

FINANCIAL SECTION

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Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

The Honorable Mayor Willie L. Brown, Jr.
The Honorable Members of the Board of Supervisors
City and County of San Francisco, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2002, which collectively comprise of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial and summarized comparative information has been derived from the City's 2001 financial statements and, in our report dated January 22, 2002, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City and County of San Francisco, California, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and schedules of funding progress, on pages 2 through 19 and 118, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

November 27, 2002



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5.7 billion (net assets). Of this amount, \$438 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$120 million, or just over two percent, during the fiscal year. The increase is largely attributable to acquisition of capital assets in certain of the government's business enterprises and to scheduled retirement of debt faster than depreciation.
- As of June 30, 2002, the City's governmental funds reported combined ending fund balances of \$1.25 billion. Approximately 23 percent of this total amount, \$283 million, is unreserved fund balance available for spending at the government's discretion within the purposes specified for the City's funds.
- At the close of the fiscal year, unreserved fund balance for the general fund was \$136.7 million or seven percent of total general fund expenditures of \$1.9 billion.
- The City's total long-term debt increased by \$335 million, approximately 4.5 percent, during the fiscal year. Key factors in this increase were issuances of \$140 million in revenue bonds by the Water Department, \$61 million in settlement obligation bonds issued to provide for refunds under a portion of the City's business tax which was repealed in fiscal year 2001, and \$37 million in certificates of participation for the purchase of a building at 30 Van Ness Avenue for City offices. The City also issued \$988 million in refunding bonds and certificates during the year to take advantage of favorable interest rates in the current market and to retire outstanding commercial paper primarily held by San Francisco International Airport and other enterprises.
- The City's revenues from local sources including hotel, sales, and business tax showed significant drops from budget estimates during fiscal year 2002. In addition, concession and fee revenues collected by San Francisco International Airport dropped, and slowing business and construction activity decreased other fees and charges collected by the City. These factors were evaluated early in fiscal year 2002, and the City took measures to cut spending as a result. The lowered revenues have also affected both the estimated unreserved fund balance and the operating revenues available to the City in the fiscal year ending June 30, 2003. City management will monitor revenue streams and control expenditures and has already restricted expenditures to budget for a general fund revenue decrease currently estimated at \$20 million during fiscal year 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic on the following page:

Organization of City and County of San Francisco Comprehensive Annual Financial Report

CAFR	Introductory Section	<i>INTRODUCTORY SECTION</i>			
		+			
	Financial Section	Management's Discussion and Analysis			
		Government-wide Financial Statements	Fund Financial Statements		
		Statement of net assets	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of net assets	Statement of fiduciary net assets
		Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net assets	Statement of changes in fiduciary net assets
			Budgetary comparison statement	Statement of cash flows	
		Notes to the Financial Statements			
		Required Supplementary Information Other Than MD&A			
Information on individual non-major funds and other supplementary information that is not required					
	+				
Statistical Section	<i>STATISTICAL SECTION</i>				

The following figure summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government-wide Statement	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; capital assets and long-term liabilities	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general city responsibilities. The business-type activities of the City include an airport, port, public transit system, water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and various parking facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency (RDA) and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the operations of the San Francisco County Transportation Authority, San Francisco Finance Corporation, and San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental funds**, **proprietary funds**, and **fiduciary funds**.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements—i.e. most of the City’s basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City’s programs.

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 governmental 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.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers—either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (Airport), Port of San Francisco (Port),

Water Department, Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Railway (Muni), Laguna Honda Hospital, General Hospital Medical Center, Clean Water Program (Clean Water), and various nonprofit parking facilities, all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information services, printing and mail services, and, beginning in fiscal year 2002, for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments. Because this reporting model changed significantly both the recording and presentation of financial data, the City’s CAFR for fiscal year 2001 did not provide comparative information in its MD&A. This year marks the first time that two years of financial information in the GASB 34 format are available. In addition, adjustments have been made to some prior year balances to conform to current year presentation formats.

Net Assets June 30, 2002 (in thousands)

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Assets:						
Current and other assets.....	\$ 1,806,132	\$ 2,099,581	\$ 2,158,248	\$ 2,040,145	\$ 3,964,380	\$ 4,139,726
Capital assets.....	<u>2,041,451</u>	<u>1,821,115</u>	<u>8,185,824</u>	<u>7,782,633</u>	<u>10,227,275</u>	<u>9,603,748</u>
Total assets.....	<u>3,847,583</u>	<u>3,920,696</u>	<u>10,344,072</u>	<u>9,822,778</u>	<u>14,191,655</u>	<u>13,743,474</u>
Liabilities:						
Long-term liabilities outstanding.....	1,877,327	1,844,956	5,392,934	4,725,413	7,270,261	6,570,369
Other liabilities.....	<u>495,235</u>	<u>617,410</u>	<u>721,128</u>	<u>970,662</u>	<u>1,216,363</u>	<u>1,588,072</u>
Total liabilities.....	<u>2,372,562</u>	<u>2,462,366</u>	<u>6,114,062</u>	<u>5,696,075</u>	<u>8,486,624</u>	<u>8,158,441</u>
Net assets:						
Invested in capital assets, net of related debt.....	887,667	779,698	3,115,392	2,970,198	4,003,059	3,749,896
Restricted.....	717,879	724,034	546,019	577,830	1,263,898	1,301,864
Unrestricted.....	<u>(130,525)</u>	<u>(45,402)</u>	<u>568,599</u>	<u>578,675</u>	<u>438,074</u>	<u>533,273</u>
Total net assets.....	<u>\$ 1,475,021</u>	<u>\$ 1,458,330</u>	<u>\$ 4,230,010</u>	<u>\$ 4,126,703</u>	<u>\$ 5,705,031</u>	<u>\$ 5,585,033</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government’s financial position. For the City, assets exceeded liabilities by \$5.7 billion at the close of the current fiscal year.

The largest portion of the City’s net assets (70 percent) reflects its investment of \$4 billion in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City’s net assets, \$1.3 billion (22 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$438 million (eight percent) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities. For the governmental

activities, unrestricted net assets have a deficit of \$130.5 million related in part to \$128 million in debt from general obligation bonds for the San Francisco Unified School District which is recorded with no corresponding assets. This deficit has also increased from the comparable figure of \$45.4 million in 2001 due to use of reserves to balance the budget.

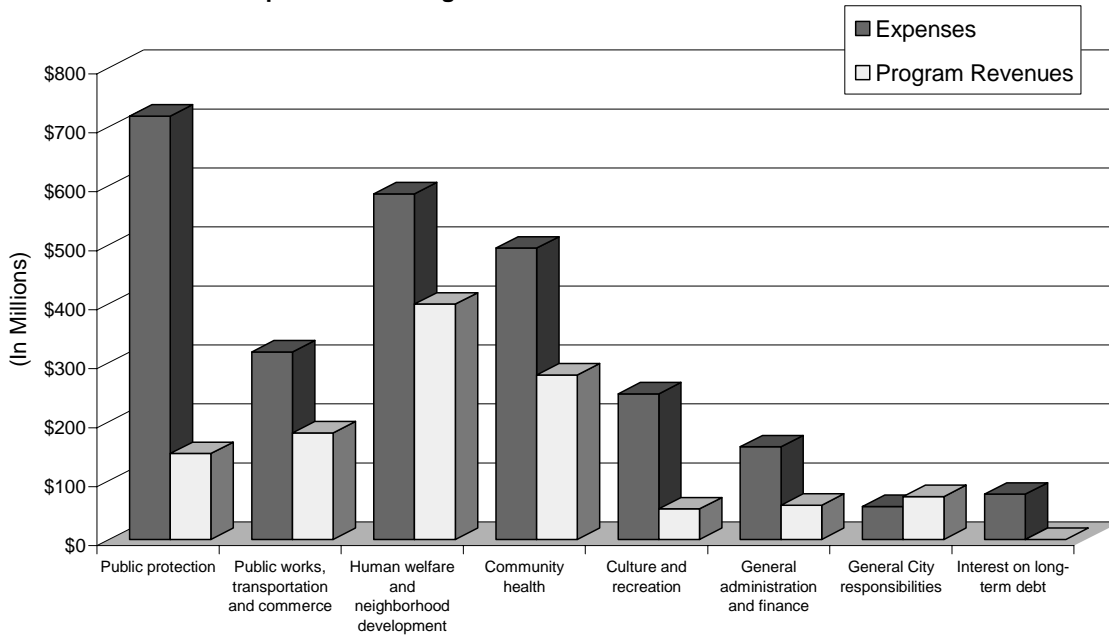
**Changes in Net Assets
June 30, 2002 (in thousands)**

	Governmental activities		Business-type activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues						
Program revenues:						
Charges for services.....	\$ 348,898	\$ 344,721	\$ 1,479,232	\$ 1,408,121	\$ 1,828,130	\$ 1,752,842
Operating grants and contributions.....	781,767	763,863	282,059	260,520	1,063,826	1,024,383
Capital grants and contributions.....	58,394	22,619	251,747	335,520	310,141	358,139
General revenues:						
Property taxes.....	697,703	628,846	-	-	697,703	628,846
Business taxes.....	274,848	277,822	-	-	274,848	277,822
Other local taxes.....	444,590	581,480	-	-	444,590	581,480
Interest and investment income.....	70,597	81,084	63,530	96,493	134,127	177,577
Other.....	115,943	115,695	85,425	28,779	201,368	144,474
Total revenues.....	<u>2,792,740</u>	<u>2,816,130</u>	<u>2,161,993</u>	<u>2,129,433</u>	<u>4,954,733</u>	<u>4,945,563</u>
Expenses						
Public protection.....	\$ 717,552	\$ 688,994	-	-	717,552	688,994
Public works, transportation and commerce.....	317,778	300,355	-	-	317,778	300,355
Human welfare and neighborhood development.....	586,188	499,096	-	-	586,188	499,096
Community health.....	493,856	455,101	-	-	493,856	455,101
Culture and recreation.....	246,620	229,721	-	-	246,620	229,721
General administration and finance.....	156,770	153,742	-	-	156,770	153,742
General City responsibilities.....	55,551	109,804	-	-	55,551	109,804
Unallocated interest on long-term debt.....	77,335	73,588	-	-	77,335	73,588
Airport.....	-	-	599,335	529,002	599,335	529,002
Transit.....	-	-	528,725	468,753	528,725	468,753
Port.....	-	-	58,694	47,587	58,694	47,587
Water.....	-	-	165,362	145,858	165,362	145,858
Power.....	-	-	113,754	107,000	113,754	107,000
Hospitals.....	-	-	525,045	513,486	525,045	513,486
Sewer.....	-	-	159,896	149,687	159,896	149,687
Garages.....	-	-	32,274	34,155	32,274	34,155
Total expenses.....	<u>2,651,650</u>	<u>2,510,401</u>	<u>2,183,085</u>	<u>1,995,528</u>	<u>4,834,735</u>	<u>4,505,929</u>
Increase/(decrease) in net assets before special items and transfers.....	141,090	305,729	(21,092)	133,905	119,998	439,634
Special items.....	-	-	-	126,014	-	126,014
Transfers.....	(124,399)	(102,154)	124,399	102,154	-	-
Increase in net assets.....	16,691	203,575	103,307	362,073	119,998	565,648
Net assets at beginning of year.....	<u>1,458,330</u>	<u>1,254,755</u>	<u>4,126,703</u>	<u>3,764,630</u>	<u>5,585,033</u>	<u>5,019,385</u>
Net assets at end of year.....	<u>\$ 1,475,021</u>	<u>\$ 1,458,330</u>	<u>\$ 4,230,010</u>	<u>\$ 4,126,703</u>	<u>\$ 5,705,031</u>	<u>\$ 5,585,033</u>

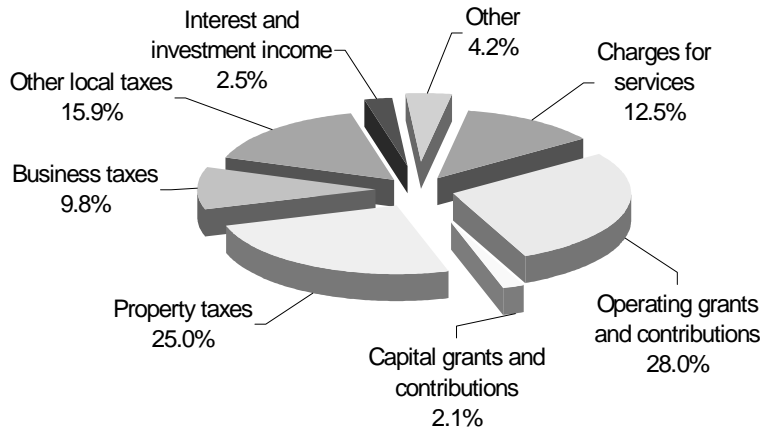
Analysis of Changes in Net Assets

The City's net assets overall increased by \$120 million during the current fiscal year. These increases are explained in the government and business-type activities discussion below, and are primarily a result of acquisition and completion of capital assets, and in some measure to expenditures growing more slowly than revenues, particularly in the business-type funds.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City’s net assets by \$16.7 million, accounting for 14 percent of the overall change. Key factors of this increase are as follows:

- Property tax revenues increased by approximately \$68.9 million or eleven percent during the year. Most of this increase is attributable to a continued strong real estate market and consequent growth in the assessed value of property and a reduction in the City’s estimated assessment appeals reserve. In addition, the City is processing deeds more efficiently and is able to issue supplemental tax bills within a shorter time period following the sale of a property.
- Operating and capital grants and contributions together increased by \$53.7 million, or approximately seven percent in the aggregate, largely related to increases in State reimbursement rates to San Francisco General Hospital and to receipt of State traffic congestion

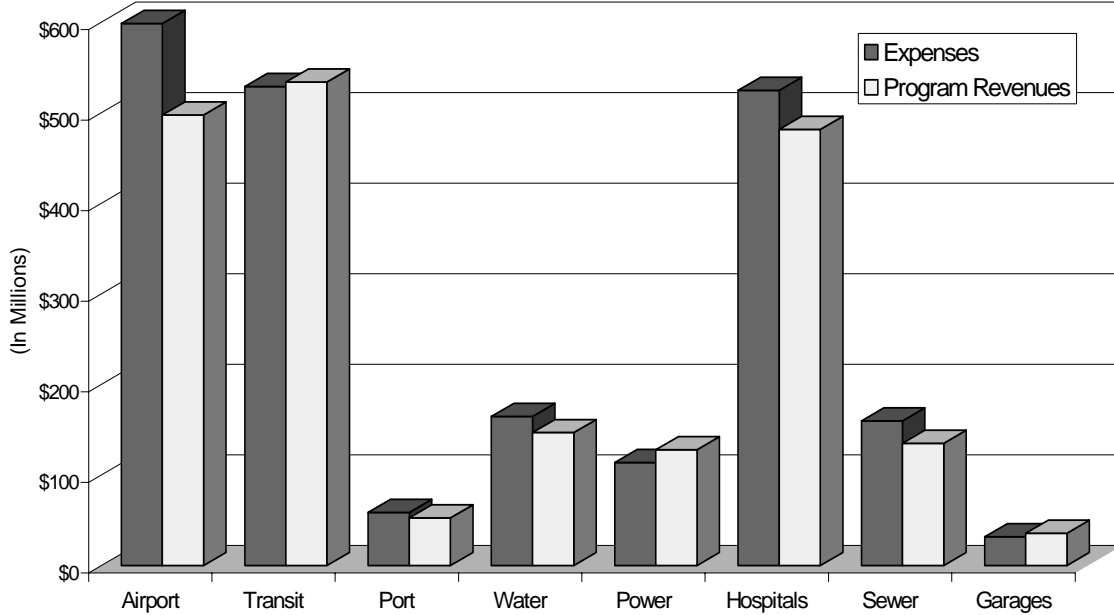
relief funds and other State funds by the Department of Public Works and the Department of Parking and Traffic.

- Governmental activities showed an increase in capital assets through progress on the construction of the Moscone West Convention Center, the Asian Art Museum, and various other parks and public works improvements.
- The growth in property taxes and other net increases were somewhat offset by losses in the City's other local taxes, which include sales, hotel, parking and utility users taxes. Revenue from these sources dropped by approximately \$137 million or 24 percent overall during the year. Hotel occupancy and room rates were weak at the beginning of the year and were severely impacted during the second six months of the fiscal year. Sales tax similarly decreased during the year. Utility users tax decreased, coming off a sharp increase in 2001 related in part to high prices during the run-up in California energy markets.
- Interest and investment income also dropped by approximately \$10.5 million or 13 percent during the year due to a decrease in the average yield of City pooled investments from 6.06 percent to 4.14 percent. Because the City's investments are concentrated in Treasury Bills and Notes and other short-term instruments the Federal Reserve's interest rate cuts during the year have significantly affected the City's investment returns.

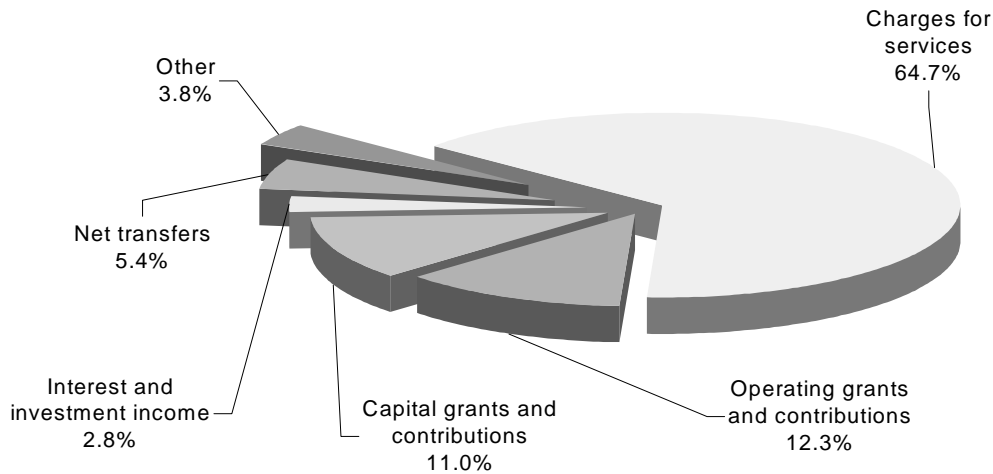
For the most part, increases in expenses paralleled increases in the cost of living in the San Francisco Bay Area and growth in the demand for government services. The transfers that the City General Fund makes each year to help finance the operations of two enterprises, San Francisco General Hospital and Laguna Honda Hospital, decreased by five percent in the aggregate from \$106 million in 2001 to \$100 million in 2002. Both hospitals experienced increases in the proportion of patients covered by Medicare, Medi-Cal or other insurers, and/or improvement in reimbursement rates which allowed them to recover a higher share of their costs of service. Also of note is a decrease of approximately \$54 million from 2001 to 2002 in expenditures in General City Responsibilities largely due to the City's completion of most refund payments due under the repeal of a portion of the business tax.

The charts on the previous page illustrate the City's governmental expenses and revenues by function, and its revenues by source. As shown, public protection is the largest function in expense (27 percent), followed by human welfare and neighborhood development (22 percent) and community health (19 percent). General revenues such as property, business, and sales taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, operating grants and contributions are the largest single source of funds (28 percent), followed by property taxes (25 percent) and other local taxes (15.9 percent). These ratios are substantially similar to 2001, with the notable exception of other local taxes, which in 2001 provided approximately 20 percent of total governmental activities revenues, dropping in 2002 related to the City's decreased collections in hotel, sales, and other taxes.

Expenses and Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



Business-type activities. Business-type activities increased the City’s net assets by \$103.3 million, accounting for 84 percent of the overall growth in the City’s net assets. Key factors of this increase are as follows:

- The Municipal Railway’s net assets overall increased by \$126.2 million primarily due to increases in the total value of equipment with the acquisition of new rolling stock, and to capitalization of infrastructure investments. Muni’s non-operating revenues, which include state and federal grants as well as parking fees and fines, increased by \$22.6 million. The increase is largely due to improved collection, and in some cases to increased rates, of parking meters, parking taxes, and parking fines which accrue to MUNI under the terms of the City’s charter.

- Laguna Honda Hospital's net assets overall increased by \$21 million, largely related to the receipt of approximately that same amount in cash under the tobacco settlement monies paid to the City and County of San Francisco. These revenues are restricted for the Laguna Honda Replacement Project and will be used to pay contract costs and debt service for construction of the new hospital complex. Laguna Honda also experienced a five percent increase in net patient revenue under increased Medi-Cal reimbursements for skilled nursing facilities.
- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, increased total net assets by \$15.5 million primarily as a result of a lowered revenue transfer to the City's General Fund. In the prior fiscal year, Hetch Hetchy transferred \$29.9 million, decreasing in fiscal year 2002 to less than half a million. This action was taken by the City management and the Public Utilities Commission in order to allow Hetch Hetchy to better manage cash flows and cope with the highly volatile electricity market which affected California during the year.
- San Francisco International Airport's net asset decrease of \$46.9 million is due primarily to major capital assets being depreciated on a straight-line basis over an average of 30 years, while principal retirement of debt escalates over time. During fiscal year 2002, depreciation expense exceeded the principal retirement of outstanding debt by more than \$100 million. The City projects that this situation will continue through approximately 2010, then reverse for the remaining life of the bonds. The Airport also experienced losses in operating revenue from multiple sources including rents, parking, and other charges, for a reduction from these sources of approximately \$50 million during the year. In fiscal year 2002, the cash transfer from the Airport to the City's General Fund was reduced from \$25.1 million to \$17.8 million, reflecting the decrease in Airport concession revenues.
- The Clean Water Department's net assets decreased by \$14.3 million. The department defeased \$28.4 million in certain bonds primarily by using funds from the State Water Resources Control Board Revolving Loan Fund Program instead of issuing additional bonds. In addition, capital assets net of related debt increased by \$15.9 million largely because debt reductions are scheduled to occur faster than depreciation.

As shown in the charts above, the largest of San Francisco's business-type activities—the San Francisco International Airport, the City's two hospitals combined, and the Municipal Railway, each had total expenses over \$500 million in fiscal year 2002, with these three enterprises together making up more than 75 percent of the total business activities. For all of the business-type activities, charges for services provide the largest share of revenues (65 percent) followed by operating grants and contributions (12.2 percent), and capital grants (10.9 percent), which are primarily received by the Municipal Railway. The proportion of business activity revenue overall which is attributable to charges for services has increased from 60 percent in 2001, in part as a result of passenger facility service charges which the Airport began collecting as of October 2001.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1.25 billion, a decrease of \$243.8 million in comparison with the prior year. The drop represents the City's relatively higher budgetary use of reserves, liquidation of encumbrances, and reductions in carry-forward funds in fiscal year 2002. In addition, the San Francisco Finance Corporation, which is an entity used to lease-finance equipment on behalf of City departments, was consolidated beginning in fiscal year 2002 as an internal service fund where in prior years it had been accounted for in various other governmental funds (capital and debt service funds). As a result, \$144.7 million in cash and other balances was transferred from governmental to proprietary funds.

Approximately \$283 million of the combined ending fund balance in the governmental funds constitutes unreserved fund balance, which is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$393.3 million), (2) to fund continued programs or projects in future fiscal periods (\$391.2 million), (3) to pay debt service (\$36.5 million), and (4) for a variety of other restricted purposes (\$145.1 million).

Revenues for governmental functions overall totaled approximately \$2.78 billion in the fiscal year ended June 30, 2002, which represents a decrease of 1.37 percent from the fiscal year ended June 30, 2001. Expenditures for governmental functions, totaling \$2.96 billion, increased by approximately 5.9 percent from the fiscal year ended June 30, 2001. In fiscal year 2002, expenses for governmental functions overall exceeded revenues by approximately \$183 million, or slightly less than seven percent.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$136.7 million, while total fund balance was \$380.4 million. Total fund balance decreased in the City's general fund by \$98.8 million during the fiscal year mainly due to continued decreases in revenues, especially local taxes, and to consequent use of cash and other reserves. As noted above, these factors were partly offset by increases in the City's general fund property tax collections and by management controls on general fund expenditures put in place beginning in the second quarter of the fiscal year. Overall, the general fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2002 of \$45 million, before transfers and other items are considered.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For 2002, unreserved fund balance represents seven percent of total general fund expenditures of \$1.912 billion, while total fund balance represents 20 percent of that same amount. For 2001, the general fund's unreserved fund balance was approximately 12 percent of total expenditures of \$1.798 billion, and the total fund balance represented approximately 27 percent of expenditures. These positions also reflect the City's relatively higher budgetary use of reserved funds in 2002.

Proprietary funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the San Francisco International Airport were \$267.9 million, the Water Department \$177 million, the Hetch Hetchy Project \$52.7 million, the Clean Water Program \$67 million, the Port of San Francisco \$54.9 million, and the Parking Garages were \$46.2 million. Three proprietary funds had deficits in unrestricted net assets—the Municipal Railway fund had a deficit of \$68.2 million, and the San Francisco General Hospital and the Laguna Honda Hospital had deficits in unrestricted net assets of \$13.7 million and \$15.2 million respectively. The internal service funds which are used to account for certain governmental activities also had a deficit in unrestricted net assets of \$8.6 million.

The total growth in net assets for the proprietary funds was \$103.3 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the San Francisco International Airport's net assets decreased by \$46.9 million due to drops in operating revenue and to an increase in net bonded debt related to the defeasance of commercial paper.

The following table shows actual revenues, expenses and results of operations (excluding capital contributions and expenses) for the current fiscal year in the City's proprietary funds (in thousands):

	Operating Revenues	Operating Expenses	Net Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions	Interfund Transfers	Change In Net Assets
Airport.....	\$ 465,176	\$ 409,659	\$ 55,517	\$ (117,595)	\$ 32,937	\$ (17,784)	\$ (46,925)
Water.....	147,216	148,430	(1,214)	(499)	-	-	(1,713)
Hetch Hetchy.....	125,777	113,754	12,023	3,885	-	(382)	15,526
Municipal Railway.....	107,455	528,725	(421,270)	220,453	216,063	110,945	126,191
General Hospital.....	301,482	382,253	(80,771)	73,397	-	2,961	(4,413)
Clean Water.....	134,595	128,948	5,647	(19,988)	-	-	(14,341)
Port.....	50,494	55,878	(5,384)	7,545	2,747	-	4,908
Laguna Honda Hospital.....	111,392	141,030	(29,638)	22,004	-	28,659	21,025
Parking Garages/Other.....	35,645	30,928	4,717	(1,668)	-	-	3,049
Total.....	\$ 1,479,232	\$ 1,939,605	\$ (460,373)	\$ 187,534	\$ 251,747	\$ 124,399	\$ 103,307

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public services or employees. As of the end of fiscal year 2001-2002, the net assets of the Retirement System and Health Service System totaled \$10.5 billion, representing a decrease of \$826.5 million in total net assets since June 30, 2001. The change is primarily related to decreases in the market value of the Retirement System's investments. The Investment Trust Fund's net assets totaled \$300.6 million, with an increase in net assets over the fiscal year of \$25.4 million, primarily resulting from increased contributions from external participants to the fund.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. In fiscal year 2002, significant supplemental appropriations were approved for the Department of Elections for temporary salaries, materials, and services (\$5.15 million), the Sheriff for overtime and other personnel costs (\$4.99 million), Emergency Communications Department for civilianization efforts and for additional personnel costs (\$1.62 million), the City Attorney for affirmative litigation (\$951 thousand), and the District Attorney's Office due to the high cost of prosecuting a lengthy out-of-venue case (\$260 thousand).

During the year, actual revenues and other resources lagged budgetary estimates by \$3.59 million. The majority of this amount is attributable to local taxes—specifically the sales, hotel, and utility taxes where actual performance was less than estimates. In addition, transfers in to the General Fund were \$31 million less than estimates, primarily due to a reduction in the transfer of concession revenues earned by the Airport. The funds which are transferred from the General Hospital Fund to the General Fund for the City's participation in the State cost-sharing program among county hospitals was also reduced, however there is no net loss to the General Fund as a result of this transaction. Budgetary shortfalls were offset in part by receipts greater than estimates in property taxes and in federal health and social services funds.

Differences between the final budget and the actual (budgetary basis) resulted in a \$133.8 million decrease in total charges to appropriations. This is primarily due to the following factors:

- Expenditures less than budgeted by the Fire Department of approximately \$7.3 million related to fewer retirements than had been anticipated, and the resulting decrease in the required recruitment, Fire Academy training classes, and hiring expenses need to fulfill the Department's personnel needs.

- A decrease in expenditures by the Human Services Department of approximately \$14.9 million related to reduced costs under local, State and federal welfare programs. In particular, the City spent less than was budgeted in wage augmentation programs, childcare subsidies, and personnel costs. However, these expense reductions are almost entirely offset by decreases in the subvention funds which San Francisco is able to claim under these programs.
- A decrease in expenditures by the Department of Public Health of approximately \$31.2 million, primarily associated with a reduction in the local match requirement for the State hospital cost-sharing program noted above (SB 855 Medi-Cal disproportionate share program). This decrease is non-program related and does not result in service reductions.
- A decrease in expenditures of approximately \$2.4 million in the General City Responsibilities area resulting primarily from debt service payments which were less than the budgeted level due to debt being issued later in the year than projected.
- The General Fund was able to reduce its transfers to other funds by \$43 million, stemming primarily from unanticipated State revenues which were received by San Francisco General Hospital and Laguna Honda Hospital, thus allowing for reduced subsidy transfers.
- Budgetary reserves of \$22.1 million for various programs and payments which had been anticipated and included in the budget were not used due to management restrictions on spending, and were able to be liquidated at the close of the fiscal year.

The net effect of the under-utilization of appropriations and the receipt of some actual revenues greater than estimates resulted in a positive budgetary fund balance of \$130 million at the end of the fiscal year.

In creating its budget for the fiscal year ending June 30, 2003, the City used an estimated budgetary fund balance of \$124 million (see Note 4 to the Basic Financial Statements).

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business type activities as of June 30, 2002, amount to \$10.2 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the current fiscal year was six percent (a 12 percent increase for governmental activities and a five percent increase for business-type activities) as shown in the table on the following page.

**Changes in Capital Assets , Net of Accumulated Depreciation
(in thousands)**

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Land.....	\$ 139,534	\$ 131,539	\$ 185,594	\$ 184,299	\$ 325,128	\$ 315,838
Facilities and Improvement...	1,223,619	1,214,496	5,456,106	5,316,447	6,679,725	6,530,943
Machinery and equipment....	77,609	88,372	694,659	493,757	772,268	582,129
Infrastructure.....	23,663	-	481,128	454,899	504,791	454,899
Property held under lease....	536	536	309	515	845	1,051
Easements.....	-	-	99,631	98,482	99,631	98,482
Construction in progress.....	576,490	386,172	1,268,397	1,234,234	1,844,887	1,620,406
Total.....	\$ 2,041,451	\$ 1,821,115	\$ 8,185,824	\$ 7,782,633	\$ 10,227,275	\$ 9,603,748

Major capital asset events during the current fiscal year included the following:

- The Airport showed an increase of \$126 million or three percent in capital assets related to additional completions of the Near Term Master Plan Program. This program, which includes new parking facilities, roadways, runway improvements, and the new International Terminal, was substantially completed in 2001, with the Airport reporting a 13 percent increase in capital assets that year. During fiscal year 2002, major project completions include the BART station at SFO and the Air Train (people mover) Domestic Stations. These facilities are scheduled to begin operations in calendar year 2003.
- Muni capital assets increased by \$158.8 million due to improvements at the Woods Division bus facility, progress on the Third Street Light Rail Project, acquisition of 145 motor coaches and 24 light rail vehicles, and capitalization of the completed Automated Train Control System for the Metro subway. In April 2002, Muni entered into a lease transaction involving 118 Breda light rail vehicles which allows equity investors holding title to the vehicles to take advantage of tax benefits not available to public entities. During the term of the lease Muni maintains custody and use of the vehicles, and is obligated to insure and maintain them. As a result of the transaction, Muni recorded a deferred gain in 2002 of \$35.5 million which will be amortized over the life of the sublease. During fiscal year 2003 Muni will request authorization to use the funds for one-time capital needs.
- The Water Department's total capital asset additions of \$16.2 during the fiscal year include an upgrade to the Sunol Valley Water Treatment Plant of \$5.6 million, and improvements at the Harry Tracy Water Treatment Plant of \$9.6 million, and many smaller projects at less than \$1 million each.
- The Clean Water Program completed sewer replacement projects at four sites within the City for a capital asset increase of \$2.5 million.
- During fiscal year 2002 the primary capital asset event at Hetch Hetchy was the completion of the O'Shaughnessy Dam electrical project at a value of \$927 thousand, as well as many other smaller projects such as completed maintenance and construction of pipelines, and purchase of vehicles and equipment.
- Governmental activities construction in progress increased by \$190 million due to additional work on the Moscone Center West facility, the Asian Art Museum, and other public works and recreation and park sites.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For governmental activities, no major net infrastructure assets are reported at the beginning of the year because the historical costs did not meet the threshold established in GASB 34. In fiscal year 2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$7.8 billion. Of this amount, \$919.2 million is general obligation bonds (including \$2 million in general obligation bonds issued on behalf of the Port of San Francisco) backed by the full faith and credit of the City, and \$5.7 billion is revenue bonds, commercial paper, loans, and other obligations of the City's business enterprises. The remainder includes accrued leave and workers compensation obligations, as well as revenue bonds, certificates of participation, and other debts of City parking garages, the Moscone Convention Center, and other governmental activities.

During fiscal year 2002, the City's total bonded debt increased by approximately \$713 million. Key factors were the issuances of \$140 million in revenue bonds for Water Department projects, \$60.8 million in settlement obligation bonds to provide for refunds under a portion of the City's business tax which was repealed, \$37.2 million in certificates of participation to finance the acquisition of an office building at 30 Van Ness Avenue, and \$17.7 million in general obligation bonds to fund continued work on the Branch Library Improvement Program.

In addition, the City issued \$988 million in refunding bonds and refunding certificates to take advantage of favorable interest rates and reduce total debt payments both in the general obligation bond and revenue bond programs. Of this amount, \$853.5 million was for the purpose of largely refunding the commercial paper program at the San Francisco International Airport.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City—approximately \$90.4 billion in value as of the close of the fiscal year. As of June 30, 2002, the City had \$919.2 million in authorized, outstanding property tax-supported general obligation bonds, which is equal to approximately one percent of the taxable assessed value of property. As of June 30, 2002, there were an additional \$951.8 million in bonds that were authorized but unissued. If all of these bonds were issued and outstanding, the total debt burden would be approximately two percent of the taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2002 were:

Moody's Investors Service, Inc.	Aa3
Standard and Poor's Corporation	AA
Fitch IBCA, Inc.	AA

The City's enterprise activities have experienced some changes in debt ratings since June 30, 2001. In July 2001, Standard & Poor's downgraded the Water Department's underlying rating on outstanding debt from AA-negative outlook to A+ stable outlook primarily related to political uncertainty regarding a long-term capital plan and the Department's inability to raise service rates without voter approval. Subsequently, in November 2002, voters approved \$1.6 billion in Water Revenue Bonds for capital projects.

Following the events of September 11, 2001, Standard & Poor's placed all of its North American airport and airport-related facilities, including the San Francisco International Airport, on CreditWatch with negative implications, and has since lowered its long-term ratings for San Francisco Airport debt from A+ to A. Moody's Investors Service has affirmed its A1 rating for the Airport, but revised the outlook from developing to negative. Fitch IBCA, Inc. lowered its rating for the Airport from AA- to A+.

Since the close of the 2002 fiscal year, the City has issued additional debt of \$250 million in Water Department revenue bonds, primarily for refunding purposes, and \$29.3 million in general obligation bonds for acquisition and construction projects under the Zoo Facilities Program and the Branch Library Improvement Program. In 1994, the City issued \$35 million in taxable general obligation bonds for a program to provide loans for seismic strengthening of privately-owned unreinforced masonry buildings. On October 16, 2002, from proceeds of the bonds and other sources, the City paid, in full, the outstanding \$26,665,000 principal amount, accrued interest from June 15, 2002, and the redemption premium.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and next year's budget and rates

- The City appropriated \$124 million in estimated available fund balance in the General Fund for spending in fiscal year 2003. It is intended that this use of fund balance will avoid the need to cut public safety, health and human services programs in the budget year.
- The City evaluated the basis on which it has calculated the cash reserves held in relation to property tax collections. Where previously San Francisco had maintained a ten percent cash reserve for all property-tax based funds, including the General Fund, the voter-approved set-aside funds (Children's, Library, and Open Space Funds), the Redevelopment Agency, and the School District, and others, the City has determined that the reserve requirement as stated in Charter Section 9.113 is intended to guarantee against losses only in funds under the City's budgetary control. As a result of this determination, \$45.8 million was made available and appropriated to fund the 2003 budget on a one-time basis.
- The City currently faces a less favorable economic environment resulting from the decline in technology industries, continued weakness in the travel and tourism markets, and the overall downturn in the business cycle. As noted in our transmittal letter, San Francisco's unemployment rate has more than doubled from its low point of 2.8 percent in 2000 to approximately 6.7 percent by November 2002.
- Hotel and sales, with losses already experienced related to the economic downturn and the aftermath of September 11, 2001 have further fallen off during the first quarter of 2003, down approximately eight to ten percent from budgeted projections. Other major local tax revenues have showed lesser shortfalls in the first quarter, but are nonetheless not at projected budget levels. The City has restricted departmental spending in the current year, and is preparing to further reduce spending in 2004 to budget for these conditions.

