



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 2020-2021 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 2020-2021 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 2020-2021. 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, 2022. 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, 2021, 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:

ANALYSIS:

Overview

Fiscal Year 2020-21 had economists, revenue experts and government agency officials perplexed due to the direction it took. What once was projected to be a challenging year due to the COVID-19 pandemic turned out to be a windfall as sales taxes increased, property transfer taxes increased and the Federal government provided aid to state and local agencies putting the City in a unique position to fund goals and initiatives that would have otherwise been unfunded.

The full annual funding of the City's Retiree and OPEB costs have been incorporated into the adopted fiscal year 2021-2022 budget; therefore, there is no negative impact on City operations or services resulting from the reporting of financial information under these reporting standards.

Fiscal Year 2020-21 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 \$156.5 million, an increase of \$17.4 million from the prior year adjusted balance.

This increase is attributable to a number of factors. First, sales and use tax remittances greatly outperformed forecasts as government stimulus in response to the COVID-19 pandemic infused the economy. Also significantly impacting the increase was the addition of the Measure R transaction and use tax during the year as well as the timely passage of the Wayfair decision providing remittances from online sales that have soared. Secondly, the City saw over \$7 million in increased capital grant activity as the City ramped up capital projects. Lastly, property tax revenues increased 17% with the addition of assessments resulting from the passage of Measure C supporting wildfire prevention activities as well as property transfer taxes. The Parking Fund, reported as a business-type activity, ended the fiscal year with a net position of \$9 million, or \$931 thousand less than that of the previous fiscal year.

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 revenues exceeded expenditures by \$7.0 million. Measure E revenues of \$4.6 million dedicated to public safety facilities construction and infrastructure were used to cover debt and transferred out of the General Fund in support of the projects whereas \$1.1 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, 2021 was \$16.8 million (an increase of \$7 million from the prior year balance): \$378 thousand is non-spendable, \$8.3 million is committed, \$7.2 million is assigned and \$921 thousand is unassigned. The committed portion of \$8.3 million is for emergency and cash flow needs which meets the minimum target reserve levels at 10% of general fund operating expenditures.

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 2021-2022 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 administrative and clerical errors. 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 continues to have negative operating results resulting from the pandemic, with \$2.7 million in total revenues and \$3.6 million in expenditures for the fiscal year. The fund balance decreased from \$1.3 million to \$369 thousand of which funds have been accumulated for capital improvements. The audit resulted in no adverse findings.

Transportation Development Act Financial Report

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 \$731,879 of a total grant amount of \$731,879 and has received reimbursement of \$423,983 as of June 30, 2021. 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 2020-21 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 2020-21 Draft Comprehensive Annual Financial Report
2. FY 2020-21 Draft Gann Appropriations Limit
3. FY 2020-21 Draft Memorandum of Internal Controls
4. FY 2020-21 Draft Required Communications
5. FY 2020-21 Draft Child Development Program Financial Report
6. FY 2020-21 Draft Transportation Development Act Financial Report



SAN RAFAEL
THE CITY WITH A MISSION

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDING JUNE 30, 2021



Rainbow over City Hall, San Rafael, California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2021

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

Prepared by the Finance Department of the City of San Rafael





Volunteer Broom Pull

INTRODUCTORY SECTION



CITY OF SAN RAFAEL, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2021

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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 15, 2021

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

The Comprehensive Annual Financial Report (“Annual Report”) of the City of San Rafael (“City”) for the year ended June 30, 2021, 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, 2021.

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 Annual Report 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 Annual Report 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 24 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 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, 2021 was 59,016.

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 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 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 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 Annual Report.

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 Annual Report.

Building from over a decade of community efforts to address San Rafael's aging essential public safety facilities, the Essential Facilities project has been underway with major milestones met during the year. In August of 2020 the City completed and placed into service the new Public Safety Center, a state-of-the-art facility for police headquarters and public safety services. On October 18, 2021 the City Council approved a construction bid for Fire Station 54 and Fire Station 55. A construction timeline will be established over the oncoming months.

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 52% of overall sales tax revenues.

The COVID-19 continues to test the resilience of the California economy with the Delta variant currently causing disruption to the greatly anticipated recovery. Although Californians are now grappling with the reality of a prolonged pandemic environment, the economy is certainly in recovery with the tech sector leading the way. However, with a return to normality seemingly in reach, the specter of inflation looms overhead, threatening another hurdle to overcome in our push to economic recovery.

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.

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 during the fiscal year ended June 30, 2021, for San Rafael were: 1. Autos and Transportation (26.6%), 2. State and County Pools (23.5%), and 3. Building and Construction (20.3%).
- ☑ 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 \$2,648. The median home value in San Rafael is \$1,333,197.

Recent growth and economic vibrancy:

- San Rafael ranked No. 2 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 is 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).
- 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.
- The City also partnered with the Agricultural Institute of Marin to bring back the Summer Thursday night market from May through September 2021.

FINANCIAL INFORMATION

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

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

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

ACKNOWLEDGMENTS

The preparation of this City-wide document would not have been possible without the assistance of each of the City's departments. In addition, Finance support staff Sara Smith, Whitney Zimmerman, Kate Llamas, and Finance lead Shawn Plate, with oversight 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 tenth consecutive year for which the City received the award.

Lastly, we appreciate the ongoing leadership and support from the Mayor and City Councilmembers. 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 15, 2021

City Council

Kate Colin, Mayor
Maribeth Bushey, Vice Mayor
Maika Llorens Gulati, Councilmember
Eli Hill, Councilmember
Rachel Kertz, Councilmember

Elected Officials

Rob Epstein, City Attorney
Lindsay Lara, City Clerk

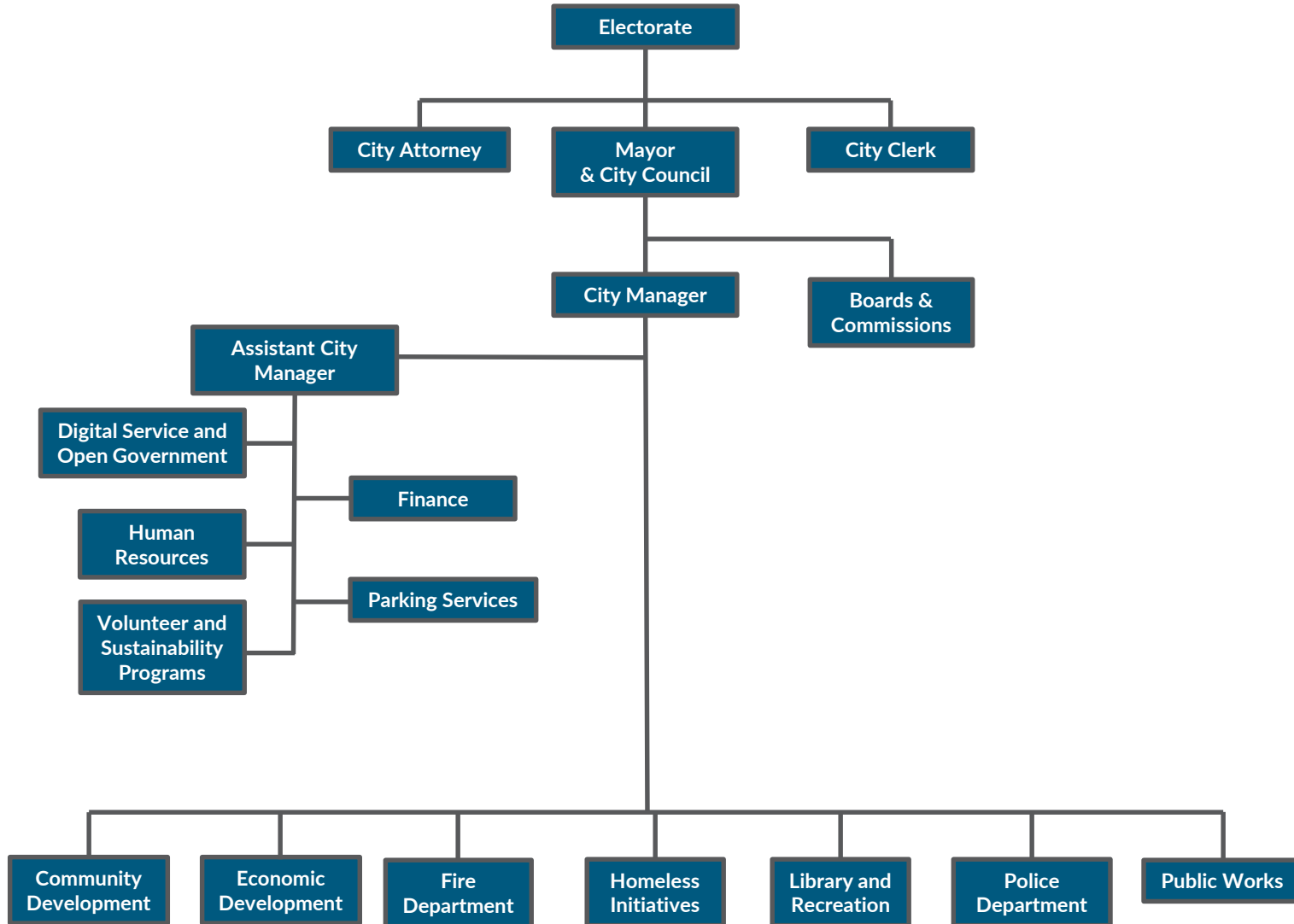
Executive Team

Jim Schutz, City Manager
Cristine Alilovich, Assistant City Manager
David Spiller, Chief of Police
Darin White, Fire Chief
Bill Guerin, Public Works Director
Alicia Giudice, Community Development Director
Susan Andrade-Wax, Library & Recreation Director
Nadine Atieh Hade, Finance Director
Jessica MacLeod, Director of Digital Service & Open Government
Carmen Valdez, Interim Human Resources Director



LOCATION MAP

ORGANIZATIONAL CHART



REVIEW DRAFT 11-8-21

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DRAFT

DRAFT



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, 2020

Christopher P. Morill

Executive Director/CEO





Blooms at Canal Community Garden

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, 2021, 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%, 57%, and 15%, 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, 2021, 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.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and required the restatement of net position as discussed in Note 1S to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and required supplementary information, 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 15, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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 15, 2021



CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021. 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, 2021 by \$165 million.
- *Activities* – During the fiscal year the City's total revenues of \$127.3 were greater than expenses of \$109.8 million for governmental and business-type activities.
- *Changes in Net Position* – The City's total net position increased by \$17.4 million in fiscal year 2020-2021 as compared to the net position of the previous year. Net position of governmental activities increased by \$18.4 million, while net position of the business-type activities decreased by \$931 thousand.

Fund Level:

- *Governmental Funds* – As of the close of fiscal year 2020-2021, the City's governmental funds reported combined ending fund balances of \$54.8 million, an increase of \$8.7 million primarily due greater than expected tax receipts during the fiscal year. Of this total amount, \$378 thousand is nonspendable, \$36 million is restricted, \$10.2 million is committed, \$7.3 million is assigned, and \$921 is unassigned.
- Governmental fund revenues totaled \$124 million, an increase of \$17.2 million from the those of the previous fiscal year. Approximately \$10 million was due larger than anticipated tax remittances as well the institution of Measure R, a quarter-cent transaction and use tax, as well as Measure C Wildfire Prevention assessments. The remainder was mainly due to an increase in grant reimbursements for capital projects as the City ramped up activity during the year following the stay-at-home orders that marked the end of the prior fiscal year.
- Governmental fund expenditures decreased by \$13.3 million to \$116.5 million, from \$129.8 million in the prior year, due primarily to a \$12.3 million reduction in culture and recreation activities as a result of the COVID-19 pandemic. The remainder can be attributed to staffing measures such as furloughs and freezing positions as the city sought to navigate the uncertain times ahead during budgeting.
- Enterprise fund operating revenue decreased \$1.7 million to a total of \$3.4 million as a result of dramatically reduced operations in response to the COVID-19 pandemic. Enterprise operating expenditures totaled \$3.6 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, including Fiduciary Funds, along with the Notes to these financial statements
4. Combining statements for Non-Major Governmental Funds and Internal Service Funds
5. Statistical Information

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021**

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, 2021

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 118 through 145 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 118 through 138 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, 2021**

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 Statement of Changes in Fiduciary Net Position. 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 93 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 94 through 107 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS***Statement of Net Position***

Net position measures the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. During this fiscal year, the net position of the City was \$156.5 million from Governmental Activities and \$9 million from Business-type Activities, for a total of \$165.5 million. This represents an increase of \$17.4 million from the prior year net position.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2021 and 2020:

Summary of Net Position
(in thousands)

	Governmental Activities		Increase	Business-Type Activities		Increase
	2021	2020	(Decrease)	2021	2020	(Decrease)
Current and other assets	\$106,662	\$85,240	\$21,422	\$2,536	\$3,371	(\$835)
Capital assets	279,337	273,513	5,824	15,505	15,731	(226)
Total assets	385,999	358,753	27,246	18,041	19,102	(1,061)
Deferred outflows (Notes 9 and 11)	57,577	46,498	11,079	1,864	1,506	358
Current and other liabilities	23,067	15,423	7,644	464	432	32
Noncurrent liabilities	242,272	223,220	19,052	9,793	9,386	407
Total liabilities	265,339	238,643	26,696	10,257	9,818	439
Deferred inflows (Notes 9 and 11)	21,739	28,481	(6,742)	678	890	(212)
Net Position:						
Net investment in capital assets	228,253	230,737	(2,484)	11,174	11,104	70
Restricted	36,175	23,522	12,653	0	0	0
Unrestricted	(107,930)	(116,133)	8,203	(2,205)	(1,204)	(1,001)
Total net position	\$156,498	\$138,126	\$18,372	\$8,969	\$9,900	(\$931)

Current governmental assets increased by \$21.4 million, primarily resulting from an increase in cash and investments following the receipt of \$8 million in American Rescue Plan Act (ARPA) funds in May of 2021 as well as positive results of activities for the year. In addition, there was a \$3.7 million increase in intergovernmental receivables as capital project reimbursements ramped up during the year. The \$5.8 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 \$11 million in deferred outflows is primarily a result the impact of pension-related investment losses during the measurement year. 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. Current and other liabilities increased by approximately \$7.6 million, primarily due to the receipt of ARPA funds at the end of the year that were classified as unearned revenue. Noncurrent governmental liabilities increased by \$19 million a result of the increase in net pension liability, partially offset by the reduction long-term debt from principal payments during the year. Deferred inflows decreased by \$6.7 million mainly as a result of the difference between projected and actual earning on investments during the measurement period that resulted in a net deferred outflow.

The net position in business-type activities reflects the fiscal activity of the Parking Services program and decreased by \$931 thousand from the previous year as operating revenue continues to be significantly impacted by the ongoing pandemic. Capital assets decreased by \$226 thousand due to current year depreciation. The increase in deferred outflows and related decrease in deferred inflows was due to the pension-related adjustment mentioned above. The \$407 thousand increase in noncurrent liabilities is driven by the increase in net pension liabilities.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

At June 30, 2021, the largest portion of total net position in the amount of \$239.4 million consisted of the City's investment in capital assets net of related debt. This component represents the total amount of funds required to acquire capital assets less any related debt used for such acquisition that is still outstanding. The City uses these assets to provide services to residents. 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, \$36.2 million, is subject to external restrictions, and their use is determined by those restrictions whether legal or by covenant. The remaining portion, unrestricted negative \$110.1 million, represents the extent to which the net investment in capital assets and restricted net position exceed total net assets.

Net Position as of 6/30/2021	
(in thousands)	
Invested in Capital Assets (net)	\$239,427
Restricted	36,175
Unrestricted	<u>(110,135)</u>
Total Net Position	<u><u>\$165,467</u></u>

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Statement of Activities - Governmental

The following is the condensed Statement of Activities and Changes in Net Position for the fiscal years ended June 30, 2021 and 2020:

Summary of Changes in Net Position
(in thousands)

	Governmental Activities		Increase
	2021	2020	(Decrease)
REVENUES			
Program revenues:			
Charges for services	\$19,764	\$19,142	\$622
Operating grants and contributions	5,133	5,546	(413)
Capital grants and contributions	8,719	1,348	7,371
Total program revenues	<u>33,616</u>	<u>26,036</u>	<u>7,580</u>
General revenues:			
Property taxes	30,994	26,492	4,502
Sales taxes	39,599	33,783	5,816
Paramedic tax	5,153	4,923	230
Transient occupancy tax	1,798	2,411	(613)
Franchise tax	3,974	4,029	(55)
Business license tax	2,575	2,825	(250)
Other taxes	2,997	2,153	844
Investment earnings	389	1,908	(1,519)
Miscellaneous	2,840	2,471	369
Total general revenues	<u>90,319</u>	<u>80,995</u>	<u>9,324</u>
TOTAL REVENUES	<u>123,935</u>	<u>107,031</u>	<u>16,904</u>
EXPENSES			
General government	12,255	15,630	(3,375)
Public safety	54,737	50,001	4,736
Public works and parks	20,750	21,661	(911)
Community/economic development	5,804	5,314	490
Culture and recreation	10,619	11,828	(1,209)
Interest on long-term debt	1,936	1,975	(39)
TOTAL EXPENSES	<u>106,101</u>	<u>106,409</u>	<u>(308)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	<u>17,834</u>	<u>622</u>	<u>17,212</u>
Transfers in	<u>538</u>	<u>586</u>	<u>(48)</u>
Net Change in Net Position	18,372	1,208	17,164
Beginning Net Position	<u>138,126</u>	<u>136,918</u>	<u>1,208</u>
Ending Net Position, June 30	<u>\$156,498</u>	<u>\$138,126</u>	<u>\$18,372</u>

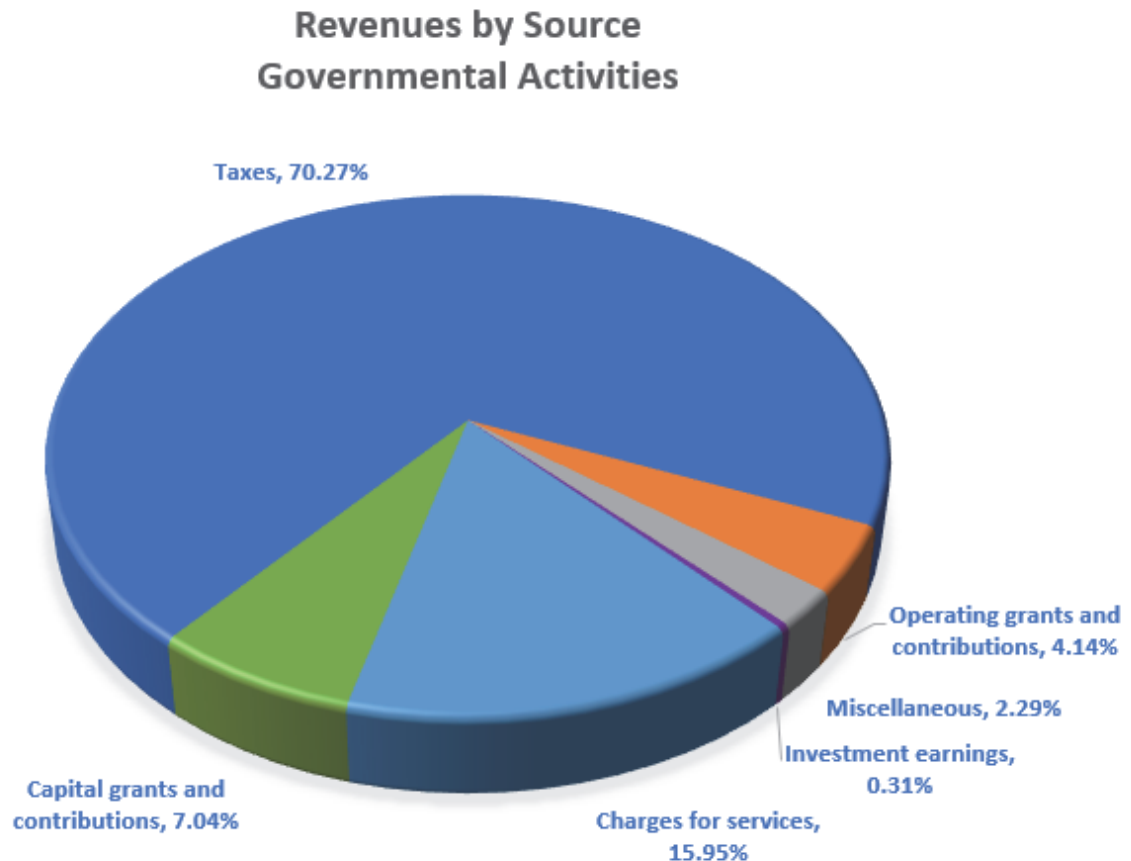
CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

The City's governmental activities net position increased by \$18.4 million during fiscal year 2020-2021. Year-over-year increases in revenues of \$16.9 million were the result of a number of factors. First, sales and use tax remittances greatly outperformed forecasts as government stimulus in response to the COVID-19 pandemic infused the economy with unexpected capital, boosting construction and auto sales significantly. Also impacting the increase was the addition of the Measure R transaction and use tax during the year as well as the timely passage of the Wayfair decision providing remittances from online sales that have soared. Secondly, the City saw over \$7 million in increased capital grant activity as the City ramped up capital projects following a brief lull after regrouping following initial stay-at-home orders in the third and fourth quarters of the previous fiscal year. Lastly, property tax revenues increased 17% with the addition of assessments resulting from the passage of Measure C supporting wildfire prevention activities as well as property transfer taxes, which are grouped with property taxes for reporting purposes, that almost doubled from the previous year as low interest rates and other pandemic related pressures have fueled a red-hot housing market.

Although overall operating expenses appear to have remained flat, there was an 11 percent decline in governmental fund operating expenses as a result of pandemic related staffing reductions that was offset by required pension and OPEB related adjustments determined by outside Actuarial reports. The increase in Public Safety expenditures is due to a number of factors; first, the new Wildfire Prevention program began during the fiscal year incurring roughly \$1.4 million in expenses; second, \$1,000,000 was set aside in the vehicle replacement fund to replace aging fire department vehicles; third, a significant increase in pension costs was borne during the year as a result of a prior actuarial study; and, lastly, the fire department engaged in increased strike-team activity, increasing overtime costs that are ultimately reimbursed by the state.

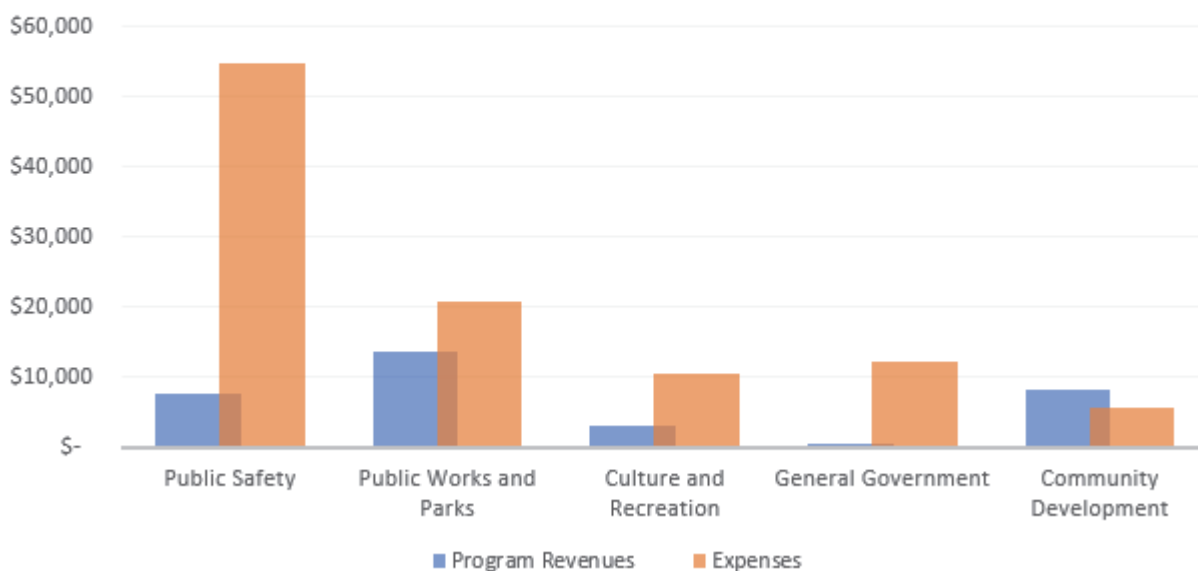
The following graph shows governmental revenues by source:



CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Expenses and Program Revenues
Governmental Activities
(in thousands)



Total expenses for governmental activities were \$104.2 million (excluding interest on long-term debt of \$1.9 million). Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$19.8 million in charges for services.
- A total of \$13.9 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 \$70.5 million.

