \$2,672. The median home value in San Rafael is \$1,100,740.

Recent growth and economic vibrancy:

- San Rafael ranked No. 3 on the SMU National Center for Arts Research Vibrancy Index. This overall index is composed of three dimensions: supply, demand, and government support. Supply is assessed by the total number of arts providers in the community, including the number of arts and culture organizations and employees, independent artists, and entertainment firms. Demand is gauged by the total nonprofit arts dollars in the community, including program revenue, contributed revenue, total expenses, and total compensation. Lastly, the level of government support is based on state and federal arts dollars and grants.

- The City of San Rafael is also enjoying a boost in development of hotel rooms thanks to a new AC Marriott Hotel currently under construction in the heart of our Downtown. A dual-brand Hampton Inn/H2 Hotel is also coming soon in the East San Rafael neighborhood to serve a variety of large retailers and businesses as well as workers within the traditionally industrial area. These two hotels combined are expected to add 325 new hotel rooms to the City and generate much needed Transit Occupancy Tax (TOT).
- The Downtown San Rafael Arts District (DSRAD) and the arts community continues to thrive. We have made numerous artistic improvements throughout our Downtown, including a facelift to our parking garage, rotating public art on wayfinding signage, pop-up art in vacant windows in Downtown storefronts, and custom bike racks highlighting San Rafael as a cultural district. We have developed the first ever arts and culture plan for the City and are proud to continue to have many arts organizations and stakeholders in our Downtown representing the many voices and perspectives of our diverse arts community.
- San Rafael continues to serve our local business and restaurant community, especially during the COVID-19 pandemic, where we have supported our restaurants by expanding temporary outdoor dining options in our parking stalls, sidewalks, and parking lots. In coordination with the Business Improvement District, the City has also closed streets during our weekly ‘Dining Under The Lights’ event where patrons can enjoy a meal outdoors under the newly extended Tivoli lights that crisscross above the heart of our Downtown.
- Construction of the Public Safety Center was recently completed with an official opening expected in the coming months.
- Sonoma-Marín Area Rail Transit completed and began commercial service on the Larkspur Extension connecting Downtown San Rafael with the Larkspur Ferry terminal.

FINANCIAL INFORMATION

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

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



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

ACKNOWLEDGMENTS

The preparation of this City-wide document would not have been possible without the assistance of each of the City’s departments. In addition, Finance support staff Sara Smith, Shawn Plate, Whitney Fry, Andrew Thompson and Flora Xu, led by Accounting Manager Van Bach and Finance Director Nadine Atieh Hade were key to the timely issuance of this report. We believe this document meets the Government Finance Officers Association’s (GFOA) Certificate of Achievement for Excellence in Financial Reporting requirements and will be submitting it to the GFOA to determine its eligibility. If accepted, this will mark the eighth consecutive year for which the City received the award.

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

Respectfully submitted,



Jim Schutz
City Manager



Nadine Atieh Hade
Finance Director



SAN RAFAEL
THE CITY WITH A MISSION

MISSION STATEMENT

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

VISION STATEMENT

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

January 1996



SAN RAFAEL
THE CITY WITH A MISSION

City Council and Staff

As of November 9, 2020

City Council

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

Elected Officials

Rob Epstein, City Attorney
Lindsay Lara, City Clerk

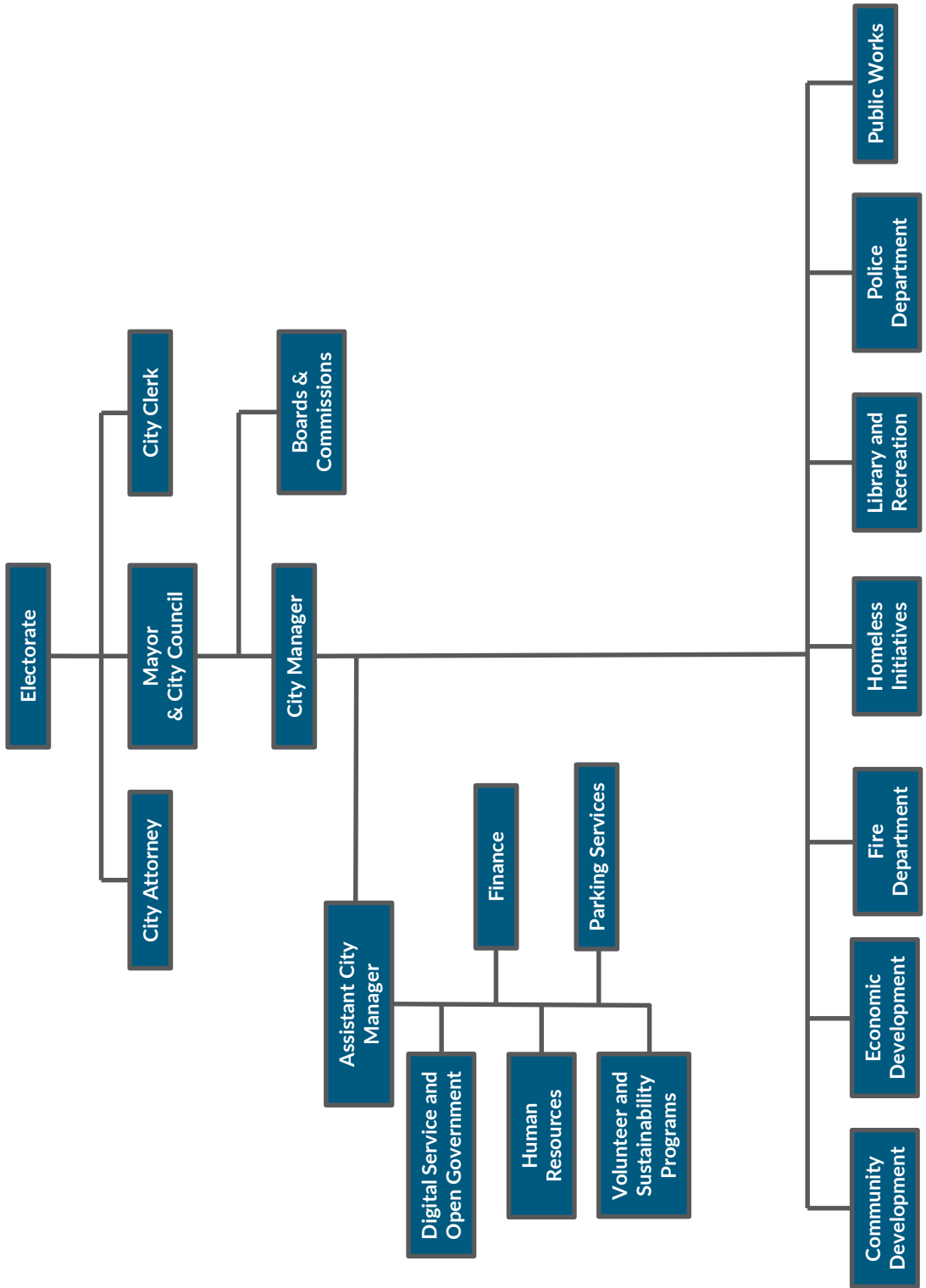
Executive Team

Jim Schutz, City Manager
Cristine Alilovich, Assistant City Manager
Diana Bishop, Chief of Police
Darin White, Fire Chief
Bill Guerin, Public Works Director
Paul Jensen, Community Development Director
Susan Andrade-Wax, Library & Recreation Director
Nadine Atieh Hade, Finance Director
Rebecca Woodbury, Director of Digital Service & Open Government
Shibani Nag, Human Resources Director
Andrew Hening, Homeless Initiatives Director



LOCATION MAP

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of San Rafael
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO





Fire Boat San Rafael

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of San Rafael (City), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the San Rafael Sanitation District, which represents 25%, 60%, and 18%, respectively, of the assets, net position, and revenues of the primary government. Those financial statements were audited by other auditors, whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the San Rafael Sanitation District, is based solely on the report of those auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Information

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

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

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pleasant Hill, California
November 9, 2020



CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, 2020. Please read it in conjunction with the basic financial statements and the accompanying notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:

- *Net Position* – The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of June 30, 2020 by \$148 million.
- *Activities* – During the fiscal year the City's total revenues of \$112.2 were greater than expenses of \$110.9 million for governmental and business-type activities.
- *Changes in Net Position* – The City's total net position increased by \$1.3 million in fiscal year 2019-2020 as compared to the net position of the previous year. Net position of governmental activities increased by \$1.2 million, while net position of the business-type activities increased by \$57 thousand.

Fund Level:

- *Governmental Funds* – As of the close of fiscal year 2019-2020, the City's governmental funds reported combined ending fund balances of \$46.1 million, a decrease of \$21.7 million primarily due expenditure of bond proceeds from the fund balance of the prior year. Of this total amount, \$15 thousand is nonspendable, \$34.3 million is restricted, \$1.9 million is committed, \$9.9 million is assigned, and (\$11 thousand) is unassigned.
- Governmental fund revenues totaled \$106.8 million, a decrease of \$10.9 million from the those of the previous fiscal year. Approximately \$8.1 million was due to a reduction of grant and federal reimbursements for expenses incurred on capital projects when compared to the prior year in the Gas Tax and Essential Facilities Capital Projects funds. The remainder was due to impacts of the COVID-19 pandemic that were partially offset by strong revenue collections earlier in the year.
- Governmental fund expenditures decreased by \$9.1 million to \$129.8 million, from \$138.9 million in the prior year, due primarily to the reduction in activities as a result of the COVID-19 pandemic.
- Enterprise fund operating revenue decreased \$299 thousand to a total of \$5.1 million as a result of shelter-in-place orders in response to the COVID-19 pandemic. Enterprise operating expenditures totaled \$4.3 million, a decrease of \$0.6 million over the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report is composed of the following:

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

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

Government-wide Financial Statements

The government-wide financial statements present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by generally accepted accounting principles.

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

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

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

In the *Statement of Net Position* and the *Statement of Activities and Changes in Net Position*, City activities are separated as follows:

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

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

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

The government-wide financial statements can be found on pages 25 through 27 of this report.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Fund Financial Statements and Major Component Unit Financial Statements

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

The fund financial statements provide detailed information about each of the City's most significant funds called major funds. 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 116 through 146 of this report.

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

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

The City has thirty-two governmental funds, of which four are considered major funds for presentation purposes. Each major fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The City's four major funds are: the General Fund, Traffic and Housing Mitigation, Gas Tax and Essential Facilities Capital Projects. Data from the other twenty-eight governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 30 through 33 of this report. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 116 through 136 of this report.

Proprietary Funds – The City maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its Parking Services program and reports it as a major fund. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its building maintenance; vehicle, equipment and computer replacement; workers' compensation; general liability; self-insured dental program; other employee and retiree benefits programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The proprietary fund financial statements can be found on pages 36 through 38 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 94 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 General Fund and major funds (general, gas tax, and traffic and housing mitigation). The other section includes schedules of funding progress for the Marin County Employees' Retirement System and the City's OPEB plan. 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 the System and the OPEB plan. Required supplementary information can be found on pages 95 through 110 of this report.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position is one measurement of the City's financial position. During this fiscal year, the net position of the City was \$138.1 million from Governmental Activities and \$9.9 million from Business-type Activities, for a total of \$148 million. This represents an increase of \$1.3 million from the prior year net position.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2020 and 2019:

Summary of Net Position
(in thousands)

	Governmental Activities		Increase	Business-Type Activities		Increase
	2020	2019	(Decrease)	2020	2019	(Decrease)
Current and other assets	\$85,240	\$102,788	(\$17,548)	\$3,371	\$3,283	\$88
Capital assets	273,513	254,163	19,350	15,731	15,941	(210)
Total assets	<u>358,753</u>	<u>356,951</u>	<u>1,802</u>	<u>19,102</u>	<u>19,224</u>	<u>(122)</u>
Deferred outflows (Notes 9 and 11)	<u>46,498</u>	<u>38,415</u>	<u>8,083</u>	<u>1,506</u>	<u>1,364</u>	<u>142</u>
Current and other liabilities	15,423	14,479	944	432	477	(45)
Noncurrent liabilities	223,220	208,131	15,089	9,386	8,953	433
Total liabilities	<u>238,643</u>	<u>222,610</u>	<u>16,033</u>	<u>9,818</u>	<u>9,430</u>	<u>388</u>
Deferred inflows (Notes 9 and 11)	<u>28,481</u>	<u>35,838</u>	<u>(7,357)</u>	<u>890</u>	<u>1,060</u>	<u>(170)</u>
Net Position:						
Net investment in capital assets	230,737	231,844	(1,107)	11,104	11,023	81
Restricted	23,522	23,289	233	0	0	0
Unrestricted	(116,133)	(118,215)	2,082	(1,204)	(1,179)	(25)
Total net position	<u>\$138,126</u>	<u>\$136,918</u>	<u>\$1,208</u>	<u>\$9,900</u>	<u>\$9,844</u>	<u>\$56</u>

Current governmental assets decreased by \$17.5 million, primarily due to the expenditure of bond proceeds for public safety facility construction and improvements. The \$19.4 million increase in capital assets reflects project-to-date activity for the public safety facility construction and improvements in combination with major traffic infrastructure improvements. The increase of \$8.1 million in deferred outflows is primarily a result of a 3% increase in the City's proportionate share of the Unfunded Actuarial Liability per the June 30, 2018 actuarial valuation. This change in proportion was mainly attributable to the disproportionate reduction of the County's Unfunded Actuarial Liability as a result of larger than expected investment gains and contributions. Current and other liabilities increased by approximately \$1 million, primarily due to an increase in current claims payable. Noncurrent governmental liabilities increased by \$15.1 million a result of the increase in net pension liability, partially offset by the reduction in Net OPEB liability, when compared to the prior year (Note 11). Deferred inflows decreased by \$7.4 million as a result of the difference between projected and actual earnings on investments per the June 30, 2018 actuarial valuation. In order to decrease the volatility of the measurement of net pension liability gains and losses in excess of those projected are capitalized and amortized over a five-year period.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

The net position in business-type activities reflects the fiscal activity of the Parking Services program and increased by \$56 thousand from the previous year. Capital assets decreased by \$210 thousand due to current year depreciation. The increase in deferred outflows was due to the proportion change of net pension liability mentioned above. The \$388 thousand increase in noncurrent liabilities is driven by the increase in net pension liabilities.

At June 30, 2020, the largest portion of total net position in the amount of \$241.8 million consisted of the City's investment in capital assets net of related debt. This component represents the total amount of funds required to acquire capital assets less any related debt used for such acquisition that is still outstanding. The City uses these assets to provide services to residents. 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 total net position, \$23.5 million, is subject to external restrictions, the use of which is determined by those restrictions whether legal or by covenant. The remaining portion, unrestricted negative \$117.3 million, represents the extent to which the net investment in capital assets and restricted net position exceed total net assets.

Net Position as of 6/30/2020	
(in thousands)	
Invested in Capital Assets (net)	\$241,841
Restricted	23,522
Unrestricted	<u>(117,337)</u>
Total Net Position	<u><u>\$148,026</u></u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Statement of Activities - Governmental

The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2020 and 2019:

Summary of Changes in Net Position
(in thousands)

	Governmental Activities		Increase
	2020	2019	(Decrease)
REVENUES			
Program revenues:			
Charges for services	\$19,142	\$19,904	(\$762)
Operating grants and contributions	5,546	4,585	961
Capital grants and contributions	1,348	8,042	(6,694)
Total program revenues	<u>26,036</u>	<u>32,531</u>	<u>(6,495)</u>
General revenues:			
Property taxes	26,492	25,903	589
Sales taxes	33,783	35,627	(1,844)
Paramedic tax	4,923	4,936	(13)
Transient occupancy tax	2,411	3,203	(792)
Franchise tax	4,029	3,627	402
Business license tax	2,825	2,788	37
Other taxes	2,153	1,783	370
Investment earnings	1,908	1,450	458
Miscellaneous	2,471	5,905	(3,434)
Total general revenues	<u>80,995</u>	<u>85,222</u>	<u>(4,227)</u>
TOTAL REVENUES	<u>107,031</u>	<u>117,753</u>	<u>(10,722)</u>
EXPENSES			
General government	15,630	11,968	3,662
Public safety	50,001	49,899	102
Public works and parks	21,661	19,271	2,390
Community/economic development	5,314	5,782	(468)
Culture and recreation	11,828	12,819	(991)
Interest on long-term debt	1,975	1,848	127
TOTAL EXPENSES	<u>106,409</u>	<u>101,587</u>	<u>4,822</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>622</u>	<u>16,166</u>	<u>(15,544)</u>
Transfers in	<u>586</u>	<u>609</u>	<u>(23)</u>
Total Other Financing Sources (Uses)	<u>586</u>	<u>609</u>	<u>(23)</u>
Net Change in Net Position	1,208	16,775	(15,567)
Beginning Net Position	136,918	120,143	16,775
Ending Net Position, June 30	<u>\$138,126</u>	<u>\$136,918</u>	<u>\$1,208</u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

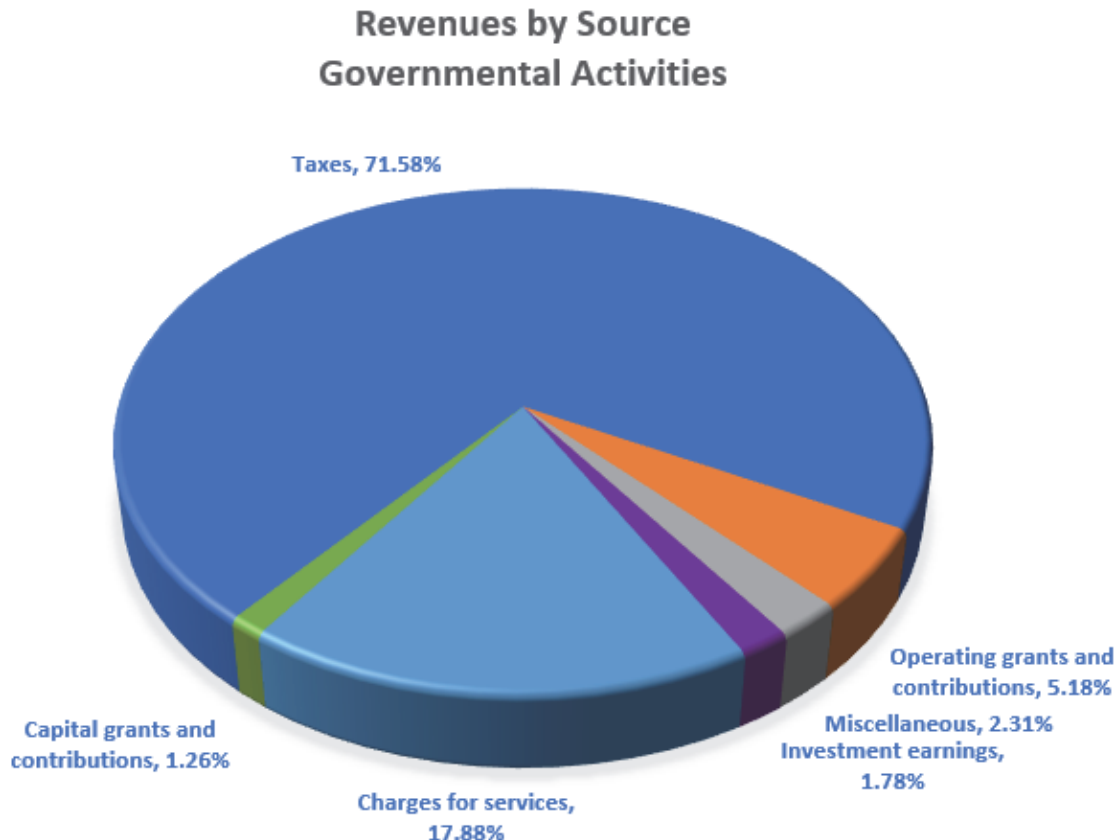
The City's governmental activities net position increased by \$1.2 million during fiscal year 2019-2020. Year-over-year decreases in revenues of \$10.7 million resulting from the pandemic were still able to absorb the increase in expenses of \$4.8 million. Revenue decreases were concentrated in areas affected by the shelter-in-place coronavirus pandemic orders such as sales taxes, transient occupancy taxes, and capital grants. Increases in program expenses were concentrated in general government and public works. Although there was a decrease in operating expenses as a result of the pandemic, a total increase in expenditures for general government and public works are the result of required pension and OPEB related adjustments as well as increased claims and workers compensation expenditures as determined by outside Actuarial reports. Due to the nature of allocations of expenses in the government-wide statements, fluctuation analysis on program expenses is better performed on the fund level financial statements.

Growth in property taxes stemmed from the 2% proposition 13 inflation adjustment that was unaffected by the pandemic.

The year-over-year \$1.8 million decrease in sales taxes is due to reduced economic activity resulting from shelter-in-place orders to guard against the coronavirus pandemic. The recently enacted Wayfair decision played a crucial role in helping to mitigate the loss as sales shifted on-line and greater tax revenues were allocated to the City from the County pool responsible for distributing taxes on on-line purchases.

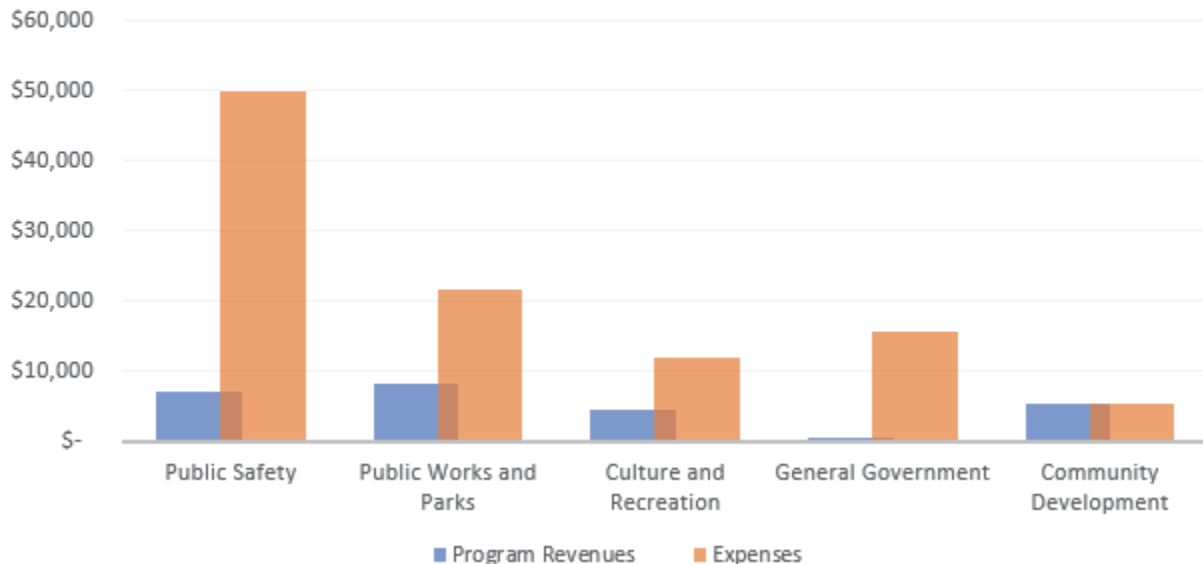
The increase in fiscal year 2019-2020 governmental expenses was due, in part, to pension expense adjustments recorded under GASB 68, as well as increased internal service fund expenditure allocations resulting primarily from Workers' Compensation premiums and claims during the year.

The following graph shows governmental revenues by source:



CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Expenses and Program Revenues
Governmental Activities
(in thousands)



Total expenses for governmental activities were \$104.4 million (excluding interest on long-term debt of \$2 million). Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$19.1 million in charges for services.
- A total of \$6.9 million in operating and capital projects were funded by outside agencies through operating grants, capital grants, and contributions.

As a result, total expenses that were funded by tax revenues, investment income, other general revenues and fund balance were \$78.4 million.

Functional expenses for the year ended June 30, 2020 were as follows:

Expenses by Function

(in thousands)

Function	Amount	Percent of Total
General government	\$15,630	14.7%
Public safety	50,001	47.0%
Public works and parks	21,661	20.4%
Community development	5,314	5.0%
Culture and recreation	11,828	11.1%
Interest on debt	1,975	1.9%
Total expenses	\$106,409	100%

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Summary of Changes in Net Position
For the periods ended June 30, 2020 and 2019 (in thousands)

	Business-Type Activities		Increase
	2020	2019	(Decrease)
Revenues			
Program revenues:			
Charges for services	\$5,063	\$5,362	(\$299)
Total program revenues	<u>5,063</u>	<u>5,362</u>	<u>(299)</u>
General revenues:			
Investment Income	71	64	7
Total general revenues	<u>71</u>	<u>64</u>	<u>7</u>
TOTAL REVENUES	<u>5,134</u>	<u>5,426</u>	<u>(292)</u>
Expenses			
General government	4,491	5,039	(548)
TOTAL EXPENSES	<u>4,491</u>	<u>5,039</u>	<u>(548)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	643	387	256
OTHER FINANCING SOURCES (USES)			
Transfers out	(586)	(608)	22
Total Other Financing sources (uses)	<u>(586)</u>	<u>(608)</u>	<u>22</u>
Net Change in Net Position	57	(221)	278
Net Position, Beginning	<u>9,843</u>	<u>10,064</u>	<u>(221)</u>
Net Position, Ending	<u><u>\$9,900</u></u>	<u><u>\$9,843</u></u>	<u><u>\$57</u></u>

The net position for business-type activities increased from the prior year by \$57 thousand.

- Parking services is the City's only business-type activity with income derived from program revenues of \$5.1 million. Program revenues include parking meter coin income of \$1.5 million and parking garage hourly and monthly parking income of \$1 million. Revenues also include parking and non-vehicle code fines totaling \$2.5 million. Total expenses for parking services were \$4.5 million and transfers out to general fund and non-major governmental fund for support totaled \$586 thousand during the fiscal year 2019-2020. The year-over-year decreases in revenues and expenses were directly attributable to the coronavirus pandemic and shelter-in-place orders.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Governmental Funds

Fund Balance Classifications

Fund balances are classified in five categories: nonspendable, restricted, committed, assigned, and unassigned based on a hierarchy of constraint. Further details on fund balance classifications can be found in Note 8B.

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

As of June 30, 2020, the City reported a combined ending fund balance of \$46.1 million for all governmental funds (a decrease of \$21.7 million from the prior year): \$15 thousand is non-spendable, \$34.3 million is restricted, \$1.9 million is committed, \$9.9 million is assigned, and (\$11) thousand is unassigned.

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

General Fund – The fund balance of the General Fund as of June 30, 2020 was \$9.8 million (a decrease of \$2.7 million from the prior year balance): \$8 thousand is non-spendable and \$9.8 million is assigned. The assigned portion of the balance includes \$7.8 million for emergency and cash flow needs.

General Fund Budgetary Highlights:

The original adopted General Fund budget projected total revenue of \$80.7 million and transfers-in of \$4.7 million for total resources of \$85.4 million. This budget appropriated expenditures of \$80.3 million and transfers-out of \$6.1 million for total appropriations of \$86.4 million. Expenditures were later increased to \$81.3 million to accommodate increased public safety overtime expenditures as well as increased liability claims. Transfers-out were increased by \$546 thousand based on increased support of recreation fund expenditures as a result of the pandemic and project support.

Actual revenues, at \$80.3 million, were lower than the original budgeted revenues by \$0.4 million. The was due to a decrease in tax revenues as a result of the coronavirus pandemic that were partially offset by larger than expected tax receipts earlier in the year as well as large one-time collections for fees related to large development projects. Expenditures of \$81.2 million were greater than the original budgeted expenditures by \$0.8 million, primarily due to increased liability claims.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Fiscal year 2019-2020 General Fund expenditures, operating and capital transfers out of \$87.7 exceeded revenues and transfers of \$85 million by \$2.7 million. Prior year assigned and unassigned fund balances including the General Fund Emergency and Cash Flow Reserve were utilized to absorb the loss.

Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2020 (in thousands)

	Adopted Budget	Revised Budget	Actual
Revenues	\$80,676	\$80,876	\$80,287
Transfers in	4,701	4,737	4,737
Note Proceeds			24
Total resources	<u>85,377</u>	<u>85,613</u>	<u>85,048</u>
Expenditures	80,286	\$81,308	81,151
Operating transfers out	2,000	2,440	2,440
Capital Transfers out	4,077	4,183	4,183
Total uses	<u>86,363</u>	<u>87,931</u>	<u>87,774</u>
Net Results	<u>(\$986)</u>	<u>(\$2,318)</u>	<u>(\$2,726)</u>

Traffic and Housing Mitigation Fund – The City uses this fund to collect developer contributions to be used for major street improvement and housing infrastructure projects. During the year, the fund balance decreased from \$5.2 million to \$4.2 million. Revenues totaled \$1 million, while \$2 million was charged against this fund to support the maintenance of the City-wide traffic model. Installation of a multi-use pathway along Francisco Boulevard accounted for charges of \$763 thousand, the Innovative Deployment of Enhanced Arterial project designed to proactively identify and correct traffic signal performance accounted for \$467 thousand, and a project to install new queue cutter signals on 2nd and 3rd streets next to the rail crossing accounted for \$365 thousand. The balance in the fund is being held in anticipation of major street projects identified in the General Plan 2040 and other qualifying expenditures.

Gas Tax Fund – The City uses this fund to manage its allocation of State gasoline taxes and local funding for street maintenance projects. Gas tax revenues exceeded expenditures and net transfers by \$1.8 million in fiscal year 2019-2020 resulting in an increase in fund balance from \$4.7 million to \$6.5 million. The activities for the year were all planned and approved project work.

Expenditures during fiscal year 2019-2020 totaled \$5.8 million. In addition to routine street-related maintenance of \$1.8 million, major expenditures included \$3.1 million for street resurfacing and restriping, \$570 thousand for a multi-use path along Francisco Boulevard, \$398 thousand for emergency slide repair at 70 Irwin, \$155 thousand for sidewalk improvements along Francisco Boulevard, \$113 thousand to for the Grand Avenue pathway connector project, and \$258 thousand related to studies and improvements to Third Street.

The largest sources of revenues were \$1.7 million in development impact fees, \$1.4 million from State gasoline taxes, \$1.2 million in local Measure A funding, and \$1.1 million in State RMRA (Road Maintenance and Rehabilitation Account) funding.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Essential Facilities Capital Projects Fund – The City uses this fund to account for major capital improvements to public safety facilities. During the year, construction of Fire Station 57 was completed and the Public Safety Center was substantially complete. Expenditures during fiscal year 2019-2020 totaled \$23.6 million, of which \$4.2 million was transferred from the General Fund from an allocation of Measure E Transaction and Use Tax and \$950 thousand was allocated from paramedic tax funds.

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2020, non-major funds had a total fund balance of \$13.1 million, a \$100 thousand increase over that of the previous year. The largest fund balance decrease, \$473 thousand, was recorded in the Childcare Fund as result of reduced charges for services from closure during shelter-in-place orders. The largest fund balance increase, \$487 thousand, was recorded in the Stormwater Fund as budgeted activity was hindered by the pandemic.

Of the ending total non-major fund balances of \$13.0 million: \$11.1 million (85%) is legally restricted for specific purposes by external funding source providers, \$1.9 million (14%) is committed for special purposes by the City Council, \$121 thousand (1%) is assigned, \$8 thousand (less than 1%) is nonspendable, and a negative balance of \$11 thousand is unassigned. The negative balance resulted from wildfire prevention activities performed in advance of Measure C – Wildfire Prevention Fund revenue collection in order to prepare for the upcoming fire season. Additional information about these aggregated non-major funds is presented in the combining statements which immediately follow the required supplementary information.

Proprietary Funds

The City's proprietary funds are presented in the basic financial statements in a manner similar to that found in the government-wide financial statements, but in more detail. As noted in the Summary of Changes in Net Position – Business-type Activities at page 26, the City's enterprise fund net position increased by \$72 thousand during the fiscal year. The Parking Services Fund is the City's sole business-type (Enterprise) activity.

The proprietary fund operating revenue decreased by \$299 thousand in fiscal year 2019-2020 to \$5.1 million. The enterprise fund operating expenses were \$4.3 million in fiscal year 2019-2020, a decrease of \$0.6 million over the prior fiscal year. The change in operating revenues and expenses was primarily driven by the State shelter-in-place orders.

The City's Internal Service Funds are also reported in this Proprietary Fund classification. In fiscal year 2019-2020, the Internal Services Funds were comprised of: Building Maintenance, Vehicle Replacement, Equipment Replacement, Employee Benefits, Liability Insurance, Workers' Compensation, Dental Insurance, Employee Retirement, OPEB/Retiree Medical, Radio Replacement, Telephone Replacement and Sewer Maintenance. The net position of the Internal Service Funds increased by \$3.3 million. Net investment in capital assets decreased by \$196 thousand, while unrestricted fund balance increased by \$3.5 million. The decrease in capital assets resulted primarily from depreciation of existing capital assets. The increase in unrestricted fund balance reflected increased allocations to the Liability Fund and Employee Retirement Fund to support increased claims and funding two years of pension obligation bond debt service, respectively. The other Internal Service Funds reported small-to-moderate changes to their respective net positions.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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, 2020 amounts to \$289.2 million, net of accumulated depreciation of \$189.1 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. The net addition to the City's investment in capital assets for the current fiscal year was \$19.1 million, offset by accumulated depreciation of \$6.6 million.