All of the above factors were considered in preparing the City's budget for fiscal year 2003.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

Port of San Francisco
Fiscal Officer
Pier 1
San Francisco, CA 94111

San Francisco Water Department
Hetch Hetchy Water and Power
San Francisco Clean Water Program
1155 Market Street, 5th Floor
San Francisco, CA 94103

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

San Francisco Municipal Railway
MUNI Finance and Administration
875 Stevenson Street, Room 260
San Francisco, CA 94103

Health Service System
Department of Human Resources
44 Gough Street
San Francisco, CA 94103

San Francisco General Hospital Medical Center
Chief Financial Officer
2789 – 25TH Street
San Francisco, CA 94110

San Francisco Employees' Retirement
System
Finance Department
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statements

San Francisco Redevelopment Agency
Finance Department
770 Golden Gate Avenue, 3rd Floor
San Francisco, CA 94102

Blended Component Units Financial Statements

San Francisco County Transportation Authority
100 Van Ness Avenue, 25th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets

June 30, 2002

(In Thousands)

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	<u>San Francisco Redevelopment Agency</u>	<u>Treasure Island Development Authority</u>
ASSETS					
Current assets:					
Deposits and investments with City Treasury.....	\$ 1,050,766	\$ 754,778	\$ 1,805,544	\$ -	\$ 3,442
Deposits and investments outside City Treasury.....	184,591	3,508	188,099	104,394	-
Receivables (net of allowance for uncollectible amounts of \$23,252 for the primary government):					
Property taxes and penalties.....	33,395	-	33,395	-	-
Other local taxes.....	173,873	-	173,873	-	-
Federal and state grants and subventions.....	139,975	39,306	179,281	-	12
Charges for services.....	21,755	156,220	177,975	-	678
Interest and other.....	11,862	68,364	80,226	19,077	12
Loans and capital lease receivables.....	-	-	-	21,927	-
Due from component unit.....	22,587	-	22,587	-	-
Inventories.....	-	37,801	37,801	-	-
Deferred charges and other assets.....	1,658	6,266	7,924	-	-
Total current assets.....	<u>1,640,462</u>	<u>1,066,243</u>	<u>2,706,705</u>	<u>145,398</u>	<u>4,144</u>
Restricted assets:					
Deposits and investments with City Treasury.....	-	601,351	601,351	-	-
Deposits and investments outside City Treasury.....	-	390,938	390,938	219,060	-
Grants and other receivables.....	-	33,960	33,960	1,202	-
Total restricted assets.....	<u>-</u>	<u>1,026,249</u>	<u>1,026,249</u>	<u>220,262</u>	<u>-</u>
Noncurrent assets:					
Receivables (net of allowance for uncollectible amounts of \$165,637 and \$110,771 for the primary government and component units, respectively):					
Loans and capital lease receivables.....	149,125	-	149,125	207,491	-
Deferred charges and other assets.....	16,545	65,756	82,301	712	-
Property held for resale.....	-	-	-	4,297	-
Capital assets:					
Land and other assets not being depreciated.....	716,024	1,453,991	2,170,015	64,798	-
Facilities, infrastructure, and equipment, net of depreciation.....	1,325,427	6,731,833	8,057,260	126,568	-
Total capital assets.....	<u>2,041,451</u>	<u>8,185,824</u>	<u>10,227,275</u>	<u>191,366</u>	<u>-</u>
Total noncurrent assets.....	<u>2,207,121</u>	<u>8,251,580</u>	<u>10,458,701</u>	<u>403,866</u>	<u>-</u>
Total assets.....	<u>3,847,583</u>	<u>10,344,072</u>	<u>14,191,655</u>	<u>769,526</u>	<u>4,144</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets (Continued)

June 30, 2002

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable.....	157,542	119,989	277,531	5,590	211
Accrued payroll.....	82,553	61,174	143,727	-	57
Accrued vacation and sick leave pay.....	59,132	38,811	97,943	859	-
Accrued workers' compensation.....	38,926	30,476	69,402	-	-
Estimated claims payable.....	9,224	16,668	25,892	-	-
Bonds, loans, capital leases, and other payables.....	114,626	185,185	299,811	20,081	-
Accrued interest payable.....	11,511	12,381	23,892	27,353	-
Unearned grant and subvention revenues.....	2,995	-	2,995	-	-
Due to primary government.....	-	-	-	22,587	-
Internal balances.....	(30,785)	30,785	-	-	-
Deferred credits and other liabilities.....	49,511	107,474	156,985	9,360	-
Total current liabilities.....	<u>495,235</u>	<u>602,943</u>	<u>1,098,178</u>	<u>85,830</u>	<u>268</u>
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables.....	-	12,115	12,115	-	-
Accrued interest payable.....	-	42,666	42,666	-	-
Other.....	-	63,404	63,404	-	-
Total liabilities payable from restricted assets.....	<u>-</u>	<u>118,185</u>	<u>118,185</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	62,828	30,617	93,445	1,011	-
Accrued workers' compensation.....	137,851	96,928	234,779	-	-
Estimated claims payable.....	32,221	28,618	60,839	-	-
Bonds, loans, capital leases, and other payables.....	1,644,427	5,183,842	6,828,269	569,896	-
Accrued interest payable.....	-	-	-	144,009	-
Deferred credits and other liabilities.....	-	52,929	52,929	-	-
Total noncurrent liabilities.....	<u>1,877,327</u>	<u>5,392,934</u>	<u>7,270,261</u>	<u>714,916</u>	<u>-</u>
Total liabilities.....	<u>2,372,562</u>	<u>6,114,062</u>	<u>8,486,624</u>	<u>800,746</u>	<u>268</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	887,667	3,115,392	4,003,059	76,223	-
Restricted for:					
Cash and emergencies requirements by Charter.....	93,293	-	93,293	-	-
Debt service.....	12,135	334,747	346,882	67,232	-
Capital projects.....	115,052	141,154	256,206	-	-
Community development.....	135,308	-	135,308	-	-
Transportation Authority activities.....	142,740	-	142,740	-	-
Other purposes.....	219,351	70,118	289,469	1,200	3,876
Unrestricted (deficit).....	<u>(130,525)</u>	<u>568,599</u>	<u>438,074</u>	<u>(175,875)</u>	<u>-</u>
Total net assets (deficit).....	<u>\$ 1,475,021</u>	<u>\$ 4,230,010</u>	<u>\$ 5,705,031</u>	<u>\$ (31,220)</u>	<u>\$ 3,876</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

**Statement of Activities
Year ended June 30, 2002**

(In Thousands)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets							
		Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection.....	\$ 717,552	\$ 42,254	\$ 103,941	\$ -	\$ (571,357)	\$ -	\$ (571,357)	\$ -	\$ -
Public works, transportation and commerce.....	317,778	102,576	22,307	56,168	(136,727)	-	(136,727)	-	-
Human welfare and neighborhood development..	586,188	20,292	379,062	-	(186,834)	-	(186,834)	-	-
Community health.....	493,856	36,176	243,105	-	(214,575)	-	(214,575)	-	-
Culture and recreation.....	246,620	47,116	3,458	1,213	(194,833)	-	(194,833)	-	-
General administration and finance.....	156,770	53,434	3,510	1,013	(98,813)	-	(98,813)	-	-
General City responsibilities...	55,551	47,050	26,384	-	17,883	-	17,883	-	-
Unallocated Interest on long-term debt.....	77,335	-	-	-	(77,335)	-	(77,335)	-	-
Total governmental activities.....	<u>2,651,650</u>	<u>348,898</u>	<u>781,767</u>	<u>58,394</u>	<u>(1,462,591)</u>	<u>-</u>	<u>(1,462,591)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Airport.....	599,335	465,176	-	32,937	-	(101,222)	(101,222)	-	-
Transit.....	528,725	107,455	210,746	216,063	-	5,539	5,539	-	-
Port.....	58,694	50,494	-	2,747	-	(5,453)	(5,453)	-	-
Water.....	165,362	147,216	-	-	-	(18,146)	(18,146)	-	-
Power.....	113,754	125,777	1,788	-	-	13,811	13,811	-	-
Hospitals.....	525,045	412,874	69,525	-	-	(42,646)	(42,646)	-	-
Sewer.....	159,896	134,595	-	-	-	(25,301)	(25,301)	-	-
Garages.....	32,274	35,645	-	-	-	3,371	3,371	-	-
Total business-type activities.....	<u>2,183,085</u>	<u>1,479,232</u>	<u>282,059</u>	<u>251,747</u>	<u>-</u>	<u>(170,047)</u>	<u>(170,047)</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 4,834,735</u>	<u>\$ 1,828,130</u>	<u>\$ 1,063,826</u>	<u>\$ 310,141</u>	<u>\$ (1,462,591)</u>	<u>\$ (170,047)</u>	<u>\$ (1,632,638)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
San Francisco Redevelopment Agency.....									
	\$ 116,252	\$ 25,747	\$ 16,620	\$ -	\$ -	\$ -	\$ -	\$ (73,885)	\$ -
Treasure Island Development Authority.....									
	6,123	8,651	226	-	-	-	-	-	2,754
Total component units.....	<u>\$ 122,375</u>	<u>\$ 34,398</u>	<u>\$ 16,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,885)</u>	<u>\$ 2,754</u>
General Revenues:									
Taxes:									
Property taxes.....	\$ 697,703	\$ -	\$ 697,703	\$ 59,434	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	274,848	-	274,848	-	-	-	-	-	-
Other local taxes.....	444,590	-	444,590	5,806	-	-	-	-	-
Interest and investment income.....	70,597	63,530	134,127	16,652	-	-	-	-	-
Other.....	115,943	85,425	201,368	3,179	-	-	-	-	-
Transfers - internal activities of primary government.....	(124,399)	124,399	-	-	-	-	-	-	-
Total general revenues and transfers.....	<u>1,479,282</u>	<u>273,354</u>	<u>1,752,636</u>	<u>85,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,071</u>	<u>-</u>
Change in net assets.....	16,691	103,307	119,998	11,186	2,754	-	-	-	-
Net assets (deficit) - beginning.....	1,458,330	4,126,703	5,585,033	(42,406)	1,122	-	-	-	-
Net assets (deficit) - ending.....	<u>\$ 1,475,021</u>	<u>\$ 4,230,010</u>	<u>\$ 5,705,031</u>	<u>\$ (31,220)</u>	<u>\$ 3,876</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,220)</u>	<u>\$ 3,876</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

**Balance Sheet
Governmental Funds**

June 30, 2002

(with comparative financial information as of June 30, 2001)

(in thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2002	2001	2002	2001	2002	2001
ASSETS						
Deposits and investments with City Treasury.....	\$ 311,466	\$ 400,595	\$ 724,801	\$ 838,427	\$ 1,036,267	\$ 1,239,022
Deposits and investments outside City Treasury.....	361	356	132,498	297,592	132,859	297,948
Receivables:						
Property taxes and penalties.....	26,948	21,687	6,447	7,542	33,395	29,229
Other local taxes.....	147,368	165,567	26,505	17,159	173,873	182,726
Federal and state grants and subventions.....	56,890	62,247	83,085	78,881	139,975	141,128
Charges for services.....	16,125	17,775	5,630	4,960	21,755	22,735
Interest and other.....	7,506	10,935	3,105	15,897	10,611	26,832
Due from other funds.....	66,651	48,937	54	-	66,705	48,937
Due from component unit.....	400	400	22,187	19,187	22,587	19,587
Loans receivable (net of allowance for uncollectable amount of \$165,637 in 2002; \$155,235 in 2001).....	183	183	148,942	117,934	149,125	118,117
Deferred charges and other assets.....	5,862	5,529	1,338	1,443	7,200	6,972
Total assets.....	<u>\$ 639,760</u>	<u>\$ 734,211</u>	<u>\$ 1,154,592</u>	<u>\$ 1,399,022</u>	<u>\$ 1,794,352</u>	<u>\$ 2,133,233</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 92,514	\$ 66,338	\$ 58,214	\$ 36,912	\$ 150,728	\$ 103,250
Accrued payroll.....	66,071	59,439	14,167	13,077	80,238	72,516
Estimated claims payable.....	-	2,104	-	63,000	-	65,104
Accrued interest payable.....	-	-	398	398	398	398
Deferred tax, grant and subvention revenues.....	27,604	27,822	11,680	24,640	39,284	52,462
Due to other funds.....	-	-	33,893	89,046	33,893	89,046
Deferred credits and other liabilities.....	73,180	99,321	167,669	158,419	240,849	257,740
Total liabilities.....	<u>259,369</u>	<u>255,024</u>	<u>286,021</u>	<u>385,492</u>	<u>545,390</u>	<u>640,516</u>
Fund balances:						
Reserved for cash requirements.....	93,293	93,293	-	-	93,293	93,293
Reserved for emergencies.....	4,198	4,198	-	-	4,198	4,198
Reserved for assets not available for appropriation...	6,406	6,089	41,233	51,548	47,639	57,637
Reserved for debt service.....	-	-	36,548	63,308	36,548	63,308
Reserved for encumbrances.....	52,735	37,743	340,591	373,088	393,326	410,831
Reserved for appropriation carryforward.....	61,716	77,060	285,508	446,211	347,224	523,271
Reserved for subsequent years' budgets.....	25,379	53,337	18,604	9,664	43,983	63,001
Unreserved, reported in:						
General fund.....	136,664	207,467	-	-	136,664	207,467
Special revenue funds.....	-	-	97,167	54,018	97,167	54,018
Capital project funds.....	-	-	44,487	11,629	44,487	11,629
Permanent fund.....	-	-	4,433	4,064	4,433	4,064
Total fund balances.....	<u>380,391</u>	<u>479,187</u>	<u>868,571</u>	<u>1,013,530</u>	<u>1,248,962</u>	<u>1,492,717</u>
Total liabilities and fund balances.....	<u>\$ 639,760</u>	<u>\$ 734,211</u>	<u>\$ 1,154,592</u>	<u>\$ 1,399,022</u>	<u>\$ 1,794,352</u>	<u>\$ 2,133,233</u>

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2002

(In Thousands)

Fund balances - total governmental funds	\$ 1,248,962
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,037,854
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	7,545
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,835,214)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(8,116)
Because the focus of governmental funds is not short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	229,549
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>(205,559)</u>
Net assets of governmental activities	<u>\$ 1,475,021</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

**Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds**

Year ended June 30, 2002

(with comparative financial information for the year ended June 30, 2001)

(in thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2002	2001	2002	2001	2002	2001
Revenues:						
Property taxes.....	\$ 507,308	\$ 462,171	\$ 179,842	\$ 165,483	\$ 687,150	\$ 627,654
Business taxes.....	274,125	277,094	723	728	274,848	277,822
Other local taxes.....	334,357	448,132	110,233	133,348	444,590	581,480
Licenses, permits and franchises.....	19,548	17,714	6,214	5,789	25,762	23,503
Fines, forfeitures and penalties.....	8,591	9,097	3,454	3,676	12,045	12,773
Interest and investment income.....	20,737	27,693	44,860	63,736	65,597	91,429
Rents and concessions.....	17,636	19,298	45,987	56,084	63,623	75,382
Intergovernmental:						
Federal.....	150,444	135,410	157,499	161,348	307,943	296,758
State.....	510,952	501,020	97,852	74,341	608,804	575,361
Other.....	-	-	33,924	6,245	33,924	6,245
Charges for services.....	102,782	100,325	122,765	115,087	225,547	215,412
Other revenues.....	10,338	17,395	16,067	13,724	26,405	31,119
Total revenues.....	1,956,818	2,015,349	819,420	799,589	2,776,238	2,814,938
Expenditures:						
Current:						
Public protection.....	650,019	626,136	40,031	45,983	690,050	672,119
Public works, transportation and commerce.....	103,579	95,486	192,832	204,463	296,411	299,949
Human welfare and neighborhood development.....	467,688	431,266	145,445	125,976	613,133	557,242
Community health.....	395,465	365,290	89,361	89,685	484,826	454,975
Culture and recreation.....	108,810	106,728	129,516	127,135	238,326	233,863
General administration and finance.....	136,143	127,366	28,602	23,116	164,745	150,482
General City responsibilities.....	49,571	45,380	5,057	64,373	54,628	109,753
Debt service:						
Principal retirement.....	-	-	69,536	69,870	69,536	69,870
Interest and fiscal charges.....	-	-	68,111	68,367	68,111	68,367
Bond issuance costs.....	534	-	2,453	7,368	2,987	7,368
Capital outlay.....	-	-	276,662	170,472	276,662	170,472
Total expenditures.....	1,911,809	1,797,652	1,047,606	996,808	2,959,415	2,794,460
Excess (deficiency) of revenues over expenditures....	45,009	217,697	(228,186)	(197,219)	(183,177)	20,478
Other financing sources (uses):						
Transfers in.....	109,941	134,983	157,166	126,974	267,107	261,957
Transfers out.....	(316,691)	(257,317)	(219,989)	(107,861)	(536,680)	(365,178)
Issuance of bonds and loans						
Face value of bonds issued.....	60,755	-	189,240	394,040	249,995	394,040
Premium on issuance of bonds.....	-	-	3,095	803	3,095	803
Discount on issuance of bonds.....	(176)	-	(62)	(2,773)	(238)	(2,773)
Payment to refunded bond escrow agent.....	-	-	(136,230)	-	(136,230)	-
Other financing sources-capital leases.....	1,417	-	90,007	-	91,424	-
Other.....	949	-	-	-	949	-
Total other financing sources (uses).....	(143,805)	(122,334)	83,227	411,183	(60,578)	288,849
Net change in fund balances.....	(98,796)	95,363	(144,959)	213,964	(243,755)	309,327
Fund balance at beginning of year, as previously reported.....	479,187	275,640	1,013,530	792,104	1,492,717	1,067,744
Cumulative effect of a change in accounting principles.....	-	108,184	-	7,462	-	115,646
Fund balances at beginning of year, as restated.....	479,187	383,824	1,013,530	799,566	1,492,717	1,183,390
Fund balances at end of year.....	\$ 380,391	\$ 479,187	\$ 868,571	\$ 1,013,530	\$ 1,248,962	\$ 1,492,717

The notes to the financial statements are an integral part of this statement.

City and County of San Francisco
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2002
(In Thousands)

Net change in fund balances - total governmental funds	\$ (243,755)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	219,333
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the decrease in certain liabilities reported in the statement of net assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financing resources.	10,280
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	10,553
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.	(1,838)
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serve to reduce the liability in the statement of net assets while the accrual of accreted interest serves to increase the liability in the statement of net assets and result in additional expenses in the statement of activities. This is the amount by which principal payments exceeded newly accreted interest.	6,933
Bond issue costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issuance costs exceed amortization expense in the current period.	2,642
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond proceeds exceeded principal retirement and payment to escrow for refunded debt in the current period.	(135,653)
Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the net amount of bond premiums and discounts capitalized during the current period.	(2,857)
Losses incurred on the advance refunding of debt are expended in the governmental funds when the refunding occurs and are deferred and amortized for purposes of the statement of activities. This is the portion of the refunding loss related to the payment to escrow funded from non bond proceeds. The remaining portion of the refunding loss is reported within the other financing use entitled "payment to refunded bond escrow agent".	3,666
Amortization of bond premiums, discounts and refunding losses	(158)
Additional accrued interest calculated on bonds and notes payable.	(2,494)
Additional interest calculated pertaining to the City's arbitrage rebate liability.	(2,049)
The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>152,088</u>
Changes in net assets of governmental activities	<u>\$ 16,691</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Budgetary fund balance, July 1	\$ 188,710	\$ 489,347	\$ 489,347	\$ -
Resources (inflows):				
Property taxes.....	461,550	461,715	510,001	48,286
Business taxes.....	275,669	275,669	274,125	(1,544)
Other local taxes:				
Sales tax.....	155,190	155,190	111,293	(43,897)
Hotel room tax.....	141,635	141,634	72,285	(69,349)
Utility users tax.....	77,346	77,346	70,779	(6,567)
Parking tax.....	35,022	35,022	30,484	(4,538)
Other local taxes.....	50,622	50,622	49,516	(1,106)
Licenses, permits, and franchises:				
Licenses and permits.....	7,634	7,634	7,575	(59)
Franchise Tax.....	11,141	11,141	11,973	832
Fines, forfeitures, and penalties.....	5,793	6,180	8,591	2,411
Interest and investment income.....	24,733	25,063	29,992	4,929
Rents and concessions:				
Garages - Recreation and Park.....	8,487	8,487	7,105	(1,382)
Rents and concessions - Recreation and Park.....	10,155	10,155	9,183	(972)
Other rents and concessions.....	1,351	1,351	1,347	(4)
Intergovernmental:				
Federal subventions:				
Health and social service subventions.....	121,626	129,560	147,773	18,213
Other grants and subventions.....	6,826	3,626	2,670	(956)
State subventions:				
Social service subventions.....	115,916	116,800	101,417	(15,383)
Health and welfare realignment.....	85,890	85,841	87,475	1,634
Health/mental health subventions.....	120,958	120,958	127,497	6,539
Public safety sales tax.....	75,066	75,066	70,959	(4,107)
Motor vehicle in-lieu - county.....	102,171	102,171	102,751	580
Other grants & subventions.....	26,254	22,722	20,853	(1,869)
Charges for services:				
General government service charges.....	29,087	29,108	29,506	398
Public safety service charges.....	12,620	15,434	15,435	1
Recreation charges - Recreation and Park.....	9,754	9,754	9,445	(309)
MediCal, MediCare and health service charges.....	43,347	48,646	48,397	(249)
Other financing sources:				
Transfers from other funds.....	61,364	136,028	105,070	(30,958)
Proceeds from issuance of bonds and loans.....	62,800	63,662	61,233	(2,429)
Other resources (inflows).....	900	1,312	1,518	206
Total amounts available for appropriation.....	<u>\$ 2,329,617</u>	<u>\$ 2,717,244</u>	<u>\$ 2,615,595</u>	<u>\$ (101,649)</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Charges to appropriations (outflows):				
Public Protection				
Administrative Services - Animal Care and Control.....	\$ 3,224	\$ 3,252	\$ 3,033	\$ 219
Administrative Services - Consumer Assurance.....	1,773	1,676	1,566	110
Administrative Services - Medical Examiner.....	4,365	4,595	4,315	280
Adult Probation.....	9,025	9,076	8,837	239
District Attorney.....	21,259	21,759	21,702	57
Fire Department.....	195,173	202,583	195,286	7,297
Juvenile Probation.....	37,094	30,398	29,942	456
Mayor - Office of the Emergency Services.....	1,313	1,247	1,207	40
Police Department.....	235,982	247,432	247,256	176
Public Defender.....	13,075	13,146	12,806	340
Sheriff.....	83,969	92,009	91,477	532
Trial Courts.....	33,552	33,687	32,742	945
Public Works Transportation and Commerce				
Board of Appeals.....	425	426	403	23
Business and Economic Development.....	2,734	2,544	2,316	228
Clean Water.....	306	246	246	-
Department of Public Works.....	38,200	32,261	32,208	53
Emergency Communications.....	19,008	19,395	19,323	72
Light, Heat and Power.....	2,687	2,492	2,466	26
Parking and Traffic Commission.....	42,716	43,624	43,046	578
Telecommunications and Information Services.....	2,773	2,307	2,306	1
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	19,064	21,434	20,826	608
Children, Youth and Their Families.....	10,917	9,427	9,353	74
Commission on the Status of Women.....	2,585	2,403	2,237	166
Environment.....	738	3,601	3,594	7
Human Rights Commission.....	1,876	1,886	1,884	2
Human Services.....	437,298	443,992	429,072	14,920
Mayor - Housing and Neighborhood.....	150	667	606	61
Rent Arbitration Board.....	-	113	113	-
Public Health.....	447,126	426,683	395,471	31,212
Culture and Recreation				
Academy of Sciences.....	2,169	2,270	2,236	34
Administrative Services - Convention Facilities.....	5,982	5,705	5,420	285
Art Commission.....	7,270	8,128	8,099	29
Asian Art Museum.....	3,469	3,599	3,253	346
County Education Office.....	66	66	64	2
Fine Arts Museum.....	5,597	5,604	4,786	818
Law Library.....	520	522	471	51
Mayor - Grants for the Arts.....	16,995	18,784	15,743	3,041
Recreation and Park Commission.....	72,237	68,775	68,446	329
General Administration and Finance				
Administrative Services.....	7,353	6,089	6,089	-
Administrative Services - Purchasing.....	-	87	87	-
Administrative Services - Office of Contract Administration.....	3,196	2,936	2,619	317
Assessor/Recorder.....	10,803	11,174	10,954	220
Board of Supervisors.....	8,967	9,964	9,721	243

(Continued)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year ended June 30, 2002
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
City Attorney.....	7,522	13,282	13,282	-
City Planning.....	13,404	13,385	13,081	304
Civil Service.....	665	620	615	5
Controller.....	20,929	20,051	19,821	230
Elections.....	8,330	14,299	14,293	6
Ethics Commission.....	878	853	811	42
Human Resources.....	19,082	21,584	20,883	701
Mayor.....	7,772	8,159	8,033	126
Retirement Services.....	420	155	155	-
Treasurer/Tax Collector.....	17,018	18,241	17,808	433
General City Responsibilities				
General City Responsibilities.....	118,012	116,601	114,195	2,406
General Fund Unallocated.....	-	20	20	-
Other financing uses:				
Debt Service.....	9,550	240	240	-
Transfers to other funds.....	219,125	293,517	250,550	42,967
Budgetary reserves and designations.....	73,879	123,346	3,154	120,192
Total charges to appropriations.....	<u>2,329,617</u>	<u>2,462,417</u>	<u>2,230,568</u>	<u>231,849</u>
Budgetary fund balance, June 30	\$ -	\$ 254,827	\$ 385,027	\$ 130,200

**Explanation of differences between budgetary inflows and outflows,
and GAAP revenues and expenditures:**

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	\$ 2,615,595
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.....	(489,347)
Property tax revenue - Teeter Plan.....	(2,693)
Unrealized loss on investment.....	(9,254)
Interest reclassified as transfers from other funds.....	8,820
Proceeds from issuance of bonds and loans.....	(61,233)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.....	<u>(105,070)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....	<u>\$ 1,956,818</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	\$ 2,230,568
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation.....	(1,417)
Pension reimbursement and other budget to GAAP differences.....	(638)
Change recognized in budget basis reserves.....	(3,154)
GAAP to budget basis change of business tax settlement recorded in prior year.....	(63,000)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....	<u>(250,550)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....	<u>\$ 1,911,809</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds

June 30, 2002
(with summarized financial information as of June 30, 2001)

(In Thousands)

	Business-type Activities - Enterprise Funds											Governmental Activities-Internal Service Funds							
	San Francisco International Airport		Hetch Hetchy Water and Power		Municipal Railway		General Hospital Medical Center		Clean Water Program		Port of San Francisco		Laguna Honda Hospital		Parking Garages		Total		
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
ASSETS																			
Current Assets:																			
Deposits and investments with City Treasury.....	\$ 278,894	\$ 227,351	\$ 60,250	\$ 74,329	\$ -	\$ 54,370	\$ 59,584	\$ -	\$ -	\$ -	\$ 5	\$ 1	\$ -	\$ -	\$ 754,778	\$ 701,962	\$ 14,499	\$ 7,796	
Deposits and investments outside City Treasury..	10	40	10	588	10	-	5	-	-	-	5	1	-	2,844	3,508	2,467	51,732	-	
Receivables (net of allowance for uncollectible amounts of \$13,462 and \$10,089 in 2002 and 2001, respectively):																			
Federal and state grants and subventions.....	-	-	179	36,452	1,805	-	870	-	-	-	-	-	-	-	39,306	56,222	-	-	-
Property taxes and penalties.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services.....	33,419	25,642	9,017	4,718	34,685	22,170	2,546	23,879	144	156,220	149,626	-	-	-	156,220	149,626	-	-	-
Interest and other.....	4,099	3,652	425	6,661	51,322	426	1,589	-	190	68,364	20,208	-	-	-	68,364	20,208	1,251	301	-
Capital lease receivables.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,922	-
Due from other funds.....	-	-	206	12,445	802	-	-	76	-	13,529	42,545	-	-	-	13,529	42,545	-	-	-
Inventories.....	117	1,978	267	29,798	3,670	-	1,153	818	-	37,801	41,369	-	-	-	37,801	41,369	-	-	-
Deferred charges and other assets.....	2,237	-	-	724	-	-	1,148	-	2,157	6,266	5,944	-	-	-	6,266	5,944	390	-	-
Total current assets.....	318,776	258,663	70,354	165,715	92,294	76,966	66,895	24,774	5,335	1,079,772	1,020,343	-	-	-	1,079,772	1,020,343	84,794	8,097	-
Restricted assets:																			
Deposits and investments with City Treasury.....	299,826	103,140	-	51,160	1,494	90,726	4,005	51,000	-	601,351	648,968	-	-	-	601,351	648,968	-	-	-
Deposits and investments outside City Treasury..	286,231	13,300	-	4,787	27	42,631	16,801	361	26,800	390,938	331,524	-	-	-	390,938	331,524	-	-	-
Grants and other receivables.....	25,447	560	-	6,429	-	666	-	858	-	33,960	22,279	-	-	-	33,960	22,279	-	-	-
Total restricted assets.....	611,504	117,000	-	62,376	1,521	134,023	20,806	52,219	26,800	1,026,249	1,002,771	-	-	-	1,026,249	1,002,771	-	-	-
Noncurrent assets:																			
Deferred charges and other assets.....	47,604	2,911	-	4,000	-	2,456	8,672	-	113	65,756	59,576	-	-	-	65,756	59,576	2,266	3	-
Capital lease receivables.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	241,863	-	-
Capital assets:																			
Land and other assets not being depreciated....	780,055	121,468	22,676	310,126	3,460	33,058	138,296	22,693	22,159	1,453,991	1,418,533	-	-	-	1,453,991	1,418,533	-	-	-
Facilities, Infrastructure, and equipment, net of depreciation.....	3,232,426	503,027	185,982	1,249,738	58,263	1,317,327	105,336	7,001	72,793	6,731,833	6,364,100	-	-	-	6,731,833	6,364,100	3,597	2,595	-
Total capital assets.....	4,012,481	624,495	208,658	1,559,864	61,723	1,350,385	243,632	29,694	94,892	8,185,824	7,782,633	-	-	-	8,185,824	7,782,633	3,597	2,595	-
Total noncurrent assets.....	4,060,085	627,406	208,658	1,563,864	61,723	1,352,841	252,304	29,694	95,005	8,251,580	7,842,209	-	-	-	8,251,580	7,842,209	247,726	2,598	-
Total assets.....	4,990,365	1,003,069	279,012	1,791,955	155,538	1,563,830	340,005	106,687	127,140	10,357,601	9,865,323	-	-	-	10,357,601	9,865,323	332,520	10,695	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds (Continued)

June 30, 2002
(with summarized financial information as of June 30, 2001)

(In Thousands)

	Business-type Activities - Enterprise Funds											Total		Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Hetch Hetchy Water and Power Department	Municipal Railway	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Parking Garages	2002	2001	2002	2001	2002	2001	
LIABILITIES															
Current liabilities:															
Accounts payable.....	20,260	5,779	8,063	19,327	1,563	1,981	1,068	22,035	119,989	127,540	6,814	5,241			
Accrued payroll.....	8,414	5,654	1,080	12,724	2,243	1,397	8,195	297	61,174	57,351	2,315	2,069			
Accrued vacation and sick leave pay.....	5,709	3,475	917	9,317	1,885	951	4,532	-	38,811	36,262	1,434	1,244			
Accrued workers' compensation.....	1,275	1,731	385	3,852	641	613	2,594	-	30,476	25,582	250	155			
Estimated claims payable.....	209	1,574	197	13,197	291	1,200	-	-	16,668	15,470	-	-			
Due to other funds.....	206	-	1,200	31,694	800	-	10,414	-	44,314	2,436	2,027	-			
Deferred credits and other liabilities.....	30,134	48,974	354	11,683	-	8,143	2,026	778	107,474	61,429	58,752	-			
Accrued interest payable.....	-	3,325	-	3,381	8,798	157	-	101	12,381	12,470	2,997	-			
Bonds, loans, capital leases, and other payables.....	43,550	99,715	-	78	39,391	1,315	210	926	185,185	148,939	16,094	1,619			
Total current liabilities.....	109,757	170,227	12,196	88,208	55,612	15,757	29,039	24,137	616,472	487,479	90,683	10,328			
Liabilities payable from restricted assets:															
Bonds, loans, capital leases, and other payables.....	8,710	-	-	-	-	3,405	-	-	12,115	405,882	-	-			
Accrued interest payable.....	37,940	-	-	-	-	1,036	3,690	-	42,666	35,704	-	-			
Other.....	44,074	11,598	-	27	2,643	4,139	-	-	63,404	84,142	-	-			
Total liabilities payable from restricted asset	90,724	11,598	-	27	2,643	8,580	3,690	-	118,185	525,728	-	-			
Noncurrent liabilities:															
Accrued vacation and sick leave pay.....	5,236	3,609	827	6,610	1,570	844	2,963	-	30,617	29,084	1,382	1,306			
Accrued workers' compensation.....	4,128	5,576	1,240	11,290	2,054	1,857	8,293	-	96,928	80,011	762	423			
Estimated claims payable.....	250	3,394	3,423	16,714	4,437	400	-	-	28,618	26,025	-	-			
Deferred credits and other liabilities.....	-	9,535	-	38,191	1,395	3,808	-	-	52,929	33,205	-	-			
Bonds, loans, capital leases, and other payables.....	4,218,798	347,026	-	724	545,739	34,267	222	37,066	5,183,842	4,557,088	244,099	1,932			
Total noncurrent liabilities.....	4,228,412	369,140	5,490	18,624	555,195	41,176	11,478	37,066	5,392,934	4,725,413	246,243	3,661			
Total liabilities.....	4,428,893	550,965	17,686	106,859	613,450	65,513	44,207	61,203	6,127,591	5,738,620	336,926	13,989			
NET ASSETS															
Invested in capital assets, net of related debt.....	4,346	244,416	208,658	60,920	774,794	213,399	29,262	19,733	3,115,392	2,970,198	4,164	674			
Restricted:															
Debt service.....	277,521	13,955	-	-	43,271	-	-	-	334,747	276,392	-	-			
Capital projects.....	11,729	16,584	-	1,203	65,301	-	46,237	-	141,154	129,299	-	-			
Other purposes.....	-	-	61,453	291	6,201	2,173	112,335	-	70,118	112,335	-	-			
Unrestricted (deficit).....	267,876	177,049	52,668	(13,735)	67,014	54,892	(15,192)	46,204	568,599	638,479	(8,570)	(3,968)			
Total net assets (deficit).....	\$ 561,472	\$ 452,104	\$ 261,326	\$ 1,553,140	\$ 950,380	\$ 274,492	\$ 62,480	\$ 65,937	\$ 4,230,010	\$ 4,126,703	\$ (4,406)	\$ (3,294)			

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2002
 (with summarized financial information for the year ended June 30, 2001)

(In Thousands)

	Business-type Activities - Enterprise Funds											Total		Governmental Activities-Internal Service Funds																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
	San Francisco International Airport		Hetch Hetchy Water Department		Municipal Railway		General Hospital Center		Clean Water Program		Port of San Francisco		Laguna Honda Hospital		Parking Garages		2002		2001																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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Operating revenues:																						Aviation.....	318,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	318,772	-	218,362	-	-	-	Water and power service.....	-	135,139	125,573	-	-	-	-	-	-	-	-	-	-	-	-	-	260,712	-	237,605	-	-	-	Passenger fees.....	-	-	97,162	-	-	-	-	-	-	-	-	-	-	-	-	-	97,162	-	103,289	-	-	-	Net patient service revenue.....	-	-	-	-	287,703	-	-	-	-	-	-	-	111,079	-	-	-	398,782	-	368,164	-	-	-	Sewer service.....	-	-	-	-	-	-	129,925	-	-	-	-	-	-	-	-	-	129,925	-	136,821	-	-	-	Rents and concessions.....	62,678	8,303	204	-	-	-	2,961	-	41,586	-	7,380	-	-	-	2,181	-	117,913	31	139,719	31	-	-	Parking and transportation.....	55,883	-	-	-	-	-	-	-	7,380	-	-	-	-	-	32,848	-	96,111	-	124,635	-	-	-	Charges for services.....	-	3,774	-	-	-	-	10,293	-	4,670	-	1,528	-	313	-	-	-	59,855	-	66,041	-	102,331	96,025	Other revenues.....	27,843	-	125,777	-	107,455	-	301,482	-	134,595	-	50,494	-	111,392	-	616	-	1,479,232	-	1,384,636	-	102,362	96,025	Total operating revenues.....	485,176	147,216	125,777	-	107,455	-	301,482	-	134,595	-	50,494	-	111,392	-	616	-	1,479,232	-	1,384,636	-	102,362	96,025	Operating expenses:																							Personal services.....	139,819	49,676	16,647	-	368,604	-	217,365	-	35,588	-	47,759	-	123,565	-	6,755	-	1,005,778	-	896,304	-	39,819	34,470	Contractual services.....	76,330	3,958	5,426	-	21,268	-	101,408	-	6,801	-	-	-	2,675	-	3,252	-	221,118	-	201,288	-	37,216	34,316	Light, heat and power.....	21,773	-	65,337	-	-	-	-	-	-	-	-	-	-	-	702	-	87,812	-	54,903	-	-	-	Materials and supplies.....	8,766	5,955	1,586	-	36,182	-	40,800	-	7,853	-	-	-	10,546	-	1,135	-	112,823	-	115,713	-	16,331	18,289	Depreciation and amortization.....	140,983	25,908	9,614	-	55,336	-	6,284	-	38,306	-	8,119	-	1,215	-	1,068	-	286,834	-	256,119	-	2,709	2,915	General and administrative.....	1,318	21,003	8,677	-	20,979	-	702	-	18,585	-	-	-	-	-	18,016	-	89,280	-	76,076	-	1,737	58	Services provided by other departments.....	10,763	29,307	2,772	-	21,329	-	15,474	-	17,867	-	-	-	2,937	-	-	-	100,449	-	107,828	-	2,985	3,054	Other.....	9,907	12,622	3,695	-	5,027	-	220	-	3,948	-	-	-	92	-	-	-	35,511	-	61,709	-	2,778	3,790	Total operating expenses.....	409,659	148,430	113,754	-	528,725	-	382,253	-	128,948	-	55,878	-	141,030	-	30,928	-	1,939,605	-	1,769,940	-	103,575	96,892	Operating income (loss).....	55,517	(1,214)	(12,023)	-	(421,270)	-	(80,771)	-	5,647	-	(5,384)	-	(29,638)	-	4,717	-	(460,373)	-	(385,304)	-	(1,213)	(867)	Nonoperating revenues (expenses):																							Operating grants:																							Federal.....	-	-	1,788	-	3,363	-	-	-	-	-	-	-	-	-	-	-	-	-	5,151	-	-	-	State / other.....	-	-	-	-	207,383	-	69,525	-	-	-	-	-	-	-	-	-	-	-	276,908	-	-	-	Interest and investment income.....	31,512	12,691	1,739	-	3,901	-	112	-	8,116	-	3,246	-	1,798	-	475	-	63,530	-	96,493	-	7,003	50	Interest expense.....	(189,676)	(16,932)	-	-	-	-	(1,221)	-	(30,948)	-	(2,816)	-	(541)	-	(1,346)	-	(243,480)	-	(202,103)	-	(7,432)	(1,117)	Other, net.....	40,569	3,742	358	-	5,806	-	4,981	-	2,844	-	7,115	-	20,807	-	(797)	-	85,425	-	28,779	-	18	986	Total nonoperating revenues (expenses).....	(117,595)	(499)	3,885	-	220,453	-	73,397	-	(19,988)	-	7,545	-	22,004	-	(1,688)	-	187,534	-	183,689	-	(411)	(81)	Income (loss) before capital contributions, transfers and special items.....	(62,078)	(1,713)	15,908	-	(200,817)	-	(7,374)	-	(14,341)	-	2,161	-	(7,634)	-	3,049	-	(272,839)	-	(201,615)	-	(1,624)	(948)	Capital Contributions.....	32,937	-	-	-	216,063	-	-	-	-	-	2,747	-	-	-	-	-	251,747	-	335,520	-	-	-	Transfers in.....	-	-	-	-	111,138	-	74,584	-	-	-	-	-	28,659	-	-	-	214,381	-	225,798	-	512	1,117	Transfers out.....	(17,784)	-	(382)	-	(193)	-	(71,623)	-	-	-	-	-	-	-	-	-	(89,982)	-	(123,644)	-	-	(50)	Net income (loss) before special items.....	(46,925)	(1,713)	15,526	-	126,191	-	(4,413)	-	(14,341)	-	4,908	-	21,025	-	3,049	-	103,307	-	236,059	-	(1,112)	119	Special items.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,014	-	-	-	Change in net assets.....	(46,925)	(1,713)	15,526	-	126,191	-	(4,413)	-	(14,341)	-	4,908	-	21,025	-	3,049	-	103,307	-	362,073	-	(1,112)	119	Net assets (deficit) at beginning of year.....	608,397	453,617	245,800	-	1,426,949	-	53,092	-	964,721	-	269,584	-	41,455	-	62,888	-	4,126,703	-	3,764,630	-	(3,294)	(3,413)	Net assets (deficit) at end of year.....	561,472	452,104	261,326	-	1,553,140	-	48,679	-	950,380	-	274,492	-	\$ 62,480	-	65,937	-	\$ 4,230,010	-	\$ 4,126,703	-	\$ (4,406)	\$ (3,294)
Aviation.....	318,772	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	318,772	-	218,362	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Water and power service.....	-	135,139	125,573	-	-	-	-	-	-	-	-	-	-	-	-	-	260,712	-	237,605	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Passenger fees.....	-	-	97,162	-	-	-	-	-	-	-	-	-	-	-	-	-	97,162	-	103,289	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Net patient service revenue.....	-	-	-	-	287,703	-	-	-	-	-	-	-	111,079	-	-	-	398,782	-	368,164	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Sewer service.....	-	-	-	-	-	-	129,925	-	-	-	-	-	-	-	-	-	129,925	-	136,821	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Rents and concessions.....	62,678	8,303	204	-	-	-	2,961	-	41,586	-	7,380	-	-	-	2,181	-	117,913	31	139,719	31	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Parking and transportation.....	55,883	-	-	-	-	-	-	-	7,380	-	-	-	-	-	32,848	-	96,111	-	124,635	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Charges for services.....	-	3,774	-	-	-	-	10,293	-	4,670	-	1,528	-	313	-	-	-	59,855	-	66,041	-	102,331	96,025																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Other revenues.....	27,843	-	125,777	-	107,455	-	301,482	-	134,595	-	50,494	-	111,392	-	616	-	1,479,232	-	1,384,636	-	102,362	96,025																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Total operating revenues.....	485,176	147,216	125,777	-	107,455	-	301,482	-	134,595	-	50,494	-	111,392	-	616	-	1,479,232	-	1,384,636	-	102,362	96,025																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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Personal services.....	139,819	49,676	16,647	-	368,604	-	217,365	-	35,588	-	47,759	-	123,565	-	6,755	-	1,005,778	-	896,304	-	39,819	34,470																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Contractual services.....	76,330	3,958	5,426	-	21,268	-	101,408	-	6,801	-	-	-	2,675	-	3,252	-	221,118	-	201,288	-	37,216	34,316																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Light, heat and power.....	21,773	-	65,337	-	-	-	-	-	-	-	-	-	-	-	702	-	87,812	-	54,903	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Materials and supplies.....	8,766	5,955	1,586	-	36,182	-	40,800	-	7,853	-	-	-	10,546	-	1,135	-	112,823	-	115,713	-	16,331	18,289																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Depreciation and amortization.....	140,983	25,908	9,614	-	55,336	-	6,284	-	38,306	-	8,119	-	1,215	-	1,068	-	286,834	-	256,119	-	2,709	2,915																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
General and administrative.....	1,318	21,003	8,677	-	20,979	-	702	-	18,585	-	-	-	-	-	18,016	-	89,280	-	76,076	-	1,737	58																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Services provided by other departments.....	10,763	29,307	2,772	-	21,329	-	15,474	-	17,867	-	-	-	2,937	-	-	-	100,449	-	107,828	-	2,985	3,054																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Other.....	9,907	12,622	3,695	-	5,027	-	220	-	3,948	-	-	-	92	-	-	-	35,511	-	61,709	-	2,778	3,790																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Total operating expenses.....	409,659	148,430	113,754	-	528,725	-	382,253	-	128,948	-	55,878	-	141,030	-	30,928	-	1,939,605	-	1,769,940	-	103,575	96,892																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Operating income (loss).....	55,517	(1,214)	(12,023)	-	(421,270)	-	(80,771)	-	5,647	-	(5,384)	-	(29,638)	-	4,717	-	(460,373)	-	(385,304)	-	(1,213)	(867)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Nonoperating revenues (expenses):																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
Operating grants:																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
Federal.....	-	-	1,788	-	3,363	-	-	-	-	-	-	-	-	-	-	-	-	-	5,151	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
State / other.....	-	-	-	-	207,383	-	69,525	-	-	-	-	-	-	-	-	-	-	-	276,908	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Interest and investment income.....	31,512	12,691	1,739	-	3,901	-	112	-	8,116	-	3,246	-	1,798	-	475	-	63,530	-	96,493	-	7,003	50																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Interest expense.....	(189,676)	(16,932)	-	-	-	-	(1,221)	-	(30,948)	-	(2,816)	-	(541)	-	(1,346)	-	(243,480)	-	(202,103)	-	(7,432)	(1,117)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Other, net.....	40,569	3,742	358	-	5,806	-	4,981	-	2,844	-	7,115	-	20,807	-	(797)	-	85,425	-	28,779	-	18	986																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Total nonoperating revenues (expenses).....	(117,595)	(499)	3,885	-	220,453	-	73,397	-	(19,988)	-	7,545	-	22,004	-	(1,688)	-	187,534	-	183,689	-	(411)	(81)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Income (loss) before capital contributions, transfers and special items.....	(62,078)	(1,713)	15,908	-	(200,817)	-	(7,374)	-	(14,341)	-	2,161	-	(7,634)	-	3,049	-	(272,839)	-	(201,615)	-	(1,624)	(948)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Capital Contributions.....	32,937	-	-	-	216,063	-	-	-	-	-	2,747	-	-	-	-	-	251,747	-	335,520	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Transfers in.....	-	-	-	-	111,138	-	74,584	-	-	-	-	-	28,659	-	-	-	214,381	-	225,798	-	512	1,117																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Transfers out.....	(17,784)	-	(382)	-	(193)	-	(71,623)	-	-	-	-	-	-	-	-	-	(89,982)	-	(123,644)	-	-	(50)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Net income (loss) before special items.....	(46,925)	(1,713)	15,526	-	126,191	-	(4,413)	-	(14,341)	-	4,908	-	21,025	-	3,049	-	103,307	-	236,059	-	(1,112)	119																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Special items.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126,014	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Change in net assets.....	(46,925)	(1,713)	15,526	-	126,191	-	(4,413)	-	(14,341)	-	4,908	-	21,025	-	3,049	-	103,307	-	362,073	-	(1,112)	119																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Net assets (deficit) at beginning of year.....	608,397	453,617	245,800	-	1,426,949	-	53,092	-	964,721	-	269,584	-	41,455	-	62,888	-	4,126,703	-	3,764,630	-	(3,294)	(3,413)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Net assets (deficit) at end of year.....	561,472	452,104	261,326	-	1,553,140	-	48,679	-	950,380	-	274,492	-	\$ 62,480	-	65,937	-	\$ 4,230,010	-	\$ 4,126,703	-	\$ (4,406)	\$ (3,294)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									

The notes to the financial statements are an integral part of this statement.