Functional expenses for the year ended June 30, 2021, were as follows:

Expenses by Function

(in thousands)

Function	Amount	Percent of Total
General government	\$12,255	11.6%
Public safety	54,737	51.6%
Public works and parks	20,750	19.6%
Community development	5,804	5.5%
Culture and recreation	10,619	10.0%
Interest on debt	1,935	1.8%
Total expenses	\$106,100	100%

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Summary of Changes in Net Position
For the periods ended June 30, 2021 and 2020 (in thousands)

	Business-Type Activities		Increase
	2021	2020	(Decrease)
Revenues			
Program revenues:			
Charges for services	\$3,352	\$5,063	(\$1,711)
Total program revenues	3,352	5,063	(1,711)
General revenues:			
Investment Income	4	71	(67)
Total general revenues	4	71	(67)
TOTAL REVENUES	3,356	5,134	(1,778)
Expenses			
General government	3,749	4,491	(742)
TOTAL EXPENSES	3,749	4,491	(742)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(393)	643	(1,036)
OTHER FINANCING SOURCES (USES)			
Transfers out	(538)	(586)	48
Net Change in Net Position	(931)	57	(988)
Net Position, Beginning	9,900	9,843	57
Net Position, Ending	\$8,969	\$9,900	(\$931)

The net position for business-type activities decreased from the prior year by \$931 thousand.

- Parking services is the City's only business-type activity with income derived from program revenues of \$3.4 million. Program revenues include parking meter coin income of \$1.1 million and parking garage hourly and monthly parking income of \$0.7 million. Revenues also include parking and non-vehicle code fines totaling \$1.6 million. Total expenses for parking services were \$3.7 million and transfers out to general fund and non-major governmental fund for support totaled \$538 thousand during the fiscal year 2020-2021. The Parking services program has been acutely affected by the coronavirus pandemic as the effects of reduced brick-and-mortar business activity and increased remote work arrangements have reduced street and garage parking revenue by a combined \$748 thousand or 30%. Parking services also suspended citation activities for a portion of the year leading to a \$963 thousand or 38% decline in citation revenue. Staffing levels were reduced during this time as reflected in the \$765 thousand or 17% decrease in operating expenses for the period.

CITY OF SAN RAFAEL
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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, 2021, the City reported a combined ending fund balance of \$54.8 million of all its governmental funds (an increase of \$8.7 million from the prior year): \$377 thousand is non-spendable, \$36 million is restricted, \$10.2 million is committed, \$7.3 million is assigned, and \$921 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, 2021, was \$16.8 million (an increase of \$7 million from the prior year balance): \$377 thousand is non-spendable, \$8.3 million is committed, \$7.2 million is assigned and \$921 thousand is unassigned. The assigned portion of the balance includes \$8.3 million for emergency and cash flow needs.

General Fund Budgetary Highlights:

The original adopted General Fund budget projected total revenue of \$76.3 million and transfers-in of \$3.9 million for total resources of \$80.2 million. This budget appropriated expenditures of \$81 million and transfers-out of \$2 million for total appropriations of \$83.3 million. Revenues were later increased to \$87.9 million as sales and use tax receipts exceeded expectations as a forecasted overall economic downturn did not materialize due, in part, to wide ranging government stimulus programs. Transfers-out were increased by \$2 million based on increased support of recreation fund expenditures as a result of the pandemic and project support.

Actual revenues, at \$88.7 million, exceeded original budgeted revenues by \$12.4 million. Sales and use taxes made up the largest portion of the increase as construction and automobile sales unexpectedly flourished, as well as the additional revenues provided by the new Measure R quarter-cent use tax. Other impacts included increased property tax revenues above expectations in addition to large one-time collections for fees related to large development projects. Expenditures of \$80.7 million were roughly in line with original budgeted expenditures of \$81 million as the main component of staffing remained on budget.

Fiscal year 2020-2021 General Fund revenues and transfers in of \$91.8 million exceeded expenditures and transfers out of \$84.8 million by \$7 million. The increase allowed the City to fully replenish the emergency reserve partially used to absorb the loss in the prior year as well as commit to various projects and initiatives for the future.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Summary of General Fund Budget and Actual
For the fiscal year ended June 30, 2021 (in thousands)

	Adopted Budget	Revised Budget	Actual
Revenues	\$76,261	\$87,879	\$88,703
Transfers in	3,915	3,090	3,090
Total resources	80,176	90,969	91,793
Expenditures	81,045	\$81,312	80,707
Operating transfers out	2,000	2,508	2,508
Capital Transfers out	-	1,538	1,538
Total uses	83,045	85,358	84,753
Net Results	(\$2,869)	\$5,611	\$7,040

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 increased from \$4.2 million to \$6.6 million. Revenues totaled \$5.9 million, while \$3.5 million was charged against this fund to support the maintenance of the City-wide traffic model. The City's matching portion of the County of Marin's purchase of 3301 Kerner Boulevard through the State's Project Homekey initiative accounted for \$1.3 million. This site will be converted to 44 permanent supportive housing units. As part of the same project, the City issued a grant in the amount of \$750 thousand from the Affordable Housing Trust Fund. The Innovative Deployment of Enhanced Arterial project designed to proactively identify and correct traffic signal performance accounted for an additional \$988 thousand in expenditures. 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 expenditures and net transfers exceeded revenues by \$2.2 million in fiscal year 2020-2021 resulting in a decrease in fund balance from \$6.5 million to \$4.3 million. The activities for the year were all planned and approved project work.

Expenditures during fiscal year 2020-2021 totaled \$11 million. In addition to routine street-related maintenance of \$1.4 million, major expenditures included \$4.2 million for sidewalk improvements along Francisco Boulevard, \$2 million for a multi-use path along Francisco Boulevard, \$1 million for resurfacing Smith Ranch Road and Lucas Valley Road, \$652 thousand related to studies and improvements to Third Street, \$546 thousand to for resurfacing the streets surrounding the new Public Safety Center, and \$438 thousand for the San Rafael High School crosswalk.

The largest sources of revenues were \$3.8 million in federal grants, \$1.2 million from State gasoline taxes, \$1.1 million in State RMRA (Road Maintenance and Rehabilitation Account) funding, \$1 million in local Measure A funding, and \$908 thousand in development impact fees.

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 the Public Safety Center was completed and the design phase has been completed on Fire Stations 54 and 55 with bid selection completed in October, 2021. Expenditures during fiscal year 2020-2021 totaled \$1.1 million, transfers from the General Fund representing an allocation of Measure E Transaction and Use Tax totaled \$1.5 million and \$300 thousand was allocated from paramedic tax funds.

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021**

Non-major Governmental Funds – The City's non-major funds are presented in the basic financial statements in the aggregate. At June 30, 2021, non-major funds had a total fund balance of \$15 million, a \$1.9 million increase over that of the previous year. The largest fund balance decrease, \$905 thousand, was recorded in the Childcare Fund as result of reduced charges for services resulting from the pandemic. The largest fund balance increase, \$487 thousand, was recorded in the Measure G- Cannabis Fund as operations and funding was accumulated during the year for specific future projects.

Of the ending total non-major fund balances of \$15.0 million: \$13 million (87%) is legally restricted for specific purposes by external funding source providers, \$1.8 million (13%) is committed for special purposes by the City Council, and \$116 thousand (less than 1%) is assigned. 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 decreased by \$931 thousand during the fiscal year. The Parking Services Fund is the City's sole business-type (Enterprise) activity.

The parking services fund's operating revenue decreased by \$1.7 million in fiscal year 2020-2021 to \$3.4 million. The enterprise fund operating expenses were \$3.6 million in fiscal year 2020-2021, a decrease of \$0.7 million over the prior fiscal year. The change in operating revenues and expenses was driven by adverse impacts on parking operations from the pandemic environment.

The City's Internal Service Funds are also reported in this Proprietary Fund classification. In fiscal year 2020-2021, 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 \$4.4 million. Net investment in capital assets decreased by \$787 thousand, while unrestricted fund balance increased by \$5.2 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 Vehicle Replacement Fund and Equipment Replacement Fund to fund replacement of aging capital assets. The other Internal Service Funds reported small-to-moderate changes to their respective net positions.

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, 2021 amounts to \$295 million, net of accumulated depreciation of \$197 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 addition to the City's investment in capital assets for the current fiscal year was \$14.3 million, offset by accumulated depreciation of \$8.6 million.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

Additions to capital assets during fiscal year 2020-2021 included:

- Building and structure projects: \$45.7 million
 - Public Safety Center - \$45.5 million
 - B Street Community Center Renovations - \$224 thousand
- Infrastructure: \$6.3 million
 - Slide Repairs at 70 Irwin Street - \$1.9 million
 - Intersection improvements at Third and Hetherton - \$521 thousand
 - Street resurfacing at Smith Ranch and Lucas Valley roads – \$1.1 million
 - Francisco Boulevard West Multi-use path - \$2.2 million
 - Street resurfacing surrounding the Public Safety Center - \$546 thousand

The City's Capital Assets for the fiscal years ending June 30, 2021 and 2020 were as follows:

Summary of Capital Assets
(in thousands)

	2021	2020
Governmental Activities		
Land	\$83,662	\$83,662
Construction in progress	24,617	62,961
Land improvements	9,763	9,763
Buildings and structures	119,165	73,514
Machinery and equipment	21,146	20,842
Infrastructure	213,602	207,290
Less accumulated depreciation	(192,618)	(184,519)
Subtotal Governmental Activities	<u>279,337</u>	<u>273,513</u>
Business-type Activities		
Land	8,621	8,621
Buildings and structures	10,714	10,714
Machinery and equipment	940	1,009
Less accumulated depreciation	(4,770)	(4,613)
Subtotal Business-type Activities	<u>15,505</u>	<u>15,731</u>
Total Capital Assets	<u><u>\$294,842</u></u>	<u><u>\$289,244</u></u>

Additional information on the City's capital assets can be found in Note 5 on pages 62 through 63 of this report.

CITY OF SAN RAFAEL

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021

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 a 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, 2021 and 2020 were as follows:

Summary of Long-Term Debt
(in thousands)

	<u>2021</u>	<u>2020</u>
Governmental Activity Debt:		
2018 Authority Lease Revenue Bond	\$50,179	\$52,596
2010 Taxable Pension Obligation Bonds	2,845	3,320
PG & E City Hall HVAC Retrofit Note Payable	79	113
PG & E Efficiency Note Payable	826	972
Subtotal Governmental Activity Debt	<u>53,929</u>	<u>57,001</u>
 Business-Type Activity Debt:		
PG & E Parking Lot Lighting Retrofit Note Payable	14	21
2012 Authority Lease Revenue Refunding Bonds, as adjusted	4,317	4,606
Subtotal Business-Type Activity Debt	<u>4,331</u>	<u>4,627</u>
 Total Long-Term Obligations	 <u><u>\$58,260</u></u>	 <u><u>\$61,628</u></u>

CITY OF SAN RAFAEL

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021**

ECONOMIC CLIMATE AND NEXT YEAR'S BUDGET

As 2021 draws toward a close, the economy that once appeared resilient in the face of a global pandemic is beginning to show weakness. As the Delta variant has laid to waste any anticipated near-term return to normalcy, the country is now struggling with sweeping supply chain issues and inflationary pressures. The future is not as bleak as these factors may suggest, however, as economic fundamentals remain strong with gross domestic product back above pre-pandemic levels and balance sheets are healthy. The medium-term outlook remains quite positive, it's the near-term that remains murky with many variables potentially impacting our recovery.

California comes into the new year with bolstered capacity as ARPA funds along with a surplus from the prior year put it in strong financial position to invest in the State. Unemployment remains high but is trending downward at 7.5% for August of 2021 versus 12.3% as of August 2020. California is grappling with the same supply chain and inflation issues that the rest of the Country is experiencing as the ports of Los Angeles and Long Beach had over 70 container ships anchored in San Pedro Bay waiting to unload at the end of September. To make matters worse, the current trucking shortage further bottlenecks the supply chain and with wages rising to combat the issue, increased carrying costs are likely to add further pressure to prices.

Locally, Marin County's unemployment rate is the lowest in the State at 4.4% as of August 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 remains as hot as ever with median house sales reaching a peak of \$1.73 million in the third quarter of calendar 2021. With some of the highest vaccination rates in the State, Marin is in position to emerge from the pandemic strong.

In San Rafael, economic impacts remain mixed. Sales and use taxes for the first two months of fiscal year 2022 are showing strong growth against that of the prior year, however, transient occupancy taxes remain depressed as we navigate the prolonged pandemic environment. Receipt of ARPA funds late in fiscal year 2021 position the City to provide meaningful impact to its communities going forward and lead Marin to post-pandemic recovery.

The City's General Fund is as healthy as it's ever been, bolstered by shocking sales and use tax growth in light of a global pandemic as well as the infusion of federal funds from ARPA. Staffing is poised to return to pre-pandemic levels helping position the City to grow its service and maintenance levels from pre-pandemic levels. The strong balance sheet headed into the new year provides the City a unique opportunity to make significant investments to its communities and infrastructure in the near-term while fulfilling its current obligations.

Sales tax and transactions and use tax (Measure E and Measure R) combined, represent the City's largest tax revenue generators, the second largest being property tax. The City is forecasting sales and use taxes to remain largely level with that of the record remittances of the previous year as we face competing pressures of supply chain disruption and inflation. Property taxes are expected to continue to grow three percent in the year ahead.

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 new three-year contracts that expire on June 30, 2024.

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, 2021****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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	San Rafael Sanitation District
ASSETS				
Cash and investments available for operations (Note 2)	\$85,718,476	\$1,564,712	\$87,283,188	\$42,815,664
Restricted cash and investments (Note 2)	1,299,504		1,299,504	
Receivables:				
Accounts, net	2,296,837	971,117	3,267,954	1,464,376
Intergovernmental	10,396,947		10,396,947	
Grants	1,257,006		1,257,006	
Interest	86,061		86,061	
Loans (Note 4)	304,725		304,725	
Long-term receivable from San Rafael Sanitation District (Note 4E)	4,924,370		4,924,370	
Prepaid expenses and others	377,861		377,861	65,542
Capital assets (Note 5):				
Nondepreciable	108,279,316	8,620,853	116,900,169	4,152,566
Depreciable, net	171,057,690	6,884,349	177,942,039	50,562,660
Total Assets	385,998,793	18,041,031	404,039,824	99,060,808
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 9)	52,450,338	1,737,463	54,187,801	
Deferred outflows related to OPEB (Note 11)	5,126,833	126,167	5,253,000	
Total Deferred Outflows of Resources	57,577,171	1,863,630	59,440,801	
LIABILITIES				
Accounts payable	7,608,095	82,820	7,690,915	284,568
Deposits payable	287,695		287,695	
Interest payable		38,147	38,147	
Developer deposits payable	457,255		457,255	
Unearned revenue	8,413,802	21,174	8,434,976	
Claims payable (Note 13):				
Due in one year	2,944,075		2,944,075	
Due in more than one year	9,324,828		9,324,828	
Compensated absences (Note 1L):				
Due in one year	600,763	14,774	615,537	
Due in more than one year	4,205,342	103,419	4,308,761	
Long-term debt (Note 6):				
Due in one year	2,755,169	306,816	3,061,985	
Due in more than one year	51,173,847	4,023,785	55,197,632	
Long-term payable to the City of San Rafael, due in more than one year (Note 4E)				4,924,370
Net OPEB liability, due in more than one year (Note 11)	25,331,613	623,387	25,955,000	
Net pension liability, due in more than one year (Note 9)	152,236,607	5,042,969	157,279,576	
Total Liabilities	265,339,091	10,257,291	275,596,382	5,208,938
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 9)	16,802,157	556,586	17,358,743	
Deferred inflows related to OPEB (Note 11)	4,936,517	121,483	5,058,000	
Total Deferred Inflows of Resources	21,738,674	678,069	22,416,743	
NET POSITION (Note 8):				
Net investment in capital assets	228,252,998	11,174,601	239,427,599	54,715,226
Restricted for:				
Special revenue projects:				
Housing and street improvements	12,126,119		12,126,119	
Stormwater	1,168,865		1,168,865	
Emergency medical services	845,028		845,028	
Other	9,397,748		9,397,748	
Capital projects	12,637,398		12,637,398	
Total Restricted Net Position	36,175,158		36,175,158	
Unrestricted	(107,929,957)	(2,205,300)	(110,135,257)	39,136,644
Total Net Position	\$156,498,199	\$8,969,301	\$165,467,500	\$93,851,870

See accompanying notes to financial statements

CITY OF SAN RAFAEL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$12,254,642	\$388,833	\$100,209	
Public safety	54,736,561	5,332,486	1,588,127	\$838,846
Public works and parks	20,749,666	2,719,148	3,260,167	7,780,568
Community development	5,804,134	8,390,282		
Culture and recreation	10,619,181	2,932,869	184,093	99,350
Interest on long-term debt and fiscal charges	1,935,532			
Total Governmental Activities	106,099,716	19,763,618	5,132,596	8,718,764
Business-type Activities:				
Parking services	3,748,667	3,351,864		
Total Business-type Activities	3,748,667	3,351,864		
Total Primary Government	<u>\$109,848,383</u>	<u>\$23,115,482</u>	<u>\$5,132,596</u>	<u>\$8,718,764</u>
Component Unit				
San Rafael Sanitation District	<u>\$13,790,905</u>	<u>\$16,945,721</u>	<u>\$5,609</u>	<u>\$277,752</u>
General revenues:				
Taxes:				
Property				
Sales:				
Sales and Use				
Measure R quarter-cent sales				
Measure E half-cent sales				
Measure E quarter-cent sales				
Paramedic				
Transient occupancy				
Franchise				
Business license				
Other				
Investment earnings				
Gain from sale of capital assets				
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
(\$11,765,600)		(\$11,765,600)	
(46,977,102)		(46,977,102)	
(6,989,783)		(6,989,783)	
2,586,148		2,586,148	
(7,402,869)		(7,402,869)	
(1,935,532)		(1,935,532)	
(72,484,738)		(72,484,738)	
	(\$396,803)	(396,803)	
	(396,803)	(396,803)	
(72,484,738)	(396,803)	(72,881,541)	
			\$3,438,177
30,993,516		30,993,516	1,888,197
24,771,103		24,771,103	
1,133,448		1,133,448	
9,129,708		9,129,708	
4,564,854		4,564,854	
5,153,448		5,153,448	
1,797,578		1,797,578	
3,973,806		3,973,806	
2,575,341		2,575,341	
2,996,950		2,996,950	
388,645	4,065	392,710	48,614
26,784		26,784	
2,813,015		2,813,015	
538,405	(538,405)		
90,856,601	(534,340)	90,322,261	1,936,811
18,371,863	(931,143)	17,440,720	5,374,988
138,126,336	9,900,444	148,026,780	88,476,882
\$156,498,199	\$8,969,301	\$165,467,500	\$93,851,870



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 2020-2021:

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, 2021

	Special Revenue Funds					Total Governmental Funds
	General Fund	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	
ASSETS						
Cash and investments available for operations (Note 2)	\$19,321,465	\$6,322,450	\$5,032,068	\$12,173,178	\$13,320,514	\$56,169,675
Restricted cash and investments (Note 2)	593,903			8	705,593	1,299,504
Receivables:						
Accounts	1,378,253	226,086			692,498	2,296,837
Intergovernmental	9,703,853		172,853		520,241	10,396,947
Grants			31,527		1,205,775	1,237,302
Interest	85,306				755	86,061
Loans (Note 4)	961	34,288			269,476	304,725
Prepays	377,861					377,861
Total Assets	\$31,461,602	\$6,582,824	\$5,236,448	\$12,173,186	\$16,714,852	\$72,168,912
LIABILITIES						
Accounts payable	\$4,882,382	\$24,751	\$891,594	\$75,796	\$1,205,911	\$7,080,434
Deposits payable	142,824				144,871	287,695
Developer deposits payable	453,620				3,635	457,255
Unearned revenue	8,044,443				369,359	8,413,802
Total Liabilities	13,523,269	24,751	891,594	75,796	1,723,776	16,239,186
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
SB90 reimbursement receivable	1,092,434					1,092,434
Total Deferred Inflows of Resources	1,092,434					1,092,434
Fund Balances (Note 8):						
Nonspendable	377,861					377,861
Restricted		6,558,073	4,344,854	12,097,390	13,043,198	36,043,515
Committed	8,321,000				1,831,036	10,152,036
Assigned	7,226,153				116,842	7,342,995
Unassigned	920,885					920,885
Total Fund Balances	16,845,899	6,558,073	4,344,854	12,097,390	14,991,076	54,837,292
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$31,461,602	\$6,582,824	\$5,236,448	\$12,173,186	\$16,714,852	\$72,168,912

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, 2021

Total fund balances reported on the governmental funds balance sheet	\$54,837,292
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.	266,932,869
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.	29,176,078
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.	(53,929,016)
Compensated absences	(4,806,105)
Unavailable revenue	1,092,434
Long-term receivable from San Rafael Sanitation District	4,924,370
Deferred outflows related to pension	52,450,338
Net pension liability	(152,236,607)
Deferred inflows related to pension	(16,802,157)
Deferred outflows related to OPEB	5,126,833
Deferred inflows related to OPEB	(4,936,517)
Net OPEB liability	<u>(25,331,613)</u>
Net Position of governmental activities	<u><u>\$156,498,199</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, 2021

	Special Revenue Funds					
	General	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and special assessments	\$76,771,466				\$9,576,262	\$86,347,728
Licenses and permits	3,000,666					3,000,666
Fines and forfeitures	219,030					219,030
Use of money and properties	156,398	\$10,666	\$7,349	\$8,854	483,837	667,104
Intergovernmental	4,819,890	1,254,954	7,703,287		3,081,618	16,859,749
Charges for services	2,789,005	4,575,877	1,520,508		6,179,973	15,065,363
Other revenue	946,294	23,951	216,180		688,874	1,875,299
Total Revenues	88,702,749	5,865,448	9,447,324	8,854	20,010,564	124,034,939
EXPENDITURES						
Current:						
General government	10,795,698	1,345,827			285,374	12,426,899
Public safety	44,558,789				9,805,083	54,363,872
Public works and parks	12,221,102	255,736	1,846,936		787,198	15,110,972
Community development	5,520,129	750,000				6,270,129
Culture and recreation	2,604,071				7,096,668	9,700,739
Capital outlay		1,177,594	9,157,141	1,105,796	2,194,535	13,635,066
Debt service:						
Principal	2,563,711					2,563,711
Interest and fiscal charges	2,443,476					2,443,476
Total Expenditures	80,706,976	3,529,157	11,004,077	1,105,796	20,168,858	116,514,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,995,773	2,336,291	(1,556,753)	(1,096,942)	(158,294)	7,520,075
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 3A)	3,089,518		30,000	1,836,629	2,593,443	7,549,590
Transfers out (Note 3A)	(4,046,072)		(646,000)	(1,117,225)	(519,826)	(6,329,123)
Total Other Financing Sources (Uses)	(956,554)		(616,000)	719,404	2,073,617	1,220,467
Net Change in Fund Balances	7,039,219	2,336,291	(2,172,753)	(377,538)	1,915,323	8,740,542
FUND BALANCES, BEGINNING OF YEAR	9,806,680	4,221,782	6,517,607	12,474,928	13,075,753	46,096,750
FUND BALANCES, END OF YEAR	\$16,845,899	\$6,558,073	\$4,344,854	\$12,097,390	\$14,991,076	\$54,837,292

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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$8,740,542

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

Capital Assets Transactions

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

Capital outlay and improvement expenditures are added back to fund balance	13,660,847
Loss on disposal of capital assets is deducted from fund balance	(57,523)
Depreciation expense is deducted from fund balance	(6,992,063)
(Depreciation expense is net of internal service fund depreciation of \$1,338,781, which has already been allocated to serviced funds.)	

Long-Term Debt Proceeds and Payments

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.

Repayments on long-term debt principal	2,563,711
Amortized bond premium expense is added back to fund balance	507,944

Accrual of Non-Current Items

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

Compensated absences	(42,151)
Unavailable revenue	(181,483)
Long-term receivable from San Rafael Sanitary District	(12,679)

Net Pension Liability Transactions

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

(5,716,485)

Net OPEB Liability Transactions

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.