Additions to capital assets during fiscal year 2019-2020 included:

- Building and structure projects: \$29.3 million
 - Fire Station 52 - \$13.3 million
 - Fire Station 57 - \$13.5 million
 - Energy Efficiency Upgrades - \$1.1 million
 - City Hall Switchgear Replacement - \$642 thousand
 - Boyd House Renovations - \$390 thousand
 - Bret Hart Restroom - \$305 thousand
- Infrastructure: \$3.5 million
 - Grand Avenue Pathway - \$2.9 million
 - Grand Avenue Pathway Connector - \$612k

The City's Capital Assets for the fiscal years ending June 30, 2020 and 2019 were as follows:

Summary of Capital Assets
(in thousands)

	2020	2019
Governmental Activities		
Land	\$83,662	\$83,662
Construction in progress	62,961	69,822
Land improvements	9,763	9,763
Buildings and structures	73,514	44,247
Machinery and equipment	20,842	20,948
Infrastructure	207,290	203,818
Less accumulated depreciation	(184,519)	(178,097)
Subtotal Governmental Activities	<u>273,513</u>	<u>254,163</u>
Business-type Activities		
Land	8,621	8,621
Buildings and structures	10,714	10,714
Machinery and equipment	1,009	1,042
Less accumulated depreciation	(4,613)	(4,436)
Subtotal Business-type Activities	<u>15,731</u>	<u>15,941</u>
Total Capital Assets	<u>\$289,244</u>	<u>\$270,104</u>

Additional information on the City's capital assets can be found in Note 5 on pages 61 through 63 of this report.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Debt Administration

The City's debt obligations were stable year-over-year and reflect payments of principal made during the year. The debt of the former Redevelopment Agency is reported under the Successor Agency, which is presented as Private-Purpose Trust Fund on the Statement of Fiduciary Net Position. (See Note 6 of the financial statements for additional information on the debt obligations of the City and Note 15 for additional information on the Successor Agency.) The City's long-term obligations for the fiscal years ending June 30, 2020 and 2019 were as follows:

Summary of Long-Term Debt
(in thousands)

	<u>2020</u>	<u>2019</u>
Governmental Activity Debt:		
2018 Authority Lease Revenue Bond	\$52,596	\$53,104
2010 Taxable Pension Obligation Bonds	3,320	3,765
PG & E City Hall HVAC Retrofit Note Payable	113	146
PG & E Street Light Retrofit Note Payable		7
PG & E Efficiency Note Payable	972	1,081
Subtotal Governmental Activity Debt	<u>57,001</u>	<u>58,103</u>
Business-Type Activity Debt:		
PG & E Parking Lot Lighting Retrofit Note Payable	21	28
2012 Authority Lease Revenue Refunding Bonds, as adjusted	4,606	4,890
Subtotal Business-Type Activity Debt	<u>4,627</u>	<u>4,918</u>
Total Long-Term Obligations	<u><u>\$61,628</u></u>	<u><u>\$63,021</u></u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

In early 2020 the globe was sent into an economic and social crisis from the rapid outbreak of COVID-19. Economies went into freefall as efforts to combat the virus disrupted the global supply chain. The United States saw its gross domestic product fall 9.5 percent in the second quarter and unemployment jump to 14.7 percent in April. Stimulus measures such as cutting interest rates and direct payments have helped to mitigate the toll on the American economy. The road to recovery is beginning to appear lengthier than some may have predicted, and the country is likely to continue to face ongoing challenges in the years ahead.

California faces the new year with a \$54.3 billion budget deficit and an unemployment rate of 11% as of September, a stark contrast from the record low unemployment rates and record expansion reported just a year ago. The State has been slow to reopen as new cases hold near levels seen in the spring and conditions will remain restrictive for businesses in the near term. It remains to be seen how the reopening will impact case numbers, but all indications are that a prolonged recovery should be expected.

Locally, Marin County's unemployment rate fares better than all but one California county at 6.5% as of September as its workforce is more concentrated in the finance, science and information sectors sheltering the County from larger adverse effects of the pandemic. The real estate market in Marin has seen a recent boom with home sales up 37% and median home sales prices increasing 21% year over year which should translate to increased gains in property taxes.

In San Rafael, economic impacts remain mixed. Property taxes are continuing to grow and the recent housing boom in Marin is expected to bolster that trend going forward whereas sales and use tax revenue, transient occupancy tax, and business licenses will continue to see adverse impacts of the pandemic as the reopening and recovery appears likely to take a prolonged approach.

The City's general fund, after years of solid operating results, is seeing a reversal that is expected to continue through the next few fiscal years. Staffing levels have decreased and the City has tapped into the emergency reserve to maintain vital services and, at the same time, the City is fully funding its actuarially-determined, required contributions for both pension and retiree medical (OPEB) obligations.

Reductions in staffing and service levels, coupled with deferred maintenance of City facilities as methods of coping with the economic downturn means additional revenue sources will be required to get back to service and maintenance levels that were the norm prior to the pandemic.

Sales tax and transactions and use tax (Measure E) combined, represent the City's largest tax revenue generators. The City's second largest tax generator is property tax. The City is expecting the fiscal year 2020-2021 tax roll to increase by approximately five percent over the previous year. Other tax and non-tax revenues are expected to decline as we enter a fiscal year that is expected to be entirely affected by the economic toll of the pandemic.

The City's largest expenditure relates to personnel costs. Salaries and benefits are tied to the labor agreements with each bargaining group. With the exception of SEIU-Childcare, which has a two-year contract expiring on October 31, 2021, the City's labor units are all operating under extensions of two-year contracts that expire on June 30, 2021.

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

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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 at 1400 Fifth Avenue, Room 204, San Rafael, California 94901.



CITY OF SAN RAFAEL**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are also referred to as Government-wide financial statements.

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

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

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

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

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

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



CITY OF SAN RAFAEL
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$57,442,045	\$2,675,950	\$60,117,995	\$38,895,857
Restricted cash and investments (Note 2)	12,187,976		12,187,976	
Receivables:				
Accounts, net	2,418,709	695,398	3,114,107	1,498,788
Intergovernmental	6,711,914		6,711,914	
Grants	825,201		825,201	
Interest	208,479		208,479	
Loans (Note 4)	302,894		302,894	
Long-term receivable from the Successor Agency (Note 15D)	190,444		190,444	
Long-term receivable from San Rafael Sanitation District (Note 4F)	4,937,049		4,937,049	
Prepaid expenses and others	15,353		15,353	62,461
Capital assets (Note 5):				
Nondepreciable	146,623,585	8,620,853	155,244,438	1,492,971
Depreciable, net	126,889,000	7,110,590	133,999,590	51,985,289
Total Assets	<u>358,752,649</u>	<u>19,102,791</u>	<u>377,855,440</u>	<u>93,935,366</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 9)	40,529,874	1,357,747	41,887,621	
Deferred outflows related to OPEB (Note 11)	5,967,993	148,007	6,116,000	
Total Deferred Outflows of Resources	<u>46,497,867</u>	<u>1,505,754</u>	<u>48,003,621</u>	
LIABILITIES				
Accounts payable	7,785,711	60,621	7,846,332	521,435
Deposits payable	274,326		274,326	
Interest payable		40,322	40,322	
Developer deposits payable	692,819		692,819	
Unearned revenue	172,395	19,116	191,511	
Claims payable (Note 13):				
Due in one year	3,338,607		3,338,607	
Due in more than one year	9,081,670		9,081,670	
Compensated absences (Note 11):				
Due in one year	595,494	14,841	610,335	
Due in more than one year	4,168,460	103,886	4,272,346	
Long-term debt (Note 6):				
Due in one year	2,563,711	296,816	2,860,527	
Due in more than one year	54,436,960	4,329,876	58,766,836	
Long-term payable to the City of San Rafael, due in more than one year (Note 4F)				4,937,049
Net OPEB liability, due in more than one year (Note 11)	25,963,111	643,889	26,607,000	
Net pension liability, due in more than one year (Note 9)	129,569,578	4,307,953	133,877,531	
Total Liabilities	<u>238,642,842</u>	<u>9,817,320</u>	<u>248,460,162</u>	<u>5,458,484</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 9)	21,832,237	725,882	22,558,119	
Deferred inflows related to OPEB (Note 11)	6,649,101	164,899	6,814,000	
Total Deferred Inflows of Resources	<u>28,481,338</u>	<u>890,781</u>	<u>29,372,119</u>	
NET POSITION (Note 8):				
Net investment in capital assets	230,737,025	11,104,751	241,841,776	53,478,260
Restricted for:				
Special revenue projects:				
Housing and street improvements	11,633,043		11,633,043	
Stormwater	889,468		889,468	
Emergency medical services	726,002		726,002	
Other	8,002,418		8,002,418	
Capital projects	2,100,674		2,100,674	
Debt service	171,143		171,143	
Total Restricted Net Position	<u>23,522,748</u>		<u>23,522,748</u>	
Unrestricted	(116,133,437)	(1,204,307)	(117,337,744)	34,998,622
Total Net Position	<u>\$138,126,336</u>	<u>\$9,900,444</u>	<u>\$148,026,780</u>	<u>\$88,476,882</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$15,629,601	\$394,882	\$142,780	
Public safety	50,000,809	5,824,555	1,254,541	
Public works and parks	21,661,442	3,082,495	3,946,827	\$1,348,640
Community development	5,314,692	5,470,010		
Culture and recreation	11,828,353	4,370,442	201,583	
Interest on long-term debt and fiscal charges	1,974,834			
Total Governmental Activities	<u>106,409,731</u>	<u>19,142,384</u>	<u>5,545,731</u>	<u>1,348,640</u>
Business-type Activities:				
Parking services	<u>4,491,375</u>	<u>5,063,318</u>		
Total Business-type Activities	<u>4,491,375</u>	<u>5,063,318</u>		
Total Primary Government	<u>\$110,901,106</u>	<u>\$24,205,702</u>	<u>\$5,545,731</u>	<u>\$1,348,640</u>
Component Unit				
San Rafael Sanitation District	<u>\$13,853,263</u>	<u>\$16,874,361</u>	<u>\$5,719</u>	<u>\$175,217</u>

General revenues:

Taxes:

Property

Sales:

Sales and Use

Measure E half-cent sales

Measure E quarter-cent sales

Paramedic

Transient occupancy

Franchise

Business license

Other

Investment earnings

Miscellaneous

Transfers (Note 3A)

Total general revenues and transfers

Change in Net Position

Net Position, beginning of year

Net Position, end of year

See accompanying notes to financial statements

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
(\$15,091,939)		(\$15,091,939)	
(42,921,713)		(42,921,713)	
(13,283,480)		(13,283,480)	
155,318		155,318	
(7,256,328)		(7,256,328)	
(1,974,834)		(1,974,834)	
<u>(80,372,976)</u>		<u>(80,372,976)</u>	
	\$571,943	571,943	
	571,943	571,943	
<u>(80,372,976)</u>	<u>571,943</u>	<u>(79,801,033)</u>	
			<u>\$3,202,034</u>
26,491,505		26,491,505	1,833,137
21,602,988		21,602,988	
8,121,188		8,121,188	
4,060,594		4,060,594	
4,923,092		4,923,092	
2,410,745		2,410,745	
4,029,050		4,029,050	
2,824,722		2,824,722	
2,152,617		2,152,617	
1,907,591	71,583	1,979,174	876,369
2,470,926		2,470,926	489
586,387	(586,387)		
<u>81,581,405</u>	<u>(514,804)</u>	<u>81,066,601</u>	<u>2,709,995</u>
1,208,429	57,139	1,265,568	5,912,029
<u>136,917,907</u>	<u>9,843,305</u>	<u>146,761,212</u>	<u>82,564,853</u>
<u>\$138,126,336</u>	<u>\$9,900,444</u>	<u>\$148,026,780</u>	<u>\$88,476,882</u>



FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be major funds by the City in fiscal year 2019-2020:

GENERAL FUND

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

TRAFFIC AND HOUSING MITIGATION SPECIAL REVENUE FUND

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

GAS TAX SPECIAL REVENUE FUND

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

ESSENTIAL FACILITIES CAPITAL PROJECTS FUND

Established to account for major capital improvements to public safety facilities.

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund		
ASSETS						
Cash and investments available for operations (Note 2)	\$7,491,237	\$4,223,837	\$5,976,389	\$3,217,016	\$12,073,469	\$32,981,948
Restricted cash and investments (Note 2)	578,156			10,905,111	704,709	12,187,976
Receivables:						
Accounts	1,483,130	23,951			834,452	2,341,533
Intergovernmental	6,083,065		235,017		393,832	6,711,914
Grants			774,216		47,313	821,529
Interest	173,480			31,655	3,344	208,479
Loans (Note 4)	2,873	37,145			262,876	302,894
Long-term receivable from the Successor Agency (Note 15D)	190,444					190,444
Due from other funds (Note 3B)	131,504					131,504
Prepays	7,540				7,813	15,353
Total Assets	\$16,141,429	\$4,284,933	\$6,985,622	\$14,153,782	\$14,327,808	\$55,893,574
LIABILITIES						
Accounts payable	\$4,441,030	\$63,151	\$468,015	\$1,678,854	\$600,813	\$7,251,863
Deposits payable	179,190				95,136	274,326
Developer deposits payable	440,612				252,207	692,819
Due to other funds (Note 3B)					131,504	131,504
Unearned revenue					172,395	172,395
Total Liabilities	5,060,832	63,151	468,015	1,678,854	1,252,055	8,522,907
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
SB90 reimbursement receivable	1,083,473					1,083,473
Long-term receivable from Successor Agency	190,444					190,444
Total Deferred Inflows of Resources	1,273,917					1,273,917
Fund Balances (Note 8):						
Nonspendable	7,540				7,813	15,353
Restricted		4,221,782	6,517,607	12,474,928	11,073,985	34,288,302
Committed					1,884,153	1,884,153
Assigned	9,799,140				120,920	9,920,060
Unassigned					(11,118)	(11,118)
Total Fund Balances	9,806,680	4,221,782	6,517,607	12,474,928	13,075,753	46,096,750
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$16,141,429	\$4,284,933	\$6,985,622	\$14,153,782	\$14,327,808	\$55,893,574

See accompanying notes to basic financial statements

CITY OF SAN RAFAEL
GOVERNMENTAL FUNDS
BALANCE SHEET - RECONCILIATION OF GOVERNMENTAL
FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total fund balances reported on the governmental funds balance sheet	\$46,096,750
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.	260,321,608
Internal service funds are used by management to charge the cost of management of building, workers' compensation, employee benefits, insurance, and post-retirement healthcare benefits to individual funds. The assets and liabilities are included in Governmental Activities in the Statement of Net Position.	24,777,797
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(57,000,671)
Compensated absences	(4,763,954)
Unavailable revenue	1,273,917
Long-term receivables from San Rafael Sanitation District	4,937,049
Deferred outflows related to pension	40,529,874
Net pension liability	(129,569,578)
Deferred inflows related to pension	(21,832,237)
Deferred outflows related to OPEB	5,967,993
Deferred inflows related to OPEB	(6,649,101)
Net OPEB liability	<u>(25,963,111)</u>
Net Position of governmental activities	<u><u>\$138,126,336</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, 2020

	<u>Special Revenue Funds</u>					Total Governmental Funds
	General	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	
REVENUES						
Taxes and special assessments	\$69,242,196				\$7,168,501	\$76,410,697
Licenses and permits	3,047,144					3,047,144
Fines and forfeitures	349,563				825	350,388
Use of money and properties	371,231	\$116,876	\$106,175	\$599,667	343,920	1,537,869
Intergovernmental	3,229,127		4,887,201		1,170,853	9,287,181
Charges for services	3,105,656	612,867	2,132,590		7,983,730	13,834,843
Other revenue	942,435	286,551	199,893	189,864	690,483	2,309,226
Total Revenues	80,287,352	1,016,294	7,325,859	789,531	17,358,312	106,777,348
EXPENDITURES						
Current:						
General government	16,119,613				569,913	16,689,526
Public safety	41,615,327				8,456,204	50,071,531
Public works and parks	12,349,130	99,232	4,273,277		732,184	17,453,823
Community development	5,276,887					5,276,887
Culture and recreation	2,689,531				8,489,879	11,179,410
Capital outlay		505,588	1,531,254	23,593,767	354,139	25,984,748
Debt service:						
Principal	618,316					618,316
Interest and fiscal charges	2,482,778					2,482,778
Total Expenditures	81,151,582	604,820	5,804,531	23,593,767	18,602,319	129,757,019
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(864,230)	411,474	1,521,328	(22,804,236)	(1,244,007)	(22,979,671)
OTHER FINANCING SOURCES (USES)						
Note issued (Note 6)	23,999					23,999
Transfers in (Note 3A)	4,737,499		1,168,168	5,123,865	2,767,994	13,797,526
Transfers out (Note 3A)	(6,623,159)	(1,387,068)	(900,000)	(2,235,200)	(1,439,789)	(12,585,216)
Total Other Financing Sources (Uses)	(1,861,661)	(1,387,068)	268,168	2,888,665	1,328,205	1,236,309
Net Change in Fund Balances	(2,725,891)	(975,594)	1,789,496	(19,915,571)	84,198	(21,743,362)
FUND BALANCES, BEGINNING OF YEAR	12,532,571	5,197,376	4,728,111	32,390,499	12,991,555	67,840,112
FUND BALANCES, END OF YEAR	\$9,806,680	\$4,221,782	\$6,517,607	\$12,474,928	\$13,075,753	\$46,096,750

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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$21,743,362)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:</p>	
<p>Capital Assets Transactions</p>	
<p>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.</p>	
Capital outlay and improvement expenditures are added back to fund balance	26,072,936
Loss on disposal of capital assets is deducted from fund balance	(23,413)
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of \$1,309,673, which has already been allocated to serviced funds.)	(6,504,027)
<p>Long-Term Debt Proceeds and Payments</p>	
<p>Governmental funds record proceeds and payments as other financing sources and expenditures. However, in the Statement of Net Position, those costs are reversed as increases and decreases in long-term liabilities.</p>	
Repayments on long-term debt principal	618,316
Amortized bond premium expense is added back to fund balance	507,944
Issuance of debt is deducted from fund balance	(23,999)
<p>Accrual of Non-Current Items</p>	
<p>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):</p>	
Compensated absences	(439,110)
Unavailable revenue	(200,602)
Long-term receivable from San Rafael Sanitary District	323,086
<p>Net Pension Liability Transactions</p>	
<p>Governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability.</p>	
	(2,317,973)
<p>Net OPEB Liability Transactions</p>	
<p>Governmental funds record OPEB expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net OPEB liability.</p>	
	1,586,196
<p>Allocation of Internal Service Fund Activities</p>	
<p>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.</p>	
	<u>3,352,437</u>
Change in Net Position of Governmental Activities	<u><u>\$1,208,429</u></u>

See accompanying notes to financial statements



PROPRIETARY FUND FINANCIAL STATEMENTS
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Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges, whether external or internal.

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

PARKING SERVICES FUND

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

INTERNAL SERVICE FUNDS

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

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$2,675,950	\$24,460,097
Receivable:		
Accounts, net	695,398	77,176
Grants		3,672
Total Current Assets	<u>3,371,348</u>	<u>24,540,945</u>
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	555,908
Depreciable, net	7,110,590	12,635,069
Total Noncurrent Assets	<u>15,731,443</u>	<u>13,190,977</u>
Total Assets	<u>19,102,791</u>	<u>37,731,922</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension (Note 9)	1,357,747	
Deferred outflows related to OPEB (Note 11)	148,007	
Total Deferred Outflows of Resources	<u>1,505,754</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	60,621	533,848
Interest payable	40,322	
Unearned revenue	19,116	
Compensated absences, due in one year (Note 1L)	14,841	
Claims payable, due in one year (Note 13)		3,338,607
Long-term debt, due in one year (Note 6)	296,816	
Total Current Liabilities	<u>431,716</u>	<u>3,872,455</u>
Noncurrent Liabilities:		
Compensated absences (Note 1L)	103,886	
Claims payable (Note 13)		9,081,670
Long-term debt (Note 6)	4,329,876	
Net OPEB liability (Note 11)	643,889	
Net pension liability (Note 9)	4,307,953	
Total Noncurrent Liabilities	<u>9,385,604</u>	<u>9,081,670</u>
Total Liabilities	<u>9,817,320</u>	<u>12,954,125</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension (Note 9)	725,882	
Deferred inflows related to OPEB (Note 11)	164,899	
Total Deferred Inflows of Resources	<u>890,781</u>	
NET POSITION (Note 8):		
Net investment in capital assets	11,104,751	13,190,977
Unrestricted	(1,204,307)	11,586,820
Total Net Position	<u>\$9,900,444</u>	<u>\$24,777,797</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$2,515,793	\$21,143,188
Other operating revenues	2,547,525	911,696
Intergovernmental		29,476
Total Operating Revenues	<u>5,063,318</u>	<u>22,084,360</u>
OPERATING EXPENSES		
Personnel	2,586,635	3,895,342
Insurance premiums and claims		9,423,296
Maintenance and repairs	100,723	286,579
Depreciation (Note 5)	235,885	1,309,673
General and administrative	1,385,075	3,381,025
Total Operating Expenses	<u>4,308,318</u>	<u>18,295,915</u>
Operating Income	<u>755,000</u>	<u>3,788,445</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	71,583	454,833
Interest expense	(167,700)	
Miscellaneous income		194
Gain from sale of capital assets		58,459
Loss on retirement of capital assets		(463,928)
Total Nonoperating Revenues (Expenses)	<u>(96,117)</u>	<u>49,558</u>
Income Before Contributions and Transfers	<u>658,883</u>	<u>3,838,003</u>
CAPITAL CONTRIBUTIONS		
TRANSFERS IN (Note 3A)		125,000
TRANSFERS OUT (Note 3A)	(586,387)	52,840
Change in Net Position	72,496	3,337,080
NET POSITION, BEGINNING OF YEAR	<u>9,827,948</u>	<u>21,440,717</u>
NET POSITION, END OF YEAR	<u>\$9,900,444</u>	<u>\$24,777,797</u>
*Reconciliation of the Change in Net Position with the Statement of Activities		
Change in Net Position	\$72,496	
Some amounts reported for business-type activities in the Statement of Activities are different because the portion of the net income of certain internal service funds is reported with the business-type activities which those funds serviced.	<u>(15,357)</u>	
Change in Net Position of Business-type Activities	<u>\$57,139</u>	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$2,515,793	\$21,233,692
Cash payments to suppliers for goods and services	(1,547,567)	(13,241,534)
Cash payments to employees for salaries and benefits	(2,426,694)	(1,302,099)
Other revenues	1,902,644	911,890
Cash Flows from Operating Activities	444,176	7,601,949
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund receipts		52,840
Interfund payments	(586,387)	(678,763)
Cash Flows from Noncapital Financing Activities	(586,387)	(625,923)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds and note payable	(291,815)	
Interest expenses and fiscal charges	(169,113)	
Acquisition of capital assets	(26,120)	(982,738)
Proceeds from sale of property		110,768
Cash Flows from Capital and Related Financing Activities	(487,048)	(871,970)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	71,583	454,832
Cash Flows from Investing Activities	71,583	454,832
NET CHANGE IN CASH AND CASH EQUIVALENTS	(557,676)	6,558,888
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,233,626	17,901,209
CASH AND CASH EQUIVALENTS, END OF YEAR	\$2,675,950	\$24,460,097
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$755,000	\$3,788,445
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	235,885	1,309,673
Miscellaneous income		194
Net change in assets and liabilities:		
Accounts receivable	(663,997)	61,028
Prepays	3,400	
OPEB system	(3,804)	
Accounts payable	(65,169)	(256,120)
Unearned revenue	19,116	
Compensated absence obligations	(19,734)	
Retirement system	183,479	
Claims payable		2,698,729
Net Cash Provided by Operating Activities	\$444,176	\$7,601,949
NON-CASH TRANSACTIONS:		
Capital contributions		\$125,000
Retirement of capital assets	(\$4,702)	(\$516,237)
Amortization of bond discount	\$725	

See accompanying notes to basic financial statements

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY – PRIVATE PURPOSE TRUST FUND

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

PT. SAN PEDRO ROAD ASSESSMENT DISTRICT AGENCY FUND

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

CITY OF SAN RAFAEL
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Pt. San Pedro Road Assessment District Agency Fund
ASSETS		
Cash and investments (Note 2)	\$40,058	\$238,892
Receivable:		
Taxes	3,451,205	690
Total Assets	3,491,263	\$239,582
LIABILITIES		
Interest payable	21,643	\$23,014
Other long-term obligations (Note 15D)	190,444	
Due to bondholders		216,568
Long-term debt (Note 15C):		
Due within one year	3,350,000	
Due more than one year	6,793,892	
Total Liabilities	10,355,979	\$239,582
NET POSITION (DEFICIT)		
Held in trust for private purpose	(\$6,864,716)	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <hr/>
ADDITIONS	
Property taxes	\$3,908,118
Use of money and property	1,714
Return of disallowed administrative costs	<u>103,243</u>
Total Additions	<u>4,013,075</u>
DEDUCTIONS	
General government	150,069
Interest expense	<u>493,403</u>
Total Deductions	<u>643,472</u>
Change in Net Position	3,369,603
NET POSITION HELD IN TRUST FUND FOR OTHER PURPOSES	
Beginning of year	<u>(10,234,319)</u>
End of year	<u><u>(\$6,864,716)</u></u>

See accompanying notes to financial statements



CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Description of the Financial Reporting Entity*

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

B. *Description of Blended Component Units*

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

San Rafael Joint Powers Financing Authority – The San Rafael Joint Powers Financing Authority (Authority) was formed by the City of San Rafael and the former San Rafael Redevelopment Agency (Agency) pursuant to Articles 1 and 2 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California for the purpose of assisting in the financing and refinancing of certain assessment district and redevelopment-related activities in the City. On March 18, 2013, the Agency was replaced by the California Municipal Finance Authority (CMFA) in order that the life of the Authority would extend beyond that of the Agency. The Authority is administered by a governing board whose members are the City Council of the City.

Activities of the Authority related to the 2012 Authority Lease Revenue Refunding Bonds are reported in the Parking Services Enterprise Fund. Activities of the Authority related to the 2018 Authority Lease Revenue Bonds are reported in the City's General Fund and the Essential Facilities Capital Projects Fund. Separate financial statements are not prepared for the Authority.

C. *Description of Discretely Presented Component Unit*

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's activities are reported as a discretely presented component unit in a separate column in the basic financial statements which includes the District's assets, liabilities, revenues, expenses, results of operations and cash flows. The District's fiscal year ends on June 30 and its separately issued component unit financial statements can be obtained at the San Rafael Sanitation District, 111 Morphew Street, San Rafael, California 94901.

D. Basis of Presentation

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

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

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

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

E. Major Funds and Other Reported Funds

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

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Gas Tax Special Revenue Fund – Established to receive and expend the City’s allocation of State gasoline taxes.

Essential Facilities Capital Projects Fund – Established to account for major capital improvements to public safety facilities.

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

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

The City also reports the following fund types:

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

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

F. Basis of Accounting

The government-wide, proprietary, fiduciary and discretely presented component unit financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, interest revenue, charges for services, fines and forfeitures. Other receipts and taxes are recognized as revenue when the cash is received.

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

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

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

G. *Deferred Outflows/Inflows of Resources*

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

H. *Budgets, Budgetary Accounting, and Encumbrances*

The City adopts an annual budget which is effective July 1 for the ensuing fiscal year. The budget reflects estimated revenues and expenditures, except for the capital projects funds and the Peacock Gap Assessment District and Mariposa Assessment District Debt Service Funds. Appropriations and spending authorizations for projects in the capital projects funds and some special revenue funds are approved by the City Council on a multi-year basis. From the effective date of the budget, which is adopted at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by resolution during the fiscal year in order to respond to emerging needs, changes in resources, or shifting priorities. Expenditures may not exceed appropriations at the fund level, which is the legal level of control. The City Manager is authorized to transfer budgeted amounts between accounts, departments or funds; the Council must approve any increase in the City's operating expenditures, appropriations for capital projects, and transfers between major funds and reportable fund groups.

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the General Fund, Special Revenue Funds and the 1997 Financing Authority Revenue Bonds Debt Service Fund.

Encumbrance accounting, under which purchase orders for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the budgetary process. All unencumbered appropriations lapse at year end.

I. *Cash Equivalents*

For purposes of the statement of cash flows, the City considers all highly liquid investments (including all restricted assets) with maturities 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.

J. *Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

City

Contributed capital assets are valued at their estimated acquisition value on the date contributed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. All other capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

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

General capital assets	ranging from \$5,000 to \$50,000
Infrastructure capital assets	ranging from \$25,000 to \$250,000

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

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

Buildings, improvements, and structures	20 – 50 years
Machinery and equipment	4 – 20 years
Infrastructure	15 – 50 years

District

Collection systems and facilities purchased or constructed are stated at cost. Assets contributed are recorded at the estimated acquisition value at the date received. Interest is capitalized for assets constructed when applicable. The costs of normal repairs and maintenance that do not add to the value of an asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Applicable capital assets must be capitalized for amounts \$1,000 or above and may be capitalized for amounts from \$500 to \$1,000 if determined to be sensitive. Depreciation is provided by the straight-line method over the estimated useful lives of capital assets as follows:

Subsurface lines	50 – 80 years
Sewage collection facilities	5 – 50 years
General plant and administrative facilities	3 – 15 years

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Compensated Absences*

Compensated absences are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Unused sick leave may be compensable up to 600 hours, depending upon the provisions of the MOUs, which vary by bargaining unit.

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

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,324,844	\$138,461	\$4,463,305
Additions	3,147,672	74,942	3,222,614
Payments	(2,708,562)	(94,676)	(2,803,238)
Ending Balance	<u>\$4,763,954</u>	<u>\$118,727</u>	<u>\$4,882,681</u>
Current Portion	<u>\$595,494</u>	<u>\$14,841</u>	<u>\$610,335</u>

M. *Property Tax Levy, Collection and Maximum Rates – City*

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)

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For assessment and collection purposes, property is classified as either “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and real property having a tax lien that is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Unsecured property comprises all taxable property not attached to land, such as personal property or business property. Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer.

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

N. Sewer Charges – District

Sewer charges are billed and collected on behalf of the District by the County of Marin as a special assessment on annual property tax billings. Property taxes are levied on January 1 and are due in two equal installments on November 1 and February 1 and become delinquent December 10 and April 10, for the first and second installments, respectively. In accordance with the Teeter Plan, the County remits to the District all charges which are assessed and the county retains responsibility for collecting past due amounts.

The Teeter Plan provides that the County advance the District its share of the annual gross levy of secured property taxes and special assessments. In consideration, the District gives the County of Marin its rights to penalties and interest on delinquent secured property tax receivables and actual proceeds collected.

O. Connection Fees – District

Connection fees represent a one-time contribution of resources to the District imposed on contractors and developers for the purpose of financing capital improvements. Connection fees are recognized after non-operating revenues (expenses) in the statement of revenues, expenses and changes in net position. The District utilizes connection fees received on a first-in-first-out basis to finance current year capital projects. Accordingly, if there is a balance of connection fees available at year-end, it is classified as restricted net position.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Q. 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.

R. New Fund

In fiscal year 2019-2020, the City established a Special Revenue Fund, Measure C – Wildfire Prevention, for the purpose of reporting tax revenue and expenditures related to coordinated wildfire prevention activities authorized by Measure C, a parcel tax measure approved on March 3, 2020 by a two-thirds supermajority vote. This is a ten-year parcel tax levying up to 10 cents per building square foot tax and \$75 per multifamily unit.

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

B. Classification

Cash and investments as of June 30, 2020, are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Statement of Net Position:

City of San Rafael:

Cash and investments available for operations	\$60,117,995
Restricted cash and investments	<u>12,187,976</u>
Total Primary Government Cash and Investments	<u>72,305,971</u>

San Rafael Sanitation District (Component Unit):

Cash and investments available for operations	<u>38,895,857</u>
Total San Rafael Sanitation District Cash and Investments	<u>38,895,857</u>

Statement of Fiduciary Net Position (separate statement):

Successor Agency to the Redevelopment Agency:

Cash available for operations	<u>40,058</u>
Total Successor Agency Cash	<u>40,058</u>

Pt. San Pedro Road Assessment District Agency Fund:

Restricted cash	<u>238,892</u>
Total Fiduciary Cash	<u>278,950</u>
Total Cash and Investments	<u>\$111,480,778</u>

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality (A)	Maximum Percentage of Portfolio (A)	Maximum Investment in One Issuer
U.S. Government Obligation	5 years	N/A	No limit	No limit
U.S. Agency Securities and Instruments	5 years	N/A	No limit	No limit
Repurchase Agreements	1 year	A-1	No limit	No limit
Prime Commercial Paper	270 days	A-1	25%	10% of total outstanding commercial paper
Bankers' Acceptances	180 days	A-1	40%	\$2,000,000
Medium-Term Corporate Notes	5 years	A	30%	5% of portfolio
Negotiable Certificates of Deposit	5 years	A-1	30%	5% of portfolio
Non-negotiable Certificates of Deposit	5 years	N/A	30%	5% of portfolio
Local Agency Investment Fund	N/A	N/A	N/A	\$75m Per Account
Money Market Funds	N/A	AAA	10%	N/A
Mortgage and Asset-Backed Obligations	5 years	AA	20%	N/A
Supranational Securities	5 years	AA	15%	N/A
Limited Obligation Improvement Bonds Related to Special Assessment Districts and Special Tax Districts	30 years	N/A	N/A	N/A

(A) At time of purchase

The San Rafael Sanitation District maintains all of its cash in the County of Marin pooled investment fund for the purpose of increasing interest earnings through pooled investment activities.

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements

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

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

(A) At time of purchase.

(B) 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, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Fair Value Hierarchy

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020:

	(a) Level 1	(b) Level 2	(c) Level 3	Total
City:				
Money Market Funds		\$2,386,866		\$2,386,866
U.S. Treasury Notes	\$2,476,875			2,476,875
U.S. Agency Securities and Instruments		12,218,670		12,218,670
Medium-Term Corporate Notes		6,749,717		6,749,717
Investment in Pt. San Pedro Bonds			\$1,141,739 (d)	1,141,739
	<u>\$2,476,875</u>	<u>\$21,355,253</u>	<u>\$1,141,739</u>	24,973,867
<i>Investments Exempt from Fair Value Hierarchy:</i>				
California Asset Management Program				10,904,216
Local Agency Investment Fund				33,279,296
Marin County Investment Pool				<u>80,464</u>
Total Investments				<u>69,237,843</u>
<i>Cash in banks and on hand</i>				<u>3,068,128</u>
Total City Cash and Investments				<u>72,305,971</u>
Fiduciary:				
<i>Cash in banks and on hand</i>				<u>278,950</u>
Total Fiduciary Cash				<u>278,950</u>
Total City and Fiduciary Cash				<u>72,584,921</u>
San Rafael Sanitary District:				
<i>Marin County Investment Pool</i>				<u>38,895,857</u>
District's Total Cash and Investments				<u>38,895,857</u>
Total Cash and Investments				<u>\$111,480,778</u>

Source: The above fair value classifications into the different Input Levels are provided by US Bank Institutional Trust & Custody.