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CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2002
(with summarized financial information for the year ended June 30, 2001)
(In Thousands)

	Business-type Activities - Enterprise Funds										Governmental Activities-Internal Service Funds		
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Railway	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Parking Garages	Total	2002	2001	2002
Cash flows from operating activities:	\$ 493,400	\$ 163,568	\$ 123,743	\$ 120,817	\$ 278,693	\$ 140,088	\$ 5,589	\$ -	\$ 33,529	\$ 1,359,427	\$ 995,283	\$ 115,302	\$ 95,736
Cash received from customers, including cash deposits.....	-	-	-	-	-	-	-	103,145	-	103,145	389,492	-	-
Cash received from patients and third party payors.....	-	8,303	204	-	2,961	-	44,153	-	2,181	57,802	51,225	-	-
Cash received from tenants for rent.....	(140,938)	(45,424)	(15,985)	(350,612)	(214,671)	(34,465)	(19,912)	(114,025)	(6,686)	(942,718)	(881,371)	(38,873)	(34,109)
Cash paid to employees for services.....	(140,533)	(69,688)	(87,369)	(107,353)	(152,606)	(51,128)	(20,174)	(16,419)	(19,750)	(665,031)	(599,615)	(155,795)	(56,699)
Cash paid to suppliers for goods and services.....	-	(4,027)	(39)	(7,941)	-	(407)	-	-	-	(12,414)	(11,235)	-	-
Cash paid for judgments and claims.....	211,929	52,722	20,554	(345,089)	(85,623)	54,087	9,656	(27,299)	9,274	(99,789)	(76,221)	(79,366)	4,928
Net cash provided by (used in) operating activities.....	(5)	(1,609)	1,609	215,057	70,497	-	-	-	-	287,158	270,833	-	-
Cash flows from noncapital financing activities:	(17,784)	-	(382)	(193)	(71,623)	-	-	28,659	-	(89,982)	214,361	512	1,117
Operating grants.....	-	-	-	111,138	74,584	-	-	-	-	214,361	226,471	-	-
Transfers in.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-	-	-	-	-	(50)
Cost allocation charges received.....	-	-	-	-	-	-	-	-	-	-	5,897	-	-
Transit Impact Development fees received.....	-	-	-	7,062	-	-	-	-	-	7,062	2,123	-	-
Claims settlement proceeds.....	-	-	-	-	-	-	-	-	-	-	3,982	-	-
Other noncapital increases.....	-	-	-	-	4,980	-	-	244	-	5,224	3,583	-	-
Other noncapital decreases.....	-	-	-	(232)	-	-	-	(304)	-	(536)	(30,234)	-	-
Net cash provided by (used in) noncapital financing activities.....	(17,789)	-	1,227	332,832	78,438	-	-	28,599	-	423,307	359,011	512	1,087
Cash flows from capital financing activities:	15,969	40,425	160,847	30,606	(244,242)	(27,290)	(2,406)	(222,028)	(8,912)	(257,011)	(1,976,296)	1,930,615	979,303
Capital grants.....	-	-	-	253,311	-	-	3,123	-	-	272,423	267,785	-	-
Bond sale proceeds and loans received.....	140,772	1,868	100,000	-	-	-	1,098	-	18,328	200,623	264,994	7,928	-
Proceeds from sale of fixed assets.....	-	-	-	-	-	-	-	-	-	1,868	126,454	-	-
Proceeds from commercial paper borrowings.....	-	-	-	-	-	-	-	-	-	260,847	298,231	-	-
Loans received.....	-	-	-	-	-	-	-	-	-	-	-	3,541	972
Proceeds from passenger facility charges.....	30,606	-	-	-	-	-	-	-	-	30,606	-	-	-
Acquisition of capital assets.....	(244,242)	(7,350)	(13,201)	(223,594)	(5,864)	(19,902)	(14,074)	(14,045)	(19,955)	(676,185)	(967,001)	(3,627)	(1,178)
Retirement of capital leases, bonds and loans.....	(27,290)	(1,358)	-	-	-	-	(13,344)	(200)	-	(48,184)	(69,710)	(16,902)	(1,136)
Retirement of commercial paper borrowings.....	(2,406)	(1,358)	-	-	-	-	-	-	-	(95,000)	(97,340)	-	-
Bond issue costs paid.....	(222,028)	(18,686)	-	-	(1,221)	(96,610)	(2,367)	(541)	(1,283)	(342,736)	(265,342)	(7,468)	(940)
Interest paid on long term debt.....	-	-	-	35,521	-	-	9,278	20,970	-	65,769	47,902	-	-
Other capital financing increases.....	-	-	-	(15)	-	-	(2,804)	-	(797)	(12,528)	(3,225)	-	-
Other capital financing decreases.....	-	-	-	-	(7,085)	(116,512)	(19,090)	6,184	(3,707)	(336,261)	(401,240)	(16,595)	(2,282)
Net cash provided by (used in) capital financing activities.....	(1,976,296)	(2,677)	(13,201)	65,223	(7,085)	(116,512)	(19,090)	6,184	(3,707)	(2,057,219)	(1,791,080)	(8,093)	859
Cash flows from investing activities:	1,930,615	87,790	238,838	49,831	(14,156)	(52,053)	(6,262)	9,193	553	1,969,929	1,776,151	(608,085)	(1,154,624)
Purchases of investments with trustees.....	-	-	-	(25,339)	-	(47,418)	-	-	(5,489)	(2,057,219)	(1,791,080)	-	-
Proceeds from sale of investments with trustees.....	-	-	-	25,339	-	3,975	-	-	1,969,929	1,969,929	1,776,151	-	-
Purchases of restricted deposits and investments.....	-	-	-	-	-	(3,975)	-	-	-	(608,085)	(1,154,624)	-	-
Proceeds from sale of restricted deposits and investments.....	979,303	35,437	49,831	73,348	(14,156)	(48,515)	(6,262)	9,193	553	1,063,255	773,414	-	-
Interest income received.....	38,224	8,811	893	4,199	112	6,280	3,172	1,738	475	63,904	92,397	8,178	50
Claims settlement proceeds.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Other investing activities.....	385,551	26,130	1,251	4,552	112	2,995	3,172	(29)	-	6,051	4,835	(85)	809
Net cash provided by (used in) investing activities.....	322,680	87,790	238,838	49,831	(14,156)	(52,053)	(6,262)	9,193	553	427,835	(298,632)	8,093	859
Net increase (decrease) in cash and cash equivalents.....	24,922	326,628	\$ 59,662	\$ 130,864	\$ 1,503	\$ 145,046	\$ 73,270	\$ 50,284	\$ 2,844	\$ 1,137,703	\$ 722,611	\$ 66,231	\$ 7,796
Cash and cash equivalents-beginning of year.....	\$ 347,602	\$ 326,628	\$ 59,662	\$ 130,864	\$ 1,503	\$ 145,046	\$ 73,270	\$ 50,284	\$ 2,844	\$ 1,137,703	\$ 722,611	\$ 66,231	\$ 7,796
Cash and cash equivalents-end of year.....	\$ 372,524	\$ 653,256	\$ 119,324	\$ 261,728	\$ 3,006	\$ 290,092	\$ 146,540	\$ 100,568	\$ 5,688	\$ 2,275,406	\$ 1,445,222	\$ 132,462	\$ 15,592

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows (Continued)
Proprietary Funds

Year ended June 30, 2002
(with summarized financial information for the year ended June 30, 2001)
(In Thousands)

	Business-type Activities - Enterprise Funds										Total		Governmental Activities-Internal Service Funds	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Railway	General Hospital Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Parking Garages		2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Reconciliation of operating income (loss) to net cash used for operating activities:														
Operating income (loss)	55,517	(1,214)	12,023	(421,270)	(80,771)	5,647	(5,384)	(29,638)	4,717	(460,373)	(385,304)	(1,213)	(867)	
Adjustments for non-cash activities:														
Depreciation and amortization	143,360	25,909	9,614	55,336	6,284	38,306	8,119	1,215	1,068	289,211	256,119	2,709	2,915	
Provision for uncollectibles	(206)	-	-	14	26,740	-	1,118	1,422	-	28,788	24,551	-	-	
Write off of capital assets	-	5,822	-	-	-	-	-	-	-	5,822	-	-	-	
Other	-	(2,048)	-	-	-	-	573	-	-	(1,475)	21,859	-	-	
Changes in assets/liabilities:														
Receivables, net	(5,957)	1,163	(244)	(396)	(59,882)	5,493	395	(11,133)	8	(70,553)	(21,264)	13,327	(301)	
Due from other funds	-	-	-	-	(802)	-	-	-	-	(802)	2,519	-	-	
Inventories	2,112	(659)	49	3,993	16	-	(2)	(70)	-	5,439	(654)	-	-	
Deferred charges and other assets	(811)	(1,723)	232	(1,337)	(5,927)	(924)	2,050	(77)	(1,462)	(5,549)	5,388	(387)	12	
Accounts payable	(1,120)	116	154	2,173	3,829	371	149	(97)	5,443	4,728	19,351	1,573	2,808	
Accrued payroll	-	804	(61)	868	1,394	(20)	75	333	53	2,057	7,912	246	155	
Accrued vacation and sick leave pay	-	3,332	569	14,952	2,154	772	1,325	1,105	16	3,409	2,455	266	112	
Accrued workers' compensation	-	(2,055)	(2,982)	2,697	(11,651)	3,642	1,289	-	-	(9,060)	(4,926)	434	94	
Estimated claims payable	(1,054)	-	1,200	(1,986)	31,694	800	(167)	9,238	-	41,878	(16,479)	-	-	
Due to other funds	20,088	23,275	-	(1,986)	-	-	-	1,841	(569)	42,482	5,804	(96,321)	-	
Deferred credits and other liabilities	156,412	53,936	8,531	76,181	(4,852)	48,440	15,040	2,339	4,557	360,584	309,083	(78,153)	5,795	
Total adjustments	\$ 211,929	\$ 52,722	\$ 20,554	\$ (345,089)	\$ (85,623)	\$ 54,087	\$ 9,656	\$ (27,299)	\$ 9,274	\$ (99,789)	\$ (76,221)	\$ (79,366)	\$ 4,928	
Net cash provided by (used in) operating activities	\$ 278,894	\$ 227,351	\$ 60,250	\$ 74,329	\$ -	\$ 54,370	\$ 59,584	\$ -	\$ -	\$ 754,778	\$ 701,962	\$ 14,499	\$ 7,796	
Reconciliation of cash and cash equivalents to the balance sheet:														
Deposits and investments with City Treasury:														
Unrestricted	299,826	103,140	-	51,160	1,494	90,726	4,005	51,000	-	601,351	648,968	-	-	
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unrestricted deposits and investments outside City Treasury	10	40	10	588	10	-	5	1	2,844	3,508	2,467	51,732	-	
Total deposits and investments	578,730	330,531	60,260	126,077	1,504	145,096	63,594	51,001	2,844	1,359,637	1,353,397	66,231	7,796	
Add: Restricted deposits outside City Treasury meeting the definition of cash equivalents	-	-	-	-	-	-	-	100	-	15,322	10,767	-	-	
Less: Deposits and investments not meeting the definition of cash equivalents	(231,128)	(3,903)	(598)	-	(1)	(50)	(759)	(817)	-	(237,256)	(641,553)	-	-	
Cash and cash equivalents at end of year on statement of cash flows	\$ 347,602	\$ 326,628	\$ 59,662	\$ 130,864	\$ 1,503	\$ 145,046	\$ 73,270	\$ 50,284	\$ 2,844	\$ 1,137,703	\$ 722,611	\$ 66,231	\$ 7,796	
Non-cash investing, capital and financing activities:														
Tenant improvements financed by rent credits	-	-	-	-	-	-	375	-	-	-	494	-	-	
Loss on abandonment of property and equipment	7,726	-	-	-	-	-	259	-	-	7,726	18,124	-	-	
Contributed improvements by tenants	-	-	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of capital assets on accounts payable and capital leases	7,726	-	-	-	802	-	1,485	864	-	3,151	5,962	-	-	
	\$ 7,726	\$ -	\$ -	\$ -	\$ 802	\$ -	\$ 2,119	\$ 864	\$ -	\$ 11,511	\$ 25,861	\$ -	\$ -	

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2002

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury.....	\$ 70,570	\$ 300,937	\$ 103,993
Deposits and investments outside City Treasury.....	11,026,161	-	2,930
Receivables:			
Payroll contribution.....	12,358	-	48,329
Interest and other.....	256,100	1,903	85,441
Invested securities lending collateral.....	1,461,506	-	-
Deferred charges and other assets.....	3	-	5,741
Total assets.....	<u>12,826,698</u>	<u>302,840</u>	<u>\$ 246,434</u>
Liabilities			
Accounts payable.....	15,458	2,267	73,049
Estimated claims payable.....	14,911	-	-
Agency obligations.....	-	-	173,385
Obligations under fixed coupon dollar repurchase agreements.....	252,500	-	-
Payable to brokers.....	593,214	-	-
Securities lending collateral.....	1,461,506	-	-
Deferred credits and other liabilities.....	34,782	-	-
Total liabilities.....	<u>2,372,371</u>	<u>2,267</u>	<u>\$ 246,434</u>
Net Assets			
Held in trust for pension and other employee benefits and pool participants...	<u>\$ 10,454,327</u>	<u>\$ 300,573</u>	

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2002
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions.....	\$ 228,169	\$ -
Employer contributions.....	218,854	-
Contributions on pooled investments.....	-	2,119,085
Total contributions.....	<u>447,023</u>	<u>2,119,085</u>
Investment income (loss):		
Interest.....	215,271	10,773
Dividends.....	63,875	-
Net decrease in fair value of investments.....	(820,239)	-
Securities lending income.....	35,676	-
Fixed coupon dollar repurchase agreement income.....	7,791	-
Total investment income (loss).....	<u>(497,626)</u>	<u>10,773</u>
Less investment expenses:		
Securities lending borrower rebates and expenses.....	(24,505)	-
Fixed coupon dollar repurchase finance charges and expenses.....	(7,061)	-
Other expenses.....	(18,517)	-
Total investment expenses.....	<u>(50,083)</u>	<u>-</u>
Total additions (loss), net.....	<u>(100,686)</u>	<u>2,129,858</u>
Deductions:		
Benefit payments.....	704,194	-
Refunds of contributions.....	9,814	-
Distribution from pooled investments.....	-	2,104,493
Administrative expenses.....	11,827	-
Total deductions.....	<u>725,835</u>	<u>2,104,493</u>
Change in net assets.....	(826,521)	25,365
Net assets at beginning of year.....	11,280,848	275,208
Net assets at end of year.....	<u>\$ 10,454,327</u>	<u>\$ 300,573</u>

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or Primary Government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the Primary Government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Authority) - The Authority was created in 1989 by the voters of the City and County of San Francisco to impose a voter-approved sales and use tax of one-half of one percent to fund essential traffic and transportation projects. A Board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Authority. The operations of the Authority are reported within other governmental funds. Financial statements for the Authority can be obtained from the Authority's administrative offices at 100 Van Ness Avenue, San Francisco, CA 94102.

San Francisco Finance Corporation (Finance Corporation) - The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. Beginning on July 1, 2001, the operations of the Finance Corporation began to be reported within the internal service funds. Prior to July 1, 2001, the operations of the Finance Corporation were reported within governmental funds.

Effective July 1, 2001, Finance Corporation net assets of approximately \$145 million were transferred, by means of interfund transfers, from other governmental funds to the internal service funds to establish the Finance Corporation as an internal service fund. Internal service funds report certain long-term assets and liabilities that are not reported in governmental funds since the assets do not represent current financial resources and the liabilities do not require current financial resources. Accordingly, the transfers out from the governmental funds are not offset by a corresponding transfer in to the newly created Finance Corporation internal service fund. Financial statements for the Finance Corporation can be obtained from the Finance Corporation's administrative offices at City Hall, Room 336, #1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) - The Parking Authority was created in October 1949. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (DPT). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT and DPT is reported within other governmental funds. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the Parking Authority's administrative offices at 25 Van Ness Avenue, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Discretely Presented Component Units

San Francisco Redevelopment Agency (Agency) - The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and economic development opportunities Citywide. Included in its financial data are the accounts of the San Francisco Redevelopment Financing Authority (SFRFA), a component unit of the Agency. The SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA. Financial statements for the Parking Authority can be obtained from their offices at 25 Van Ness Avenue, San Francisco, CA 94102.

The Agency's governing body is not substantively the same as that of the City, and the Agency does not provide services entirely or almost entirely to the City. The Agency is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the Agency through the appointment of the Agency's Board and the ability of the City to approve the Agency's budget. Disclosures related to the Agency, where significant, are identified separately throughout these notes. Complete financial statements can be obtained from the Agency's administrative offices at 770 Golden Gate Ave., San Francisco, CA 94102.

Treasure Island Development Authority (TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and the TIDA does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from the TIDA administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

Non Disclosed Organizations

There are other governmental agencies that provide services within the City and County of San Francisco. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, Private Industry Council of San Francisco, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District (BART) and the Bay Area Air Quality Management District (BAAQM), which are also excluded from the City's reporting entity.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior-year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)

Property taxes, other local taxes, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

The **Water Department Fund** accounts for the activities of the San Francisco Water Department. The department is engaged in the distribution of water to the City and certain suburban areas.

The **Hetch Hetchy Water and Power Fund** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.

The **Municipal Railway Fund** accounts for the activities of the San Francisco Municipal Railway (Muni) and the San Francisco Municipal Railway Improvement Corporation (SFMRIC). Muni was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of Muni by acquiring, constructing, and financing improvements to the City's public transportation system.

The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital Medical Center, a City-owned acute care hospital. This Fund was established in 1980.

The **Clean Water Program Fund** accounts for the activities of the Clean Water Program. It was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City municipal sewage treatment and disposal system.

The **Port of San Francisco Fund** accounts for the activities of the Port of San Francisco. This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents. This Fund was established in 1983.

The **Parking Garages Fund** accounts for the activities of various non-profit corporations formed to provide financial and other assistance the City to acquire land, construct facilities, and manage various parking facilities.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Additionally, the City reports the following fund types:

The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

The ***Pension and Other Employee Benefit Trust Funds*** reflect the activities of the Employees' Retirement System and the Health Service System. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirements, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries.

The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts are accounted for within the Investment Trust Fund.

The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of other agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City Departments from the Water Department and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the Statement of Activities.

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a Modified Accrual basis of accounting except for capital project funds which adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are made, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The following procedures establish the budgetary data reflected in the financial statements:

Original Budget

- (1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.
- (2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting a budget to the Board of Supervisors.
- (3) By the first working day of June, the Mayor submits the proposed budget to the Board of Supervisors along with a draft of the annual appropriation ordinance prepared by the Controller's Office.
- (4) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's proposed budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.
- (5) The appropriate Committee of the Board of Supervisors conducts hearings, obtains public comment, and reviews the Mayor's proposed annual budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim budget.
- (6) Prior to August 1, the Board of Supervisors finalizes the annual budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

Generally, new or one time federal and state grants, other capital projects, and debt issues are budgeted by the Mayor and the Board of Supervisors as a supplemental appropriation.

(d) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuance of the Enterprise Funds and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Employees' Retirement System and deposits and investments of the Redevelopment Agency are held by trustees (note 5).

The San Francisco Unified School District, San Francisco Community College District, and the Trial Courts of the State of California are voluntary participants in the City's investment pool. As of June 30, 2002, \$300.6 million was held on behalf of these voluntary participants. The total percentage share of the Treasurer's pool that relates to these three external participants is 10.4%. The deposits held for these entities are included in the Investment Trust Fund. The City has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2002 to support the value of shares in the pool.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Investment Valuation

Treasurer's Pool – Substantially all investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool is the same as the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund. Certain US government securities that have a remaining maturity at time of purchase of one year or less are carried at amortized cost, which approximates market value.

Employees' Retirement System (Retirement System) - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Purchases and sales of investments are recorded on a trade date basis. The fair values of real estate holdings are estimated primarily on appraisals prepared by third-party appraisers. The fair values of venture capital investments are estimated based primarily on audited financial statements provided by the individual fund managers. Such market value estimates involve subjective judgments, and the actual market price of these investments can only be determined by negotiation between independent third parties in a sales transaction.

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in market value of open contracts are immediately recognized as gains or losses. The market values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2002, the fair value of open purchase contracts was \$966.8 million, offset by the fair value of open sales contracts of (\$980.4) million for a net fair value of (\$13.6) million. The Retirement System utilized contracts netting to \$17.9 million to hedge (or decrease) the currency risk of foreign investments or to settle trades, and contracts netting to \$4.3 million to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts.

The City Charter and Retirement System Board (Board) policies permit the Retirement System to use investments of the Retirement System's Pension Plan (the Plan) to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The Retirement System's securities custodians are agents in lending the Plan's securities for cash collateral of 102% for domestic securities and 105% for international securities. Securities on loan at year-end are presented as "non-categorized" in the schedule of custodial risk (note 5). As of June 30, 2002, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes the borrowers exceed the amounts the borrowers owe the Retirement System. Contracts with the lending agents require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or if the borrowers fail to pay the Retirement System for income distributions by the securities issuers while the securities are on loan. Non cash collateral cannot be pledged or sold unless the borrower defaults.

Either the Retirement System or the borrower can terminate all securities loans on demand, although the average term of the loans is thirty-three days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted-average maturity of forty-eight days. In lending international securities, cash collateral is invested in a separate short-term

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

investment pool, which at year-end had a weighted-average maturity of three days. The relationship between the maturities of the investment pools and the Retirement System's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Retirement System cannot determine. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan. Cash received as collateral on securities lending transactions is reported as an asset, and liabilities from these transactions are reported in the statement of net assets. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are recorded as expenses.

The City Charter and Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased in the open market at a price higher than the agreed-upon buy back price. This credit exposure at June 30, 2002 was approximately \$313 thousand.

Investments in S&P 500 futures contracts are used to replicate the performance of the S&P 500 index while lowering transaction costs. Changes in market value of open contracts are immediately recognized as gains or losses. At June 30, 2002, the fair value of total open contracts was \$0. Changes in market value of open contracts are immediately recognized as gains or losses.

Investments in fixed income future contracts are used to hedge two fixed income portfolios as their assigned performance benchmark is the Lehman Brothers Global Aggregate Index-Hedged. As of June 30, 2002, the market value of open contracts was (\$195) thousand. Changes in the market value of open contracts are immediately recognized as gains or losses.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations), and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less are carried at amortized cost which approximates market value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Component Unit - San Francisco Redevelopment Agency - Investments are stated at fair value except for money market investments with maturities of one year or less which have been stated at amortized cost. The fair value of investments has been obtained by using market quotes as of June 30, 2002 and reflects the values as if the Agency were to liquidate the securities on that date.

Investment Income

Income from pooled investments is allocated at month end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental funds, Internal Service Funds, and Trust and Agency Funds.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

It is the City's policy to charge interest at month end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other governmental funds, Municipal Railway, Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) Loans Receivable

For the purposes of the fund financial statements, the other governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred credit account.

The Mayor's Office of Housing administers several housing programs and issues loans to qualified applicants. Many of these loans may be forgiven if certain terms and conditions of the loans are met. They are accounted for in the other governmental funds as long-term loans receivable with an offsetting allowance for forgivable loans.

For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists of construction materials and maintenance supplies as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. An exception is the Clean Water Program which accounts for materials and supplies using the purchase method. This method records items as expenses when they are acquired. The governmental fund types also use the purchase method to account for supply inventories.

(g) Redevelopment Agency Property Held for Resale

Property held for resale is recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use.

(h) Capital Assets

Capital assets, which include land, facilities and improvement, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital lease is included in depreciation and amortization. Facilities and improvements, infrastructure, and machinery and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Facilities and Improvements	15 to 50
Infrastructure	15 to 70
Machinery and Equipment	3 to 40
Easements	20

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(i) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination.

Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death. Sick leave earned subsequent to that date is non-vesting and, hence, is not a liability.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(j) Bond Issuance Costs and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(k) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for cash requirements - The City's Charter provides for a cash requirement reserve to meet potential short-term working capital needs. The balance is calculated as 10% of either the current or the last preceding tax levy.

Reserve for emergencies - The City's Charter provides for an emergency reserve fund for purposes of meeting any emergency as defined in the City's Charter. The amount reserved for emergencies may be appropriated only by a vote of three-fourths of the Board of Supervisors.

Reserve for assets not available for appropriation - Certain assets, primarily cash and investments outside City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service - The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserves for encumbrances - Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Reserve for appropriation carry-forward - At the end of the fiscal year, certain budgeted expenditures are authorized to be carried over and expended in the ensuing year. A reserve of fund balance is established in the amount of these budget authorizations.

Reserve for subsequent years' budgets - A portion of fund equity is reserved for subsequent years' budgets. This balance includes the reserve required by the City's Administrative Code for the budget incentive program for the purpose of making additional funds available for items and services that will improve the efficient operations of departments.

Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheets because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects. In addition, certain grant proceeds are restricted by the granting agency.

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2002.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Designation for litigation and contingencies – This designation represents management's estimate of anticipated legal settlements or contingencies to be paid in the subsequent fiscal year.

Deficit Fund Balances/Net Assets

The Telecommunications and Information Internal Service Fund had a \$4.5 million deficit total net assets as of June 30, 2002. Approximately \$ 2.2 million of this deficit is due to depreciation that is not funded and will result in continuing deficits. The remaining portion of the deficit of total net assets relates to operations and is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses.

The Central Shops Internal Service Fund had a \$781 thousand deficit total net assets as of June 30, 2002. The deficit is due to depreciation and certain non-current accrued expenses that are not funded and will result in continuing deficits in future years.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- (1) Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.
- (2) Reimbursements for expenditures, initially made by one fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(p) Reclassifications

Certain amounts presented as 2001 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform with the presentation in the 2002 basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, \$1,248,962, differs from net assets of governmental activities, \$1,475,021, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets.

Balance Sheet/Statement of Net Assets (in thousands)

	Total Governmental Funds	Long-term Assets, Liabilities(1)	Internal Service Funds(2)	Reclassi- fications and Eliminations	Statement of Net Assets Totals
Assets					
Deposits and investments with City Treasury.....	\$ 1,036,267	\$ -	\$ 14,499	\$ -	\$ 1,050,766
Deposits and investments outside City Treasury.....	132,859	-	51,732	-	184,591
Receivables, net:					
Property taxes and penalties.....	33,395	-	-	-	33,395
Other local taxes.....	173,873	-	-	-	173,873
Federal and state grants and subventions.....	139,975	-	-	-	139,975
Charges for services.....	21,755	-	-	-	21,755
Interest and other.....	10,611	-	1,251	-	11,862
Due from other funds	66,705	-	-	(66,705)	-
Due from component unit	22,587	-	-	-	22,587
Loans receivable, net.....	149,125	-	-	-	149,125
Capital assets, net.....	-	2,037,854	3,597	-	2,041,451
Deferred charges and other assets.....	7,200	7,545	3,458	-	18,203
Total assets.....	<u>1,794,352</u>	<u>2,045,399</u>	<u>74,537</u>	<u>(66,705)</u>	<u>3,847,583</u>
Liabilities					
Accounts payable.....	150,728	-	6,814	-	157,542
Accrued payroll.....	80,238	-	2,315	-	82,553
Accrued vacation and sick leave pay.....	-	119,144	2,816	-	121,960
Accrued workers' compensation.....	-	175,765	1,012	-	176,777
Estimated claims payable.....	-	41,445	-	-	41,445
Accrued interest payable.....	398	8,116	2,997	-	11,511
Deferred tax, grant and subvention revenues.....	39,284	(36,289)	-	-	2,995
Due to other funds/internal balances.....	33,893	-	2,027	(66,705)	(30,785)
Deferred credits and other liabilities.....	240,849	(193,260)	1,922	-	49,511
Bonds, loans, capital leases, and other payables.....	-	1,498,860	260,193	-	1,759,053
Total liabilities.....	<u>545,390</u>	<u>1,613,781</u>	<u>280,096</u>	<u>(66,705)</u>	<u>2,372,562</u>
Fund balances/net assets					
Total fund balances/net assets.....	<u>1,248,962</u>	<u>431,618</u>	<u>(205,559)</u>	<u>-</u>	<u>1,475,021</u>
Total liabilities and fund balances/net assets.....	<u>\$ 1,794,352</u>	<u>\$ 2,045,399</u>	<u>\$ 74,537</u>	<u>\$ (66,705)</u>	<u>\$ 3,847,583</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

- (1) When capital assets (land, infrastructure, buildings, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets.....	\$ 2,514,025
Accumulated depreciation.....	<u>(476,171)</u>
	<u>\$ 2,037,854</u>

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

\$ 7,545

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued vacation and sick leave pay.....	\$ (119,144)
Accrued workers' compensation.....	(175,765)
Estimated claims payable.....	(41,445)
Bonds, loans, capital leases, and other payables.....	<u>(1,498,860)</u>
	<u>\$ (1,835,214)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid.

\$ (8,116)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenue.....	\$ 36,289
Deferred credits and other liabilities.....	<u>193,260</u>
	<u>\$ 229,549</u>

- (2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

\$ (205,559)

(b) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, (\$243,755) differs from the change in net assets for governmental activities, \$16,691, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities (in thousands)

	Total Governmental Funds	Long-term Revenues/ Expenses(3)	Capital- related Items(4)	Internal Service Funds(5)	Long-term Debt Transactions(6)	Statement of Activities Totals
Revenues						
Property taxes.....	\$ 687,150	\$ 10,553	\$ -	\$ -	\$ -	\$ 697,703
Business taxes.....	274,848	-	-	-	-	274,848
Other local taxes.....	444,590	-	-	-	-	444,590
Licenses, permits and franchises.....	25,762	-	-	-	-	25,762
Fines, forfeitures and penalties.....	12,045	-	-	-	-	12,045
Interest and investment income.....	65,597	-	-	5,000	-	70,597
Rents and concessions.....	63,623	-	-	-	-	63,623
Intergovernmental:						
Federal.....	307,943	-	-	-	-	307,943
State.....	608,804	-	-	-	-	608,804
Other.....	33,924	-	-	-	-	33,924
Charges for services.....	225,547	-	-	-	-	225,547
Other revenues.....	26,405	-	-	-	-	26,405
Total revenues.....	<u>2,776,238</u>	<u>10,553</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>2,791,791</u>
Expenditures/Expenses						
Current:						
Public protection.....	690,050	20,127	11,282	(3,907)	-	717,552
Public works, transportation and commerce.....	296,411	14,196	17,177	(10,006)	-	317,778
Human welfare and neighborhood development.....	613,133	(27,282)	337	-	-	586,188
Community health.....	484,826	8,420	248	362	-	493,856
Culture and recreation.....	238,326	(1,669)	14,330	2,566	(6,933)	246,620
General administration and finance.....	164,745	(22,046)	13,955	(229)	345	156,770
General City responsibilities.....	54,628	(188)	-	1,111	-	55,551
Debt service:						
Principal retirement.....	69,536	-	-	-	(69,536)	-
Interest and fiscal charges.....	68,111	-	-	8,189	1,035	77,335
Bond issuance costs.....	2,987	-	-	-	(2,987)	-
Capital outlay.....	276,662	-	(276,662)	-	-	-
Total expenditures/expenses.....	<u>2,959,415</u>	<u>(8,442)</u>	<u>(219,333)</u>	<u>(1,914)</u>	<u>(78,076)</u>	<u>2,651,650</u>
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds.....	(269,573)	-	-	145,174	-	(124,399)
Issuance of bonds and loans						
Face value of bonds issued.....	249,995	-	-	-	(249,995)	-
Premium on issuance of bonds.....	3,095	-	-	-	(3,095)	-
Discount on issuance of bonds.....	(238)	-	-	-	238	-
Payment to refunded bond escrow agent.....	(136,230)	-	-	-	136,230	-
Other Financing sources - capital leases.....	91,424	-	-	-	(91,424)	-
Other.....	949	-	-	-	-	949
Total other financing sources (uses)/changes in net assets.....	<u>(60,578)</u>	<u>-</u>	<u>-</u>	<u>145,174</u>	<u>(208,046)</u>	<u>(123,450)</u>
Net change for the year.....	<u>\$ (243,755)</u>	<u>\$ 18,995</u>	<u>\$ 219,333</u>	<u>\$ 152,088</u>	<u>\$ (129,970)</u>	<u>\$ 16,691</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

- (3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. \$ 10,553

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net assets were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the decrease in long term liabilities exceeded expenses reported in the statement of activities that do not require the use of current financial resources. \$ 10,280

Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenses are not reported in the statement of activities. \$ (1,838)

- (4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures.....	\$ 272,560
Depreciation expenses.....	(51,952)
Loss on disposal of capital assets.....	(1,275)
Difference.....	<u>\$ 219,333</u>

- (5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. \$ 152,088

- (6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to the lessee. Additions to the lease obligation related to interest accretion are reported as culture and recreation expenditures in the governmental funds when paid. The City's capital lease obligation was increased due to the accrual of accreted interest resulting in additional culture and recreation expenses being reported in the statement of activities.

Principal payments made.....	\$ 16,729
Increase in capital lease obligation.....	(9,796)
	<u>\$ 6,933</u>

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs.....	\$ 2,987
Amortization of bond issuance costs.....	(345)
Difference.....	<u>\$ 2,642</u>

Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. The following premiums and discounts were capitalized during the current period:

Premiums.....	\$ (3,095)
Discounts.....	238
Net amount capitalized.....	<u>\$ (2,857)</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Repayment of bond principal and the payment to escrow in conjunction with the advance refunding of debt are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments and payment to escrow for refunded debt reduce the liabilities in the statement of net assets and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders and payments were made to escrow for refunded debt.

Principal payments made.....	\$ 69,536
Payments to escrow for refunded debt.....	136,230
	<u>\$ 205,766</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued interest was calculated for bonds and notes payable, (2) deferral of the loss on advance debt refunding which is expended in the governmental funds and capitalized and amortized in the statement of activities, (3) amortization of bond discounts, premiums and refunding losses which are expended within the fund statements, and (4) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Accrued interest.....	\$ (2,494)
Refunding loss.....	3,666
Amortization of bond premiums, discounts and refunding losses.....	(158)
Arbitrage rebate liability.....	(2,049)
	<u>\$ (1,035)</u>

Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt and entering into capital lease arrangements increase long-term liabilities in the statement of net assets and does not affect the statement of activities. Proceeds were received from:

General obligation bonds.....	\$ 17,665
General obligation refunding bonds.....	118,945
Certificate of participation.....	37,170
Certificate of participation refunding.....	15,460
Settlement obligation bonds.....	60,755
	<u>\$ 249,995</u>
Capital leases.....	<u>\$ 91,424</u>

(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP basis. The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are as follows:

(a) Basis differences

Certain accruals for estimated claims payable are excluded from the Budget basis financial statement because such amounts are budgeted on a cash basis.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(b) Timing differences

Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (note 6).

The fund balances as of June 30, 2002 on a Budget basis are reconciled to the fund balances on a GAAP basis as follows (in thousands):

	General Fund
Fund balance - Budget basis.....	\$385,027
Unrealized gain on investments.....	8,214
Deferred charges and assets not available for appropriation.....	6,406
Cumulative excess property tax revenues recognized on a Budget basis.....	<u>(19,256)</u>
Fund balance - GAAP basis.....	<u>\$380,391</u>

General Fund Budget basis fund balance at June 30, 2002 is composed of the following (in thousands):

Reserved for cash requirements	\$93,293	
Reserved for emergencies	4,198	
Reserved for encumbrances	52,735	
Reserved for appropriation carryforward.....	61,716	
Reserved for subsequent years' budgets:		
Reserved for budget incentive program	2,300	
Reserved for investments.....	5,090	
Reserved for on-line City access program	350	
Reserved for salaries and benefits (MOU)	11,400	
Reserved for nurses' childcare (MOU)	1,100	
Reserved for litigation.....	956	
Reserved for Recreation & Park savings	3,500	
Reserved for one time expenditures	<u>683</u>	
Total reserve		\$237,321
Designated for litigation and contingencies.....	17,506	
Unreserved – available for appropriation	<u>130,200</u>	
Total unreserved amounts		<u>147,706</u>
Fund Balance, June 30, 2002 - Budget basis		<u>\$385,027</u>

Of the \$130.2 million unreserved-available for appropriation, \$124.1 million has been subsequently appropriated as part of the General Fund budget for fiscal year 2003.

(5) DEPOSITS AND INVESTMENTS

The City's deposits and investments are invested pursuant to investment policy guidelines established by the City Treasurer subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee established under California Government Code Sections 27130 to 27137 is composed of

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)

various City officials and representatives of agencies with large cash balances. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. Investments permitted by the City's investment policy include the following:

- Public Time Deposits
- Public Demand Accounts
- Negotiable Certificates of Deposit
- U.S. Government Securities
 - Treasury Bills
 - Treasury Bonds
 - Treasury Notes
- Federal Agencies -
 - Federal Home Loan Bank
 - Federal Farm Credit Bank
 - Federal National Mortgage Association
 - Federal Mortgage Corporation
 - Student Loan Marketing Association
- Money Market Instruments
 - Commercial Paper
 - Bankers' Acceptances
 - Repurchase Agreements
 - Reverse Repurchase Agreements

The City's investment policy identifies certain restrictions related to the above investments. Investments held by the City Treasurer during the year did not include repurchase agreements or reverse repurchase agreements.

Other deposits and investments maintained outside the City Treasury are invested pursuant to governing bond covenants or California Government Code provisions. The following provides a brief description of the nature of these investments.

Employees' Retirement System

The Retirement System's funds are invested pursuant to policy guidelines established by the Retirement System's Board. The objective of the investment policy is to maximize the expected return of the fund at an agreed upon level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified. As of June 30, 2002, the Retirement System had no investments in any one organization that represented 5% or more of plan net assets. Investments held by the Retirement System during the year did not include reverse repurchase agreements.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Component Units

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code (Code). Investments are restricted to certain types of instruments and certain of these instruments are only allowed within limits. The Code permits repurchase agreements, but reverse repurchase agreements require the prior approval of the Agency Commission. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency's investment policy. It is the Agency's intention to hold investments until maturity, unless earlier liquidation would result in an investment gain.

The funds of the TIDA are invested solely in the City Treasury.

Deposits and investments

Total City deposits and investments at fair value are as follows (in thousands):

	Primary Government			Total	Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 1,050,766 ¹	\$ 754,778	\$ 475,500 ²	\$ 2,281,044	\$ 3,442
Deposits and investments outside					
City Treasury.....	184,591 ³	3,508	11,029,091	11,217,190	104,394
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	601,351	-	601,351	-
Deposits and investments outside					
City Treasury.....	-	390,938	-	390,938	-
Invested securities lending collateral...	-	-	1,461,506	1,461,506	219,060
Total deposits and investments.....	<u>\$ 1,235,357</u>	<u>\$ 1,750,575</u>	<u>\$ 12,966,097</u>	<u>\$ 15,952,029</u>	<u>\$ 326,896</u>
Deposits.....	\$ 39,084	\$ 10,055	\$ 4,228	\$ 53,367	\$ 5,221
Investments.....	1,196,273	1,740,520	12,961,869	15,898,662	321,675
Total deposits and investments.....	<u>\$ 1,235,357</u>	<u>\$ 1,750,575</u>	<u>\$ 12,966,097</u>	<u>\$ 15,952,029</u>	<u>\$ 326,896</u>

¹ Includes deposits and investments with the City Treasury of total governmental funds (\$1,036,267) and internal service funds (\$14,499).

² Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds (\$70,570), investment trust fund (\$300,937) and agency funds (\$103,993).

³ Includes deposits and investments outside the City Treasury of total governmental funds (\$132,859) and internal service funds (\$51,732).

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Cash and Deposits

The City had cash and deposits at June 30, 2002 as follows (in thousands):

	Primary Government						Component Units	
	Governmental Activities		Business-type Activities		Fiduciary Funds		Carrying Amount	Bank Balance
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance		
Cash on hand.....	\$ 174	\$ -	\$ 720	\$ -	\$ 2,930	\$ -	\$ 1	\$ -
Federally insured deposits....	500	500	1,283	1,283	-	-	158	163
Collateralized deposits *.....	38,410	160,890	170	50	-	-	5,062	6,170
Uninsured and uncollateralized.....	-	-	7,882	7,734	1,298	1,298	-	-
	<u>\$ 39,084</u>	<u>\$ 161,390</u>	<u>\$ 10,055</u>	<u>\$ 9,067</u>	<u>\$ 4,228</u>	<u>\$ 1,298</u>	<u>\$ 5,221</u>	<u>\$ 6,333</u>

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2002, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks of approximately \$122.6 million. Of the \$122.6 million of outstanding checks, \$34.8 million relates to the San Francisco Unified School District and Community College District which have been reflected in an investment trust fund.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by Federal depository insurance by pledging government securities as collateral. The fair value of pledged securities must equal at least 110% of the City's deposits or 150% of mortgage backed collateral. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the City's name.

The \$9.2 million of uncollateralized cash outlined above consists of \$1.3 million of cash held on behalf of the Employees' Retirement System by a third party trustee, \$4.8 million, \$0.2 million, \$0.3 million, and \$2.6 million of cash held on behalf of Municipal Railway, Port Commission, Laguna Honda Hospital, and the Parking Garages respectively by third party trustees.

Investments

Investments of the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to custodial risk by three categories. They are as follows:

- Category 1 - includes investments that are insured or registered or securities held by the City or its agent in the City's name;
- Category 2 - includes uninsured and unregistered investments, with the securities held by counterparty's trust department or agent in the City's name;
- Category 3 - includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust department or agent but not in the City's name.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

At June 30, 2002, investments included the following (in thousands):

Type of Investment	Category			Carrying value
	1	2	3	
Primary Government Including Pension and Investment Trust Funds				
<u>Investments in City Treasury:</u>				
U.S. government securities.....	\$ 2,393,877	\$ -	\$ -	\$ 2,393,877
Federal agencies.....	442,736	-	-	442,736
Negotiable certificates of deposit.....	10,000	-	-	10,000
Public time deposit.....	100	-	-	100
Total Investments in City Treasury.....	<u>2,846,713</u>	<u>-</u>	<u>-</u>	<u>2,846,713</u>
<u>Employees' Retirement System (ERS):</u>				
U.S. government securities.....	343,510	-	-	343,510
Short term bills and notes.....	48,826	-	21,211	70,037
Debt securities.....	1,030,839	-	84,053	1,114,892
Equity securities.....	3,607,684	-	485	3,608,169
Total categorized investments.....	<u>5,030,859</u>	<u>-</u>	<u>105,749</u>	<u>5,136,608</u>
Non-categorized investments:				
Mortgage backed securities.....				485,029
Fixed interest mutual funds.....				452,387
Equity investments, including mutual funds.....				748,480
Real estate.....				820,844
Venture capital.....				1,218,142
Money market mutual funds.....				745,130
Investment in lending agents' short-term investment pool.....				1,461,506
Investments lent to broker-dealers.....				1,418,243
Total non-categorized investments.....				<u>7,349,761</u>
Total Employees' Retirement System.....				<u>12,486,369</u>
<u>Other Funds:</u>				
U.S. government securities.....	64,048	-	427,733	491,781
Total categorized investments.....	<u>64,048</u>	<u>-</u>	<u>427,733</u>	<u>491,781</u>
Non-categorized investments:				
Commercial paper.....				24,533
Money market mutual funds.....				49,266
Total non-categorized investments.....				<u>73,799</u>
Total Other Funds.....				<u>565,580</u>
Total Primary Government including Pension and Investment Trust Funds.....				
	<u>\$ 7,941,620</u>	<u>\$ -</u>	<u>\$ 533,482</u>	<u>\$ 15,898,662</u>
Component Units - Redevelopment Agency				
U.S. government securities and Federal agencies.....	\$ 1,786	\$ 3,954	\$ 132,102	\$ 137,842
Bankers' acceptances.....	-	3,608	-	3,608
Commercial paper.....	7,528	13,593	11,059	32,180
Corporate medium term notes.....	2,015	-	-	2,015
Repurchase agreements.....	-	-	1,634	1,634
Total categorized investments.....	<u>11,329</u>	<u>21,155</u>	<u>144,795</u>	<u>177,279</u>
Non-categorized investments:				
Guaranteed investment contracts.....				39,912
Local agency investment fund.....				63,019
Money market mutual funds.....				38,023
Total non-categorized investments.....				<u>140,954</u>
Total Redevelopment Agency.....				<u>318,233</u>
Treasure Island Development Authority				
<u>Investments in City Treasury:</u>				
U.S. government securities.....	3,442	-	-	3,442
Total Treasure Island Development Authority.....	<u>3,442</u>	<u>-</u>	<u>-</u>	<u>3,442</u>
Total Component Units.....	<u>\$ 14,771</u>	<u>\$ 21,155</u>	<u>\$ 144,795</u>	<u>\$ 321,675</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The types of investments made during the year were substantially the same as those held as of June 30, 2002. Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. City management believes the liquidity in the portfolio is sufficient to meet cash flow requirements and to preclude the City from having to sell investments below original cost for that purpose. The interest and net investment loss is comprised of the following at June 30, 2002 (in thousands):

Interest and dividends, net of amounts capitalized	\$ 400,273
Net decrease in the fair value of investments	<u>(802,213)</u>
Total investment loss	<u><u>\$(401,940)</u></u>

The net decrease in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year. The primary component of this figure is the net decrease in the fair value of pension investments.

The earned yield, which includes net gains on investments sold, on all investments held by the City Treasurer for the fiscal year ended June 30, 2002 was 4.139%.

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2002 (in thousands):

Statement of Net Assets

Net assets held in trust for all pool participants.....	<u>\$ 2,885,772</u>
Equity of internal pool participants.....	\$ 2,585,199
Equity of external pool participants.....	<u>300,573</u>
Total equity.....	<u>\$ 2,885,772</u>

Statement of Changes in Net Assets

Net assets at July 1, 2001.....	\$ 3,023,036
Net change in investments by pool participants.....	<u>(137,264)</u>
Net assets at June 30, 2002.....	<u>\$ 2,885,772</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2002 (in thousands):

<u>Type of Investment</u>	<u>Rates</u>	<u>Maturities</u>	<u>Par Value</u>	<u>Carrying Value</u>
US government securities.....	1.66% - 7.52%	7/05/02 - 11/15/06	\$ 2,386,005	\$ 2,397,319
Federal agencies.....	1.72% - 2.35%	7/03/02 - 11/29/02	448,670	442,736
Commercial paper.....	3.8%	7/01/02	10,000	10,001
Public time deposits.....	3.39%	8/21/02	100	100
			<u>\$ 2,844,775</u>	<u>2,850,156</u>
Carrying amount of deposits in Treasurer's Pool.....				<u>35,616</u>
Total cash and investments in Treasurer's Pool.....				<u><u>\$ 2,885,772</u></u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

(6) PROPERTY TAXES

The City is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are due on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the dates of the underlying transaction.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79, general property taxes are based either on a flat 1% rate applied to the 1975-76 full value of the property or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-76 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise at the lesser of 2% per year or inflation.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. These "override" taxes for debt service amounted to approximately \$109.9 million for the year ended June 30, 2002.

Taxable valuation for the year ended June 30, 2002 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately \$84.5 billion, an increase of 12.8% from the previous year. The secured tax rate was \$1.124 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: \$0.65 for general government, \$0.124 for bond debt service, and \$0.350 for the San Francisco Unified School District, the San Francisco Community College District, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 2.20% and 5.15%, respectively, of the current year tax levy, for an average delinquency rate of 2.48% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required, transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve, as of June 30, 2002 was \$9.1 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2002 was as follows (in thousands):

Governmental Activities:

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 131,539	\$ 7,995	\$ -	\$ 139,534
Construction in progress.....	386,172	218,919	(28,601)	576,490
Total capital assets, not being depreciated.....	<u>517,711</u>	<u>226,914</u>	<u>(28,601)</u>	<u>716,024</u>
Capital assets, being depreciated:				
Facilities and improvements.....	1,533,928	37,393	-	1,571,321
Machinery and equipment.....	217,117	16,819	(2,714)	231,222
Infrastructure.....	-	23,663	-	23,663
Property held under lease.....	4,816	-	-	4,816
Total capital assets, being depreciated.....	<u>1,755,861</u>	<u>77,875</u>	<u>(2,714)</u>	<u>1,831,022</u>
Less accumulated depreciation for:				
Facilities and improvements.....	319,432	28,270	-	347,702
Machinery and equipment.....	128,745	26,307	(1,439)	153,613
Property held under lease.....	4,280	-	-	4,280
Total accumulated depreciation.....	<u>452,457</u>	<u>54,577</u>	<u>(1,439)</u>	<u>505,595</u>
Total capital assets, being depreciated, net.....	<u>1,303,404</u>	<u>23,298</u>	<u>(1,275)</u>	<u>1,325,427</u>
Governmental activities capital assets, net.....	<u>\$ 1,821,115</u>	<u>\$ 250,212</u>	<u>\$ (29,876)</u>	<u>\$ 2,041,451</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Business-type Activities:

San Francisco International Airport

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 2,316	\$ -	\$ -	\$ 2,316
Construction in progress.....	679,644	268,646	(170,551)	777,739
Total capital assets, not being depreciated.....	<u>681,960</u>	<u>268,646</u>	<u>(170,551)</u>	<u>780,055</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,677,933	157,820	(8,553)	3,827,200
Machinery and equipment.....	67,379	4,050	(949)	70,480
Easements.....	125,523	7,416	-	132,939
Total capital assets, being depreciated.....	<u>3,870,835</u>	<u>169,286</u>	<u>(9,502)</u>	<u>4,030,619</u>
Less accumulated depreciation for:				
Facilities and improvements.....	595,985	127,616	(8,380)	715,221
Machinery and equipment.....	43,464	7,100	(900)	49,664
Easements.....	27,041	6,267	-	33,308
Total accumulated depreciation.....	<u>666,490</u>	<u>140,983</u>	<u>(9,280)</u>	<u>798,193</u>
Total capital assets, being depreciated, net.....	<u>3,204,345</u>	<u>28,303</u>	<u>(222)</u>	<u>3,232,426</u>
Capital assets, net.....	\$ <u>3,886,305</u>	\$ <u>296,949</u>	\$ <u>(170,773)</u>	\$ <u>4,012,481</u>

Water Department

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 17,436	\$ 650	\$ (3)	\$ 18,083
Construction in progress.....	122,194	129,834	(148,643)	103,385
Total capital assets, not being depreciated.....	<u>139,630</u>	<u>130,484</u>	<u>(148,646)</u>	<u>121,468</u>
Capital assets, being depreciated:				
Facilities and improvements.....	657,269	133,548	-	790,817
Machinery and equipment.....	62,020	5,143	(213)	66,950
Total capital assets, being depreciated.....	<u>719,289</u>	<u>138,691</u>	<u>(213)</u>	<u>857,767</u>
Less accumulated depreciation for:				
Facilities and improvements.....	285,635	21,351	-	306,986
Machinery and equipment.....	43,397	4,558	(201)	47,754
Total accumulated depreciation.....	<u>329,032</u>	<u>25,909</u>	<u>(201)</u>	<u>354,740</u>
Total capital assets, being depreciated, net.....	<u>390,257</u>	<u>112,782</u>	<u>(12)</u>	<u>503,027</u>
Capital assets, net.....	\$ <u>529,887</u>	\$ <u>243,266</u>	\$ <u>(148,658)</u>	\$ <u>624,495</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Hetch Hetchy Water and Power

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 4,215	\$ -	\$ -	\$ 4,215
Construction in progress.....	9,157	14,517	(5,213)	18,461
Total capital assets, not being depreciated.....	<u>13,372</u>	<u>14,517</u>	<u>(5,213)</u>	<u>22,676</u>
Capital assets, being depreciated:				
Facilities and improvements.....	388,323	2,700	-	391,023
Machinery and equipment.....	34,465	1,480	(327)	35,618
Total capital assets, being depreciated.....	<u>422,788</u>	<u>4,180</u>	<u>(327)</u>	<u>426,641</u>
Less accumulated depreciation for:				
Facilities and improvements.....	209,715	8,018	-	217,733
Machinery and equipment.....	21,374	1,596	(44)	22,926
Total accumulated depreciation.....	<u>231,089</u>	<u>9,614</u>	<u>(44)</u>	<u>240,659</u>
Total capital assets, being depreciated, net.....	<u>191,699</u>	<u>(5,434)</u>	<u>(283)</u>	<u>185,982</u>
Capital assets, net.....	<u>\$ 205,071</u>	<u>\$ 9,083</u>	<u>\$ (5,496)</u>	<u>\$ 208,658</u>

Municipal Railway

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 18,537	\$ -	\$ (56)	\$ 18,481
Construction in progress.....	354,426	214,864	(277,645)	291,645
Total capital assets, not being depreciated.....	<u>372,963</u>	<u>214,864</u>	<u>(277,701)</u>	<u>310,126</u>
Capital assets, being depreciated:				
Facilities and improvements.....	234,944	22,631	(25,608)	231,967
Machinery and equipment.....	665,898	234,338	(86,236)	814,000
Infrastructure.....	593,562	52,714	-	646,276
Total capital assets, being depreciated.....	<u>1,494,404</u>	<u>309,683</u>	<u>(111,844)</u>	<u>1,692,243</u>
Less accumulated depreciation for:				
Facilities and improvements.....	78,272	3,141	-	81,413
Machinery and equipment.....	249,363	25,710	(79,129)	195,944
Infrastructure.....	138,663	26,485	-	165,148
Total accumulated depreciation.....	<u>466,298</u>	<u>55,336</u>	<u>(79,129)</u>	<u>442,505</u>
Total capital assets, being depreciated, net.....	<u>1,028,106</u>	<u>254,347</u>	<u>(32,715)</u>	<u>1,249,738</u>
Capital assets, net.....	<u>\$ 1,401,069</u>	<u>\$ 469,211</u>	<u>\$ (310,416)</u>	<u>\$ 1,559,864</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

General Hospital Medical Center

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 542	\$ -	\$ -	\$ 542
Construction in progress.....	639	2,471	(192)	2,918
Total capital assets, not being depreciated.....	<u>1,181</u>	<u>2,471</u>	<u>(192)</u>	<u>3,460</u>
Capital assets, being depreciated:				
Facilities and improvements.....	122,414	1,020	-	123,434
Machinery and equipment.....	38,389	3,368	-	41,757
Total capital assets, being depreciated.....	<u>160,803</u>	<u>4,388</u>	<u>-</u>	<u>165,191</u>
Less accumulated depreciation for:				
Facilities and improvements.....	70,467	4,430	1	74,898
Machinery and equipment.....	30,176	1,854	-	32,030
Total accumulated depreciation.....	<u>100,643</u>	<u>6,284</u>	<u>1</u>	<u>106,928</u>
Total capital assets, being depreciated, net.....	<u>60,160</u>	<u>(1,896)</u>	<u>(1)</u>	<u>58,263</u>
Capital assets, net.....	\$ <u>61,341</u>	\$ <u>575</u>	\$ <u>(193)</u>	\$ <u>61,723</u>

Clean Water Program

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 22,445	\$ -	\$ -	\$ 22,445
Construction in progress.....	14,855	21,997	(26,239)	10,613
Total capital assets, not being depreciated.....	<u>37,300</u>	<u>21,997</u>	<u>(26,239)</u>	<u>33,058</u>
Capital assets, being depreciated:				
Facilities and improvements.....	1,877,707	24,158	-	1,901,865
Machinery and equipment.....	20,410	1,731	-	22,141
Total capital assets, being depreciated.....	<u>1,898,117</u>	<u>25,889</u>	<u>-</u>	<u>1,924,006</u>
Less accumulated depreciation for:				
Facilities and improvements.....	551,394	37,034	-	588,428
Machinery and equipment.....	16,979	1,272	-	18,251
Total accumulated depreciation.....	<u>568,373</u>	<u>38,306</u>	<u>-</u>	<u>606,679</u>
Total capital assets, being depreciated, net.....	<u>1,329,744</u>	<u>(12,417)</u>	<u>-</u>	<u>1,317,327</u>
Capital assets, net.....	\$ <u>1,367,044</u>	\$ <u>9,580</u>	\$ <u>(26,239)</u>	\$ <u>1,350,385</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Port of San Francisco

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 118,809	\$ 703	\$ -	\$ 119,512
Construction in progress.....	42,964	13,397	(37,577)	18,784
Total capital assets, not being depreciated.....	<u>161,773</u>	<u>14,100</u>	<u>(37,577)</u>	<u>138,296</u>
Capital assets, being depreciated:				
Facilities and improvements.....	216,149	34,523	(844)	249,828
Machinery and equipment.....	9,965	1,802	(287)	11,480
Total capital assets, being depreciated.....	<u>226,114</u>	<u>36,325</u>	<u>(1,131)</u>	<u>261,308</u>
Less accumulated depreciation for:				
Facilities and improvements.....	143,808	6,888	(826)	149,870
Machinery and equipment.....	5,143	1,231	(272)	6,102
Total accumulated depreciation.....	<u>148,951</u>	<u>8,119</u>	<u>(1,098)</u>	<u>155,972</u>
Total capital assets, being depreciated, net.....	<u>77,163</u>	<u>28,206</u>	<u>(33)</u>	<u>105,336</u>
Capital assets, net.....	\$ <u>238,936</u>	\$ <u>42,306</u>	\$ <u>(37,610)</u>	\$ <u>243,632</u>

Laguna Honda Hospital

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Construction in progress.....	\$ 8,719	\$ 13,974	\$ -	\$ 22,693
Total capital assets, not being depreciated.....	<u>8,719</u>	<u>13,974</u>	<u>-</u>	<u>22,693</u>
Capital assets, being depreciated:				
Facilities and improvements.....	25,165	-	-	25,165
Machinery and equipment.....	12,401	71	-	12,472
Property held under lease.....	824	-	-	824
Total capital assets, being depreciated.....	<u>38,390</u>	<u>71</u>	<u>-</u>	<u>38,461</u>
Less accumulated depreciation for:				
Facilities and improvements.....	18,807	725	-	19,532
Machinery and equipment.....	11,129	284	-	11,413
Property held under lease.....	309	206	-	515
Total accumulated depreciation.....	<u>30,245</u>	<u>1,215</u>	<u>-</u>	<u>31,460</u>
Total capital assets, being depreciated, net.....	<u>8,145</u>	<u>(1,144)</u>	<u>-</u>	<u>7,001</u>
Capital assets, net.....	\$ <u>16,864</u>	\$ <u>12,830</u>	\$ <u>-</u>	\$ <u>29,694</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Parking Garages

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Construction in progress.....	\$ 1,635	\$ 20,524	\$ -	\$ 22,159
Total capital assets, not being depreciated.....	<u>1,635</u>	<u>20,524</u>	<u>-</u>	<u>22,159</u>
Capital assets, being depreciated:				
Facilities and improvements.....	84,711	996	(1,705)	84,002
Machinery and equipment.....	4,625	200	(876)	3,949
Total capital assets, being depreciated.....	<u>89,336</u>	<u>1,196</u>	<u>(2,581)</u>	<u>87,951</u>
Less accumulated depreciation for:				
Facilities and improvements.....	14,086	1,028	-	15,114
Machinery and equipment.....	769	40	(705)	104
Total accumulated depreciation.....	<u>14,855</u>	<u>1,068</u>	<u>(705)</u>	<u>15,218</u>
Total capital assets, being depreciated, net.....	<u>74,481</u>	<u>128</u>	<u>(1,876)</u>	<u>72,733</u>
Capital assets, net.....	<u>\$ 76,116</u>	<u>\$ 20,652</u>	<u>\$ (1,876)</u>	<u>\$ 94,892</u>

Total Business-type Activities

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Land.....	\$ 184,300	\$ 1,353	\$ (59)	\$ 185,594
Construction in progress.....	1,234,233	700,224	(666,060)	1,268,397
Total capital assets, not being depreciated.....	<u>1,418,533</u>	<u>701,577</u>	<u>(666,119)</u>	<u>1,453,991</u>
Capital assets, being depreciated:				
Facilities and improvements.....	7,284,615	377,396	(36,710)	7,625,301
Machinery and equipment.....	915,552	252,183	(88,888)	1,078,847
Infrastructure.....	593,562	52,714	-	646,276
Property held under lease.....	824	-	-	824
Easements.....	125,523	7,416	-	132,939
Total capital assets, being depreciated.....	<u>8,920,076</u>	<u>689,709</u>	<u>(125,598)</u>	<u>9,484,187</u>
Less accumulated depreciation for:				
Facilities and improvements.....	1,968,169	210,231	(9,205)	2,169,195
Machinery and equipment.....	421,794	43,645	(81,251)	384,188
Infrastructure.....	138,663	26,485	-	165,148
Property held under lease.....	309	206	-	515
Easements.....	27,041	6,267	-	33,308
Total accumulated depreciation.....	<u>2,555,976</u>	<u>286,834</u>	<u>(90,456)</u>	<u>2,752,354</u>
Total capital assets, being depreciated, net.....	<u>6,364,100</u>	<u>402,875</u>	<u>(35,142)</u>	<u>6,731,833</u>
Business-type activities capital assets, net.....	<u>\$ 7,782,633</u>	<u>\$ 1,104,452</u>	<u>\$ (701,261)</u>	<u>\$ 8,185,824</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental Activities:	
Public protection.....	\$ 11,191
Public works transportation and commerce.....	14,190
Human welfare and neighborhood development.....	573
Community Health.....	769
Culture and recreation.....	11,869
General administration and finance.....	13,360
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets.....	<u>2,625</u>
Total depreciation expense - governmental activities.....	<u>\$ 54,577</u>
Business-type activities:	
Airport.....	140,983
Water.....	25,909
Power.....	9,614
Transit.....	55,336
Hospitals.....	7,499
Sewer.....	38,306
Port.....	8,119
Garages.....	<u>1,068</u>
Total depreciation expense - business-type activities.....	<u>\$ 286,834</u>

Equipment is generally estimated to have useful lives of 3 to 40 years, except for certain equipment of the Water Department that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 5 to 50 years, except for utility type assets of the Water Department and Hetch Hetchy Water and Power (Hetch Hetchy), the Clean Water Program, the San Francisco Municipal Railway (Muni), Laguna Honda Hospital (LHH), and the Port of San Francisco (Port) that have estimated useful lives from 51 to 100 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of Muni, building and structures of LHH, and pier substructures of the Port and totaled \$1.45 billion as of June 30, 2002. In addition, the Hetch Hetchy had utility type assets with useful lives over 100 years which totaled \$4.5 million at June 30, 2002.

During the fiscal year ended June 30, 2002 the City's Enterprise Funds incurred total interest expense and interest income of approximately \$288.4 million and \$65.9 million, respectively. Of these amounts, interest expense and interest income of approximately \$44.9 million and \$2.4 million respectively, was capitalized as part of the cost of constructing proprietary capital assets. The net amount of approximately \$42.5 million was capitalized into capital assets.

During fiscal year 2002, Water, Hetch Hetchy, and Clean Water Program expensed \$12.9 million, \$2 million, \$1.3 million respectively, related to capitalized design and planning costs on certain projects which were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Component Unit - Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2002 was as follows (in thousands):

	Balance July 1, 2001	Increases	Decreases	Balance June 30, 2002
Capital assets, not being depreciated:				
Property held under lease.....	49,416	14,734	-	\$ 64,150
Construction in progress.....	315	333	-	648
Total capital assets not being depreciated....	<u>49,731</u>	<u>15,067</u>	<u>-</u>	<u>64,798</u>
Capital assets, being depreciated:				
Facilities and improvements.....	135,311	297	-	135,608
Leasehold improvements.....	21,602	-	-	21,602
Machinery and equipment.....	7,096	510	-	7,606
Total capital assets being depreciated.....	<u>164,009</u>	<u>807</u>	<u>-</u>	<u>164,816</u>
Less accumulated depreciation and amortization for:				
Facilities and improvements.....	(22,106)	(3,386)	-	(25,492)
Leasehold improvements.....	(6,058)	(432)	-	(6,490)
Machinery and equipment.....	(5,554)	(712)	-	(6,266)
Total accumulated depreciation and amortization.....	<u>(33,718)</u>	<u>(4,530)</u>	<u>-</u>	<u>(38,248)</u>
Total capital assets being depreciated, net.....	<u>130,291</u>	<u>(3,723)</u>	<u>-</u>	<u>126,568</u>
Redevelopment Agency capital assets, net...	<u>\$ 180,022</u>	<u>\$ 11,344</u>	<u>\$ -</u>	<u>\$ 191,366</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The following is a summary of long-term obligations of the City as of June 30, 2002 (in thousands):

GOVERNMENTAL ACTIVITIES			
Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS (a):			
Affordable housing	2021	4.0 to 7.625%	\$ 93,905
City hall improvement project	2007	4.7 to 5.125%	14,105
Fire protection	2006	5.1 to 7.0%	2,930
Library	2021	4.0 to 7.0%	17,080
Museums	2019	4.5 to 7.0%	19,485
Parks and playgrounds	2021	3.5 to 6.5%	66,150
Public safety improvements	2014	5.0 to 7.0%	8,760
Schools	2020	4.125 to 7.0%	128,060
Seismic safety loan program	2014	6.95 to 7.65%	26,665
Zoo facilities	2020	4.125 to 6.5%	31,655
Refunding	2016	3.0 to 5.75%	508,425
General obligation bonds - governmental activities			<u>917,220</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b) & (e)*	2024	3.0 to 5.5%	255,760
San Francisco Parking Authority (c)	2022	4.0 to 6.0%	32,090
San Francisco Social Services Corporation (d)	2003	6.25 to 7.75%	900
Moscone Convention Center Garage (d)	2009	3.35 to 4.0%	5,060
Lease revenue bonds - governmental activities			<u>293,810</u>
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c)	2033	.25 to 5.875	259,360
Loans (c) & (f)	2008	4.5 to 6.7%	13,007
Capital leases payable (d) & (f)	2018	3.5 to 8.5%	226,541
Settlement Obligation Bonds (d)	2011	3.0 to 3.875%	54,820
Accrued vacation and sick leave (d) & (f)			121,960
Accrued workers' compensation (d) & (f)			176,777
Estimated claims payable (d) & (f)			41,445
Other long-term obligations - governmental activities			<u>893,910</u>
DEFERRED AMOUNTS:			
Bond issuance premiums			3,805
Bond issuance discounts			(2,840)
Bond refunding			(6,670)
Deferred amounts			<u>(5,705)</u>
Governmental activities total long-term obligations			<u>\$ 2,099,235</u>

Debt service payments are made from the following sources:

- (a) Property tax recorded in the Debt Service Fund.
- (b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
- (c) Revenues recorded in Special Revenue Funds.
- (d) Revenues recorded in the General Fund.
- (e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
- (f) User-charge reimbursements from General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long term liabilities for the Internal Service Funds are included in the above amounts.

*Includes the Moscone Center West Expansion Project which was financed with variable rate bonds that reset weekly. The average interest rate from issuance date of November 2, 2000 through June 30, 2002 was 2.07%.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

BUSINESS-TYPE ACTIVITIES

<u>Entity and Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
San Francisco International Airport:			
Revenue bonds	2032	2.0 to 8.0%	\$ 4,323,005
Water Department:			
Revenue bonds	2031	4.0 to 7.4%	364,841
Commercial paper	2003	1.15 to 1.65%	90,000
General Hospital Medical Center			
Capital lease	2007	3.0 to 3.8%	802
Clean Water Program:			
Revenue bonds	2026	4.7 to 6.1%	418,809
State of California - Revolving fund loans	2021	2.8 to 3.5%	179,591
Port of San Francisco:			
General Obligation Bonds -			
City and County of San Francisco	2005	4.5 to 6.3%	2,000
Revenue bonds	2010	5.0 to 9.0%	34,095
Notes, loans and other payables	2029	Variable	3,584
Capital lease	2005	6.31%	108
Laguna Honda Hospital:			
Capital lease	2003	5.40%	432
Nonprofit Parking Corporations (Garages):			
Downtown Parking - revenue bonds	2018	5.85 to 6.65%	12,785
Ellis-O'Farrell - revenue bonds	2017	6.9% to 7.125%	5,225
Portsmouth Plaza - notes, loans and other			
payables	2003	9.00%	104
San Francisco Market Corporation - notes, loans			
and other payables	2007	Prime plus 0.25%	388
Uptown Parking - revenue bonds.....	2031	4.5 to 6.0%	19,000
Accrued vacation and sick leave			69,428
Accrued workers' compensation			127,404
Estimated claims payable			45,286
Business-type activities total long-term obligations			<u>\$ 5,696,887</u>

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in their respective Enterprise Funds.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

COMPONENT UNIT			
<u>Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
SAN FRANCISCO REDEVELOPMENT AGENCY AND FINANCING AUTHORITY:			
Lease Revenue Bonds:			
Moscone Convention Center (a)	2024	5.5 to 8.5%	\$ 188,350
Hotel Tax Revenue Bonds (b)	2025	4.0 to 6.75%	74,765
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c)	2025	3.5 to 9.0%	<u>306,362</u>
Sub-total			569,477
South Beach Harbor Variable Rate			
Refunding Bonds (d)	2017	Variable (1.25 % at 6/30/02)	12,500
California Department of Boating and			
Waterways Loan (e)	2037	4.50%	8,000
Accreted interest payable.....			154,859
Accrued vacation and sick leave pay			<u>1,870</u>
Component unit total long-term obligations.....			<u>\$ 746,706</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
- (b) Hotel taxes from hotels located in the Redevelopment Project Areas.
- (c) Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.
- (d) South Beach Harbor Project cash reserves, property tax increments and project revenues.
- (e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2002, the City's debt limit (3% of valuation subject to taxation) was \$2.7 billion. The total amount of debt applicable to the debt limit was \$0.9 billion, net of certain assets in other non-major governmental funds, and other deductions allowed by law. The resulting legal debt margin was \$1.8 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and has recognized an arbitrage liability of \$2.0 million as of June 30, 2002. This arbitrage liability is reported in deferred credits and other liabilities in the

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

governmental activities of the statement of net assets. The Finance Corporation had an independent consultant perform a separate calculation on their lease revenue bonds and a liability of \$1.9 million was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2002. Each Enterprise Fund has performed a similar analysis of its debt which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued \$1 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City has issued mortgage revenue bonds with an outstanding aggregate balance of \$99.7 million as of June 30, 2002. These obligations are secured by the related mortgage indebtedness and are not obligations of the City.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2002 are as follows (in thousands):

	<u>July 1, 2001</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2002</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 953,535	\$ 136,610	\$ (172,925)	\$ 917,220	\$ 60,895
Lease revenue bonds	302,405	7,900	(16,495)	293,810	16,575
Certificates of participation	225,707	52,630	(18,977)	259,360	5,190
Settlement obligation bond.....	-	60,755	(5,935)	54,820	5,350
Less deferred amounts:					
For issuance premiums	784	3,123	(102)	3,805	-
For issuance discounts	(2,703)	(237)	100	(2,840)	-
On refunding.....	-	(6,829)	159	(6,670)	-
Total bonds payable	<u>1,479,728</u>	<u>253,952</u>	<u>(214,175)</u>	<u>1,519,505</u>	<u>88,010</u>
Loans.....	15,816	-	(2,809)	13,007	2,728
Capital leases	232,485	13,337	(19,281)	226,541	23,888
Accrued vacation and sick leave pay.....	113,513	8,447	-	121,960	59,132
Accrued workers' compensation.....	151,199	57,634	(32,056)	176,777	38,926
Estimated claims payable.....	149,967	-	(108,522)	41,445	9,224
Governmental activity long-term obligations.....	<u>\$ 2,142,708</u>	<u>\$ 333,370</u>	<u>\$ (376,843)</u>	<u>\$ 2,099,235</u>	<u>\$ 221,908</u>

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. At the year ending June 30, 2002, \$255.8 million of lease revenue bonds, \$3.6 million of capital leases, \$0.8 million of loans, \$2.8 million of accrued vacation and sick leave pay and \$1 million of accrued workers' compensation are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general funds.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2002 are as follows (in thousands):

	<u>July 1, 2001</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2002</u>	<u>Amounts Due Within One Year</u>
San Francisco International Airport					
Bonds payable:					
Revenue bonds	\$ 3,743,605	\$ 853,525	\$ (274,125)	\$ 4,323,005	\$ 52,260
Less deferred amounts:					
For issuance premiums	-	7,836	-	7,836	-
For issuance discounts	(22,284)	-	1,747	(20,537)	-
On refunding.....	<u>(24,683)</u>	<u>(17,379)</u>	<u>2,816</u>	<u>(39,246)</u>	<u>-</u>
Total bonds payable	3,696,638	843,982	(269,562)	4,271,058	52,260
Commercial paper.....	397,541	160,847	(558,388)	-	-
Accrued vacation and sick leave pay.....	10,255	690	-	10,945	5,709
Accrued workers' compensation	7,800	-	(2,397)	5,403	1,275
Estimated claims payable	<u>459</u>	<u>500</u>	<u>(500)</u>	<u>459</u>	<u>209</u>
Long-term liabilities.....	<u>\$ 4,112,693</u>	<u>\$ 1,006,019</u>	<u>\$ (830,847)</u>	<u>\$ 4,287,865</u>	<u>\$ 59,453</u>
Water Department					
Bonds payable:					
Revenue bonds	\$ 232,042	\$ 140,149	\$ (7,350)	\$ 364,841	\$ 9,715
Less deferred amounts:					
For issuance premiums	-	772	(17)	755	-
For issuance discounts	(4,755)	-	62	(4,693)	-
On refunding.....	<u>(4,490)</u>	<u>-</u>	<u>328</u>	<u>(4,162)</u>	<u>-</u>
Total bonds payable	222,797	140,921	(6,977)	356,741	9,715
Commercial paper.....	75,000	100,000	(85,000)	90,000	90,000
Accrued vacation and sick leave pay.....	6,280	804	-	7,084	3,475
Accrued workers' compensation.....	3,975	5,311	(1,979)	7,307	1,731
Estimated claims payable.....	<u>7,023</u>	<u>366</u>	<u>(2,421)</u>	<u>4,968</u>	<u>1,574</u>
Long-term liabilities.....	<u>\$ 315,075</u>	<u>\$ 247,402</u>	<u>\$ (96,377)</u>	<u>\$ 466,100</u>	<u>\$ 106,495</u>
Hetch Hetchy Water and Power					
Accrued vacation and sick leave pay.....	\$ 1,805	\$ -	\$ (61)	\$ 1,744	\$ 917
Accrued workers' compensation.....	1,056	854	(285)	1,625	385
Estimated claims payable.....	<u>6,602</u>	<u>3,000</u>	<u>(5,982)</u>	<u>3,620</u>	<u>197</u>
Long-term liabilities.....	<u>\$ 9,463</u>	<u>\$ 3,854</u>	<u>\$ (6,328)</u>	<u>\$ 6,989</u>	<u>\$ 1,499</u>
Municipal Railway					
Accrued vacation and sick leave pay.....	\$ 20,115	\$ 868	\$ -	\$ 20,983	\$ 12,025
Accrued workers' compensation.....	67,390	33,956	(19,004)	82,342	19,852
Estimated claims payable.....	<u>26,014</u>	<u>11,838</u>	<u>(7,941)</u>	<u>29,911</u>	<u>13,197</u>
Long-term liabilities.....	<u>\$ 113,519</u>	<u>\$ 46,662</u>	<u>\$ (26,945)</u>	<u>\$ 133,236</u>	<u>\$ 45,074</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2002 are as follows (in thousands) – continued:

	<u>July 1, 2001</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2002</u>	<u>Amounts Due Within One Year</u>
General Hospital Medical Center					
Capital leases.....	\$ -	\$ 802	\$ -	\$ 802	\$ 78
Accrued vacation and sick leave pay.....	14,533	1,394	-	15,927	9,317
Accrued workers' compensation.....	12,521	6,074	(3,920)	14,675	3,385
Long-term liabilities.....	<u>\$ 27,054</u>	<u>\$ 8,270</u>	<u>\$ (3,920)</u>	<u>\$ 31,404</u>	<u>\$ 12,780</u>
 Clean Water Program					
Bonds payable:					
Revenue bonds	\$ 469,883	\$ 926	\$ (52,000)	\$ 418,809	\$ 24,930
Less deferred amounts:					
For issuance discounts	(5,037)	-	692	(4,345)	-
On refunding.....	(9,689)	-	764	(8,925)	-
Total bonds payable	455,157	926	(50,544)	405,539	24,930
State of California - Revolving fund loans.....	193,597	-	(14,006)	179,591	14,461
Accrued vacation and sick leave pay.....	3,475	-	(20)	3,455	1,885
Accrued workers' compensation.....	1,923	1,420	(648)	2,695	641
Estimated claims payable.....	1,086	4,049	(407)	4,728	291
Long-term liabilities.....	<u>\$ 655,238</u>	<u>\$ 6,395</u>	<u>\$ (65,625)</u>	<u>\$ 596,008</u>	<u>\$ 42,208</u>
 Port of San Francisco					
Bonds payable:					
General obligation bonds	\$ 3,200	\$ -	\$ (1,200)	\$ 2,000	\$ 1,200
Revenue bonds	37,330	-	(3,235)	34,095	3,405
Less deferred amounts:					
For issuance premiums	347	-	(44)	303	-
On refunding	(1,261)	-	158	(1,103)	-
Total bonds payable	39,616	-	(4,321)	35,295	4,605
Notes, loans, and other payables.....	11,186	1,098	(8,700)	3,584	74
Capital leases	147	-	(39)	108	41
Accrued vacation and sick leave pay.....	1,720	75	-	1,795	951
Accrued workers' compensation.....	1,145	1,965	(640)	2,470	613
Estimated claims payable.....	311	1,390	(101)	1,600	1,200
Long-term liabilities.....	<u>\$ 54,125</u>	<u>\$ 4,528</u>	<u>\$ (13,801)</u>	<u>\$ 44,852</u>	<u>\$ 7,484</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2002 are as follows (in thousands) – continued:

	July 1, 2001	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2002	Amounts Due Within One Year
Laguna Honda Hospital					
Capital leases	\$ 632	\$ -	\$ (200)	\$ 432	\$ 210
Accrued vacation and sick leave pay.....	7,163	332	-	7,495	4,532
Accrued workers' compensation.....	9,783	3,988	(2,884)	10,887	2,594
Long-term liabilities.....	<u>\$ 17,578</u>	<u>\$ 4,320</u>	<u>\$ (3,084)</u>	<u>\$ 18,814</u>	<u>\$ 7,336</u>

Parking Garages

Bonds payable:					
Revenue bonds	\$ 18,655	\$ 19,000	\$ (645)	\$ 37,010	\$ 685
Less deferred amounts:					
For issuance premiums	-	640	(20)	620	-
For issuance discounts	(138)	-	8	(130)	-
Total bonds payable	18,517	19,640	(657)	37,500	685
Notes, loans, and other payables.....	1,081	-	(589)	492	241
Long-term liabilities.....	<u>\$ 19,598</u>	<u>\$ 19,640</u>	<u>\$ (1,246)</u>	<u>\$ 37,992</u>	<u>\$ 926</u>

	July 1, 2001	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2002	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 3,200	\$ -	\$ (1,200)	\$ 2,000	\$ 1,200
Revenue bonds	4,501,515	1,013,600	(337,355)	5,177,760	90,995
Less deferred amounts:					
For issuance premiums	347	9,248	(81)	9,514	-
For issuance discounts	(32,214)	-	2,509	(29,705)	-
On refunding.....	(40,123)	(17,379)	4,066	(53,436)	-
Total bonds payable	4,432,725	1,005,469	(332,061)	5,106,133	92,195
Commercial paper.....	472,541	260,847	(643,388)	90,000	90,000
State of California - Revolving fund loans.....	193,597	-	(14,006)	179,591	14,461
Notes, loans, and other payables.....	12,267	1,098	(9,289)	4,076	315
Capital leases	779	802	(239)	1,342	329
Accrued vacation and sick leave pay.....	65,346	4,163	(81)	69,428	38,811
Accrued workers' compensation.....	105,593	53,568	(31,757)	127,404	30,476
Estimated claims payable.....	41,495	21,143	(17,352)	45,286	16,668
Business-type activity long term obligations.....	<u>\$ 5,324,343</u>	<u>\$ 1,347,090</u>	<u>\$ (1,048,173)</u>	<u>\$ 5,623,260</u>	<u>\$ 283,255</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The changes in long term obligations for the component unit for the year ended June 30, 2002 are as follows (in thousands):