1,502,922

Allocation of Internal Service Fund Activities

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

4,398,281

Change in Net Position of Governmental Activities

\$18,371,863

See accompanying notes to financial statements



PROPRIETARY FUND FINANCIAL STATEMENTS
--

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

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

PARKING SERVICES FUND

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

INTERNAL SERVICE FUNDS

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

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CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
ASSETS		
Current Assets:		
Cash and investments available for operations (Note 2)	\$1,564,712	\$29,548,801
Receivable:		
Accounts, net	971,117	
Grants		19,704
Total Current Assets	<u>2,535,829</u>	<u>29,568,505</u>
Noncurrent Assets:		
Capital assets (Note 5):		
Nondepreciable	8,620,853	346,647
Depreciable, net	<u>6,884,349</u>	<u>12,057,490</u>
Total Noncurrent Assets	<u>15,505,202</u>	<u>12,404,137</u>
Total Assets	<u>18,041,031</u>	<u>41,972,642</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension (Note 9)	1,737,463	
Deferred outflows related to OPEB (Note 11)	<u>126,167</u>	
Total Deferred Outflows of Resources	<u>1,863,630</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	82,820	527,661
Interest payable	38,147	
Unearned revenue	21,174	
Compensated absences, due in one year (Note 1L)	14,774	
Claims payable, due in one year (Note 13)		2,944,075
Long-term debt, due in one year (Note 6)	<u>306,816</u>	
Total Current Liabilities	<u>463,731</u>	<u>3,471,736</u>
Noncurrent Liabilities:		
Compensated absences (Note 1L)	103,419	
Claims payable (Note 13)		9,324,828
Long-term debt (Note 6)	4,023,785	
Net OPEB liability (Note 11)	623,387	
Net pension liability (Note 9)	<u>5,042,969</u>	
Total Noncurrent Liabilities	<u>9,793,560</u>	<u>9,324,828</u>
Total Liabilities	<u>10,257,291</u>	<u>12,796,564</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension (Note 9)	556,586	
Deferred inflows related to OPEB (Note 11)	<u>121,483</u>	
Total Deferred Inflows of Resources	<u>678,069</u>	
NET POSITION (Note 8):		
Net investment in capital assets	11,174,601	12,404,137
Unrestricted	<u>(2,205,300)</u>	<u>16,771,941</u>
Total Net Position	<u><u>\$8,969,301</u></u>	<u><u>\$29,176,078</u></u>

See accompanying notes to financial statements

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CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
OPERATING REVENUES		
Charges for current services	\$1,767,713	\$19,645,714
Other operating revenues	1,584,151	926,086
Intergovernmental		19,704
Total Operating Revenues	<u>3,351,864</u>	<u>20,591,504</u>
OPERATING EXPENSES		
Personnel	2,199,288	3,935,030
Insurance premiums and claims		6,730,673
Maintenance and repairs	57,192	151,407
Depreciation expense (Note 5)	234,619	1,338,781
General and administrative	<u>1,075,847</u>	<u>3,434,988</u>
Total Operating Expenses	<u>3,566,946</u>	<u>15,590,879</u>
Operating Income	<u>(215,082)</u>	<u>5,000,625</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,065	52,934
Interest expense	(159,113)	
(Loss) gain from sale of capital assets	<u>(22,608)</u>	<u>26,784</u>
Total Nonoperating Revenues (Expenses)	<u>(177,656)</u>	<u>79,718</u>
Income Before Contributions and Transfers	<u>(392,738)</u>	<u>5,080,343</u>
TRANSFERS OUT (Note 3A)	<u>(538,405)</u>	<u>(682,062)</u>
Change in Net Position	(931,143)	4,398,281
NET POSITION, BEGINNING OF YEAR	<u>9,900,444</u>	<u>24,777,797</u>
NET POSITION, END OF YEAR	<u><u>\$8,969,301</u></u>	<u><u>\$29,176,078</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities - Enterprise Fund	Governmental Activities
	Parking Services	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers/other funds	\$1,767,713	\$19,726,562
Cash payments to suppliers for goods and services	(1,110,840)	(13,164,301)
Cash payments to employees for salaries and benefits	(2,055,896)	(1,286,053)
Other revenues	1,310,490	926,086
Cash Flows from Operating Activities	<u>(88,533)</u>	<u>6,202,294</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interfund payments	<u>(538,405)</u>	<u>(682,062)</u>
Cash Flows from Noncapital Financing Activities	<u>(538,405)</u>	<u>(682,062)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on revenue bonds and note payable	(296,816)	
Interest expenses and fiscal charges	(160,563)	
Acquisition of capital assets	(30,986)	(519,649)
Proceeds from sale of property		35,187
Cash Flows from Capital and Related Financing Activities	<u>(488,365)</u>	<u>(484,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>4,065</u>	<u>52,934</u>
Cash Flows from Investing Activities	<u>4,065</u>	<u>52,934</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,111,238)	5,088,704
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,675,950</u>	<u>24,460,097</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$1,564,712</u></u>	<u><u>\$29,548,801</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	(\$215,082)	\$5,000,625
Adjustments to reconcile operating income to cash flows from operating activities:		
Depreciation	234,619	1,338,781
Net change in assets and liabilities:		
Accounts receivable	(275,719)	61,144
OPEB system	(42,078)	
Accounts payable	22,199	(46,882)
Unearned revenue	2,058	
Compensated absence obligations	(534)	
Retirement system	186,004	
Claims payable		(151,374)
Net Cash Provided by Operating Activities	<u><u>(\$88,533)</u></u>	<u><u>\$6,202,294</u></u>
NON-CASH TRANSACTIONS:		
Retirement of capital assets	<u><u>(\$22,608)</u></u>	<u><u>(\$8,403)</u></u>
Amortization of bond discount	<u><u>\$725</u></u>	

See accompanying notes to basic financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS
--

Fiduciary funds are used to account for assets held by the City as an agent or custodian for other entities. The financial activities of such funds are excluded from the Government-wide financial statements and present fund statements that consist of a Statement of Net Position and a Statement of Changes in 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 CUSTODIAL 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, 2021

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Pt. San Pedro Road Assessment District Custodial Fund
ASSETS		
Cash and investments (Note 2)		\$229,646
Receivables:		
Taxes	\$3,547,605	940
Total Assets	3,547,605	230,586
LIABILITIES		
Interest payable	14,053	21,686
Long-term debt (Note 15C):		
Due within one year	3,445,000	
Due more than one year	3,485,896	
Total Liabilities	6,944,949	21,686
NET POSITION (DEFICIT)		
Restricted for:		
Other governments	(3,397,344)	
Bondholders		208,900
Total Net Position	(\$3,397,344)	\$208,900

See accompanying notes to financial statements

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund	Pt. San Pedro Road Assessment District Custodial Fund
ADDITIONS		
Property taxes	\$3,913,358	\$133,955
Total Additions	3,913,358	133,955
DEDUCTIONS		
General government	102,397	
Payments to bondholders		79,901
Interest expense	343,589	61,722
Total Deductions	445,986	141,623
Change in Net Position	3,467,372	(7,668)
NET POSITION		
Beginning of year, as restated (Note 1S)	(6,864,716)	216,568
End of year	(\$3,397,344)	\$208,900

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**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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 unit is 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 4E, a receivable from the District has been established.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021**

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, 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 Custodial 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021

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 one source, intergovernmental receivables. 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.

For the fiscal year ended June 30, 2021, the following expenditures exceeded the budgeted appropriations:

	Expenditures Exceeded Budget
Pt. San Pedro - Maintenance Portion Special Revenue Fund	\$10,172
Low and Moderate Income Housing Special Revenue Fund	11,879
Measure C - Wildfire Prevention Special Revenue Fund	575,449

The above expenditures exceeded the budgeted appropriations, however, there were sufficient revenues to cover the excess expenditures during the fiscal year in each of the funds.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Cash Equivalents

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

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.

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 in compensated absences as of June 30, 2021 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$4,763,954	\$118,727	\$4,882,681
Additions	3,014,334	84,914	3,099,248
Payments	(2,972,183)	(85,448)	(3,057,631)
Ending Balance	<u>\$4,806,105</u>	<u>\$118,193</u>	<u>\$4,924,298</u>
Current Portion	<u>\$600,763</u>	<u>\$14,774</u>	<u>\$615,537</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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)

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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. Closed Funds

The Peacock Gap Assessment District, Mariposa Assessment District and the 1997 Financing Authority Revenue Bonds Debt Service Funds were closed as of June 30, 2021.

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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S. *New Accounting Pronouncement*

In January 2017, GASB issued GASB Statement No. 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 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. The provisions of this Statement were implemented during fiscal year 2021. As part of the implementation of this Statement, it was determined that the Pt. San Pedro Road Assessment District Agency Fund be accounted for and reported as a Custodial Fund, which required the restatement of beginning net position of the fund in the amount of \$216,568.

NOTE 2 - CASH AND INVESTMENTS

A. *Policies*

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

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

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

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments as of June 30, 2021, 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	\$87,283,188
Restricted cash and investments	<u>1,299,504</u>
Total Primary Government Cash and Investments	<u>88,582,692</u>

San Rafael Sanitation District (Component Unit):

Cash and investments available for operations	<u>42,815,664</u>
Total San Rafael Sanitation District Cash and Investments	<u>42,815,664</u>

Statement of Fiduciary Net Position (separate statement):

Pt. San Pedro Road Assessment District Custodial Fund:

Restricted cash	<u>229,646</u>
Total Fiduciary Cash	<u>229,646</u>
Total Cash and Investments	<u><u>\$131,628,002</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

The City's investment policy and the California Government Code allow the City to invest in the following 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 Obligations	5 years	N/A	No limit	No limit
Federal Agency Securities and Instruments	5 years	N/A	No limit	No limit
Repurchase Agreements	1 year	N/A	No limit	No limit
Prime Commercial Paper	270 days	A-1	25%	10% of total outstanding commercial paper and 5% of portfolio
Banker's Acceptances	180 days	A	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	AAAm	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 issued by the City of San Rafael	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, 2021

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
Banker's 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
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
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 or U.S. Agency Obligations.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021:

	(a) Level 1	(b) Level 2	(c) Level 3	Total
City:				
Money Market Funds		\$672,976		\$672,976
U.S. Government Obligations	\$4,439,181			4,439,181
Federal Agency Securities and Instruments		13,695,845		13,695,845
Medium-Term Corporate Notes		14,048,285		14,048,285
Investment in Pt. San Pedro Bonds			\$1,195,628 (d)	1,195,628
	<u>\$4,439,181</u>	<u>\$28,417,106</u>	<u>\$1,195,628</u>	34,051,915
<i>Investments Exempt from Fair Value Hierarchy:</i>				
Local Agency Investment Fund				45,372,347
Marin County Investment Pool				<u>81,348</u>
Total Investments				<u>79,505,610</u>
<i>Cash in banks and on hand</i>				<u>9,077,082</u>
Total City Cash and Investments				<u>88,582,692</u>
Fiduciary:				
<i>Cash in banks</i>				<u>229,646</u>
Total Fiduciary Cash				<u>229,646</u>
Total City and Fiduciary Cash				<u>88,812,338</u>
San Rafael Sanitation District:				
<i>Marin County Investment Pool</i>				<u>42,815,664</u>
District's Total Cash and Investments				<u>42,815,664</u>
Total Cash and Investments				<u>\$131,628,002</u>

Source: The above GASB 72 Classifications in the different input levels are provided by US Bank Institution Trust &

- (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, 2021

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	\$672,976		\$672,976
Local Agency Investment Fund	45,372,347		45,372,347
Marin County Investment Pool	81,348		81,348
U.S. Government Obligations		\$4,439,181	4,439,181
Federal Agency Securities and Instruments	4,393,483	9,302,362	13,695,845
Medium-Term Corporate Notes	1,214,676	12,833,609	14,048,285
Investment in Pt. San Pedro Bonds		1,195,628	1,195,628
Total Investments	<u>\$51,734,830</u>	<u>\$27,770,780</u>	<u>79,505,610</u>
<i>Cash in banks and on hand</i>			<u>9,077,082</u>
Total City Cash and Investments			<u>88,582,692</u>
Fiduciary:			
<i>Cash in banks</i>			<u>229,646</u>
Total Fiduciary Cash			<u>229,646</u>
Total City and Fiduciary Cash			<u>88,812,338</u>
San Rafael Sanitation District:			
<i>Marin County Investment Pool</i>			<u>42,815,664</u>
Total District's Cash and Investments			<u>42,815,664</u>
Total Cash and Investments			<u>\$131,628,002</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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.

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, 2021, these investments matured in an average of 291 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 20 days at June 30, 2021.

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

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2021, 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	\$672,976	< 1%	AAAm
Marin County Investment Pool	81,348	< 1%	Aaa/AAA
U.S. Government Obligations	4,439,181	6%	AA+
Federal Agency Securities and Instruments	13,695,845	18%	AA+
Medium-Term Corporate Notes	14,048,285	18%	AA+, AA, A+, A, A-
Local Agency Investment Fund	45,372,347	58%	Not Rated
Investment in Pt. San Pedro Bonds	1,195,628	2%	Not Rated
Total City Investments	<u>79,505,610</u>		
San Rafael Sanitation District:			
Marin County Investment Pool	<u>42,815,664</u>		AAA/V1
Total Investments	<u>\$122,321,274</u>		

H. Concentration Risk

Investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of the total entity-wide investments are as follows at June 30, 2021:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal Agency Securities and Instruments	\$5,382,813

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, were as follows:

From Fund	To Fund	Amount
General Fund	Essential Facilities Capital Projects Fund	\$1,537,629 (A)
	Non-Major Governmental Funds	2,508,443 (B)
Gas Tax Special Revenue Fund	General Fund	646,000 (C)
Essential Facilities Capital Projects Fund	General Fund	1,117,225 (D)
Parking Services Enterprise Fund	General Fund	453,405 (D)
	Non-Major Governmental Funds	85,000 (A)
Employee Retirement Internal Service Fund	General Fund	682,062 (D)
Non-Major Governmental Funds	General Fund	190,826 (C), (E)
	Gas Tax Special Revenue Fund	30,000 (A)
	Essential Facilities Capital Projects Fund	299,000 (F)
		\$7,549,590

(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.

(E) Transfers to close out debt service funds.

(F) Transfers for project support.

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. As of June 30, 2021, these loans consisted of the following:

Employee Loans	\$961
Centertown Associates	269,476
One "H" Street Associates	34,288
Total	\$304,725

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, 2021, the balance of the employee loans receivable was \$961.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 4 - LOANS RECEIVABLE (Continued)
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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, 2021, the balance of the loan including principal and accrued interest was \$269,476.

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, 2021, the balance of this loan was \$34,288.

E. *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, 2021, is \$4,924,370, and is composed of the following:

Defined benefit pension liability allocation	\$3,778,048
Other post-employment benefit liability allocation	<u>1,146,322</u>
Total long-term receivable from San Rafael Sanitation District	<u><u>\$4,924,370</u></u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 - CAPITAL ASSETS

Changes in capital assets during the fiscal year consisted of:

	Balance June 30, 2020	Additions	Retirements	Transfers	Balance June 30, 2021
Governmental Activities					
Capital assets not being depreciated:					
Land	\$83,662,359				\$83,662,359
Construction in progress	62,961,226	\$13,662,829		(\$52,007,098)	24,616,957
Total capital assets not being depreciated	146,623,585	13,662,829		(52,007,098)	108,279,316
Capital assets being depreciated:					
Land improvements	9,762,567				9,762,567
Buildings and structures	73,513,733		(\$57,524)	45,708,933	119,165,142
Machinery and equipment	20,842,395	545,222	(241,658)		21,145,959
Infrastructure	207,290,196	13,140		6,298,165	213,601,501
Total capital assets being depreciated	311,408,891	558,362	(299,182)	52,007,098	363,675,169
Less accumulated depreciation for:					
Land improvements	(6,872,805)	(265,055)			(7,137,860)
Buildings and structures	(22,176,356)	(1,987,389)			(24,163,745)
Machinery and equipment	(13,844,422)	(1,132,227)	233,256		(14,743,393)
Infrastructure	(141,626,308)	(4,946,173)			(146,572,481)
Total accumulated depreciation	(184,519,891)	(8,330,844)	233,256		(192,617,479)
Total net capital assets being depreciated	126,889,000	(7,772,482)	(65,926)	52,007,098	171,057,690
Total governmental activity capital assets	\$273,512,585	\$5,890,347	(\$65,926)		\$279,337,006

	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021
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	1,009,130	\$30,986	(\$99,952)	940,164
Total capital assets being depreciated	11,722,944	30,986	(99,952)	11,653,978
Less accumulated depreciation for:				
Buildings and structures	(3,716,047)	(205,363)		(3,921,410)
Machinery and equipment	(896,307)	(29,256)	77,344	(848,219)
Total accumulated depreciation	(4,612,354)	(234,619)	77,344	(4,769,629)
Total net capital assets being depreciated	7,110,590	(203,633)	(22,608)	6,884,349
Total business-type activity capital assets	\$15,731,443	(\$203,633)	(\$22,608)	\$15,505,202

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2020	Additions	Balance June 30, 2021
San Rafael Sanitation District			
Capital assets not being depreciated:			
Land and easements	\$115,329		\$115,329
Construction in progress	1,377,642	\$2,659,595	4,037,237
Total capital assets not being depreciated	1,492,971	2,659,595	4,152,566
Capital assets being depreciated:			
Subsurface lines	41,453,130	457,173	41,910,303
Sewage collection facilities	45,012,915	60,250	45,073,165
General plant and administration	2,230,686	135,253	2,365,939
Total capital assets being depreciated	88,696,731	652,676	89,349,407
Less accumulated depreciation for:			
Subsurface lines	(13,014,065)	(523,983)	(13,538,048)
Sewage collection facilities	(22,268,128)	(1,416,554)	(23,684,682)
General plant and administration	(1,429,249)	(134,768)	(1,564,017)
Total accumulated depreciation	(36,711,442)	(2,075,305)	(38,786,747)
Total net capital assets being depreciated	51,985,289	(1,422,629)	50,562,660
Total District's capital assets	\$53,478,260	\$1,236,966	\$54,715,226

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

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

Governmental Activities	
General government	\$106,279
Public safety	651,777
Public works and parks	5,461,028
Community development	37,711
Culture and recreation	735,268
Internal service funds	1,338,781
Total Governmental Activities	\$8,330,844
Business-type Activities	
Parking services	\$234,619
Total Business-type Activities	\$234,619

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, are as follows:

	Authorized and Issued	Balance June 30, 2020	Retirements	Balance June 30, 2021	Current Portion
Governmental Activities Bonds:					
2018 Authority Lease Revenue Bonds 4.00%-5.00%, due 6/1/2034 Add: unamortized bond premium	\$45,485,000	\$45,485,000 7,111,209	\$1,910,000 507,944	\$43,575,000 6,603,265	\$2,070,000
2010 Taxable Pension Obligation Bonds 6.00%-6.25%, due 7/1/2025	4,490,000	3,320,000	475,000	2,845,000	505,000
Total Governmental Activities Bonds		55,916,209	2,892,944	53,023,265	2,575,000
Governmental Activities - Direct Borrowings:					
PG & E City Hall HVAC Retrofit Note Payable 0.00%, due 11/30/2023	334,585	112,718	33,280	79,438	33,280
PG & E CEC Efficiency Note Payable 1.00%, due 12/22/2026	1,104,799	971,744	145,431	826,313	146,889
Total Governmental Activities - Direct Borrowings		1,084,462	178,711	905,751	180,169
Total Governmental Activities Debt		\$57,000,671	\$3,071,655	\$53,929,016	\$2,755,169
Business-type Activities:					
Direct Borrowing:					
PG & E Parking Lot Lighting Retrofit Note Payable 0.00%, due 11/30/2023	\$66,380	\$20,939	\$6,816	\$14,123	\$6,816
2012 Authority Lease Revenue Refunding Bonds 2.00-4.00%, due 4/1/2033 Less: unamortized bond discount	6,750,000	4,615,000 (9,247)	290,000 (725)	4,325,000 (8,522)	300,000
Total Business-type Activities Bonds		4,605,753	289,275	4,316,478	300,000
Total Business-type Activities		\$4,626,692	\$296,091	\$4,330,601	\$306,816

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 - LONG-TERM DEBT (Continued)
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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.

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 included 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 - LONG-TERM DEBT (Continued)
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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, 2021

NOTE 6 - LONG-TERM DEBT (Continued)

E. Future Debt Service

Future debt service requirements, including interest, at June 30, 2021, are as follows:

For the Year Ended June 30	Governmental Activities			
	Bonds		Direct Borrowings	
	Principal	Interest	Principal	Interest
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	3,510,000	1,729,256	152,868	1,919
2027 - 2031	18,160,000	6,148,250	77,007	386
2032 - 2034	13,155,000	1,282,000		
Totals	46,420,000	\$17,643,024	905,751	\$25,015
Reconciliation of Long-term debt:				
Add: unamortized premium	6,603,265			
	<u>\$53,023,265</u>		<u>\$905,751</u>	

For the Year Ended June 30	Business-type Activities		
	Bonds		Direct Borrowing
	Principal	Interest	Principal
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	335,000	113,562	
2027 - 2031	1,880,000	382,668	
2032 - 2034	850,000	51,400	
Totals	4,325,000	\$1,102,382	14,123
Reconciliation of Long-term debt:			
Less: unamortized discount	(8,522)		
	<u>\$4,316,478</u>		<u>\$14,123</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, the balances of these Districts' outstanding debt were as follows:

	Project Description	Original Amount	Outstanding June 30, 2021
Pt. San Pedro Road Median Landscaping Assessment District Limited Obligation Bonds-2012	Pt. San Pedro Road Median Landscaping	\$1,750,000	\$1,239,200

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, 2021, the balance of this issuers' outstanding debt was as follows:

	Project Description	Original Amount	Outstanding June 30, 2021
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2000A	162-175 Belvedere Apartments	\$3,590,529	\$899,501
California Statewide Communities Development Authority Revenue Bonds-2001	St. Marks School	5,605,000	2,645,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2002	San Rafael Commons Apartments	6,100,000	4,265,000
San Rafael Redevelopment Agency Multifamily Housing Revenue Bonds-2007 Series A	Martinelli House Project	6,000,000	1,736,147
Multifamily Housing Revenue Bonds-2007 Series B	Martinelli House	1,000,000	141,151
	Total	\$22,295,529	\$9,686,799

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, 2021

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, 2021

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, 2021, are below:

		Special Revenue Funds		Capital Project Funds	Other Governmental Funds	Total
	General Fund	Traffic and Housing Mitigation	Gas Tax	Essential Facilities Capital Projects Fund		
Fund balances:						
Nonspendable:						
Prepays	\$377,861					\$377,861
Total Nonspendable	377,861					377,861
Restricted for:						
Assessment District capital projects					\$305,090	305,090
Baypoint Lagoons Assessment District					190,369	190,369
Bedroom tax capital projects					103,275	103,275
Childcare					368,580	368,580
Development services					300,100	300,100
Emergency medical services					845,028	845,028
Street improvements and Maintenance (Gas Tax)			\$4,344,854			4,344,854
Grant funded programs					755,323	755,323
Household hazmat facility					443,289	443,289
Library					2,477,814	2,477,814
Library assessment					1,011,963	1,011,963
Loch Lomond Assessment District					761,291	761,291
Loch Lomond Assessment District #2					510,358	510,358
Low and Moderate Income Housing					1,223,192	1,223,192
Measure A - Open space					598,505	598,505
Measure C - Wildlife Prevention					418,949	418,949
Measure E - Public Safety Facility				\$12,097,390		12,097,390
Measure G - Cannabis					562,598	562,598
Parkland dedication					332,473	332,473
Public safety					129,544	129,544
Pt. San Pedro- Maintenance Portion					122,899	122,899
Recreation revolving					413,693	413,693
Stormwater					1,168,865	1,168,865
Traffic and housing mitigation		\$6,558,073				6,558,073
Total Restricted		6,558,073	4,344,854	12,097,390	13,043,198	36,043,515
Committed to:						
Capital improvement capital projects					1,816,227	1,816,227
Emergency and cash flow	8,321,000					8,321,000
Park capital projects					14,809	14,809
Total Committed	8,321,000				1,831,036	10,152,036
Assigned to:						
Contractual commitments	4,907,644					4,907,644
Furlough paybacks	533,374					533,374
Infrastructure Reserve	600,000					600,000
General plan / long range planning	1,185,135					1,185,135
Open space capital projects					116,842	116,842
Total Assigned	7,226,153				116,842	7,342,995
Unassigned	920,885					920,885
Total Fund Balances	\$16,845,899	\$6,558,073	\$4,344,854	\$12,097,390	\$14,991,076	\$54,837,292

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 \$8,321,000 at June 30, 2021, and the balance of the reserve, included in the General Fund's committed fund balance was \$8,321,000 at that date. The balance of the reserve previously 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. The balance of the reserve was replenished in full by June 30, 2021.