- (a) Level 1 inputs are quoted prices in active market for identical assets. These are quoted prices in active markets for identical assets at the measurement date. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- (b) Level 2 inputs are significant other observable inputs. These inputs include: a) Quoted prices for similar assets in active markets; b) Quoted prices for identical or similar assets in markets that are not active; and c) Inputs other than quoted prices that are observable for an asset.
- (c) Level 3 inputs are significant unobservable inputs. These inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date.
- (d) This pertains to the City-owned bonds of its investments in Pt. San Pedro that has no trading market and is thus listed under Level 3. This bond is valued using discounted cash flow techniques.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

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

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

Type of Investment	12 Months or Less	More than 12 Months	Total
City:			
Money Market Funds	\$2,386,866		\$2,386,866
California Asset Management Program	10,904,216		10,904,216
Local Agency Investment Fund	33,279,296		33,279,296
Marin County Investment Pool	80,464		80,464
U.S. Treasury Notes	1,001,200	\$1,475,675	2,476,875
U.S. Agency Securities and Instruments	3,545,460	8,673,210	12,218,670
Medium-Term Corporate Notes	4,117,787	2,631,930	6,749,717
Investment in Pt. San Pedro Bonds		1,141,739	1,141,739
	<u>\$55,315,289</u>	<u>\$13,922,554</u>	69,237,843
<i>Cash in banks and on hand</i>			<u>3,068,128</u>
Total City Cash and Investments			<u>72,305,971</u>
Fiduciary:			
<i>Cash in banks and on hand</i>			<u>278,950</u>
Total Fiduciary Cash			<u>278,950</u>
Total City and Fiduciary Cash			<u>72,584,921</u>
San Rafael Sanitary District:			
<i>Marin County Investment Pool</i>			<u>38,895,857</u>
Total District's Cash and Investments			<u>38,895,857</u>
Total Cash and Investments			<u>\$111,480,778</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule.

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, 2020, these investments matured in an average of 191 days.

Money Market Mutual Funds are available for withdrawal on demand. The investment portfolio of the Money Market Mutual Fund had an average maturity of 46 to 48 days at June 30, 2020.

The City invests the proceeds of the 2018 Authority Lease Revenue Bonds with the California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority established in 1989 to provide California public agencies with professional investment services. The CAMP Pool is a permitted investment for all local agencies under California Government Code Section 53601(p). CAMP is directed by a Board of Trustees, which is made up of experienced local government finance directors and treasurers.

CAMP investments are limited to investments permitted by subdivisions (a) to (n), inclusive, of Section 53601 of the California Government Code. The City reports its investments in CAMP at the fair value amounts provided by CAMP, which is the same as the value of the pool share in accordance with GASB 79 requirements. At June 30, 2020, the fair value was approximate to the City's cost. At June 30, these investments had an average maturity of 53 days.

The City, as a CAMP shareholder, may withdraw all or any portion of the funds in its CAMP account at any time by redeeming shares. The CAMP Declaration of Trust permits the CAMP trustee to suspend the right of withdrawal from CAMP or to postpone the date of payment of redemption proceeds if the New York Stock Exchange is closed other than for customary weekend and holiday closings, if trading on the New York Stock Exchange is restricted, or if, in the opinion of the CAMP trustees, an emergency exists such that disposal of the CAMP pool securities or determination of its net asset value is not reasonably practicable. If the right of withdrawal is suspended, the City may either withdraw its request for that withdrawal or receive payment based on the net asset value of the CAMP pool next determined after termination of the suspension of the right of withdrawal.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

G. 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, 2020, for each of the City's or District's investment types as provided by Standard and Poor's or Moody's investment rating systems, except as noted:

Investments	Amount Invested	Percentage of Investments	NRSRO Rating
City:			
Money Market Funds	\$2,386,866	3%	Aaa/AAA
California Asset Management Program	10,904,216	16%	AAAm
Marin County Investment Pool	80,464	< 1%	Aaa/AAA
U.S. Treasury Notes	2,476,875	4%	AA+
U.S. Agency Securities and Instruments	12,218,670	18%	AA+
Medium-Term Corporate Notes	6,749,717	10%	AA+, AA, AA-, A+, A, A-
Local Agency Investment Fund	33,279,296	48%	Not Rated
Investment in Pt. San Pedro Bonds	1,141,739	2%	Not Rated
Total City Investments	<u>69,237,843</u>		
San Rafael Sanitary District:			
Marin County Investment Pool	<u>38,895,857</u>		AAA/V1
Total Investments	<u>\$108,133,700</u>		

H. Concentration Risk

Included in the table at Note G above are the following significant investments in any one issuer other than U. S. Treasury securities, mutual funds, and external investment pools.

Reporting Unit	Issuer	Investment Type	Amount
Entity-wide	Federal National Mortgage Association	U.S. Agency Securities	\$5,266,939
Entity-wide	Federal Home Loan Bank	U.S. Agency Securities	3,738,250

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 3 - INTER-FUND TRANSACTIONS

A. Transfers

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

Transfers between funds during the fiscal year ended June 30, 2020, were as follows:

From Fund	To Fund	Amount
General Fund	Essential Facilities Capital Projects Fund	\$4,174,065 (A)
	Non-Major Governmental Funds	2,449,094 (B)
Traffic and Housing Mitigation Special Revenue Fund	Gas Tax Special Revenue Fund	1,168,168 (C)
	Non-Major Governmental Funds	218,900 (B)
Gas Tax Special Revenue Fund	General Fund	900,000 (C)
Essential Facilities Capital Projects Fund	General Fund	2,235,200 (D)
Parking Services Enterprise Fund	General Fund	486,387 (D)
	Non-Major Governmental Funds	100,000 (B)
Employee Retirement Internal Service Fund	General Fund	678,763 (D)
Non-Major Governmental Funds	General Fund	437,149 (C)
	Essential Facilities Capital Projects Fund	949,800 (A)
	Building Maintenance Internal Service Fund	52,840 (B)
		<u>\$13,850,366</u>

(A) Transfers for Public Safety Center Projects.

(B) Transfers for administrative costs, grant matching, recreation, and other program support.

(C) Transfers for street maintenance support and administrative costs.

(D) Transfers for debt service.

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2020, the General Fund is due \$131,504 from Non-Major Governmental Funds for negative cash positions.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 – LOANS RECEIVABLE

A. *Summary of Loans Receivable*

The City has identified the portion of fund balance represented by these loans as nonspendable or restricted as discussed in Note 8. At June 30, 2020, these loans totaled:

Employee Loans	\$2,873
Centertown Associates	262,876
One "H" Street Associates	37,145
Total	\$302,894

B. *Employee Loans*

The City administers a computer loan program that supports the use of technology by employees. Employees are permitted to borrow up to \$1,500 for the purchase of computer hardware and software. The loans are interest-free, have maximum terms of one year, and are repaid through automatic payroll deductions. As of June 30, 2020, the balance of the employee loans receivable was \$2,873.

C. *Centertown Associates Loan*

On August 20, 1990, the former Redevelopment Agency loaned Centertown Associates, Ltd, \$303,000 at 3% interest due semiannually. The loan was made for the construction of a 60-unit affordable Centertown apartment complex and is fully secured by a deed of trust. The final payment is due on July 31, 2065. With the dissolution of the Redevelopment Agency effective February 1, 2012, the assets of the Agency's Low and Moderate Income Housing Fund, including the Centertown Associates loan, were assumed by the City's Low and Moderate Income Housing Special Revenue Fund. As of June 30, 2020, the balance of the loan including principal and accrued interest was \$262,876.

D. *One "H" Street Associates Loan*

On January 18, 1994, the City loaned One "H" Street Associates \$100,000 at zero percent interest with annual payments of \$2,857 and the final payment is due January 18, 2034. As of June 30, 2020, the balance of this loan was \$37,145.

E. *Fire Chief Loan*

On September 17, 2007, the City Council approved a Home Loan Agreement to provide the Fire Chief with housing assistance. Under the Agreement, which was executed on October 3, 2007, the City loaned the Fire Chief \$600,000 to assist in the purchase of his primary residence. The loan is secured by a recorded deed of trust. The initial interest rate to be charged was 5.25% through August 31, 2008. On September 1, 2008, and on each September 1 following, until the loan is paid off, the interest rate of the loan will be adjusted based upon the then reported quarter-to-date Local Agency Investment Fund rate on the City's investment portfolio. The loan was repaid during the fiscal year ended June 30, 2020.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 4 - LOANS RECEIVABLE (Continued)

F. Other Receivables – Long-Term Receivable from San Rafael Sanitation District

The City provides staffing to San Rafael Sanitation District (District) under a contractual arrangement originated in 1987 that requires the District to pay all related employee costs incurred by the City on its behalf. Accordingly, the cost of providing pension and post-employment health benefits incurred by the City for the District staff but not yet funded are reflected by the District as an obligation, and by the City as a noncurrent receivable. The obligation as of June 30, 2020 is \$4,937,049, and is composed of the following:

Defined benefit pension liability allocation	\$3,721,988
Other post-employment benefit liability allocation	<u>1,215,061</u>
Total long-term receivable from San Rafael Sanitation District	<u><u>\$4,937,049</u></u>

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2019	Additions/ Adjustments	Retirements	Transfers	Balance June 30, 2020
Governmental Activities					
Capital assets not being depreciated:					
Land	\$83,662,359				\$83,662,359
Construction in progress	<u>69,822,414</u>	<u>\$26,331,046</u>	<u>(\$453,747)</u>	<u>(\$32,738,487)</u>	<u>62,961,226</u>
Total capital assets not being depreciated	<u>153,484,773</u>	<u>26,331,046</u>	<u>(453,747)</u>	<u>(32,738,487)</u>	<u>146,623,585</u>
Capital assets being depreciated:					
Land improvements	9,762,567				9,762,567
Buildings and structures	44,247,122			29,266,611	73,513,733
Machinery and equipment	20,948,495	1,371,414	(1,477,514)		20,842,395
Infrastructure	<u>203,818,320</u>			<u>3,471,876</u>	<u>207,290,196</u>
Total capital assets being depreciated	<u>278,776,504</u>	<u>1,371,414</u>	<u>(1,477,514)</u>	<u>32,738,487</u>	<u>311,408,891</u>
Less accumulated depreciation for:					
Land improvements	(6,607,750)	(265,055)			(6,872,805)
Buildings and structures	(20,847,593)	(1,328,763)			(22,176,356)
Machinery and equipment	(14,014,768)	(1,221,265)	1,391,611		(13,844,422)
Infrastructure	<u>(136,627,691)</u>	<u>(4,998,617)</u>			<u>(141,626,308)</u>
Total accumulated depreciation	<u>(178,097,802)</u>	<u>(7,813,700)</u>	<u>1,391,611</u>		<u>(184,519,891)</u>
Total net capital assets being depreciated	<u>100,678,702</u>	<u>(6,442,286)</u>	<u>(85,903)</u>	<u>32,738,487</u>	<u>126,889,000</u>
Total governmental activity capital assets	<u><u>\$254,163,475</u></u>	<u><u>\$19,888,760</u></u>	<u><u>(\$539,650)</u></u>		<u><u>\$273,512,585</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Business-type Activities				
Capital assets not being depreciated:				
Land	\$8,620,853			\$8,620,853
Total capital assets not being depreciated	8,620,853			8,620,853
Capital assets being depreciated:				
Buildings and structures	10,713,814			10,713,814
Machinery and equipment	1,042,697	\$30,822	(\$64,389)	1,009,130
Total capital assets being depreciated	11,756,511	30,822	(64,389)	11,722,944
Less accumulated depreciation for:				
Buildings and structures	(3,510,684)	(205,363)		(3,716,047)
Machinery and equipment	(925,472)	(30,522)	59,687	(896,307)
Total accumulated depreciation	(4,436,156)	(235,885)	59,687	(4,612,354)
Total net capital assets being depreciated	7,320,355	(205,063)	(4,702)	7,110,590
Total business-type activity capital assets	\$15,941,208	(\$205,063)	(\$4,702)	\$15,731,443

	Balance June 30, 2019	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2020
San Rafael Sanitation District					
Capital assets not being depreciated:					
Land and easements	\$115,329				\$115,329
Construction in progress	1,534,375	\$2,597,207		(\$2,753,940)	1,377,642
Total capital assets not being depreciated	1,649,704	2,597,207		(2,753,940)	1,492,971
Capital assets being depreciated:					
Subsurface lines	38,750,212	180,840		2,522,078	41,453,130
Sewage collection facilities	44,700,569	80,484		231,862	45,012,915
General plant and administration	1,749,793	480,893			2,230,686
Total capital assets being depreciated	85,200,574	742,217		2,753,940	88,696,731
Less accumulated depreciation for:					
Subsurface lines	(12,442,764)	(571,301)			(13,014,065)
Sewage collection facilities	(20,863,276)	(1,404,852)			(22,268,128)
General plant and administration	(1,251,346)	(177,903)			(1,429,249)
Total accumulated depreciation	(34,557,386)	(2,154,056)			(36,711,442)
Total net capital assets being depreciated	50,643,188	(1,411,839)		2,753,940	51,985,289
Total District's capital assets	\$52,292,892	\$1,185,368			\$53,478,260

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 5 - CAPITAL ASSETS (Continued)

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	\$112,721
Public safety	709,207
Public works and parks	4,914,244
Community development	38,733
Culture and recreation	729,122
Internal service funds	<u>1,309,673</u>
Total Governmental Activities	<u><u>\$7,813,700</u></u>
Business-type Activities	
Parking services	<u>\$235,885</u>
Total Business-type Activities	<u><u>\$235,885</u></u>

NOTE 6 - LONG TERM DEBT

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

A summary of governmental and business-type activities transactions for the fiscal year ended June 30, 2020, are as follows:

	<u>Authorized and Issued</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
Governmental Activities Bonds:						
2018 Authority Lease Revenue Bonds 4.00%-5.00%, due 6/1/2034	\$45,485,000	\$45,485,000			\$45,485,000	\$1,910,000
Add: unamortized bond premium		7,619,153		\$507,944	7,111,209	
2010 Taxable Pension Obligation Bonds 6.00%-6.25%, due 7/1/2025	4,490,000	<u>3,765,000</u>		<u>445,000</u>	<u>3,320,000</u>	<u>475,000</u>
Total Governmental Activities Bonds		<u>56,869,153</u>		<u>952,944</u>	<u>55,916,209</u>	<u>2,385,000</u>
Governmental Activities - Direct Borrowing:						
PG & E City Hall HVAC Retrofit Note Payable 0.00%, due 11/30/2023	334,585	145,998		33,280	112,718	33,280
PG & E Street Light Retrofit Note Payable 0.00%, due 8/31/2019	233,896	6,981		6,981		
PG & E CEC Efficiency Note Payable 1.00%, due 12/22/2026	1,104,799	<u>1,080,800</u>	<u>\$23,999</u>	<u>133,055</u>	<u>971,744</u>	<u>145,431</u>
Total Governmental Activities - Direct Borrowing		<u>1,233,779</u>	<u>23,999</u>	<u>173,316</u>	<u>1,084,462</u>	<u>178,711</u>
Total Governmental Activities Debt		<u><u>\$58,102,932</u></u>	<u><u>\$23,999</u></u>	<u><u>\$1,126,260</u></u>	<u><u>\$57,000,671</u></u>	<u><u>\$2,563,711</u></u>
Business-type Activities:						
Direct Borrowing:						
PG & E Parking Lot Lighting Retrofit Note Payable 0.00%, due 11/30/2023	\$66,380	<u>\$27,755</u>		<u>\$6,816</u>	<u>\$20,939</u>	<u>\$6,816</u>
2012 Authority Lease Revenue Refunding Bonds 2.00-4.00%, due 4/1/2033	6,750,000	4,899,999		284,999	4,615,000	290,000
Less: unamortized bond discount		<u>(9,972)</u>		<u>(725)</u>	<u>(9,247)</u>	
Total Business-type Activities Bonds		<u>4,890,027</u>		<u>284,274</u>	<u>4,605,753</u>	<u>290,000</u>
Total Business-type Activities		<u><u>\$4,917,782</u></u>		<u><u>\$291,090</u></u>	<u><u>\$4,626,692</u></u>	<u><u>\$296,816</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - LONG-TERM DEBT (Continued)

A. *2018 Authority Lease Revenue Bonds*

On March 5, 2018, the Authority issued 2018 Authority Lease Revenue Bonds in the amount of \$45,485,000 bearing interest at rates from 4.00% to 5.00%. The proceeds of the bonds were provided for replacement of two fire stations and construction of a public safety center. The Authority has pledged revenue pursuant to a site and facility lease between the City and the Authority for the public safety center. The lease rental payments are due semi-annually and are in an amount sufficient to make payments on the Bonds. Interest on the Bonds is payable semiannually on June 1 and December 1. Principal payable on the Bonds will be paid on June 1 starting on June 1, 2021. The Bonds maturing on or prior to June 1, 2028, are not subject to optional redemption prior to their maturity. The Bonds maturing on or after June 1, 2029, are subject to optional redemption as a whole or in part on any date after June 1, 2028, at the option of the Authority, at a redemption price equal to the principal amount of the Bonds subject to redemption, plus accrued interest to the date fixed for redemption, without premium.

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

B. *2010 Taxable Pension Obligation Bonds*

On July 1, 2010, the City issued 2010 Taxable Pension Obligation Bonds in the amount of \$4,490,000 bearing interest at rates from 6.00% to 6.25%. Principal payments are due annually on July 1 and interest is payable semiannually on January 1 and July 1. The Bonds were issued to prefund a portion of the obligations of the City to the Marin County Employees' Retirement Association. Payment of the principal and interest on the Bonds is not limited to any special source of funds and is payable from any legally available moneys of the City. The City is not empowered or obligated to levy or pledge taxes to make payments on the Bonds. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

C. *Pacific Gas and Electric Notes Payable*

PG&E HVAC and Lighting Retrofit

On September 30, 2013, the City executed a note payable agreement with Pacific Gas and Electric (PG&E) in the amount of \$634,861, which does not bear interest. The debt was assumed as a means to finance energy-efficient retrofit projects which include updating the existing heating, ventilation and air conditioning (HVAC) unit in City Hall and converting the street and parking lot lights to light emitting diode (LED). \$334,585 of the loan is for the HVAC projects and \$300,276 of the loan is for the LED projects. Repayment of the loan commenced in December 2013, and is due monthly until paid in full in 2023.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - LONG-TERM DEBT (Continued)

PG&E CEC Efficiency

On September 5, 2017, City Council approved the execution of a note payable agreement with PG&E in an amount up to \$1,178,813, bearing interest at 1%. The debt was assumed as a means to finance the execution of various energy efficiency system upgrades to City facilities and street lights. The upgrades will include interior and exterior lighting upgrades and energy management control systems. The City made the final draw on the loan and the final loan obligation was \$1,104,799. Payments commenced in December 2019, and are due semi-annually until paid in full in December 2026.

D. 2012 Authority Lease Revenue Refunding Bonds

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

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 6 - LONG-TERM DEBT (Continued)

E. Future Debt Service

Future debt service requirements, including interest, at June 30, 2020, are as follows:

For the Year Ended June 30	Governmental Activities			
	Bonds		Direct Borrowing	
	Principal	Interest	Principal	Interest
2021	\$2,385,000	\$2,426,512	\$178,711	\$9,356
2022	2,575,000	2,320,081	180,169	7,898
2023	2,775,000	2,204,781	181,642	6,425
2024	3,000,000	2,058,406	162,714	4,951
2025	3,245,000	1,900,250	151,351	3,436
2026 - 2030	17,480,000	7,010,256	229,875	2,305
2031 - 2034	17,345,000	2,149,250		
Totals	48,805,000	<u>\$20,069,536</u>	1,084,462	<u>\$34,371</u>
Reconciliation of Long-term debt:				
Add: unamortized premium	7,111,209			
	<u>\$55,916,209</u>		<u>\$1,084,462</u>	
For the Year Ended June 30	Business-type Activities			
	Bonds		Direct Borrowing	
	Principal	Interest	Principal	
2021	\$290,000	\$161,288	\$6,816	
2022	300,000	152,588	6,816	
2023	310,000	143,588	6,816	
2024	320,000	134,288	491	
2025	330,000	124,288		
2026 - 2030	1,810,000	447,042		
2031 - 2034	1,255,000	100,588		
Totals	4,615,000	<u>\$1,263,670</u>	20,939	
Reconciliation of Long-term debt:				
Less: unamortized discount	(9,247)			
	<u>\$4,605,753</u>		<u>\$20,939</u>	

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 7 - DEBT WITHOUT CITY COMMITMENT

A. Special Assessment Debt Without City Commitment

Special assessment districts have been established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable solely by property owners over the term of the debt issued to finance these improvements. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties in these special assessment districts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these districts. The City does act as an agent for the property owners and bondholders and at June 30, 2020, the balances of these Districts' outstanding debt were as follows:

	Project Description	Original Amount	Outstanding June 30, 2020
Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds-2012	Pt. San Pedro Road Median Landscaping	\$1,750,000	\$1,315,100

B. Conduit Debt

The City has assisted private-sector entities by sponsoring their issuance of debt for purposes the City deems to be in the public interest. These debt issues are secured solely by the property financed by the debt. The City is not legally or morally obligated to pay these debts or be the purchaser of last resort of any foreclosed properties secured by these debts, nor is it obligated to advance City funds to repay these debts in the event of default by any of these issuers. At June 30, 2020, the balance of this issuers' outstanding debt was as follows:

	Project Description	Original Amount	Outstanding June 30, 2020
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2000A	162-175 Belvedere Apartments	\$3,590,529	\$949,900
California Statewide Communities Development Authority Revenue Bonds-2001	St. Marks School	5,605,000	2,935,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2002	San Rafael Commons Apartments	6,100,000	4,530,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	1,792,612
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	158,641
	Total	<u>\$22,295,529</u>	<u>\$10,366,153</u>

NOTE 8 - NET POSITION AND FUND BALANCE

A. Net Position

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCE (Continued)

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

Restricted describes the portion of Net Position which is restricted to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

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

B. Fund Balance

In the fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. The City's fund balances are classified in accordance with generally accepted accounting principles, which require the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

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

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

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent that they be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Manager, as designated by the City Council, and may be changed at the discretion of the City Council or City Manager. This authorization is given through Resolution No. 13173 which adopted the City's Fund Balance Policy. This category includes nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCE (Continued)

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

Detailed classifications of the City's fund balances, as of June 30, 2020, are below:

	General Fund	Special Revenue Funds		Capital Project Funds	Other Governmental Funds	Total
		Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund		
Fund balances:						
Nonspendable:						
Prepays	\$7,540				\$7,813	\$15,353
Total Nonspendable	7,540				7,813	15,353
Restricted for:						
Assessment District capital projects					304,206	304,206
Baypoint Lagoons Assessment District					209,692	209,692
Bedroom tax capital projects					94,907	94,907
Childcare					1,274,086	1,274,086
Development services					264,039	264,039
Emergency medical services					718,189	718,189
1997 financing authority revenue bonds debt service					151,695	151,695
Street improvements and Maintenance (Gas Tax)			\$6,517,607			6,517,607
Grant funded programs					744,405	744,405
Household hazmat facility					411,456	411,456
Library					2,455,840	2,455,840
Library assessment					732,221	732,221
Loch Lomond Assessment District					755,032	755,032
Loch Lomond Assessment District #2					364,900	364,900
Low and Moderate Income Housing					893,654	893,654
Mariposa Assessment District debt service					16,573	16,573
Measure A - Open space					169,700	169,700
Measure E - Public Safety Facility				\$12,474,928		12,474,928
Measure G - Cannabis					75,973	75,973
Parkland dedication					289,985	289,985
Peacock Gap Assessment District debt service					2,875	2,875
Public safety					121,144	121,144
Pt. San Pedro- Maintenance Portion					87,501	87,501
Recreation revolving					46,444	46,444
Storm water					889,468	889,468
Traffic and housing mitigation		\$4,221,782				4,221,782
Total Restricted		4,221,782	6,517,607	12,474,928	11,073,985	34,288,302
Committed to:						
Capital improvement capital projects					1,873,329	1,873,329
Park capital projects					10,824	10,824
Total Committed					1,884,153	1,884,153
Assigned to:						
Contractual commitments	83,455					83,455
Emergency and cash flow	7,800,643					7,800,643
Infrastructure Reserve	600,000					600,000
General plan / long range planning	1,315,042					1,315,042
Open space capital projects					120,920	120,920
Total Assigned	9,799,140				120,920	9,920,060
Unassigned					(11,118)	(11,118)
Total Fund Balances	\$9,806,680	\$4,221,782	\$6,517,607	\$12,474,928	\$13,075,753	\$46,096,750

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCE (Continued)

C. *Minimum Fund Balance Policy*

The City Council adopted a General Fund Reserve Policy in November 2014 to establish target reserve levels and the methodology for calculating reserve levels. The Policy also establishes criteria for the use of reserves and a process to replenish reserves.

The Policy requires the City to strive to maintain the following fund balances:

1) Emergency and Cash Flow Reserve (10% minimum)

An emergency and cash flow reserve will be maintained for the purposes of (1) sustaining General Fund operations in the case of a public emergency, such as a natural disaster or other unforeseen catastrophic event; and (2) to cover sudden operating shortfalls caused by (a) a severe drop in revenues that cannot be sufficiently offset by a corresponding reduction in expenditures and/or other available resources, or (b) an unforeseen, unavoidable expenditure that must be paid from the General Fund.

This reserve level is measured as a percentage of annual operating expenditures. Budgeted operating expenditures are to be used for the purposes of budget allocations and projections, and actual operating expenditures are to be used for the purpose of measuring this reserve at fiscal year-end. This reserve may be expended only when the City Council determines by resolution that such action is consistent with the purpose and intent of this policy.

In the event the balance in the Emergency and Cashflow Reserve falls below the minimum level, the City Manager, shall recommend a plan to replenish the fund within a timeframe not to exceed three years. This recommendation shall be approved by the City Council no later than the time at which the next annual budget is adopted. Any variance from the stipulations established within this policy shall require approval by the City Council along with a statement of findings supporting the temporary or ongoing modification to this policy.

The required reserve was \$8,042,891 at June 30, 2020 and the balance of the reserve, included in the General Fund's assigned fund balance was \$7,800,643 at that date. The balance of the reserve was less than the requirement because City Council approved the one-time use of up to \$721,542 of the reserve to offset the revenue strain caused by COVID-19 of which \$242,248 of the reserve was used during the year ended June 30, 2020. As noted above, under the General Fund Reserve Policy, the balance of the reserve must be replenished by June 30, 2023.

2) Measure E - Public Safety Facilities Reserve

In November 2013, the San Rafael voters passed Measure E, a three-quarter percent transactions and use tax (TUT), effective April 1, 2014. On May 5, 2014, the City Council directed staff to set aside one-quarter percent (or one-third of these tax proceeds) for the purpose of public safety facility planning, construction and major improvements. This portion of Measure E revenues are assigned to this reserve, so that they can be used later to directly fund facility-related costs, or to cover debt service costs and payments associated with the financing of these improvements.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 8 - NET POSITION AND FUND BALANCE (Continued)

The City Manager is directed to assign these funds (i.e., the one-quarter percent TUT) to this reserve as they are received, and is authorized to expend these funds for qualified public safety facility costs as described above. The City Manager shall report periodically to the City Council on the status of these funds.

Since fiscal year 2017-2018, funds received each year continue to be fully expended for qualified Public Safety facility costs and as of June 30, 2020 the reserve balance in the General Fund was \$0.

3) Other Facilities and Infrastructure

The purpose of the infrastructure assigned reserve is to accumulate funds to be used for the purpose of non-public safety facility construction and major improvements (e.g., library, administrative and non-safety buildings, streets and the stormwater system). This was \$600,000 at June 30, 2020.

The General Plan/Long Range Planning reserve included in the General Fund's assigned fund balance was \$1,315,042 at June 30, 2020 which is specifically assigned to the City's General Plan, a state required plan that must address eight topic areas – Neighborhoods, Community Design, Economic Vitality, Infrastructure, Governance, Culture and Arts, Parks and Recreation and Air and Water Quality.

NOTE 9 - PENSION PLAN

A. Plan Description

The City's defined benefit retirement plan is administered by the Marin County Employees' Retirement Association (MCERA), a retirement system established in July 1950 and governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL or 1937 Act, California government Code Section 31450 et seq.); the Public Employees' Pension Reform Act of 2013 (PEPRA, Government Code Section 7522); the provisions of California Government Code Section 7500 et seq; and the bylaws, procedures, and policies adopted by MCERA's Board of Retirement. The Marin County Board of Supervisors may also adopt resolutions, as permitted by the CERL and PEPRA, which may affect the benefits of MCERA members.

MCERA operates as a cost-sharing multiple employer defined benefit plan for the City and eight other participating employers: County of Marin, Local Agency Formation Commission (LAFCO), Marin City Community Services District, Marin County Superior Court, Marin/Sonoma Mosquito and Vector Control District, Novato Fire Protection District, Southern Marin Fire Protection District and Tamalpais Community Services District. Separate actuarial valuations are performed for these other agencies and districts, and the responsibility for funding their plans rest with those entities. Post-retirement benefits are administered by MCERA to qualified retirees.

Copies of MCERA's annual financial reports, which include required supplementary information (RSI) for the plan may be obtained from their office at One McInnis Parkway, Suite 100, San Rafael, CA 94903 or online at www.mcera.org.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

B. Benefit Provisions

Service Retirement: MCERA's service retirement benefits are based on the years of credited service, final average compensation, and age at retirement, according to the applicable statutory formula. Members who qualify for service retirement are entitled to receive monthly retirement benefits for life.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 (except Misc Tier 2, whereby the minimum age is 55) and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service credit. General members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 52, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Safety members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. A member who is age 70 or older is eligible to retire regardless of service. Safety members who are first hired on or after January 1, 2013 are eligible to retire once they have attained the age of 50, and have acquired 5 years of retirement service credit, or age 70, regardless of service.

Disability Retirement: A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty is eligible to apply for a non-service connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible to apply for a service-connected disability retirement, regardless of service length or age.

Death Benefits: MCERA provides specified death benefits to beneficiaries and members' survivors. The death benefits provided depend on whether the member is active or retired. The basic active member death benefit consists of a members' retirement contributions plus interest plus one month's pay for each full year of service (up to a maximum of six month's pay). Retiring members may choose from five retirement benefit payment options. Most retirees elect to receive the unmodified allowance which provides the maximum benefit to the retiree and continuance of 60% of the retiree's allowance to the surviving spouse or registered domestic partner after the retiree's death. Other death benefits may be available based on the years of service, marital status, and whether the member has minor children.

Cost of Living Adjustment: Retirement allowances are indexed for inflation. Most retirees receive automatic basic cost of living adjustments (COLA's) based upon the Urban Consumer Price Index (UCPI) for the San Francisco Bay Area. These adjustments go into effect on April 1 of each year. Annual COLA increases are statutorily capped at 2%, 3%, or 4% depending upon the member's retirement tier. When the UCPI exceeds the maximum statutory COLA for the member's tier, the difference is accumulated for use in future years when the UCPI is less than the maximum statutory COLA. The accumulated percentage carryover is known as the COLA Bank.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

C. Funding Policy

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

The City contribution rates for the year ended June 30, 2020 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	50.93%	0.00% - 16.13%	2.7% @ 55	Highest year
City of San Rafael Misc Tier 2	49.89%	7.34% - 11.76%	2.0% @ 55	Average three highest years
City of San Rafael Fire Tier 1	70.33%	0.00% - 19.59%	3.0% @ 55	Highest year
City of San Rafael Fire Tier 2	68.40%	11.40% - 17.36%	3.0% @ 55	Average three highest years
City of San Rafael Safety Police Tier 1	69.61%	0.00% - 19.59%	3.0% @ 55	Highest year
City of San Rafael Safety Police Tier 2	69.28%	11.40% - 17.36%	3.0% @ 55	Average three highest years
PEPRA Misc	42.84%	9.22%	2.0% @ 62	Average three highest years
PEPRA Safety	59.13%	14.43%	2.7% @ 57	Average three highest years

These rates were determined by MCERA, based on the actuarial valuation dated June 30, 2018. The actual rate of return on investments during that year was 9.65% on a market value basis net of investment expenses, as compared to the prior year's 7.00% assumption.

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to MCERA. Contributions to the plan from the City were \$20,031,614 for the year ended June 30, 2020, based on a total payroll of \$43,506,444, of which \$32,887,922 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, \$1,377,621 is attributable to the San Rafael Sanitation District (SRSD), a component unit of the City.

Effective with the June 30, 2013 valuation, the Unfunded Actuarial Liability (UAL) as of June 30, 2013 is being amortized over a closed 17-year period (12 years remaining as of June 30, 2018), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (currently 20 years).

Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. This amortization method for gains and losses is similar to a 20-year amortization period with level payments as a percentage of payroll, in conjunction with a traditional 5-year asset smoothing.

Assumption changes are amortized over a closed 22-year period, with a 3-year ramp up period, 2-year ramp down period, and 17 years of level payments as a percentage of payroll.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

D. Pension Liability and Pension Expense

The City's net pension liability (NPL) has been determined for the financial reporting period ended June 30, 2020 based on the following methodology: The City's NPL as of June 30, 2018 was updated to the measurement date of June 30, 2019 using the actual City's plan assets as of June 30, 2019 and estimating the change in the City's liabilities between July 1, 2018 and June 30, 2019. This estimate is based on a projection of the City's long-term contributions to the pension plan relative to the projected contributions of all participating employers.

The resulting NPL for the City under this calculation is \$133,877,531, or 36.6081% of the total MCERA NPL of \$365,704,670 (reference MCERA's GASB 67/68 report as of June 30, 2019). This compares to the previous year's NPL of \$110,567,858, or 34.4752% of the total MCERA NPL of \$330,297,827 (reference MCERA's GASB 67/68 report as of June 30, 2018).