	July 1, 2001	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2002	Amounts Due Within One Year
Component unit:					
Redevelopment Agency					
Bonds payable:					
Revenue bonds	\$ 589,163	\$ -	\$ (19,686)	\$ 569,477	\$ 20,081
Refunding bonds.....	14,000	-	(1,500)	12,500	-
Total bonds payable	603,163	-	(21,186)	581,977	20,081
Accreted interest payable.....	145,191	20,517	(10,849)	154,859	10,850 ⁽¹⁾
Notes, loans, and other payables.....	8,000	-	-	8,000	-
Accrued vacation and sick leave pay.....	1,674	196	-	1,870	859
Component unit - long term obligations.....	<u>\$ 758,028</u>	<u>\$ 20,713</u>	<u>\$ (32,035)</u>	<u>\$ 746,706</u>	<u>\$ 31,790</u>

(1) This amount is included in accrued interest payable in the accompanying Statement of Net Assets.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2002 for governmental activities are as follows (in thousands):

Fiscal Year Ending	Governmental Activities ⁽¹⁾							
	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2003.....	\$ 60,895	\$ 48,160	\$ 16,575	\$ 13,960	\$ 13,269	\$ 16,538	\$ 90,739	\$ 78,658
2004.....	64,610	44,200	16,520	13,269	12,834	15,111	93,964	72,580
2005.....	60,665	41,246	16,060	12,584	15,554	14,520	92,279	68,350
2006.....	63,610	38,330	14,120	11,903	15,060	13,887	92,790	64,120
2007.....	66,785	34,952	12,930	11,319	14,657	13,244	94,372	59,515
2008-2012.....	344,360	121,328	52,580	48,499	70,538	56,687	467,478	226,514
2013-2017.....	192,160	45,665	44,785	37,270	47,365	42,616	284,310	125,551
2018-2022.....	64,135	7,345	47,485	25,468	37,485	31,106	149,105	63,919
2023-2027.....	-	-	43,355	13,922	37,250	21,373	80,605	35,295
2028-2032....	-	-	29,400	2,997	46,035	10,724	75,435	13,721
2033-2037....	-	-	-	-	17,139	912	17,139	912
Total.....	<u>\$ 917,220</u>	<u>\$ 381,226</u>	<u>\$ 293,810</u>	<u>\$ 191,191</u>	<u>\$ 327,187</u>	<u>\$ 236,718</u>	<u>\$ 1,538,217</u>	<u>\$ 809,135</u>

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2002 for each enterprise fund are as follows (in thousands):

San Francisco International Airport ⁽¹⁾

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ -	\$ -	\$ 52,260	\$ 227,639	\$ -	\$ -	\$ 52,260	\$ 227,639
2004.....	-	-	78,245	225,089	-	-	78,245	225,089
2005.....	-	-	97,685	221,346	-	-	97,685	221,346
2006.....	-	-	101,015	216,509	-	-	101,015	216,509
2007.....	-	-	105,960	211,358	-	-	105,960	211,358
2008-2012.....	-	-	627,410	968,131	-	-	627,410	968,131
2013-2017.....	-	-	779,250	788,385	-	-	779,250	788,385
2018-2022.....	-	-	988,915	553,601	-	-	988,915	553,601
2023-2027.....	-	-	1,061,640	267,500	-	-	1,061,640	267,500
2028-2032...	-	-	430,625	46,888	-	-	430,625	46,888
Total.....	\$ -	\$ -	\$ 4,323,005	\$ 3,726,446	\$ -	\$ -	\$ 4,323,005	\$ 3,726,446

Water Department ^{(1) (2)}

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ -	\$ -	\$ 9,715	\$ 19,183	\$ -	\$ -	\$ 9,715	\$ 19,183
2004.....	-	-	10,350	18,596	-	-	10,350	18,596
2005.....	-	-	11,030	17,957	-	-	11,030	17,957
2006.....	-	-	11,735	17,298	-	-	11,735	17,298
2007.....	-	-	12,420	16,590	-	-	12,420	16,590
2008-2012.....	-	-	73,945	70,791	-	-	73,945	70,791
2013-2017.....	-	-	86,440	47,781	-	-	86,440	47,781
2018-2022.....	-	-	60,435	30,071	-	-	60,435	30,071
2023-2027.....	-	-	53,095	17,043	-	-	53,095	17,043
2028-2032...	-	-	35,676	5,282	-	-	35,676	5,282
Total.....	\$ -	\$ -	\$ 364,841	\$ 260,592	\$ -	\$ -	\$ 364,841	\$ 260,592

⁽¹⁾ The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

⁽²⁾ The payment stream for principal and interest on commercial paper is not practicable to determine because the timing of the issuance and payment is based on project expenditures.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2002 for each enterprise fund are as follows (in thousands) - continued:

Clean Water Program ⁽¹⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2003.....	\$ -	\$ -	\$ 24,930	\$ 22,575	\$ 14,461	\$ 5,672	\$ 39,391	\$ 28,247
2004.....	-	-	20,415	21,392	14,930	5,203	35,345	26,595
2005.....	-	-	16,010	20,473	15,414	4,718	31,424	25,191
2006.....	-	-	-	20,106	15,915	4,218	15,915	24,324
2007.....	-	-	28,990	19,295	16,431	3,702	45,421	22,997
2008-2012.....	-	-	131,488	74,674	65,541	11,464	197,029	86,138
2013-2017.....	-	-	100,090	44,654	30,373	3,264	130,463	47,918
2018-2022.....	-	-	10,380	25,789	6,526	484	16,906	26,273
2023-2027.....	-	-	86,506	4,821	-	-	86,506	4,821
Total.....	\$ -	\$ -	\$ 418,809	\$ 253,779	\$ 179,591	\$ 38,725	\$ 598,400	\$ 292,504

Port of San Francisco ⁽¹⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2003.....	\$ 1,200	\$ 112	\$ 3,405	\$ 1,976	\$ 74	\$ 158	\$ 4,679	\$ 2,246
2004.....	400	50	3,595	1,719	74	158	4,069	1,927
2005.....	400	25	3,920	1,449	77	155	4,397	1,629
2006.....	-	-	4,135	1,226	81	151	4,216	1,377
2007.....	-	-	4,370	985	84	148	4,454	1,133
2008-2012.....	-	-	14,670	1,329	481	677	15,151	2,006
2013-2017.....	-	-	-	-	600	559	600	559
2018-2022.....	-	-	-	-	748	410	748	410
2023-2027.....	-	-	-	-	932	227	932	227
2028-2032.....	-	-	-	-	433	30	433	30
Total.....	\$ 2,000	\$ 187	\$ 34,095	\$ 8,684	\$ 3,584	\$ 2,673	\$ 39,679	\$ 11,544

⁽¹⁾ The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2002 for each enterprise fund are as follows (in thousands) – continued:

Fiscal Year Ending	Parking Garages ⁽¹⁾							
	General Obligation		Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ -	\$ -	\$ 685	\$ 3,554	\$ 241	\$ 29	\$ 926	\$ 3,583
2004.....	-	-	790	2,256	137	16	927	2,272
2005.....	-	-	295	2,210	114	4	409	2,214
2006.....	-	-	310	2,194	-	-	310	2,194
2007.....	-	-	325	2,180	-	-	325	2,180
2008-2012.....	-	-	6,520	10,619	-	-	6,520	10,619
2013-2017.....	-	-	7,740	8,230	-	-	7,740	8,230
2018-2022.....	-	-	9,425	3,893	-	-	9,425	3,893
2023-2027.....	-	-	-	2,402	-	-	-	2,402
2028-2032.....	-	-	10,920	740	-	-	10,920	740
Total.....	\$ -	\$ -	\$ 37,010	\$ 38,278	\$ 492	\$ 49	\$ 37,502	\$ 38,327

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2002 for business type activities follows (in thousands):

Fiscal Year Ending	Total Business-type Activities ⁽¹⁾⁽²⁾							
	General Obligation		Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ 1,200	\$ 112	\$ 90,995	\$ 274,927	\$ 14,776	\$ 5,859	\$ 106,971	\$ 280,898
2004.....	400	50	113,395	269,052	15,141	5,377	128,936	274,479
2005.....	400	25	128,940	263,435	15,605	4,877	144,945	268,337
2006.....	-	-	117,195	257,333	15,996	4,369	133,191	261,702
2007.....	-	-	152,065	250,408	16,515	3,850	168,580	254,258
2008-2012.....	-	-	854,033	1,125,544	66,022	12,141	920,055	1,137,685
2013-2017.....	-	-	973,520	889,050	30,973	3,823	1,004,493	892,873
2018-2022.....	-	-	1,069,155	613,354	7,274	894	1,076,429	614,248
2023-2027.....	-	-	1,201,241	291,766	932	227	1,202,173	291,993
2028-2032.....	-	-	477,221	52,910	433	30	477,654	52,940
Total.....	\$ 2,000	\$ 187	\$ 5,177,760	\$ 4,287,779	\$ 183,667	\$ 41,447	\$ 5,363,427	\$ 4,329,413

⁽¹⁾ The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

⁽²⁾ The payment stream for principal and interest on commercial paper is not practicable to determine because the timing of the issuance and payment is based on project expenditures.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2002 for the component unit are as follows (in thousands):

Fiscal Year Ending June 30	Component Unit: Redevelopment Agency ⁽¹⁾							
	Lease Revenue		Tax Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003.....	\$ 5,570	\$ 21,167	\$ 14,511	\$ 18,662	\$ -	\$ 691	\$ 20,081	\$ 40,520
2004.....	10,734	39,777	15,449	19,496	-	691	26,183	59,964
2005.....	33,661	84,458	16,101	20,016	-	691	49,762	105,165
2006.....	5,550	13,670	15,032	19,273	-	691	20,582	33,634
2007.....	5,271	14,018	15,545	18,512	675	691	21,491	33,221
2008-2012.....	23,635	73,927	76,984	79,216	5,247	2,977	105,866	156,120
2013-2017.....	48,698	49,950	102,285	49,836	7,948	1,908	158,931	101,694
2018-2022.....	43,955	8,008	93,587	23,950	1,300	1,380	138,842	33,338
2023-2027.....	11,276	1,175	31,633	32,702	1,620	1,060	44,529	34,937
2028-2032...	-	-	-	-	2,019	661	2,019	661
2033-2037...	-	-	-	-	1,691	183	1,691	183
Total.....	<u>\$ 188,350</u>	<u>\$ 306,150</u>	<u>\$ 381,127</u>	<u>\$ 281,663</u>	<u>\$ 20,500</u>	<u>\$ 11,624</u>	<u>\$ 589,977</u>	<u>\$ 599,437</u>

⁽¹⁾ The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities; however, general obligation bonds have not been issued for business-type activities since 1979. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2002 follows (in thousands):

Governmental Activities - General Obligation Bonds
(in thousands)

Authorized and unissued as of June 30, 2001	\$ 969,510
Bonds issued:	
Series 2001E, Branch Library Bonds.....	<u>(17,665)</u>
Net authorized and unissued as of June 30, 2002	<u>\$ 951,845</u>

There were no new authorizations on general obligation bonds in fiscal year ended June 30, 2002.

In the November 2000 election, \$105.9 million was authorized for the improvement of various library branches. Of this, \$17.7 million Branch Library Facilities Improvement Bonds, Series 2001E was issued in July 2001. Interest rates range from 4% to 7%. The bonds mature from June 2002 through June 2021. The bonds were issued to finance the acquisition of sites to be used for the construction of new branch

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

libraries to replace currently leased facilities, the renovation and rehabilitation of branch libraries, and acquisition and construction of a new branch library in the Mission Bay neighborhood. Debt service payments are funded through ad valorem taxes on property.

The Port of San Francisco is the only business-type activity that has General Obligation Bonds outstanding which amount to \$2 million as of June 30, 2002. The bonds were issued in 1971 for the improvement of the San Francisco harbor area. The final maturity is in fiscal year 2004-2005. Debt service payments are funded from Port's revenues.

Advance Refundings

In April 2002, the City issued \$118.9 million of general obligation refunding bonds, Series 2002-R1 with interest rates ranging from 3.0% to 5.0% (maturing from June 2003 through June 2013) to advance refund a portion of the City's outstanding General Obligation Bonds as follows:

General Obligation Refunding Bonds
(in thousands)

<u>Description of Refunded Bonds</u>	<u>Amount Refunded</u>	<u>Average Interest Rate</u>
Series 1993 A – Public Safety Improvement Projects, 1989.....	\$ 10,505	5.323%
Series 1993 B - Public Safety Improvement Projects, 1990.....	44,055	5.323%
Series 1993 C - Golden Gate Park Improvements, 1992.....	5,400	5.323%
Series 1993 D - Fire Department Facilities Project, 1992.....	10,890	5.323%
Series 1995 A - Public Safety Improvement Projects, 1990	8,355	5.457%
Series 1995 B - Golden Gate Park Improvements, 1992.....	11,395	5.457%
Series 1996 A - City Hall Improvement Project.....	14,130	5.400%
Series 1996 B - Public Safety Improvement Projects, 1989.....	1,185	5.500%
Series 1996 C - Fire Department Facilities Project, 1992.....	2,205	5.500%
Series 1996 D - School District Facilities Improvements, 1994.....	6,530	5.500%
Series 1996 E - Asian Art Museum Relocation Project.....	3,860	5.500%
Total.....	<u>\$ 118,510</u>	

The net proceeds of \$121.2 million (including original issue premium of \$2.8 million, and after payment of \$0.58 million in underwriting fees, insurance, and other issuance costs) plus an additional \$3.2 million of unspent prior bond funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded \$118.5 million of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the governmental activities of the statement of net assets.

Although the refunding resulted in the recognition of an accounting loss of \$5.9 million for the year ended June 30, 2002, the City in effect reduced its aggregate debt service payments by \$7.7 million over the next 11 years, and obtained an economic gain (difference between present value of the old and new debt service payments) of \$6.2 million.

In July 2001, the City issued \$15.5 million of refunding certificates of participation, Series 2001-1 with interest rates ranging from 4.0% to 5.0% (maturing from April 2003 through April 2017) to advance refund \$16.7 million of outstanding Series 1991A and B certificates of participation with an average interest rate of 6.25%. The net proceeds of \$15.1 million (including original issue premium of \$0.07 million, and after

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

payment of \$0.48 million in underwriting fees, insurance, and other issuance costs) plus an additional \$1.8 million of unspent funds from the refunded certificates and an additional \$0.95 million of other City funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 1991A and B certificates of participation. As a result, the refunded certificates of participation are considered to be defeased and the liability for those certificates of participation has been removed from the governmental activities of the statement of net assets.

Although the refunding resulted in the recognition of an accounting loss of \$1 million for the year ended June 30, 2002, the City in effect reduced its aggregate debt service payments by \$1.4 million over the next 15 years, and obtained an economic gain (difference between present value of the old and new debt service payments) of \$1 million.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2002 are as follows:

Governmental Activities - Lease Revenue Bonds
(in thousands)

Authorized and unissued as of June 30, 2001	\$ 133,738
Increase in authorization in this fiscal year:	
Annual increase in Finance Corporation's equipment program.....	1,629
Current year maturities in Finance Corporation's equipment program.....	6,485
Bonds issued:	
Series 2002A, San Francisco Finance Corporation	<u>(7,900)</u>
Net authorized and unissued as of June 30, 2002	<u>\$ 133,952</u>

Finance Corporation

The San Francisco Finance Corporation ("Finance Corporation") was formed in 1991. The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financing, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of Indenture and Equipment Lease Agreements. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property, such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purpose.

(a) Equipment Lease Program

Prior to June 1990, the City Charter prohibited the City from lease-purchasing equipment or real property through public entities or non-profit corporations using tax-exempt obligations without a vote of the electorate. In the June 5, 1990 election, the voters of the City approved Proposition C, which

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NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)

amended the City Charter to allow the City to lease-purchase up to \$20 million of equipment through a non-profit corporation using tax-exempt obligations.

Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to \$20 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2002, the total authorized amount is \$34.2 million. The total accumulated annual authorization since 1990 is \$14.2 million of which \$1.6 million is new annual authorization for the fiscal year ending June 30, 2002.

In May 2002, the Finance Corporation issued its tenth Series of equipment lease revenue bonds in the amount of \$7.9 million with interest rates ranging from 3.0 to 3.6%. The bonds mature from April 2003 through October 2007.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued \$83.5 million in equipment lease revenue bonds since 1990. As of June 30, 2002, \$64.7 million has been repaid leaving \$18.9 million in equipment lease revenue bonds outstanding and \$15.3 million available for new issuance.

(b) City-wide Communication System

In 1993, the Finance Corporation was authorized to issue lease revenue bonds of up to \$50 million for the acquisition and construction of a citywide emergency radio communication system (800mhz). There were two issues made in January 1998 for \$31.3 million and in January 1999 for \$18.7 million. Further, the Finance Corporation was authorized in 1994 to issue lease revenue bonds of up to \$60 million for the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. There were two issues made in June 1998 for \$23.3 million and in June 1997 for \$22.6 million. As of June 30, 2002, the amount authorized and unissued was \$14.1 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to \$157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's George R. Moscone Convention Center. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling \$157.5 million were issued. Each Series of Bonds may bear interest at a different rate and in a different interest rate mode from other Series of Bonds. Funds deposited to the cash with fiscal agent accounts on the issue date were calculated to be sufficient to pay interest on the Bonds based on an assumed interest rate of 5.02% through August 1, 2003. The average actual rate of interest through June 30, 2002, was 2.07%. The final maturity date is April 2030.

Parking Authority

As approved by the voters in November 1989, Proposition F authorized the City and the Parking Authority to finance the construction of parking lots or garages in eight of the City's neighborhoods, using lease financing. There is no limitation on the amount of bonds that can be issued. On July 12, 2000, \$8.2 million lease revenue bonds, Series 2000A, were sold to finance the design and construction of an approximately 200-space, four level parking facility described as North Beach Parking Garage Project. Interest rates range from 4.3% to 6.0%. The final maturity date is June 15, 2022. The Parking Authority leases the garage to the City and the City makes lease payments from the City's general fund. The garage opened in February 2002.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Certificates of Participation

In September 2001, the City issued \$37.2 million in Certificates of Participation to finance the acquisition of an office building at 30 Van Ness. These certificates consist of Series 2001A for \$35.3 million and Taxable Series 2001B for \$1.9 million. The Series 2001A Certificates have interest rates ranging from 3.6% to 5.0% and mature in 2031. The Taxable Series 2001B Certificates have interest rates ranging from 3.25% to 4.625% and mature in 2006.

Settlement Obligation Bonds

In August 2001, the City issued \$60.8 million in Settlement Obligation Bonds, Series 2001. The bonds have interest rates ranging from 3% to 4% and mature from March 2002 through March 2011. The bonds were issued to refund certain obligations resulting from the settlement of business tax litigation against the City.

Solar Power and Energy Conservation Revenue Bond

In November 2001, the voters approved Proposition H which is a Charter amendment that added another exception to the voter-approval requirement for issuing revenue bonds. Under the proposed exception, the Board of Supervisors can authorize the issuance of revenue bonds to buy, build, or improve renewable energy facilities or energy conservation facilities without voter approval.

On the same election date, the voters also approved Proposition B, Solar Energy Revenue Bond. Proposition B authorizes the City to issue revenue bonds and other forms of revenue financing in a principal amount not to exceed \$100 million to build solar and other renewable energy facilities to supply electricity to City agencies. The money also would fund energy conservation facilities and equipment. The City would repay the principal and interest on the bonds from energy cost reductions as a result of the proposed facilities.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

Airport

On July 11, 2001, the San Francisco International Airport (SFO) issued Second Series Revenue Bond Issue 27 (Issue 27) in the amount of \$488.5 million with interest rates ranging for 4% to 5.5%. A portion of the proceeds from Issue 27 were deposited into an irrevocable trust with an escrow agent for the repayment of SFO's then outstanding commercial paper, and a portion of the proceeds were used to advance refund certain of the Airport's Second Series Revenue Bonds as follows (in thousands):

San Francisco International Airport Refunding Bonds
(in thousands)

	Amount	Average
<u>Second Series Revenue Bond Issuance:</u>	<u>Refunded</u>	<u>Interest Rate</u>
Issue 8B.....	\$ 825	5.20%
Issue 9b.....	15,310	5.00%-5.25%
Issue 10B.....	1,550	5.20%
Issue 11.....	78,950	5.75%-6.25%
Issue 12B.....	26,975	5.5%-5.63%
Issue 13A.....	10,750	7.13%
Issue 16B.....	6,760	5.25%-5.50%
Issue 17.....	2,885	5.25%-5.50%
Issue 18B.....	2,715	5.25%
Issue 19.....	685	5.25%
Total.....	<u>\$ 147,405</u>	

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2006 to May 1, 2026 and call dates ranging from May 1, 2004 to May 1, 2008.

The net proceeds of \$156.6 million (including original issue premium of \$3.5 million, and after depositing \$309 million in an irrevocable trust for the repayment of commercial paper, \$20.9 million with a fiscal agent to provide for future debt service, and \$0.7 million in a construction account to provide funding for future construction activity, and the payment \$4.8 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Treasury Securities – State and Local Series. Those securities were deposited in irrevocable trusts with an escrow agent to provide debt service payments of the refunded portion of the bonds identified above until the bonds are called beginning May 1, 2004 and ending May 1, 2008.

The refunded bonds are considered legally defeased where the debt is legally satisfied based on certain provisions in the debt instrument even though the debt is still outstanding. Accordingly, the liability for the refunded bonds has been removed from the accompanying statement of net assets.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$12 million for the year ended June 30, 2002, SFO in effect reduced its aggregate debt service payments by approximately \$13 million over the next 25 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$8.2 million.

On March 14, 2002, the Airport issued Second Series Revenue Bond Issue 28 (Issue 28) in the amount of \$365 million with interest rates ranging for 2% to 5.5%. A portion of the proceeds from Issue 28 were deposited into an irrevocable trust with an escrow agent for the repayment of the Airport's then

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

outstanding commercial paper, and a portion of the proceeds were used to advance refund \$99.4 million of the Airport's Second Series Revenue Bonds Issue 1.

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2003 to May 1, 2013 and a call date of May 1, 2002.

The net proceeds of \$97.5 million (including original issue premium of \$4.3 million, and after depositing \$248.1 million in an irrevocable trust for the repayment of commercial paper, \$17.6 million with a fiscal agent to provide for future debt service, and \$1.3 million in a construction account to provide funding for future construction activity, and the payment \$4.8 million in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Treasury Securities – State and Local Series. Those securities were deposited in irrevocable trusts with an escrow agent to provide debt service payments of the refunded portion of Issue 1 until the bonds were called and repaid on May 1, 2002.

The refunded bonds are considered legally defeased where the debt is legally satisfied based on certain provisions in the debt instrument even though the debt is still outstanding. Accordingly, the liability for the refunded bonds has been removed from the accompanying statement of net assets.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$5.4 million for the year ended June 30, 2002, the Airport in effect reduced its aggregate debt service payments by approximately \$11.5 million over the next 11 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$11 million.

Upon the terms and conditions set forth in a letter of credit dated May 1, 1997, SFO obtained a \$300 million standby letter of credit that may be increased to \$400 million and commenced issuing commercial paper as a means of interim financing. The rates on this letter of credit vary from 2.9% to 3.9%. During the fiscal year 2002, SFO refinanced the commercial paper outstanding with Second Series Revenue Bonds (discussed above). Moreover, SFO obtained a \$200 million standby letter of credit in current fiscal year that may be increased to \$400 million upon the terms and conditions set forth in the letter of credit dated as of May 1, 2002. As at June 30, 2002, there is no commercial paper balance outstanding.

Water Department

In November 1997, the San Francisco voters approved Propositions A & B, authorizing up to \$304 million in Water Revenue Bonds to fund capital improvements for the Water Enterprise. In May and June 1999, the Public Utilities Commission and the Board of Supervisors respectively approved a commercial paper program to provide short-term financing for capital improvement projects funded under the \$304 million Water Revenue Bond Program. Under the enabling ordinance approved by the Board of Supervisors, the maximum amount of commercial paper that may be outstanding at any given time is \$150 million. As of June 30, 2002, the amount of outstanding commercial paper was \$90 million.

During fiscal year 2002, Water Department issued \$140 million of Water Revenue Bonds, Series 2001A. The Revenue Bonds include current interest serial and term bonds with interest rates varying from 4.0 to 5.0%. The current interest serial bonds mature from November 1, 2002, through November 1, 2021 and the current interest term bonds mature from November 1, 2002 through November 1, 2031.

General Hospital Medical Center

In June 2002, the General Hospital entered into a five-year capital lease with the Finance Corporation for various equipment. The principal amount of the capital lease is \$0.8 million. The interest rates range from 3% to 3.8% and the lease matures from 2003 through 2007.

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Parking Garages

In May 2001, the Uptown Parking Corporation, issued \$19 million of bonds for the purpose of financing improvements to the Union Square Garage facility. The bonds mature starting in 2003 and are to be fully retired by 2031. The bonds bear interest at rates from 4.5% to 6.0%. The Corporation has pledged its gross revenues and all funds and amounts held under the trust indenture as security for payment of the bonds. Additionally, the trust indenture requires the Corporation to maintain certain ratios and levels of cash and cash equivalents.

Component Unit Debt - Redevelopment Agency

The current year debt activities of the Redevelopment Agency are discussed in note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

The City maintains a single-employer, defined benefit pension plan (the Plan) which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), an agent multiple-employer, public employee pension plan which covers certain employees in public safety functions, the Port, SFO and the Redevelopment Agency.

Employees' Retirement System

Plan Description - Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and Administrative Code is the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2002 was \$1,858 million. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership

Membership of the Retirement System at July 1, 2001, the date of the latest actuarial valuation is:

	<u>Police</u>	<u>Fire</u>	<u>Others</u>	<u>Total</u>
Retirees and beneficiaries				
currently receiving benefits	<u>1,935</u>	<u>1,722</u>	<u>13,951</u>	<u>17,608</u>
Active members:				
Vested	1,669	1,211	16,852	19,732
Nonvested	<u>512</u>	<u>592</u>	<u>9,688</u>	<u>10,792</u>
Subtotal	<u>2,181</u>	<u>1,803</u>	<u>26,540</u>	<u>30,524</u>
Total	<u>4,116</u>	<u>3,525</u>	<u>40,491</u>	<u>48,132</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy - Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2001-02 varied from 7.00% to 8.00% as a percentage of gross salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. Based on the actuarial report, there were no required employer contributions for fiscal year 2001-02 because the City is funded at 129.0% of liability.

Employer contributions and member contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost - The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2001. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.25%; (2) inflation element in wage increase of 4.5%; and (3) salary merit increases of 1.25%. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss assumptions and purchasable services are amortized as a level percentage of pay over a closed 15 year period. Plan amendments are amortized over 20 years.

Three-year trend information is as follows (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2000	\$ 0	N/A	\$ 0
6/30/2001	\$ 0	N/A	\$ 0
6/30/2002	\$ 0	N/A	\$ 0

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency employees are eligible to participate in PERS. Disclosures for the Redevelopment Agency are included in the separately issued financial statements.

Plan Description - The City and County of San Francisco contributes to PERS, an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Miscellaneous Plan

Funding Policy - Miscellaneous plan - Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2001-02 contribution rate is 0% of annual covered payroll because the City is funded at 144.3%. The contribution requirements of plan members and the City are established and may be amended by PERS.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Annual Pension Cost – Miscellaneous plan - cost for PERS for fiscal year 2001-02 was equal to the City's required and actual contributions which was determined as part of the June 30, 1999 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 1999 actuarial valuation were: (a) 8.25% investment rate of return (net of administrative expenses), (b) 3.75% to 14.20% projected annual salary increases that vary by age, service, and type of employment, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.50%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized, as a level percentage of pay, over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 10% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/1997	\$ 0	N/A	\$0
6/30/1998	\$ 0	N/A	\$0
6/30/1999	\$ 0	N/A	\$0

Safety Plan

Funding Policy – Safety plan - Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 5.432% because the City is funded at 131.2%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan - cost for PERS for fiscal year 2001-02 was equal to the City's required and actual contributions which was determined as part of the June 30, 1999 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 1999 actuarial valuation were: (a) 8.25% investment rate of return (net of administrative expenses), (b) 3.75% to 11.59% projected annual salary increases that vary by age, service and type of employment, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 10% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/1997	\$12,759	100%	\$0
6/30/1998	\$ 8,392	100%	\$0
6/30/1999	\$ 0	N/A	\$0

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

(b) Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(c) Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District and Unified School District, amounted to approximately \$218.9 million in fiscal year 2002. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is \$47.3 million to provide post-retirement health care benefits for 18,335 retired employees. The City's liability for both current employee and post-retirement health care benefits is limited to its annual contribution. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the Health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, 2nd Floor, San Francisco, CA 94103 or by calling (415) 554-1700.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The San Francisco County Transportation Authority (the Authority) was established in 1989 by the voters of the City and County of San Francisco pursuant to State Code Section 131.000. The purpose of the Authority is to impose the voter-approved transactions and use tax of one-half of one percent to fund essential traffic and transportation projects, as set forth in the San Francisco County Transportation Expenditure Plan, for a period not to exceed 20 years. The principal focus of the Authority's Expenditure Plan is to define a program of prioritized projects to ensure that funding is allocated across major transportation categories. The City accounts for these activities in the other governmental funds.

In June 1992, the Authority was designated by the Board of Supervisors as the overall program manager for the Local Guarantee share of transportation funds available through the "Transportation Fund for Clean Air" Program (AB 434) which is administered by the Bay Area Air Quality Management District. The source of funds is a \$4.00 surcharge on the vehicle registration fee.

The Authority serves as the Congestion Management Agency under state laws, and in that capacity prioritizes state and federal transportation funds for San Francisco. The funding is administered by the Metropolitan Transportation Commission in accordance with the Federal Surface Transportation Program for congestion management activities.

In April 1998, the Authority signed a memorandum of understanding with the State of California Department of Transportation (Caltrans) to serve as the lead agency for the environmental impact

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

research and study and the preliminary design for the Doyle Drive Replacement Project for which Caltrans was awarded \$6 million in federal grant funds.

Following is a summary of the Authority's financial position and results of operations as of and for the year ended June 30, 2002 (in thousands).

ASSETS		OPERATIONS	
Deposits and investments.....	\$ 128,709	Revenues:	
Receivables.....	<u>26,305</u>	Sales tax.....	\$ 62,861
Total assets.....	<u>\$ 155,014</u>	Interest and investment income.....	8,856
		Intergovernmental.....	<u>3,846</u>
			75,563
LIABILITIES AND FUND BALANCE			
Due to other funds.....	\$ 10,445	Expenditures and other financing uses:	
Other liabilities.....	<u>1,829</u>	Public works, transportation, and commerce....	78,027
Total liabilities.....	<u>12,274</u>	Transfer to other funds.....	<u>16,833</u>
			<u>94,860</u>
Fund balance:		Deficiency of revenues under expenditures	
Reserved for encumbrances.....	134,730	and other financing uses.....	(19,297)
Unreserved.....	<u>8,010</u>	Fund balance at beginning of year.....	<u>162,037</u>
Total fund balance.....	<u>142,740</u>	Fund balance at end of year.....	<u>\$ 142,740</u>
Total liabilities and fund balance.....	<u>\$ 155,014</u>		

(11) DETAIL INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and San Francisco Bay. According to final data for calendar year 2001 from the Airports Council International (the "ACI"), SFO is one of the largest airports in the United States both in terms of passengers (9th) and air cargo (12th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The new International Terminal Complex (ITC), which opened December 10, 2000, was the centerpiece of SFO's Near Term Master Plan (NTMP) projects. NTMP projects include the new ITC, the AirTrain System, inbound/outbound ramps and elevated circulation roadways to connect the ITC to U.S. Highway 101, and individual projects generally consisting of other terminal, parking, cargo, general aviation, emergency response, security and other facilities and improvements. With the exception of the AirTrain system, most of the NTMP projects have been substantially completed. The Commission has issued \$4.6 billion in aggregate principal amount of Second Series Revenue Bonds (exclusive of the Issue 28 Bonds), of which \$2.85 billion was issued to fund costs related to the NTMP projects. In addition to Bonds issued for NTMP purposes, the Commission has issued \$503 million in Bonds to refund previously outstanding senior lien revenue bonds of the Commission, \$432.9 million in Bonds for noise mitigation and other capital projects,

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

\$60 million in Bonds to finance a portion of the construction costs of a Bay Area Rapid Transit (BART) extension to the Airport and \$756.5 million to refund certain Second Series Revenue Bonds and commercial paper notes of the Commission. The Commission developed a five-year capital plan (the "Capital Plan") to meet the future needs of the Airport. However, as a result of the September 11, 2001 terrorist attacks, current economic conditions, and the resulting decrease in Airport revenues, the Commission has put its Capital Plan on hold indefinitely and has cancelled or postponed most capital projects that are not already in progress or related to safety and security of the Airport.

The Airport has financed its capital program primarily through the issuance of revenue bonds and commercial paper secured by a pledge of the Net Revenues of the Airport, and through interest earnings, Airport operating revenues, and Federal grants. On July 27, 2001, the FAA approved the Airport's collection and use of a \$4.50 Passenger Facility Charge ("PFC") per enplaning passenger from October 1, 2001 through June 1, 2003, to pay for eligible project development activities and studies relating to a potential runway reconfiguration. The FAA authorized the Airport to collect approximately \$112.7 million in PFC revenue through June 2003 under this first PFC application ("PFC Application Number 1"). On March 21, 2002, the FAA approved PFC Application Number 2 for the period June 2, 2003 through April 1, 2008, to pay debt service on the bonds issued to finance eligible projects. The amount of PFC revenues to be collected under PFC Application Number 2 is estimated to be \$224 million.

For the year ended June 30, 2002, the Airport has reported \$40.6 million of PFC revenue which is included in other non operating revenues in the accompanying basic financial statements. The Commission intends to designate \$18.8 million of PFC revenue collected during fiscal year ended June 30, 2002 as revenues under the 1991 Master Resolution. The PFC funds received by the Airport are subject to audit and final acceptance by the FAA and costs reimbursed with PFC revenues are subject to adjustment upon audit.

The Commission has three outstanding issues of Special Facility Bonds, which were issued to finance the construction of jet fuel distribution and related facilities at the Airport for the benefit of the airlines: \$93.4 million of San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997A; \$12.3 million of San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 1997B (Taxable); and \$19.3 million of San Francisco International Airport, 1997 Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2000A (collectively, the "SFO FUEL Bonds"). SFO FUEL Bonds are payable from and secured by payments made by a special purpose limited liability company (the "LLC") pursuant to a lease agreement between the Commission and the company with respect to the jet fuel distribution facilities. The LLC was formed by certain airlines operating at the Airport, including United Airlines, which were its initial members. The lease payments, and therefore the SFO FUEL Bonds, are payable from charges imposed by the LLC for into-plane fueling at the Airport, and are not payable from or secured by Net Revenues. The SFO FUEL Bonds are further secured by an Interline Agreement among the participating airlines, including United Airlines, under which the participating airlines are obligated to make payments to the LLC equal to its total net costs, including the lease payments due to the Commission with respect to the SFO FUEL Bonds. All airlines operating at the Airport are required to have aviation fuel delivered to their aircraft through the LLC's jet fuel distribution facilities.

Due to the Commission's noise mitigation efforts, significant progress has been made in reducing the impact of aircraft noise on the communities surrounding the Airport through the implementation of (1) noise abatement flight procedures, (2) an aircraft noise insulation program, (3) community outreach through the Airport Community Roundtable, and (4) requests that certain surrounding communities adopt ordinances to protect new purchasers of homes within their community.

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NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Pursuant to an agreement with certain airlines, the Airport makes an annual payment to the City's General Fund equal to 15% of concession revenue, but not less than \$5 million per fiscal year. The amount transferred to the General Fund during the fiscal year ending June 30, 2002 was \$17.8 million.

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). Prior to 1969, the Port was owned by the State of California. At that time the Port was transferred in trust to the City under the terms and conditions of legislation as ratified by the electorate of the City. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

In 1996, the Department of Parking and Traffic (DPT) entered into an Annual Payment Agreement with the Port to resolve a dispute concerning the City's collection of parking fine revenues from Port property. Among other things, DPT agreed to pay the Port a guaranteed annual payment of \$1.2 million for twenty years commencing on July 1, 1997, for parking fine revenues collected from Port property. Thereafter, amounts remitted to the Port are based on actual ticket collections, net of administrative costs.

On November 26, 1996, a fire at the east end of Pier 48 destroyed the interconnecting wood frame structure and caused substantial structural damage to the steel frames, walls, and roof at the easterly end of Sheds A and B on the pier. On July 14, 1998, a fire damaged the historic ferry slip arch structure at Pier 43 and the one-story auxiliary building connected to the arch's west tower. Insurance was in force to cover fire damage to the Port's property at both piers. In January 2002, the Port and its insurers reached a settlement to complete the required construction repairs at Pier 48. The Port has received insurance payments of \$6.8 million for approved and completed repairs and \$8.0 million in an escrow account to fund certain seismic retrofit work. Through June 30, 2002, the Port received interim insurance payments \$0.9 million for Pier 43. The Port is involved in discussions with its insurers as to additional insurance proceeds which the Port believes it is entitled for the repair of the Pier 43 arch.

In July 1997, the Port entered into a ten-year subordinate commercial loan agreement with a bank for \$12 million to finance certain capital projects. The outstanding balance of \$8.7 million was paid off on July 2, 2001. The loan obligation was subordinate to all bonds payable by the Port. The loan interest rate, which adjusts with the LIBOR rate, at the payment date was 5.68%.

In September 2002, the Port received a notice of violation from the California Department of Toxic Substance Control (DTSC) in connection with the presence of approximately 15,000 cubic yards of soil contaminated with soluble lead in concentrations that classify it as hazardous waste in California. A former tenant operated a soil disposal service and abandoned the contaminated soil after declaring bankruptcy in 1995 and ceasing operations. The soil has been tested to identify potential disposal and re-use options for which the Port has obtained current cost estimates ranging from \$0.8 to \$1.2 million. The Port has recorded a provision of \$0.8 million for the remediation of the contaminated soils as of June 30, 2002.

The Port is presently planning various development projects which involve a commitment to expend significant funds. Purchase commitments at June 30, 2002 were \$9.2 million for capital projects and \$1.7 million for general operating costs. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30 million over a 20 year period for pier removal, parks and plazas and other public access improvements. As of June 30, 2002 \$1.5 million has been appropriated and \$0.9 million has been expended for projects under the agreement.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

(c) Water Department

The San Francisco Water Department (Water) was established in 1930. Water, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. Water delivers water, approximately 93,194 million gallons annually, to a total population of approximately 2.4 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The Public Utilities Commission (the Commission), established in 1932 provides the operational oversight for the Water Department, Hetch Hetchy Water and Power, and the Clean Water Program. The Commission consists of five members appointed by the Mayor who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

Water purchases water from Hetch Hetchy. This amount, totaling approximately \$19 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2002, water sales to suburban resale customers were \$70.4 million. As of June 30, 2002, Water owed suburban resale customers approximately \$10.9 million under the Suburban Water Rate Agreement.

As of June 30, 2002, Water had outstanding commitments with third parties of \$82.4 million for various capital projects and for materials and supplies.

In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Department to develop a remedial action plan (plan) that addresses environmental contamination at certain real property owned by the Water Department. In response to the directive, the Commission developed a remedial action plan and in August 2001 received the final directive from the CRWQCB to execute the plan by middle of 2004. The Commission appropriated funding for pre-work and the award of Phase I of the plan during fiscal year 2002. The cost of cleanup associated with this plan is estimated to be \$22.7 million and was accrued in fiscal year 2001. During fiscal year 2002, Water expended \$2 million in accordance with the plan.

(d) Hetch Hetchy Water and Power

Hetch Hetchy Water and Power (Hetch Hetchy) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park to the City. Hetch Hetchy is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource. Approximately one-third of the electricity is used by the City's municipal customers (e.g., the San Francisco Municipal Railway, the Recreation and Parks Department, the Port of San Francisco, San Francisco County hospitals, street lighting, Moscone Center, and the water and sewer utilities). The balance of the power generated is sold to other publicly owned utilities, such as the Modesto and Turlock Irrigation Districts.

Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

Charges for services for the year ended June 30, 2002 include \$64.8 million in sales of power by Hetch Hetchy to other City Departments. Income from Hetch Hetchy is available for certain operations of the City.

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NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

As of June 30, 2002, Hetch Hetchy had outstanding commitments with third parties of \$6.3 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy is party to a fixed price, forward contract (the Contract) to purchase electricity from a third party energy provider with scheduled future delivery over a five-year period that began July 1, 2001. Hetch Hetchy entered into the Contract on May 9, 2001 to purchase 2.19 million mWhrs of electric energy. Under this take or pay contract, Hetch Hetchy is obligated to pay for a minimum amount of electricity even if the electricity is not required for operations. Commitments related to this contract total \$33.0 million annually, for a total of \$131.8 million through June 30, 2006. Expenditures under this contract totaled \$41.7 million in fiscal year ending June 30, 2002.