2) Other Facilities and Infrastructure

The purpose of the assigned infrastructure 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, 2021.

The General Plan/Long Range Planning reserve included in the General Fund's assigned fund balance was \$1,185,135 at June 30, 2021 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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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.

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.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - PENSION PLAN (Continued)

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.

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, 2021 were as follows:

	Employer Contribution Rate	Employee Contribution Rate	Benefit	Basis
City of San Rafael Misc Tier 1	54.12%	0.00% - 16.13%	2.7% @ 55	Highest year
City of San Rafael Misc Tier 2	52.17%	7.34% - 11.76%	2.0% @ 55	Average three highest years
City of San Rafael Fire Tier 1	74.24%	0.00% - 19.59%	3.0% @ 55	Highest year
City of San Rafael Fire Tier 2	72.96%	11.40% - 17.36%	3.0% @ 55	Average three highest years
City of San Rafael Safety Police Tier 1	73.88%	0.00% - 19.59%	3.0% @ 55	Highest year
City of San Rafael Safety Police Tier 2	74.95%	11.40% - 17.36%	3.0% @ 55	Average three highest years
PEPRA Misc	46.24%	9.22%	2.0% @ 62	Average three highest years
PEPRA Safety	63.28%	14.40%	2.7% @ 57	Average three highest years

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - PENSION PLAN (Continued)
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These rates were determined by MCERA, based on the actuarial valuation dated June 30, 2019. The actual rate of return on investments during that year was 5.51% on a market value basis net of investment expenses, as compared to the prior year's 7% 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 \$20,106,821 for the year ended June 30, 2021, based on a total payroll of \$42,784,955, of which \$31,697,590 represented the basis for the plan contributions. Of the total payroll subject to plan contributions, \$1,384,284 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 (11 years remaining as of June 30, 2019), except for the additional UAL attributable to the outstanding unfunded actuarial loss from 2009, which is being amortized over a separate closed period (currently 19 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.

D. Pension Liability and Pension Expense

The City's net pension liability (NPL) has been determined for the financial reporting period ended June 30, 2021 based on the following methodology: The City's NPL as of June 30, 2019 was updated to the measurement date of June 30, 2020 using the actual City's plan assets as of June 30, 2020 and estimating the change in the City's liabilities between July 1, 2019 and June 30, 2020. 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 \$157,279,576, or 34.3574% of the total MCERA NPL of \$457,774,963 (reference MCERA's GASB 67/68 report as of June 30, 2020). This compares to the previous year's NPL of \$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).

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - PENSION PLAN (Continued)

In addition to the reporting of the NPL as of June 30, 2021, the City reported deferred inflows of \$17,358,743 and deferred outflows of \$34,080,980 as of the measurement date June 30, 2020. The City reported post-measurement date outflows of \$20,106,821 from actual fiscal year 2020-2021 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 \$120,450,518. After allocations to the San Rafael Sanitation District, the net impact on the City's Statement of Net Position was \$116,672,470.

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 \$20,106,821. 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.

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

Summary of Results		
Description	Measurement Date 6/30/2020	Measurement Date 6/30/2019
Net Pension Liability	\$157,279,576	\$133,877,531
Deferred Inflows	17,358,743	22,558,119
Deferred Outflows	(34,080,980)	(21,856,007)
Impact on Net Position before Deferred Outflows from Contributions	140,557,339	134,579,643
Additional Deferred Outflows - Contributions Subsequent to Measurement Date	(20,106,821)	(20,031,614)
Impact on Statement of Net Position before Allocations	120,450,518	114,548,029
Allocation of NPL to SRSD	5,026,185	4,354,685
Allocation of Deferred Inflows (measurement date) to SRSD	554,734	733,756
Allocation of Deferred Outflows (measurement date) to SRSD	(1,089,126)	(710,919)
Impact on Net Position before Allocation of Deferred Outflows from Contributions to SRSD	4,491,793	4,377,522
Allocation of Additional Deferred Outflows (Contributions) to SRSD	(713,745)	(655,534)
Long-Term Receivable from SRSD, due to pension obligations (see Note 4E)	3,778,048	3,721,988
Impact on Statement of Net Position, net of receivable from SRSD	\$116,672,470	\$110,826,041
Pension Expense	\$25,009,310	\$22,533,040

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - PENSION PLAN (Continued)
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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, 2020. The beginning of year measurement of TPL is based on the actuarial valuation as of June 30, 2019. The TPL at the end of the measurement year, June 30, 2020, is also measured as of the valuation date of June 30, 2019 and projected to June 30, 2020.

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, 2019. The FNP at the end of the measurement year, June 30, 2020, is also measured as of the valuation date of June 30, 2019, and projected to June 30, 2020.

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, 2020 (measurement date) was determined by an actuarial valuation as of June 30, 2019, 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% per year, net of investment expenses
Discount Rate	7.00% per year
Price Inflation	2.75% per year
Salary Increases	3.00% 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 \$5.2 million for FY 2019-20, 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 2019-20 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, 2021

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, 2020:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Rate of Return (with the effect of inflation)
Domestic Equity	32%	4.90%	7.65%
International Equity	22%	5.00%	7.75%
Fixed Income	23%	0.50%	3.25%
Public Real Assets	7%	3.20%	5.95%
Real Estate	8%	4.00%	6.75%
Private Equity	8%	6.25%	9.00%
Total	100%		

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 (19 years remaining as of the June 30, 2019 actuarial valuation), and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (11 years remaining as of the June 30, 2019 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 87%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 72%.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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	\$1,196,531,719	\$1,059,269,505	\$946,197,520
Fiduciary Net Position	901,989,929	901,989,929	901,989,929
Net Pension Liability	<u>\$294,541,790</u>	<u>\$157,279,576</u>	<u>\$44,207,591</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	75.4%	85.2%	95.3%

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	\$6,897,756	\$293,135
Changes in assumptions	3,504,598	
Change in proportion	6,296,927	6,062,250
Difference between City contributions and proportionate share of contributions		11,003,358
Actual FY 20-21 contributions (post measurement date)	20,106,821	
Net difference between projected and actual earnings on pension plan investments	<u>17,381,699</u>	
Deferred Inflows and Outflows Before Allocations	<u>\$54,187,801</u>	<u>\$17,358,743</u>
Allocation of Deferred Inflows and Outflows to SRSD		
As of measurement date	\$1,089,126	\$554,734
Post-measurement date	<u>713,745</u>	
Net Deferred Inflows and Outflows	<u>\$52,384,930</u>	<u>\$16,804,009</u>

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 - PENSION PLAN (Continued)

The \$20,106,821 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, 2022. 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
2022	(\$64,672)
2023	4,255,724
2024	6,329,346
2025	6,201,839
Total	<u>\$16,722,237</u>

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 \$101,631. The total covered payroll of employees participating in the plan for the year ended June 30, 2021, was \$2,710,163.

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, are summarized as follows:

	Elected Officials, Mid-Management, & Unrepresented Management	All other Bargaining Units
Eligibility	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	
Benefit	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
Surviving Spouse Benefit	Continuation to surviving spouse	
Medicare Part B	Hired < 4/1/07 Full reimbursement Hired ≥ 4/1/07 None	None
Other	No Dental, Vision, or Life Benefits	

Membership in the plan consisted of the following at June 30, 2020, the measurement date:

Active plan members	346
Inactive employees or beneficiaries currently receiving benefit payments	354
Inactive employees entitled to but not yet receiving benefit payments	76
Total	776

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, 2020, using an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. 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 7.25% in 2021 to 4% 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, 2021

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	100%		
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 October 2018 – 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, 2021

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

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2020 (6/30/19 measurement date)	\$48,283,000	\$21,676,000	\$26,607,000
Changes Recognized for the Measurement Period:			
Service Cost	687,000		687,000
Interest on the total OPEB liability	3,196,000		3,196,000
Contributions from the employer		3,784,000	(3,784,000)
Net investment income		770,000	(770,000)
Administrative expenses		(19,000)	19,000
Benefit payments and refunds	(3,225,000)	(3,225,000)	
Net Changes during July 1, 2020 to June 30, 2021	658,000	1,310,000	(652,000)
Balance at June 30, 2021 (6/30/20 measurement date)	\$48,941,000	\$22,986,000	\$25,955,000

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$740,000.

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%)
\$31,318,000	\$25,955,000	\$21,428,000

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%
\$22,700,000	\$25,955,000	\$29,925,000

CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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 2020-2021 were as follows:

Service Cost	\$687,000
Interest on Total OPEB Liability	3,196,000
Projected earning on investments	(1,463,000)
Administrative expense	19,000
Recognition of deferred outflows/inflows:	
Experience	(1,232,000)
Assumptions	361,000
Asset Returns	210,000
OPEB Expense	<u><u>\$1,778,000</u></u>

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2021 were as follows:

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Changes of assumptions	\$1,462,724	\$36,003	\$1,498,727
Net difference between projected and actual earnings on plan investments	421,526	10,164	431,690
Employer contributions made subsequent to the measurement date	3,242,583	80,000	3,322,583
Total deferred outflows of resources	<u><u>\$5,126,833</u></u>	<u><u>\$126,167</u></u>	<u><u>\$5,253,000</u></u>
Deferred inflows of resources:			
Differences between expected and actual experience	\$3,188,859	\$78,141	\$3,267,000
Changes of assumptions	1,747,658	43,342	1,791,000
Total deferred inflows of resources	<u><u>\$4,936,517</u></u>	<u><u>\$121,483</u></u>	<u><u>\$5,058,000</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, 2021

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

\$3,322,583 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, 2022. 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
2022	(\$857,000)
2023	(778,000)
2024	(835,000)
2025	(657,583)
	(\$3,127,583)

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

Summary of Results		
Description	Measurement Date June 30, 2020	Measurement Date June 30, 2019
Net OPEB Liability	\$25,955,000	\$26,607,000
Deferred Inflows	5,058,000	6,814,000
Deferred Outflows	(1,930,417)	(2,332,000)
Impact on Net Position before deferred contributions	29,082,583	31,089,000
Additional Deferred Outflows - Contributions subsequent to measurement date	(3,322,583)	(3,784,000)
Impact on Statement of Net Position before Allocations	25,760,000	27,305,000
Allocation of NOL to SRSD	1,155,000	1,184,000
Allocation of Deferred Inflows (measurement date) to SRSD	225,081	303,220
Allocation of Deferred Outflows (measurement date) to SRSD	(85,885)	(103,773)
Impact on Net Position before deferred contributions to SRSD	1,294,196	1,383,447
Allocation of Additional Deferred Outflows (contributions) to SRSD	(147,874)	(168,386)
Long-Term Receivable from SRSD, due to OPEB obligations (see Note 4E)	1,146,322	1,215,061
Impact on Statement of Net Positions, net of receivable from SRSD	\$24,613,678	\$26,089,939
OPEB Expense	\$1,778,000	\$2,194,000
Covered Employee Payroll	\$39,920,000	\$40,496,000

**CITY OF SAN RAFAEL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021**

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 \$280,241 for the year ended June 30, 2021. 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, administrative responsibility for MarinMap and the CATV program formerly administered by the Marin Telecommunications Authority established to regulate the rates for cable television service and equipment. The City's contribution to MGSA was \$746,336 for the year ended June 30, 2021. 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, 2021

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 \$703,531 of the Authority's operations and debt service for the fiscal year ended June 30, 2021. 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 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, 2021. 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, 2021**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. *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. 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 \$175,501,451. The City is self-insured up to \$750,000 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 \$546,304 in liability coverage premiums during the fiscal year ended June 30, 2021. 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, 2021

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	
			2021	2020
Balance, beginning of year	\$4,353,908	\$8,066,369	\$12,420,277	\$9,721,548
Current year claims and changes in estimates	518,497	1,232,694	1,751,191	4,445,625
Claims paid	(831,198)	(1,071,367)	(1,902,565)	(1,746,896)
Balance, end of year	<u>\$4,041,207</u>	<u>\$8,227,696</u>	<u>\$12,268,903</u>	<u>\$12,420,277</u>
Due in one year	\$1,376,677	\$1,567,398	\$2,944,075	\$3,338,607
Due in more than one year	2,664,530	6,660,298	9,324,828	9,081,670
Total claim liabilities	<u>\$4,041,207</u>	<u>\$8,227,696</u>	<u>\$12,268,903</u>	<u>\$12,420,277</u>

* Liability based on an actuarial valuation as of December 31, 2020, extrapolated to June 30, 2021

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, 2021

NOTE 13 - RISK MANAGEMENT (Continued)

B. 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 Note 1 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, 2021 together with coverage limits for each insured event:

Insurance Program	Limits	Coverage Description
CSRMA - Allied World Assur.	\$3,000,000	Gen/Mgt liability - aggregate
CSRMA - Allied World Assur.	\$1,000,000	Gen/Mgt liability - occurrence
CSRMA - Allied World Assur.	\$1,000,000	Auto liability - accident
CSRMA - Allied World Assur.	\$4,000,000	Excess liability
CSRMA - Public Entity Property Insurance Program (P.E.P.I.P.)	\$2,176,408	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 - first 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, 2021

NOTE 14 - COMMITMENTS AND CONTINGENCIES
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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, 2021, SRSD had several contracts for sewer improvement projects with remaining obligations of approximately \$2,520,000, the majority of which are expected to be completed within the 2021-2022 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, 2021**

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, 2021

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 \$7.1 million in remaining debt service on the Bonds, which is scheduled to occur in 2023. For fiscal year June 30, 2021, 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, 2021

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, 2021:

	Authorized and Issued	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
San Rafael Successor Agency						
1999 Tax Allocation Bonds						
Capital Appreciation Bonds						
5.58%-5.6%, due 12/1/2022	\$2,389,004	\$4,529,313	\$216,865	\$1,440,000	\$3,306,178	\$1,440,000
2002 Tax Allocation Refunding Bonds						
2.00%-5.25%, due 12/1/2021	25,020,000	1,205,000		590,000	615,000	615,000
2009 Tax Allocation Refunding Bonds						
3.00%-5.00%, due 12/1/2022	14,660,000	4,170,000		1,320,000	2,850,000	1,390,000
Add: deferred bond premium costs		239,579		79,861	159,718	
Total Successor Agency Long-term Debt		<u>\$10,143,892</u>	<u>\$216,865</u>	<u>\$3,429,861</u>	<u>\$6,930,896</u>	<u>\$3,445,000</u>

Debt Service Requirements

Annual debt service requirements are shown below:

For the Year Ended June 30	Principal	Interest
2022	\$3,445,000	\$120,819
2023	3,530,000	36,500
Totals	6,975,000	<u>\$157,319</u>
Reconciliation of long-term debt:		
Less: unaccreted discount	(203,822)	
Less: deferred bond premium costs	<u>159,718</u>	
	<u>\$6,930,896</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 was made in ten equal, annual installments. The final payment of \$190,444 was made during the year ended June 30, 2021.

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, 2021, the Successor Agency had prepared fourteen 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, 2021

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>	<u>6/30/2020</u>			
City's proportionate share	36.6081%	34.3574%			
Proportionate share of total pension liability	\$1,082,900,638	\$1,059,269,505			
Proportionate share of fiduciary net position	<u>949,023,107</u>	<u>901,989,929</u>			
Proportionate share of the net pension liability	<u>\$133,877,531</u>	<u>\$157,279,576</u>			
Plan fiduciary net position as a percentage of the total pension liability	87.64%	85.15%			
Covered payroll (report date)	\$32,887,922	\$31,697,590			
Net pension liability as a percentage of covered payroll	407.07%	496.19%			

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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

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	<u>2015</u>
Contractually required contribution	\$17,802,358
Contributions in Relation to the	
Contractually required contribution	<u>17,802,358</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
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; 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, 2021

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>\$0</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, 2021

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>\$0</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; 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

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021</p>
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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>2018</u>
Contractually required contribution	\$20,167,435
Contributions in Relation to the	
Contractually required contribution	<u>20,167,435</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
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, 2021

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>2019</u>
Contractually required contribution	\$20,352,203
Contributions in Relation to the Contractually required contribution	<u>20,352,203</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
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.

<p style="text-align: center;">CITY OF SAN RAFAEL REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021</p>
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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>2020</u>
Contractually required contribution	\$20,031,614
Contributions in Relation to the Contractually required contribution	<u>20,031,614</u>
Contribution Deficiency/ (Excess)	<u>\$0</u>
Covered payroll	\$32,887,922
Contributions as a percentage of covered payroll	60.91%

Notes to Schedule

Valuation Date / Timing 6/30/2018 (for contributions made in FY2019-2020)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2019-20):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (20 years remaining as of 6/30/18), the remaining UAL as of June 30, 2013 (12 years as of 6/30/18), 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	12 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 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017. 0% of all Miscellaneous and 95% of all Safety pre-retirement deaths are assumed to be service-connected.
Disabled Mortality	Rates of mortality for retired members and their beneficiaries are given by CalPERS 2017 Post-Retirement Healthy Morality rates, adjusted by 90% for Males (Miscellaneous and Safety), 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, 2021

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>2021</u>
Contractually required contribution	\$20,106,821
Contributions in Relation to the Contractually required contribution	<u>20,106,821</u>
Contribution Deficiency/ (Excess)	<u><u>\$0</u></u>
Covered payroll	\$31,697,590
Contributions as a percentage of covered payroll	63.43%

Notes to Schedule

Valuation Date / Timing 6/30/2019 (for contributions made in FY2020-2021)

Key Methods and Assumptions Used to Determine Contribution Rates (for FY2020 - 21):

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll with separate period for Extraordinary Gains or Losses (19 years remaining as of 6/30/19), the remaining UAL as of June 30, 2013 (11 years as of 6/30/19), 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	11 years remaining as of June 30, 2019
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; PEPRAs 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 15-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017. 0% of all Miscellaneous and 95% of all Safety pre-retirement deaths are assumed to be service-connected.
Disabled Mortality	Rates of mortality for retired members and their beneficiaries are given by CalPERS 2017 Post-Retirement Healthy Mortality rates, adjusted by 90% for Males (Miscellaneous and Safety), 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, 2021

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

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

Measurement period	2015-16	2016-17	2017-18	2018-19	2019-20
Total OPEB liability					
Service cost	\$766,000	\$789,000	\$822,000	\$805,000	\$687,000
Interest	3,447,000	3,540,000	3,435,000	3,515,000	3,196,000
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)	(3,225,000)
Net change in total OPEB liability	1,317,000	2,038,000	1,229,000	(4,527,000)	658,000
Total OPEB liability - beginning	48,226,000	49,543,000	51,581,000	52,810,000	48,283,000
Total OPEB liability - ending (a)	\$49,543,000	\$51,581,000	\$52,810,000	\$48,283,000	\$48,941,000
OPEB fiduciary net position					
Contributions - employer	\$2,896,000	\$3,475,000	\$3,573,000	\$3,725,000	\$3,784,000
Net investment income	157,000	1,675,000	1,425,000	1,224,000	770,000
Benefit payments, including refunds of employee contributions	(2,896,000)	(3,015,000)	(3,028,000)	(3,072,000)	(3,225,000)
Administrative expense	(7,000)	(8,000)	(44,000)	(12,000)	(19,000)
Net change in plan fiduciary net position	150,000	2,127,000	1,926,000	1,865,000	1,310,000
Plan fiduciary net position - beginning	15,608,000	15,758,000	17,885,000	19,811,000	21,676,000
Plan fiduciary net position - ending (b)	\$15,758,000	\$17,885,000	\$19,811,000	\$21,676,000	\$22,986,000
Plan net OPEB liability - ending (a) - (b)	\$33,785,000	\$33,696,000	\$32,999,000	\$26,607,000	\$25,955,000
Plan fiduciary net position as a percentage of the total OPEB liability	31.81%	34.67%	37.51%	44.89%	46.97%
Covered employee payroll (Report Date)	\$32,885,000	\$36,350,000	\$40,496,000	\$39,920,000	\$39,310,000
Plan net OPEB liability as a percentage of covered employee payroll	102.74%	92.70%	81.49%	66.65%	66.03%

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, 2021
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 to converge to ultimate improvement rates in 2022
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 - 6/30/14 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, 2021**
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><u>(\$33,000)</u></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-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, 2021

SCHEDULE OF CONTRIBUTIONS

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

Fiscal year	2018-19
Actuarially determined contribution	\$3,612,000
Contributions in relation to the actuarially determined contribution	(3,725,000)
Contribution deficiency (excess)	(\$113,000)
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, 2021**
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

CITY OF SAN RAFAEL
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021
SCHEDULE OF CONTRIBUTIONS
Agent Multiple Employer Defined Benefit Plan
Last Ten Fiscal Years
Other Post-Employment Benefits (OPEB)
(Continued)

Fiscal year	2020-21
Actuarially determined contribution	\$3,027,000
Contributions in relation to the actuarially determined contribution	<u>(3,322,583)</u>
Contribution deficiency (excess)	<u>(\$295,583)</u>
Covered employee payroll	\$39,310,000
Contributions as a percentage of covered employee payroll	8.45%

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, 2020 and June 30, 2019, 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



GENERAL FUND AND MAJOR SPECIAL REVENUE FUND BUDGET-TO-ACTUAL STATEMENTS
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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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes and special assessments	\$66,064,254	\$76,123,191	\$76,771,466	\$648,275
Licenses and permits	2,644,570	2,644,570	3,000,666	356,096
Fines and forfeitures	254,895	254,895	219,030	(35,865)
Use of money and properties	189,999	189,999	156,398	(33,601)
Intergovernmental	3,560,070	4,380,070	4,819,890	439,820
Charges for services	2,381,762	2,381,762	2,789,005	407,243
Other revenue	1,165,086	1,904,086	946,294	(957,792)
Total Revenues	76,260,636	87,878,573	88,702,749	824,176
EXPENDITURES				
Current:				
General government	11,176,030	10,949,532	10,795,698	153,834
Public safety	44,713,943	44,695,502	44,558,789	136,713
Public works and parks	11,841,838	12,353,333	12,221,102	132,231
Community development	5,575,867	5,575,865	5,520,129	55,736
Culture and recreation	2,621,335	2,621,330	2,604,071	17,259
Capital outlay	92,776	92,776		92,776
Debt service:				
Principal	2,570,692	2,570,692	2,563,711	6,981
Interest and fiscal charges	2,452,869	2,452,869	2,443,476	9,393
Total Expenditures	81,045,350	81,311,899	80,706,976	604,923
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,784,714)	6,566,674	7,995,773	1,429,099
OTHER FINANCING SOURCES (USES)				
Transfers in	3,914,620	3,089,518	3,089,518	
Transfers out	(2,000,000)	(4,046,072)	(4,046,072)	
Total Other Financing Sources (Uses)	1,914,620	(956,554)	(956,554)	
Net Change in Fund Balance	(\$2,870,094)	\$5,610,120	7,039,219	\$1,429,099
FUND BALANCE, BEGINNING OF YEAR			9,806,680	
FUND BALANCE, END OF YEAR			\$16,845,899	

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Use of money and properties	\$70,000	\$70,000	\$10,666	(\$59,334)
Intergovernmental			1,254,954	1,254,954
Charges for services	550,000	550,000	4,575,877	4,025,877
Other revenue			23,951	23,951
Total Revenues	<u>620,000</u>	<u>620,000</u>	<u>5,865,448</u>	<u>5,245,448</u>
EXPENDITURES				
Current:				
General government	25,000	25,000	1,345,827	(1,320,827)
Public works and parks	400,000	527,044	255,736	271,308
Community development		750,000	750,000	
Capital outlay	<u>1,400,000</u>	<u>2,609,090</u>	<u>1,177,594</u>	<u>1,431,496</u>
Total Expenditures	<u>1,825,000</u>	<u>3,911,134</u>	<u>3,529,157</u>	<u>381,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,205,000)</u>	<u>(3,291,134)</u>	<u>2,336,291</u>	<u>5,627,425</u>
Net Change in Fund Balance	<u>(\$1,205,000)</u>	<u>(\$3,291,134)</u>	<u>2,336,291</u>	<u>\$5,627,425</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,221,782</u>	
FUND BALANCE, END OF YEAR			<u>\$6,558,073</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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Use of money and properties	\$24,000	\$24,000	\$7,349	(\$16,651)
Intergovernmental	3,987,029	3,987,029	7,703,287	3,716,258
Charges for services	1,043,600	1,043,600	1,520,508	476,908
Other revenue	180,000	180,000	216,180	36,180
Total Revenues	5,234,629	5,234,629	9,447,324	4,212,695
EXPENDITURES				
Current:				
General government				
Public works and parks	6,880,000	8,706,479	1,846,936	6,859,543
Capital outlay		10,277,652	9,157,141	1,120,511
Total Expenditures	6,880,000	18,984,131	11,004,077	7,980,054
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,645,371)	(13,749,502)	(1,556,753)	12,192,749
OTHER FINANCING SOURCES (USES)				
Transfers in		30,000	30,000	
Transfers out	(1,646,000)	(646,000)	(646,000)	
Total Other Financing Sources (Uses)	(1,646,000)	(616,000)	(616,000)	
Net Change in Fund Balance	(\$3,291,371)	(\$14,365,502)	(2,172,753)	\$12,192,749
FUND BALANCE, BEGINNING OF YEAR			6,517,607	
FUND BALANCE, END OF YEAR			\$4,344,854	

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Use of money and property	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$8,854</u>	<u>(\$391,146)</u>
Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>8,854</u>	<u>(391,146)</u>
EXPENDITURES				
Capital outlay	<u>8,400,000</u>	<u>8,655,502</u>	<u>1,105,796</u>	<u>7,549,706</u>
Total Expenditures	<u>8,400,000</u>	<u>8,655,502</u>	<u>1,105,796</u>	<u>7,549,706</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,000,000)</u>	<u>(8,255,502)</u>	<u>(1,096,942)</u>	<u>7,158,560</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	220,394	1,836,629	1,836,629	
Transfers out	<u>(1,117,225)</u>	<u>(1,117,225)</u>	<u>(1,117,225)</u>	
Total Other Financing Sources (Uses)	<u>(896,831)</u>	<u>719,404</u>	<u>719,404</u>	
Net Change in Fund Balance	<u><u>(\$8,896,831)</u></u>	<u><u>(\$7,536,098)</u></u>	<u>(377,538)</u>	<u><u>\$7,158,560</u></u>
FUND BALANCE, BEGINNING OF YEAR			<u>12,474,928</u>	
FUND BALANCE, END OF YEAR			<u><u>\$12,097,390</u></u>	

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 that 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.