In addition to the reporting of the NPL as of June 30, 2020, the City reported deferred inflows of \$22,558,119 and deferred outflows of \$21,856,007 as of the measurement date June 30, 2019. The City reported post-measurement date outflows of \$20,031,614 from actual fiscal year 2019-2020 pension contributions. Deferred outflows include deferred investment gains and adjustments to assumptions based on actual positive results. Deferred outflows have a positive impact on net assets (offsetting the NPL) and will be recognized in future reporting periods. Deferred inflows include deferred investment losses, adjustments to assumptions based on actual negative results, and contributions made after the measurement date. Deferred inflows have a negative impact on net assets (similar to the NPL) and will be recognized in future reporting periods. The net impact of these pension liability related entries on the City's Statement of Net Position before allocations to the San Rafael Sanitation District was \$114,548,029. After allocations to the San Rafael Sanitation District, the net impact on the City's Statement of Net Position was \$110,826,041.

Under generally accepted accounting principles, the City's pension expense is based on the Plan's pension expense, adjusted for the City's actual contributions and net pension liability.

Three components are used to calculate pension expense: (1) changes in the net pension liability; (2) changes in benefit terms (if any); and (3) changes in actuarial assumptions and experience. Pension expense is calculated using a different methodology than that used to derive the actuarially determined annual contribution to the Plan. Actual pension contributions during the reporting year were \$20,031,614. Because pension expense is affected by annual changes in the net pension liability, volatility is to be expected. For the current measurement period, investment returns above the assumed rate were responsible for the decrease in net pension liability and had a corresponding impact on pension expense.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

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

Summary of Results		
Description	Measurement Date 6/30/2019	Measurement Date 6/30/2018
Net Pension Liability	\$133,877,531	\$110,567,858
Deferred Inflows	22,558,119	34,181,686
Deferred Outflows	(21,856,007)	(12,350,764)
Impact on Net Position before Deferred Outflows from Contributions	134,579,643	132,398,780
Additional Deferred Outflows - Contributions Subsequent to Measurement Date	(20,031,614)	(20,352,203)
Impact on Statement of Net Position before Allocations	114,548,029	112,046,577
Allocation of NPL to SRSD	4,354,685	3,487,083
Allocation of Deferred Inflows (measurement date) to SRSD	733,756	1,078,020
Allocation of Deferred Outflows (measurement date) to SRSD	(710,919)	(389,518)
Impact on Net Position before Allocation of Deferred Outflows from Contributions to SRSD	4,377,522	4,175,585
Allocation of Additional Deferred Outflows (Contributions) to SRSD	(655,534)	(655,399)
Long-Term Receivable from SRSD, due to pension obligations (see Note 4F)	3,721,988	3,520,186
Impact on Statement of Net Position, net of receivable from SRSD	\$110,826,041	\$108,526,391
Pension Expense	\$22,533,040	\$18,704,394

Projection of Total Pension Liability and Net Pension Liability

Total Pension Liability (TPL) is the actuarial present value of projected benefit payments attributed to past periods of employee service. MCERA and the City have adopted a measurement date of June 30, 2019. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2018. The TPL at the end of the measurement year, June 30, 2019, is also measured as of the valuation date of June 30, 2018 and projected to June 30, 2019.

The Plan Fiduciary Net Position (FNP) is the fair or market value of assets. The FNP at the beginning of the year is based on the actuarial valuation as of June 30, 2018. The FNP at the end of the measurement year, June 30, 2019, is also measured as of the valuation date of June 30, 2018 and projected to June 30, 2019.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)
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The Net Pension Liability (NPL) is the City's liability for benefits provided through its defined benefit plan administered by MCERA. It is calculated by reducing the TPL by the FNP. The long-term portion of the governmental activities' NPL is liquidated primarily by the General Fund.

Actuarial assumptions:

The total pension liability as of June 30, 2019 (measurement date) was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

Expected Return on Assets	7.00 percent per year, net of investment expenses
Discount Rate	7.00 percent per year
Price Inflation	2.75% per year
Salary Increases	3% per year plus merit component based on employee classification and years of service.
Administrative Expenses	Administrative expenses in the actuarial valuation are assumed to be \$5.065 million for FY 2018-19, to be split between employees and employers based on their share of the overall contributions. Administrative expenses shown in this report are based on the actual FY 2018-19 amounts.
Post-Retirement COLA	Post-retirement COLAs are assumed at a rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap.
Mortality Rates for Healthy Members and Inactives	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death Rates (plus Duty-Related Death rates for Safety members), with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Mortality Rates for Retired Disabled Members	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

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

The Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA's investments. The IPS establishes MCERA's investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board's adopted asset allocation policy as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Rate of Return (with the effect of inflation)</u>
Domestic Equity	32%	4.90%	7.65%
International Equity	22%	5.00%	7.75%
Fixed Income	23%	1.50%	4.25%
Public Real Assets	7%	3.65%	6.40%
Real Estate	8%	4.00%	6.75%
Private Equity	8%	6.25%	9.00%
Total	<u>100%</u>		

The Long-Term returns are calculated using a 10-year geometric return derived from arithmetic returns and the associated risk (standard deviation).

Determination of Discount Rate

The discount rate used to measure the Total Pension Liability was 7.00%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (20 years remaining as of the June 30, 2018 actuarial valuation), and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (12 years remaining as of the June 30, 2018 actuarial valuation).

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 106%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 87%.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

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

Description	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$1,224,363,380	\$1,082,900,638	\$966,384,252
Fiduciary Net Position	949,023,107	949,023,107	949,023,107
Net Pension Liability	<u>\$275,340,273</u>	<u>\$133,877,531</u>	<u>\$17,361,145</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	77.5%	87.6%	98.2%

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

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$4,591,103	\$707,470
Changes in assumptions	7,468,359	
Change in proportion	9,796,545	2,113,429
Difference between City contributions and proportionate share of contributions		10,791,098
Actual FY 19-20 contributions (post measurement date)	20,031,614	
Net difference between projected and actual earnings on pension plan investments		<u>8,946,122</u>
Deferred Inflows and Outflows Before Allocations	<u>\$41,887,621</u>	<u>\$22,558,119</u>
Allocation of Deferred Inflows and Outflows to SRSD		
As of measurement date	\$710,919	\$733,756
Post-measurement date	655,534	
Net Deferred Inflows and Outflows	<u>\$40,521,168</u>	<u>\$21,824,363</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 9 - PENSION PLAN (Continued)

The \$20,031,614 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	Amortization Amount
2021	\$215,815
2022	(4,089,261)
2023	458,691
2024	2,712,643
Total	(\$702,112)

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

The City contributes to the Public Agency Retirement System (PARS), which administers a defined contribution retirement plan. A defined contribution retirement plan provides retirement benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's accounts are determined instead of specifying the amount of benefits the individual is to receive. The benefits a participant will receive depend on the amount contributed to the participant's account, and the returns earned on investments on those contributions. The Plan's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

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

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

During the year, the City and employees each contributed \$105,676. The total covered payroll of employees participating in the plan for the year ended June 30, 2020, was \$2,818,030.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides certain health care benefits for retired employees and their spouses under an Agent Multiple-Employer Defined Benefit Plan. The benefit provisions were established under the authority of the 1937 Act, Section 31450, et. seq. of the Government Code. Employees who meet the vesting criteria become eligible for these benefits if they receive a retirement benefit from the Marin County Employees' Retirement Association within 120 days of retirement from City employment.

The provisions and benefits of the City's Other Post Employment Benefit Plan, in effect at June 30, 2020, are summarized as follows:

	Elected Officials, Mid-Management, & Unrepresented Management	All other Bargaining Units
<i>Eligibility</i>	Retire directly from the City: - Age 50 (age 55 if hired > 7/1/11) with 10 years services (Including reciprocity) OR - 30 years service (Miscellaneous), 20 years service (Safety) OR - Age 70 - Disability Retirement	
<i>Benefit</i>	Hired < 1/1/09 Full premium/cap Hired ≥ 1/1/09 PEMHCA Min	Hired < 1/1/10 Up to cap Hired ≥ 1/1/10 PEMHCA Min
<i>Surviving Spouse Benefit</i>	Continuation to surviving spouse	
<i>Medicare Part B</i>	Hired < 4/1/07 Full reimbursement Hired ≥ 4/1/07 None	None
<i>Other</i>	No Dental, Vision, or Life Benefits	

Membership in the plan consisted of the following at June 30, 2019, the measurement date:

Active plan members	328
Inactive employees or beneficiaries currently receiving benefit payments	359
Inactive employees entitled to but not yet receiving benefit payments	75
Total	762

Funding Policy and Actuarial Assumptions

The City's net OPEB liability was measured using a Total OPEB Liability and Fiduciary Net Position measured as of June 30, 2019, using an actuarial valuation as of June 30, 2019. The following actuarial assumptions were used in the valuation: (a) 6.75% investment rate of return and (b) 2.75% of general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 7.5% in 2020 to 4.0% for the years starting 2076. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Global Equity	59%	4.82%	7.57%
Fixed Income	25%	1.47%	4.22%
TIPS	5%	1.29%	4.04%
Commodities	3%	0.84%	3.59%
REITs	8%	3.76%	6.51%
Total	<u>100%</u>		
Assumed Long-Term Rate of Inflation		2.75%	
Assumed Long-Term Investment Expenses		n/a	
Expected Long-Term Net Rate of Return		6.75%	
Discount Rate		6.75%	

The Expected Long-Term Rate of Return is provided by CalPERS' Strategic Asset Allocation Overview in August 2014 – Strategy 1.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using the strategy to achieve the expected return.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 (6/30/18 measurement date)	\$52,810,000	\$19,811,000	\$32,999,000
Changes Recognized for the Measurement Period:			
Service Cost	805,000		805,000
Interest on the total OPEB liability	3,515,000		3,515,000
Changes in benefit terms			
Difference between expected and actual experience	(3,040,000)		(3,040,000)
Changes of assumptions	(2,735,000)		(2,735,000)
Contributions from the employer		3,725,000	(3,725,000)
Net investment income		1,224,000	(1,224,000)
Administrative expenses		(12,000)	12,000
Benefit payments and refunds	(3,072,000)	(3,072,000)	
Net Changes during July 1, 2019 to June 30, 2020	(4,527,000)	1,865,000	(6,392,000)
Balance at June 30, 2020 (6/30/19 measurement date)	\$48,283,000	\$21,676,000	\$26,607,000

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$663,000.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
\$31,956,000	\$26,607,000	\$22,098,000

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates.

Plan's Net OPEB Liability/(Asset)		
Trend Rate -1%	Healthcare Cost Trend Rates	Trend Rate +1%
\$23,640,000	\$26,607,000	\$30,212,000

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA, 94229.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

Components of OPEB Expense for fiscal year 2019-2020 were as follows:

Service Cost	\$805,000
Interest on Total OPEB Liability	3,515,000
Projected earning on investments	(1,338,000)
Administrative expense	12,000
Recognition of deferred outflows/inflows:	
Experience	(1,232,000)
Assumptions	361,000
Asset Returns	71,000
OPEB Expense	<u><u>\$2,194,000</u></u>

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2020 were as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Changes of assumptions	\$2,275,566	\$56,434	\$2,332,000
Employer contributions made subsequent to the measurement date	3,692,427	91,573	3,784,000
Total deferred outflows of resources	<u><u>\$5,967,993</u></u>	<u><u>\$148,007</u></u>	<u><u>\$6,116,000</u></u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$4,390,124	\$108,876	\$4,499,000
Changes of assumptions	2,208,235	54,765	2,263,000
Net difference between projected and actual earnings on plan investments	50,742	1,258	52,000
Total deferred inflows of resources	<u><u>\$6,649,101</u></u>	<u><u>\$164,899</u></u>	<u><u>\$6,814,000</u></u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

\$3,784,000 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Amortized Amount
2021	(\$800,000)
2022	(996,000)
2023	(917,000)
2024	(974,000)
2025	(795,000)
Thereafter	-
	(\$4,482,000)

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

Summary of Results		
Description	Measurement Date June 30, 2019	Measurement Date June 30, 2018
Net OPEB Liability	\$26,607,000	\$32,999,000
Deferred Inflows	6,814,000	2,786,000
Deferred Outflows	(2,332,000)	(3,165,000)
Impact on Net Position before deferred contributions	31,089,000	32,620,000
Additional Deferred Outflows - Contributions subsequent to measurement date	(3,784,000)	(3,725,000)
Impact on Statement of Net Position before Allocations	27,305,000	28,895,000
Allocation of NOL to SRSD	1,184,000	1,249,127
Allocation of Deferred Inflows (measurement date) to SRSD	303,220	105,460
Allocation of Deferred Outflows (measurement date) to SRSD	(103,773)	(119,806)
Impact on Net Position before deferred contributions to SRSD	1,383,447	1,234,781
Allocation of Additional Deferred Outflows (contributions) to SRSD	(168,386)	(141,004)
Long-Term Receivable from SRSD, due to OPEB obligations (see Note 4F)	1,215,061	1,093,777
Impact on Statement of Net Positions, net of receivable from SRSD	\$26,089,939	\$27,801,223
OPEB Expense	\$2,194,000	\$3,267,000
Covered Employee Payroll	\$40,496,000	\$36,350,000

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

The City participates in the jointly governed organizations discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint organization is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint organization, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of this joint organization are not the City's responsibility and the City does not have an equity interest in the assets of each joint organization except upon dissolution of the joint organization.

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

The MARINet Library Consortium was formed to provide for the procurement, ownership, operation, maintenance, and governance of shared library services among the libraries, public and academic, in Marin County. Current services shared and paid for on a consortial level through annual membership dues include an integrated library system including patron database, cataloging system, and online catalog of materials; delivery of items between libraries in Marin, a statewide library delivery service called Link+, numerous online resources, and more. The Governing Board of the System consists of the library director or designated alternate of each participant in the System. In accordance with the cost sharing formula developed by the library directors of the participants, the City's share of annual operating costs was \$271,360 for the year ended June 30, 2020. Financial statements of the System can be obtained from the County Librarian, Marin County Free Library, Marin County Civic Center, 3501 Civic Center Drive, San Rafael, California 94903.

B. *The Marin General Services Authority (MGSA)*

The MGSA was formed by the County of Marin and twelve local agencies to acquire street light facilities, operate the facilities during an eminent domain action against PG&E, and coordinate the subsequent transfer of the facilities to the individual local agencies. Each of the local agency's share of contributions was based on the number of street lights to be acquired in the local agency's individual jurisdiction in relation to the total number of street lights to be acquired by the Marin Streetlight Acquisition Joint Powers Authority. MGSA services now include street light maintenance, abandoned vehicle abatement, taxicab regulation and administrative responsibility for MarinMap. The City's contribution to MGSA was \$689,013 for the year ended June 30, 2020. Financial statements of the MGSA can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

MERA was formed on February 28, 1998, by the County of Marin and 25 local agencies within the County to plan, finance, implement, manage, own, and operate a County-wide public safety and emergency radio system. The Governing Board consists of one representative from each member. In February 2010, MERA refinanced its 1999 Revenue Bonds; the 1999 bonds were originally issued in the amount of \$26,940,000 to finance the acquisition of the system. The 2010 refunding bonds were issued at a premium of \$934,832 above their par value of \$18,575,000. These bonds mature annually through 2021 and bear interest from 2% to 4%. Similar to the original bonds, the refunding bonds are special obligations of MERA and are secured by the Members' service payments. On February 1, 2007, MERA borrowed \$2,250,000 from Citizens Business Bank. The note is being amortized over 14 ½ years at an annual interest rate of 4.43%. Loan Payments are funded by member operating payments. The costs of maintenance, operation, and debt service are divided on a pro rata share based on an agreed-upon formula established by a majority of the Governing Board. The members entered into a Project Operating Agreement on February 1, 1999.

Under the Operating Agreement, members are obligated to contribute service payments to cover the Authority's operations 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 \$688,083 of the Authority's operation and debt service for the fiscal year ended June 30, 2020. The City has established a reserve in its internal service funds to pay future service payments. Financial statements of the MERA can be obtained at 95 Rowland Way, Novato, California 94945.

D. *The 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 ten participating agencies. As of June 30, 2020, the member agencies have adopted an ordinance to terminate the Agency and a resolution to authorize the MGSA to collect franchise and Public, Education, and Government access fees previously collected by the Agency. On May 14, 2020, the MGSA adopted a resolution accepting the assignment of agreements from the Agency to affect the transfer of program responsibilities to MGSA July 1, 2020. The City's contribution to the Agency was \$65,164 for the year ended June 30, 2020. Financial statements of the Agency can be obtained at 555 Northgate Drive, Suite 230, San Rafael, California 94903.

E. *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 \$17,850 for the year ended June 30, 2020. Financial statements of the Authority can be obtained at 3501 Civic Center Drive, San Rafael, California 94903.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. *Central Marin Sanitation Agency (CMSA)*

In October 1979, the District entered into a joint powers agreement with three neighboring sanitation agencies in central Marin County forming the Central Marin Sanitation Agency (CMSA). CMSA serves as a regional wastewater treatment plant for its four member agencies and San Quentin Prison (SQ) and is governed by a five-member Board of Commissioners, two appointed by the Board of Directors of the District, two appointed by the governing board of the Ross Valley Sanitary District, and one appointed by the governing board of Sanitary District No. (SD 2).

Total project costs for the joint venture were funded from federal (75%) and state (12.5%) clean water grants and from local shares (12.5% total) allocated among the member agencies and SQ based upon the weighted average of the strength and volume of sewage flows per member at inception of the project. CMSA derives its annual funding for its operations and capital programs almost exclusively from service charges to member agencies. The joint powers agreement does not provide an explicit measurable right as required to establish an equity interest for any of the joint venture participants, and in addition to, stipulates that all excess capital funds, if any, and all excess administration, operations and maintenance funds from whatever source, if any, are the property of CMSA.

The financial statements of the CMSA are available at the CMSA office at 1301 Anderson Drive, San Rafael, CA 94901 and online at www.cmsa.us.

NOTE 13 - RISK MANAGEMENT

A. *City*

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

Risk Coverage

Liability Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to \$40,000,000. The purpose of CJPRMA is to spread the adverse effects of general liability losses among the member agencies. The City also purchases commercial insurance for property damage claims with an insured amount of \$114,220,740. The City is self-insured up to \$500,000 for each general liability claim and \$25,000 for each property damage claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all liability claims up to the limit. The City contributed a total of \$441,334 in liability coverage premiums during the fiscal year ended June 30, 2020. Five years after settlement of all general liability claims for a program year, CJPRMA will retroactively adjust premium deposits for any excess or deficiency in deposits related to paid claims and reserves. Financial statements for the risk pool may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, California 94551.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - RISK MANAGEMENT (Continued)

Workers' Compensation Coverage

The City purchases insurance for workers' compensation through Safety National Casualty Corporation Excess Workers' Compensation and Employers Liability Insurance with coverage up to statutory limits. The City is self-insured up to \$1,000,000 for each worker's compensation claim.

Insurance Internal Service Funds and Financial Reporting

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

Generally accepted accounting principles require municipalities to record the liability for uninsured claims and to reflect the current portion of this liability as an expenditure in the financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured general liability claims and workers' compensation claims, including claims incurred but not reported, are reported in the Statements of Net Position. The City's present value liability for uninsured claims below include a provision for claims incurred but not reported using a discount rate of 2%.

	General Liability *	Workers' Compensation *	Totals, as of June 30	
			2020	2019
Balance, beginning of year	\$3,616,065	\$6,105,483	\$9,721,548	\$9,543,675
Current year claims and changes in estimates	1,395,645	3,049,980	4,445,625	2,007,097
Claims paid	(657,802)	(1,089,094)	(1,746,896)	(1,829,224)
Balance, end of year	<u>\$4,353,908</u>	<u>\$8,066,369</u>	<u>\$12,420,277</u>	<u>\$9,721,548</u>
Due in one year	\$1,794,573	\$1,544,034	\$3,338,607	\$2,353,275
Due in more than one year	<u>2,559,335</u>	<u>6,522,335</u>	<u>9,081,670</u>	<u>7,368,273</u>
Total claim liabilities	<u>\$4,353,908</u>	<u>\$8,066,369</u>	<u>\$12,420,277</u>	<u>\$9,721,548</u>

* Liability based on an actuarial valuation as of December 31, 2019, extrapolated to June 30, 2020

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 13 - RISK MANAGEMENT (Continued)

C. District

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. The District participates in a joint powers agreement with other entities forming the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool operating as a common risk management and insurance program for 60 member entities. CSRMA is governed by a Board of Directors composed of one representative from each member agency and meets three times per year in conjunction with conferences of the California Association of Sanitation Agencies. The Board controls the operations of CSRMA, including selection of management and approval of operating budgets, independent of any influence by member entities.

The District pays annual premiums to CSRMA for its primary insurance and property insurance programs. Primary and property insurance programs are fully insured wherein CSRMA purchases insurance as a group thereby reducing its costs. CSRMA provides both fully insured and pooled insurance programs for its participating member entities. Because all employees of the District are contracted employees from the City of San Rafael, workers' compensation insurance is not carried by the District but is provided through the City.

CSRMA's primary and property insurance programs transfer risk to commercial insurance policies for claims above deductibles, while the District retains risk for claims to the extent of deductibles. Settled claims for the District have not exceeded coverage provided by CSRMA in any of the past three fiscal years.

The following summarizes active insurance policies as of June 30, 2020 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Ins.	\$3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Ins.	\$1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Ins.	\$1,000,000	Auto liability - accident
CSRMA - Allied World Ins.	\$4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P.)	\$13,126,769	Special form property
CSRMA - Illinois Union Ins.	\$25,000,000	Pollution liability - tier 1
CSRMA - Illinois Union Ins.	\$2,000,000	Pollution liability - tier 2
CSRMA - Lloyds of London	\$2,000,000	Cyber liability - third party
CSRMA - Lloyds of London	\$2,000,000	Cyber liability - third party
CSRMA - Travelers Ins.	\$25,000	Identity theft
CSRMA - Lloyds of London	\$2,500,000	Deadly weapons - aggregate

The financial statements of CSRMA are available at their office: 100 Pine Street, 11th Floor, San Francisco, CA 94111.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. *City Litigation*

The City is a defendant in several lawsuits arising from its normal operations. City management is of the opinion that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

B. *District*

As of June 30, 2020, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately \$2,830,000, the majority of which are expected to be completed within the 2020-2021 fiscal year.

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

A. *Redevelopment Dissolution*

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

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

In addition, ABx1 26 and AB1484 directed the State Controller to review the activities of all redevelopment agencies and successor agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation requires the State Controller to order the asset returned to the redevelopment agency. This review was performed in May 2013, and a report issued on July 29, 2013 (see section B of this footnote).

The City elected to become the Successor Agency to the Redevelopment Agency, and on February 1, 2012, the Redevelopment Agency's remaining net assets were distributed to the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on April 2, 2012. On July 1, 2018, the County of Marin formed a county-wide Oversight Board to oversee the activities of all Successor Agencies within the County, including San Rafael. The activities of the Successor Agency are subject to review and approval of the Oversight Board, which is comprised of seven members.

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

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020**

NOTE 15 - SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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Pursuant to the dissolution of the City of San Rafael Redevelopment Agency, certain assets of the Redevelopment Agency were distributed to the Housing Successor and all remaining Redevelopment Agency assets and liabilities were distributed to the Successor Agency.

The City elected to become the Housing Successor and on February 1, 2012. Assets and Liabilities relating to the Housing Successor are reported in the City's Low and Moderate Income Housing Special Revenue Fund.

B. Redevelopment Property Tax Trust Fund (RPTTF)

The Successor Agency's primary source of revenue comes from the RPTTF allocation distributed by the County. Property tax revenues for each Project Area are deposited into the RPTTF, which redistributes each Project Area's tax increment under specified formulas. The County Auditor administers the RPTTF and disburses twice annually from this fund pass-through payments to affected taxing entities, an amount equal to the total of obligation payments that are required to be paid from tax increment as denoted on the Recognized Obligation Payment Schedule ("ROPS"). The disbursements are established in the treasury of the Successor Agencies, and various allowed administrative fees and allowances. Any remaining balance is then distributed by the County Auditor back to affected taxing entities under a prescribed method that accounts for pass-through payments. The County Auditor is also responsible for the distributing other monies received from the Successor Agency (from sale of assets, etc.) to the affected taxing entities. Successor agencies in turn will use the amounts deposited into their respective funds to make payments for principal and interest on loans and monies advanced to or indebtedness incurred by the dissolved redevelopment agencies.

C. Long-Term Debt

1999 Tax Allocation Bonds and Capital Appreciation Bonds

On June 16, 1999, the former Agency issued Tax Allocation Bonds in the amount of \$23,504,004. The bonds were issued as Current Interest Bonds in the aggregate principal amount of \$21,115,000 and as Capital Appreciation Bonds in the original amount of \$2,389,004. The proceeds of the bonds were used to finance certain redevelopment activities of benefit to the former Agency's Central San Rafael Redevelopment Project Area.

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

The Capital Appreciation Bonds mature annually after December 1 from 2018 to 2022, in amounts ranging from \$1,440,000 to \$2,070,000 and bear interest at rates from 5.58% to 5.60%. Interest on the Capital Appreciation Bonds will compound on each interest premium date and will be payable solely at maturity. The bonds are secured, on parity with the 1992 and 1995 bonds (refunded in 2002), by a pledge and a lien on tax revenues and amounts on deposit in certain funds and accounts held by the fiscal agent.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 15 - SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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2002 Tax Allocation Refunding Bonds

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

2009 Tax Allocation Refunding Bonds

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

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

Use of Tax Increment

The former Agency pledged all future tax increment revenues for the repayment of the 1999 Capital Appreciation Bonds, and the 2002 and 2009 Tax Allocation Refunding Bonds. The pledge of all future tax increment revenues ends upon repayment of \$10.1 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year June 30, 2020, tax increment revenue amounted to \$3.9 million which was used to make the debt service payment of \$3.8 million. The bond covenants contain events of default that require the revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency's bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the notes, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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

The following table summarizes the activity for the fiscal year ended June 30, 2020:

	Authorized and Issued	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
San Rafael Redevelopment Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	\$2,389,004	\$5,686,850	\$282,463	\$1,440,000	\$4,529,313	\$1,440,000
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	1,770,000		565,000	1,205,000	590,000
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	5,435,000		1,265,000	4,170,000	1,320,000
Add: deferred bond premium costs		319,440		79,861	239,579	
Total Successor Agency Long-term Debt		<u>\$13,211,290</u>	<u>\$282,463</u>	<u>\$3,349,861</u>	<u>\$10,143,892</u>	<u>\$3,350,000</u>

Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ended June 30	Principal	Interest
2021	\$3,350,000	\$214,175
2022	3,445,000	120,819
2023	3,530,000	36,500
Totals	10,325,000	<u>\$371,494</u>
Reconciliation of long-term debt:		
Less: unaccreted discount	(420,687)	
Less: deferred bond premium costs	239,579	
	<u>\$10,143,892</u>	

D. Other Long-Term Obligations

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

The following table summarizes the activity for the fiscal year ended June 30, 2020:

	Approved Amount	Balance June 30, 2019	Retirements	Balance June 30, 2020
Unfunded Pension Liability	\$1,904,431	\$380,887	\$190,443	\$190,444

Annual repayment requirements are shown below:

For the Year Ended June 30	Principal
2021	<u>\$190,444</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

NOTE 15 - SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)
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E. Commitment and Contingencies

State Approval of Enforceable Obligation

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. As of June 30, 2020, the Successor Agency had prepared thirteen ROPS, all of which have been approved by the Oversight Board and the California Department of Finance. The Department of Finance has stated that all items on a future ROPS are subject to a subsequent review. The amount, if any, of current obligations that may be denied by the Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2020

Cost-Sharing Multiple Employer Plan
Schedule of the City's Proportionate Share of the Net Pension Liability
Last 10 years*

Measurement date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
City's proportionate share	30.0453%	36.7394%	34.9538%	32.7180%	33.4752%
Proportionate share of total pension liability	\$677,753,565	\$907,195,058	\$900,629,287	\$878,483,703	\$947,923,920
Proportionate share of fiduciary net position	<u>603,499,779</u>	<u>764,871,931</u>	<u>733,574,437</u>	<u>757,834,016</u>	<u>837,356,062</u>
Proportionate share of the net pension liability	<u>\$74,253,786</u>	<u>\$142,323,127</u>	<u>\$167,054,850</u>	<u>\$120,649,687</u>	<u>\$110,567,858</u>
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	84.31%	86.27%	88.34%
Covered payroll (report date)	\$31,073,560	\$32,126,272	\$32,885,135	\$36,349,651	\$33,106,430
Net pension liability as a percentage of covered payroll	238.96%	443.01%	508.00%	331.91%	333.98%
Measurement date	<u>6/30/2019</u>				
City's proportionate share	36.6081%				
Proportionate share of total pension liability	\$1,082,900,638				
Proportionate share of fiduciary net position	<u>949,023,107</u>				
Proportionate share of the net pension liability	<u>\$133,877,531</u>				
Plan fiduciary net position as a percentage of the total pension liability	87.64%				
Covered payroll (report date)	\$32,887,922				
Net pension liability as a percentage of covered payroll	407.07%				

* - The fiscal year ended June 30, 2015 was the first year of implementation, therefore only six years are shown.

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2020

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

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

Fiscal year ended, June 30	2015	
Contractually required contribution	\$17,802,358	
Contributions in Relation to the		
Contractually required contribution	17,802,358	
Contribution Deficiency/ (Excess)	\$ -	
Covered payroll	\$31,073,560	
Contributions as a percentage of		
covered payroll	57.29%	

Notes to Schedule

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

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

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

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2020

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan
Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)

Fiscal year ended, June 30	<u>2016</u>
Contractually required contribution	\$19,339,577
Contributions in Relation to the Contractually required contribution	<u>19,339,577</u>
Contribution Deficiency/ (Excess)	<u>\$ -</u>
Covered payroll	\$32,126,272
Contributions as a percentage of covered payroll	60.20%

Notes to Schedule

Valuation Date / Timing 6/30/2014 (for contributions made in FY2015-2016)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2015-16):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Actuarial Loss from 2009
Remaining Amortization period	Unfunded liability - 16 years / Extraordinary Actuarial Loss - 24 years
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market
Inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014
Disabled Mortality	CalPERS 2014 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males and Females (Miscellaneous and Safety) with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020

Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan

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

Fiscal year ended, June 30	<u>2017</u>
Contractually required contribution	\$20,003,001
Contributions in Relation to the Contractually required contribution	<u>20,003,001</u>
Contribution Deficiency/ (Excess)	<u>\$ -</u>
Covered payroll	\$32,885,135
Contributions as a percentage of covered payroll	60.83%

Notes to Schedule

Valuation Date / Timing 6/30/2015 (for contributions made in FY2016-2017)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2016-17):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (24 years remaining as of 6/30/14), the remaining UAL as of June 30, 2013 (16 years as of 6/30/14), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	19 years remaining as of June 30, 2016
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set back one year for male members/two years for female members
Disabled Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set forward three years for all members

**CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

**Schedule of Contributions
Cost-Sharing Multiple Employer
Defined Benefit Pension Plan
Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
(Continued)**

Fiscal year ended, June 30	2018
Contractually required contribution	\$20,167,435
Contributions in Relation to the Contractually required contribution	20,167,435
Contribution Deficiency/ (Excess)	\$ -
Covered payroll	\$36,349,651
Contributions as a percentage of covered payroll	55.48%

Notes to Schedule

Valuation Date / Timing 6/30/2016 (for contributions made in FY2017-2018)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2017-18):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (22 years remaining as of 6/30/16), the remaining UAL as of June 30, 2013 (14 years as of 6/30/16), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	18 years remaining as of June 30, 2017
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.25%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRAs Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Sex distinct CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related death rates for Safety members)
Disabled Mortality	Sex distinct RP-2000 combined mortality projected to 2010 using Scale AA with ages set forward three years for all members
Disabled Mortality	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

**CITY OF SAN RAFAEL
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2020**

**Schedule of Contributions
 Cost-Sharing Multiple Employer
 Defined Benefit Pension Plan
 Last 10 years (subject to available information: first year of implementation was Fiscal Year ended June 30, 2015)
 (Continued)**

Fiscal year ended, June 30	2019
Contractually required contribution	\$20,352,203
Contributions in Relation to the Contractually required contribution	20,352,203
Contribution Deficiency/ (Excess)	\$0
Covered payroll	\$33,106,430
Contributions as a percentage of covered payroll	61.48%

Notes to Schedule

Valuation Date / Timing 6/30/2017 (for contributions made in FY2018-2019)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2018-19):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (21 years remaining as of 6/30/17), the remaining UAL as of June 30, 2013 (13 years as of 6/30/17), and additional layers for unexpected changes in UAL after 6/30/13 (24 years for gains and losses with a 5-year phase-in/out and 22 years for assumption changes with a 3-year phase-in/out).
Remaining Amortization period	17 years remaining as of June 30, 2018
Asset valuation method	Market Value
Inflation	2.75% per year
Salary increases	3.00% plus merit component based on employee classification and years of service
Investment Rate of Return	7.00%
Retirement Age	Classic Tiers: Safety - 50, Miscellaneous - 55; PEPRA Tiers: Safety - 57, Miscellaneous - 62
Healthy Mortality	Rates of mortality for active members are specified by CalPERS 2017 Pre-Retirement Non-Industrial Death Rates (plus Duty-Related Death rates for Safety members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.
Disabled Mortality	Rates of mortality among disabled members are given by CalPERS 2017 Disability Mortality rates (Non-Industrial rates for Miscellaneous members and Industrial Disability rates for Safety members), adjusted by 90% for Males (Miscellaneous and Safety) and 90% for Miscellaneous Females, with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2020

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Measurement period	2015-16	2016-17	2017-18	2018-19
Agent Multiple Employer Defined Benefit Plan Last Ten Fiscal Years Other Post-Employment Benefits (OPEB)				
Total OPEB liability				
Service cost	\$766,000	\$789,000	\$822,000	\$805,000
Interest	3,447,000	3,540,000	3,435,000	3,515,000
Differences between expected and actual experience		(4,107,000)		(3,040,000)
Assumption changes		4,831,000		(2,735,000)
Benefit payments, including refunds of employee contributions	(2,896,000)	(3,015,000)	(3,028,000)	(3,072,000)
Net change in total OPEB liability	1,317,000	2,038,000	1,229,000	(4,527,000)
Total OPEB liability - beginning	48,226,000	49,543,000	51,581,000	52,810,000
Total OPEB liability - ending (a)	<u>\$49,543,000</u>	<u>\$51,581,000</u>	<u>\$52,810,000</u>	<u>\$48,283,000</u>
OPEB fiduciary net position				
Contributions - employer	\$2,896,000	\$3,475,000	\$3,573,000	\$3,725,000
Net investment income	157,000	1,675,000	1,425,000	1,224,000
Benefit payments, including refunds of employee contributions	(2,896,000)	(3,015,000)	(3,028,000)	(3,072,000)
Administrative expense	(7,000)	(8,000)	(44,000)	(12,000)
Net change in plan fiduciary net position	150,000	2,127,000	1,926,000	1,865,000
Plan fiduciary net position - beginning	15,608,000	15,758,000	17,885,000	19,811,000
Plan fiduciary net position - ending (b)	<u>\$15,758,000</u>	<u>\$17,885,000</u>	<u>\$19,811,000</u>	<u>\$21,676,000</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$33,785,000</u>	<u>\$33,696,000</u>	<u>\$32,999,000</u>	<u>\$26,607,000</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>31.81%</u>	<u>34.67%</u>	<u>37.51%</u>	<u>44.89%</u>
Covered employee payroll (Report Date)	<u>\$32,885,000</u>	<u>\$36,350,000</u>	<u>\$40,496,000</u>	<u>\$39,920,000</u>
Plan net OPEB liability as a percentage of covered employee payroll	<u>102.74%</u>	<u>92.70%</u>	<u>81.49%</u>	<u>66.65%</u>

Historical information is required only for the measurement periods for which GASB 75 is applicable.

**CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

SCHEDULE OF CONTRIBUTIONS

**Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)**

Fiscal year	<u>2016-17</u>
Actuarially determined contribution	\$3,450,000
Contributions in relation to the actuarially determined contribution	<u>(3,475,000)</u>
Contribution deficiency (excess)	<u>(\$25,000)</u>
Covered employee payroll	\$32,885,000
Contributions as a percentage of covered employee payroll	10.49%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 06/30/17.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	19 years remaining as of June 30, 2016
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.25%
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2015 actuarial valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-14, modified
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to
Salary Increases	Aggregate - 3% Merit - 6/30/14 MCERA assumptions
Medical Trend	Non-Medicare - 6.5% for 2017, decreasing 0.5% per year to an ultimate rate of 4.50% for 2021 and Medicare - 6.7% for 2017, decreasing to an ultimate rate of 4.5% for 2021 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

**CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

SCHEDULE OF CONTRIBUTIONS

**Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)**

Fiscal year	<u>2017-18</u>
Actuarially determined contribution	\$3,530,000
Contributions in relation to the actuarially determined contribution	<u>(3,563,000)</u>
Contribution deficiency (excess)	<u>(\$33,000)</u>
Covered employee payroll	\$36,350,000
Contributions as a percentage of covered employee payroll	9.80%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/18 and 6/30/19.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	18 years remaining as of June 30, 2017
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2017; 7.25% at June 30, 2016
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Pre-retirement mortality: projected 15-year static with 90% of Scale MP-2016 Post-retirement mortality: projected fully generational with Scale MP-
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/17 MCERA assumptions
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to 4.00% for 2076 and later years and Medicare - 6.5% for 2019, decreasing to 4.00% for 2076 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

**CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

SCHEDULE OF CONTRIBUTIONS

**Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)**

Fiscal year	<u>2018-19</u>
Actuarially determined contribution	\$3,612,000
Contributions in relation to the actuarially determined contribution	<u>(3,725,000)</u>
Contribution deficiency (excess)	<u>(\$113,000)</u>
Covered employee payroll	\$40,496,000
Contributions as a percentage of covered employee payroll	9.20%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/18 and 6/30/19.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	18 years remaining as of June 30, 2017
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2017; 7.25% at June 30, 2016
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Pre-retirement mortality: projected 15-year static with 90% of Scale MP-2016 Post-retirement mortality: projected fully generational with Scale MP-2017
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/17 MCERA assumptions
Medical Trend	Non-Medicare - 7.5% for 2019, decreasing to 4.00% for 2076 and later years and Medicare - 6.5% for 2019, decreasing to 4.00% for 2076 and later years
Healthcare participation for future retirees	Capped benefit: 100% currently covered, 80% currently waived PEMHCA minimum - 60%
Cap Increases	None

**CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020**

SCHEDULE OF CONTRIBUTIONS

**Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)**

Fiscal year	<u>2019-20</u>
Actuarially determined contribution	\$3,677,000
Contributions in relation to the actuarially determined contribution	<u>(3,784,000)</u>
Contribution deficiency (excess)	<u>(\$107,000)</u>
Covered employee payroll	\$39,920,000
Contributions as a percentage of covered employee payroll	9.48%

GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

The June 30, 2019 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/20 and 6/30/21.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar amount, over approximate 10-year period
Remaining Amortization	16 years remaining as of June 30, 2019
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75% at June 30, 2019 and June 30, 2018, respectively
Contribution Policy	City contributes full ADC
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	Same as June 30, 2017 actuarial valuation
Mortality Improvement	Mortality projected fully generational with Scale MP-2019
Expected Long-Term Rate of Return on Investments	Same as discount rate - expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Salary Increases	Aggregate - 3% Merit - 6/30/19 MCERA assumptions
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 and Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.00% in 2076
Healthcare participation for future retirees	Capped benefit: 90% currently covered, 70% currently waived PEMHCA minimum - 60%
Cap Increases	None

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

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

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

CITY OF SAN RAFAEL
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and special assessments	\$70,938,000	\$71,138,000	\$69,242,196	(\$1,895,804)
Licenses and permits	2,629,170	2,629,170	3,047,144	417,974
Fines and forfeitures	383,000	383,000	349,563	(33,437)
Use of money and properties	195,527	195,527	371,231	175,704
Intergovernmental	3,391,000	3,391,000	3,229,127	(161,873)
Charges for services	2,524,325	2,524,325	3,105,656	581,331
Other revenue	615,000	615,000	942,435	327,435
Total Revenues	80,676,022	80,876,022	80,287,352	(588,670)
EXPENDITURES				
Current:				
General government	13,221,991	14,022,796	16,119,613	(2,096,817)
Public safety	43,119,639	43,252,779	41,615,327	1,637,452
Public works and parks	12,014,274	12,102,400	12,349,130	(246,730)
Community development	5,549,524	5,549,526	5,276,887	272,639
Culture and recreation	3,334,072	3,334,071	2,689,531	644,540
Capital outlay	92,776	92,776		92,776
Debt service:				
Principal	485,261	485,261	618,316	(133,055)
Interest and fiscal charges	2,468,963	2,468,963	2,482,778	(13,815)
Total Expenditures	80,286,500	81,308,572	81,151,582	156,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	389,522	(432,550)	(864,230)	(431,680)
OTHER FINANCING SOURCES (USES)				
Note proceeds			23,999	23,999
Transfers in	4,701,350	4,737,499	4,737,499	
Transfers out	(6,077,000)	(6,623,159)	(6,623,159)	
Total Other Financing Sources (Uses)	(1,375,650)	(1,885,660)	(1,861,661)	23,999
Net Change in Fund Balance	(\$986,128)	(\$2,318,210)	(2,725,891)	(\$407,681)
FUND BALANCE, BEGINNING OF YEAR			12,532,571	
FUND BALANCE, END OF YEAR			\$9,806,680	

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and special assessments				
Use of money and properties	\$59,661	\$59,661	\$116,876	\$57,215
Charges for services	100,000	100,000	612,867	512,867
Other revenue			286,551	286,551
			<u>286,551</u>	<u>286,551</u>
Total Revenues	<u>159,661</u>	<u>159,661</u>	<u>1,016,294</u>	<u>856,633</u>
EXPENDITURES				
Current:				
General government	25,000	25,000		25,000
Public works and parks	100,000	335,559	99,232	236,327
Capital outlay		776,826	505,588	271,238
			<u>505,588</u>	<u>271,238</u>
Total Expenditures	<u>125,000</u>	<u>1,137,385</u>	<u>604,820</u>	<u>532,565</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>34,661</u>	<u>(977,724)</u>	<u>411,474</u>	<u>1,389,198</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out		(1,387,068)	(1,387,068)	
			<u>(1,387,068)</u>	
Total Other Financing Sources (Uses)		<u>(1,387,068)</u>	<u>(1,387,068)</u>	
Net Change in Fund Balance	<u>\$34,661</u>	<u>(\$2,364,792)</u>	<u>(975,594)</u>	<u>\$1,389,198</u>
FUND BALANCE, BEGINNING OF YEAR			<u>5,197,376</u>	
FUND BALANCE, END OF YEAR			<u>\$4,221,782</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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and properties	\$45,770	\$45,770	\$106,175	\$60,405
Intergovernmental	3,826,537	9,660,041	4,887,201	(4,772,840)
Charges for services	1,043,600	1,043,600	2,132,590	1,088,990
Other revenue			199,893	199,893
Total Revenues	<u>4,915,907</u>	<u>10,749,411</u>	<u>7,325,859</u>	<u>(3,423,552)</u>
EXPENDITURES				
Current:				
General government				
Public works and parks	1,335,000	7,300,949	4,273,277	3,027,672
Capital outlay	<u>50,000</u>	<u>5,215,121</u>	<u>1,531,254</u>	<u>3,683,867</u>
Total Expenditures	<u>1,385,000</u>	<u>12,516,070</u>	<u>5,804,531</u>	<u>6,711,539</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,530,907</u>	<u>(1,766,659)</u>	<u>1,521,328</u>	<u>3,287,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	<u>(900,000)</u>	<u>1,168,168</u>	<u>1,168,168</u>	<u>(900,000)</u>
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>268,168</u>	<u>268,168</u>	<u></u>
Net Change in Fund Balance	<u>\$2,630,907</u>	<u>(\$1,498,491)</u>	1,789,496	<u>\$3,287,987</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,728,111</u>	
FUND BALANCE, END OF YEAR			<u>\$6,517,607</u>	

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL
 ESSENTIAL FACILITIES CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Use of money and property			\$599,667	\$599,667
Other revenue			189,864	189,864
Total Revenues			789,531	789,531
EXPENDITURES				
Capital outlay	\$25,000,000	\$25,795,248	23,593,767	2,201,481
Total Expenditures	25,000,000	25,795,248	23,593,767	2,201,481
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(25,000,000)	(25,795,248)	(22,804,236)	2,991,012
OTHER FINANCING SOURCES (USES)				
Transfers in	4,148,000	5,123,865	5,123,865	
Transfers out	(2,235,200)	(2,235,200)	(2,235,200)	
Total Other Financing Sources (Uses)	1,912,800	2,888,665	2,888,665	
Net Change in Fund Balance	(23,087,200)	(22,906,583)	(19,915,571)	\$2,991,012
FUND BALANCE, BEGINNING OF YEAR			32,390,499	
FUND BALANCE, END OF YEAR			\$12,474,928	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

Loch Lomond #10 Community Facilities District Fund – Established to provide maintenance for stormwater and geotechnical mitigation facilities. A Mello Roos District was formed to fund this maintenance.

Loch Lomond Marina #2 Community Facilities District Fund – Established to report tax assessments and maintenance expenditures of the District.

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

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

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

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

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

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

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

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

Business Improvement Fund – Established to account for activities held in Downtown San Rafael.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

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

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

Measure G – Cannabis Special Revenue Fund – Established for the purpose of reporting tax revenue and expenditures related to Cannabis activities authorized by Measure G.

Measure C – Wildfire Prevention Special Revenue Fund – Established for the purpose of reporting tax revenue and expenditures related to coordinated wildfire prevention activities authorized by Measure C, a parcel tax measure approved on March 3, 2020 by a two-thirds supermajority vote. This is a ten-year parcel tax levying up to 10 cents per building square foot tax and \$75 per multifamily unit.

DEBT SERVICE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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.



CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond #10 Community Facilities Dist.
ASSETS					
Cash and investments	\$225,194	\$209,565	\$472,848	\$1,270,651	\$754,925
Restricted cash and investments					
Receivables:					
Accounts	71,753		452,261	17,400	
Taxes		127			107
Grants				36,910	
Interest					
Loans					
Prepays					
Total Assets	\$296,947	\$209,692	\$925,109	\$1,324,961	\$755,032
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$78,108		\$265,081	\$50,875	
Deposits payable					
Developer deposits payable			248,572		
Due to other funds					
Unearned revenue	172,395				
Total Liabilities	250,503		513,653	50,875	
Fund Balances:					
Nonspendable					
Restricted	46,444	\$209,692	411,456	1,274,086	\$755,032
Committed					
Assigned					
Unassigned					
Total Fund Balances	46,444	209,692	411,456	1,274,086	755,032
Total Liabilities and Fund Balances	\$296,947	\$209,692	\$925,109	\$1,324,961	\$755,032

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$364,502	\$2,456,131	\$739,500	\$121,144	\$911,328	\$347,232	\$753,106
398				4,014		
<u>\$364,900</u>	<u>\$2,456,131</u>	<u>\$739,500</u>	<u>\$121,144</u>	<u>\$915,342</u>	<u>\$347,232</u>	<u>\$753,106</u>
	\$291	\$7,279		\$25,874	\$79,558 3,635	\$8,701
	<u>291</u>	<u>7,279</u>		<u>25,874</u>	<u>83,193</u>	<u>8,701</u>
\$364,900	2,455,840	732,221	\$121,144	889,468	264,039	744,405
<u>364,900</u>	<u>2,455,840</u>	<u>732,221</u>	<u>121,144</u>	<u>889,468</u>	<u>264,039</u>	<u>744,405</u>
<u>\$364,900</u>	<u>\$2,456,131</u>	<u>\$739,500</u>	<u>\$121,144</u>	<u>\$915,342</u>	<u>\$347,232</u>	<u>\$753,106</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				
	Parkland Dedication	Emergency Medical Services	Business Improvement	Pt. San Pedro Maintenance Portion	Low and Moderate Income Housing
ASSETS					
Cash and investments	\$290,302	\$466,514	\$8,141	\$99,968	\$615,662
Restricted cash and investments					
Receivables:					
Accounts		278,483			14,555
Taxes		21,679		652	
Grants					
Interest					561
Loans					262,876
Prepays		7,813			
Total Assets	\$290,302	\$774,489	\$8,141	\$100,620	\$893,654
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$317	\$48,487	\$8,141	\$13,119	
Deposits payable					
Developer deposits payable					
Due to other funds					
Unearned revenue					
Total Liabilities	317	48,487	8,141	13,119	
Fund Balances:					
Nonspendable		7,813			
Restricted	289,985	718,189		87,501	\$893,654
Committed					
Assigned					
Unassigned					
Total Fund Balances	289,985	726,002		87,501	893,654
Total Liabilities and Fund Balances	\$290,302	\$774,489	\$8,141	\$100,620	\$893,654

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND
Measure A Open Space	Measure G - Cannabis	Measure C - Wildfire Prevention	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement
			\$2,875	\$16,573	\$151,695	\$1,345,220 624,245
\$220,704	\$146,151					10,403 2,783
<u>\$220,704</u>	<u>\$146,151</u>		<u>\$2,875</u>	<u>\$16,573</u>	<u>\$151,695</u>	<u>\$1,982,651</u>
\$295		\$501				\$102,445 6,877
50,709	\$70,178	10,617				
<u>51,004</u>	<u>70,178</u>	<u>11,118</u>				<u>109,322</u>
169,700	75,973		\$2,875	\$16,573	\$151,695	1,873,329
		(11,118)				
<u>169,700</u>	<u>75,973</u>	<u>(11,118)</u>	<u>2,875</u>	<u>16,573</u>	<u>151,695</u>	<u>1,873,329</u>
<u>\$220,704</u>	<u>\$146,151</u>		<u>\$2,875</u>	<u>\$16,573</u>	<u>\$151,695</u>	<u>\$1,982,651</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>CAPITAL PROJECTS FUNDS</u>				Total Non-Major Governmental Funds
	<u>Bedroom Tax</u>	<u>Assessment Districts</u>	<u>Park Capital Projects</u>	<u>Open Space</u>	
ASSETS					
Cash and investments	\$94,907	\$223,742	\$10,824	\$120,920	\$12,073,469
Restricted cash and investments		80,464			704,709
Receivables:					
Accounts					834,452
Taxes					393,832
Grants					47,313
Interest					3,344
Loans					262,876
Prepays					7,813
					<u>7,813</u>
Total Assets	<u>\$94,907</u>	<u>\$304,206</u>	<u>\$10,824</u>	<u>\$120,920</u>	<u>\$14,327,808</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$600,813
Deposits payable					95,136
Developer deposits payable					252,207
Due to other funds					131,504
Unearned revenue					172,395
					<u>172,395</u>
Total Liabilities					<u>1,252,055</u>
Fund Balances:					
Nonspendable					7,813
Restricted	\$94,907	\$304,206			11,073,985
Committed			\$10,824		1,884,153
Assigned				\$120,920	120,920
Unassigned					(11,118)
					<u>(11,118)</u>
Total Fund Balances	<u>94,907</u>	<u>304,206</u>	<u>10,824</u>	<u>120,920</u>	<u>13,075,753</u>
Total Liabilities and Fund Balances	<u>\$94,907</u>	<u>\$304,206</u>	<u>\$10,824</u>	<u>\$120,920</u>	<u>\$14,327,808</u>



CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond #10 Community Facilities Dist.
REVENUES					
Taxes and special assessments		\$25,368			\$21,399
Fines and forfeitures					
Use of money and properties	\$44,276	5,610	\$6,099	\$38,734	\$16,777
Intergovernmental	43,074			433,552	
Charges for services	1,517,329		173,940	2,751,787	
Other revenue	13,893		600	23,870	
Total Revenues	<u>1,618,572</u>	<u>30,978</u>	<u>180,639</u>	<u>3,247,943</u>	<u>38,176</u>
EXPENDITURES					
Current:					
General government					
Public safety			135,601		
Public works and parks		73,700			15,943
Culture and recreation	3,824,456			3,667,862	
Capital outlay					
Total Expenditures	<u>3,824,456</u>	<u>73,700</u>	<u>135,601</u>	<u>3,667,862</u>	<u>15,943</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,205,884)</u>	<u>(42,722)</u>	<u>45,038</u>	<u>(419,919)</u>	<u>22,233</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,250,000				59,439
Transfers out				(52,840)	(848)
Total Other Financing Sources (Uses)	<u>2,250,000</u>			<u>(52,840)</u>	<u>58,591</u>
Net Change in Fund Balances	44,116	(42,722)	45,038	(472,759)	80,824
Fund Balance, Beginning	<u>2,328</u>	<u>252,414</u>	<u>366,418</u>	<u>1,746,845</u>	<u>674,208</u>
Fund Balance, Ending	<u><u>\$46,444</u></u>	<u><u>\$209,692</u></u>	<u><u>\$411,456</u></u>	<u><u>\$1,274,086</u></u>	<u><u>\$755,032</u></u>

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$79,695		\$1,067,786				
7,566	\$56,867	11,832		\$825		
	23,681		\$63,694	8,368	\$46,705	\$4,691
	5,911			836,240		416,556
	7,017		73,868	4,735		
<u>87,261</u>	<u>93,476</u>	<u>1,079,618</u>	<u>137,562</u>	<u>850,168</u>	<u>46,705</u>	<u>421,247</u>
5,079			206,065			71,818
				316,859		518,443
	87,171	903,867		46,385		
<u>5,079</u>	<u>87,171</u>	<u>903,867</u>	<u>206,065</u>	<u>363,244</u>		<u>590,261</u>
<u>82,182</u>	<u>6,305</u>	<u>175,751</u>	<u>(68,503)</u>	<u>486,924</u>	<u>46,705</u>	<u>(169,014)</u>
			100,000			139,655
					(414,041)	(22,260)
			100,000		(414,041)	117,395
82,182	6,305	175,751	31,497	486,924	(367,336)	(51,619)
282,718	2,449,535	556,470	89,647	402,544	631,375	796,024
<u>\$364,900</u>	<u>\$2,455,840</u>	<u>\$732,221</u>	<u>\$121,144</u>	<u>\$889,468</u>	<u>\$264,039</u>	<u>\$744,405</u>

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS				
	Parkland Dedication	Emergency Medical Services	Business Improvement	Pt. San Pedro - Maintenance Portion	Low and Moderate Income Housing
REVENUES					
Taxes and special assessments	\$26,271	\$4,922,517		\$136,339	
Fines and forfeitures					
Use of money and properties	6,489	20,491		854	\$23,964
Intergovernmental		158,434			
Charges for services		2,698,523			
Other revenue		504,324			61,925
Total Revenues	<u>32,760</u>	<u>8,304,289</u>		<u>137,193</u>	<u>85,889</u>
EXPENDITURES					
Current:					
General government					87,962
Public safety		7,441,833			
Public works and parks	317			170,365	
Culture and recreation					
Capital outlay					
Total Expenditures	<u>317</u>	<u>7,441,833</u>		<u>170,365</u>	<u>87,962</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>32,443</u>	<u>862,456</u>		<u>(33,172)</u>	<u>(2,073)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out		(949,800)			
Total Other Financing Sources (Uses)		<u>(949,800)</u>			
Net Change in Fund Balances	32,443	(87,344)		(33,172)	(2,073)
Fund Balance, Beginning	<u>257,542</u>	<u>813,346</u>		<u>120,673</u>	<u>895,727</u>
Fund Balance, Ending	<u>\$289,985</u>	<u>\$726,002</u>		<u>\$87,501</u>	<u>\$893,654</u>

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			CAPITAL PROJECTS FUND
Measure A Open Space	Measure G - Cannabis	Measure C - Wildfire Prevention	Peacock Gap Assessment District	Mariposa Assessment District	1997 Financing Authority Revenue Bonds	Capital Improvement
\$468,662	\$409,882					
626						\$39,639
	251					31,862
<u>469,288</u>	<u>410,133</u>					<u>71,501</u>
138,065	410,133	\$11,118				
155,000						
6,523						
						307,519
<u>299,588</u>	<u>410,133</u>	<u>11,118</u>				<u>307,519</u>
<u>169,700</u>		<u>(11,118)</u>				<u>(236,018)</u>
						218,900
						218,900
169,700		(11,118)				(17,118)
	75,973		\$2,875	\$16,573	151,695	1,890,447
<u>\$169,700</u>	<u>\$75,973</u>	<u>(\$11,118)</u>	<u>\$2,875</u>	<u>\$16,573</u>	<u>\$151,695</u>	<u>\$1,873,329</u>

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>CAPITAL PROJECTS FUNDS</u>				Total Non-Major Governmental Funds
	<u>Bedroom Tax</u>	<u>Assessment Districts</u>	<u>Park Capital Projects</u>	<u>Open Space</u>	
REVENUES					
Taxes and special assessments	\$10,582				\$7,168,501
Fines and forfeitures					825
Use of money and properties		\$1,551		\$2,781	343,920
Intergovernmental					1,170,853
Charges for services					7,983,730
Other revenue					690,483
					<u>690,483</u>
Total Revenues	<u>10,582</u>	<u>1,551</u>		<u>2,781</u>	<u>17,358,312</u>
EXPENDITURES					
Current:					
General government					569,913
Public safety					8,456,204
Public works and parks					732,184
Culture and recreation					8,489,879
Capital outlay		235			354,139
					<u>354,139</u>
Total Expenditures		<u>235</u>			<u>18,602,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,582</u>	<u>1,316</u>		<u>2,781</u>	<u>(1,244,007)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					2,767,994
Transfers out					(1,439,789)
					<u>(1,439,789)</u>
Total Other Financing Sources (Uses)					<u>1,328,205</u>
Net Change in Fund Balances	10,582	1,316		2,781	84,198
Fund Balance, Beginning	<u>84,325</u>	<u>302,890</u>	<u>\$10,824</u>	<u>118,139</u>	<u>12,991,555</u>
Fund Balance, Ending	<u>\$94,907</u>	<u>\$304,206</u>	<u>\$10,824</u>	<u>\$120,920</u>	<u>\$13,075,753</u>



CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS					
	Recreation Revolving			Baypoint Lagoons Assessment District		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments				\$25,500	\$25,368	(\$132)
Fines and forfeitures						
Use of money and properties	\$43,781	\$44,276	\$495	2,396	5,610	3,214
Intergovernmental	64,945	43,074	(21,871)			
Charges for services	2,203,862	1,517,329	(686,533)			
Other revenue	470	13,893	13,423			
Total Revenues	<u>2,313,058</u>	<u>1,618,572</u>	<u>(694,486)</u>	<u>27,896</u>	<u>30,978</u>	<u>3,082</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks				146,400	73,700	72,700
Culture and recreation	4,454,440	3,824,456	629,984			
Capital outlay						
Total Expenditures	<u>4,454,440</u>	<u>3,824,456</u>	<u>629,984</u>	<u>146,400</u>	<u>73,700</u>	<u>72,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,141,382)</u>	<u>(2,205,884)</u>	<u>(64,502)</u>	<u>(118,504)</u>	<u>(42,722)</u>	<u>75,782</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,250,000	2,250,000				
Transfers out						
Total Other Financing Sources (Uses)	<u>2,250,000</u>	<u>2,250,000</u>				
NET CHANGE IN FUND BALANCE	<u>\$108,618</u>	44,116	<u>(\$64,502)</u>	<u>(\$118,504)</u>	(42,722)	<u>\$75,782</u>
FUND BALANCES, BEGINNING OF YEAR		<u>2,328</u>			<u>252,414</u>	
FUND BALANCES, END OF YEAR		<u>\$46,444</u>			<u>\$209,692</u>	

SPECIAL REVENUE FUNDS

Household Hazmat Facility			Childcare			Loch Lomond #10 Community Facilities District		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
						\$21,399	\$21,399	
\$2,460	\$6,099	\$3,639	\$15,341	\$38,734	\$23,393	6,055	16,777	\$10,722
			355,784	433,552	77,768			
174,117	173,940	(177)	3,825,000	2,751,787	(1,073,213)			
	600	600		23,870	23,870			
<u>176,577</u>	<u>180,639</u>	<u>4,062</u>	<u>4,196,125</u>	<u>3,247,943</u>	<u>(948,182)</u>	<u>27,454</u>	<u>38,176</u>	<u>10,722</u>
182,491	135,601	46,890				15,943	15,943	
			4,413,331	3,667,862	745,469			
<u>182,491</u>	<u>135,601</u>	<u>46,890</u>	<u>4,413,331</u>	<u>3,667,862</u>	<u>745,469</u>	<u>15,943</u>	<u>15,943</u>	
<u>(5,914)</u>	<u>45,038</u>	<u>50,952</u>	<u>(217,206)</u>	<u>(419,919)</u>	<u>(202,713)</u>	<u>11,511</u>	<u>22,233</u>	<u>10,722</u>
			(52,840)	(52,840)		59,439	59,439	
						(848)	(848)	
			(52,840)	(52,840)		58,591	58,591	
<u>(\$5,914)</u>	<u>45,038</u>	<u>\$50,952</u>	<u>(\$270,046)</u>	<u>(472,759)</u>	<u>(\$202,713)</u>	<u>\$70,102</u>	<u>80,824</u>	<u>\$10,722</u>
	<u>366,418</u>			<u>1,746,845</u>			<u>674,208</u>	
	<u>\$411,456</u>			<u>\$1,274,086</u>			<u>\$755,032</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS					
	Loch Lomond Marina #2 Community Facilities District			Library		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments	\$80,000	\$79,695	(\$305)			
Fines and forfeitures						
Use of money and properties	1,967	7,566	5,599	\$21,472	\$56,867	\$35,395
Intergovernmental				1,000	23,681	22,681
Charges for services				7,500	5,911	(1,589)
Other revenue				7,000	7,017	17
Total Revenues	<u>81,967</u>	<u>87,261</u>	<u>5,294</u>	<u>36,972</u>	<u>93,476</u>	<u>56,504</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks	137,200	5,079	132,121			
Culture and recreation				100,000	87,171	12,829
Capital outlay						
Total Expenditures	<u>137,200</u>	<u>5,079</u>	<u>132,121</u>	<u>100,000</u>	<u>87,171</u>	<u>12,829</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(\$55,233)</u>	<u>82,182</u>	<u>137,415</u>	<u>(\$63,028)</u>	<u>6,305</u>	<u>69,333</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE	<u>(\$55,233)</u>	<u>82,182</u>	<u>\$137,415</u>	<u>(\$63,028)</u>	<u>6,305</u>	<u>\$69,333</u>
FUND BALANCES, BEGINNING OF YEAR		<u>282,718</u>			<u>2,449,535</u>	
FUND BALANCES, END OF YEAR		<u>\$364,900</u>			<u>\$2,455,840</u>	

SPECIAL REVENUE FUNDS

Library Assessment			Public Safety			Stormwater		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,078,803	\$1,067,786	(\$11,017)				\$5,000	\$825	(\$4,175)
3,845	11,832	7,987	\$356		(\$356)	4,715	8,368	3,653
			90,000	\$63,694	(26,306)			
			75,000	73,868	(1,132)	827,900	836,240	8,340
						5,000	4,735	(265)
<u>1,082,648</u>	<u>1,079,618</u>	<u>(3,030)</u>	<u>165,356</u>	<u>137,562</u>	<u>(27,794)</u>	<u>842,615</u>	<u>850,168</u>	<u>7,553</u>
			282,388	206,065	76,323	942,020	316,859	625,161
1,123,924	903,867	220,057				163,526	46,385	117,141
<u>1,123,924</u>	<u>903,867</u>	<u>220,057</u>	<u>282,388</u>	<u>206,065</u>	<u>76,323</u>	<u>1,105,546</u>	<u>363,244</u>	<u>742,302</u>
<u>(41,276)</u>	<u>175,751</u>	<u>217,027</u>	<u>(117,032)</u>	<u>(68,503)</u>	<u>48,529</u>	<u>(262,931)</u>	<u>486,924</u>	<u>749,855</u>
			100,000	100,000				
			100,000	100,000				
<u>(\$41,276)</u>	<u>175,751</u>	<u>\$217,027</u>	<u>(\$17,032)</u>	<u>31,497</u>	<u>\$48,529</u>	<u>(\$262,931)</u>	<u>486,924</u>	<u>\$749,855</u>
	<u>556,470</u>			<u>89,647</u>			<u>402,544</u>	
	<u>\$732,221</u>			<u>\$121,144</u>			<u>\$889,468</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS					
	Development Services			Grants		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments						
Fines and forfeitures						
Use of money and properties	\$44,323	\$46,705	\$2,382	\$6,041	\$4,691	(\$1,350)
Intergovernmental				547,750	416,556	(131,194)
Charges for services						
Other revenue						
Total Revenues	<u>44,323</u>	<u>46,705</u>	<u>2,382</u>	<u>553,791</u>	<u>421,247</u>	<u>(132,544)</u>
EXPENDITURES						
Current:						
General government	1,000		1,000	131,005	71,818	59,187
Public safety				761,569	518,443	243,126
Public works and parks						
Culture and recreation						
Capital outlay						
Total Expenditures	<u>1,000</u>		<u>1,000</u>	<u>892,574</u>	<u>590,261</u>	<u>302,313</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>43,323</u>	<u>46,705</u>	<u>3,382</u>	<u>(338,783)</u>	<u>(169,014)</u>	<u>169,769</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				139,655	139,655	
Transfers out	(414,041)	(414,041)		(22,260)	(22,260)	
Total Other Financing Sources (Uses)	<u>(414,041)</u>	<u>(414,041)</u>		<u>117,395</u>	<u>117,395</u>	
NET CHANGE IN FUND BALANCE	<u>(\$370,718)</u>	<u>(367,336)</u>	<u>\$3,382</u>	<u>(\$221,388)</u>	<u>(51,619)</u>	<u>\$169,769</u>
FUND BALANCES, BEGINNING OF YEAR		<u>631,375</u>			<u>796,024</u>	
FUND BALANCES, END OF YEAR		<u>\$264,039</u>			<u>\$744,405</u>	

SPECIAL REVENUE FUNDS

Parkland Dedication			Emergency Medical Services			Business Improvement		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
	\$26,271	\$26,271	\$4,953,000	\$4,922,517	(\$30,483)			
\$5,416	6,489	1,073	1,354	20,491	19,137			
			202,803	158,434	(44,369)			
			2,550,000	2,698,523	148,523			
			220,000	504,324	284,324			
<u>5,416</u>	<u>32,760</u>	<u>27,344</u>	<u>7,927,157</u>	<u>8,304,289</u>	<u>377,132</u>			
100,000	317	99,683	7,878,441	7,441,833	436,608			
<u>100,000</u>	<u>317</u>	<u>99,683</u>	<u>7,878,441</u>	<u>7,441,833</u>	<u>436,608</u>			
<u>(94,584)</u>	<u>32,443</u>	<u>127,027</u>	<u>48,716</u>	<u>862,456</u>	<u>813,740</u>			
			(949,800)	(949,800)				
			(949,800)	(949,800)				
<u>(\$94,584)</u>	<u>32,443</u>	<u>\$127,027</u>	<u>(\$901,084)</u>	<u>(87,344)</u>	<u>\$813,740</u>			
	<u>257,542</u>			<u>813,346</u>				
	<u>\$289,985</u>			<u>\$726,002</u>				

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE FUNDS					
	Pt. San Pedro-Maintenance Portion			Low and Moderate Income Housing		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes and special assessments	\$90,000	\$136,339	\$46,339			
Fines and forfeitures						
Use of money and properties		854	854	\$5,380	\$23,964	\$18,584
Intergovernmental						
Charges for services						
Other revenue					61,925	61,925
Total Revenues	<u>90,000</u>	<u>137,193</u>	<u>47,193</u>	<u>5,380</u>	<u>85,889</u>	<u>80,509</u>
EXPENDITURES						
Current:						
General government				95,000	87,962	7,038
Public safety						
Public works and parks	170,366	170,365	1			
Culture and recreation						
Capital outlay						
Total Expenditures	<u>170,366</u>	<u>170,365</u>	<u>1</u>	<u>95,000</u>	<u>87,962</u>	<u>7,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(80,366)</u>	<u>(33,172)</u>	<u>47,194</u>	<u>(89,620)</u>	<u>(2,073)</u>	<u>87,547</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE	<u><u>(\$80,366)</u></u>	<u><u>(33,172)</u></u>	<u><u>\$47,194</u></u>	<u><u>(\$89,620)</u></u>	<u><u>(2,073)</u></u>	<u><u>\$87,547</u></u>
FUND BALANCES, BEGINNING OF YEAR		<u>120,673</u>			<u>895,727</u>	
FUND BALANCES, END OF YEAR		<u><u>\$87,501</u></u>			<u><u>\$893,654</u></u>	

SPECIAL REVENUE FUNDS

Measure A Open Space			Measure G - Cannabis			Measure C - Wildfire Prevention		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$500,000	\$468,662	(\$31,338)	\$120,000	\$409,882	\$289,882			
1,487	626	(861)						
				251				
501,487	469,288	(32,199)	120,000	410,133	289,882			
			410,133	410,133		\$11,118	\$11,118	
190,509	138,065	52,444						
155,000	155,000							
	6,523	(6,523)						
141,671		141,671						
487,180	299,588	187,592	410,133	410,133		11,118	11,118	
14,307	169,700	155,393	(290,133)		290,133	(11,118)	(11,118)	
<u>\$14,307</u>	169,700	<u>\$155,393</u>	<u>(\$290,133)</u>		<u>\$290,133</u>	<u>(\$11,118)</u>	(11,118)	<u></u>
				75,973				
	<u>\$169,700</u>			<u>\$75,973</u>			<u>(\$11,118)</u>	

(Continued)

CITY OF SAN RAFAEL
 BUDGETED NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2020

	DEBT SERVICE FUND		
	1997 Financing Authority Revenue Bonds		
	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes and special assessments			
Fines and forfeitures			
Use of money and properties	\$1,377		(\$1,377)
Intergovernmental			
Charges for services			
Other revenue			
Total Revenues	1,377		(1,377)
EXPENDITURES			
Current:			
General government			
Public safety			
Public works and parks			
Culture and recreation			
Capital outlay			
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,377		(1,377)
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE	\$1,377		(\$1,377)
FUND BALANCES, BEGINNING OF YEAR		\$151,695	
FUND BALANCES, END OF YEAR		\$151,695	

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

Sewer Maintenance Fund – Established to record both the cost of providing services to the San Rafael Sanitation District and the charges for those services.