Hetch Hetchy serves as an intermediary agency between Pacific Gas & Electric Company (PG&E) and all City Departments for the design and construction of various electrical components and other related systems needed to deliver electricity. As of June 30, 2002 various City Departments were indebted to Hetch Hetchy for construction costs of approximately \$0.21 million, incurred by Hetch Hetchy on their behalf. This is accounted for in due from other funds and internal balances within the basic financial statements. Hetch Hetchy receives title to the underlying assets of certain completed projects on behalf of the City and assumes responsibility for their maintenance, repair and replacement following their initial year of operation.

The Public Utilities Commission has contracted with PG&E to provide transmission capacity on PG&E's system where needed to deliver Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides backup power and other support services to Hetch Hetchy. The PG&E agreement allows PG&E to review past billings paid by Hetch Hetchy and to retroactively adjust these payments to actual backup power, transmission, and other charges as finally determined by PG&E. During fiscal year 2002, Hetch Hetchy purchased \$14.4 million of transmission services, backup power, and other support services from PG&E under the terms of the agreement.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto and Turlock Irrigation Districts (the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments of \$3.5 million from the City. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

In April 1998, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. The Agreement expires in 2015 and requires that Hetch Hetchy provide, as generated, an amount equivalent to the difference between 260 megawatts and the amount required to meet the City's demand. For fiscal year 2002, power sales to the Districts totaled 871,807 mWhrs or \$22.6 million.

(e) Municipal Railway

The San Francisco Municipal Railway (MUNI) is the City's public transit agency. MUNI was established in 1912. During the fiscal year 1999-2000, the San Francisco Municipal Transit Agency (MTA) was created by Proposition E, a Charter amendment approved by the voters, to run MUNI. MTA replaced the San Francisco Public Transportation Commission. The data reflects the combined operations of MUNI and the San Francisco Municipal Railway Improvement Corporation (SFMRIC). SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)

The City's Annual Appropriation Ordinance provides funds to subsidize MUNI's operating deficits as determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of the fiscal year 2001-2002 General Fund Subsidy to MUNI was \$94 million.

MUNI receives capital grants from various federal, state, and local agencies to finance transit related property and equipment purchases. As of June 30, 2002, MUNI had approved capital grants with unused balances amounting to \$294.6 million. Capital grants receivable as of June 30, 2002 totaled \$41.2 million.

MUNI also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2002, MUNI had various operating grants receivable of \$5.7 million.

These capital grants and operating assistance include funds from the Authority. During the year ended June 30, 2002, the Authority approved \$79 million in new capital grants and \$17.2 million in new operating grants for MUNI. During the same period, MUNI received total payments of \$68.7 million for capital grants and \$18.4 million in operating grants from the Authority. As of June 30, 2002, MUNI had \$10.4 million due from the Authority for capital grants and had no funds due from the Authority for operating grants.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MUNI from parking revenues and the General Fund.

MUNI has outstanding contract commitments of approximately \$88.1 million with third parties for various capital projects. Grant funding is available for a majority of this amount. MUNI also has outstanding commitments of approximately \$10.6 million for non-capital expenditures. Various local funding sources are used to finance these expenditures. MUNI is committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. SMFRIC's Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling \$2.7 million.

In March 2001, MUNI and the Port entered in to a Memorandum of Understanding (MOU) under which MUNI may use the Metro East site in perpetuity for rail vehicle maintenance, operations and other operational needs at a cost of \$25.7 million. This amount was reported as a Special Item in the proprietary funds statement of revenues, expenses and changes in fund net assets. MUNI received a capital contribution from the Authority for this. As part of this MOU, MUNI paid the Port an additional \$4 million in fiscal year 2002 to construct the Illinois Street Bridge over Islais Creek.

In April 2001, the Municipal Transportation Agency Board of Directors authorized the Director of Transportation to solicit proposals regarding a leveraged lease-leaseback financing involving up to 150 Breda light rail vehicles. The transaction would not involve financing or procurement of any new vehicles. Rather, MUNI's intention was to obtain economic benefit in return for transferring the tax benefit of depreciation on the vehicles to another party, without impairing the day-to-day operations of the transit system.

In April 2002, after obtaining final approval from the Municipal Transportation Agency Board of Directors, MUNI simultaneously entered into two transactions, a lease of 118 Breda light rail vehicles to a group of equity investors and a sublease of the vehicles back from the investors over a period of 27 years. MUNI maintains custody of the light rail vehicles and is obligated to insure and maintain the vehicles throughout the life of the lease.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

MUNI received \$388.2 million from the equity investors as full payment of the cost to lease the vehicles based on fair value of the vehicles. MUNI paid \$352.7 million to an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principle of the sublease to the equity investors. The trust assets are invested in U.S. government bonds with maturity dates that match the completion date of the sublease. While these payments to the trust did not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the possibility that MUNI will be required to make future payments to the trust is remote based on the stability of the investment and the limited risks to the physical assets. Therefore, the trust assets and the sublease obligation are not recorded on the financial statements of MUNI as of June 30, 2002.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2002 of \$35.5 million, for the difference between the amount received of \$388.2 and the amount paid to the trust for the future sublease payments of \$352.7, which will be amortized over the life of the sublease.

(f) Laguna Honda Hospital

The Laguna Honda Hospital (LHH) is a skilled nursing facility, which specializes, in serving elderly and disabled residents. The operations of LHH are subsidized by the City. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Accordingly, depreciation and certain non-current accrued expenses are not funded, resulting in continuing deficits on a budget basis. In those circumstances, the City allows the enterprise to show a deficit on a budget basis. For the fiscal year ended June 30, 2002, the subsidy for LHH was \$28 million.

Net income of LHH on a GAAP basis	\$21,025
Tobacco claims settlement*	(20,970)
Net loss on specific/donor restricted funds	(1,578)
Operating subsidy from City General Fund	(27,047)
Operating subsidy from General Hospital Medical Center	(1,100)
Net loss on LHH on a GAAP basis before operating subsidy	<u>(29,670)</u>
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	9,210
Change in encumbrances and appropriation carry forwards	(10,338)
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation and other expenses	2,651
Net loss of LHH requiring General Fund subsidy on a budget basis	<u><u>\$(28,147)</u></u>

*During the fiscal year ended June 30, 2002, LHH received approximately \$21 million of the tobacco settlement funds and \$1.6 million in income from investments. As a result, LHH's net assets on a GAAP basis do not show a deficit.

LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. During the fiscal year ended June 30, 2002, Medicare and Medi-Cal charges for services amounted to approximately \$3.6 million and \$102 million, respectively. As of June 30, 2002, LHH had net patient receivables from Medicare of \$1.8 million and net patient receivables from Medi-Cal of \$22.1 million.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

During fiscal year ended June 30, 2002, LHH received approximately \$12.3 million payment as a result of matching Federal funds to Local funds which provided a Medi-Cal supplemental in the form of quarterly payments effective August 1, 2001.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital. Proposition A stipulates that \$100 million of tobacco settlement funds received by the City, excluding \$1 million set aside each year for smoking education and prevention programs, may be used to pay for construction of a replacement facility for LHH.

(g) General Hospital Medical Center

The San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Accordingly, depreciation and certain non-current accrued expenses are not funded, resulting in continuing deficits on a budget basis. In those circumstances, the City allows the enterprise to show a deficit on a budget basis. For the fiscal year ended June 30, 2002, the subsidy for SFGH was \$72.3 million.

Loss before operating transfers of SFGH on a GAAP basis	\$ (7,374)
Reimbursement to City General Fund for SB 855 matching program	(70,523)
Net gain on specific/donor restricted funds	148
Operating transfers from City General Fund to support SFGH on:	
Operation of Mental Health Rehabilitation Facility	(938)
Other Program Support	(81)
Interest expense on the overdraft funds with the City Treasury	1,221
Operating transfers from SFGH to LHH	1,100
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	(6,666)
Change in encumbrances and appropriation carryforwards	4,585
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation expense	6,284
Other expenses	(101)
Net loss of SFGH requiring General Fund subsidy on a Budget basis	<u><u>\$ (72,345)</u></u>

SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, the State of California through Senate Bills 855 and 1255 and the Short-Doyle mental health program, the federal Medi-Cal Medical Education Program and Administrative Claiming System, and a managed care agreement signed with a health maintenance organization (HMO).

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (*Continued*)

During the year ended June 30, 2002, Medicare and Medi-Cal revenue accounted for \$50 million and \$61 million of net patient service revenue respectively. As of June 30, 2002, SFGH had net patient receivables from Medicare of \$8.3 million and net patient receivables from Medi-Cal of \$17.2 million.

State of California Senate Bill 855 (SB-855) was passed by the state legislature in July 1991 to provide additional funding to hospitals which provide a significant portion of their services to Medi-Cal recipients. In order to receive additional funds, the City must transfer funds to the State Medi-Cal program so that the funds may be matched by federal funds. Gross patient revenue recorded by SFGH for SB-855 totaled \$106.2 million for the fiscal year ended June 30, 2002. This revenue was offset by a reduction in the General Fund operating subsidy of \$70.5 million for net SB 855 revenues of \$35.7 million for the year ended June 30, 2002.

In addition, SFGH receives funding from the State of California under Senate Bill 1255 (SB-1255) which establishes a funding pool through public and private sector contributions with matching federal participation. For the year ended June 30, 2002, SFGH recognized gross patient revenue in the amount of \$46 million offset by a reduction in the contribution provided by the City of \$26 million for net SB 1255 revenues of \$20 million.

Under the Medi-Cal Medical Education program, SFGH is reimbursed for medical education costs incurred for services rendered to Medi-Cal beneficiaries. For the year ended June 30, 2002, SFGH recognized net patient service revenue in the amount of \$1.3 million pertaining to this program.

As of June 30, 2002, SFGH had Medi-Cal supplemental reimbursement receivables for SB-855, SB-1255, and other federal and state settlement payments of approximately \$46.6 million.

The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized \$61.1 million as non-operating state revenue for the year ended June 30, 2002 from realignment funding.

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2002, reimbursement under the Short-Doyle program amounted to approximately \$5.1 million and is included in transfers in.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Proposition 99 funds allocated to SFGH for the year ended June 30, 2002 amounted to \$3.5 million and are included in non-operating state revenue.

SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were \$155 million and estimated costs and expenses to provide charity care were \$115 million in fiscal year 2001-2002.

The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2002 was approximately \$46.0 million.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

(h) Clean Water Program

The Clean Water Program (CWP) was established in 1977 pursuant to bond resolutions to account for the City's municipal sewage treatment and disposal system.

CWP's revenue, which consists mainly of sewer service charges, is pledged for the payment of principal and interest on various outstanding Sewer Revenue Bonds.

CWP has entered into several loan contracts with the California State Water Resources Control Board under which CWP borrowed monies to finance the construction of certain facilities. As of June 30, 2002, CWP had \$179.6 million of loan principal outstanding.

On December 1, 2001, the CWP defeased (in-substance) \$28.4 million of outstanding sewer revenue bonds. The CWP did not issue additional bonds to defease the outstanding issues, but used funds received from the State of California Water Resources Control Revolving Fund Loan Program. The defeased bonds include \$21 million of 1992 sewer revenue refunding bonds with interest rates ranging from 5.7% to 5.8%, \$5.4 million of 1994 sewer revenue refunding bonds with interest rates of 4.7%, and \$2.0 million of 1995A sewer revenue bonds with interest rates of 5.4%. Funds of \$30.2 million were deposited in an irrevocable trust with an escrow agent and invested in a U.S. Treasury Money Market Fund to provide for all future debt service payments on the refunded sewer revenue bonds. As a result, the refunded sewer revenue bonds are considered to be defeased in substance and the liability for those bonds has been removed from the accompanying basic financial statements. The difference between the \$30.2 million deposited with the escrow agent and the carrying amount of the refunded sewer revenue bonds of \$27.6 million (net of \$0.8 million in unamortized bond issuance costs, original issue discounts, and refunding loss associated with those bonds) has been reported as a component of interest expense in the accompanying basic financial statements.

In 1995, CWP entered into a forward purchase and sale agreement with a financial institution. Under the agreement, CWP received an up front fee of \$8.9 million from the financial institution. In exchange, CWP will use its debt service payments not yet due to bondholders to purchase short-term U.S. Treasury bills at face value. Revenue is being recognized over the life of the agreement based on the present value of the future earnings. The fee was recorded as deferred revenue, and the unamortized balance as of June 30, 2002 was \$1.4 million.

As of June 30, 2002, the CWP had purchase commitments for construction and for materials and services totaling \$9.5 million.

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(i) Parking Garages/Other

The data reflects the operations of five parking garages operated by separate nonprofit corporations organized by the City. This data also includes the San Francisco Market Corporation, a nonprofit corporation organized to acquire, construct, finance and operate a produce market. This information about these nonprofit corporations for the year ended June 30, 2002 follows (in thousands):

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis- O'Farrell Parking	Portsmouth Plaza Parking	San Francisco Market	Total
Operating revenues.....	\$ 11,461	\$ 13,982	\$ 2,184	\$ 3,741	\$ 3,004	\$ 1,273	\$ 35,645
Depreciation.....	670	-	-	-	134	264	1,068
Operating income (loss).....	1,527	2,013	(120)	687	166	444	4,717
Interest and other non-operating revenues (expenses).....	(1,383)	62	33	(345)	(9)	(26)	(1,668)
Change in net assets.....	144	2,075	(87)	342	157	418	3,049
Capital assets, additions.....	441	20,524	31	510	143	71	21,720
Capital assets, deletions.....	870	1,705	-	-	-	6	2,581
Net working capital (deficit).....	(6,815)	(12,595)	147	(676)	454	683	(18,802)
Total assets.....	29,569	61,878	7,344	18,515	3,043	6,791	127,140
Total liabilities.....	19,727	33,896	426	5,788	652	714	61,203
Net assets.....	9,842	27,982	6,918	12,727	2,391	6,077	65,937
Total debt outstanding.....	\$ 12,655	\$ 19,620	\$ -	\$ 5,225	\$ 104	\$ 388	\$ 37,992

(12) SAN FRANCISCO REDEVELOPMENT AGENCY

The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment project areas are now underway. In addition, the Agency is undertaking feasibility studies for three new redevelopment survey areas designated by the Board of Supervisors of the City and County of San Francisco.

The Agency acts as the lead Agency in administering the Housing Opportunities for Persons with AIDS program which is funded by a grant from the U.S. Department of Housing and Urban Development. Under a grant with the Office of Economic Adjustment on behalf of the U.S. Department of Defense, the Agency has also undertaken community economic adjustment activities for planning the reuse of Hunters Point Naval Shipyard.

In October and November 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, and Tax Allocation Agreements. The two project areas total 303 acres. Mission Bay North consists of approximately 65 acres adjacent to the Pacific Bell Park. Mission Bay South includes approximately 238 acres of land. The Agency has entered into an Owner Participation Agreement with the owner/developer to provide for development of the project areas. The proposed development in the north includes 3,000 housing units, 20% of which will be affordable units, 350,000 square feet of urban entertainment retail space, 100,000 square feet of City-serving retail space, 55,000 square feet of neighborhood-serving retail space and six acres of public open space. The proposed development in the south will include 3,090 housing units, 20% of which will be affordable units, a 43-acre University of California San Francisco (UCSF) research campus, a 500 room hotel, 210,000 square feet of City-serving and neighborhood-

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

serving retail space, five million square feet of commercial industrial space, and a 500-student public school on land to be donated by UCSF. Mission Bay is expected to create over 31,000 new permanent jobs. The Mission Bay development will take place over 20 to 30 years and will require investment of over \$145 million in new public infrastructure. Total development costs for the two project areas are expected to exceed \$4 billion.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was \$59.4 million.

Outstanding bond issues had interest accretion of approximately \$154.9 million during the current year. Interest accretion is included in the outstanding principal balance of the related bonds in the basic financial statements.

In order to facilitate construction and rehabilitation within the project areas, various construction loan notes, promissory notes and mortgage revenue bonds with an aggregate outstanding balance of approximately \$701 million at June 30, 2002, have been issued. When these obligations are issued, they are secured by the related mortgage indebtedness and, in the opinion of management, are not considered obligations of the Agency or the City and therefore not included in the basic financial statements. Debt service payments will be made by developers or property owners.

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned must also be set aside for such purposes. The Agency established the Low and Moderate Income Housing Fund to account for this commitment and has reserved \$223 million for such expenditures. The Agency has expended \$147 million for low and moderate income housing since its inception.

The Agency had commitments under contracts for capital improvements of approximately \$27.4 million at June 30, 2002.

During the year the Agency incorporated the Public Initiatives Development Corporation, which is chartered to develop affordable housing on the Agency's behalf. There was no financial activity during the year.

(13) TREASURE ISLAND DEVELOPMENT AUTHORITY

The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The mission of TIDA is to redevelop the former Naval Station Treasure Island and to manage its integration with the City in compliance with federal, state and City guidelines (including the California

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Tidelands Trust) to maximize revenues to the City's General Fund; to create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and economically disadvantaged residents; to increase recreational and bay access venues for San Francisco and Bay Area residents; and to promote the welfare and well being of the citizens of San Francisco.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Redevelopment Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to the TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing 1,000 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

During fiscal year 2002, TIDA's primary sources of revenues included facility rents and federal grant funding from the U.S. Navy under a cooperative agreement. Under the cooperative agreement, TIDA provides caretaker services for areas of Treasure and Yerba Buena Islands which are owned by the U.S. Navy and not leased to TIDA.

During fiscal year 2002, TIDA initiated negotiations with the Navy based on TIDA's application for the economic conveyance of the former naval station; issued a Request for Proposals for a Primary Developer to complete the primary developer selection process; worked on preparing a CEQA-compliant Environmental Impact Report based on the Navy's administrative draft Environmental Impact Statement; and selected a contractor to draft the Treasure Island Redevelopment Plan.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash. The composition of interfund balances as of June 30, 2002 is as follows (in thousands):

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 22,516
	General Hospital Medical Center	31,694
	Laguna Honda Hospital	10,414
	Internal Service Funds	2,027
		<u>66,651</u>
Nonmajor Governmental Fund	Nonmajor Governmental Fund	54
	Municipal Railway	10,445
	Hetch Hetchy Water and Power	1,200
	Clean Water Program	800
	<u>12,445</u>	
Hetchy Hetchy Water and Power	San Francisco International Airport	206
	General Hospital Medical Center	802
	Laguna Honda Hospital	76
	<u>\$ 80,234</u>	
Total		

Due to / from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - governmental	Component unit - SF Redevelopment Agency	<u>\$ 22,587</u>

Interfund transfers:

Transfers Out:	Transfers In:						Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Municipal Railway	San Francisco General Hospital	Laguna Honda Hospital	
General fund.....	\$ -	\$ 120,670	\$ 512	\$ 94,305	\$ 73,646	\$ 27,558	\$ 316,691
Nonmajor governmental funds.....	21,441	180,776	-	16,833	938	1	219,989
San Francisco International Airport.....	17,784	-	-	-	-	-	17,784
General Hospital Medical Center.....	70,523	-	-	-	-	1,100	71,623
Hetch Hetchy Water and Power....	-	382	-	-	-	-	382
Municipal Railway.....	193	-	-	-	-	-	193
Less amount transferred to internal service funds.....	-	(144,662)	-	-	-	-	(144,662)
Total transfers out.....	<u>\$ 109,941</u>	<u>\$ 157,166</u>	<u>\$ 512</u>	<u>\$ 111,138</u>	<u>\$ 74,584</u>	<u>\$ 28,659</u>	<u>\$ 482,000</u>

The \$317 million General Fund transfer out includes a total of \$195.5 million in operating subsidies to Municipal Railway, General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

of \$120.7 million from the General Fund to the non major governmental funds is to provide support to various City programs such as the public library and community health services. The transfers between the non major governmental funds are to provide support for various City programs and to provide resources for the payment of debt services.

The General Fund received transfers in of \$70.5 million from General Hospital Medical Center as reimbursement for the SB 855 matching program (note 11(g)), \$17.8 million from the San Francisco International Airport, representing a portion of concession revenue (note 11(a)).

Included with the \$180.8 million transferred out of nonmajor governmental funds is approximately \$144.7 million which was transferred to a newly created internal service fund to report the operations of the Finance Corporation. Because internal service funds report certain long-term assets and liabilities that are not reported in governmental funds, there is no corresponding transfers in reported within internal service funds related to the creation of this fund (Note 1). Also, \$16.8 million was transferred out of nonmajor governmental funds to Municipal Railway for transportation projects.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

The City has operating leases for certain buildings and data processing equipment which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years	
2003.....	\$ 24,439
2004.....	16,227
2005.....	15,427
2006.....	13,021
2007.....	8,356
2008-2012.....	10,691
Total.....	<u>\$ 88,161</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Business-type Activities

Fiscal Years	San Francisco International Airport	Municipal Railway	General Hospital Medical Center	Total Business-type Activities
2003.....	\$ 5,437	\$ 4,267	\$ 4,405	\$ 14,109
2004.....	5,402	3,931	1,584	10,917
2005.....	5,251	2,440	608	8,299
2006.....	5,509	803	168	6,480
2007.....	5,714	153	28	5,895
2008-2012.....	10,318	121	-	10,439
2013-2017.....	-	121	-	121
2018-2022.....	-	121	-	121
2023-2027.....	-	97	-	97
Total.....	<u>\$ 37,631</u>	<u>\$ 12,054</u>	<u>\$ 6,793</u>	<u>\$ 56,478</u>

Component Unit - Redevelopment Agency

The Redevelopment Agency (Agency) has operating leases for its offices sites which require the following minimum annual payments (in thousands):

Fiscal Years	
2003.....	\$ 2,109
2004.....	2,160
2005.....	2,198
2006.....	1,115
2007.....	757
2008-2012.....	3,785
2013-2017.....	3,785
2018-2022.....	3,785
2023-2027.....	3,785
2028-2032.....	3,785
2033-2037.....	3,785
2038-2042.....	3,785
2043-2047.....	3,786
2048-2052.....	2,271
Total.....	<u>\$ 40,891</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2003.....	\$	3,349
2004.....		2,042
2005.....		1,299
2006.....		898
2007.....		470
2008-2012.....		2,256
2013-2017.....		2,545
2018-2022.....		883
2023-2027.....		250
2028-2032.....		40
2033-2037.....		1
Total.....	\$	<u>14,033</u>

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	General Hospital Medical Center	Parking Garages	Total Business-type Activities
2003.....	\$ 62,196	\$ 26,858	\$ 1,601	\$ 2,515	\$ 93,170
2004.....	47,483	23,851	1,730	2,606	75,670
2005.....	40,409	22,023	1,775	2,425	66,632
2006.....	34,481	19,302	1,802	2,155	57,740
2007.....	28,667	18,263	1,832	1,952	50,714
2008-2012.....	91,868	81,720	1,874	7,585	183,047
2013-2017.....	-	71,966	-	857	72,823
2018-2022.....	-	61,945	-	-	61,945
2023-2027.....	-	47,074	-	-	47,074
2028-2032.....	-	42,279	-	-	42,279
2033-2037.....	-	37,500	-	-	37,500
2038-2042.....	-	24,787	-	-	24,787
2043-2047.....	-	17,875	-	-	17,875
2048-2052.....	-	12,122	-	-	12,122
2053-2057.....	-	7,023	-	-	7,023
2058-2062.....	-	7,023	-	-	7,023
2063-2067.....	-	6,709	-	-	6,709
2068-2072.....	-	209	-	-	209
Total.....	<u>\$ 305,104</u>	<u>\$ 528,529</u>	<u>\$ 10,614</u>	<u>\$ 20,095</u>	<u>\$ 864,342</u>

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Component Unit - Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition and Hunters Point areas. The minimum annual payments are as follows (in thousands):

Fiscal Years	
2003.....	\$ 2,642
2004.....	2,607
2005.....	2,685
2006.....	2,687
2007.....	2,688
2008-2012.....	12,872
2013-2017.....	13,473
2018-2022.....	13,810
2023-2027.....	14,456
2028-2032.....	15,432
2033-2037.....	16,518
2038-2042.....	17,739
2043-2047.....	16,085
2048-2052.....	444
Total.....	<u>\$ 134,138</u>

(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately \$20 million per year through the year 2024. The lease payments are intended to approximate the debt service on Series 1988 Lease Revenue Bonds which are recorded as a long term obligation of the Agency. The City is also making lease payments to outside lessors for various telecommunication and information equipment through an internal service fund.

Amounts to be provided from capital leases are as follows:

Fiscal Years	Moscone Convention Center	Other	Total
2003.....	\$ 24,999	\$ 2,102	\$ 27,101
2004.....	19,953	1,651	21,604
2005.....	17,524	81	17,605
2006.....	20,090	-	20,090
2007.....	20,160	-	20,160
2008-2012.....	101,912	-	101,912
2013-2017.....	102,999	-	102,999
2018-2022.....	52,833	-	52,833
2023-2027.....	12,450	-	12,450
Total minimum lease payments.....	\$ 372,920	\$ 3,834	\$ 376,754
Less amounts representing interest	<u>(150,010)</u>	<u>(203)</u>	<u>(150,213)</u>
Present value of maximum lease payments	<u>\$ 222,910</u>	<u>\$ 3,631</u>	<u>\$ 226,541</u>

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately \$1.29 billion at June 30, 2002.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

The City is a participant in the Peninsula Corridor Joint Powers Board ("PCJPB"), which was formed in 1991 to plan, administer and operate the Peninsula CalTrain rail service. The City, on behalf of Muni, is responsible for 11.6% of the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2002, the City contributed approximately \$8.7 million to the PCJPB.

(16) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for Muni Railway); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The City maintains limited excess coverage for certain facilities. The Airport carries liability insurance coverage of \$750 million and commercial property insurance coverage for full replacement value on all facilities owned by the Airport. The Airport does not carry insurance for losses due to seismic activity. The Airport is self-insured for general liability up to the first \$10,000 and the Airport carries liability insurance for any amounts in excess of \$10,000. The Port carries commercial insurance for all general liability, property and casualty risks of loss. Additionally, limited insurance coverage is maintained by the City for the Moscone Convention Center property, personal liability, and for art at City-owned museums.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials errors and omissions risks with combined single limits of \$15,000,000 per occurrence and a deductible of \$50,000 self-insurance retention per occurrence.

Any claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Agency and the City.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2002 has been actuarially determined and includes an estimate of incurred

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

but not reported losses. In addition, various businesses in the City had filed suit in California Superior Court challenging the constitutionality of the City Gross Receipts and Payroll Expense Tax Ordinances. The majority of these suits have been settled for approximately \$63 million. The City has issued debt to pay off this liability over 10 years. A few remaining unsettled claims may be settled over the next 12 months and funds are included in the City's estimated claims payable to cover these expected expenses.

Changes in the reported estimated claims payable since June 30, 2000, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2000-2001	\$ 189,427	\$ 35,219	\$ (33,184)	\$ 191,462
2001-2002	\$ 191,462	\$ (16,305)	\$ (88,426)	\$ 86,731

Breakdown of the estimated claims payable at June 30, 2002 is as follows (in thousands):

<u>Governmental activities:</u>	
Current portion of estimated claims payables.....	\$ 9,224
Long-term portion of estimated claims payable.....	32,221
 <u>Business-type activities:</u>	
Current portion of estimated claims payables.....	16,668
Long-term portion of estimated claims payable.....	28,618
Total	<u>\$ 86,731</u>

The Retirement System is involved in two class action type lawsuits which are collectively referred to as "Final Compensation" cases. These lawsuits allege that the Retirement System should include additional "pay types" in pension calculations. The most significant pay types common to all members of the Retirement System are lump sum payments after termination of employment for sick leave and vacation. The police, fire, and transit employees have additional claims for special pay types specific to those employee groups. There is also a new lawsuit against the Retirement System by the Veteran Police Officers Association (VPOA) that alleges that the Retirement System should include POST pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. These cases are being vigorously contested. The City Attorney has sought outside counsel to help defend the claims. The possible loss to the Retirement System should these cases be successful, while difficult to estimate, could range between \$500 million and \$1 billion. The actual loss could exceed this range. No liability has been accrued by the City relating to these lawsuits as of June 30, 2002.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2002 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2002 was \$ 304.2 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Changes in the reported accrued workers' compensation since June 30, 2000, resulted from the following activity (in thousands):

		Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability	
2000-2001	\$	234,616	\$	77,812	\$	256,792
2001-2002		256,792		109,671		304,181
				(\$55,636)		
				(\$62,282)		

Breakdown of the accrued workers' compensation liability at June 30, 2002 is as follows (in thousands):

<u>Governmental activities:</u>		
Current portion of accrued workers' compensation liability.....	\$	38,926
Long-term portion of accrued workers' compensation liability.....		137,851
 <u>Business-type activities:</u>		
Current portion of accrued workers' compensation liability.....		30,476
Long-term portion of accrued workers' compensation liability.....		96,928
	\$	<u>304,181</u>

(17) SUBSEQUENT EVENTS

Long-term Debt

In July 2002, the Downtown Parking Corporation issued \$13.6 million in Parking Revenue Refunding Bonds, Series 2002. The Series 2002 bonds were sold to provide funds, together with other available moneys, to refund \$12.8 million aggregate outstanding principal amount of the Corporation's Parking Revenue Bonds, Series 1993. The proceeds of the 1993 Bonds were used to fund seismic upgrading and remodeling of the garage, and construction of two additional levels of parking, increasing parking capacity by approximately 840 spaces. The Series 2002 bonds have interest rates ranging from 3.0% to 5.375% and mature from April 2003 through April 2018. The bonds are secured by the revenues of the Corporation derived from the operation of the garage and the Corporation's leasehold interest in the garage.

In August 2002, the Water Department issued \$164 million of Water Revenue Bonds, Series 2002A. Of the proceeds from the issuance, \$90 million was used to refund all of Water's outstanding commercial paper. In addition, Water issued \$86 million Water Revenue Bonds, Series 2002B for the purpose of refunding all outstanding Water Revenue Refunding Bonds Series 1992A.

In September 2002, the Finance Corporation redeemed \$0.8 million of the Combined Emergency Communications Center, lease revenue bonds, Series 1997. The redemption resulted in a decrease in total debt service by \$0.8 million on a net present value basis.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

In October 2002, the City issued an aggregate amount of \$29.3 million in General Obligation Bonds that consist of the Zoo Facilities Bonds, Series 2002A for \$6.2 Million and \$23.1 million for Branch Library Facilities Improvement Bonds, Series 2002B. The 2002A bonds will finance the acquisition, construction or reconstruction of San Francisco Zoo facilities and properties. The 2002B bonds will finance the acquisition, renovation and construction of branch libraries and other library facilities, except the Main Library. Interest rates range from 2.5% to 5.0%. The bonds mature from June 2003 through June 2022.

In October 2002, the Ellis-O'Farrell Parking Corporation issued \$5.5 million in Parking Revenue Refunding Bonds, Series 2002. The Series 2002 bonds were being sold to provide funds, together with other available moneys, to refund \$5.2 million aggregate outstanding principal amount of the Corporation's Parking Revenue Bonds, Series 1992. The proceeds of the 1992 Bonds were used to fund seismic upgrading and remodeling of the garage, and construction of two and one-half additional levels of parking, increasing parking capacity by approximately 350 spaces. The Series 2002 bonds have interest rates ranging from 3.5% to 4.7% and mature from April 2005 through April 2017. The bonds are secured by the revenues of the Corporation derived from the operation of the garage and the Corporation's leasehold interest in the garage.

Also in October 2002, Department of Parking and Traffic lease purchase financed the acquisition and installation of new electronic meters in the amount of \$26 million. Interest rate on the lease purchase financing is 3.62% and the maturity dates are from April 2003 through October 2009.

In 1994, the City issued \$35 million in Taxable General Obligation Bonds (Seismic Safety Loan Program) to provide loans for the seismic strengthening of privately owned unreinforced masonry buildings in the City. In October 2002, from proceeds of the bonds loan repayment and other sources, the City paid in full the \$26.7 million outstanding principal, accrued interest from June 2002, and the redemption premiums.

The Redevelopment Agency of the City and County of San Francisco has its Commission and the Board of Supervisor's approval to issue up to \$72 million in Lease Revenue Refunding Bonds to refund a portion of the 1992 Lease Revenue Bonds maturing on July 1, 2018. It is anticipated that such bonds would be issued in December 2002 or January 2003. As a result of the issuance of the lease revenue refunding bonds, the Agency would reduce total debt service payment and realize up-front savings, which will be applied to the construction of the Moscone West project. However, the issuance of the lease revenue refunding bonds may result in an increase in principal amount of outstanding lease revenue bonds by approximately \$8.8 million.

Revenue Bonds Redemption

In October 2002, the General Purpose Sewer Revenue Bonds Series 1991 were completely redeemed and has the effect of reducing revenue bonds as reported as of June 30, 2002 by \$3.6 million.

Elections

On November 5, 2002, the San Francisco voters approved the following propositions that will have fiscal impact on the City:

Proposition A - Water Bonds This authorizes the City to issue up to \$1.62 billion in Revenue Bonds to finance improvements to its water system. Improvements will upgrade and strengthen the system's pipelines, tunnels and other facilities against earthquakes; upgrade the water storage and pipe transport system to the Bay Area; upgrade the water distribution system in San Francisco; meet future water quality standards and increase water system capacity.

CITY AND COUNTY OF SAN FRANCISCO

NOTES TO BASIC FINANCIAL STATEMENTS *(Continued)*

Proposition E - Control of Operational Activities of Water Department, Clean Water Program, and Hetch Hetchy Water and Power This establishes provisions for exclusive control of various operational activities of the Water Department, Clean Water Program and Hetch Hetchy Water and Power enterprises. Such activities include rate-setting standards and methods, planning and reporting requirements, transfer of surplus funds between enterprises, contracting independence, issuance of revenue bonds, or other financing sources. Proposition E establishes a Rate Fairness Board consisting of seven members that will participate in rate setting. Proposition E also repeals the rate freeze enacted in 1998 for sewer rates. Proposition E is effective July 2, 2006 for water rates.

Proposition H - Police and Firefighter Retirement Benefits This amends the City's Charter to change the formula for retirement benefits for police and firefighters. The City estimates that retirement benefits would increase, as estimated by the Retirement System Actuary, by \$28 million per year for the next 20 years, dropping after 20 years to an ongoing cost of approximately \$8.2 million per year. However, no cash would be required since the City's Retirement System currently has a surplus and the City does not expect to have to make a contribution to the Retirement System for at least the next ten years.

Proposition I - Paid Parental Leave This amends the City's Charter to provide up to twelve weeks of paid leave for City employees who take time off after the birth, adoption, or foster care acceptance of a child. It also provides up to sixteen weeks of paid leave to City employees who give birth or suffer a pregnancy-related disability. The City estimates the increased cost of this amendment will be \$6.3 million per year.

Proposition P - Public Utilities Revenue Bond Oversight Committee This proposition creates a committee to oversee the City's use of utility revenue-bond funds. The committee will report to the Mayor, Board of Supervisors and Public Utilities Commission (PUC) on whether these bond funds are being used for authorized purposes. The oversight committee can hold public hearings; review the expenditure of utility revenue-bond funds; review the PUC's capital improvement plans and proposals and other financial records; inspect utility facilities; and hire independent auditor, inspectors and other experts to assist in their oversight activities.

Wellness Program

Effective July 1, 2002, the City established a pilot "wellness incentive program" (the Program) to promote workforce attendance. The Program was negotiated as part of the July 1, 2001 to June 30, 2003 labor contract between the City and forty-one labor organizations, representing 48% of the City's workforce. It is described in a Memorandum of Understanding (MOU) dated July 1, 2001, between the City and the effected labor organizations. Under the terms of this MOU and the labor contracts, the Wellness Program will be in effect from July 1, 2002 to June 30, 2003.

This Program provides:

Effective July 1, 2002, any full-time employee leaving the employment of the City upon service or disability retirement may receive payment for a portion of sick leave earned but unused at the time of separation. The amount of this payment shall be equal to 2.5% of sick leave balances earned but unused at the time of separation times the number of whole years of continuous employment times an employee's salary rate, exclusive of premiums or supplements, at the time of separation. Vested sick leave hours as described by Civil Service Commission rules, shall not be included in this computation.

The City estimates that the total cost of this will be \$1.6 million during Fiscal Year ending June 30, 2003. The General City portion of this estimate is \$1.3 million and the Enterprise Funds portion is \$0.3 million.

Required Supplementary Information

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information -
Historical Pension Data
(Unaudited)

Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for the Employees' Retirement System (amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Over-funded AAL (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a % of Covered Payroll</u>
7/1/95	6,131,696	5,620,413	511,283	109.1%	1,193,814	42.8%
7/1/96	6,663,504	5,813,808	849,696	114.6%	1,320,652	64.3%
7/1/97	7,245,195	6,162,138	1,083,057	117.6%	1,384,666	78.2%
7/1/98	7,945,707	6,351,397	1,594,310	125.1%	1,474,007	108.2%
7/1/99	8,862,168	6,430,740	2,431,428	137.8%	1,591,240	152.8%
7/1/00	10,076,469	7,258,394	2,818,075	138.8%	1,727,127	163.2%
7/1/01	10,797,024	8,371,843	2,425,181	129.0%	1,858,565	130.5%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for PERS (amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Over-funded AAL (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a % of Covered Payroll</u>
06/30/96:						
Misc.	\$ 20,901	\$ 19,615	\$ 1,286	106.6%	\$ 1,171	109.8%
Safety	214,416	196,124	18,292	109.3%	54,673	33.5%
Total	<u>\$ 235,317</u>	<u>\$ 215,739</u>	<u>\$ 19,578</u>	109.1%	<u>\$ 55,844</u>	35.1%
06/30/97:						
Misc.	\$ 25,017	\$ 19,882	\$ 5,135	125.8%	\$ 1,119	458.9%
Safety	275,556	219,726	55,830	125.4%	54,708	102.1%
Total	<u>\$ 300,573</u>	<u>\$ 239,608</u>	<u>\$ 60,965</u>	125.4%	<u>\$ 55,827</u>	109.2%
06/30/98:						
Misc.	\$ 28,215	\$ 20,914	\$ 7,301	134.9%	\$ 1,149	635.4%
Safety	337,060	260,893	76,167	129.2%	57,834	131.7%
Total	<u>\$ 365,275</u>	<u>\$ 281,807</u>	<u>\$ 83,468</u>	129.6%	<u>\$ 58,983</u>	141.5%
06/30/99:						
Misc.	\$ 30,355	\$ 21,042	\$ 9,313	144.3%	\$ 1,123	829.3%
Safety	381,063	290,509	90,554	131.2%	55,633	162.8%
Total	<u>\$ 411,418</u>	<u>\$ 311,551</u>	<u>\$ 99,867</u>	132.1%	<u>\$ 56,756</u>	176.0%
06/30/00:						
Misc.	\$ 32,572	\$ 22,430	\$ 10,141	145.2%	\$ 1,079	939.9%
Safety	423,369	330,118	93,252	128.2%	58,775	158.7%
Total	<u>\$ 455,941</u>	<u>\$ 352,548</u>	<u>\$ 103,393</u>	129.3%	<u>\$ 59,854</u>	172.7%

**Combining Financial Statements and
Supplemental Information**

CITY AND COUNTY OF SAN FRANCISCO

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Building Inspection Fund -- Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings.

Business Tax Fund -- Accounts for the activities related to the refunding of certain obligations resulting from the settlement of business tax litigation against the City.

Children and Families Fund -- Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund -- Accounts for various grants primarily from the Department of Housing and Urban Development to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund -- Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund -- Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund -- Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund -- Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund -- Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund -- Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund -- Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund -- Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS *(Continued)*

Human Welfare Fund -- Accounts for state and federal grants used to promote education and discourage domestic violence.

Off-Street Parking Fund -- Accounts for revenues from garages and parking meters and financing for the San Francisco off-street parking program and other parking related projects, including construction, administration, maintenance and operation of neighborhood parking lots and garages. On-street meter revenues are pledged for debt service on Parking Authority Revenue Bonds.

Open Space and Park Fund -- Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund -- Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund -- Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund -- Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund -- Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund -- Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund -- Accounts for revenues from the allocation of one-fifth of the parking tax receipts and for grants from the state to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund -- Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund -- Accounts for property taxes and other revenues for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Finance Corporation Lease Revenue Bond Fund -- Accounts for financing activities of a nonprofit public benefit corporation organized for the purpose of providing financial assistance to the City by acquiring, improving and installing certain real and personal property for use, benefit and enjoyment of the public. Beginning July 1, 2001, this activity is now accounted for in the Finance Corporation Internal Service Fund.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

DEBT SERVICE FUNDS *(Continued)*

Certificates of Participation (COP) Funds -- Accounts for transfers of Base Rental payments from the various COP Special Revenue Funds which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds -- Accounts for funds and debt service of two nonprofit corporations (Social Services Corporation and San Francisco Stadium, Inc.), the Parking Authority's Parking Meter Revenue Bonds, and the Moscone Center Parking Garage.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund -- Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Citywide Communication Fund -- Accounts for the proceeds of bond issuances related to equipment purchases for a citywide radio communication system. Expenditures for design, administration and other such costs are made in accordance with bond requirements and appropriation ordinances.

Earthquake Safety Improvement Fund -- Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Finance Corporation Fund -- Accounts for acquisition, improvement and installation of certain real and personal property lease-purchased for the City. Beginning July 1, 2001, this activity is now accounted for in the Finance Corporation Internal Service Fund.