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.

CAPITAL PROJECTS FUNDS

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

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

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

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

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



CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS				
	Recreation Revolving	Baypoint Lagoons Assessment District	Household Hazmat Facility	Childcare	Loch Lomond #10 Community Facilities Dist.
ASSETS					
Cash and investments	\$765,939	\$199,902	\$282,253	\$377,300	\$761,111
Restricted cash and investments					
Receivables:					
Accounts	147,219		429,502		
Taxes		203			180
Grants				31,401	
Interest					
Loans					
Total Assets	<u>\$913,158</u>	<u>\$200,105</u>	<u>\$711,755</u>	<u>\$408,701</u>	<u>\$761,291</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$130,106	\$9,736	\$268,466	\$40,121	
Deposits payable					
Developer deposits payable					
Unearned revenue	<u>369,359</u>				
Total Liabilities	<u>499,465</u>	<u>9,736</u>	<u>268,466</u>	<u>40,121</u>	
Fund Balances:					
Restricted	413,693	190,369	443,289	368,580	\$761,291
Committed					
Assigned					
Total Fund Balances	<u>413,693</u>	<u>190,369</u>	<u>443,289</u>	<u>368,580</u>	<u>761,291</u>
Total Liabilities and Fund Balances	<u>\$913,158</u>	<u>\$200,105</u>	<u>\$711,755</u>	<u>\$408,701</u>	<u>\$761,291</u>

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$509,019	\$2,479,401	\$1,033,685	\$129,544	\$1,266,638	\$432,317	\$776,137
1,339		7,364		6,292		
<u>\$510,358</u>	<u>\$2,479,401</u>	<u>\$1,041,049</u>	<u>\$129,544</u>	<u>\$1,272,930</u>	<u>\$432,317</u>	<u>\$776,137</u>
	\$1,587	\$29,086		\$104,065	\$1,599 126,983 3,635	\$12,545 8,269
	<u>1,587</u>	<u>29,086</u>		<u>104,065</u>	<u>132,217</u>	<u>20,814</u>
\$510,358	2,477,814	1,011,963	\$129,544	1,168,865	300,100	755,323
<u>510,358</u>	<u>2,477,814</u>	<u>1,011,963</u>	<u>129,544</u>	<u>1,168,865</u>	<u>300,100</u>	<u>755,323</u>
<u>\$510,358</u>	<u>\$2,479,401</u>	<u>\$1,041,049</u>	<u>\$129,544</u>	<u>\$1,272,930</u>	<u>\$432,317</u>	<u>\$776,137</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS				
	Parkland Dedication	Emergency Medical Services	Business Improvement	Pt. San Pedro Maintenance Portion	Low and Moderate Income Housing
ASSETS					
Cash and investments	\$332,473	\$745,153	\$12,585	\$125,477	\$959,818
Restricted cash and investments					
Receivables:					
Accounts		109,219			6,558
Taxes		37,043		978	
Grants					
Interest					127
Loans					269,476
Total Assets	<u>\$332,473</u>	<u>\$891,415</u>	<u>\$12,585</u>	<u>\$126,455</u>	<u>\$1,235,979</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		\$46,387	\$12,585	\$3,556	\$12,787
Deposits payable					
Developer deposits payable					
Unearned revenue					
Total Liabilities		<u>46,387</u>	<u>12,585</u>	<u>3,556</u>	<u>12,787</u>
Fund Balances:					
Restricted	\$332,473	845,028		122,899	1,223,192
Committed					
Assigned					
Total Fund Balances	<u>332,473</u>	<u>845,028</u>		<u>122,899</u>	<u>1,223,192</u>
Total Liabilities and Fund Balances	<u>\$332,473</u>	<u>\$891,415</u>	<u>\$12,585</u>	<u>\$126,455</u>	<u>\$1,235,979</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
\$351,846	\$421,824	\$608,685				\$289,112 624,245
247,888	140,774	78,180				1,174,374 628
<u>\$599,734</u>	<u>\$562,598</u>	<u>\$686,865</u>				<u>\$2,088,359</u>
\$1,229		\$267,916				\$262,513 9,619
<u>1,229</u>		<u>267,916</u>				<u>272,132</u>
598,505	\$562,598	418,949				1,816,227
<u>598,505</u>	<u>562,598</u>	<u>418,949</u>				<u>1,816,227</u>
<u>\$599,734</u>	<u>\$562,598</u>	<u>\$686,865</u>				<u>\$2,088,359</u>

(Continued)

CITY OF SAN RAFAEL
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
FOR THE YEAR ENDED JUNE 30, 2021

	CAPITAL PROJECTS FUNDS				Total Non-Major Governmental Funds
	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	
ASSETS					
Cash and investments	\$103,275	\$223,742	\$16,436	\$116,842	\$13,320,514
Restricted cash and investments		81,348			705,593
Receivables:					
Accounts					692,498
Taxes					520,241
Grants					1,205,775
Interest					755
Loans					269,476
Total Assets	<u>\$103,275</u>	<u>\$305,090</u>	<u>\$16,436</u>	<u>\$116,842</u>	<u>\$16,714,852</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$1,627		\$1,205,911
Deposits payable					144,871
Developer deposits payable					3,635
Unearned revenue					369,359
Total Liabilities			<u>1,627</u>		<u>1,723,776</u>
Fund Balances:					
Restricted	\$103,275	\$305,090			13,043,198
Committed			14,809		1,831,036
Assigned				\$116,842	116,842
Total Fund Balances	<u>103,275</u>	<u>305,090</u>	<u>14,809</u>	<u>116,842</u>	<u>14,991,076</u>
Total Liabilities and Fund Balances	<u>\$103,275</u>	<u>\$305,090</u>	<u>\$16,436</u>	<u>\$116,842</u>	<u>\$16,714,852</u>



CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	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			\$22,558
Use of money and properties	\$17,682	407	\$614	\$1,345	1,558
Intergovernmental	14,293			260,808	
Charges for services	522,804		178,015	2,408,851	
Other revenue	6,779			9,720	
Total Revenues	561,558	25,775	178,629	2,680,724	24,116
EXPENDITURES					
Current:					
General government					
Public safety			146,796		
Public works and parks		45,098			7,174
Community development					
Culture and recreation	2,694,309			3,586,230	
Capital outlay					
Total Expenditures	2,694,309	45,098	146,796	3,586,230	7,174
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,132,751)	(19,323)	31,833	(905,506)	16,942
OTHER FINANCING SOURCES (USES)					
Transfers in	2,500,000				
Transfers out					(10,683)
Total Other Financing Sources (Uses)	2,500,000				(10,683)
Net Change in Fund Balances	367,249	(19,323)	31,833	(905,506)	6,259
Fund Balance, Beginning	46,444	209,692	411,456	1,274,086	755,032
Fund Balance, Ending	\$413,693	\$190,369	\$443,289	\$368,580	\$761,291

SPECIAL REVENUE FUNDS

Loch Lomond Marina #2 Community Facilities Dist.	Library	Library Assessment	Public Safety	Stormwater	Development Services	Grants
\$167,402 883	\$5,022	\$1,073,425 1,585	\$75,056	\$2,066	\$36,061	\$500,068
	1,185 23,310		10,319	834,407 1,770		
168,285	29,517	1,075,010	85,375	838,243	36,061	500,068
13,827			161,975	498,183		67,144 430,449
	7,543	795,268		30,663		
13,827	7,543	795,268	161,975	528,846		497,593
154,458	21,974	279,742	(76,600)	309,397	36,061	2,475
(9,000)			85,000	(30,000)		8,443
(9,000)			85,000	(30,000)		8,443
145,458	21,974	279,742	8,400	279,397	36,061	10,918
364,900	2,455,840	732,221	121,144	889,468	264,039	744,405
\$510,358	\$2,477,814	\$1,011,963	\$129,544	\$1,168,865	\$300,100	\$755,323

(Continued)

CITY OF SAN RAFAEL
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	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	\$6,425	\$5,153,449		\$145,778	
Use of money and properties	639	286		112	\$409,393
Intergovernmental		168,604			
Charges for services	35,424	2,199,287			
Other revenue		510,889		67,880	27,024
Total Revenues	42,488	8,032,515		213,770	436,417
EXPENDITURES					
Current:					
General government					106,879
Public safety		7,614,489			
Public works and parks				178,372	
Community development					
Culture and recreation					
Capital outlay					
Total Expenditures		7,614,489		178,372	106,879
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	42,488	418,026		35,398	329,538
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out		(299,000)			
Total Other Financing Sources (Uses)		(299,000)			
Net Change in Fund Balances	42,488	119,026		35,398	329,538
Fund Balance, Beginning	289,985	726,002		87,501	893,654
Fund Balance, Ending	\$332,473	\$845,028		\$122,899	\$1,223,192

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
\$500,463 501	\$628,118	\$1,845,116 387				\$3,964 2,062,789
		23,239				
500,964	628,118	1,868,742				2,066,753
	107,033 34,460	1,403,087				
58,371						
9,359 4,429		35,588				2,123,855
72,159	141,493	1,438,675				2,123,855
428,805	486,625	430,067				(57,102)
			(\$2,875)	(\$16,573)	(\$151,695)	
			(2,875)	(16,573)	(151,695)	
428,805	486,625	430,067	(2,875)	(16,573)	(151,695)	(57,102)
169,700	75,973	(11,118)	2,875	16,573	151,695	1,873,329
\$598,505	\$562,598	\$418,949				\$1,816,227

(Continued)

CITY OF SAN RAFAEL
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	CAPITAL PROJECTS FUNDS				Total Non-Major Governmental Funds
	Bedroom Tax	Assessment Districts	Park Capital Projects	Open Space	
REVENUES					
Taxes and special assessments	\$8,160				\$9,576,262
Use of money and properties	208	\$884		\$240	483,837
Intergovernmental					3,081,618
Charges for services					6,179,973
Other revenue			\$7,944		688,874
Total Revenues	8,368	884	7,944	240	20,010,564
EXPENDITURES					
Current:					
General government				4,318	285,374
Public safety					9,805,083
Public works and parks					787,198
Community development					
Culture and recreation			3,959		7,096,668
Capital outlay					2,194,535
Total Expenditures			3,959	4,318	20,168,858
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,368	884	3,985	(4,078)	(158,294)
OTHER FINANCING SOURCES (USES)					
Transfers in					2,593,443
Transfers out					(519,826)
Total Other Financing Sources (Uses)					2,073,617
Net Change in Fund Balances	8,368	884	3,985	(4,078)	1,915,323
Fund Balance, Beginning	94,907	304,206	10,824	120,920	13,075,753
Fund Balance, Ending	\$103,275	\$305,090	\$14,809	\$116,842	\$14,991,076



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, 2021

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)
Use of money and properties	\$31,400	\$17,682	(\$13,718)	4,000	407	(3,593)
Intergovernmental	73,945	14,293	(59,652)			
Charges for services	1,762,462	522,804	(1,239,658)			
Other revenue	570	6,779	6,209			
Total Revenues	<u>1,868,377</u>	<u>561,558</u>	<u>(1,306,819)</u>	<u>29,500</u>	<u>25,775</u>	<u>(3,725)</u>
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks				229,278	45,098	184,180
Community development						
Culture and recreation	3,869,165	2,694,309	1,174,856			
Capital outlay						
Total Expenditures	<u>3,869,165</u>	<u>2,694,309</u>	<u>1,174,856</u>	<u>229,278</u>	<u>45,098</u>	<u>184,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,000,788)</u>	<u>(2,132,751)</u>	<u>(131,963)</u>	<u>(199,778)</u>	<u>(19,323)</u>	<u>180,455</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,500,000	2,500,000				
Transfers out						
Total Other Financing Sources (Uses)	<u>2,500,000</u>	<u>2,500,000</u>				
NET CHANGE IN FUND BALANCE	<u>\$499,212</u>	<u>367,249</u>	<u>(\$131,963)</u>	<u>(\$199,778)</u>	<u>(19,323)</u>	<u>\$180,455</u>
FUND BALANCES, BEGINNING OF YEAR		<u>46,444</u>			<u>209,692</u>	
FUND BALANCES, END OF YEAR		<u>\$413,693</u>			<u>\$190,369</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)
\$2,000	\$614	(\$1,386)	\$20,000	\$1,345	(\$18,655)	\$21,399	\$22,558	\$1,159
			385,799	260,808	(124,991)	12,000	1,558	(10,442)
178,470	178,015	(455)	4,200,000	2,408,851	(1,791,149)			
				9,720	9,720			
180,470	178,629	(1,841)	4,605,799	2,680,724	(1,925,075)	33,399	24,116	(9,283)
176,835	146,796	30,039						
						10,929	7,174	3,755
			4,726,946	3,586,230	1,140,716			
176,835	146,796	30,039	4,726,946	3,586,230	1,140,716	10,929	7,174	3,755
3,635	31,833	28,198	(121,147)	(905,506)	(784,359)	22,470	16,942	(5,528)
						(10,683)	(10,683)	
						(10,683)	(10,683)	
\$3,635	31,833	\$28,198	(\$121,147)	(905,506)	(\$784,359)	\$11,787	6,259	(\$5,528)
	411,456			1,274,086			755,032	
	\$443,289			\$368,580			\$761,291	

(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, 2021

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	\$167,402	\$87,402			
Use of money and properties	5,000	883	(4,117)	\$32,500	\$5,022	(\$27,478)
Intergovernmental				1,000		(1,000)
Charges for services				7,500	1,185	(6,315)
Other revenue				7,000	23,310	16,310
Total Revenues	85,000	168,285	83,285	48,000	29,517	(18,483)
EXPENDITURES						
Current:						
General government						
Public safety						
Public works and parks	172,500	13,827	158,673			
Community development						
Culture and recreation				40,000	7,543	32,457
Capital outlay						
Total Expenditures	172,500	13,827	158,673	40,000	7,543	32,457
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(87,500)	154,458	241,958	8,000	21,974	13,974
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(9,000)	(9,000)				
Total Other Financing Sources (Uses)	(9,000)	(9,000)				
NET CHANGE IN FUND BALANCE	<u>(\$96,500)</u>	145,458	<u>\$241,958</u>	<u>\$8,000</u>	21,974	<u>\$13,974</u>
FUND BALANCES, BEGINNING OF YEAR		<u>364,900</u>			<u>2,455,840</u>	
FUND BALANCES, END OF YEAR		<u>\$510,358</u>			<u>\$2,477,814</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)
\$1,089,591	\$1,073,425	(\$16,166)						
2,500	1,585	(915)						
			\$75,100	\$75,056	(\$44)	\$4,001	\$2,066	(\$1,935)
						827,423	834,407	6,984
			75,000	10,319	(64,681)	5,000	1,770	(3,230)
1,092,091	1,075,010	(17,081)	150,100	85,375	(64,725)	836,424	838,243	1,819
			260,907	161,975	98,932			
						996,838	498,183	498,655
1,097,533	795,268	302,265						
						119,317	30,663	88,654
1,097,533	795,268	302,265	260,907	161,975	98,932	1,116,155	528,846	587,309
(5,442)	279,742	285,184	(110,807)	(76,600)	34,207	(279,731)	309,397	589,128
			85,000	85,000		(30,000)	(30,000)	
			85,000	85,000		(30,000)	(30,000)	
(\$5,442)	279,742	\$285,184	(\$25,807)	8,400	\$34,207	(\$309,731)	279,397	\$589,128
	732,221			121,144			889,468	
	\$1,011,963			\$129,544			\$1,168,865	

(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, 2021

SPECIAL REVENUE FUNDS					
	Development Services			Grants	
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Variance Positive (Negative)
REVENUES					
Taxes and special assessments					
Use of money and properties	\$45,000	\$36,061	(\$8,939)		
Intergovernmental				\$449,250	\$500,068
Charges for services					\$50,818
Other revenue					
Total Revenues	45,000	36,061	(8,939)	449,250	500,068
EXPENDITURES					
Current:					
General government				120,005	67,144
Public safety				719,643	430,449
Public works and parks					289,194
Community development					
Culture and recreation					
Capital outlay					
Total Expenditures				839,648	497,593
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,000	36,061	(8,939)	(390,398)	2,475
OTHER FINANCING SOURCES (USES)					
Transfers in				8,443	8,443
Transfers out					
Total Other Financing Sources (Uses)				8,443	8,443
NET CHANGE IN FUND BALANCE	<u>\$45,000</u>	<u>36,061</u>	<u>(\$8,939)</u>	<u>(\$381,955)</u>	<u>10,918</u>
FUND BALANCES, BEGINNING OF YEAR		<u>264,039</u>			<u>744,405</u>
FUND BALANCES, END OF YEAR		<u>\$300,100</u>			<u>\$755,323</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)
	\$6,425	\$6,425	\$5,189,000	\$5,153,449	(\$35,551)			
\$5,000	639	(4,361)	2,750	286	(2,464)			
			140,000	168,604	28,604			
	35,424	35,424	2,601,000	2,199,287	(401,713)			
			450,000	510,889	60,889			
5,000	42,488	37,488	8,382,750	8,032,515	(350,235)			
100,000		100,000	8,142,999	7,614,489	528,510			
100,000		100,000	8,142,999	7,614,489	528,510			
(95,000)	42,488	137,488	239,751	418,026	178,275			
			(299,000)	(299,000)				
			(299,000)	(299,000)				
(\$95,000)	42,488	\$137,488	(\$59,249)	119,026	\$178,275			
	289,985			726,002				
	\$332,473			\$845,028				

(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, 2021

SPECIAL REVENUE FUNDS						
Pt. San Pedro-Maintenance Portion			Low and Moderate Income Housing			
Final		Variance	Final		Variance	
Budget	Actual	Positive	Budget	Actual	Positive	
		(Negative)			(Negative)	
REVENUES						
Taxes and special assessments	\$145,000	\$145,778	\$778			
Use of money and properties		112	112	\$10,000	\$409,393	\$399,393
Intergovernmental						
Charges for services						
Other revenue		67,880	67,880		27,024	27,024
Total Revenues	145,000	213,770	68,770	10,000	436,417	426,417
EXPENDITURES						
Current:						
General government				95,000	106,879	(11,879)
Public safety						
Public works and parks	168,200	178,372	(10,172)			
Community development						
Culture and recreation						
Capital outlay						
Total Expenditures	168,200	178,372	(10,172)	95,000	106,879	(11,879)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(23,200)	35,398	58,598	(85,000)	329,538	414,538
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCE	<u>(\$23,200)</u>	35,398	<u>\$58,598</u>	<u>(\$85,000)</u>	329,538	<u>\$414,538</u>
FUND BALANCES, BEGINNING OF YEAR		87,501			893,654	
FUND BALANCES, END OF YEAR		<u>\$122,899</u>			<u>\$1,223,192</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)
\$365,003 501	\$500,463 501	\$135,460	\$300,000	\$628,118	\$328,118	\$913,226	\$1,845,116 387	\$931,890 387
							23,239	23,239
365,504	500,964	135,460	300,000	628,118	328,118	913,226	1,868,742	955,516
			269,932 30,068	107,033 34,460	162,899 (4,392)	863,226	1,403,087	(539,861)
164,760	58,371	106,389						
13,477 210,003	9,359 4,429	4,118 205,574					35,588	(35,588)
388,240	72,159	316,081	300,000	141,493	158,507	863,226	1,438,675	(575,449)
(22,736)	428,805	451,541		486,625	486,625	50,000	430,067	380,067
(\$22,736)	428,805	\$451,541		486,625	\$486,625	\$50,000	430,067	\$380,067
	169,700			75,973			(11,118)	
	\$598,505			\$562,598			\$418,949	

(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, 2021

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

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, 2021

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
ASSETS					
Current Assets:					
Cash and investments	\$1,502,248	\$3,753,231	\$4,834,425	\$175,096	\$5,394,827
Grants receivable	19,704				
Capital assets:					
Nondepreciable assets	346,647				
Depreciable assets, net	<u>5,952,050</u>	<u>5,877,196</u>	<u>228,244</u>		
Total Assets	<u>7,820,649</u>	<u>9,630,427</u>	<u>5,062,669</u>	<u>175,096</u>	<u>5,394,827</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	62,550	60,385	247,059	28,494	7,975
Claims payable - due in one year					1,376,677
Non-current Liabilities:					
Claims payable - due in more than one year					<u>2,664,530</u>
Total Liabilities	<u>62,550</u>	<u>60,385</u>	<u>247,059</u>	<u>28,494</u>	<u>4,049,182</u>
NET POSITION:					
Net investment in capital assets	6,298,697	5,877,196	228,244		
Unrestricted	<u>1,459,402</u>	<u>3,692,846</u>	<u>4,587,366</u>	<u>146,602</u>	<u>1,345,645</u>
Total Net Position	<u>\$7,758,099</u>	<u>\$9,570,042</u>	<u>\$4,815,610</u>	<u>\$146,602</u>	<u>\$1,345,645</u>

<u>Workers'</u> <u>Compensation</u>	<u>Dental</u> <u>Insurance</u>	<u>Employee</u> <u>Retirement</u>	<u>OPEB/</u> <u>Retiree</u> <u>Medical</u>	<u>Radio</u> <u>Replacement</u>	<u>Telephone</u> <u>Replacement</u>	<u>Sewer</u> <u>Maintenance</u>	<u>Total</u>
\$9,225,981	\$364,514	\$2,683,430	\$1,165,722	\$4,365	\$369,082	\$75,880	\$29,548,801 19,704
							346,647 12,057,490
<u>9,225,981</u>	<u>364,514</u>	<u>2,683,430</u>	<u>1,165,722</u>	<u>4,365</u>	<u>369,082</u>	<u>75,880</u>	<u>41,972,642</u>
692 1,567,398	3,542		25,839		15,245	75,880	527,661 2,944,075
<u>6,660,298</u>							<u>9,324,828</u>
<u>8,228,388</u>	<u>3,542</u>		<u>25,839</u>		<u>15,245</u>	<u>75,880</u>	<u>12,796,564</u>
997,593	360,972	2,683,430	1,139,883	4,365	353,837		12,404,137 16,771,941
<u>\$997,593</u>	<u>\$360,972</u>	<u>\$2,683,430</u>	<u>\$1,139,883</u>	<u>\$4,365</u>	<u>\$353,837</u>		<u>\$29,176,078</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, 2021