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2020

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
ASSETS					
Current Assets:					
Cash and investments	\$572,812	\$2,011,019	\$2,676,216	\$643,873	\$5,364,517
Accounts receivable	3,473	2,128			
Grants receivable	3,672				
Capital assets:					
Nondepreciable assets	555,908				
Depreciable assets, net	6,016,888	6,322,160	296,021		
Total Assets	<u>7,152,753</u>	<u>8,335,307</u>	<u>2,972,237</u>	<u>643,873</u>	<u>5,364,517</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	4,067	19,690	155,523	110,012	10,607
Claims payable - due in one year					1,794,573
Non-current Liabilities:					
Claims payable - due in more than one year					2,559,335
Total Liabilities	<u>4,067</u>	<u>19,690</u>	<u>155,523</u>	<u>110,012</u>	<u>4,364,515</u>
NET POSITION:					
Net investment in capital assets	6,572,796	6,322,160	296,021		
Unrestricted	575,890	1,993,457	2,520,693	533,861	1,000,002
Total Net Position	<u>\$7,148,686</u>	<u>\$8,315,617</u>	<u>\$2,816,714</u>	<u>\$533,861</u>	<u>\$1,000,002</u>

<u>Workers' Compensation</u>	<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Retiree Medical</u>	<u>Radio Replacement</u>	<u>Telephone Replacement</u>	<u>Sewer Maintenance</u>	<u>Total</u>
\$8,666,513	\$287,234	\$3,361,453	\$471,274 71,575	\$59,237	\$213,222	\$132,727	\$24,460,097 77,176 3,672 555,908 12,635,069
<u>8,666,513</u>	<u>287,234</u>	<u>3,361,453</u>	<u>542,849</u>	<u>59,237</u>	<u>213,222</u>	<u>132,727</u>	<u>37,731,922</u>
144 1,544,034	7,176		38,070		55,832	132,727	533,848 3,338,607
<u>6,522,335</u>							<u>9,081,670</u>
<u>8,066,513</u>	<u>7,176</u>		<u>38,070</u>		<u>55,832</u>	<u>132,727</u>	<u>12,954,125</u>
<u>600,000</u>	<u>280,058</u>	<u>3,361,453</u>	<u>504,779</u>	<u>59,237</u>	<u>157,390</u>		13,190,977 11,586,820
<u>\$600,000</u>	<u>\$280,058</u>	<u>\$3,361,453</u>	<u>\$504,779</u>	<u>\$59,237</u>	<u>\$157,390</u>		<u>\$24,777,797</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
OPERATING REVENUES					
Charges for current services	\$900,000	\$1,402,000	\$1,838,761	\$966,200	\$3,119,707
Intergovernmental	29,476				
Other revenues	43,868				94
Total Operating Revenues	<u>973,344</u>	<u>1,402,000</u>	<u>1,838,761</u>	<u>966,200</u>	<u>3,119,801</u>
OPERATING EXPENSES					
Personnel				853,403	266,957
Insurance premiums and claims					1,935,058
Maintenance and repairs	162,408	24,817	99,354		
General and administrative	572		1,888,603	218,528	
Depreciation expense	167,605	1,045,129	96,939		
Total Operating Expenses	<u>330,585</u>	<u>1,069,946</u>	<u>2,084,896</u>	<u>1,071,931</u>	<u>2,202,015</u>
Operating Income (Loss)	<u>642,759</u>	<u>332,054</u>	<u>(246,135)</u>	<u>(105,731)</u>	<u>917,786</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	8,303	34,449	61,804	50,292	81,859
Miscellaneous income		194			
Gain from sale of capital assets		58,459			
Loss on retirement of capital assets	(430,334)		(33,594)		
Total Nonoperating Revenues (Expenses)	<u>(422,031)</u>	<u>93,102</u>	<u>28,210</u>	<u>50,292</u>	<u>81,859</u>
Net income (loss) before contributions and transfers	<u>220,728</u>	<u>425,156</u>	<u>(217,925)</u>	<u>(55,439)</u>	<u>999,645</u>
CAPITAL CONTRIBUTIONS					
TRANSFERS IN	52,840	125,000			
TRANSFERS OUT					
Change in Net Position	273,568	550,156	(217,925)	(55,439)	999,645
NET POSITION, BEGINNING OF YEAR	<u>6,875,118</u>	<u>7,765,461</u>	<u>3,034,639</u>	<u>589,300</u>	<u>357</u>
NET POSITION, END OF YEAR	<u>\$7,148,686</u>	<u>\$8,315,617</u>	<u>\$2,816,714</u>	<u>\$533,861</u>	<u>\$1,000,002</u>

<u>Workers' Compensation</u>	<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Retiree Medical</u>	<u>Radio Replacement</u>	<u>Telephone Replacement</u>	<u>Sewer Maintenance</u>	<u>Total</u>
\$3,213,259	\$493,269	\$2,364,125	\$3,070,000	\$648,660	\$437,363	\$2,689,844	\$21,143,188
	904		858,329			8,501	29,476
<u>3,213,259</u>	<u>494,173</u>	<u>2,364,125</u>	<u>3,928,329</u>	<u>648,660</u>	<u>437,363</u>	<u>2,698,345</u>	<u>911,696</u>
181,739						2,593,243	3,895,342
3,241,388	315,249		3,931,601				9,423,296
		2,000		688,082	478,138	105,102	286,579
							3,381,025
							<u>1,309,673</u>
<u>3,423,127</u>	<u>315,249</u>	<u>2,000</u>	<u>3,931,601</u>	<u>688,082</u>	<u>478,138</u>	<u>2,698,345</u>	<u>18,295,915</u>
<u>(209,868)</u>	<u>178,924</u>	<u>2,362,125</u>	<u>(3,272)</u>	<u>(39,422)</u>	<u>(40,775)</u>		<u>3,788,445</u>
169,511	4,220	39,323	254		4,818		454,833
							194
							58,459
							<u>(463,928)</u>
<u>169,511</u>	<u>4,220</u>	<u>39,323</u>	<u>254</u>	<u></u>	<u>4,818</u>	<u></u>	<u>49,558</u>
<u>(40,357)</u>	<u>183,144</u>	<u>2,401,448</u>	<u>(3,018)</u>	<u>(39,422)</u>	<u>(35,957)</u>	<u></u>	<u>3,838,003</u>
							125,000
							52,840
		<u>(678,763)</u>					<u>(678,763)</u>
<u>(40,357)</u>	<u>183,144</u>	<u>1,722,685</u>	<u>(3,018)</u>	<u>(39,422)</u>	<u>(35,957)</u>	<u></u>	<u>3,337,080</u>
<u>640,357</u>	<u>96,914</u>	<u>1,638,768</u>	<u>507,797</u>	<u>98,659</u>	<u>193,347</u>	<u></u>	<u>21,440,717</u>
<u>\$600,000</u>	<u>\$280,058</u>	<u>\$3,361,453</u>	<u>\$504,779</u>	<u>\$59,237</u>	<u>\$157,390</u>	<u></u>	<u>\$24,777,797</u>

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Building Maintenance	Vehicle Replacement	Equipment Replacement	Employee Benefits	Liability Insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	\$991,487	\$1,399,872	\$1,838,761	\$966,200	\$3,119,707
Cash payments to suppliers for goods and services	(309,611)	(24,817)	(2,098,452)	(118,250)	(1,193,985)
Cash payments to employees for salaries and benefits				(853,403)	(266,957)
Other operating revenues	43,868	194			94
Cash Flows from Operating Activities	725,744	1,375,249	(259,691)	(5,453)	1,658,859
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund receipts	52,840				
Interfund payments					
Cash Flows from Noncapital Financing Activities	52,840				
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(311,145)	(671,593)			
Proceeds from sale of property		110,768			
Cash Flows from Investing Activities	(311,145)	(560,825)			
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	8,303	34,449	61,803	50,292	81,859
Cash Flows from Investing Activities	8,303	34,449	61,803	50,292	81,859
Net increase (decrease) in cash and cash equivalents	475,742	848,873	(197,888)	44,839	1,740,718
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	97,070	1,162,146	2,874,104	599,034	3,623,799
CASH AND CASH EQUIVALENTS, END OF YEAR	\$572,812	\$2,011,019	\$2,676,216	\$643,873	\$5,364,517
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$642,759	\$332,054	(\$246,135)	(\$105,731)	\$917,786
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	167,605	1,045,129	96,939		
Miscellaneous income		194			
Net change in assets and liabilities:					
Accounts receivable	62,011	(2,128)			
Accounts payable	(146,631)		(110,495)	100,278	3,230
Claims payable					737,843
Net Cash Provided by (Used in) Operating Activities	725,744	\$1,375,249	(\$259,691)	(\$5,453)	\$1,658,859
NON-CASH TRANSACTIONS:					
Contributions		\$125,000			
Retirement of capital assets	(\$430,334)	(\$52,309)	(\$33,594)		

<u>Workers' Compensation</u>	<u>Dental Insurance</u>	<u>Employee Retirement</u>	<u>OPEB/ Employee Retirement</u>	<u>Radio Replacement</u>	<u>Telephone Replacement</u>	<u>Sewer Maintenance</u>	<u>Total</u>
\$3,213,259	\$493,269	\$2,364,125	\$3,071,145	\$648,660	\$437,363	\$2,689,844	\$21,233,692
(1,297,200)	(311,707)	(2,000)	(3,915,482)	(688,082)	(453,069)	(2,828,879)	(13,241,534)
(181,739)							(1,302,099)
	904		858,329			8,501	911,890
<u>1,734,320</u>	<u>182,466</u>	<u>2,362,125</u>	<u>13,992</u>	<u>(39,422)</u>	<u>(15,706)</u>	<u>(130,534)</u>	<u>7,601,949</u>
							52,840
		(678,763)					(678,763)
		(678,763)					(625,923)
							(982,738)
							110,768
							(871,970)
<u>169,511</u>	<u>4,220</u>	<u>39,323</u>	<u>254</u>		<u>4,818</u>		<u>454,832</u>
<u>169,511</u>	<u>4,220</u>	<u>39,323</u>	<u>254</u>		<u>4,818</u>		<u>454,832</u>
1,903,831	186,686	1,722,685	14,246	(39,422)	(10,888)	(130,534)	6,558,888
<u>6,762,682</u>	<u>100,548</u>	<u>1,638,768</u>	<u>457,028</u>	<u>98,659</u>	<u>224,110</u>	<u>263,261</u>	<u>17,901,209</u>
<u>\$8,666,513</u>	<u>\$287,234</u>	<u>\$3,361,453</u>	<u>\$471,274</u>	<u>\$59,237</u>	<u>\$213,222</u>	<u>\$132,727</u>	<u>\$24,460,097</u>
(\$209,868)	\$178,924	\$2,362,125	(\$3,272)	(\$39,422)	(\$40,775)		\$3,788,445
							1,309,673
							194
			1,145				61,028
(16,698)	3,542		16,119		25,069	(130,534)	(256,120)
<u>1,960,886</u>							<u>2,698,729</u>
<u>\$1,734,320</u>	<u>\$182,466</u>	<u>\$2,362,125</u>	<u>\$13,992</u>	<u>(\$39,422)</u>	<u>(\$15,706)</u>	<u>(\$130,534)</u>	<u>\$7,601,949</u>
							\$125,000
							(\$516,237)



AGENCY FUND

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

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

CITY OF SAN RAFAEL
 AGENCY FUNDS
 COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
<hr/> <u>Pt. San Pedro Road Assessment District</u> <hr/>				
<u>Assets</u>				
Restricted cash and investments	\$282,954	\$23,739	\$67,801	\$238,892
Taxes receivable	<u>725</u>	<u>690</u>	<u>725</u>	<u>690</u>
Total Assets	<u><u>\$283,679</u></u>	<u><u>\$24,429</u></u>	<u><u>\$68,526</u></u>	<u><u>\$239,582</u></u>
 <u>Liabilities</u>				
Interest payable	\$24,276	\$23,014	\$24,276	\$23,014
Due to bondholders	<u>259,403</u>	<u>1,415</u>	<u>44,250</u>	<u>216,568</u>
Total Liabilities	<u><u>\$283,679</u></u>	<u><u>\$24,429</u></u>	<u><u>\$68,526</u></u>	<u><u>\$239,582</u></u>



Dining Under the Lights

STATISTICAL SECTION



STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

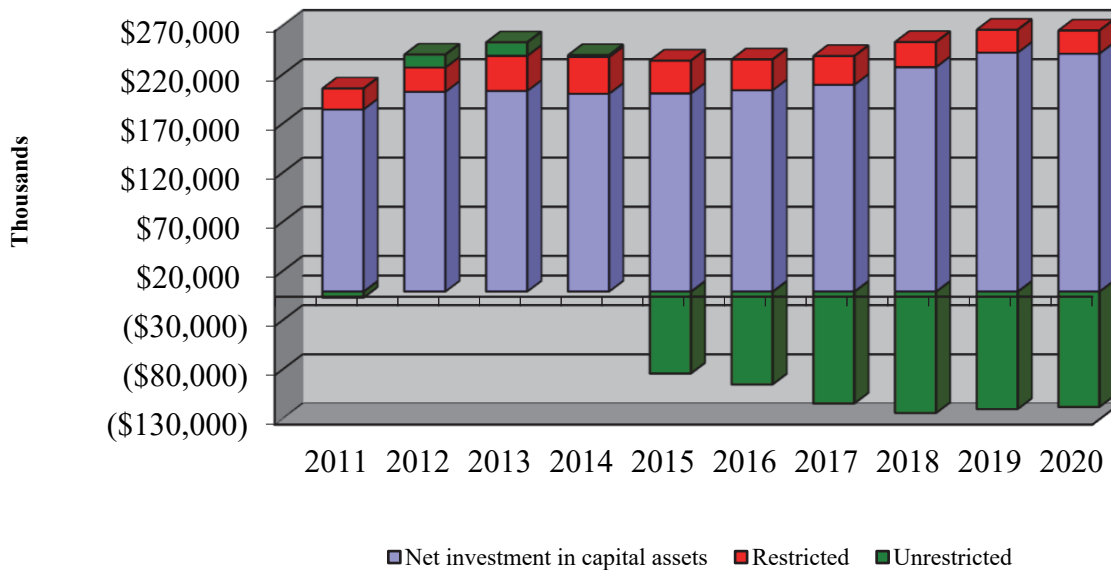
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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



	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Governmental activities				
Net investment in capital assets	\$174,281,922	\$192,361,245	\$193,222,791	\$190,286,275
Restricted	21,322,937	24,693,205	35,780,412	37,339,141
Unrestricted	(8,170,324)	10,652,263	11,151,318	(196,824)
Total governmental activities net position	\$187,434,535	\$227,706,713	\$240,154,521	\$227,428,592
Business-type activities				
Net investment in capital assets	\$10,793,592	\$10,650,558	\$10,670,190	\$10,786,591
Unrestricted	1,948,447	2,495,889	2,501,498	2,049,957
Total business-type activities net position	\$12,742,039	\$13,146,447	\$13,171,688	\$12,836,548
Primary government				
Net investment in capital assets	\$185,075,514	\$203,011,803	\$203,892,981	\$201,072,866
Restricted	21,322,937	24,693,205	35,780,412	37,339,141
Unrestricted	(6,221,877)	13,148,152	13,652,816	1,853,133
Total primary government net position	\$200,176,574	\$240,853,160	\$253,326,209	\$240,265,140

(a) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2016-2017. Financial data shown for proceeding years were not adjusted for the presentation.

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$190,621,085	\$193,707,175	\$199,202,842	\$217,170,376	\$231,844,210	\$230,737,025
33,389,224	31,286,725	29,225,643	25,549,583	23,288,874	23,522,748
<u>(82,336,534)</u>	<u>(93,273,480)</u>	<u>(112,913,181)</u>	<u>(122,577,233)</u>	<u>(118,215,177)</u>	<u>(116,133,437)</u>
<u>\$141,673,775</u>	<u>\$131,720,420</u>	<u>\$115,515,304</u>	<u>\$120,142,726</u>	<u>\$136,917,907</u>	<u>\$138,126,336</u>
\$10,744,952	\$10,958,058	\$10,968,642	\$10,951,518	\$11,023,426	\$11,104,751
<u>(938,519)</u>	<u>(1,136,050)</u>	<u>(871,620)</u>	<u>(886,848)</u>	<u>(1,180,121)</u>	<u>(1,204,307)</u>
<u>\$9,806,433</u>	<u>\$9,822,008</u>	<u>\$10,097,022</u>	<u>\$10,064,670</u>	<u>\$9,843,305</u>	<u>\$9,900,444</u>
\$201,366,037	\$204,665,233	\$210,171,484	\$228,121,894	\$242,867,636	\$241,841,776
33,389,224	31,286,725	29,225,643	25,549,583	23,288,874	23,522,748
<u>(83,275,053)</u>	<u>(94,409,530)</u>	<u>(113,784,801)</u>	<u>(123,464,081)</u>	<u>(119,395,298)</u>	<u>(117,337,744)</u>
<u>\$151,480,208</u>	<u>\$141,542,428</u>	<u>\$125,612,326</u>	<u>\$130,207,396</u>	<u>\$146,761,212</u>	<u>\$148,026,780</u>

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

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Expenses				
Governmental Activities:				
General government	\$8,269,846	\$10,171,332	\$10,202,530	\$9,085,672
Public safety	44,735,486	39,876,910	41,966,065	43,800,158
Public works and parks	17,408,038	17,423,033	17,695,164	22,125,336
Community development	7,804,650	4,587,557	3,403,158	3,451,244
Culture and recreation	11,487,999	11,020,663	11,330,058	11,846,818
Interest on long-term debt and fiscal charges	1,621,605	1,224,991	283,805	327,350
Total Governmental Activities Expenses	<u>91,327,624</u>	<u>84,304,486</u>	<u>84,880,780</u>	<u>90,636,578</u>
Business-Type Activities:				
Parking services	3,785,751	3,446,482	3,545,387	4,125,476
Total Business-Type Activities Expenses	<u>3,785,751</u>	<u>3,446,482</u>	<u>3,545,387</u>	<u>4,125,476</u>
Total Primary Government Expenses	<u>\$95,113,375</u>	<u>\$87,750,968</u>	<u>\$88,426,167</u>	<u>\$94,762,054</u>
Component Unit:				
San Rafael Sanitation District	<u>\$9,677,630</u>	<u>\$10,185,779</u>	<u>\$10,169,082</u>	<u>\$11,378,055</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$1,636,542	\$1,986,791	\$2,655,749	\$2,838,940
Public safety	6,167,925	7,122,396	6,478,321	6,014,034
Public works and parks	4,141,103	5,214,267	7,837,472	6,101,460
Community development	2,676,663	3,255,367	3,984,204	3,279,251
Culture and recreation	5,362,497	5,873,147	6,075,129	6,417,003
Operating grants and contributions	3,651,902	3,158,281	4,085,073	4,698,142
Capital grants and contributions	1,857,670	2,705,696	5,876,993	762,719
Total Government Activities Program Revenues	<u>25,494,302</u>	<u>29,315,945</u>	<u>36,992,941</u>	<u>30,111,549</u>
Business-Type Activities:				
Charges for services:				
Parking services	4,011,333	3,901,175	3,990,706	4,485,394
Total Business-Type Activities Program Revenues	<u>4,011,333</u>	<u>3,901,175</u>	<u>3,990,706</u>	<u>4,485,394</u>
Total Primary Government Program Revenues	<u>\$29,505,635</u>	<u>\$33,217,120</u>	<u>\$40,983,647</u>	<u>\$34,596,943</u>
Component Unit:				
San Rafael Sanitation District				
Charges for service	\$12,223,779	\$12,368,889	\$12,413,123	\$13,732,496
Operating grants and contributions				
Capital grants and contributions				
Total Component Unit Program Revenues	<u>\$12,223,779</u>	<u>\$12,368,889</u>	<u>\$12,413,123</u>	<u>\$13,732,496</u>
Net (Expense)/Revenue				
Governmental Activities	(\$65,833,322)	(\$54,988,541)	(\$47,887,839)	(\$60,525,029)
Business-Type Activities	<u>225,582</u>	<u>454,693</u>	<u>445,319</u>	<u>359,918</u>
Total Primary Government Net Expense	<u>(\$65,607,740)</u>	<u>(\$54,533,848)</u>	<u>(\$47,442,520)</u>	<u>(\$60,165,111)</u>
Component Unit Activities	<u>\$2,546,149</u>	<u>\$2,183,110</u>	<u>\$2,244,041</u>	<u>\$2,354,441</u>

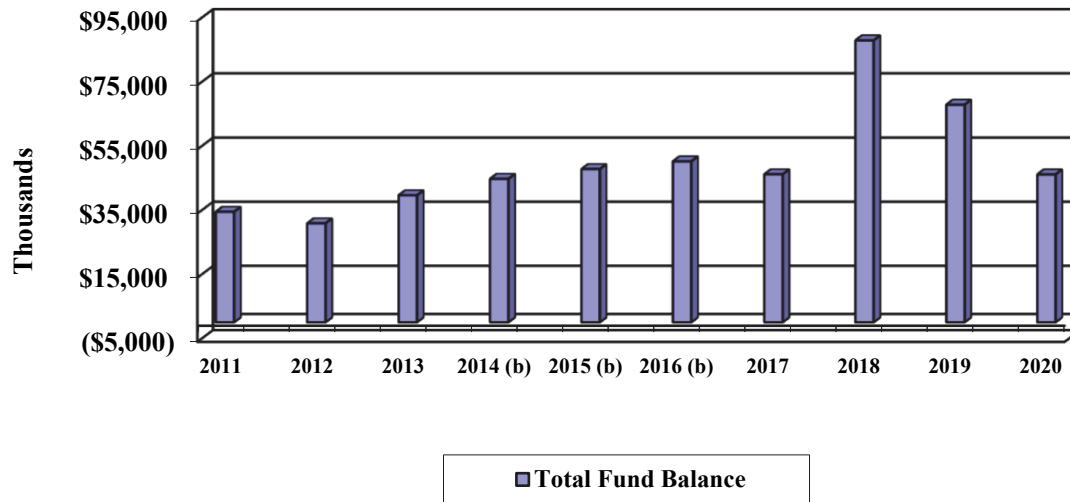
<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$9,099,858	\$12,952,983	\$10,996,269	\$9,835,941	\$11,967,641	\$15,629,601
39,968,631	55,399,798	44,366,734	53,231,197	49,899,296	50,000,809
16,893,164	22,929,289	19,845,719	22,084,433	19,270,613	21,661,442
3,128,373	4,307,269	4,242,743	4,040,195	5,781,826	5,314,692
11,198,151	15,026,680	14,131,000	13,285,563	12,819,429	11,828,353
284,288	277,263	271,263	884,336	1,848,263	1,974,834
<u>80,572,465</u>	<u>110,893,282</u>	<u>93,853,728</u>	<u>103,361,665</u>	<u>101,587,068</u>	<u>106,409,731</u>
4,249,597	4,762,851	4,188,152	4,627,716	5,038,553	4,491,375
4,249,597	4,762,851	4,188,152	4,627,716	5,038,553	4,491,375
<u>\$84,822,062</u>	<u>\$115,656,133</u>	<u>\$98,041,880</u>	<u>\$107,989,381</u>	<u>\$106,625,621</u>	<u>\$110,901,106</u>
<u>\$11,375,239</u>	<u>\$11,654,767</u>	<u>\$11,255,194</u>	<u>\$12,235,868</u>	<u>\$12,601,257</u>	<u>\$13,853,263</u>
\$1,379,523	\$526,495	\$421,393	\$517,542	\$377,606	\$394,882
4,966,251	4,939,658	4,264,939	5,628,478	5,304,832	5,824,555
3,078,267	5,157,289	1,804,698	2,362,375	4,158,338	3,082,495
3,796,684	4,004,178	3,850,107	3,814,892	4,312,259	5,470,010
6,537,646	6,683,059	6,941,013	6,819,303	5,750,846	4,370,442
4,185,450	4,678,338	3,965,351	5,142,670	4,584,855	5,545,731
1,308,027	1,470,953	1,702,993	974,603	8,042,524	1,348,640
<u>25,251,848</u>	<u>27,459,970</u>	<u>22,950,494</u>	<u>25,259,863</u>	<u>32,531,260</u>	<u>26,036,755</u>
5,173,557	5,212,181	5,268,991	5,203,585	5,362,016	5,063,318
5,173,557	5,212,181	5,268,991	5,203,585	5,362,016	5,063,318
<u>\$30,425,405</u>	<u>\$32,672,151</u>	<u>\$28,219,485</u>	<u>\$30,463,448</u>	<u>\$37,893,276</u>	<u>\$31,100,073</u>
14,629,758	15,414,530	16,014,016	16,829,908	16,964,083	16,874,361
		36,945	58,440	5,907	5,719
		79,245	105,734	1,433,871	175,217
<u>14,629,758</u>	<u>15,414,530</u>	<u>16,130,206</u>	<u>16,994,082</u>	<u>18,403,861</u>	<u>17,055,297</u>
(\$55,320,617)	(\$83,433,312)	(\$70,903,234)	(\$78,101,802)	(\$69,055,808)	(\$80,372,976)
923,960	449,330	1,080,839	575,869	323,463	571,943
<u>(\$54,396,657)</u>	<u>(\$82,983,982)</u>	<u>(\$69,822,395)</u>	<u>(\$77,525,933)</u>	<u>(\$68,732,345)</u>	<u>(\$79,801,033)</u>
<u>\$3,254,519</u>	<u>\$3,862,215</u>	<u>\$4,875,012</u>	<u>\$4,758,214</u>	<u>\$5,802,604</u>	<u>\$3,202,034</u>

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

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property	\$21,632,733	\$20,107,637	\$17,317,772	\$18,439,619
Sales	21,623,445	22,355,749	24,262,282	27,758,971
Special assessments				
Paramedic	3,661,064	3,807,545	3,804,985	3,816,070
Motor vehicles	297,425			
Transient occupancy	1,644,262	1,866,575	2,185,287	2,332,277
Franchise	2,990,539	3,076,094	3,331,160	3,260,958
Business license	2,296,460	2,332,146	2,507,785	2,588,728
Other	1,930,531	3,574,918	2,929,915	3,452,171
Investment earnings	176,502	205,413	991,762	184,171
Gain (Loss) on disposal of assets				
Miscellaneous	1,496,174	542,816	2,580,882	1,140,743
Special item - Court fines repayment				
Transfers	463,600	57,960	423,817	449,917
Total Government Activities	58,212,735	57,926,853	60,335,647	63,423,625
Business-Type Activities:				
Investment earnings	11,878	7,675	3,739	4,375
Aid from other government agencies				
Transfers	(463,600)	(57,960)	(423,817)	(449,917)
Total Business-Type Activities	(451,722)	(50,285)	(420,078)	(445,542)
Total Primary Government	\$57,761,013	\$57,876,568	\$59,915,569	\$62,978,083
Component Unit:				
San Rafael Sanitation District				
Property Taxes	\$1,214,519	\$1,192,566	\$1,177,469	\$1,345,018
Investment earnings	59,265	38,191	25,591	151,729
Miscellaneous				
Aid from other governmental agencies	6,499	9,613	56,589	22,125
Total Component Unit	\$1,280,283	\$1,240,370	\$1,259,649	\$1,518,872
Special Item				
Governmental Activities				
Component Unit Activities				
Change in Net Position				
Governmental Activities	(\$7,620,587)	\$2,938,312	\$12,447,808	\$2,898,596
Business-Type Activities	(226,140)	404,408	25,241	(85,624)
Total Primary Government	(\$7,846,727)	\$3,342,720	\$12,473,049	\$2,812,972
Change in Net Position				
Component Unit Activities	\$3,826,432	\$3,423,480	\$3,503,690	\$3,873,313

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$19,039,443	\$19,998,567	\$23,343,140	\$24,627,373	\$25,903,240	\$26,491,505
32,269,915	34,348,089	31,819,259	34,119,502	35,626,646	33,784,770
3,820,240	4,226,020	5,485,637	4,923,148	4,934,584	4,923,092
2,661,878	3,063,263	2,984,758	3,115,151	3,203,499	2,410,745
3,272,390	3,418,277	3,610,824	3,726,841	3,627,254	4,029,050
2,670,071	2,824,664	2,774,803	2,790,212	2,788,496	2,824,722
3,295,751	3,465,193	1,824,830	2,245,882	1,783,170	2,152,617
216,066	300,091	210,628	556,745	1,450,434	1,907,591
2,254,901	1,387,315	2,448,604	5,991,713	5,904,968	2,470,926
<u>432,630</u>	<u>448,478</u>	<u>536,000</u>	<u>632,657</u>	<u>608,698</u>	<u>586,387</u>
<u>69,933,285</u>	<u>73,479,957</u>	<u>75,038,483</u>	<u>82,729,224</u>	<u>85,830,989</u>	<u>81,581,405</u>
7,008	14,723	10,810	24,436	63,870	71,583
<u>(432,630)</u>	<u>(448,478)</u>	<u>(536,000)</u>	<u>(632,657)</u>	<u>(608,698)</u>	<u>(586,387)</u>
<u>(425,622)</u>	<u>(433,755)</u>	<u>(525,190)</u>	<u>(608,221)</u>	<u>(544,828)</u>	<u>(514,804)</u>
<u>\$69,507,663</u>	<u>\$73,046,202</u>	<u>\$74,513,293</u>	<u>\$82,121,003</u>	<u>\$85,286,161</u>	<u>\$81,066,601</u>
\$1,319,852	\$1,367,172	\$1,528,047	\$1,620,584	\$1,727,221	\$1,833,137
171,804	46,225	97,090	234,379	519,793	876,369
35,090			10,690	7,768	489
<u>\$1,526,746</u>	<u>\$1,413,397</u>	<u>\$1,625,137</u>	<u>\$1,865,653</u>	<u>\$2,254,782</u>	<u>\$2,709,995</u>
<u>\$4,462,815</u>					
<u>(\$4,462,815)</u>					
\$19,075,483	(\$9,953,355)	\$4,135,249	\$4,627,422	\$16,775,181	\$1,208,429
498,338	15,575	555,649	(32,352)	(221,365)	57,139
<u>\$19,573,821</u>	<u>(\$9,937,780)</u>	<u>\$4,690,898</u>	<u>\$4,595,070</u>	<u>\$16,553,816</u>	<u>\$1,265,568</u>
<u>\$318,450</u>	<u>\$5,275,612</u>	<u>\$6,500,149</u>	<u>\$6,623,867</u>	<u>\$8,057,386</u>	<u>\$5,912,029</u>

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



	Fiscal Year Ended June 30,			
	2011	2012	2013	2014 (b)
General Fund				
Nonspendable	\$589,833	\$527,509	\$527,235	\$503,338
Restricted	200,238	76,188		
Committed	555,561	651,121	800,876	
Assigned	5,439,879	1,516,644	2,476,676	6,866,149
Unassigned				
Total General Fund	<u>\$6,785,511</u>	<u>\$2,771,462</u>	<u>\$3,804,787</u>	<u>\$7,369,487</u>
All Other Governmental Funds				
Nonspendable	\$377,180	\$788,031	\$51,521	\$8,719
Restricted	19,289,367	16,856,959	20,769,546	30,185,064
Committed	3,864,322	5,135,257	8,447,495	2,185,825
Assigned	4,124,029	5,283,559	6,511,850	4,959,533
Unassigned				
Total all other governmental funds	<u>\$27,654,898</u>	<u>\$28,063,806</u>	<u>\$35,780,412</u>	<u>\$37,339,141</u>

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

(b) The City adjusted certain beginning balances during fiscal years 2013-2014, 2014-2015 and 2015-2016. Financial data shown for preceding years were not adjusted for the presentation.