Fire Protection Systems Improvement Fund -- Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund -- Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund -- Accounts for bond proceeds and private gifts which are designated for construction of public library facilities including a new main library. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund -- Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund -- Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

CITY AND COUNTY OF SAN FRANCISCO

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund -- Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2002

(In Thousands)

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Fund Bequest Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Deposits and investments with City Treasury.....	\$ 486,096	\$ 26,001	\$ 206,885	\$ 5,819	\$ 724,801
Deposits and investments outside City Treasury.....	9,795	16,296	106,353	54	132,498
Receivables:					
Property taxes and penalties.....	2,384	4,063	-	-	6,447
Other local taxes.....	26,505	-	-	-	26,505
Federal and state grants and subventions.....	60,010	-	23,075	-	83,085
Charges for services.....	5,190	-	440	-	5,630
Interest and other.....	2,050	-	1,016	39	3,105
Due from other funds.....	54	-	-	-	54
Due from component unit.....	446	-	21,741	-	22,187
Loans receivable (net of allowance for uncollectibles).....	148,942	-	-	-	148,942
Deferred charges and other assets.....	1,252	-	86	-	1,338
Total assets.....	<u>\$ 742,724</u>	<u>\$ 46,360</u>	<u>\$ 359,596</u>	<u>\$ 5,912</u>	<u>\$ 1,154,592</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 35,808	\$ 112	\$ 22,291	\$ 3	\$ 58,214
Accrued payroll.....	12,727	-	1,426	14	14,167
Accrued interest payable.....	-	398	-	-	398
Deferred tax, grant and subvention revenues.....	7,862	3,682	136	-	11,680
Due to other funds.....	24,696	6	9,191	-	33,893
Deferred credits and other liabilities.....	160,044	5,614	1,971	40	167,669
Total liabilities.....	<u>241,137</u>	<u>9,812</u>	<u>35,015</u>	<u>57</u>	<u>286,021</u>
Fund balances:					
Reserved for assets not available for appropriation.....	19,437	-	21,742	54	41,233
Reserved for debt service.....	-	36,548	-	-	36,548
Reserved for encumbrances.....	185,807	-	154,784	-	340,591
Reserved for appropriation carryforward.....	191,172	-	92,968	1,368	285,508
Reserved for subsequent years' budgets.....	8,004	-	10,600	-	18,604
Unreserved.....	97,167	-	44,487	4,433	146,087
Total fund balances.....	<u>501,587</u>	<u>36,548</u>	<u>324,581</u>	<u>5,855</u>	<u>868,571</u>
Total liabilities and fund balances.....	<u>\$ 742,724</u>	<u>\$ 46,360</u>	<u>\$ 359,596</u>	<u>\$ 5,912</u>	<u>\$ 1,154,592</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2002
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds Bequest Fund	Total Nonmajor Governmental Total
Revenues:					
Property taxes.....	\$ 69,989	\$ 109,853	\$ -	\$ -	\$ 179,842
Business taxes.....	723	-	-	-	723
Other local taxes.....	110,233	-	-	-	110,233
Licenses, permits and franchises.....	6,214	-	-	-	6,214
Fines, forfeitures and penalties.....	3,454	-	-	-	3,454
Interest and investment income.....	24,214	2,258	18,136	252	44,860
Rents and concessions.....	27,970	16,754	708	555	45,987
Intergovernmental:					
Federal.....	146,656	-	10,843	-	157,499
State.....	81,788	859	15,205	-	97,852
Other.....	5,280	-	28,644	-	33,924
Charges for services.....	122,137	-	628	-	122,765
Other.....	11,415	-	4,585	67	16,067
Total revenues.....	<u>610,073</u>	<u>129,724</u>	<u>78,749</u>	<u>874</u>	<u>819,420</u>
Expenditures:					
Current:					
Public protection.....	40,031	-	-	-	40,031
Public works, transportation and commerce.....	192,832	-	-	-	192,832
Human welfare and neighborhood development.....	145,445	-	-	-	145,445
Community health.....	89,361	-	-	-	89,361
Culture and recreation.....	128,722	-	-	794	129,516
General administration and finance.....	28,602	-	-	-	28,602
General City responsibilities.....	5,057	-	-	-	5,057
Debt service:					
Principal retirement.....	8	69,528	-	-	69,536
Interest and fiscal charges.....	3	68,108	-	-	68,111
Bond issuance costs.....	1,134	962	357	-	2,453
Capital outlay.....	33,741	-	242,921	-	276,662
Total expenditures.....	<u>664,936</u>	<u>138,598</u>	<u>243,278</u>	<u>794</u>	<u>1,047,606</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(54,863)</u>	<u>(8,874)</u>	<u>(164,529)</u>	<u>80</u>	<u>(228,186)</u>
Other financing sources (uses):					
Transfers in.....	114,881	12,456	29,829	-	157,166
Transfers out.....	(72,091)	(31,399)	(116,485)	(14)	(219,989)
Issuance of bonds and loans					
Face value of bonds issued.....	37,170	134,405	17,665	-	189,240
Premium on issuance of bonds.....	-	2,882	213	-	3,095
Discount on issuance of bonds.....	(62)	-	-	-	(62)
Payment to refunded bond escrow agent.....	-	(136,230)	-	-	(136,230)
Other financing sources-capital leases.....	700	-	89,307	-	90,007
Total other financing sources (uses).....	<u>80,598</u>	<u>(17,886)</u>	<u>20,529</u>	<u>(14)</u>	<u>83,227</u>
Net change in fund balances.....	25,735	(26,760)	(144,000)	66	(144,959)
Fund balances at beginning of year.....	475,852	63,308	468,581	5,789	1,013,530
Fund balances at end of year.....	<u>\$ 501,587</u>	<u>\$ 36,548</u>	<u>\$ 324,581</u>	<u>\$ 5,855</u>	<u>\$ 868,571</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2002
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	\$ 32,269	\$ 42,486	\$ 117,050	\$ 12,642	\$ 23,512	\$ 8,768	\$ -	\$ 1
Deposits and investments outside City								
Treasury.....	-	-	5,500	-	-	-	-	-
Receivables:								
Property taxes and penalties.....	-	791	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	4,994	15,065	18,395	-	117	6,039	1,173
Charges for services.....	-	-	-	-	750	5	93	-
Interest and other.....	194	314	826	41	-	60	20	-
Due from other funds.....	-	-	-	-	-	-	-	-
Due from component unit.....	-	-	446	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles).....	151	-	139,867	-	8,924	-	-	-
Deferred charges and other assets.....	-	2	-	12	-	-	-	-
Total assets.....	<u>\$ 32,614</u>	<u>\$ 48,587</u>	<u>\$ 278,754</u>	<u>\$ 31,090</u>	<u>\$ 33,186</u>	<u>\$ 8,950</u>	<u>\$ 6,152</u>	<u>\$ 1,174</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable.....	\$ 247	\$ 3,396	\$ 6,584	\$ 8,196	\$ 4,041	\$ 72	\$ 218	\$ 8
Accrued payroll.....	1,369	764	532	1,449	42	2	112	19
Deferred tax, grant and subvention revenues.....	-	652	5	2,840	-	-	-	-
Due to other funds.....	-	392	3,021	-	-	-	2,750	1,147
Deferred credits and other liabilities.....	10,397	1,715	129,286	3,496	10,623	-	-	-
Total liabilities.....	<u>12,013</u>	<u>6,919</u>	<u>139,428</u>	<u>15,981</u>	<u>14,706</u>	<u>74</u>	<u>3,080</u>	<u>1,174</u>
Fund balances:								
Reserved for assets not available for appropriation.....	-	2	16,081	12	1,011	-	-	-
Reserved for encumbrances.....	532	8,971	7,242	14,249	2,672	482	240	304
Reserved for appropriation carryforward.....	9,996	13,678	81,031	10,616	10,588	602	1,757	-
Reserved for subsequent years' budgets.....	-	8,000	-	-	-	-	4	-
Unreserved (deficit).....	10,073	11,017	34,972	(9,768)	4,209	7,792	1,071	(304)
Total fund balances.....	<u>20,601</u>	<u>41,668</u>	<u>139,326</u>	<u>15,109</u>	<u>18,480</u>	<u>8,876</u>	<u>3,072</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 32,614</u>	<u>\$ 48,587</u>	<u>\$ 278,754</u>	<u>\$ 31,090</u>	<u>\$ 33,186</u>	<u>\$ 8,950</u>	<u>\$ 6,152</u>	<u>\$ 1,174</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue (Continued)
June 30, 2002
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Human Welfare Fund	Off-street Parking Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury.....	\$ 9,105	\$ 6,789	\$ 6,115	\$ -	\$ 2,709	\$ 28,701	\$ 13,093
Deposits and investments outside City							
Treasury.....	-	-	469	-	2	-	-
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	839	754
Other local taxes.....	-	-	-	-	-	-	-
Federal and state grants and subventions.....	2,080	-	31	3,852	-	-	-
Charges for services.....	917	603	386	-	637	-	37
Interest and other.....	53	62	14	56	5	179	14
Due from other funds.....	24	-	-	-	30	-	-
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	-
Deferred charges and other assets.....	-	-	-	-	-	2	-
Total assets.....	<u>\$ 12,179</u>	<u>\$ 7,454</u>	<u>\$ 7,015</u>	<u>\$ 3,908</u>	<u>\$ 3,383</u>	<u>\$ 29,721</u>	<u>\$ 13,898</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 716	\$ 3,066	\$ 144	\$ 1,786	\$ 408	\$ 163	\$ 1,208
Accrued payroll.....	2,071	72	76	-	232	788	2,468
Deferred tax, grant and subvention revenues.....	-	-	208	145	-	724	637
Due to other funds.....	-	-	-	1,026	-	-	-
Deferred credits and other liabilities.....	26	212	428	-	1,162	1,019	1,009
Total liabilities.....	<u>2,813</u>	<u>3,350</u>	<u>856</u>	<u>2,957</u>	<u>1,802</u>	<u>2,694</u>	<u>5,322</u>
Fund balances:							
Reserved for assets not available for appropriation.....	-	-	469	-	2	2	-
Reserved for encumbrances.....	649	69	303	1,730	207	536	1,442
Reserved for appropriation carryforward.....	5,920	3,670	5,020	434	988	18,440	2,022
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	-
Unreserved (deficit).....	2,797	365	367	(1,213)	384	8,049	5,112
Total fund balances.....	<u>9,366</u>	<u>4,104</u>	<u>6,159</u>	<u>951</u>	<u>1,581</u>	<u>27,027</u>	<u>8,576</u>
Total liabilities and fund balances.....	<u>\$ 12,179</u>	<u>\$ 7,454</u>	<u>\$ 7,015</u>	<u>\$ 3,908</u>	<u>\$ 3,383</u>	<u>\$ 29,721</u>	<u>\$ 13,898</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue (Continued)
June 30, 2002
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury.....	\$ 17,474	\$ 13,484	\$ 9,291	\$ 126,689	\$ 601	\$ 15,317	\$486,096
Deposits and investments outside City Treasury.....	411	-	1,393	2,020	-	-	9,795
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	-	2,384
Other local taxes.....	200	-	-	26,305	-	-	26,505
Federal and state grants and subventions.....	4,415	2,282	-	-	1,567	-	60,010
Charges for services.....	173	1,589	-	-	-	-	5,190
Interest and other.....	206	2	4	-	-	-	2,050
Due from other funds.....	-	-	-	-	-	-	54
Due from component unit.....	-	-	-	-	-	-	446
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	148,942
Deferred charges and other assets.....	53	1,183	-	-	-	-	1,252
Total assets.....	<u>\$ 22,932</u>	<u>\$ 18,540</u>	<u>\$ 10,688</u>	<u>\$ 155,014</u>	<u>\$ 2,168</u>	<u>\$ 15,317</u>	<u>\$ 742,724</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 1,369	\$ 982	\$ 262	\$ 1,829	\$ 700	\$ 413	\$35,808
Accrued payroll.....	1,678	522	134	-	-	397	12,727
Deferred tax, grant and subvention revenues.....	2,651	-	-	-	-	-	7,862
Due to other funds.....	-	5,915	-	10,445	-	-	24,696
Deferred credits and other liabilities.....	170	501	-	-	-	-	160,044
Total liabilities.....	<u>5,868</u>	<u>7,920</u>	<u>396</u>	<u>12,274</u>	<u>700</u>	<u>810</u>	<u>241,137</u>
Fund balances:							
Reserved for assets not available for appropriation.....	465	-	1,393	-	-	-	19,437
Reserved for encumbrances.....	8,173	2,406	33	134,730	608	229	185,807
Reserved for appropriation carryforward.....	4,983	8,381	4,503	-	-	8,543	191,172
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	8,004
Unreserved (deficit).....	3,443	(167)	4,363	8,010	860	5,735	97,167
Total fund balances.....	<u>17,064</u>	<u>10,620</u>	<u>10,292</u>	<u>142,740</u>	<u>1,468</u>	<u>14,507</u>	<u>501,587</u>
Total liabilities and fund balances.....	<u>\$ 22,932</u>	<u>\$ 18,540</u>	<u>\$ 10,688</u>	<u>\$ 155,014</u>	<u>\$ 2,168</u>	<u>\$ 15,317</u>	<u>\$ 742,724</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
Year ended June 30, 2002
(In Thousands)

	Building Inspection Fund	Business Tax Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund
Revenues:								
Property taxes.....	\$ -	\$ -	\$ 25,923	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	723	-	-	-	-
Other local taxes.....	-	-	-	-	-	39,468	-	-
Licenses, permits and franchises.....	3,404	-	-	-	-	-	-	129
Fines, forfeitures and penalties.....	-	-	-	-	1,841	-	35	1
Interest and investment income.....	1,336	-	1,596	5,189	631	967	374	124
Rents and concessions.....	-	-	-	-	-	10,059	-	162
Intergovernmental:								
Federal.....	-	-	24,180	30,383	66,873	-	196	29
State.....	-	-	8,716	-	18,651	-	-	6,083
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	34,396	-	1,027	13,564	2,595	3,785	5,009	3,903
Other.....	11	-	21	5,035	746	1,418	-	17
Total revenues.....	39,147	-	61,463	54,894	91,337	55,697	5,614	10,448
Expenditures:								
Current:								
Public protection.....	-	-	-	-	97	-	4,624	-
Public works, transportation and commerce..	28,797	-	-	331	-	632	193	-
Human welfare and neighborhood development.....	-	-	48,299	57,265	-	12,220	-	-
Community health.....	-	-	-	182	87,782	-	-	-
Culture and recreation.....	-	-	-	2,400	-	44,536	-	4,553
General administration and finance.....	-	-	-	9,747	-	-	-	132
General City responsibilities.....	-	-	-	-	-	4,806	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	8
Interest and fiscal charges.....	-	-	-	-	-	-	-	3
Bond issuance costs.....	-	-	-	-	-	-	-	-
Capital outlay.....	-	-	-	-	-	-	-	-
Total expenditures.....	28,797	-	48,299	69,925	87,879	62,194	4,817	4,696
Excess (deficiency) of revenues over (under) expenditures.....	10,350	-	13,164	(15,031)	3,458	(6,497)	797	5,752
Other financing sources (uses):								
Transfers in.....	-	63,000	22	307	-	12,139	-	90
Transfers out.....	(457)	-	-	(3,672)	(1,225)	(18,724)	-	(5,323)
Issuance of bonds and loans								
Face value of bonds issued.....	-	-	-	-	-	-	-	-
Discount on issuance of bonds.....	-	-	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	(457)	63,000	22	(3,365)	(1,225)	(6,585)	-	(5,233)
Net change in fund balances.....	9,893	63,000	13,186	(18,396)	2,233	(13,082)	797	519
Fund balances at beginning of year.....	10,708	(63,000)	28,482	157,722	12,876	31,562	8,079	2,553
Fund balances at end of year.....	\$ 20,601	\$ -	\$ 41,668	\$ 139,326	\$ 15,109	\$ 18,480	\$ 8,876	\$ 3,072

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue (Continued)
Year ended June 30, 2002
(In Thousands)

	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift Fund	Human Welfare Fund	Off-street Parking Fund	Open Space and Park Fund	Public Library Fund
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,028	\$22,038
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits and franchises.....	-	680	240	-	197	-	-	-
Fines, forfeitures and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	307	65	296	299	153	935	10
Rents and concessions.....	-	-	442	-	-	9,551	-	28
Intergovernmental:								
Federal.....	-	-	46	46	11,500	-	-	36
State.....	1,346	22,558	411	-	1,101	-	174	1,750
Other.....	-	-	1,281	-	-	-	-	-
Charges for services.....	-	7,440	11,646	64	222	10	-	471
Other.....	-	17	-	3,542	-	10	-	125
Total revenues.....	1,346	31,002	14,131	3,948	13,319	9,724	23,137	24,458
Expenditures:								
Current:								
Public protection.....	-	-	454	158	-	-	-	-
Public works, transportation and commerce.....	-	44,235	1,021	5	-	11,796	823	66
Human welfare and neighborhood development.....	1,346	-	53	640	12,341	-	-	-
Community health.....	-	-	-	160	-	-	-	-
Culture and recreation.....	-	-	455	2,103	-	-	14,650	51,536
General administration and finance.....	-	-	11,423	5	-	-	-	-
General City responsibilities.....	20	-	171	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Capital outlay.....	-	-	-	-	-	-	-	-
Total expenditures.....	1,366	44,235	13,577	3,071	12,341	11,796	15,473	51,602
Excess (deficiency) of revenues over (under) expenditures.....	(20)	(13,233)	554	877	978	(2,072)	7,664	(27,144)
Other financing sources (uses):								
Transfers in.....	20	6,784	1,564	-	125	470	-	28,798
Transfers out.....	-	(86)	(1,367)	(282)	(152)	(150)	(2,129)	(514)
Issuance of bonds and loans								
Face value of bonds issued.....	-	-	-	-	-	-	-	-
Discount on issuance of bonds.....	-	-	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	20	6,698	197	(282)	(27)	320	(2,129)	28,284
Net change in fund balances.....	-	(6,535)	751	595	951	(1,752)	5,535	1,140
Fund balances at beginning of year.....	-	15,901	3,353	5,564	-	3,333	21,492	7,436
Fund balances at end of year.....	\$ -	\$ 9,366	\$ 4,104	\$ 6,159	\$ 951	\$ 1,581	\$ 27,027	\$ 8,576

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue (Continued)

Year ended June 30, 2002

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,989
Business taxes.....	-	-	-	-	-	-	723
Other local taxes.....	-	-	-	62,861	-	7,904	110,233
Licenses, permits and franchises.....	1,564	-	-	-	-	-	6,214
Fines, forfeitures and penalties.....	1,577	-	-	-	-	-	3,454
Interest and investment income.....	1,325	753	425	8,856	3	570	24,214
Rents and concessions.....	-	402	5,769	-	-	1,557	27,970
Intergovernmental:							
Federal.....	9,313	-	-	-	4,054	-	146,656
State.....	16,180	1,448	-	-	3,370	-	81,788
Other.....	44	109	-	3,846	-	-	5,280
Charges for services.....	25,271	11,133	1,323	-	-	278	122,137
Other.....	43	428	2	-	-	-	11,415
Total revenues.....	55,317	14,273	7,519	75,563	7,427	10,309	610,073
Expenditures:							
Current:							
Public protection.....	34,698	-	-	-	-	-	40,031
Public works, transportation and commerce.....	16,467	9,866	152	78,027	-	421	192,832
Human welfare and neighborhood development.....	756	5,446	8	-	7,071	-	145,445
Community health.....	1,237	-	-	-	-	-	89,361
Culture and recreation.....	-	3	-	-	-	8,486	128,722
General administration and finance.....	-	504	6,791	-	-	-	28,602
General City responsibilities.....	60	-	-	-	-	-	5,057
Debt service:							
Principal retirement.....	-	-	-	-	-	-	8
Interest and fiscal charges.....	-	-	-	-	-	-	3
Bond issuance costs.....	-	-	1,134	-	-	-	1,134
Capital outlay.....	-	-	33,741	-	-	-	33,741
Total expenditures.....	53,218	15,819	41,826	78,027	7,071	8,907	664,936
Excess (deficiency) of revenues over (under) expenditures.....	2,099	(1,546)	(34,307)	(2,464)	356	1,402	(54,863)
Other financing sources (uses):							
Transfers in.....	-	1,058	504	-	-	-	114,881
Transfers out.....	(10,594)	(3,714)	(5,187)	(16,833)	(3)	(1,679)	(72,091)
Issuance of bonds and loans							
Face value of bonds issued.....	-	-	37,170	-	-	-	37,170
Discount on issuance of bonds.....	-	-	(62)	-	-	-	(62)
Other financing sources-capital leases.....	700	-	-	-	-	-	700
Total other financing sources (uses).....	(9,894)	(2,656)	32,425	(16,833)	(3)	(1,679)	80,598
Net change in fund balances.....	(7,795)	(4,202)	(1,882)	(19,297)	353	(277)	25,735
Fund balances at beginning of year.....	24,859	14,822	12,174	162,037	1,115	14,784	475,852
Fund balances at end of year.....	\$ 17,064	\$ 10,620	\$ 10,292	\$ 142,740	\$ 1,468	\$ 14,507	\$ 501,587

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis
Year ended June 30, 2002
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	-	\$ -	\$ -	\$ -	\$ 23,539	\$ 23,539	\$ 25,922	\$ 2,383
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	2,916	2,916	3,404	488	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	884	884	1,111	227	379	379	1,304	925
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	25,941	25,487	24,180	(1,307)
State.....	-	-	-	-	8,439	8,673	8,717	44
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	29,830	29,830	34,397	4,567	3	960	973	13
Other revenues.....	-	-	11	11	-	75	39	(36)
Total revenues.....	<u>33,630</u>	<u>33,630</u>	<u>38,923</u>	<u>5,293</u>	<u>58,301</u>	<u>59,113</u>	<u>61,135</u>	<u>2,022</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	33,391	32,660	28,797	3,863	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	58,301	51,773	48,279	3,494
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>33,391</u>	<u>32,660</u>	<u>28,797</u>	<u>3,863</u>	<u>58,301</u>	<u>51,773</u>	<u>48,279</u>	<u>3,494</u>
Excess (deficiency) of revenues over (under) expenditures.....	239	970	10,126	9,156	-	7,340	12,856	5,516
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	(858)	(870)	(320)	550	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(858)</u>	<u>(870)</u>	<u>(320)</u>	<u>550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	(619)	100	9,806	9,706	-	7,340	12,856	5,516
Budgetary fund balance, July 1.....	619	10,463	10,463	-	-	28,245	28,245	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 10,563</u>	<u>\$ 20,269</u>	<u>\$ 9,706</u>	<u>\$ -</u>	<u>\$ 35,585</u>	<u>\$ 41,101</u>	<u>\$ 5,516</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)
Year ended June 30, 2002
(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	600	600	723	123	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	1,723	1,725	1,841	116
Interest and investment income.....	-	590	4,866	4,276	50	89	281	192
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	30,384	30,384	-	55,511	66,873	66,873	-
State.....	-	-	-	-	26,874	18,652	18,651	(1)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,055	13,789	13,564	(225)	121	2,598	2,595	(3)
Other revenues.....	-	6,104	6,008	(96)	1,658	1,404	746	(658)
Total revenues.....	<u>3,655</u>	<u>51,467</u>	<u>55,545</u>	<u>4,078</u>	<u>85,937</u>	<u>91,341</u>	<u>90,987</u>	<u>(354)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	98	98	-
Public works, transportation and commerce.....	394	4,481	4,481	-	-	-	-	-
Human welfare and neighborhood development.....	43,770	56,990	56,990	-	-	-	-	-
Community health.....	-	181	181	-	85,937	87,794	87,794	-
Culture and recreation.....	2,400	2,400	2,400	-	-	-	-	-
General administration and finance.....	-	9,748	9,748	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>46,564</u>	<u>73,800</u>	<u>73,800</u>	<u>-</u>	<u>85,937</u>	<u>87,892</u>	<u>87,892</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(42,909)</u>	<u>(22,333)</u>	<u>(18,255)</u>	<u>4,078</u>	<u>-</u>	<u>3,449</u>	<u>3,095</u>	<u>(354)</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	(21)	(3,672)	(3,672)	-	-	(938)	(938)	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	419	419	-	-	-	-	-
Total other financing sources (uses).....	<u>(21)</u>	<u>(3,253)</u>	<u>(3,253)</u>	<u>-</u>	<u>-</u>	<u>(938)</u>	<u>(938)</u>	<u>-</u>
Net change in fund balances.....	<u>(42,930)</u>	<u>(25,586)</u>	<u>(21,508)</u>	<u>4,078</u>	<u>-</u>	<u>2,511</u>	<u>2,157</u>	<u>(354)</u>
Budgetary fund balance, July 1.....	<u>2,930</u>	<u>154,234</u>	<u>154,234</u>	<u>-</u>	<u>-</u>	<u>12,878</u>	<u>12,878</u>	<u>-</u>
Budgetary fund balance, June 30.....	<u>\$ (40,000)</u>	<u>\$ 128,648</u>	<u>\$ 132,726</u>	<u>\$ 4,078</u>	<u>\$ -</u>	<u>\$ 15,389</u>	<u>\$ 15,035</u>	<u>\$ (354)</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	52,677	52,677	39,468	(13,209)	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	58	58	35	(23)
Interest and investment income.....	-	-	-	-	433	433	332	(101)
Rents and concessions.....	10,168	10,168	10,059	(109)	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	196	196	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,416	3,416	3,785	369	4,001	4,001	5,010	1,009
Other revenues.....	-	1,418	1,418	-	-	-	-	-
Total revenues.....	<u>66,261</u>	<u>67,679</u>	<u>54,730</u>	<u>(12,949)</u>	<u>4,492</u>	<u>4,688</u>	<u>5,573</u>	<u>885</u>
Expenditures:								
Public protection.....	-	-	-	-	255	4,758	4,624	134
Public works, transportation and commerce.....	-	633	632	1	-	193	193	-
Human welfare and neighborhood development.....	600	12,220	12,220	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	51,375	48,889	44,536	4,353	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	5,967	4,806	4,806	-	-	-	-	-
Total expenditures.....	<u>57,942</u>	<u>66,548</u>	<u>62,194</u>	<u>4,354</u>	<u>255</u>	<u>4,951</u>	<u>4,817</u>	<u>134</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>8,319</u>	<u>1,131</u>	<u>(7,464)</u>	<u>(8,595)</u>	<u>4,237</u>	<u>(263)</u>	<u>756</u>	<u>1,019</u>
Other financing sources (uses):								
Transfers in.....	11,639	12,139	12,139	-	-	-	-	-
Transfers out.....	(28,657)	(17,756)	(17,756)	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	(4,237)	-	-	-
Total other financing sources (uses).....	<u>(17,018)</u>	<u>(5,617)</u>	<u>(5,617)</u>	<u>-</u>	<u>(4,237)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary fund balance, July 1.....	8,699	31,561	31,561	-	-	8,017	8,017	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 27,075</u>	<u>\$ 18,480</u>	<u>\$ (8,595)</u>	<u>\$ -</u>	<u>\$ 7,754</u>	<u>\$ 8,773</u>	<u>\$ 1,019</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	156	156	129	(27)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	1	1	-	-	-	-
Interest and investment income.....	139	139	109	(30)	-	-	-	-
Rents and concessions.....	190	190	163	(27)	-	-	-	-
Intergovernmental:								
Federal.....	-	29	29	-	-	-	-	-
State.....	40	44	44	-	-	1,346	1,346	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	2,938	4,157	3,903	(254)	-	-	-	-
Other revenues.....	124	141	17	(124)	-	-	-	-
Total revenues.....	<u>3,587</u>	<u>4,856</u>	<u>4,395</u>	<u>(461)</u>	<u>-</u>	<u>1,346</u>	<u>1,346</u>	<u>-</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	-	1,346	1,346	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	2,803	4,483	4,462	21	-	-	-	-
General administration and finance.....	125	133	132	1	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>2,928</u>	<u>4,616</u>	<u>4,594</u>	<u>22</u>	<u>-</u>	<u>1,346</u>	<u>1,346</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>659</u>	<u>240</u>	<u>(199)</u>	<u>(439)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(5,323)	(5,323)	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	(23)	(12)	(11)	1	-	-	-	-
Total other financing sources (uses).....	<u>(23)</u>	<u>(5,335)</u>	<u>(5,334)</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	636	(5,095)	(5,533)	(438)	-	-	-	-
Budgetary fund balance, July 1.....	481	2,526	2,526	-	-	-	-	-
Budgetary fund balance, June 30.....	<u>\$ 1,117</u>	<u>\$ (2,569)</u>	<u>\$ (3,007)</u>	<u>\$ (438)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	321	321	680	359	240	351	241	(110)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	255	255	323	68	30	30	54	24
Rents and concessions.....	-	-	-	-	-	442	442	-
Intergovernmental:								
Federal.....	-	-	-	-	131	46	46	-
State.....	22,841	22,826	22,558	(268)	-	412	411	(1)
Other.....	-	-	-	-	-	1,281	1,281	-
Charges for services.....	6,469	7,848	7,440	(408)	1,906	10,430	11,646	1,216
Other revenues.....	10	10	18	8	-	-	-	-
Total revenues.....	<u>29,896</u>	<u>31,260</u>	<u>31,019</u>	<u>(241)</u>	<u>2,307</u>	<u>12,992</u>	<u>14,121</u>	<u>1,129</u>
Expenditures:								
Public protection.....	-	-	-	-	533	454	454	-
Public works, transportation and commerce.....	38,680	45,881	44,235	1,646	1,034	1,021	1,021	-
Human welfare and neighborhood development.....	-	-	-	-	-	53	53	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	456	455	1
General administration and finance.....	-	-	-	-	1,798	12,006	11,423	583
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>38,680</u>	<u>45,881</u>	<u>44,235</u>	<u>1,646</u>	<u>3,365</u>	<u>13,990</u>	<u>13,406</u>	<u>584</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(8,784)</u>	<u>(14,621)</u>	<u>(13,216)</u>	<u>1,405</u>	<u>(1,058)</u>	<u>(998)</u>	<u>715</u>	<u>1,713</u>
Other financing sources (uses):								
Transfers in.....	8,784	8,784	6,784	(2,000)	950	1,393	1,393	-
Transfers out.....	-	-	(85)	(85)	(80)	(1,367)	(1,367)	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>8,784</u>	<u>8,784</u>	<u>6,699</u>	<u>(2,085)</u>	<u>870</u>	<u>26</u>	<u>26</u>	<u>-</u>
Net change in fund balances.....	-	(5,837)	(6,517)	(680)	(188)	(972)	741	1,713
Budgetary fund balance, July 1.....	-	15,788	15,788	-	188	3,350	3,350	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 9,951</u>	<u>\$ 9,271</u>	<u>\$ (680)</u>	<u>\$ -</u>	<u>\$ 2,378</u>	<u>\$ 4,091</u>	<u>\$ 1,713</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Gift Fund				Human Welfare Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	200	200	197	(3)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	17	95	78	-	-	296	296
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	46	46	-	1,280	11,500	11,500	-
State.....	-	-	-	-	-	1,101	1,101	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	17	65	48	-	-	222	222
Other revenues.....	163	4,072	3,543	(529)	-	-	-	-
Total revenues.....	163	4,152	3,749	(403)	1,480	12,801	13,316	515
Expenditures:								
Public protection.....	-	158	158	-	-	-	-	-
Public works, transportation and commerce.....	-	5	5	-	-	-	-	-
Human welfare and neighborhood development.....	72	640	640	-	1,464	12,215	12,215	-
Community health.....	-	160	160	-	-	-	-	-
Culture and recreation.....	91	2,103	2,103	-	-	-	-	-
General administration and finance.....	-	5	5	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	163	3,071	3,071	-	1,464	12,215	12,215	-
Excess (deficiency) of revenues over (under) expenditures.....	-	1,081	678	(403)	16	586	1,101	515
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(84)	(84)	-	(16)	(152)	(153)	(1)
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(84)	(84)	-	(16)	(152)	(153)	(1)
Net change in fund balances.....	-	997	594	(403)	-	434	948	514
Budgetary fund balance, July 1.....	-	5,538	5,538	-	-	-	-	-
Budgetary fund balance, June 30.....	\$ -	\$ 6,535	\$ 6,132	\$ (403)	\$ -	\$ 434	\$ 948	\$ 514

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Off-Street Parking Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 19,619	\$ 19,619	\$ 22,027	\$ 2,408
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	1,324	1,323	774	(549)
Rents and concessions.....	10,473	10,573	9,551	(1,022)	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	165	165	174	9
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	10	10	-	-	-	-	-
Other revenues.....	-	-	10	10	-	-	-	-
Total revenues.....	<u>10,473</u>	<u>10,583</u>	<u>9,571</u>	<u>(1,012)</u>	<u>21,108</u>	<u>21,107</u>	<u>22,975</u>	<u>1,868</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	8,076	11,796	11,796	-	-	823	823	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	21,152	15,133	14,651	482
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>8,076</u>	<u>11,796</u>	<u>11,796</u>	<u>-</u>	<u>21,152</u>	<u>15,956</u>	<u>15,474</u>	<u>482</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>2,397</u>	<u>(1,213)</u>	<u>(2,225)</u>	<u>(1,012)</u>	<u>(44)</u>	<u>5,151</u>	<u>7,501</u>	<u>2,350</u>
Other financing sources (uses):								
Transfers in.....	470	470	470	-	-	-	-	-
Transfers out.....	-	-	-	-	-	(2,120)	(2,129)	(9)
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	(1,660)	-	1,660	-	-	-	-
Loan repayments and other financing sources.....	(2,867)	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(2,397)</u>	<u>(1,190)</u>	<u>470</u>	<u>1,660</u>	<u>-</u>	<u>(2,120)</u>	<u>(2,129)</u>	<u>(9)</u>
Net change in fund balances.....	-	(2,403)	(1,755)	648	(44)	3,031	5,372	2,341
Budgetary fund balance, July 1.....	-	3,327	3,327	-	44	21,315	21,315	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 924</u>	<u>\$ 1,572</u>	<u>\$ 648</u>	<u>\$ -</u>	<u>\$ 24,346</u>	<u>\$ 26,687</u>	<u>\$ 2,341</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ 19,619	\$ 19,619	\$ 22,037	\$ 2,418	-	-	-	-
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	1,000	1,366	1,564	198
Fines, forfeitures, and penalties.....	-	-	-	-	2,069	2,247	1,577	(670)
Interest and investment income.....	-	-	-	-	-	430	1,135	705
Rents and concessions.....	28	28	28	-	-	-	-	-
Intergovernmental:								
Federal.....	-	36	35	(1)	4,569	9,314	9,313	(1)
State.....	1,559	1,863	1,749	(114)	8,970	16,180	16,180	-
Other.....	-	-	-	-	-	44	44	-
Charges for services.....	607	611	314	(297)	14,788	22,464	25,271	2,807
Other revenues.....	-	125	125	-	-	120	36	(84)
Total revenues.....	<u>21,813</u>	<u>22,282</u>	<u>24,288</u>	<u>2,006</u>	<u>31,396</u>	<u>52,165</u>	<u>55,120</u>	<u>2,955</u>
Expenditures:								
Public protection.....	-	-	-	-	19,710	34,918	34,686	232
Public works, transportation and commerce.....	-	66	66	-	12,009	15,767	15,767	-
Human welfare and neighborhood development.....	-	-	-	-	-	757	757	-
Community health.....	-	-	-	-	-	1,237	1,237	-
Culture and recreation.....	51,721	52,155	51,536	619	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	60	60	-
Total expenditures.....	<u>51,721</u>	<u>52,221</u>	<u>51,602</u>	<u>619</u>	<u>31,719</u>	<u>52,739</u>	<u>52,507</u>	<u>232</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(29,908)</u>	<u>(29,939)</u>	<u>(27,314)</u>	<u>2,625</u>	<u>(323)</u>	<u>(574)</u>	<u>2,613</u>	<u>3,187</u>
Other financing sources (uses):								
Transfers in.....	29,955	29,731	28,798	(933)	-	-	-	-
Transfers out.....	-	(393)	(393)	-	-	(10,534)	(10,533)	1
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	(47)	(47)	-	47	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>29,908</u>	<u>29,291</u>	<u>28,405</u>	<u>(886)</u>	<u>-</u>	<u>(10,534)</u>	<u>(10,533)</u>	<u>1</u>
Net change in fund balances.....	-	(648)	1,091	1,739	(323)	(11,108)	(7,920)	3,188
Budgetary fund balance, July 1.....	-	7,349	7,349	-	314	24,656	24,656	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 6,701</u>	<u>\$ 8,440</u>	<u>\$ 1,739</u>	<u>\$ (9)</u>	<u>\$ 13,548</u>	<u>\$ 16,736</u>	<u>\$ 3,188</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	-	-	-	-	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	4	-	(4)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	10	10	-	20	49	29
Rents and concessions.....	-	700	402	(298)	5,458	5,719	5,769	50
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	1,449	1,449	-	-	-	-	-
Other.....	554	109	109	-	-	-	-	-
Charges for services.....	4,676	9,193	11,133	1,940	1,200	1,200	1,323	123
Other revenues.....	-	12	428	416	-	2	2	-
Total revenues.....	<u>5,230</u>	<u>11,467</u>	<u>13,531</u>	<u>2,064</u>	<u>6,658</u>	<u>6,941</u>	<u>7,143</u>	<u>202</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	9,705	9,705	-	-	152	152	-
Human welfare and neighborhood development.....	4,676	5,453	5,446	7	-	8	8	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	3	3	-	-	-	-	-
General administration and finance.....	554	504	504	-	41,447	40,532	40,532	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>5,230</u>	<u>15,665</u>	<u>15,658</u>	<u>7</u>	<u>41,447</u>	<u>40,692</u>	<u>40,692</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	-	(4,198)	(2,127)	2,071	(34,789)	(33,751)	(33,549)	202
Other financing sources (uses):								
Transfers in.....	-	899	899	-	1,054	504	504	-
Transfers out.....	-	(2,974)	(2,974)	-	-	(4,813)	(4,813)	-
Issuance of bonds.....	-	-	-	-	36,469	37,309	35,974	(1,335)
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	(2,734)	-	-	-
Total other financing sources (uses).....	-	(2,075)	(2,075)	-	34,789	33,000	31,665	(1,335)
Net change in fund balances.....	-	(6,273)	(4,202)	2,071	-	(751)	(1,884)	(1,133)
Budgetary fund balance, July 1.....	-	14,827	14,827	-	-	12,175	12,175	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 8,554</u>	<u>\$ 10,625</u>	<u>\$ 2,071</u>	<u>\$ -</u>	<u>\$ 11,424</u>	<u>\$ 10,291</u>	<u>\$ (1,133)</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	71,617	62,805	(8,812)	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	9,277	8,856	(421)	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	176,258	4,034	(172,224)	3,690	3,690	4,056	366
State.....	-	-	-	-	1,644	3,903	3,370	(533)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	-	-	-	-
Other revenues.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>-</u>	<u>257,152</u>	<u>75,695</u>	<u>(181,457)</u>	<u>5,334</u>	<u>7,593</u>	<u>7,426</u>	<u>(167)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	204,982	78,159	126,823	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	5,334	7,297	7,071	226
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>-</u>	<u>204,982</u>	<u>78,159</u>	<u>126,823</u>	<u>5,334</u>	<u>7,297</u>	<u>7,071</u>	<u>226</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>52,170</u>	<u>(2,464)</u>	<u>(54,634)</u>	<u>-</u>	<u>296</u>	<u>355</u>	<u>59</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(16,833)	(16,833)	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(16,833)</u>	<u>(16,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	-	35,337	(19,297)	(54,634)	-	296	355	59
Budgetary fund balance, July 1.....	-	163,201	163,201	-	-	1,116	1,116	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 198,538</u>	<u>\$ 143,904</u>	<u>\$ (54,634)</u>	<u>\$ -</u>	<u>\$ 1,412</u>	<u>\$ 1,471</u>	<u>\$ 59</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis (Continued)

Year ended June 30, 2002

(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 62,777	\$ 62,777	\$ 69,986	\$ 7,209
Business taxes.....	-	-	-	-	600	600	723	123
Other local taxes.....	10,213	10,213	7,904	(2,309)	62,890	134,507	110,177	(24,330)
Licenses, permits, and franchises.....	-	-	-	-	4,833	5,314	6,215	901
Fines, forfeitures, and penalties.....	-	-	-	-	3,850	4,030	3,454	(576)
Interest and investment income.....	-	-	-	-	3,494	13,866	19,595	5,729
Rents and concessions.....	1,138	1,375	1,557	182	27,455	29,195	27,971	(1,224)
Intergovernmental:								
Federal.....	-	-	-	-	91,122	323,859	150,692	(173,167)
State.....	-	-	-	-	70,532	76,614	75,750	(864)
Other.....	-	-	-	-	554	1,434	1,434	-
Charges for services.....	208	250	278	28	73,218	110,774	121,929	11,155
Other revenues.....	-	-	-	-	1,955	13,483	12,401	(1,082)
Total revenues.....	<u>11,559</u>	<u>11,838</u>	<u>9,739</u>	<u>(2,099)</u>	<u>403,280</u>	<u>776,453</u>	<u>600,327</u>	<u>(176,126)</u>
Expenditures:								
Public protection.....	-	-	-	-	20,498	40,386	40,020	366
Public works, transportation and commerce.....	-	422	421	1	93,584	328,587	196,253	132,334
Human welfare and neighborhood development.....	-	-	-	-	114,217	148,752	145,025	3,727
Community health.....	-	-	-	-	85,937	89,372	89,372	-
Culture and recreation.....	10,589	9,218	8,484	734	140,131	134,840	128,630	6,210
General administration and finance.....	-	-	-	-	43,924	62,928	62,344	584
General City responsibilities.....	-	-	-	-	5,967	4,866	4,866	-
Total expenditures.....	<u>10,589</u>	<u>9,640</u>	<u>8,905</u>	<u>735</u>	<u>504,258</u>	<u>809,731</u>	<u>666,510</u>	<u>143,221</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>970</u>	<u>2,198</u>	<u>834</u>	<u>(1,364)</u>	<u>(100,978)</u>	<u>(33,278)</u>	<u>(66,183)</u>	<u>(32,905)</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	52,852	53,920	50,987	(2,933)
Transfers out.....	-	(1,109)	(1,109)	-	(29,632)	(68,938)	(68,482)	456
Issuance of bonds.....	-	-	-	-	36,469	37,309	35,974	(1,335)
Budget reserves and designations.....	-	-	-	-	(47)	(1,707)	-	1,707
Loan repayments and other financing sources.....	-	-	-	-	(9,861)	407	408	1
Total other financing sources (uses).....	<u>-</u>	<u>(1,109)</u>	<u>(1,109)</u>	<u>-</u>	<u>49,781</u>	<u>20,991</u>	<u>18,887</u>	<u>(2,104)</u>
Net change in fund balances.....	970	1,089	(275)	(1,364)	(51,197)	(12,287)	(47,296)	(35,009)
Budgetary fund balance, July 1.....	-	14,784	14,784	-	13,275	535,350	535,350	-
Budgetary fund balance, June 30.....	<u>\$ 970</u>	<u>\$ 15,873</u>	<u>\$ 14,509</u>	<u>\$ (1,364)</u>	<u>\$ (37,922)</u>	<u>\$ 523,063</u>	<u>\$ 488,054</u>	<u>\$ (35,009)</u>

**CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS**

**Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Year ended June 30, 2002**

(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection.....	\$ 33,391	\$ 32,660	\$ 28,797	\$ 3,863
Total Building Inspection Fund.....	<u>33,391</u>	<u>32,660</u>	<u>28,797</u>	<u>3,863</u>
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	25,064	25,188	21,694	3,494
Children and Families Commission.....	8,274	3,711	3,711	-
Children, Youth and Their Families.....	<u>24,963</u>	<u>22,874</u>	<u>22,874</u>	<u>-</u>
Total Children and Families Fund.....	<u>58,301</u>	<u>51,773</u>	<u>48,279</u>	<u>3,494</u>
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development.....	394	4,481	4,481	-
Human Welfare and Neighborhood Development				
Human Rights Commission.....	-	15	15	-
Mayor's Office.....	40,715	53,683	53,683	-
Rent Arbitration Board.....	<u>3,055</u>	<u>3,292</u>	<u>3,292</u>	<u>-</u>
	<u>43,770</u>	<u>56,990</u>	<u>56,990</u>	<u>-</u>
Community Health				
Public Health.....	-	181	181	-
Culture and Recreation				
Recreation and Park Commission.....	<u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
General Administration and Finance				
City Planning.....	-	9,748	9,748	-
Total Community/Neighborhood Development Fund.....	<u>46,564</u>	<u>73,800</u>	<u>73,800</u>	<u>-</u>
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts.....	-	98	98	-
Community Health				
Community Health Network.....	<u>85,937</u>	<u>87,794</u>	<u>87,794</u>	<u>-</u>
Total Community Health Services Fund.....	<u>85,937</u>	<u>87,892</u>	<u>87,892</u>	<u>-</u>
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Parking and Traffic Commission.....	-	24	23	1
Public Works.....	-	609	609	-
	<u>-</u>	<u>633</u>	<u>632</u>	<u>1</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	600	12,220	12,220	-
Culture and Recreation				
Administrative Services - Convention Facilities.....	51,375	48,589	44,236	4,353
Arts Commission.....	-	300	300	-
	<u>51,375</u>	<u>48,889</u>	<u>44,536</u>	<u>4,353</u>
General City Responsibilities				
General City Responsibility.....	-	4,806	4,806	-
Mayor's Office.....	<u>5,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,967</u>	<u>4,806</u>	<u>4,806</u>	<u>-</u>
Total Convention Facilities Fund.....	<u>57,942</u>	<u>66,548</u>	<u>62,194</u>	<u>4,354</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis (Continued)
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COURT'S FUND				
Public Protection				
	255	4,758	4,624	134
Public Works, Transportation and Commerce				
Public Works.....	-	193	193	-
Total Court's Fund.....	255	4,951	4,817	134
CULTURE AND RECREATION FUND				
Culture and Recreation				
Arts Commission.....	428	1,234	1,234	-
Asian Art Museum.....	17	163	163	-
Fine Arts Museums.....	168	1,054	1,054	-
Recreation and Park Commission.....	2,190	2,032	2,011	21
	2,803	4,483	4,462	21
General Administration and Finance				
Mayor's Office.....	125	133	132	1
Total Culture and Recreation Fund.....	2,928	4,616	4,594	22
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Environment.....	-	1,346	1,346	-
Total Environmental Protection Fund.....	-	1,346	1,346	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Controller.....	-	117	117	-
Public Works.....	30,057	36,512	35,649	863
Parking and Traffic Commission.....	8,623	9,252	8,469	783
Total Gasoline Tax Fund.....	38,680	45,881	44,235	1,646
GENERAL SERVICES FUND				
Public Protection				
District Attorney.....	131	-	-	-
Mayor's Office.....	-	10	10	-
Trial Courts.....	402	444	444	-
	533	454	454	-
Public Works, Transportation and Commerce				
Telecommunications and Information Services.....	1,034	1,021	1,021	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	53	53	-
Culture and Recreation				
Fine Arts Museum.....	-	456	455	1
General Administration and Finance				
Administrative Services.....	-	1,199	1,199	-
Assessor/Recorder.....	848	961	961	-
Board of Supervisors.....	-	119	119	-
City Attorney.....	950	1,901	1,901	-
City Planning.....	-	87	87	-
Human Resources.....	-	7,658	7,075	583
Mayor's Office.....	-	81	81	-
	1,798	12,006	11,423	583
Total General Services Fund.....	3,365	13,990	13,406	584

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis (Continued)
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GIFT FUND				
Public Protection				
Administrative Services - Animal Care and Control.....	-	84	84	-
Fire Department.....	-	4	4	-
Trial Courts.....	-	14	14	-
Sheriff.....	-	56	56	-
	<u>-</u>	<u>158</u>	<u>158</u>	<u>-</u>
Public Works, Transportation and Commerce				
Public Works.....	-	1	1	-
Telecommunications and Information Services.....	-	4	4	-
	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	72	72	72	-
Human Services.....	-	471	471	-
Mayor's Office.....	-	97	97	-
	<u>72</u>	<u>640</u>	<u>640</u>	<u>-</u>
Community Health				
Community Health Network.....	-	160	160	-
Culture and Recreation				
Arts Commission.....	-	35	35	-
Fine Arts Museums.....	-	579	579	-
Mayor's Office.....	91	57	57	-
Public Library.....	-	126	126	-
Recreation and Park Commission.....	-	1,306	1,306	-
	<u>91</u>	<u>2,103</u>	<u>2,103</u>	<u>-</u>
General Administration and Finance				
Board of Supervisors.....	-	1	1	-
Mayor's Office.....	-	4	4	-
	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
Total Gift and Other Expendable Trusts Fund.....	<u>163</u>	<u>3,071</u>	<u>3,071</u>	<u>-</u>
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	184	196	196	-
Human Services.....	1,280	12,019	12,019	-
Total Human Welfare Fund.....	<u>1,464</u>	<u>12,215</u>	<u>12,215</u>	<u>-</u>
OFF-STREET PARKING FUND				
Public Works, Transportation and Commerce				
Parking and Traffic Commission.....	8,076	11,796	11,796	-
Total Off-Street Parking Fund.....	<u>8,076</u>	<u>11,796</u>	<u>11,796</u>	<u>-</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis (Continued)
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	823	823	-
Culture and Recreation				
Recreation and Park Commission.....	21,152	15,133	14,651	482
Total Open Space and Park Fund.....	<u>21,152</u>	<u>15,956</u>	<u>15,474</u>	<u>482</u>
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	66	66	-
Culture and Recreation				
Public Library.....	51,721	52,155	51,536	619
Total Public Library Fund.....	<u>51,721</u>	<u>52,221</u>	<u>51,602</u>	<u>619</u>
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney.....	4,776	4,956	4,956	-
Juvenile Probation.....	-	4	4	-
Mayor's Office.....	1,744	3,831	3,831	-
Police Commission.....	8,411	18,106	17,874	232
Public Defender.....	57	593	593	-
Sheriff.....	4,022	5,396	5,396	-
Trial Courts.....	700	2,032	2,032	-
	<u>19,710</u>	<u>34,918</u>	<u>34,686</u>	<u>232</u>
Public Works, Transportation and Commerce				
Emergency Communications Department.....	12,009	14,375	14,375	-
Public Works.....	-	1,392	1,392	-
	<u>12,009</u>	<u>15,767</u>	<u>15,767</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Child Support Services.....	-	24	24	-
Children, Youth and Their Families.....	-	646	646	-
Human Services.....	-	87	87	-
	<u>-</u>	<u>757</u>	<u>757</u>	<u>-</u>
Community Health				
Public Health.....	-	1,237	1,237	-
General City Responsibilities				
Controller.....	-	60	60	-
Total Public Protection Fund.....	<u>31,719</u>	<u>52,739</u>	<u>52,507</u>	<u>232</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis (Continued)
Year ended June 30, 2002
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC WORKS TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Airport	-	8	8	-
Mayor's Office.....	-	373	373	-
Municipal Transportation Agency.....	-	154	154	-
Public Utilities Commission.....	-	187	187	-
Public Works.....	-	8,983	8,983	-
	-	<u>9,705</u>	<u>9,705</u>	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	4,676	5,453	5,446	7
Culture and Recreation				
Public Library.....	-	3	3	-
General Administration and Finance				
City Planning.....	554	504	504	-
Total Public Works Transportation and Commerce Fund.....	<u>5,230</u>	<u>15,665</u>	<u>15,658</u>	<u>7</u>
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	152	152	-
Human Welfare and Neighborhood Development				
Rent Arbitration Board.....	-	8	8	-
	-	<u>8</u>	<u>8</u>	-
General Administration and Finance				
Administrative Services - Real Estate.....	41,447	40,532	40,532	-
Total Real Property Fund.....	<u>41,447</u>	<u>40,692</u>	<u>40,692</u>	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Total San Francisco Transportation Authority.....	-	204,982	78,159	126,823
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	5,334	7,297	7,071	226
Total Senior Citizens' Program Fund.....	<u>5,334</u>	<u>7,297</u>	<u>7,071</u>	<u>226</u>
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	422	421	1
Culture and Recreation				
War Memorial.....	10,589	9,218	8,484	734
Total War Memorial Fund.....	<u>10,589</u>	<u>9,640</u>	<u>8,905</u>	<u>735</u>
Total Special Revenue Funds With Legally Adopted Budgets.....	<u>\$ 504,258</u>	<u>\$ 809,731</u>	<u>\$ 666,510</u>	<u>\$ 143,221</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service
June 30, 2002
(In Thousands)

	General Obligation Bond	Certificate of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 25,990	\$ 6	\$ 5	\$ 26,001
Deposits and investments outside City Treasury.....	-	15,012	1,284	16,296
Receivables:				
Property taxes and penalties.....	4,063	-	-	4,063
Total assets.....	\$ 30,053	\$ 15,018	\$ 1,289	\$ 46,360
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 112	\$ -	\$ -	\$ 112
Accrued interest payable.....	398	-	-	398
Deferred tax, grant and subvention revenues.....	3,682	-	-	3,682
Due to other funds.....	-	6	-	6
Deferred credits and other liabilities.....	5,466	-	148	5,614
Total liabilities.....	9,658	6	148	9,812
Fund balances:				
Reserved for debt service.....	20,395	15,012	1,141	36,548
Total liabilities and fund balances.....	\$ 30,053	\$ 15,018	\$ 1,289	\$ 46,360

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service
Year ended June 30, 2002
(In Thousands)

	General Obligation Bond	Finance Corporation Lease Revenue Bond	Certificate of Participation	Other Bond Funds	Total
Revenues:					
Property taxes.....	\$ 109,853	\$ -	\$ -	\$ -	\$ 109,853
Interest and investment income.....	1,446	-	734	78	2,258
Rents and concessions.....	-	-	11,720	5,034	16,754
Intergovernmental:					
State.....	859	-	-	-	859
Total revenues.....	112,158	-	12,454	5,112	129,724
Expenditures:					
Debt service:					
Principal retirement.....	54,415	-	4,420	10,693	69,528
Interest and fiscal charges.....	50,761	-	12,437	4,910	68,108
Bond issuance costs.....	532	-	412	18	962
Total expenditures.....	105,708	-	17,269	15,621	138,598
Excess (deficiency) of revenues over (under) expenditures.....	6,450	-	(4,815)	(10,509)	(8,874)
Other financing sources (uses):					
Transfers in.....	-	-	2,417	10,039	12,456
Transfers out.....	(1,445)	(11,671)	-	(18,283)	(31,399)
Issuance of bonds and loans					
Face value of bonds issued.....	118,945	-	15,460	-	134,405
Premium on issuance of bonds.....	2,816	-	66	-	2,882
Payment to refunded bond escrow agent	(121,180)	-	(15,050)	-	(136,230)
Total other financing sources (uses).....	(864)	(11,671)	2,893	(8,244)	(17,886)
Net change in fund balances.....	5,586	(11,671)	(1,922)	(18,753)	(26,760)
Fund balances at beginning of year.....	14,809	11,671	16,934	19,894	63,308
Fund balances at end of year.....	\$ 20,395	\$ -	\$ 15,012	\$ 1,141	\$ 36,548

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project

June 30, 2002

(In Thousands)

	<u>City Facilities Improvement</u>	<u>Earthquake Safety Improvement</u>	<u>Fire Protection Systems Improvement</u>	<u>Moscone Convention Center</u>
ASSETS				
Deposits and investments with City Treasury.....	\$ 35,149	\$ 27,632	\$ 20,579	\$ 57,023
Deposits and investments outside City Treasury.....	106,353	-	-	-
Receivables:				
Federal and state grants and subventions.....	-	65	-	-
Charges for services.....	-	-	-	-
Interest and other.....	249	189	150	158
Due from component unit.....	-	-	-	18,853
Deferred charges and other assets.....	-	61	-	-
Total assets.....	<u>\$ 141,751</u>	<u>\$ 27,947</u>	<u>\$ 20,729</u>	<u>\$ 76,034</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 2,429	\$ 6,671	\$ 889	\$ 737
Accrued payroll.....	290	53	42	82
Deferred tax, grant and subvention revenues.....	-	-	-	-
Due to other funds.....	-	-	-	-
Deferred credits and other liabilities.....	712	983	-	-
Total liabilities.....	<u>3,431</u>	<u>7,707</u>	<u>931</u>	<u>819</u>
Fund balances:				
Reserved for assets not available for appropriation.....	-	1	-	18,853
Reserved for encumbrances.....	98,929	4,344	556	2,983
Reserved for appropriation carryforward.....	30,762	15,021	9,066	14,240
Reserved for subsequent years' budgets.....	-	-	-	10,600
Unreserved (deficit).....	8,629	874	10,176	28,539
Total fund balances.....	<u>138,320</u>	<u>20,240</u>	<u>19,798</u>	<u>75,215</u>
Total liabilities and fund balances.....	<u>\$ 141,751</u>	<u>\$ 27,947</u>	<u>\$ 20,729</u>	<u>\$ 76,034</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project (Continued)

June 30, 2002

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 22,037	\$ 36,708	\$ 7,757	\$ 206,885
Deposits and investments outside City Treasury.....	-	-	-	106,353
Receivables:				
Federal and state grants and subventions.....	-	934	22,076	23,075
Charges for services.....	-	-	440	440
Interest and other.....	100	170	-	1,016
Due from component unit.....	-	-	2,888	21,741
Deferred charges and other assets.....	-	-	25	86
Total assets.....	\$ 22,137	\$ 37,812	\$ 33,186	\$ 359,596
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 39	\$ 6,618	\$ 4,908	\$ 22,291
Accrued payroll.....	49	387	523	1,426
Deferred tax, grant and subvention revenues.....	-	-	136	136
Due to other funds.....	-	-	9,191	9,191
Deferred credits and other liabilities.....	-	231	45	1,971
Total liabilities.....	88	7,236	14,803	35,015
Fund balances:				
Reserved for assets not available for appropriation.....	-	-	2,888	21,742
Reserved for encumbrances.....	238	29,570	18,164	154,784
Reserved for appropriation carryforward.....	19,884	3,995	-	92,968
Reserved for subsequent years' budgets.....	-	-	-	10,600
Unreserved (deficit).....	1,927	(2,989)	(2,669)	44,487
Total fund balances.....	22,049	30,576	18,383	324,581
Total liabilities and fund balances.....	\$ 22,137	\$ 37,812	\$ 33,186	\$ 359,596

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project
Year ended June 30, 2002
(In Thousands)

	City Facilities Improve- ment	Citywide Communi- cation	Earthquake Safety Improve- ment	Finance Corporation	Fire Protection Systems Improve- ment
Revenues:					
Interest and investment income.....	\$ 10,477	\$ -	\$ 1,294	\$ -	\$ 1,028
Rents and concessions.....	76	-	-	-	-
Intergovernmental:					
Federal.....	-	-	1,617	-	23
State.....	110	-	8,170	-	-
Other.....	-	-	-	-	-
Charges for services.....	160	-	100	-	-
Other.....	25	-	-	-	-
Total revenues.....	<u>10,848</u>	<u>-</u>	<u>11,181</u>	<u>-</u>	<u>1,051</u>
Expenditures:					
Debt service:					
Bond issuance costs.....	-	-	-	-	-
Capital outlay.....	52,483	-	25,954	-	3,445
Total expenditures.....	<u>52,483</u>	<u>-</u>	<u>25,954</u>	<u>-</u>	<u>3,445</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(41,635)</u>	<u>-</u>	<u>(14,773)</u>	<u>-</u>	<u>(2,394)</u>
Other financing sources (uses):					
Transfers in.....	656	-	-	-	-
Transfers out.....	(548)	(9,891)	-	(977)	-
Issuance of bonds and loans					
Face value of bonds issued.....	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-
Total other financing sources (uses).....	<u>108</u>	<u>(9,891)</u>	<u>-</u>	<u>(977)</u>	<u>-</u>
Net change in fund balances.....	<u>(41,527)</u>	<u>(9,891)</u>	<u>(14,773)</u>	<u>(977)</u>	<u>(2,394)</u>
Fund balances at beginning of year.....	179,847	9,891	35,013	977	22,192
Fund balances at end of year.....	<u>\$ 138,320</u>	<u>\$ -</u>	<u>\$ 20,240</u>	<u>\$ -</u>	<u>\$ 19,798</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project (Continued)

Year ended June 30, 2002

(In Thousands)

	Moscone Convention Center	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:					
Interest and investment income.....	\$ 2,343	\$ 749	\$ 2,245	\$ -	\$ 18,136
Rents and concessions.....	-	-	-	632	708
Intergovernmental:					
Federal.....	-	-	1,047	8,156	10,843
State.....	-	-	1,809	5,116	15,205
Other.....	-	-	-	28,644	28,644
Charges for services.....	267	-	-	101	628
Other.....	-	-	-	4,560	4,585
Total revenues.....	<u>2,610</u>	<u>749</u>	<u>5,101</u>	<u>47,209</u>	<u>78,749</u>
Expenditures:					
Debt service:					
Bond issuance costs.....	-	357	-	-	357
Capital outlay.....	<u>97,718</u>	<u>1,100</u>	<u>29,716</u>	<u>32,505</u>	<u>242,921</u>
Total expenditures.....	<u>97,718</u>	<u>1,457</u>	<u>29,716</u>	<u>32,505</u>	<u>243,278</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(95,108)</u>	<u>(708)</u>	<u>(24,615)</u>	<u>14,704</u>	<u>(164,529)</u>
Other financing sources (uses):					
Transfers in.....	17,756	27	8,032	3,358	29,829
Transfers out.....	(105,069)	-	-	-	(116,485)
Issuance of bonds and loans					
Face value of bonds issued.....	-	17,665	-	-	17,665
Premium on issuance of bonds.....	-	213	-	-	213
Other financing sources-capital leases.....	<u>89,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,307</u>
Total other financing sources (uses).....	<u>1,994</u>	<u>17,905</u>	<u>8,032</u>	<u>3,358</u>	<u>20,529</u>
Net change in fund balances.....	<u>(93,114)</u>	<u>17,197</u>	<u>(16,583)</u>	<u>18,062</u>	<u>(144,000)</u>
Fund balances at beginning of year.....	<u>168,329</u>	<u>4,852</u>	<u>47,159</u>	<u>321</u>	<u>468,581</u>
Fund balances at end of year.....	<u>\$ 75,215</u>	<u>\$ 22,049</u>	<u>\$ 30,576</u>	<u>\$ 18,383</u>	<u>\$ 324,581</u>

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CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund -- Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation -- Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund -- Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund -- Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Net Assets
Internal Service Funds**

June 30, 2002

(In Thousands)

	<u>Central Shops Fund</u>	<u>Finance Corporation</u>	<u>Reproduction Fund</u>	<u>Telecom- munications & Information Fund</u>	<u>Total</u>
Assets					
Current assets:					
Deposits and investments with City Treasury.....	\$ 657	\$ 6,732	\$ 1,271	\$ 5,839	\$ 14,499
Deposits and investments outside City Treasury.....	-	51,732	-	-	51,732
Receivables:					
Interest and other.....	-	49	-	1,202	1,251
Capital lease receivable.....	-	16,922	-	-	16,922
Deferred charges and other assets.....	-	-	-	390	390
Total current assets.....	<u>657</u>	<u>75,435</u>	<u>1,271</u>	<u>7,431</u>	<u>84,794</u>
Noncurrent assets:					
Capital lease receivable.....		241,863			241,863
Capital assets:					
Facilities and equipment, net of depreciation.....	197	-	157	3,243	3,597
Deferred charges and other assets.....	-	2,266	-	-	2,266
Total noncurrent assets.....	<u>197</u>	<u>244,129</u>	<u>157</u>	<u>3,243</u>	<u>247,726</u>
Total assets.....	<u>854</u>	<u>319,564</u>	<u>1,428</u>	<u>10,674</u>	<u>332,520</u>
Liabilities					
Current liabilities:					
Accounts payable.....	606	-	408	5,800	6,814
Accrued payroll.....	457	-	97	1,761	2,315
Accrued vacation and sick leave pay.....	336	-	-	1,098	1,434
Accrued workers' compensation.....	-	-	-	250	250
Bonds, loans, capital leases, and other payables.....	-	13,925	-	2,169	16,094
Accrued interest payable.....	-	2,997	-	-	2,997
Due to other funds.....	-	2,027	-	-	2,027
Deferred credits and other liabilities.....	-	58,752	-	-	58,752
Total current liabilities.....	<u>1,399</u>	<u>77,701</u>	<u>505</u>	<u>11,078</u>	<u>90,683</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	236	-	-	1,146	1,382
Accrued workers' compensation.....	-	-	-	762	762
Bonds, loans, capital leases, and other payables.....	-	241,863	-	2,236	244,099
Total noncurrent liabilities.....	<u>236</u>	<u>241,863</u>	<u>-</u>	<u>4,144</u>	<u>246,243</u>
Total liabilities.....	<u>1,635</u>	<u>319,564</u>	<u>505</u>	<u>15,222</u>	<u>336,926</u>
Net Assets					
Invested in capital assets, net of related debt.....	259	-	662	3,243	4,164
Unrestricted (deficit).....	<u>(1,040)</u>	<u>-</u>	<u>261</u>	<u>(7,791)</u>	<u>(8,570)</u>
Total net assets (deficit).....	<u>\$ (781)</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ (4,548)</u>	<u>\$ (4,406)</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
Year ended June 30, 2002
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 16,925	\$ -	\$ 6,845	\$ 78,561	\$ 102,331
Rent and concessions.....	-	-	-	31	31
Total operating revenues.....	<u>16,925</u>	<u>-</u>	<u>6,845</u>	<u>78,592</u>	<u>102,362</u>
Operating expenses:					
Personal services.....	7,957	-	1,585	30,277	39,819
Contractual services.....	1,899	-	3,839	31,478	37,216
Materials and supplies.....	6,512	-	510	9,309	16,331
Depreciation and amortization.....	85	84	357	2,183	2,709
General and administrative.....	66	-	23	1,648	1,737
Services provided by other departments.....	497	-	309	2,179	2,985
Other.....	19	-	239	2,520	2,778
Total operating expenses.....	<u>17,035</u>	<u>84</u>	<u>6,862</u>	<u>79,594</u>	<u>103,575</u>
Operating loss.....	<u>(110)</u>	<u>(84)</u>	<u>(17)</u>	<u>(1,002)</u>	<u>(1,213)</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	7,003	-	-	7,003
Interest expense.....	(86)	(6,919)	(17)	(410)	(7,432)
Other, net.....	-	-	-	18	18
Total nonoperating revenues (expenses)....	<u>(86)</u>	<u>84</u>	<u>(17)</u>	<u>(392)</u>	<u>(411)</u>
Loss before operating transfers.....	(196)	-	(34)	(1,394)	(1,624)
Transfers in.....	86	-	17	409	512
Change in net assets.....	(110)	-	(17)	(985)	(1,112)
Total net assets (deficit) - beginning.....	<u>(671)</u>	<u>-</u>	<u>940</u>	<u>(3,563)</u>	<u>(3,294)</u>
Total net assets (deficit) - ending.....	<u>\$ (781)</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ (4,548)</u>	<u>\$ (4,406)</u>

CITY AND COUNTY OF SAN FRANCISCO

**Combining Statement of Cash Flows
Internal Service Funds**

Year ended June 30, 2002

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 16,925	\$ 14,228	\$ 6,845	\$ 77,304	\$ 115,302
Cash paid to employees for services.....	(7,930)	-	(1,573)	(29,370)	(38,873)
Cash paid to suppliers for goods and services.....	(9,027)	(96,321)	(4,908)	(45,539)	(155,795)
Net cash provided by (used in) operating activities.....	<u>(32)</u>	<u>(82,093)</u>	<u>364</u>	<u>2,395</u>	<u>(79,366)</u>
Cash flows from noncapital financing activities:					
Operating transfers in.....	<u>86</u>	-	<u>17</u>	<u>409</u>	<u>512</u>
Net cash provided by noncapital financing activities.....	<u>86</u>	-	<u>17</u>	<u>409</u>	<u>512</u>
Cash flows from capital financing activities:					
Bond sale proceeds.....	-	7,928	-	-	7,928
Loans received.....	-	-	-	3,541	3,541
Acquisition of capital assets.....	(40)	-	(82)	(3,505)	(3,627)
Retirement of capital lease obligation.....	-	(14,215)	-	(2,687)	(16,902)
Bond issue costs paid.....	-	(67)	-	-	(67)
Interest paid on long term debt.....	-	(7,058)	-	(410)	(7,468)
Net cash used in capital financing activities.....	<u>(40)</u>	<u>(13,412)</u>	<u>(82)</u>	<u>(3,061)</u>	<u>(16,595)</u>
Cash flows from investing activities:					
Interest income received.....	-	8,178	-	-	8,178
Other investing activities.....	(86)	-	(17)	18	(85)
Net cash provided by (used in) investing activities.....	<u>(86)</u>	<u>8,178</u>	<u>(17)</u>	<u>18</u>	<u>8,093</u>
Net increase (decrease) in cash and cash equivalents.....	(72)	(87,327)	282	(239)	(87,356)
Cash and cash equivalents - beginning of year.....	729	145,791	989	6,078	153,587
Cash and cash equivalents - end of year.....	<u>\$ 657</u>	<u>\$ 58,464</u>	<u>\$ 1,271</u>	<u>\$ 5,839</u>	<u>\$ 66,231</u>
Reconciliation of operating income (loss) to net cash used in operating activities:					
Operating income (loss).....	\$ (110)	\$ (84)	\$ (17)	\$ (1,002)	\$ (1,213)
Adjustments for non-cash activities:					
Depreciation and amortization.....	85	84	357	2,183	2,709
Changes in assets/liabilities:					
Receivables, net.....	-	14,228	-	(901)	13,327
Deferred charges & other assets.....	-	-	-	(387)	(387)
Accounts payable.....	(34)	-	12	1,595	1,573
Accrued payroll.....	15	-	12	219	246
Accrued vacation & sick leave pay.....	12	-	-	254	266
Accrued workers' compensation.....	-	-	-	434	434
Deferred credits and other liabilities.....	-	(96,321)	-	-	(96,321)
Total adjustments	<u>78</u>	<u>(82,009)</u>	<u>381</u>	<u>3,397</u>	<u>(78,153)</u>
Net cash provided by (used in) operating activities.....	<u>\$ (32)</u>	<u>\$ (82,093)</u>	<u>\$ 364</u>	<u>\$ 2,395</u>	<u>\$ (79,366)</u>
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investment with City Treasury.....	\$ 657	\$ 6,732	\$ 1,271	\$ 5,839	\$ 14,499
Deposits and investment outside City Treasury.....	-	51,732	-	-	51,732
Cash and cash equivalents at end of year on combining statement of cash flows.....	<u>\$ 657</u>	<u>\$ 58,464</u>	<u>\$ 1,271</u>	<u>\$ 5,839</u>	<u>\$ 66,231</u>

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System -- Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System -- Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund -- Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund -- Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund -- Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund -- Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund -- Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund -- Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds -- Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2002
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
ASSETS			
Deposits and investments with City Treasury.....	\$ -	\$ 70,570	\$ 70,570
Deposits and investments outside City Treasury.....	11,026,161	-	11,026,161
Receivables:			
Payroll contribution.....	-	12,358	12,358
Interest and other.....	255,240	860	256,100
Invested securities lending collateral.....	1,461,506	-	1,461,506
Deferred charges and other assets.....	-	3	3
Total assets.....	12,742,907	83,791	12,826,698
Liabilities			
Accounts payable.....	6,125	9,333	15,458
Estimated claims payable.....	-	14,911	14,911
Obligations under fixed coupon dollar repurchase agreements.....	252,500	-	252,500
Payable to brokers.....	593,214	-	593,214
Securities lending collateral.....	1,461,506	-	1,461,506
Deferred credits and other liabilities.....	13,612	21,170	34,782
Total liabilities.....	2,326,957	45,414	2,372,371
Net Assets			
Held in trust for pension benefits and other purposes.....	\$ 10,415,950	\$ 38,377	\$ 10,454,327

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year ended June 30, 2002
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Total</u>
	<u>Employees' Retirement System</u>	<u>Health Service System</u>	<u>Total</u>
Additions:			
Employees' contributions.....	\$ 155,919	\$ 72,250	\$ 228,169
Employer contributions.....	-	218,854	218,854
Total contributions.....	<u>155,919</u>	<u>291,104</u>	<u>447,023</u>
Investment income (loss):			
Interest.....	212,806	2,465	215,271
Dividends.....	63,875	-	63,875
Net decrease in fair value of investments.....	(820,574)	335	(820,239)
Securities lending income.....	35,676	-	35,676
Fixed coupon dollar repurchase agreement income.....	7,791	-	7,791
Total investment income (loss).....	<u>(500,426)</u>	<u>2,800</u>	<u>(497,626)</u>
Less investment expenses:			
Securities lending borrower rebates and expenses.....	(24,505)	-	(24,505)
Fixed coupon dollar repurchase finance charges and expenses.....	(7,061)	-	(7,061)
Other expenses.....	(18,517)	-	(18,517)
Total investment expenses.....	<u>(50,083)</u>	<u>-</u>	<u>(50,083)</u>
Total additions (loss), net.....	<u>(394,590)</u>	<u>293,904</u>	<u>(100,686)</u>
Deductions:			
Benefit payments.....	413,899	290,295	704,194
Refunds of contributions.....	9,814	-	9,814
Administrative expenses.....	11,827	-	11,827
Total deductions.....	<u>435,540</u>	<u>290,295</u>	<u>725,835</u>
Change in net assets.....	(830,130)	3,609	(826,521)
	<u>11,246,080</u>	<u>34,768</u>	<u>11,280,848</u>
Net assets at end of year.....	<u>\$10,415,950</u>	<u>\$ 38,377</u>	<u>\$10,454,327</u>

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2002

(In Thousands)

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 6,527	\$ 40,397	\$ 39,381	\$ 7,543
Receivables:				
Interest and other.....	148	140	148	140
Total assets.....	<u>\$ 6,675</u>	<u>\$ 40,537</u>	<u>\$ 39,529</u>	<u>\$ 7,683</u>
LIABILITIES				
Accounts payable.....	\$ 1,059	\$ 8,364	\$ 8,400	\$ 1,023
Agency obligations.....	5,616	38,277	37,233	6,660
Total liabilities.....	<u>\$ 6,675</u>	<u>\$ 46,641</u>	<u>\$ 45,633</u>	<u>\$ 7,683</u>
 Deposits Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 21,964	\$ 39,313	\$ 24,007	\$ 37,270
Receivables:				
Interest and other.....	1	-	-	1
Deferred charges and other assets.....	6,299	-	558	5,741
Total assets.....	<u>\$ 28,264</u>	<u>\$ 39,313</u>	<u>\$ 24,565</u>	<u>\$ 43,012</u>
LIABILITIES				
Accounts payable.....	\$ 406	\$ 11,699	\$ 11,445	\$ 660
Agency obligations.....	27,858	38,749	24,255	42,352
Total liabilities.....	<u>\$ 28,264</u>	<u>\$ 50,448</u>	<u>\$ 35,700</u>	<u>\$ 43,012</u>
 Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 7,713	\$ -	\$ 3,746	\$ 3,967
Receivables:				
Payroll Contribution.....	44,957	3,372	-	48,329
Total assets.....	<u>\$ 52,670</u>	<u>\$ 3,372</u>	<u>\$ 3,746</u>	<u>\$ 52,296</u>
LIABILITIES				
Accounts payable.....	\$ 47,508	\$ 4,511	\$ -	\$ 52,019
Agency obligations.....	5,162	-	4,885	277
Total liabilities.....	<u>\$ 52,670</u>	<u>\$ 4,511</u>	<u>\$ 4,885</u>	<u>\$ 52,296</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

**Combining Statement of Changes in Assets and Liabilities -
Agency Funds (Continued)**

Year ended June 30, 2002

(In Thousands)

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 2,315	\$ 10,234	\$ 11,329	\$ 1,220
Total assets.....	<u>\$ 2,315</u>	<u>\$ 10,234</u>	<u>\$ 11,329</u>	<u>\$ 1,220</u>
LIABILITIES				
Accounts payable.....	\$ 2,007	\$ 10,174	\$ 11,325	\$ 856
Agency obligations.....	308	10,139	10,083	364
Total liabilities.....	<u>\$ 2,315</u>	<u>\$ 20,313</u>	<u>\$ 21,408</u>	<u>\$ 1,220</u>
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 39,966	\$ 1,456,915	\$ 1,465,264	\$ 31,617
Deposits and investments outside City Treasury.....	-	2,930	-	2,930
Receivables:				
Interest and other.....	83,592	83,701	82,154	85,139
Total assets.....	<u>\$ 123,558</u>	<u>\$ 1,543,546</u>	<u>\$ 1,547,418</u>	<u>\$ 119,686</u>
LIABILITIES				
Accounts payable.....	\$ 308	\$ 30,883	\$ 30,877	\$ 314
Agency obligations.....	123,250	1,388,135	1,392,013	119,372
Total liabilities.....	<u>\$ 123,558</u>	<u>\$ 1,419,018</u>	<u>\$ 1,422,890</u>	<u>\$ 119,686</u>
Transit Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 8,734	\$ 35,950	\$ 43,914	\$ 770
Receivables:				
Interest and other.....	129	440	532	37
Total assets.....	<u>\$ 8,863</u>	<u>\$ 36,390</u>	<u>\$ 44,446</u>	<u>\$ 807</u>
LIABILITIES				
Accounts payable.....	\$ 657	\$ 6,344	\$ 6,232	\$ 769
Agency obligations.....	8,206	34,399	42,567	38
Total liabilities.....	<u>\$ 8,863</u>	<u>\$ 40,743</u>	<u>\$ 48,799</u>	<u>\$ 807</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

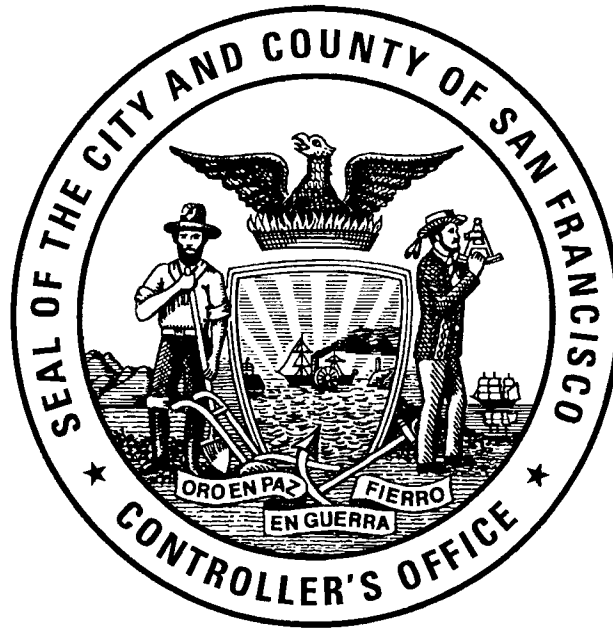
FIDUCIARY FUNDS

**Combining Statement of Changes in Assets and Liabilities -
Agency Funds (Continued)**

Year ended June 30, 2002

(In Thousands)

	Balance July 1, <u>2001</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2002</u>
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 5,308	\$ 79,930	\$ 63,632	\$ 21,606
Receivables:				
Interest and other.....	105	125	106	124
Total assets.....	<u>\$ 5,413</u>	<u>\$ 80,055</u>	<u>\$ 63,738</u>	<u>\$ 21,730</u>
LIABILITIES				
Accounts payable.....	\$ 3,031	\$ 73,955	\$ 59,578	\$ 17,408
Agency obligations.....	2,382	79,494	77,554	4,322
Total liabilities.....	<u>\$ 5,413</u>	<u>\$ 153,449</u>	<u>\$ 137,132</u>	<u>\$ 21,730</u>
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 92,527	\$ 1,662,739	\$ 1,651,273	\$ 103,993
Deposits and investments outside City Treasury.....	-	2,930	-	2,930
Receivables:				
Payroll contribution.....	44,957	3,372	-	48,329
Interest and other.....	83,975	84,406	82,940	85,441
Deferred charges and other assets.....	6,299	-	558	5,741
Total assets.....	<u>\$ 227,758</u>	<u>\$ 1,753,447</u>	<u>\$ 1,734,771</u>	<u>\$ 246,434</u>
LIABILITIES				
Accounts payable.....	\$ 54,976	\$ 145,930	\$ 127,857	\$ 73,049
Agency obligations.....	172,782	1,589,193	1,588,590	173,385
Total liabilities.....	<u>\$ 227,758</u>	<u>\$ 1,735,123</u>	<u>\$ 1,716,447</u>	<u>\$ 246,434</u>



**CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY AND COUNTY OF SAN FRANCISCO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source¹
June 30, 2002
(In Thousands)

Governmental funds capital assets:	
Land.....	\$ 139,534
Facilities and improvements.....	1,570,401
Infrastructure.....	23,663
Machinery and equipment.....	203,937
Construction in progress.....	576,490
Total governmental funds capital assets.....	<u>\$ 2,514,025</u>
Investments in governmental funds capital assets acquired prior to July 1, 2000.....	\$ 2,055,670
Investments in governmental funds capital assets acquired from July 1, 2000 by source:	
General fund.....	23,438
Special revenue funds.....	68,807
Capital project funds.....	366,110
Total governmental funds capital assets.....	<u>\$ 2,514,025</u>

Schedule By Function¹
June 30, 2002
(In Thousands)

<u>Function</u>	<u>Land</u>	<u>Facilities and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
Public protection.....	\$ 11,629	\$ 161,221	\$ 74,318	\$ -	\$ 2,334	\$ 249,502
Public works, transportation and commerce.....	17,880	54,166	111,282	22,696	304,975	510,999
Human welfare and neighborhood development.....	4,240	18,077	2,359	-	3,314	27,990
Community health.....	1,978	24,486	3,124	-	144	29,732
Culture and recreation.....	79,408	621,789	9,724	967	262,400	974,288
General administration and finance.....	24,399	690,662	3,130	-	3,323	721,514
Total governmental funds capital assets.....	<u>\$ 139,534</u>	<u>\$ 1,570,401</u>	<u>\$ 203,937</u>	<u>\$ 23,663</u>	<u>\$ 576,490</u>	<u>\$ 2,514,025</u>

Schedule of Changes by Function¹
Year ended June 30, 2002
(In Thousands)

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Public protection.....	\$ 244,766	\$ 5,105	\$ 369	\$ 249,502
Public works, transportation and commerce.....	417,331	95,814	2,146	510,999
Human welfare and neighborhood development.....	27,934	236	180	27,990
Community health.....	29,211	521	-	29,732
Culture and recreation.....	836,681	137,607	-	974,288
General administration and finance.....	688,256	33,276	18	721,514
Total governmental funds capital assets.....	<u>\$ 2,244,179</u>	<u>\$ 272,559</u>	<u>\$ 2,713</u>	<u>\$ 2,514,025</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.