	<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	\$1,060,248	\$2,200,000	\$3,953,346	\$679,000	\$1,764,880
Intergovernmental	19,704				
Other operating revenues		5,086	3,671		
Total Operating Revenues	<u>1,079,952</u>	<u>2,205,086</u>	<u>3,957,017</u>	<u>679,000</u>	<u>1,764,880</u>
OPERATING EXPENSES					
Personnel				850,402	248,813
Insurance premiums and claims					1,180,700
Maintenance and repairs	127,521	1,130			
General and administrative	55,543		1,896,374	220,001	
Depreciation expense	<u>289,221</u>	<u>981,783</u>	<u>67,777</u>		
Total Operating Expenses	<u>472,285</u>	<u>982,913</u>	<u>1,964,151</u>	<u>1,070,403</u>	<u>1,429,513</u>
Operating Income (Loss)	<u>607,667</u>	<u>1,222,173</u>	<u>1,992,866</u>	<u>(391,403)</u>	<u>335,367</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	1,746	5,468	6,030	4,144	10,276
Gain from sale of capital assets		<u>26,784</u>			
Total Nonoperating Revenues (Expenses)	<u>1,746</u>	<u>32,252</u>	<u>6,030</u>	<u>4,144</u>	<u>10,276</u>
Net income (loss) before contributions and transfers	609,413	1,254,425	1,998,896	(387,259)	345,643
TRANSFERS OUT					
Change in Net Position	609,413	1,254,425	1,998,896	(387,259)	345,643
NET POSITION, BEGINNING 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>
NET POSITION, END OF YEAR	<u><u>\$7,758,099</u></u>	<u><u>\$9,570,042</u></u>	<u><u>\$4,815,610</u></u>	<u><u>\$146,602</u></u>	<u><u>\$1,345,645</u></u>

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Retiree Medical	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
\$2,258,229	\$450,001		\$3,207,725	\$648,660	\$666,761	\$2,756,864	\$19,645,714
			916,927		402		19,704
							926,086
2,258,229	450,001		4,124,652	648,660	667,163	2,756,864	20,591,504
186,838						2,648,977	3,935,030
1,690,665	369,760		3,489,548				6,730,673
					22,756		151,407
1,281		\$2,001		703,532	448,369	107,887	3,434,988
							1,338,781
1,878,784	369,760	2,001	3,489,548	703,532	471,125	2,756,864	15,590,879
379,445	80,241	(2,001)	635,104	(54,872)	196,038		5,000,625
18,148	673	6,040			409		52,934
							26,784
18,148	673	6,040			409		79,718
397,593	80,914	4,039	635,104	(54,872)	196,447		5,080,343
		(682,062)					(682,062)
397,593	80,914	(678,023)	635,104	(54,872)	196,447		4,398,281
600,000	280,058	3,361,453	504,779	59,237	157,390		24,777,797
\$997,593	\$360,972	\$2,683,430	\$1,139,883	\$4,365	\$353,837		\$29,176,078

CITY OF SAN RAFAEL
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Building Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Employee Benefits</u>	<u>Liability Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers/other funds	\$1,067,393	\$2,202,128	\$3,953,346	\$679,000	\$1,764,880
Cash payments to suppliers for goods and services	(124,581)	(1,130)	(1,804,838)	(301,519)	(1,496,033)
Cash payments to employees for salaries and benefits				(850,402)	(248,813)
Other operating revenues		5,086	3,671		
Cash Flows from Operating Activities	<u>942,812</u>	<u>2,206,084</u>	<u>2,152,179</u>	<u>(472,921)</u>	<u>20,034</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments					
Cash Flows from Noncapital Financing Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(15,122)	(504,527)			
Proceeds from sale of property		35,187			
Cash Flows from Investing Activities	<u>(15,122)</u>	<u>(469,340)</u>			
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>1,746</u>	<u>5,468</u>	<u>6,030</u>	<u>4,144</u>	<u>10,276</u>
Cash Flows from Investing Activities	<u>1,746</u>	<u>5,468</u>	<u>6,030</u>	<u>4,144</u>	<u>10,276</u>
Net increase (decrease) in cash and cash equivalents	929,436	1,742,212	2,158,209	(468,777)	30,310
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>572,812</u>	<u>2,011,019</u>	<u>2,676,216</u>	<u>643,873</u>	<u>5,364,517</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$1,502,248</u></u>	<u><u>\$3,753,231</u></u>	<u><u>\$4,834,425</u></u>	<u><u>\$175,096</u></u>	<u><u>\$5,394,827</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$607,667	\$1,222,173	\$1,992,866	(\$391,403)	\$335,367
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	289,221	981,783	67,777		
Net change in assets and liabilities:					
Accounts receivable	(12,559)	2,128			
Accounts payable	58,483		91,536	(81,518)	(2,632)
Claims payable					(312,701)
Net Cash Provided by (Used in) Operating Activities	<u><u>\$942,812</u></u>	<u><u>\$2,206,084</u></u>	<u><u>\$2,152,179</u></u>	<u><u>(\$472,921)</u></u>	<u><u>\$20,034</u></u>
NON-CASH TRANSACTIONS:					
Retirement of capital assets		<u><u>(\$8,403)</u></u>			

Workers' Compensation	Dental Insurance	Employee Retirement	OPEB/ Employee Retirement	Radio Replacement	Telephone Replacement	Sewer Maintenance	Total
\$2,258,229	\$450,001		\$3,279,300	\$648,660	\$666,761	\$2,756,864	\$19,726,562
(1,530,071)	(373,394)	(\$2,001)	(3,501,779)	(703,532)	(511,712)	(2,813,711)	(13,164,301)
(186,838)							(1,286,053)
			916,927		402		926,086
541,320	76,607	(2,001)	694,448	(54,872)	155,451	(56,847)	6,202,294
		(682,062)					(682,062)
		(682,062)					(682,062)
							(519,649)
							35,187
							(484,462)
18,148	673	6,040			409		52,934
18,148	673	6,040			409		52,934
559,468	77,280	(678,023)	694,448	(54,872)	155,860	(56,847)	5,088,704
8,666,513	287,234	3,361,453	471,274	59,237	213,222	132,727	24,460,097
\$9,225,981	\$364,514	\$2,683,430	\$1,165,722	\$4,365	\$369,082	\$75,880	\$29,548,801
\$379,445	\$80,241	(\$2,001)	\$635,104	(\$54,872)	\$196,038		\$5,000,625
							1,338,781
			71,575				61,144
548	(3,634)		(12,231)		(40,587)	(\$56,847)	(46,882)
161,327							(151,374)
\$541,320	\$76,607	(\$2,001)	\$694,448	(\$54,872)	\$155,451	(\$56,847)	\$6,202,294
							(\$8,403)





Goat Grazing-wildfire tax dollars at work

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. Property Tax Rates, Direct & Overlapping Governments
4. Principal Property Taxpayers
5. 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

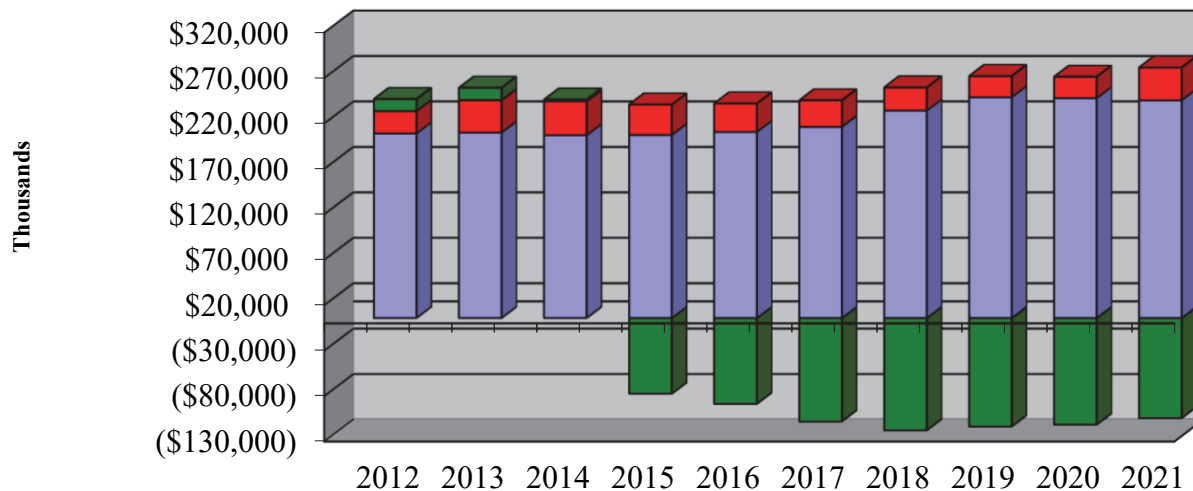
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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)



■ Net investment in capital assets ■ Restricted ■ Unrestricted

	Fiscal Year Ended June 30,			
	2012	2013	2014	2015
Governmental activities				
Net investment in capital assets	\$192,361,245	\$193,222,791	\$190,286,275	\$190,621,085
Restricted	24,693,205	35,780,412	37,339,141	33,389,224
Unrestricted	10,652,263	11,151,318	(196,824)	(82,336,534)
Total governmental activities net position	<u>\$227,706,713</u>	<u>\$240,154,521</u>	<u>\$227,428,592</u>	<u>\$141,673,775</u>
Business-type activities				
Net investment in capital assets	\$10,650,558	\$10,670,190	\$10,786,591	\$10,744,952
Unrestricted	2,495,889	2,501,498	2,049,957	(938,519)
Total business-type activities net position	<u>\$13,146,447</u>	<u>\$13,171,688</u>	<u>\$12,836,548</u>	<u>\$9,806,433</u>
Primary government				
Net investment in capital assets	\$203,011,803	\$203,892,981	\$201,072,866	\$201,366,037
Restricted	24,693,205	35,780,412	37,339,141	33,389,224
Unrestricted	13,148,152	13,652,816	1,853,133	(83,275,053)
Total primary government net position	<u>\$240,853,160</u>	<u>\$253,326,209</u>	<u>\$240,265,140</u>	<u>\$151,480,208</u>

(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.

2016	2017	2018	2019	2020	2021
\$193,707,175	\$199,202,842	\$217,170,376	\$231,844,210	\$230,737,025	\$228,252,998
31,286,725	29,225,643	25,549,583	23,288,874	23,522,748	36,175,158
(93,273,480)	(112,913,181)	(122,577,233)	(118,215,177)	(116,133,437)	(107,929,957)
<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>	<u>\$156,498,199</u>
\$10,958,058	\$10,968,642	\$10,951,518	\$11,023,426	\$11,104,751	\$11,174,601
(1,136,050)	(871,620)	(886,848)	(1,180,121)	(1,204,307)	(2,205,300)
<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>	<u>\$8,969,301</u>
\$204,665,233	\$210,171,484	\$228,121,894	\$242,867,636	\$241,841,776	\$239,427,599
31,286,725	29,225,643	25,549,583	23,288,874	23,522,748	36,175,158
(94,409,530)	(113,784,801)	(123,464,081)	(119,395,298)	(117,337,744)	(110,135,257)
<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>	<u>\$165,467,500</u>

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

	Fiscal Year Ended June 30,			
	2012	2013	2014	2015
Expenses				
Governmental Activities:				
General government	\$10,171,332	\$10,202,530	\$9,085,672	\$9,099,858
Public safety	39,876,910	41,966,065	43,800,158	39,968,631
Public works and parks	17,423,033	17,695,164	22,125,336	16,893,164
Community development	4,587,557	3,403,158	3,451,244	3,128,373
Culture and recreation	11,020,663	11,330,058	11,846,818	11,198,151
Interest on long-term debt and fiscal charges	1,224,991	283,805	327,350	284,288
Total Governmental Activities Expenses	84,304,486	84,880,780	90,636,578	80,572,465
Business-Type Activities:				
Parking services	3,446,482	3,545,387	4,125,476	4,249,597
Total Business-Type Activities Expenses	3,446,482	3,545,387	4,125,476	4,249,597
Total Primary Government Expenses	\$87,750,968	\$88,426,167	\$94,762,054	\$84,822,062
Component Unit:				
San Rafael Sanitation District	\$10,185,779	\$10,169,082	\$11,378,055	\$11,375,239
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$1,986,791	\$2,655,749	\$2,838,940	\$1,379,523
Public safety	7,122,396	6,478,321	6,014,034	4,966,251
Public works and parks	5,214,267	7,837,472	6,101,460	3,078,267
Community development	3,255,367	3,984,204	3,279,251	3,796,684
Culture and recreation	5,873,147	6,075,129	6,417,003	6,537,646
Operating grants and contributions	3,158,281	4,085,073	4,698,142	4,185,450
Capital grants and contributions	2,705,696	5,876,993	762,719	1,308,027
Total Government Activities Program Revenues	29,315,945	36,992,941	30,111,549	25,251,848
Business-Type Activities:				
Charges for services:				
Parking services	3,901,175	3,990,706	4,485,394	5,173,557
Total Business-Type Activities Program Revenues	3,901,175	3,990,706	4,485,394	5,173,557
Total Primary Government Program Revenues	\$33,217,120	\$40,983,647	\$34,596,943	\$30,425,405
Component Unit:				
San Rafael Sanitation District				
Charges for service	\$12,368,889	\$12,413,123	\$13,732,496	\$14,629,758
Operating grants and contributions				
Capital grants and contributions				
Total Component Unit Program Revenues	\$12,368,889	\$12,413,123	\$13,732,496	\$14,629,758
Net (Expense)/Revenue				
Governmental Activities	(\$54,988,541)	(\$47,887,839)	(\$60,525,029)	(\$55,320,617)
Business-Type Activities	454,693	445,319	359,918	923,960
Total Primary Government Net Expense	(\$54,533,848)	(\$47,442,520)	(\$60,165,111)	(\$54,396,657)
Component Unit Activities	\$2,183,110	\$2,244,041	\$2,354,441	\$3,254,519

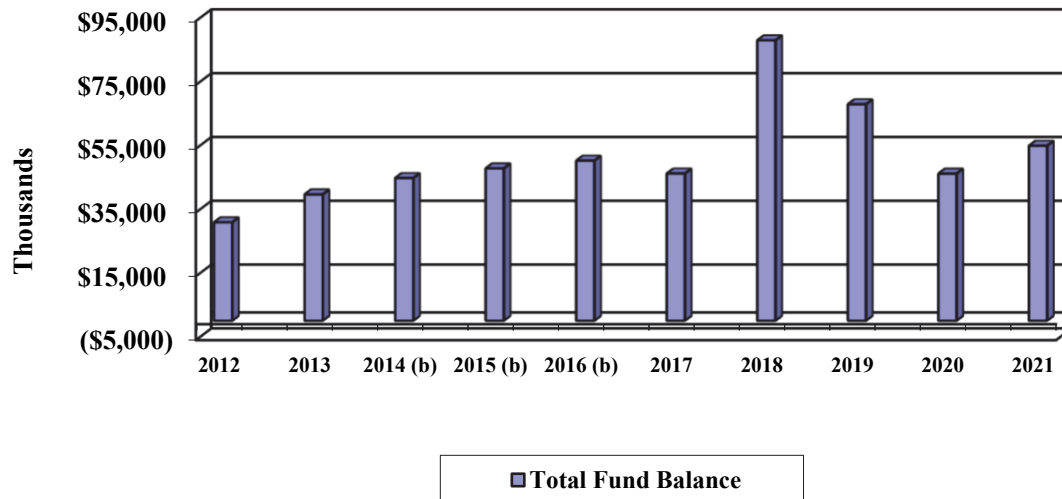
2016	2017	2018	2019	2020	2021
\$12,952,983	\$10,996,269	\$9,835,941	\$11,967,641	\$15,629,601	\$12,254,642
55,399,798	44,366,734	53,231,197	49,899,296	50,000,809	54,736,561
22,929,289	19,845,719	22,084,433	19,270,613	21,661,442	20,749,666
4,307,269	4,242,743	4,040,195	5,781,826	5,314,692	5,804,134
15,026,680	14,131,000	13,285,563	12,819,429	11,828,353	10,619,181
277,263	271,263	884,336	1,848,263	1,974,834	1,935,532
110,893,282	93,853,728	103,361,665	101,587,068	106,409,731	106,099,716
4,762,851	4,188,152	4,627,716	5,038,553	4,491,375	3,748,667
4,762,851	4,188,152	4,627,716	5,038,553	4,491,375	3,748,667
\$115,656,133	\$98,041,880	\$107,989,381	\$106,625,621	\$110,901,106	\$109,848,383
\$11,654,767	\$11,255,194	\$12,235,868	\$12,601,257	\$13,853,263	\$13,790,905
\$526,495	\$421,393	\$517,542	\$377,606	\$394,882	\$388,833
4,939,658	4,264,939	5,628,478	5,304,832	5,824,555	5,332,486
5,157,289	1,804,698	2,362,375	4,158,338	3,082,495	2,719,148
4,004,178	3,850,107	3,814,892	4,312,259	5,470,010	8,390,282
6,683,059	6,941,013	6,819,303	5,750,846	4,370,442	2,932,869
4,678,338	3,965,351	5,142,670	4,584,855	5,545,731	5,132,596
1,470,953	1,702,993	974,603	8,042,524	1,348,640	8,718,764
27,459,970	22,950,494	25,259,863	32,531,260	26,036,755	33,614,978
5,212,181	5,268,991	5,203,585	5,362,016	5,063,318	3,351,864
5,212,181	5,268,991	5,203,585	5,362,016	5,063,318	3,351,864
\$32,672,151	\$28,219,485	\$30,463,448	\$37,893,276	\$31,100,073	\$36,966,842
\$15,414,530	\$16,014,016	\$16,829,908	\$16,964,083	\$16,874,361	\$16,945,721
	36,945	58,440	5,907	5,719	5,609
	79,245	105,734	1,433,871	175,217	277,752
\$15,414,530	\$16,130,206	\$16,994,082	\$18,403,861	\$17,055,297	\$17,229,082
(\$83,433,312)	(\$70,903,234)	(\$78,101,802)	(\$69,055,808)	(\$80,372,976)	(\$72,484,738)
449,330	1,080,839	575,869	323,463	571,943	(396,803)
(\$82,983,982)	(\$69,822,395)	(\$77,525,933)	(\$68,732,345)	(\$79,801,033)	(\$72,881,541)
\$3,862,215	\$4,875,012	\$4,758,214	\$5,802,604	\$3,202,034	\$3,438,177

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

	Fiscal Year Ended June 30,			
	2012	2013	2014	2015
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property	\$20,107,637	\$17,317,772	\$18,439,619	\$19,039,443
Sales	22,355,749	24,262,282	27,758,971	32,269,915
Special assessments				
Paramedic	3,807,545	3,804,985	3,816,070	3,820,240
Motor vehicles				
Transient occupancy	1,866,575	2,185,287	2,332,277	2,661,878
Franchise	3,076,094	3,331,160	3,260,958	3,272,390
Business license	2,332,146	2,507,785	2,588,728	2,670,071
Other	3,574,918	2,929,915	3,452,171	3,295,751
Investment earnings	205,413	991,762	184,171	216,066
Gain (loss) from sale of capital assets				
Miscellaneous	542,816	2,580,882	1,140,743	2,254,901
Special item - Court fines repayment				
Transfers	57,960	423,817	449,917	432,630
Total Government Activities	57,926,853	60,335,647	63,423,625	69,933,285
Business-Type Activities:				
Investment earnings	7,675	3,739	4,375	7,008
Gain (loss) from sale of capital assets				
Transfers	(57,960)	(423,817)	(449,917)	(432,630)
Total Business-Type Activities	(50,285)	(420,078)	(445,542)	(425,622)
Total Primary Government	\$57,876,568	\$59,915,569	\$62,978,083	\$69,507,663
Component Unit:				
San Rafael Sanitation District				
Property Taxes	\$1,192,566	\$1,177,469	\$1,345,018	\$1,319,852
Investment earnings	38,191	25,591	151,729	171,804
Miscellaneous				
Aid from other governmental agencies	9,613	56,589	22,125	35,090
Total Component Unit	\$1,240,370	\$1,259,649	\$1,518,872	\$1,526,746
Special Item				
Governmental Activities				\$4,462,815
Component Unit Activities				(\$4,462,815)
Change in Net Position				
Governmental Activities	\$2,938,312	\$12,447,808	\$2,898,596	\$19,075,483
Business-Type Activities	404,408	25,241	(85,624)	498,338
Total Primary Government	\$3,342,720	\$12,473,049	\$2,812,972	\$19,573,821
Change in Net Position				
Component Unit Activities	\$3,423,480	\$3,503,690	\$3,873,313	\$318,450

2016	2017	2018	2019	2020	2021
\$19,998,567	\$23,343,140	\$24,627,373	\$25,903,240	\$26,491,505	\$30,993,516
34,348,089	31,819,259	34,119,502	35,626,646	33,784,770	39,599,113
4,226,020	5,485,637	4,923,148	4,934,584	4,923,092	5,153,448
3,063,263	2,984,758	3,115,151	3,203,499	2,410,745	1,797,578
3,418,277	3,610,824	3,726,841	3,627,254	4,029,050	3,973,806
2,824,664	2,774,803	2,790,212	2,788,496	2,824,722	2,575,341
3,465,193	1,824,830	2,245,882	1,783,170	2,152,617	2,996,950
300,091	210,628	556,745	1,450,434	1,907,591	388,645
					26,784
1,387,315	2,448,604	5,991,713	5,904,968	2,470,926	2,813,015
448,478	536,000	632,657	608,698	586,387	538,405
73,479,957	75,038,483	82,729,224	85,830,989	81,581,405	90,856,601
14,723	10,810	24,436	63,870	71,583	4,065
(448,478)	(536,000)	(632,657)	(608,698)	(586,387)	(538,405)
(433,755)	(525,190)	(608,221)	(544,828)	(514,804)	(534,340)
\$73,046,202	\$74,513,293	\$82,121,003	\$85,286,161	\$81,066,601	\$90,322,261
\$1,367,172	\$1,528,047	\$1,620,584	\$1,727,221	\$1,833,137	\$1,888,197
46,225	97,090	234,379	519,793	876,369	48,614
		10,690	7,768	489	
\$1,413,397	\$1,625,137	\$1,865,653	\$2,254,782	\$2,709,995	\$1,936,811
(\$9,953,355)	\$4,135,249	\$4,627,422	\$16,775,181	\$1,208,429	\$18,371,863
15,575	555,649	(32,352)	(221,365)	57,139	(931,143)
(\$9,937,780)	\$4,690,898	\$4,595,070	\$16,553,816	\$1,265,568	\$17,440,720
\$5,275,612	\$6,500,149	\$6,623,867	\$8,057,386	\$5,912,029	\$5,374,988

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



	Fiscal Year Ended June 30,			
	2012	2013	2014 (b)	2015 (b)
General Fund				
Nonspendable	\$527,509	\$527,235	\$503,338	\$399,299
Restricted	76,188			
Committed	651,121	800,876		
Assigned	1,516,644	2,476,676	6,866,149	12,374,002
Unassigned				1,588,500
Total General Fund	<u>\$2,771,462</u>	<u>\$3,804,787</u>	<u>\$7,369,487</u>	<u>\$14,361,801</u>
All Other Governmental Funds				
Nonspendable	\$788,031	\$51,521	\$8,719	\$2,359
Restricted	16,856,959	20,769,546	30,185,064	31,742,184
Committed	5,135,257	8,447,495	2,185,825	931,871
Assigned	5,283,559	6,511,850	4,959,533	712,810
Unassigned				
Total all other governmental funds	<u>\$28,063,806</u>	<u>\$35,780,412</u>	<u>\$37,339,141</u>	<u>\$33,389,224</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.