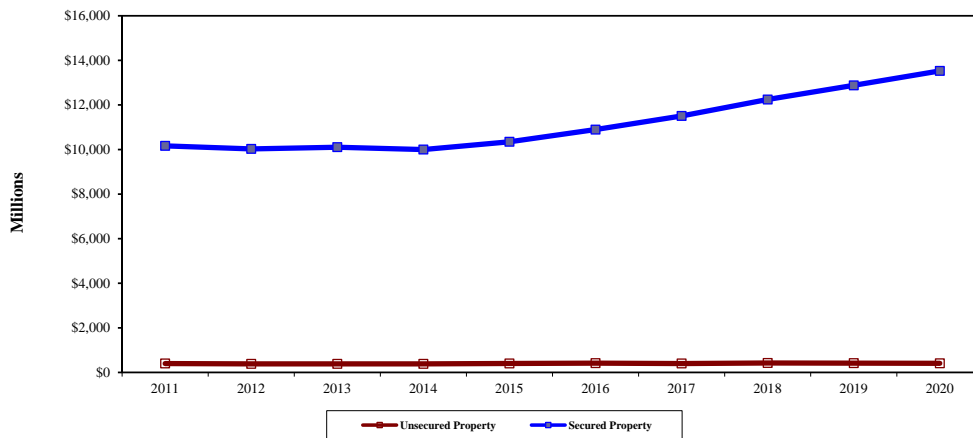
2015 (b)	2016 (b)	2017	2018	2019	2020	(a)
\$399,299	\$476,316	\$508,446	\$1,008,234	\$37,271	\$7,540	
12,374,002	16,440,910	14,900,945	11,214,720	11,391,084	9,799,140	
1,588,500	1,772,577	1,295,041		1,104,216		
<u>\$14,361,801</u>	<u>\$18,689,803</u>	<u>\$16,704,432</u>	<u>\$12,222,954</u>	<u>\$12,532,571</u>	<u>\$9,806,680</u>	
\$2,359	\$9,449		\$302,366	\$27,627	\$7,813	
31,742,184	27,552,245	\$25,812,405	73,489,688	53,260,504	34,288,302	
931,871	3,799,421	3,491,708	1,754,983	1,901,271	1,884,153	
712,810	119,183	115,103	115,942	118,139	120,920	
					(11,118)	
<u>\$33,389,224</u>	<u>\$31,480,298</u>	<u>\$29,419,216</u>	<u>\$75,662,979</u>	<u>\$55,307,541</u>	<u>\$36,290,070</u>	

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

	Fiscal Year Ended June 30,			
	2011	2012	2013	2014
Revenues				
Taxes and special assessments	\$51,448,130	\$51,395,116	\$51,549,306	\$56,686,142
Licenses and permits	1,416,772	1,648,890	1,929,387	1,934,755
Fines and forfeitures	862,820	801,758	734,005	669,553
Use of money and properties	380,720	315,561	325,043	363,089
Intergovernmental	11,864,127	10,537,396	11,869,889	11,953,308
Charges for services	15,888,750	19,649,433	23,575,374	19,949,333
Other revenue	1,026,845	870,957	4,092,411	2,045,407
Total Revenues	<u>82,888,164</u>	<u>85,219,111</u>	<u>94,075,415</u>	<u>93,601,587</u>
Expenditures				
Current:				
General government	6,863,142	8,783,873	10,529,480	8,678,833
Public safety	40,967,352	39,311,551	41,377,062	41,900,762
Public works and parks	10,666,176	11,518,822	12,002,448	13,697,957
Community development	4,527,351	3,755,504	2,961,275	3,296,375
Culture and recreation	10,067,822	10,345,673	10,591,057	11,106,367
Capital outlay	1,745,483	1,312,383	4,009,454	2,154,900
Capital improvement/special projects	6,240,861	3,604,171	5,284,720	7,168,776
Debt service:				
Principal	2,530,338	2,518,320		208,642
Interest and fiscal charges	1,448,910	735,221	283,805	327,350
Total Expenditures	<u>85,057,435</u>	<u>81,885,518</u>	<u>87,039,301</u>	<u>88,539,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,169,271)</u>	<u>3,333,593</u>	<u>7,036,114</u>	<u>5,061,625</u>
Other Financing Sources (Uses)				
Issuance of debt				
Proceeds from PG&E loans				568,481
Transfers in	5,806,834	4,539,646	8,425,474	3,655,302
Transfers (out)	<u>(4,657,326)</u>	<u>(4,864,293)</u>	<u>(6,711,657)</u>	<u>(3,053,865)</u>
Total other financing sources (uses)	<u>1,149,508</u>	<u>(324,647)</u>	<u>1,713,817</u>	<u>1,169,918</u>
Extraordinary Item				
Transfer to Successor Agency			<u>(2,352,584)</u>	
Net Change in fund balances	<u>(\$1,019,763)</u>	<u>\$3,008,946</u>	<u>\$6,397,347</u>	<u>\$6,231,543</u>
Debt service as a percentage of noncapital expenditures	5.2%	4.2%	0.4%	0.7%

2015	2016	2017	2018	2019	2020
\$61,804,228	\$65,866,218	\$71,166,891	\$74,893,789	\$77,101,185	\$76,410,697
2,456,820	2,588,411	2,559,841	2,718,166	2,661,500	3,047,144
556,076	435,829	400,283	384,268	337,680	350,388
444,757	460,206	349,349	654,531	1,583,060	1,537,869
13,233,503	13,685,003	8,063,156	8,878,974	15,602,264	9,287,181
15,346,794	14,366,744	13,425,161	14,660,094	15,166,876	13,834,843
1,777,003	3,208,749	1,842,053	5,219,414	5,158,042	2,309,226
95,619,181	100,611,160	97,806,734	107,409,236	117,610,607	106,777,348
10,203,687	11,349,079	10,557,416	10,010,100	12,553,499	16,689,526
43,954,515	47,071,166	49,018,153	51,805,708	51,678,876	50,071,531
12,758,643	14,390,699	16,752,961	17,647,312	15,617,622	17,453,823
3,416,859	3,670,108	3,759,564	4,051,224	4,988,260	5,276,887
11,616,777	12,048,104	12,646,728	12,823,771	12,468,008	11,179,410
4,498,924	4,813,757	2,100,926	22,815,967	38,701,047	25,984,748
2,186,986	4,826,576	7,403,249			
75,172	75,172	175,172	280,172	495,172	618,316
284,288	277,263	271,263	1,005,636	2,356,207	2,482,778
88,995,851	98,521,924	102,685,432	120,439,890	138,858,691	129,757,019
6,623,330	2,089,236	(4,878,698)	(13,030,654)	(21,248,084)	(22,979,671)
			46,565,800		23,999
4,348,149	7,533,364	9,287,007	68,351,964	15,482,297	13,797,526
(3,051,499)	(6,582,555)	(8,454,762)	(68,373,222)	(14,280,034)	(12,585,216)
1,296,650	950,809	832,245	46,544,542	1,202,263	1,236,309
\$7,919,980	\$3,040,045	(\$4,046,453)	\$33,513,888	(\$20,045,821)	(\$21,743,362)
0.4%	0.4%	0.5%	1.3%	2.8%	3.0%

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



Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
2011	\$ 7,215,965,203	\$ 2,056,985,417	\$ 247,409,955	\$ 124,426,487	\$ 9,644,787,062	\$ 383,414,952	\$ 10,028,202,014	\$ 10,028,202,014	0.17851%
2012	7,317,280,602	2,036,262,351	247,485,238	118,579,648	9,719,607,839	384,950,872	10,104,558,711	10,104,558,711	0.17827%
2013	7,265,617,525	1,987,170,644	245,917,096	115,453,836	9,614,159,101	384,534,108	9,998,693,209	9,998,693,209	0.17456%
2014	7,558,708,224	2,009,718,415	245,674,195	130,594,237	9,944,695,071	402,261,887	10,346,956,958	10,346,956,958	0.11985%
2015	7,991,224,952	2,120,065,908	249,864,918	115,675,852	10,476,831,630	417,217,272	10,894,048,902	10,894,048,902	0.11657%
2016	8,511,358,216	2,221,843,976	263,830,302	108,982,883	11,106,015,377	400,942,059	11,506,957,436	11,506,957,436	0.11672%
2017	9,025,896,811	2,390,814,514	267,468,956	135,689,202	11,819,869,483	423,545,667	12,243,415,150	12,243,415,150	0.11693%
2018	9,522,645,933	2,532,439,852	276,751,912	128,305,868	12,460,143,565	417,902,554	12,878,046,119	12,878,046,119	0.11709%
2019	10,042,494,232	2,681,917,170	285,601,803	107,472,477	13,117,485,682	409,129,431	13,526,615,113	13,526,615,113	0.11742%
2020	10,545,909,554	2,850,424,603	293,144,677	127,151,762	13,816,630,596	442,888,708	14,259,519,304	14,259,519,304	0.11724%

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

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

Data Source: Marin County Assessor 2010/11 - 2019/20 Combined Tax Rolls

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

Fiscal Year	City	County (1)	School Districts	Misc. Special Districts	Total	Total Direct Rate
2011	0.154	0.295	0.7542	0.0461	1.2489	0.17851%
2012	0.154	0.295	0.7831	0.0461	1.2779	0.17827%
2013	0.154	0.295	0.7743	0.0461	1.2691	0.17456%
2014	0.154	0.295	0.7890	0.0461	1.2838	0.11985%
2015	0.154	0.295	0.7651	0.0461	1.2599	0.11657%
2016	0.154	0.295	0.7846	0.0695	1.3028	0.11672%
2017	0.154	0.295	0.8251	0.0553	1.3291	0.11693%
2018	0.154	0.295	0.8127	0.0661	1.3275	0.11709%
2019	0.154	0.295	0.8495	0.0650	1.3635	0.11742%
2020	0.154	0.295	0.8289	0.0635	1.3414	0.11724%

Notes:

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

Data Source: Marin County Assessors Office 2010/11 - 2019/20 Tax Rate Tables

**CITY OF SAN RAFAEL
PROPERTY TAX RATES
DIRECT & OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS (RATE PER \$100 OF ASSESSED VALUE)**

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Basic Levy (1)	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Dixie School Bonds	0.01860	0.01840	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Marin Community College Bonds	0.01360	0.01750	0.01780	0.02040	0.01800	0.01650	0.01420	0.03380	0.03390	0.02690
Marin Healthcare Bond	0.00000	0.00000	0.00000	0.00000	0.00000	0.02350	0.00930	0.02010	0.01900	0.01750
Miller Creek School Bonds	0.00000	0.00000	0.01540	0.01500	0.01470	0.04170	0.03830	0.02090	0.03450	0.03280
Ross Elementary School	0.06070	0.06550	0.06640	0.06570	0.06030	0.06150	0.06030	0.06190	0.06180	0.05710
Ross Valley School Bonds	0.03250	0.06130	0.06110	0.05960	0.05700	0.05550	0.05370	0.05680	0.05390	0.05270
San Rafael Elementary Bonds	0.04740	0.04740	0.02170	0.03320	0.02620	0.02570	0.05350	0.05030	0.07290	0.07050
San Rafael High Bonds	0.02790	0.02680	0.04960	0.05130	0.04850	0.04710	0.07100	0.05680	0.06170	0.06000
Tamalpais Union High School	0.04820	0.04100	0.03710	0.03860	0.03520	0.03130	0.02880	0.02690	0.02580	0.02390
Total Direct & Overlapping Tax Rates	1.24890	1.27790	1.26910	1.28380	1.25990	1.30280	1.32910	1.32750	1.36350	1.34140
City's Share of 1% Levy Per Prop 13	0.12292	0.12311	0.12313	0.12306	0.12233	0.12233	0.12233	0.12233	0.12232	0.12232
Total Direct Rate	0.17851	0.17827	0.17456	0.11985	0.11657	0.11672	0.11693	0.11709	0.11742	0.11724

Notes:

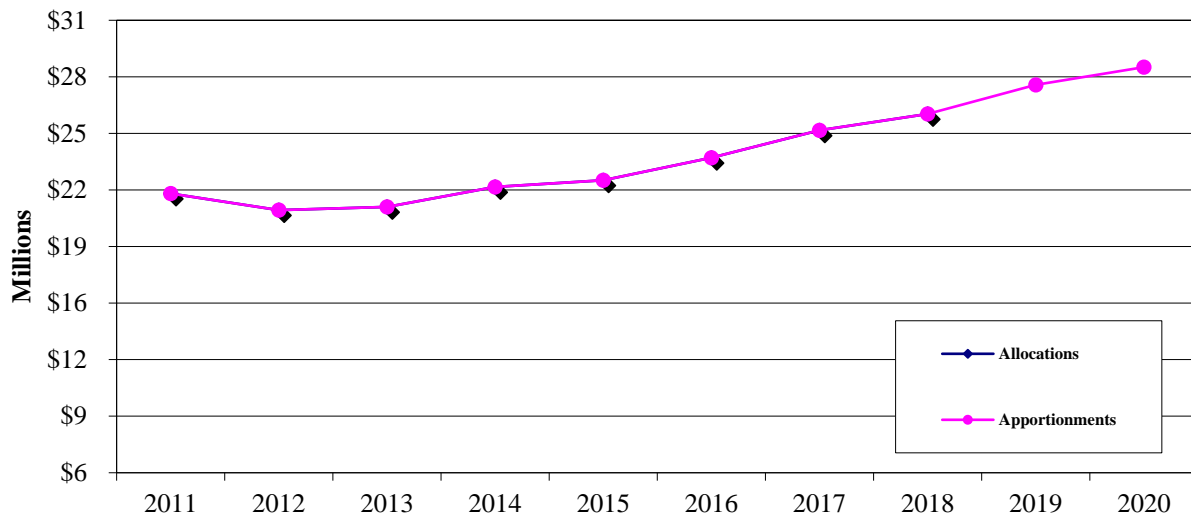
(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed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

Data Source: Marin County Assessors Office 2010/11 - 2019/20 Tax Rate Tables

**CITY OF SAN RAFAEL
PRINCIPAL PROPERTY TAX PAYERS
CURRENT FY 2019/20 AND FY 2010/2011**

Taxpayer	FY 2019-2020		FY 2010-2011	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
California Corporate Center ACQ LLC	\$ 280,855,165	1.97%		
MGP XI Northgate LLC	226,813,293	1.59%		
Professional Financial Investors Inc	140,335,593	0.98%		
BRE Properties Inc	64,906,940	0.46%		
South Valley Apartments LLC	55,198,648	0.39%		
Kaiser	49,986,713	0.35%		
Regency Center II Associates LP	48,748,966	0.34%	\$ 41,605,911	0.41%
Northbay Properties II	47,786,871	0.34%	38,739,218	0.39%
Bay Apartment Communities Inc	45,263,334	0.32%		
Barbara Fasken 1995 Trust Etal	45,074,118	0.32%		
Northgate Mall Associates			124,804,203	1.24%
SR Corporation Center Phase 1			78,722,382	0.79%
SR Corporation Center Phase 2			71,885,994	0.72%
Corac LLC			59,878,503	0.60%
Sutter Health			48,295,644	0.48%
Robert Dickson Trust			43,972,278	0.44%
Marin Sanitary Service			38,498,898	0.38%
Kilroy Realty LP			36,499,999	0.36%
Subtotal	\$ 1,004,969,641	7.05%	\$ 582,903,030	5.81%
Total Net Assessed Valuation:				
Fiscal Year 2019-2020	\$ 14,259,519,304			
Fiscal Year 2010-2011	\$ 10,028,202,014			

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

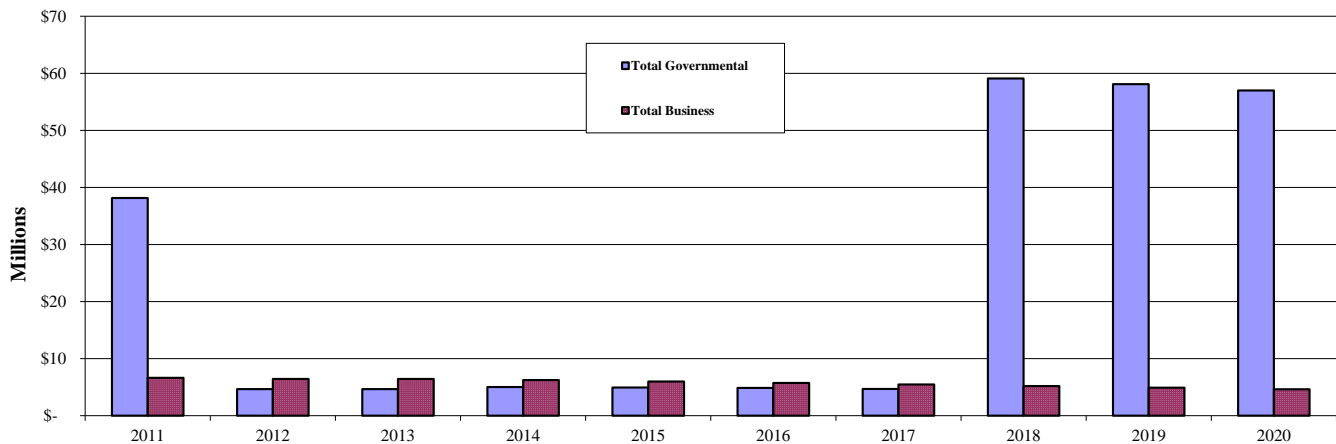


Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2011	1.00	(2)	\$ 21,632,731	(2)	\$ 21,632,731	(2)	0.0%
2012	1.00	(2)	20,704,368	(2)	20,704,368	(2)	0.0%
2013	1.00	(2)	20,883,041	(2)	20,883,041	(2)	0.0%
2014	1.00	(2)	22,001,357	(2)	22,001,357	(2)	0.0%
2015	1.00	(2)	22,376,457	(2)	22,376,457	(2)	0.0%
2016	1.00	(2)	23,636,093	(2)	23,636,093	(2)	0.0%
2017	1.00	(2)	25,173,651	(2)	25,173,651	(2)	0.0%
2018	1.00	(2)	26,088,961	(2)	26,088,961	(2)	0.0%
2019	1.00	(2)	27,718,712	(2)	27,718,712	(2)	0.0%
2020	1.00	(2)	28,709,606	(2)	28,709,606	(2)	0.0%

Notes:

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

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



Governmental Activities

Fiscal Year	RDA Tax Allocation Bonds	Financing Authority Revenue Bonds	Note Payable	Court Fine Promissory Note	Capitalized Lease Obligations	Pension Obligation Bonds	Lease Revenue Bonds	Total
2011	\$ 33,298,499	-	\$ 169,000	\$ 124,222	\$ 69,098	\$ 4,490,000		\$ 38,150,819
2012	-	-	169,000	-	-	4,490,000		4,659,000
2013	-	-	169,000	-	-	4,490,000		4,659,000
2014	-	-	528,839	-	-	4,490,000		5,018,839
2015	-	-	453,667	-	-	4,490,000		4,943,667
2016	-	-	378,495	-	-	4,490,000		4,868,495
2017	-	-	303,323	-	-	4,390,000		4,693,323
2018	-	-	1,308,951	-	-	4,185,000	\$ 53,612,097	59,106,048
2019	-	-	1,233,779	-	-	3,765,000	53,104,153	58,102,932
2020	-	-	1,084,462	-	-	3,320,000	52,596,209	57,000,671

Business-Type Activities

Fiscal Year	Parking Services Bonds	Note Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2011	\$ 6,630,000		\$ 6,630,000	\$ 44,780,819	1.87%	770.28
2012	6,445,000		6,445,000	11,104,000	0.46%	190.45
2013	6,445,000		6,445,000	11,104,000	0.44%	190.85
2014	6,186,403	\$ 61,836	6,248,239	11,267,078	0.43%	192.38
2015	5,942,128	55,020	5,997,148	10,940,815	0.41%	184.77
2016	5,692,853	48,204	5,741,057	10,609,552	0.38%	175.13
2017	5,433,577	41,388	5,474,965	10,168,288	0.35%	167.13
2018	5,164,303	34,572	5,198,875	64,304,923	2.04%	1,060.25
2019	4,890,027	27,755	4,917,782	63,020,714	2.00%	1,049.54
2020	4,605,753	20,939	4,626,692	61,627,363	n/a	

In August 2012, the series 2003 parking services bonds were refunded with series 2012 refunding bonds.

Data Sources: City of San Rafael

State of California, Department of Finance (population)

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

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

CITY OF SAN RAFAEL
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2020

2019-20 Assessed Valuation: \$ 14,259,519,304

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/2020	% Applicable (1)	City's Share of Debt 6/30/2020
Marin Community College District	\$ 447,905,000	17.305%	\$ 77,509,960
San Rafael High School District	176,566,390	78.305%	138,260,312
Tamalpais Union High School District	96,260,000	0.074%	71,232
Dixie School District	29,935,810	66.698%	19,966,587
Ross School District	17,094,191	1.422%	243,079
Ross Valley School District	41,046,096	0.012%	4,926
San Rafael School District	136,475,785	83.413%	113,838,547
Marin Healthcare District	366,045,000	20.746%	75,939,696
Marin Emergency Radio Authority Parcel Tax Obligations	31,375,000	17.280%	5,421,600
City of San Rafael 1915 Act Bonds	1,315,100	100.000%	1,315,100
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 432,571,039
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Certificates of Participation	\$ 82,489,789	17.280%	\$ 14,254,236
Marin County Pension Obligation Bonds	78,120,000	17.280%	13,499,136
Marin County Transit District General Fund Obligations	47,200	17.280%	8,156
Marin Municipal Water District General Fund Obligations	38,400	21.994%	8,446
Marin Community College District Certification of Participation	12,960,834	17.305%	2,242,872
San Rafael School District Certificates of Participation	3,000,000	83.413%	2,502,390
City of San Rafael General Fund Obligations	58,972,044	100.000%	58,972,044 (2)
City of San Rafael Pension Obligations	3,320,000	100.000%	3,320,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			94,807,280
Less: City of San Rafael lease revenue bonds supported by parking revenues			4,605,753
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 90,201,527
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	\$ 6,801,408	100.000%	\$ 6,801,408
TOTAL GROSS DIRECT DEBT			62,292,044
TOTAL NET DIRECT DEBT			57,686,291
TOTAL OVERLAPPING DEBT			471,887,683
GROSS COMBINED TOTAL DEBT			534,179,727 (3)
NET COMBINED TOTAL DEBT			529,573,974

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Includes share of Marin Emergency Radio Authority refunding revenue bonds and \$1,084,462 PG&E notes.

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

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	3.03%
Total Gross Direct Debt (\$62,292,044)	0.44%
Total Net Direct Debt (\$57,686,291)	0.40%
Gross Combined Total Debt	3.75%
Net Combined Total Debt	3.71%

Ratios to Redevelopment Incremental Valuation (\$3,108,004,332)

Total Overlapping Tax Increment Debt	0.22%
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Data Source: MuniServices

CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2020

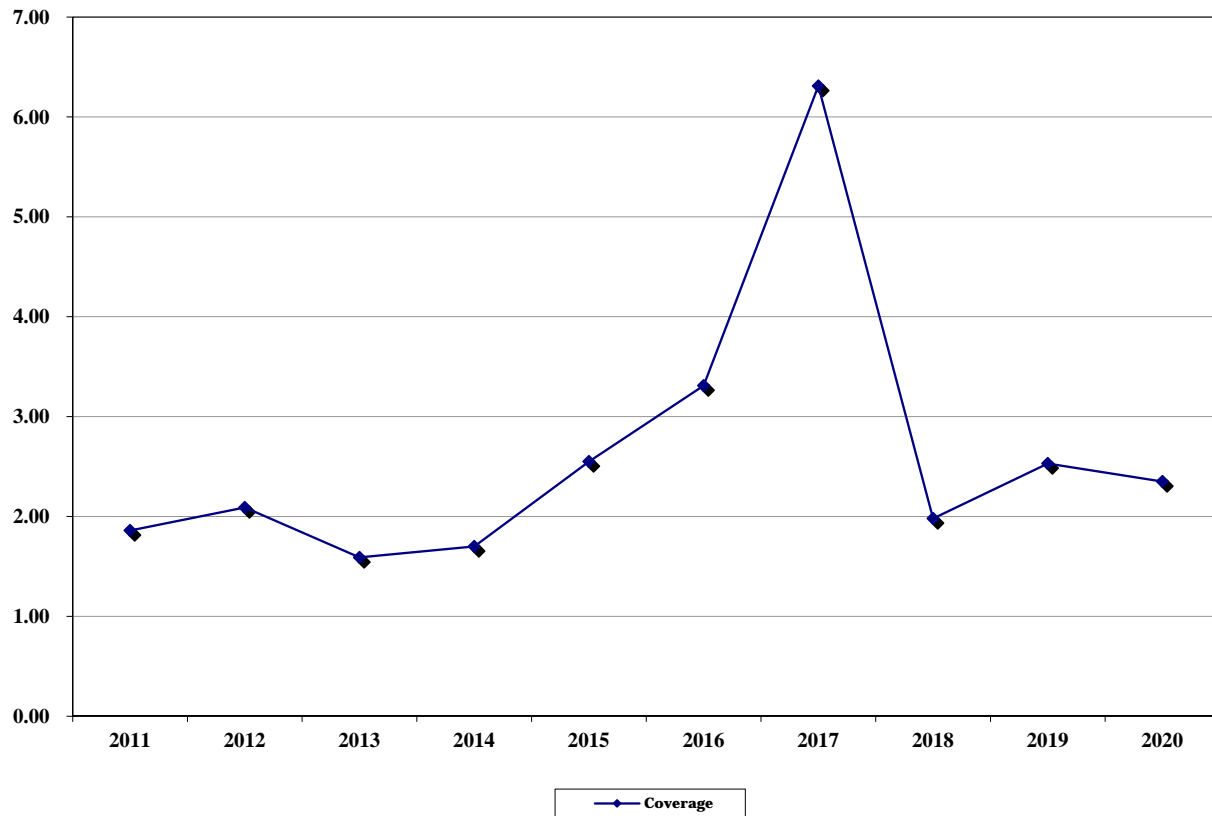
ASSESSED VALUATION:	\$ 14,259,519,304
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	534,731,974
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	0
LEGAL BONDED DEBT MARGIN	\$ 534,731,974

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2011	\$ 376,057,576	\$ 38,150,819	\$ 337,906,757	11.29%
2012	378,920,952	4,659,000	374,261,952	1.24%
2013	374,950,995	4,659,000	370,291,995	1.26%
2014	388,010,886	5,018,839	382,992,047	1.31%
2015	408,526,834	4,943,667	403,583,167	1.22%
2016	431,510,904	4,868,495	426,642,409	1.14%
2017	459,128,068	4,693,323	454,434,745	1.03%
2018	482,926,729	59,106,048	423,820,681	13.95%
2019	507,248,067	58,102,932	449,145,135	12.94%
2020	534,731,974	0	534,731,974	0.00%

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

Source: City of San Rafael's Finance Department

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



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2011	\$ 4,023,211	\$ 3,101,411	\$ 921,800	\$ 175,000	\$ 319,391	\$ 494,391	1.86
2012	3,908,664	2,870,718	1,037,946	185,000	312,291	497,291	2.09
2013	3,994,446	3,121,964	872,481	310,000	240,012	550,012	1.59
2014	4,489,769	3,716,552	773,217	245,000	210,063	455,063	1.70
2015	5,180,554	4,031,161	1,149,393	245,000	205,163	450,163	2.55
2016	5,226,904	3,739,321	1,487,583	250,000	199,613	449,613	3.31
2017	5,279,801	2,425,281	2,854,520	260,000	192,038	452,038	6.31
2018	5,219,721	4,320,695	899,026	270,000	184,163	454,163	1.98
2019	5,425,883	4,283,754	1,142,130	275,000	176,025	451,025	2.53
2020	5,134,901	4,072,433	1,062,468	284,999	167,700	452,699	2.35

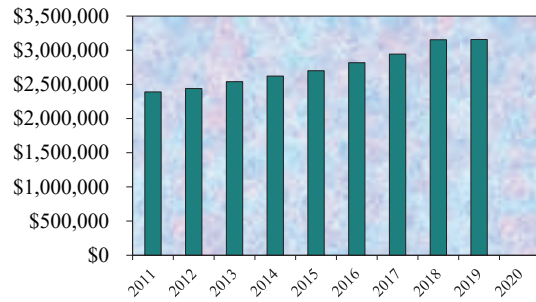
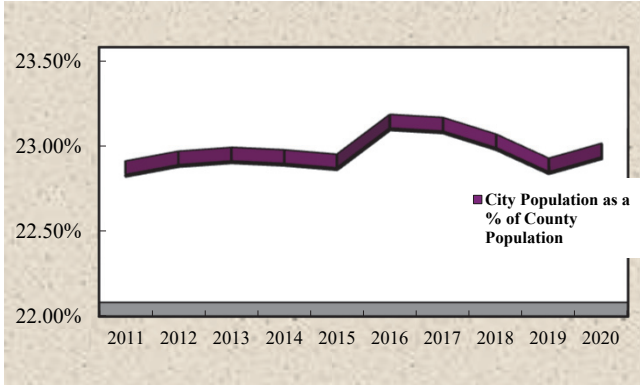
Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new parking facility. On August 12, 2012, the City Financing Authority refunded the series 2003 lease revenue bonds with series 2012 lease revenue refunding bonds to take advantage of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

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

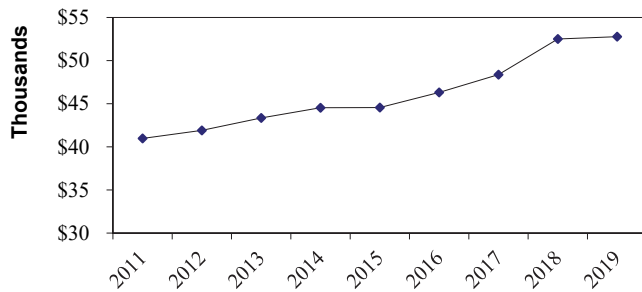
(2) Includes all Parking Facility Operating Expenses less Depreciation and Interest

Data Source: San Rafael Finance Department Revenue and Expenditure Status Reports

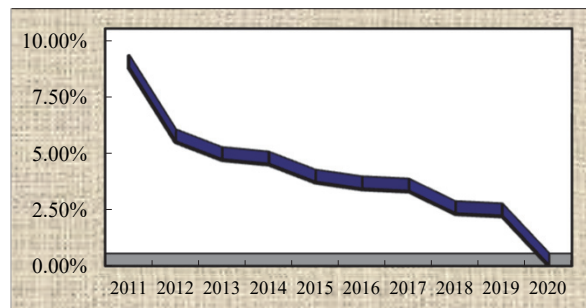
**CITY OF SAN RAFAEL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**



■ Personal Income (2) (in thousands)



◆ Per Capita Personal Income (2)



■ Unemployment Rate (%)

Fiscal Year	City Population (1)	Personal Income (2) (in thousands)	Per Capita Personal Income (2)	Average Unemployment Rate (3)	Marin County Population	City Population % of County
2011	58,136	\$ 2,389,222	\$ 40,978	8.80%	254,692	22.83%
2012	58,305	2,438,291	41,908	5.50%	254,790	22.88%
2013	58,182	2,538,895	43,351	4.70%	254,007	22.91%
2014	58,566	2,621,228	44,531	4.50%	255,846	22.89%
2015	59,214	2,699,436	44,558	3.70%	258,972	22.87%
2016	60,582	2,817,497	46,308	3.40%	262,274	23.10%
2017	60,842	2,943,227	48,374	3.30%	263,604	23.08%
2018	60,651	3,152,985	52,509	2.30%	263,886	22.98%
2019	60,046	3,156,708	52,781	2.20%	262,879	22.84%
2020	59,807	n/a	n/a	n/a	260,831	22.93%

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

(2) US Census Bureau, most recent American Community Survey

(3) Unemployment Data: California Employment Development Department

**CITY OF SAN RAFAEL
PRINCIPAL EMPLOYERS
FISCAL YEAR 2019-2020
LAST TEN CALENDAR YEARS**

Employer	2019		2018		2017		2016	
	#	(A)	#	(A)	#	(A)	#	(A)
Kaiser Permanente	2,014	6.22%	2,092	6.62%	2,061	6.52%	662	2.02%
BioMarin Pharmaceutical Inc.	950	2.93%						
San Rafael Elementary/High Schools Dist	700	2.16%	700	2.22%	700	2.22%	650	1.98%
City of San Rafael	410	1.27%	410	1.30%	454	1.44%	577	1.76%
Dominican University of California	421	1.30%	319	1.01%	456	1.44%	485	1.48%
Guide Dogs for the Blind	227	0.70%	200	0.63%	203	0.64%	225	0.69%
Buckelew Programs	103	0.32%	106	0.34%	240	0.76%	186	0.57%
Lifehouse	100	0.31%						
EO Products	150	0.46%						
Toyota Marin	141	0.44%						
Totals	5,216	16.10%	4,708	14.90%	5,853	18.52%	5,314	16.20%

Number of FTE employees in Marin locations
(A) Percentage of total employment

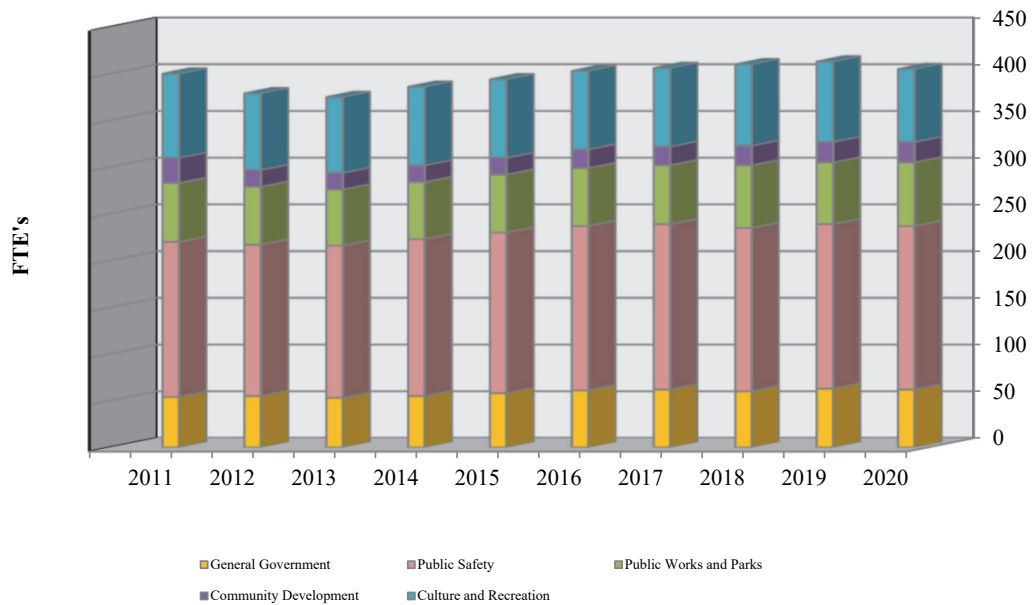
Note: From the EDD website, it shows that the Total 2019 Employment in the City of San Rafael was 32,400 of which it is used as the denominator for the 2019 percentages are calculated.