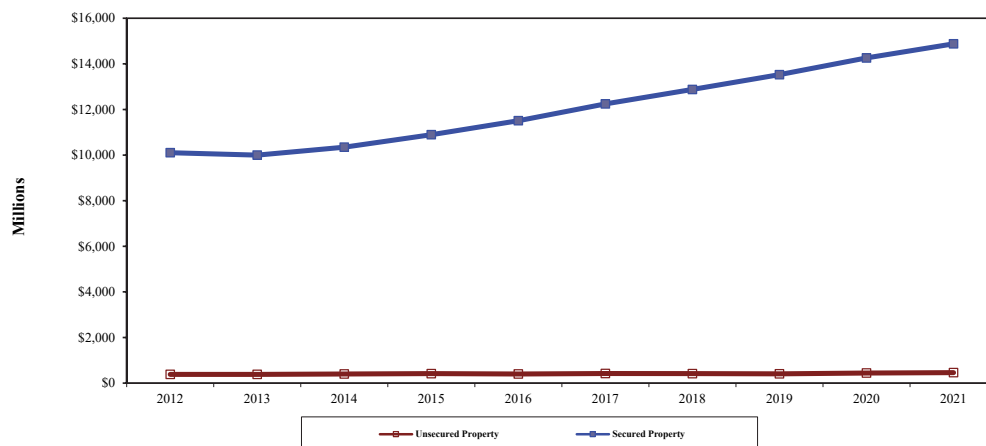
2016 (b)	2017	2018	2019	2020	2021 (a)
\$476,316	\$508,446	\$1,008,234	\$37,271	\$7,540	\$377,861
					8,321,000
16,440,910	14,900,945	11,214,720	11,391,084	9,799,140	7,226,153
1,772,577	1,295,041		1,104,216		920,885
<u>\$18,689,803</u>	<u>\$16,704,432</u>	<u>\$12,222,954</u>	<u>\$12,532,571</u>	<u>\$9,806,680</u>	<u>\$16,845,899</u>
\$9,449		\$302,366	\$27,627	\$7,813	
27,552,245	\$25,812,405	73,489,688	53,260,504	34,288,302	\$36,043,515
3,799,421	3,491,708	1,754,983	1,901,271	1,884,153	1,831,036
119,183	115,103	115,942	118,139	120,920	116,842
				(11,118)	
<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>	<u>\$37,991,393</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,			
	2012	2013	2014	2015
Revenues				
Taxes and special assessments	\$51,395,116	\$51,549,306	\$56,686,142	\$61,804,228
Licenses and permits	1,648,890	1,929,387	1,934,755	2,456,820
Fines and forfeitures	801,758	734,005	669,553	556,076
Use of money and properties	315,561	325,043	363,089	444,757
Intergovernmental	10,537,396	11,869,889	11,953,308	13,233,503
Charges for services	19,649,433	23,575,374	19,949,333	15,346,794
Other revenue	870,957	4,092,411	2,045,407	1,777,003
Total Revenues	85,219,111	94,075,415	93,601,587	95,619,181
Expenditures				
Current:				
General government	8,783,873	10,529,480	8,678,833	10,203,687
Public safety	39,311,551	41,377,062	41,900,762	43,954,515
Public works and parks	11,518,822	12,002,448	13,697,957	12,758,643
Community development	3,755,504	2,961,275	3,296,375	3,416,859
Culture and recreation	10,345,673	10,591,057	11,106,367	11,616,777
Capital outlay	1,312,383	4,009,454	2,154,900	4,498,924
Capital improvement/special projects	3,604,171	5,284,720	7,168,776	2,186,986
Debt service:				
Principal	2,518,320		208,642	75,172
Interest and fiscal charges	735,221	283,805	327,350	284,288
Total Expenditures	81,885,518	87,039,301	88,539,962	88,995,851
Excess (deficiency) of revenues over (under) expenditures	3,333,593	7,036,114	5,061,625	6,623,330
Other Financing Sources (Uses)				
Issuance of debt				
Proceeds from PG&E loans			568,481	
Transfers in	4,539,646	8,425,474	3,655,302	4,348,149
Transfers (out)	(4,864,293)	(6,711,657)	(3,053,865)	(3,051,499)
Total other financing sources (uses)	(324,647)	1,713,817	1,169,918	1,296,650
Extraordinary Item				
Transfer to Successor Agency		(2,352,584)		
Net Change in fund balances	\$3,008,946	\$6,397,347	\$6,231,543	\$7,919,980
Debt service as a percentage of noncapital expenditures	4.2%	0.4%	0.7%	0.4%

2016	2017	2018	2019	2020	2021
\$65,866,218	\$71,166,891	\$74,893,789	\$77,101,185	\$76,410,697	\$86,347,728
2,588,411	2,559,841	2,718,166	2,661,500	3,047,144	3,000,666
435,829	400,283	384,268	337,680	350,388	219,030
460,206	349,349	654,531	1,583,060	1,537,869	667,104
13,685,003	8,063,156	8,878,974	15,602,264	9,287,181	16,859,749
14,366,744	13,425,161	14,660,094	15,166,876	13,834,843	15,065,363
3,208,749	1,842,053	5,219,414	5,158,042	2,309,226	1,875,299
100,611,160	97,806,734	107,409,236	117,610,607	106,777,348	124,034,939
11,349,079	10,557,416	10,010,100	12,553,499	16,689,526	12,426,899
47,071,166	49,018,153	51,805,708	51,678,876	50,071,531	54,363,872
14,390,699	16,752,961	17,647,312	15,617,622	17,453,823	15,110,972
3,670,108	3,759,564	4,051,224	4,988,260	5,276,887	6,270,129
12,048,104	12,646,728	12,823,771	12,468,008	11,179,410	9,700,739
4,813,757	2,100,926	22,815,967	38,701,047	25,984,748	13,635,066
4,826,576	7,403,249				
75,172	175,172	280,172	495,172	618,316	2,563,711
277,263	271,263	1,005,636	2,356,207	2,482,778	2,443,476
98,521,924	102,685,432	120,439,890	138,858,691	129,757,019	116,514,864
2,089,236	(4,878,698)	(13,030,654)	(21,248,084)	(22,979,671)	7,520,075
		46,565,800		23,999	
7,533,364	9,287,007	68,351,964	15,482,297	13,797,526	7,549,590
(6,582,555)	(8,454,762)	(68,373,222)	(14,280,034)	(12,585,216)	(6,329,123)
950,809	832,245	46,544,542	1,202,263	1,236,309	1,220,467
\$3,040,045	(\$4,046,453)	\$33,513,888	(\$20,045,821)	(\$21,743,362)	\$8,740,542
0.4%	0.5%	1.3%	2.8%	3.0%	4.9%

**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					
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%
2021	11,011,781,157	2,956,073,592	305,080,963	143,953,920	14,416,889,632	460,690,899	14,877,580,531	14,877,580,531	0.11734%

(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 2011/12 - 2020/21 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
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%
2021	0.154	0.295	0.8246	0.0678	1.3414	0.11734%

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 2011/12 - 2020/21 Tax Rate Tables

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

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
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	0.01840	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Marin Community College Bonds	0.01750	0.01780	0.02040	0.01800	0.01650	0.01420	0.03380	0.03390	0.02690	0.02650
Marin Healthcare Bond	0.00000	0.00000	0.00000	0.00000	0.02350	0.00930	0.02010	0.01900	0.01750	0.02180
Miller Creek School Bonds	0.00000	0.01540	0.01500	0.01470	0.04170	0.03830	0.02090	0.03450	0.03280	0.03030
Ross Elementary School	0.06550	0.06640	0.06570	0.06030	0.06150	0.06030	0.06190	0.06180	0.05710	0.05800
Ross Valley School Bonds	0.06130	0.06110	0.05960	0.05700	0.05550	0.05370	0.05680	0.05390	0.05270	0.05190
San Rafael Elementary Bonds	0.04740	0.02170	0.03320	0.02620	0.02570	0.05350	0.05030	0.07290	0.07050	0.06950
San Rafael High Bonds	0.02680	0.04960	0.05130	0.04850	0.04710	0.07100	0.05680	0.06170	0.06000	0.05830
Tamalpais Union High School	0.04100	0.03710	0.03860	0.03520	0.03130	0.02880	0.02690	0.02580	0.02390	0.02260
Total Direct & Overlapping Tax Rates	1.27790	1.26910	1.28380	1.25990	1.30280	1.32910	1.32750	1.36350	1.34140	1.33890
City's Share of 1% Levy Per Prop 13	0.12311	0.12313	0.12306	0.12233	0.12233	0.12233	0.12233	0.12232	0.12232	0.12231
Total Direct Rate	0.17827	0.17456	0.11985	0.11657	0.11672	0.11693	0.11709	0.11742	0.11724	0.11734

Notes:

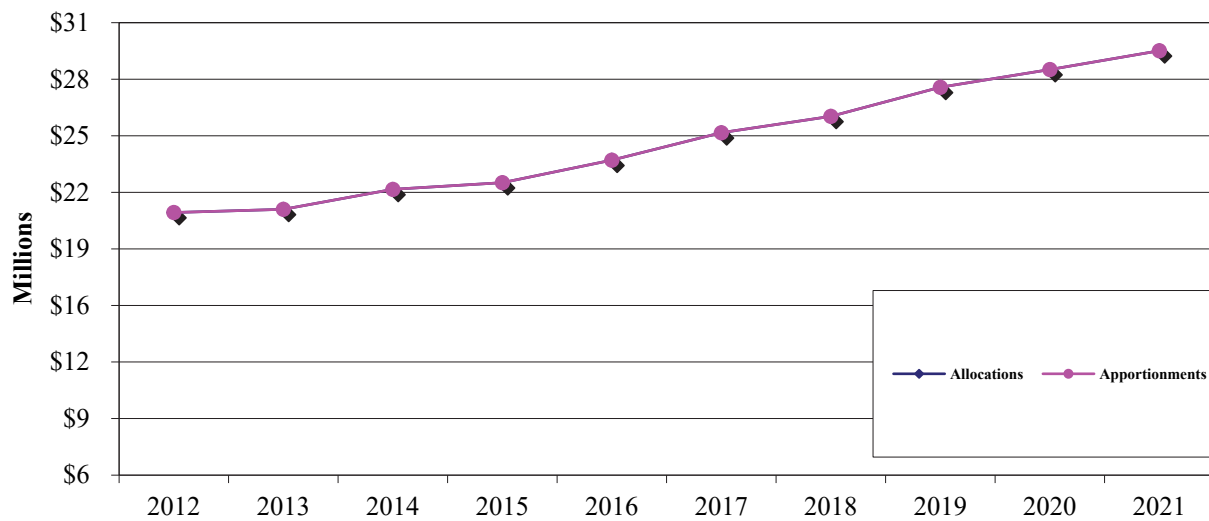
(1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed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

Data Source: Marin County Assessors Office 2011/12 - 2020/21 Tax Rate Tables

**CITY OF SAN RAFAEL
PRINCIPAL PROPERTY TAX PAYERS
CURRENT FY 2020/21 AND FY 2011/2012**

Taxpayer	FY 2020-2021		FY 2011-2012	
	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	\$ 287,573,990	1.99%		
MGP XI Northgate LLC	231,346,654	1.56%		
Professional Financial Investors Inc	160,767,462	1.12%		
BRE Properties Inc	66,209,344	0.46%		
South Valley Apartments LLC	56,285,166	0.39%		
Nort Bay 4040 TT LLC	53,672,399	0.37%		
Kaiser	51,186,581	0.34%		
Regency Center II Associates LP	49,995,939	0.35%	\$ 41,904,940	0.41%
Northbay Properties II	48,724,358	0.34%	41,269,164	0.41%
Pur San Rafael LLC	46,243,829	0.32%		
Bay Apartment Communities Inc			35,800,438	0.35%
Northgate Mall Associates			128,055,911	1.27%
SR Corporation Center Phase 1			79,314,980	0.78%
SR Corporation Center Phase 2			71,241,415	0.71%
Sutter Health			48,659,081	0.48%
Robert Dickson Trust			44,303,303	0.44%
County of Marin			42,050,428	0.42%
Marin Sanitary Service			38,636,950	0.38%
Subtotal	\$ 1,052,005,722	7.07%	\$ 571,236,610	5.65%
Total Net Assessed Valuation:				
Fiscal Year 2020-2021	\$ 14,877,580,531			
Fiscal Year 2011-2012	\$ 10,104,558,711			

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

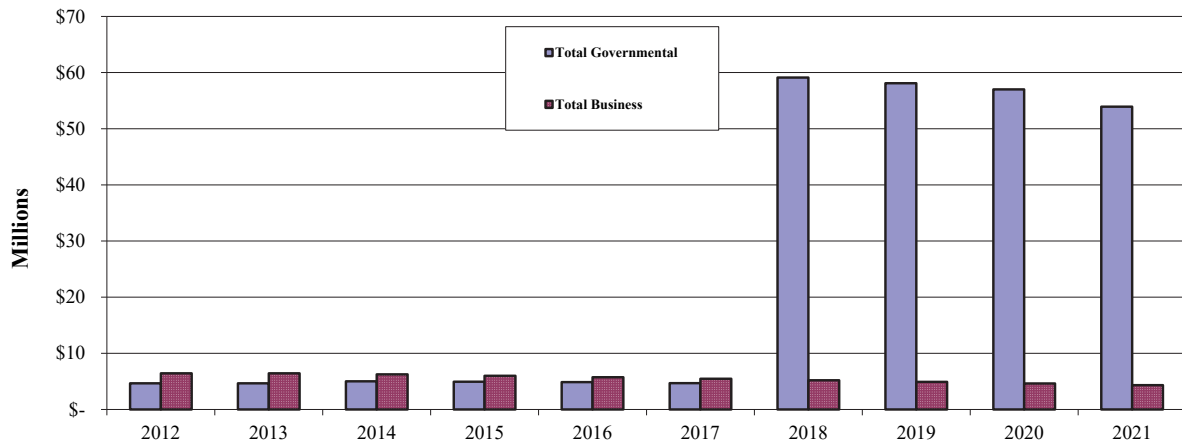


Fiscal Year	Rate	Levies	Allocations	Collections	Apportionments	Delinquencies	Delinquent taxes as a Percent of Allocations
2012	1.00	(2)	\$ 20,704,368	(2)	\$ 20,704,368	(2)	0.0%
2013	1.00	(2)	20,883,041	(2)	20,883,041	(2)	0.0%
2014	1.00	(2)	22,001,357	(2)	22,001,357	(2)	0.0%
2015	1.00	(2)	22,376,457	(2)	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%
2021	1.00	(2)	29,762,184	(2)	29,762,184	(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	Note Payable	Pension Obligation Bonds	Lease Revenue Bonds	Total
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
2021	905,751	2,845,000	50,178,265	53,929,016

Business-Type Activities

Fiscal Year	Parking Services Bonds	Note Payable	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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	1.87%	1,030.44
2021	4,316,478	14,123	4,330,601	58,259,617	n/a	987.18

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, 2021

2020-21 Assessed Valuation: \$ 14,877,580,531

	Total Debt 6/30/2021	% Applicable (1)	City's Share of Debt 6/30/2021
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Marin Community College District	\$ 450,805,000	17.259%	\$ 77,804,435
San Rafael High School District	170,443,727	78.341%	133,527,320
Tamalpais Union High School District	93,045,000	0.064%	59,549
Miller Creek School District (Formerly Dixie School District)	29,095,810	66.779%	19,429,891
Ross School District	16,511,647	1.245%	205,570
Ross Valley School District	39,586,751	0.011%	4,355
San Rafael School District	129,726,453	83.457%	108,265,806
Marin Healthcare District	365,855,000	20.670%	75,622,229
Marin Emergency Radio Authority Parcel Tax Obligations	29,715,000	17.233%	5,120,786
City of San Rafael 1915 Act Bonds	1,239,200	100.000%	1,239,200
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 421,279,141
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Marin County Certificates of Participation	\$ 79,636,865	17.233%	\$ 13,723,821
Marin County Pension Obligation Bonds	70,500,000	17.233%	12,149,265
Marin County Transit District General Fund Obligations	24,072	17.233%	4,148
Marin Municipal Water District General Fund Obligations	19,584	21.921%	4,293
Marin Community College District Certification of Participation	12,540,834	17.259%	2,164,423
San Rafael School District Certificates of Participation	2,855,000	83.457%	2,382,697
City of San Rafael General Fund Obligations	55,414,617	100.000%	55,414,617 (2)
City of San Rafael Pension Obligations	2,845,000	100.000%	2,845,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			88,688,264
Less: City of San Rafael lease revenue bonds supported by parking revenues			4,316,478
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 84,371,786
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	\$ 4,450,264	100.000%	\$ 4,450,264
TOTAL GROSS DIRECT DEBT			58,259,617
TOTAL NET DIRECT DEBT			53,943,139
TOTAL OVERLAPPING DEBT			456,158,052
GROSS COMBINED TOTAL DEBT			514,417,669 (3)
NET COMBINED TOTAL DEBT			510,101,191

(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 \$905,751 PG&E notes.

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

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.83%
Total Gross Direct Debt (\$58,259,617)	0.39%
Total Net Direct Debt (\$53,943,139)	0.36%
Gross Combined Total Debt	3.46%
Net Combined Total Debt	3.43%

Ratios to Redevelopment Incremental Valuation (\$3,231,506,699)

Total Overlapping Tax Increment Debt	0.14%
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Data Source: Avenu Insights & Analytics, California Municipal Statistics, Inc.

CITY OF SAN RAFAEL
COMPUTATION OF LEGAL BONDED DEBT MARGIN
June 30, 2021

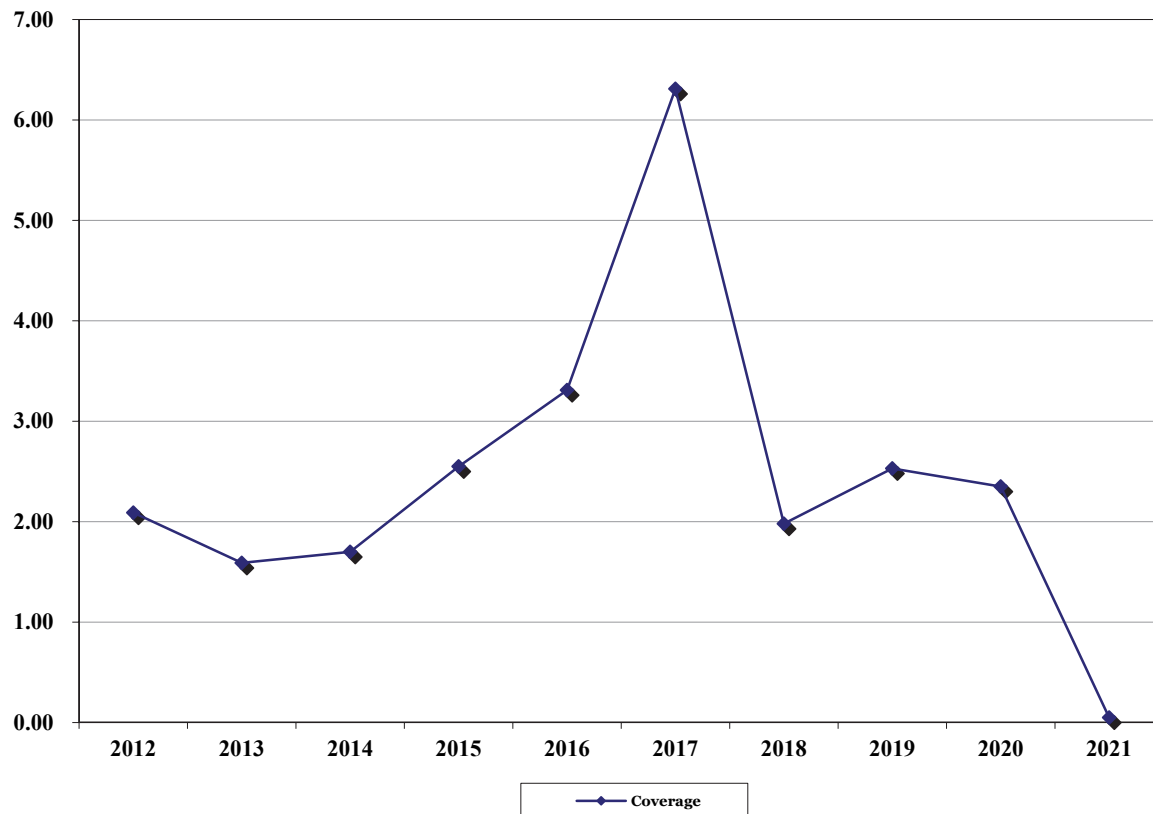
ASSESSED VALUATION:	<u>\$ 14,877,580,531</u>
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>557,909,270</u>
LESS AMOUNT OF DEBT SUBJECT TO LIMIT:	<u>53,929,016</u>
LEGAL BONDED DEBT MARGIN	<u>\$ 503,980,254</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
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	57,000,671	477,731,303	11.93%
2021	557,909,270	53,929,016	503,980,254	10.70%

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	
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
2021	3,355,929	3,332,327	23,602	290,000	161,288	451,288	0.05

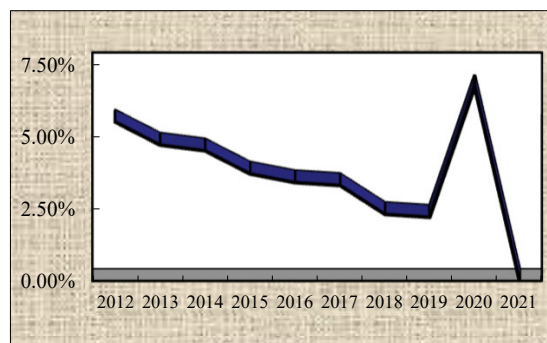
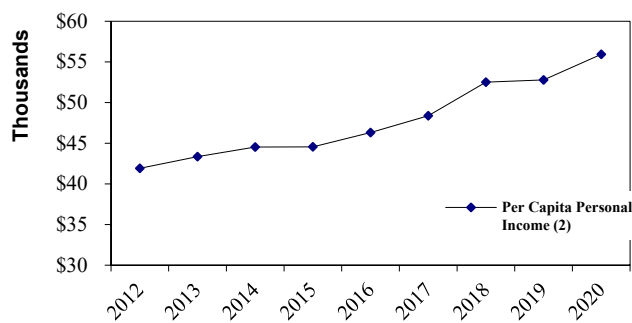
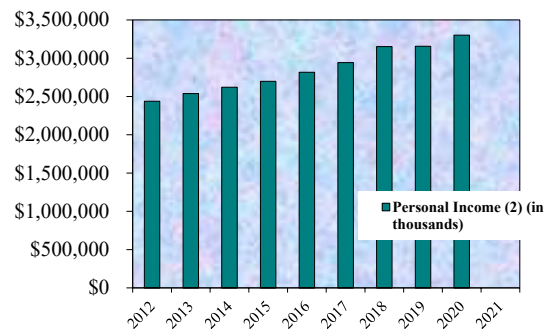
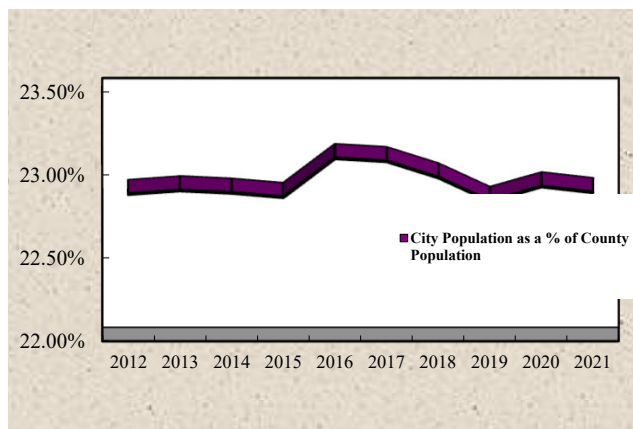
Notes: On March 26, 2003, the City Financing Authority issued lease revenue bonds for the design and construction of a new parking facility. On August 12, 2012, the City Financing Authority refunded the series 2003 lease revenue bonds with series 2012 lease revenue refunding bonds to take advantage of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



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
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	3,301,286	55,938	6.70%	260,831	22.93%
2021	59,016	n/a	n/a	n/a	257,774	22.89%

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 2020-2021
LAST TEN CALENDAR YEARS**

Employer	2020		2019		2018		2017	
	#	(A)	#	(A)	#	(A)	#	(A)
Kaiser Permanente	2,059	1.64%	2,014	6.22%	2,092	6.62%	2,061	6.52%
BioMarin Pharmaceutical Inc.		0.00%	950	2.93%				
San Rafael Elementary/High Schools Dist(s)	700	0.56%	700	2.16%	700	2.22%	700	2.22%
City of San Rafael	405	0.32%	410	1.27%	410	1.30%	454	1.44%
Dominican University of California	394	0.31%	421	1.30%	319	1.01%	456	1.44%
Buckelew Programs		0.00%	103	0.32%	106	0.34%	240	0.76%
Lifeshouse		0.00%	100	0.31%				
EO Products	108	0.09%	150	0.46%				
Toyota Marin		0.00%	141	0.44%				
Ghilotti Bros., Inc.	298	0.24%						
Community Action Marin	270	0.21%						
Equator Coffees, LLC	88	0.07%						
Totals	4,322	3.44%	4,989	15.40%	4,508	14.27%	5,650	17.88%

Number of FTE employees in Marin locations

(A) Percentage of total employment

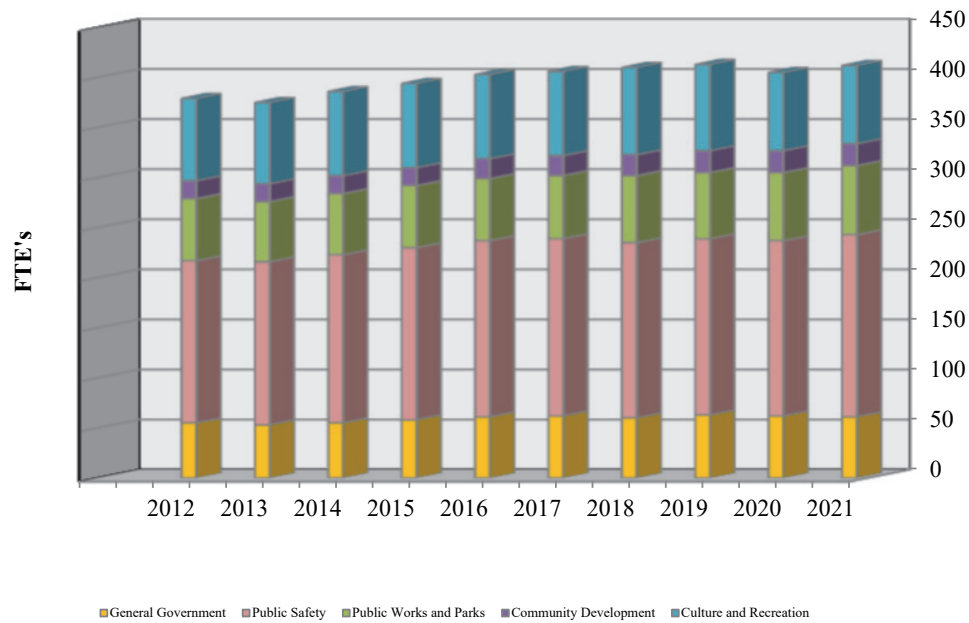
Note: From the EDD website, it shows that the Total 2020 Employment in the City of San Rafael was 125,600 of which it is used as the denominator for the 2020 percentages are calculated.

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

2016		2015		2014		2013		2012		2011	
#	(A)	#	(A)	#	(A)	#	(A)	#	(A)	#	(A)
662	2.02%	1,575	4.82%	1,637	5.26%	1,756	5.74%	1,803	6.68%	1,330	4.93%
650	1.98%	650	1.99%	600	1.93%	600	1.96%	600	2.22%	600	2.22%
577	1.76%	581	1.78%	666	2.14%	643	2.10%	521	1.93%	592	2.19%
485	1.48%	422	1.29%	354	1.14%	347	1.13%	346	1.28%	336	1.24%
186	0.57%										
5,314	16.20%	5,620	17.19%	6,025	19.37%	6,079	19.87%	6,715	24.87%	6,007	22.25%



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



Function	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government	55.23	53.23	55.11	58.11	60.61	62.11	60.11	63.11	62.11	61.41
Public Safety	162.00	163.00	168.00	171.75	175.75	176.55	175.35	175.65	175.30	181.50
Public Works and Parks	62.00	60.00	61.00	62.00	62.00	63.00	66.67	66.00	68.00	69.00
Community Development	18.25	18.25	17.80	17.80	19.80	20.00	21.00	22.00	21.75	21.75
Culture and Recreation	81.56	80.76	83.66	84.23	84.25	84.35	87.35	85.82	78.07	78.07
Total	379.04	375.24	385.57	393.89	402.41	406.01	410.48	412.58	405.23	411.73

Data Source: City of San Rafael's Finance Department

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function/Program				
Public safety:				
Fire:				
Inspection permit issued	282	307	261	282
Police:				
Police calls for service	39,537	42,707	51,261	55,805
Law violations:				
Part I crimes	2,101	2,523	2,289	2,533
Physical arrests (adult and juvenile)	2,981	2,951	3,227	3,450
Traffic violations	4,048	3,448	4,498	4,168
Parking violations	32,492	30,881	38,814	36,398
Public works				
Street resurfacing (miles) (Eng Div)	N/A	2.70	9.00	6.40
Potholes repaired	N/A	N/A	N/A	N/A
Asphalt used for street repairs (tons)	178.9	7,500	10,700	11,000
Culture and recreation:				
Recreation class participants	12,075	7,082	9,857	10,023
Recreation Facility Rentals				
Childcare School-Age program participants				
Library:				
Items in collection	159,180	125,920	168,620	127,763
Total items borrowed	366,460	392,230	478,960	443,639

Note: N/A denotes information not available.

2016	2017	2018	2019	2020	2021
198	233	186	123	167	207
57,026	53,567	51,013	47,919	47,968	43,649
2,523	2,392	2,326	1,893	2,988	2,546
3,453	2,526	2,019	1,923	2,527	1,893
3,252	3,341	2,758	2,944	2,342	2,161
34,803	36,169	36,208	40,407	28,029	24,099
6.76	2.32	2.50	4.30	14.30	5.00
N/A	N/A	N/A	N/A	967	1,368
7,195	5,800	4,730	7,200	5,885	3,650
12,725	13,493	12,842	N/A	N/A	N/A
			5,146	3,875	1,550
			7,592	6,270	2,132
227,890	117,354	115,812	123,432	140,610	103,399
469,790	327,297	324,452	356,301	199,903	113,385

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Function/Program				
Public safety:				
Fire stations	6	6	6	6
Police stations	1	1	1	1
Police Fleet				
Public works				
Miles of streets	173	173	173	173
Street lights	4,435	4,435	4,435	4,435
Parking District lights				
Traffic Signals	89	89	89	89
Culture and recreation:				
Community services:				
City parks	20	20	20	20
City parks acreage	42	42	42	42
Playgrounds	14	14	14	14
City trails	20	20	20	20
Community gardens	1	1	1	1
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	145	145

Data Source: City of San Rafael's Finance Department

2016	2017	2018	2019	2020	2021
6 1	6 1	6 1	6 1	6 1	6 1
173 4,435	173 4,435	173 4,435	173 4,435	173 4,435	173 4,435
89	89	89	89	90	90
20 42 14 20 1	20 42 14 20 1	20 42 14 20 1	20 42 14 20 1	24 99 14 20 2 1 3 0 0 0 1 10 5 5 2	24 99 14 20 2 1 3 0 0 0 1 10 6 5 2
4 0 0 0 1 10 5 5 2	4 0 0 0 1 10 5 5 2	4 0 0 0 1 10 5 5 2	4 0 0 0 1 10 5 5 2	2 1 3 0 0 1 10 6 5 2	2 1 3 0 0 1 10 6 5 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
2021-2022 APPROPRIATIONS LIMIT INCREMENT**

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

We have performed the procedures enumerated below on the Appropriations Limit Worksheet (Worksheet) of the City of San Rafael, California, for the year ended June 30, 2022. The City's management is responsible for the Worksheet.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of 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. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings were as follows:

- A. We obtained the Worksheet (Exhibit A to the Resolution) and determined that the 2021-2022 Appropriations Limit of \$150,770,339 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 adjustment factor of the change in the population of Marin County was used for the calculation of the 2021-2022 Appropriations Limit.
- B. We recomputed the 2021-2022 Appropriations Limit by multiplying the 2020-2021 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, City Population Factor and County Population Factor to California State Department of Finance Worksheets, and the Change in Assessment Roll for Nonresidential Construction Factor to the Marin County Worksheet.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 15, 2021

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2021

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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, 2021 and have issued our report thereon dated November 15, 2021. 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 15, 2021

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2021-01 Inaccurate Building Permit Fees

The rates charged in the City's permit billing system should be consistent with the City's Master Fee Schedule approved by City Council and on the City's website.

We tested twenty-five receipts and recalculated the fees using the City's Master Fee Schedule and we noted one receipt for a building permit in the amount of \$78,946 that we recalculated, but could not arrive at the same amount. Based on our recalculation using the City's Master Fee Schedule, the building permit fee that should have been charged was \$83,137.

The Community Development Department (CDD) staff determined that the Master Fee Schedule approved by City Council and posted on the City's website included incorrect building permit fees and CDD staff believed that the correct fees had been charged, resulting in the fee of \$78,946.

Although City staff believe that the correct fees were charged, we were unable to verify that the correct fees were charged based on the Master Fee Schedule approved by City Council. Therefore, the City's building permit fees may be understated due to the use of a lower fee schedule.

We understand that the City plans to present an updated Master Fee Schedule to Council to ensure that accurate charges are approved and presented on the City website. We recommend that the City develop a process to ensure that the fees approved by City Council are properly entered into the City's permit billing system to ensure proper fees are charged. In addition, we recommend that the City ensure that the Master Fee Schedule on the City's website agree to the Master Fee Schedule approved by City Council.

Management's Response:

Going forward, when a fee change is approved by Council, Finance will be responsible for ensuring the approved fee change has been uploaded to the website, the changes have been entered into the billing system properly and the fee change is implemented on the effective date approved by Council. To formalize this, Finance will create a checklist and will require sign-off as each item is reviewed.

CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF SIGNIFICANT DEFICIENCIES

2021-02 Schedule of Expenditures of Federal Awards (SEFA) Preparation

The City should report all Federal awards expended in the Schedule of Expenditures of Federal Awards (SEFA) each fiscal year in accordance with the requirements of OMB Uniform Administrative Requirements Subpart D Section 200.302(b)(1).

During our testing of the City's June 30, 2020 SEFA provided for our audit, we noted that the City incorrectly included non-federal expenditure amounts in the SEFA. After further research by the City, it was determined that the SEFA overstated federal expenditures of \$299,054 for the Highway Planning and Construction Program (CFDA # 20.205) and \$398,282 for the Disaster Grants Program (CFDA # 97.036). After those corrections were made, it was determined that the City did not need a Single Audit for the year ended June 30, 2020.

We understand that the City accounts for federal award expenditures in the same general ledger accounts that the City accounts for local match expenditures. During the preparation of the SEFA by the City's outside consultant, the entire account balance was used, and the amounts reported did not exclude the non-federal amounts.

Incorrect reporting not only misstates the SEFA, but it also means the City is not in compliance with the reporting requirements of the OMB Uniform Administrative Requirements. As a result, future federal funding could be adversely affected.

The City should develop procedures and policies to centralize the reporting of grant activity to ensure that all data is readily available when year-end grant activity reporting is necessary. The procedures and policies should facilitate the preparation of the SEFA so that annual expenditures for all grant programs are accurately included on the SEFA. In addition, City staff, including those in departments other than Finance that manage grants, must familiarize themselves with the guidelines for determining federal awards expended contained in the Uniform Guidance.

Management's Response:

Finance Management has met with staff that manage grants to provide guidance on how to account for federal award expenditures. Finance Management plans to create a process document that can be referenced by any federal grant manager. Furthermore, the preparation of the SEFA has been brought inhouse which will allow for a more detailed analysis and review.

**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 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.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR 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.

Current Status:
Implemented.

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**

STATUS OF PRIOR YEAR 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.

Current Status:
Implemented.

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.

Current Status:
Implemented.

**CITY OF SAN RAFAEL
MEMORANDUM ON INTERNAL CONTROL**

STATUS OF PRIOR YEAR 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.

Current Status:

Implemented.

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.

Current Status:

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.

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**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF SAN RAFAEL
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2021

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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, 2021. We did not audit the financial statements of the San Rafael Sanitation District, as of and for the year ended June 30, 2021, which represents 25%, 57%, and 15% of the assets, net position, and revenues, respectively, of the primary government. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditors.

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 Matters

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:

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.

The pronouncement became effective, and as disclosed in Note 1S to the financial statements required a prior period restatement for the cumulative effect on the financial statements.

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 pronouncement became effective, but did not have a material effect on the financial statements.

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 prior to and during fiscal year June 30, 2021 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, 2021, 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, 2021. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2021.

Estimated long-term receivable from San Rafael Sanitation District: Management's estimate of the long-term receivable from the District is disclosed in Note 4E 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. We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the City's financial reporting process.

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 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 15, 2021.

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 15, 2021

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**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

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**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2021**

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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, 2021, 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, 2021, 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. 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

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
BALANCE SHEET
JUNE 30, 2021

ASSETS

Cash (Note 3)	\$377,300
Accounts receivable	
Grants receivable (Note 4)	<u>31,401</u>
Total Assets	<u><u>\$408,701</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$40,121
Due to other government	<u> </u>
Total Liabilities	40,121
Fund balance, restricted (Note 5)	<u>368,580</u>
Total Liabilities and Fund Balance	<u><u>\$408,701</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, 2021

REVENUES

State grants:	
Current year grants	\$99,350
CDBG preschool grant	
First five school readiness grants	
Local grant	161,458
Interest	1,345
Parent fees	2,408,851
Other	9,720
	<hr/>
Total Revenues	2,680,724
	<hr/>

EXPENDITURES

Certified salaries	55,718
Classified Salaries	1,762,094
Employee benefits	1,284,414
Training and instruction	2,183
Office supplies	858
Books and supplies	77,493
Utilities and housekeeping services	38,448
Travel and conference	
Rentals	19,959
Services and other operating expenditures	236,975
Equipment	3,913
Insurance	28,490
Renovation and repair	64,989
	<hr/>
Total Expenditures	3,575,534

OTHER FINANCING SOURCES (USES)

Transfers out to the City	
	<hr/>
Total Transfers	

CHANGE IN FUND BALANCE (894,810)

FUND BALANCE,

Beginning of year	1,263,390
	<hr/>
End of year	\$368,580
	<hr/> <hr/>

See accompanying notes to financial statements

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financials Statements
For the Year Ended June 30, 2021**

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 Financials Statements
For the Year Ended June 30, 2021**

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 Financials Statements
For the Year Ended June 30, 2021

NOTE 4 – GRANTS RECEIVABLE

The Program has the following grants receivable at June 30, 2021:

<u>Agency</u>	<u>Grant</u>	<u>Amount</u>
Marin County	First 5 Grant	<u>\$31,401</u>
	Total	<u><u>\$31,401</u></u>

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 Financials Statements
For the Year Ended June 30, 2021

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, 2021, 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 FEDERAL, STATE AND LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

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	\$21,500	\$21,500	\$21,500
Total Federal Awards			<u>\$21,500</u>	<u>\$21,500</u>	<u>\$21,500</u>
State Awards					
State of California Department of Education Child Development Division State Preschool Program FY2021		CSPP-0287	\$238,821	\$99,350	\$257,771
Total State Awards			<u>\$238,821</u>	<u>\$99,350</u>	<u>\$257,771</u>
County Award					
County of Marin First Five - Preschool		CSRI-21-009-11			
Local Awards					
Marin Child Care Council		N/A	\$161,458	\$161,458	\$161,458
Total Local Awards			<u>\$161,458</u>	<u>\$161,458</u>	<u>\$161,458</u>
Total State, Federal Awards, and Local			<u>\$421,779</u>	<u>\$282,308</u>	<u>\$440,729</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

	State Preschool Program (CSPP0287)	Total CDE CD Contracts	Non-CDE Programs	Total
REVENUES				
State grants:				
Current year grants	\$99,350	\$99,350		\$99,350
CDBG preschool grant				
First Five school readiness grants				
Local grants			161,458	161,458
Interest			1,345	1,345
Parent fees - noncertified children			2,408,851	2,408,851
Other			9,720	9,720
Total Revenues	99,350	99,350	2,581,374	2,680,724
EXPENDITURES				
Certified salaries	55,718	55,718		55,718
Classified salaries	72,094	72,094	1,690,000	1,762,094
Employee benefits	109,438	109,438	1,174,976	1,284,414
Training and instruction			2,183	2,183
Office supplies			858	858
Books and supplies	7,818	7,818	69,675	77,493
Utilities and housekeeping services			38,448	38,448
Rentals			19,959	19,959
Services and other operating expenditures	12,703	12,703	224,272	236,975
Equipment			3,913	3,913
Insurance			28,490	28,490
Renovation and repair			64,989	64,989
Total Expenditures	257,771	257,771	3,317,763	3,575,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(158,421)	(158,421)	(736,389)	(894,810)
CHANGE IN FUND BALANCE	(\$158,421)	(\$158,421)	(\$736,389)	(\$894,810)

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2021

		CSPP-9283 State Preschool Program	Totals
EXPENDITURES:			
1000	Certified personnel salaries	\$55,718	\$55,718
1100	Teachers' salaries	55,718	55,718
1200	Administration		
1300	Supervisors' salaries		
1600	Infant educators		
2001	Classified personnel salaries	\$72,094	\$72,094
2100	Instructional aides' salaries	72,094	72,094
2300	Clerical and other office salaries		
2400	Maintenance and operations salaries		
2500	Food services salaries		
2600	Transportation salaries		
3000	Employee benefits	\$109,438	\$109,438
3200	Payroll taxes (Medicare)	1,706	1,706
3300	Other benefits	76,263	76,263
3400	Health and welfare	30,059	30,059
3600	Workers' compensation insurance	1,410	1,410
4000	Books and supplies	\$7,818	\$7,818
4200	Other books		
4300	Instructional materials and supplies	7,818	7,818
4500	Other supplies		
4600	Food supplies		
5000	Services and other operating expenditures	\$12,703	\$12,703
5100	Lecturer		
5200	Travel and conferences		
5300	Memberships and dues	484	484
5400	Insurance	1,988	1,988
5500	Utilities and housekeeping services	341	341
5600	Rentals, leases and repairs		
5700	Audit expense		
5800	Other direct services & admin.	9,890	9,890
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		\$257,771	\$257,771

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, 2021

	CSPP-9283 State Preschool Program
	<hr/>
Administrative Costs (Audit Fees)	<hr/> \$9,424
Total Administrative Costs	<hr/> \$9,424 <hr/>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF EQUIPMENT EXPENDITURES UTILIZING CONTRACT FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Expenditures Under \$7,500		Expenditures Over \$7,500		Expenditures Over \$7,500	
Unit Cost		Unit Cost with CDD Approval		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, 2021

Expenditures Under \$10,000		Expenditures Over \$10,000		Expenditures Over \$10,000	
Unit Cost		Unit Cost with CDD Approval		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, 2021**

Contract Number **CSPP 0287**

Vendor Code **2193**

Full Name of Contractor **City of San Rafael Child Development Program**

Section 1 - Days of Enrollment Certified Children

Enrollment Category	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				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	7,705		7,705	0.6193	4,771.7065
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)

Enrollment Category	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	7,705		7,705	N/A	4,771.7065
DAYS OF OPERATION	175		175	N/A	N/A
DAYS OF ATTENDANCE	7,696		7,696	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

Enrollment Category	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)

Enrollment Category	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

Revenue Category	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			
Waived Family Fees for Certified Children (July - August)			
Family Fees Collected for Certified Children (September - June)			
Waived Family Fees for Certified Children (September - June)			
Family Fees for Certified Children (September - June) - Subtotal			
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

Expense Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	55,718		55,718
2000 Classified Salaries	72,094		72,094
3000 Employee Benefits	109,438		109,438
4000 Books and Supplies	7,818		7,818
5000 Services and Other Operating Expenses	12,702		12,702
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	257,770		257,770
Total Administrative Cost (included in Section 4 above)	9,424		9,424
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

Supplemental Revenue Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses

Supplemental Expense Category	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**

Summary Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	7,705		7,705
Days of Operation	175		175
Days of Attendance	7,696		7,696
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children (September - June)			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	257,770		257,770
Total Administrative Cost	9,424		9,424
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **4,771.7065**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

A U D 9530A Page 1 of 1

Fiscal Year End
Reserve Account Type
Vendor Code

June 30, 2021
Center-Based
2193

Full Name of Contractor City of San Rafael Child Development Program

Section 1 - Prior Year Reserve Account Activity

1. Beginning Balance (2019-20 AUD 9530A Ending Balance)	0
2. Plus Transfers to Reserve Account:	Per 2019-20 Post-Audit CDNFS 9530
Contract No.9283	
Contract No.	
Contract No.	
Contract No.	
Contract No.	
Contract No.	
Contract No.	
Total Transferred from 2019-20 Contracts to Reserve	
3. Less Excess Reserve to be Billed	
4. Ending Balance per 2019-20 Post-Audit CDNFS 9530	0

Section 2 - Current Year (2020-21) Reserve Account Activity

	Column A CDNFS 9530A	Column B Audit Adjustments	Column C per Audit
5. Plus Interest Earned This Year on Reserve			
6. Less Transfers to Contracts from Reserve:			
CSPP General-Contract No.0287			
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, 2021	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, 2021, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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*.

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.

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 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 STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2021**

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 edit 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.

Current Status: Implemented.

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.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
CURRENT STATUS OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2021**

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.

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.

Current Status: Implemented.

CITY OF SAN RAFAEL, CALIFORNIA
PEDESTRIAN AND BICYCLE PROJECTS
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020

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**CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
Financial Statements
For the Years Ended June 30, 2021 and 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 of San Rafael(City), as of and for the years ended June 30, 2021 and 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 opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Opinions

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, 2021 and 2020, and the changes in financial position and cash flows, where applicable, for the years 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, 2021 and 2020, the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 15, 2021, 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 solely 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 15, 2021

CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
BALANCE SHEETS
JUNE 30, 2021 AND 2020

	Allocation Instruction Number 20001098	Allocation Instruction Number 21001022	Totals	
			2021	2020
ASSETS				
Due from Metropolitan Transportation Commission	<u>\$68,460</u>	<u>\$239,436</u>	<u>\$307,896</u>	<u>\$239,940</u>
LIABILITIES				
Due to the City	<u>\$68,460</u>	<u>\$239,436</u>	<u>\$307,896</u>	<u>\$239,940</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>68,460</u>	<u>239,436</u>	<u>307,896</u>	
FUND BALANCE	<u>(68,460)</u>	<u>(239,436)</u>	<u>(307,896)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$68,460</u>	<u>\$239,436</u>	<u>\$307,896</u>	<u>\$239,940</u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

	Allocation Instruction Number 20001098	Allocation Instruction Number 21001022	Totals	
			2021	2020
REVENUES				
TDA Article 3.0 (Note 2)				\$423,983
Total Revenues				423,983
EXPENDITURES				
Pedestrian and Bicycle Improvements (Note 2)				
Francisco Blvd. West	\$68,460	\$239,436	\$307,896	239,940
Francisco Blvd. West Multi-Use Pathway				184,043
Total Expenditures	68,460	239,436	307,896	423,983
Excess of Revenues over Expenditures	(68,460)	(239,436)	(307,896)	
Fund balance at beginning of year				
Fund balance (deficit) at end of year	(\$68,460)	(\$239,436)	(\$307,896)	

See accompanying notes to financial statements

CITY OF SAN RAFAEL
PEDESTRIAN AND BICYCLE PROJECTS
Notes to the Financial Statements
For the Years Ended June 30, 2021 and June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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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 Years Ended June 30, 2021 and June 30, 2020

NOTE 2 - TDA ARTICLE 3.0 REVENUE AND EXPENDITURES

As of June 30, 2021 and 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		Revenue Received from Inception to June 30	
			2021	2020	2021	2020
Francisco Blvd. West Multi-Use Pathway	19001078	\$184,043		\$184,043		\$184,043
Francisco Blvd. West	20001098	308,400	\$68,460	239,940		239,940
Francisco Blvd. West	21001022	239,436	239,436			
Total		<u>\$731,879</u>	<u>\$307,896</u>	<u>\$423,983</u>	<u>\$0</u>	<u>\$423,983</u>

Expenditures for the Francisco Blvd. West Multi-Use Pathway (Allocation Instruction #19001078) were incurred during the year ended June 30, 2019. The expenditures were 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 Bicycle/Pedestrian Projects (Projects) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2021.

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) as a basis for designing 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 financial statements. 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 15, 2021 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 15, 2021