Data Sources: State of California, Employment Development Department, Labor Market Information Division & North Bay Business Journal (Annual Book of Lists)

2015		2014		2013		2012		2011		2010	
#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)
1,575	4.82%	1,637	5.26%	1,756	5.74%	1,803	6.68%	1,330	4.93%	1,311	4.88%
650	1.99%	600	1.93%	600	1.96%	600	2.22%	600	2.22%	600	2.23%
581	1.78%	666	2.14%	643	2.10%	521	1.93%	592	2.19%	630	2.34%
422	1.29%	354	1.14%	347	1.13%	346	1.28%	336	1.24%	370	1.38%
										287	1.07%
5,620	17.19%	6,025	19.37%	6,079	19.87%	6,715	24.87%	6,007	22.25%	6,092	22.67%



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



Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	54.35	55.23	53.23	55.11	58.11	60.61	62.11	60.11	63.11	62.11
Public Safety	166.00	162.00	163.00	168.00	171.75	175.75	176.55	175.35	175.65	175.30
Public Works and Parks	62.80	62.00	60.00	61.00	62.00	62.00	63.00	66.67	66.00	68.00
Community Development	26.75	18.25	18.25	17.80	17.80	19.80	20.00	21.00	22.00	21.75
Culture and Recreation	89.82	81.56	80.76	83.66	84.23	84.25	84.35	87.35	85.82	78.07
Total	399.72	379.04	375.24	385.57	393.89	402.41	406.01	410.48	412.58	405.23

Data Source: City of San Rafael's Finance Department

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

	2011	2012	2013	2014
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	294	282	307	261
Police:				
Police calls for service	39,512	39,537	42,707	51,261
Law violations:				
Part I crimes	2,180	2,101	2,523	2,289
Physical arrests (adult and juvenile)	3,102	2,981	2,951	3,227
Traffic violations	8,190	4,048	3,448	4,498
Parking violations	34,590	32,492	30,881	38,814
Public works				
Street resurfacing (miles) (Eng Div)	7.40	N/A	2.70	9.00
Potholes repaired (square miles)	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	10,809	178.9	7,500	10,700
Culture and recreation:				
Recreation class participants	9,000	12,075	7,082	9,857
Recreation Facility Rentals				
Childcare School-Age program participants				
Library:				
Items in collection	158,296	159,180	125,920	168,620
Total items borrowed	435,661	366,460	392,230	478,960

Note: N/A denotes information not available.

2015	2016	2017	2018	2019	2020
282	198	233	186	123	167
55,805	57,026	53,567	51,013	47,919	47,968
2,533	2,523	2,392	2,326	1,893	2,988
3,450	3,453	2,526	2,019	1,923	2,527
4,168	3,252	3,341	2,758	2,944	2,342
36,398	34,803	36,169	36,208	40,407	28,029
6.40	6.76	2.32	2.50	4.30	14.30
N/A	N/A	N/A	N/A	N/A	967
11,000	7,195	5,800	4,730	7,200	5,885
10,023	12,725	13,493	12,842	N/A	N/A
				5,146	3,875
				7,592	6,270
127,763	227,890	117,354	115,812	123,432	140,610
443,639	469,790	327,297	324,452	356,301	199,903

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

Function/Program	2011	2012	2013	2014
Public safety:				
Fire stations	6	6	6	6
Police stations	1	1	1	1
Police Fleet				
Public works				
Miles of streets	173	173	173	173
Street lights	4,435	4,435	4,435	4,435
Parking District lights				
Traffic Signals	89	89	89	89
Culture and recreation:				
Community services:				
City parks	20	20	20	20
City parks acreage	42	42	42	42
Playgrounds	14	14	14	14
City trails	20	20	20	20
Community gardens	1	1	1	1
Cultural Art Centers				
Community centers	4	4	4	4
Senior centers	0	0	0	0
Sports centers	0	0	0	0
Performing arts centers	0	0	0	0
Swimming pools	1	1	1	1
Tennis courts	10	10	10	10
Basketball Courts	5	5	5	5
Baseball/softball diamonds	5	5	5	5
Soccer/football fields	2	2	2	2
Library:				
City Libraries	2	2	2	2
Wastewater:				
Miles of sanitary sewers	179	179	179	145

Data Source: City of San Rafael's Finance Department

2015	2016	2017	2018	2019	2020
6	6	6	6	6	6
1	1	1	1	1	1
173	173	173	173	173	173
4,435	4,435	4,435	4,435	4,435	4,435
89	89	89	89	89	90
20	20	20	20	20	28
42	42	42	42	42	113
14	14	14	14	14	14
20	20	20	20	20	20
1	1	1	1	1	2
					1
4	4	4	4	4	3
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1	1	1	1	1	1
10	10	10	10	10	10
5	5	5	5	5	6
5	5	5	5	5	5
2	2	2	2	2	2
2	2	2	2	2	2
145	145	145	145	145	145



**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2020-2021 APPROPRIATIONS LIMIT INCREMENT**

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

We have performed the procedures below, which were agreed to by the City of San Rafael, on the Appropriations Limit Worksheet (Worksheet) for the year ended June 30, 2021. The City's management is responsible for the Worksheet. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings were as follows:

- A. We obtained the Worksheet (Exhibit A to the Resolution) and determined that the 2020-2021 Appropriations Limit of \$143,208,909 and annual adjustment factors were adopted by Resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council. However, the Resolution indicated that the change in the population of San Rafael was selected, but the Worksheet shows that the larger change in the population of Marin County was used for the calculation of the 2020-2021 Appropriation Limit.
- B. We recomputed the 2020-2021 Appropriations Limit by multiplying the 2019-2020 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the population option by the inflation option.
- C. For the Worksheet, we agreed the Per Capita Income Factor, Change in Assessment Roll for Nonresidential Construction Factor, City Population Factor and County Population Factor to California State Department of Finance Worksheets.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
November 9, 2020

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523
REVIEW DRAFT 11-9-20

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DRAFT

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2020**

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**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2020

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Schedule of Significant Deficiencies	3
Schedule of Other Matters	5

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of San Rafael, California

We have audited the basic financial statements of the City of San Rafael for the year ended June 30, 2020 and have issued our report thereon dated November 9, 2020. Our opinions on the basic financial statements and this report, insofar as they relate to San Rafael Sanitation District (District), are based solely on the report of other auditors. In planning and performing our audit of the basic financial statements of the City, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control included on the Schedule of Significant Deficiencies to be significant deficiencies.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
November 9, 2020

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2020-01 Documentation of Review of Changes to the Vendor Database

Accounts payable staff should not normally have access to make changes to the Vendor Database. In the event the system does not allow such a segregation of duties, changes to the Vendor Database should be reviewed and approved by a person who is not making changes to the database, so that two employees are involved in the process of adding, removing, or modifying vendor information.

We noted that more than one staff charged with processing accounts payable has access to the vendor database. We also understand that the City has a process for reviewing the changes made to the vendor database on a quarterly basis, however, the review process is not documented.

We understand City staff did not realize that the review process should be documented.

Without an independent review, the City is exposed to the risk of phantom vendors and unauthorized changes to vendor accounts.

The City should develop procedures to document the quarterly review and approval of change to the vendor database in some formal manner.

Management's Response:

Finance Management reviews changes made to the Vendor Database on a quarterly basis in order to detect phantom vendors and unauthorized changes to vendor accounts. Management reviews a report in Eden, the City's Financial System. Going forward, to formalize the review process, the report will be printed to PDF and signed by the reviewer.

2020-02 Documentation of Review of Eden Employee Audit Reports

Payroll staff should not normally have access to make any changes to the Payroll Database. In the event the system does not allow such a segregation of duties, changes to the Payroll Database should be reviewed and approved by a person who is not making the changes to the database, so that two employees are involved in the process of adding, removing, or modifying employee information.

We noted that although the Human Resources Department is tasked with making changes to the Payroll Database, more than one staff charged with processing payroll in the Finance Department has access to edit base pay, incentives, and benefits in the payroll database.

To mitigate the control risk, we understand that the City has a process to review the employee audit reports each pay period for accuracy and to ensure no unauthorized changes were made to the employee database. However, we selected three pay periods (November 15, 2019, January 31, 2020 and May 15, 2020) for testing of review of the employee audit report and noted that there was no documentation of the review.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2020-02 Documentation of Review of Eden Employee Audit Reports (Continued)

We understand City staff did not realize that the review process should be documented. However, without proper documentation of the review process, we cannot determine if the above internal control procedure is in place.

The City should develop procedures to document the review of employee audit reports in some formal manner.

Management's Response:

The Finance Director reviews an employee audit report in Eden each pay period to ensure no unauthorized changes are made to the employee database. Going forward, to formalize the review process, the report will be printed to PDF and signed by the reviewer.

2020-03 Cash Collection Procedures – Parking Department

Parking Department employees that are tasked with collecting cash receipts should use individually assigned login credentials when performing any receipting transactions so that collection activity can be identified by employee.

During our review of the cash collection procedures at the Parking Department, we noted that employees who collect cash receipts do not log out of their assigned login credentials when they take breaks throughout the day. We also noted that the other employees who collect cash receipts may use other employees' unique assigned login while covering for the employee during their break, without logging out and using their own assigned login credentials.

We understand Parking Department staff did not realize that they should log out of the system when leaving for breaks.

The Parking Department should develop procedures to ensure that employees tasked with collecting cash receipts use their own assigned login credentials when performing any receipting transactions at all times so inconsistencies can be identified by employee, if necessary.

Management's Response:

Finance Management agrees and will work with the Parking Department to develop guidance and explanation on the importance of this control. Finance Management will also recommend disciplinary action to the Parking Department should staff not follow this control.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2020-04 Health and Safety Code Expenditure Limitations and Reporting Requirements for the Housing Successor

Senate Bill No. 341 was approved on October 13, 2013 and amended and added to the Health and Safety Code (HSC) effective January 1, 2014 to change provisions relating to the functions performed by a Housing Successor. The amendments to HSC Section 34176 were minor and primarily included defining the “entity that assumed the housing functions of a former redevelopment agency” as the Housing Successor.

HSC Section 34176.1 imposes spending limitations and reporting requirements related to the housing assets of the former Redevelopment Agency held by the Housing Successor. HSC Section 34176.1 states that the Housing Successor must submit an annual progress report for the prior fiscal year to the Department of Housing and Community Development by April 1 each year and that report must also be posted to the City’s website.

The City serves as Housing Successor for the housing activities of the former San Rafael Redevelopment Agency and the activities of the Housing Successor are reported in the City’s Low and Moderate Income Housing Special Revenue Fund.

We noted that the City did not file the annual progress report to the Department of Housing and Community Development for fiscal year 2019 that was due by April 1, 2020 and the report has not been posted to the City’s website.

The City, as Housing Successor, should file the delinquent report and develop procedures to ensure ongoing compliance with the provisions of HSC Section 34176.1, including the annual reporting requirements.

Management’s Response:

The City understands the filing requirement and will file the delinquent report. The City was relying on its outside consultant to file this on their behalf and going forward, will add this annual filing to its calendar of due dates so it is not missed.

2020-05 Treasurer’s Report Frequency of Reporting

The Reporting section of the City’s Investment Policy requires quarterly reporting to City Council. However, the Delegation of Authority section of the Policy delegates the authority to invest the funds of the City under California Government Code Section 53607, which requires monthly reporting of transactions to the legislative body.

The City should determine whether the quarterly reporting requirement is sufficient under the Government Code, or if the Investment Policy and reporting frequency should be revised to conform with the Code requirements.

Management’s Response:

The Finance Director believes that the GC 53607 requirement was included because in many cities, the City’s Treasurer is elected and may not be a financial professional. However, the City of San Rafael delegated the responsibility of investment decisions to the Finance Director who also acts as the City Treasurer. Therefore, the oversight GC 53607 attempts to provide is unnecessary at this time and the existing City Investment Policy requiring quarterly reports is sufficient.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We have cited them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2020/21:

GASB 84 – *Fiduciary Activities*

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2021/22:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 92 – Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

GASB 93 – Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 93 – Replacement of Interbank Offered Rates (Continued)

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

GASB 97 – Certain Component Unit Criteria, and Accounting for and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 97 – Certain Component Unit Criteria, and Accounting for and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (Continued)

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all 457 plans.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

PPPs - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
(Continued)

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

APAs - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements (Continued)

- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

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**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2020

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REQUIRED COMMUNICATIONS

To the City Council of
the City of San Rafael, California

We have audited the basic financial statements of the City of San Rafael (City) for the year ended June 30, 2020. We did not audit the financial statements of the San Rafael Sanitation District, as of and for the year ended June 30, 2020, which represents 25%, 60%, and 18% of the assets, net position, and revenues, respectively, of the primary government. These component unit financial statements were audited by another auditor, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditor.

Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

Parking Citation Accounts Receivable and Allowance for Doubtful Accounts

During the year ended June 30, 2020, the City changed its policy related to parking citations and began recording both the balance for parking citations receivable and an estimate for an allowance for doubtful accounts related to those citations that may not be collectible.

Allocation of Internal Service Fund Elimination to Business-Type Activities

The City determined that the elimination of Internal Service Fund activities in the entity-wide financial statements would no longer include an allocation to Business-type Activities, as the net effect of that elimination was deemed immaterial. Therefore, beginning in fiscal year 2020, the elimination is only allocated to Governmental Activities.

The following Governmental Accounting Standards Board (GASB) pronouncement became effective:

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

GASB 95 – Postponement of the Effective Dates of Certain Authoritative Guidance
(Continued)

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

The City implemented the provisions of Statement No. 95 in fiscal year 2020.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. However, events that occurred during fiscal year June 30, 2020 discussed below could have an impact on the financial statements:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and whether shelter in place orders will be reinstated. Although many of the City's services are considered essential, City Hall was closed to the public, certain other services transitioned to online-only and because the City's major revenue sources, including businesses that collect sales and transient occupancy taxes, are directly impacted by these events, it is probable that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate(s) affecting the City's financial statements were:

Estimated Net Pension Liability and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimates of the net pension liability and related deferred outflows/inflows of resources are disclosed in Note 9 to the financial statements and are based on an actuarial study and accounting valuation determined by the Marin County Employees' Retirement Association which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined they are reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimates of the net OPEB liability and related deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and are based on an actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimates and determined they are reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the depreciation: is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 1K to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2020, cash and investments were measured by fair value, as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2020. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2020.

Estimated long-term receivable from San Rafael Sanitation District: Management's estimate of the long-term receivable from the District is disclosed in Note 4F to the financial statements and is based on the District's estimated liability for pension and post-employment health care benefits incurred by the City for the District staff, but not yet funded. We evaluated the key factors and assumptions used to develop the long-term receivable from the District in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimated Claims Liabilities: Management's estimate of the claims liabilities payable is disclosed in Note 13 to the financial statements and is based on actuarial studies determined by a consultant, which are based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1L to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information which accompany the financial statements, but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California
November 9, 2020

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**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of San Rafael Child Development Program (Program) of the City of San Rafael, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2020, and changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

The Supplementary Information as listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in conformity with the *CDE Audit Guide*, issued by the California Department of Education, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Pleasant Hill, California

DATE

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CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
BALANCE SHEET
JUNE 30, 2020

ASSETS

Cash (Note 3)	\$1,270,651
Accounts Receivable	17,400
Grants receivable (Note 4)	<u>36,910</u>
Total Assets	<u><u>\$1,324,961</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	<u>\$50,875</u>
Total Liabilities	50,875
Fund balance, restricted (Note 5)	<u>1,274,086</u>
Total Liabilities and Fund Balance	<u><u>\$1,324,961</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

State grants:		
Current year grants		\$238,821
CDBG preschool grant		30,000
First five school readiness grants		91,459
Local grant		73,272
Interest		38,734
Parent fees		2,751,787
Other		<u>23,870</u>
Total Revenues		<u>3,247,943</u>

EXPENDITURES

Certified salaries		1,783,324
Classified Salaries		65,684
Employee benefits		1,189,381
Training and instruction		7,671
Office supplies		5,511
Books and supplies		131,311
Utilities and housekeeping services		27,610
Travel and conference		198
Rentals		60,251
Services and other operating expenditures		276,490
Equipment		38,118
Insurance		31,220
Renovation and repair		<u>51,093</u>
Total Expenditures		3,667,862

OTHER FINANCING SOURCES (USES)

Transfers out		<u>(52,840)</u>
Total Transfers		(52,840)

CHANGE IN FUND BALANCE (472,759)

FUND BALANCE,

Beginning of year		<u>1,746,845</u>
End of year		<u><u>\$1,274,086</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1 - ORGANIZATION

The City of San Rafael operates the Child Development Program encompassing eight childcare centers within the City of San Rafael. One of these centers provides day care services to subsidized families under the Child Development Program funded by the California Department of Education, which includes the Preschool program. The City is financially accountable for the activities of the Program. The Program has no employees and substantially all staff services which it requires are performed by the City's personnel. Costs incurred by the City to provide such services including compensation, retirement, and other benefit costs are reimbursed by the Program. These basic financial statements present only the activities of the Program and are not intended to present the financial position of the City of San Rafael, California, or the results of its operations. The financial statements of the Program are included as a Special Revenue Fund in the City's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "current financial resources" measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheets. Operating statements of governmental funds present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets.

The Program's financial activities are accounted for using 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. Revenues considered susceptible to accrual include charges for services, federal and state grants, and interest. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

B. Fund Balance

Fund Balance is the excess of all the Program's assets over all its liabilities.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 3 - CASH AND INVESTMENTS

The Program's cash is included in a City-wide cash and investment pool, the details of which are presented in the City's basic financial statements. The Program pools cash from all sources with the City of San Rafael so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in Securities of the U.S. Government or its agencies, Certificates of Deposit, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Authority Investment Fund (LAIF Pool), Repurchase Agreements, Medium-Term Corporate Notes, Limited Obligation Improvement Bonds related to special assessment districts and special tax districts, and Money Market/Mutual Funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City of San Rafael pooled investments is an uncategorized input not defined as Level 1, Level 2, or Level 3 input.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

NOTE 4 – GRANTS RECEIVABLE

The Program has the following grants receivable at June 30, 2020:

Agency	Grant	Amount
Marin County	First 5 Grant	\$36,910
	Total	\$36,910

NOTE 5 – FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities.

The City’s fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

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

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

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

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

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

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 6 – CONTINGENCIES AND COMMITMENTS

The Program participates in Federal, State and County grant programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2020, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Program	CFDA #	Pass-Through Identifying Number	Award Amount	Revenue	Expenditures
Federal Awards					
US Department of Housing and Urban Development, Pass-through the County of Marin Community Development Block Grant	14.218	40CDBG20CD4527	\$30,000	\$30,000	\$30,000
Total Federal Awards			<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>
State Awards					
State of California Department of Education Child Development Division State Preschool Program FY2018		CSPP-9283	\$238,821	\$238,821	\$228,125
Total State Awards			<u>\$238,821</u>	<u>\$238,821</u>	<u>\$228,125</u>
County Award					
County of Marin First Five - Preschool		CSRI-21-009-11	\$91,459	\$91,459	\$91,459
Local Awards					
Marin Child Care Council		N/A	\$73,272	\$73,272	\$73,272
Total Local Awards			<u>\$73,272</u>	<u>\$73,272</u>	<u>\$73,272</u>
Total State, Federal Awards, and Local			<u>\$433,552</u>	<u>\$433,552</u>	<u>\$422,856</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2020

	State Preschool Program (CSPP 9283)	Total CDE CD Contracts	Non-CDE Programs	Total
REVENUES				
State grants:				
Current year grants	\$238,821	\$238,821		\$238,821
CDBG preschool grant			\$30,000	30,000
First Five school readiness grants			91,459	91,459
Local grants			73,272	73,272
Interest			38,734	38,734
Parent fees - noncertified children			2,751,787	2,751,787
Other			23,870	23,870
	<u>238,821</u>	<u>238,821</u>	<u>3,009,122</u>	<u>3,247,943</u>
Total Revenues				
EXPENDITURES				
Certified salaries	48,144	48,144	1,735,180	1,783,324
Classified salaries	65,684	65,684		65,684
Employee benefits	91,166	91,166	1,098,215	1,189,381
Training and instruction			7,671	7,671
Office supplies			5,511	5,511
Books and supplies	8,770	8,770	122,541	131,311
Utilities and housekeeping services			27,610	27,610
Travel and conference			198	198
Rentals			60,251	60,251
Services and other operating expenditures	14,361	14,361	262,129	276,490
Equipment			38,118	38,118
Insurance			31,220	31,220
Renovation and repair			51,093	51,093
	<u>228,125</u>	<u>228,125</u>	<u>3,439,737</u>	<u>3,667,862</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,696	10,696	(430,615)	(419,919)
OTHER FINANCING SOURCE (USES)				
Transfers out			(52,840)	(52,840)
	<u> </u>	<u> </u>	<u>(52,840)</u>	<u>(52,840)</u>
Total Transfers				
CHANGE IN FUND BALANCE	<u>\$10,696</u>	<u>\$10,696</u>	<u>(\$483,455)</u>	<u>(\$472,759)</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2020

		CSPP-9283 State Preschool Program	Totals
EXPENDITURES:			
1000	Certified personnel salaries	\$48,144	\$48,144
1100	Teachers' salaries	48,144	48,144
1200	Administration		
1300	Supervisors' salaries		
1600	Infant educators		
2001	Classified personnel salaries	\$65,684	\$65,684
2100	Instructional aides' salaries	65,684	65,684
2300	Clerical and other office salaries		
2400	Maintenance and operations salaries		
2500	Food services salaries		
2600	Transportation salaries		
3000	Employee benefits	\$91,166	\$91,166
3200	Payroll taxes (Medicare)	1,492	1,492
3300	Other benefits	60,901	60,901
3400	Health and welfare	27,539	27,539
3600	Workers' compensation insurance	1,234	1,234
4000	Books and supplies	\$8,770	\$8,770
4200	Other books		
4300	Instructional materials and supplies	8,673	8,673
4500	Other supplies	97	97
4600	Food supplies		
5000	Services and other operating expenditures	\$14,361	\$14,361
5100	Lecturer		
5200	Travel and conferences		
5300	Memberships and dues	484	484
5400	Insurance	1,990	1,990
5500	Utilities and housekeeping services	1,249	1,249
5600	Rentals, leases and repairs		
5700	Audit expense		
5800	Other direct services & admin.	10,638	10,638
6000	Capital Outlay		
6100	Sites and improvements of sites		
6200	Buildings and improvements of buildings		
6400	Equipment (program-related)		
6500	Equipment replacement (program related)		
Depreciation			
Costs capitalized as Fixed Assets			
TOTAL OF REIMBURSABLE AND NONREIMBURSABLE EXPENDITURES		\$228,125	\$228,125

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2020

	CSPP-9283 State Preschool Program
Administrative Costs (Audit Fees)	<u>\$4,644</u>
Total Administrative Costs	<u><u>\$4,644</u></u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
 SCHEDULE OF EQUIPMENT EXPENDITURES UTILIZING CONTRACT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

Expenditures Under \$7,500 Unit Cost		Expenditures Over \$7,500 Unit Cost with CDD Approval		Expenditures Over \$7,500 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	None		None		None

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES UTILIZING CONTRACT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

Expenditures Under \$10,000 Unit Cost		Expenditures Over \$10,000 Unit Cost with CDD Approval		Expenditures Over \$10,000 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	None		None		None

California Department of Education Audited Attendance and Fiscal Report for California State Preschool Programs

A U D 8501 Page 1 of 8

Fiscal Year Ending June 30, 2020

Contract Number CSPP-9283

Vendor Code 2193

Full Name of Contractor City of San Rafael Child Development Program

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus	9,988		9,988	1.1800	11,785.84
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

Full Name of Contractor **City of San Rafael Child Development Program**

Section 1 - Days of Enrollment Certified Children (continued)

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
TOTAL DAYS OF ENROLLMENT	9,988		9,988	N/A	11,785.84
DAYS OF OPERATION	161		161	N/A	N/A
DAYS OF ATTENDANCE	7,442	-100	7,342	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor **City of San Rafael Child Development Program**

Section 2 - Days of Enrollment Non-Certified Children

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0

Full Name of Contractor **City of San Rafael Child Development Program**

Section 2 - Days of Enrollment Non-Certified Children (continued)

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	0

Full Name of Contractor **City of San Rafael Child Development Program**

Section 3 - Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal			
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue			

Comments:

Full Name of Contractor **City of San Rafael Child Development Program**

Section 4 - Reimbursable Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	48,144		48,144
2000 Classified Salaries	65,684		65,684
3000 Employee Benefits	91,166		91,166
4000 Books and Supplies	8,770		8,770
5000 Services and Other Operating Expenses	14,361		14,361
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	228,125		228,125
Total Administrative Cost (included in Section 4 above)	4,644		4,644
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **City of San Rafael Child Development Program**

Section 5 - Supplemental Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	8,400		8,400
Other:			
Other:			
Total Supplemental Revenue	8,400		8,400

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses			

Full Name of Contractor **City of San Rafael Child Development Program**

Section 7 - Summary

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	9,988		9,988
Days of Operation	161		161
Days of Attendance	7,442	-100	7,342
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	228,125		228,125
Total Administrative Cost	4,644		4,644
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **11,785.84**

Total Non-Certified Adjusted Days of Enrollment **0**

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **Yes**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): **Yes**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

California Department of Education Audited Reserve Account Activity Report

Fiscal Year End

June 30, 2020

Reserve Account Type

Center-Based

Vendor Code

2193

A U D 9530A Page 1 of 1

Full Name of Contractor **City of San Rafael Child Development Program**

Section 1 - Prior Year Reserve Account Activity

1. Beginning Balance (2018–19 AUD 9530A Ending Balance)	
2. Plus Transfers to Reserve Account:	Per 2018–19 Post-Audit CDNFS 9530
Contract No.8280	
Contract No.	
Contract No.	
Contract No.	
Contract No.	
Contract No.	
Total Transferred from 2018–19 Contracts to Reserve	0
3. Less Excess Reserve to be Billed	
4. Ending Balance per 2018–19 Post-Audit CDNFS 9530	0

Section 2 - Current Year Reserve Account Activity

	Column A CDNFS 9530A	Column B Audit Adjustments	Column C per Audit
5. Plus Interest Earned This Year on Reserve			0
6. Less Transfers to Contracts from Reserve:			
CSPP General-Contract No.			
CSPP General-Contract No.			
CSPP Professional Development-Contract No.			
CSPP Professional Development-Contract No.			
Subtotal CSPP Transfers			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Subtotal Other Contract Transfers			
Total Transferred to Contracts from Reserve Account			
7. Ending Balance on June 30, 2020	0		0

COMMENTS - If necessary, attach additional sheets to explain adjustments.

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of San Rafael Child Development Program (Program), California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated **DATE**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Program's internal control. Accordingly, we do not express an opinion on the effectiveness of Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We have identified certain deficiencies in internal control, as described in CDC 2020-01 and CDC 2020-02 in the accompanying Current Year Findings and Responses, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

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City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Current Year Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

¹Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pleasant Hill, California

DATE

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
CURRENT YEAR FINDINGS AND RESPONSES
For the Year Ended June 30, 2020**

During our audit of the financial statements of the City of San Rafael (City) for the year ended June 30, 2020 the following were identified as significant deficiencies in the City's internal control. Since the Program utilizes the City to provide the Program's accounting function, we consider the following to be significant deficiencies in the Program's internal control.

Finding CDC 2020-01: Documentation of Review of Changes to the Vendor Database

Program: CSPP- 8580

Criteria: Accounts payable staff should not normally have access to make changes to the Vendor Database. In the event the system does not allow such a segregation of duties, changes to the Vendor Database should be reviewed and approved by a person who is not making changes to the database, so that two employees are involved in the process of adding, removing, or modifying vendor information.

Condition: We noted that more than one staff charged with processing accounts payable has access to the vendor database. We also understand that the City has a process for reviewing the changes made to the vendor database on a quarterly basis, however, the review process is not documented.

Effect: Without an independent review, the City is exposed to the risk of phantom vendors and unauthorized changes to vendor accounts.

Cause: We understand City staff did not realize that the review process should be documented.

Recommendation: The City should develop procedures to document the quarterly review and approval of change to the vendor database in some formal manner.

Management Response: Finance Management reviews changes made to the Vendor Database on a quarterly basis in order to detect phantom vendors and unauthorized changes to vendor accounts. Management reviews a report in Eden, the City's Financial System. Going forward, to formalize the review process, the report will be printed to PDF and signed by the reviewer.

Finding CDC 2020-02: Documentation of Review of Eden Employee Audit Reports

Program: CSPP- 8580

Criteria: Payroll staff should not normally have access to make any changes to the Payroll Database. In the event the system does not allow such a segregation of duties, changes to the Payroll Database should be reviewed and approved by a person who is not making the changes to the database, so that two employees are involved in the process of adding, removing, or modifying employee information.

Condition: We noted that although the Human Resources Department is tasked with making changes to the Payroll Database, more than one staff charged with processing payroll in the Finance Department has access to edit base pay, incentives, and benefits in the payroll database.

To mitigate the control risk, we understand that the City has a process to review the employee audit reports each pay period for accuracy and to ensure no unauthorized changes were made to the employee database. However, we selected three pay periods (November 15, 2019, January 31, 2020 and May 15, 2020) for testing of review of the employee audit report and noted that there was no documentation of the review.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
CURRENT YEAR FINDINGS AND RESPONSES
For the Year Ended June 30, 2020**

Effect: Without proper documentation of the review process, we cannot determine if the above internal control procedure is in place.

Cause: We understand City staff did not realize that the review process should be documented.

Recommendation: The City should develop procedures to document the review of employee audit reports in some formal manner.

Management Response: The Finance Director reviews an employee audit report in Eden each pay period to ensure no unauthorized changes are made to the employee database. Going forward, to formalize the review process, the report will be printed to PDF and signed by the reviewer.

CITY OF SAN RAFAEL, CALIFORNIA
PEDESTRIAN AND BICYCLE PROJECTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

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**CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
Financial Statements
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the financial statements of the Pedestrian and Bicycle Projects (Projects) of the City of San Rafael (City), as of and for the year ended June 30 2020, and the related notes to the financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects as of June 30, 2020, and the change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Projects and do not purport to, and do not present fairly the financial position of the City as of June 30, 2020 in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of the Projects' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Projects' internal control over financial reporting and compliance.

Pleasant Hill, California
November 9, 2020

CITY OF SAN RAFAEL
 PEDESTRIAN AND BICYCLE PROJECTS
 BALANCE SHEET
 JUNE 30, 2020

	Allocation Instruction Number 19001078	Allocation Instruction Number 20001098	Total
ASSETS			
Due from Metropolitan Transportation Commission		\$239,940	\$239,940
LIABILITIES			
Due to the City		\$239,940	\$239,940
FUND BALANCE			
Total Liabilities and Fund Balance		\$239,940	\$239,940

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PEDESTRIAN AND BICYCLE PROJECTS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2020

	Allocation Instruction Number 19001078	Allocation Instruction Number 20001098	Total
REVENUES			
TDA Article 3.0 (Note 2)	\$184,043	\$239,940	\$423,983
Total Revenues	184,043	239,940	423,983
EXPENDITURES			
Pedestrian and Bicycle Improvements (Note 2)			
Francisco Blvd. West Multi-Use Pathway	184,043		184,043
Francisco Blvd. West		239,940	239,940
Total Expenditures	184,043	239,940	423,983
Excess of Revenues over Expenditures			
Fund balance at beginning of year			
Fund balance at end of year			

See accompanying notes to financial statements

**CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
Notes to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of San Rafael, California (City), has developed the Pedestrian and Bicycle Projects (Projects) under the Transportation Development Act (TDA), Article 3.0, that provides funding for projects including the construction of pedestrian pathways, wheel chair ramps and bicycle master plan studies.

The TDA funds are distributed through the Metropolitan Transportation Commission (MTC), which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The Projects are included in the Gas Tax Fund of the Comprehensive Annual Financial Report of the City. The financial statements are intended to present the financial position and results of operation for the Projects, and not those of the City as a whole.

A. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized. The Projects are accounted for in a governmental fund type and the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when they are incurred.

B. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the balance sheet may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

C. Use of Estimates

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

**CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
Notes to the Financial Statements
For the Year Ended June 30, 2020**

NOTE 2 - TDA ARTICLE 3.0 REVENUE AND EXPENDITURES

As of June 30, 2020, the City had allocation instructions from the Metropolitan Transportation Commission for the following projects:

Project Name	Allocation Instruction #	Grant Amount	Expended from Inception to June 30, 2020	Revenue Received Inception to June 30, 2020
Francisco Blvd. West Multi-Use Pathway	19001078	\$184,043	\$184,043	\$184,043
Francisco Blvd. West	20001098	308,400	239,940	239,940

Expenditures for the Francisco Blvd. West Multi-Use Pathway (Allocation Instruction #19001078) were incurred during the year ended June 30, 2019. The expenditures are being reported as expenditures during the year ended June 30, 2020, because the City did not determine that they would be applied to the TDA Article 3.0 funding until fiscal year 2020.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING,
ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT
AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of San Rafael (City) Pedestrian and Bicycle (Projects), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Projects' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Projects' internal control. Accordingly, we do not express an opinion on the effectiveness of the Projects' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Projects' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Projects' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our procedures included the applicable audit procedures contained in §6666 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the Allocation Instructions and Resolutions of the Metropolitan Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 9, 2020, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Projects' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Projects' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Pleasant Hill, California
November 9, 2020