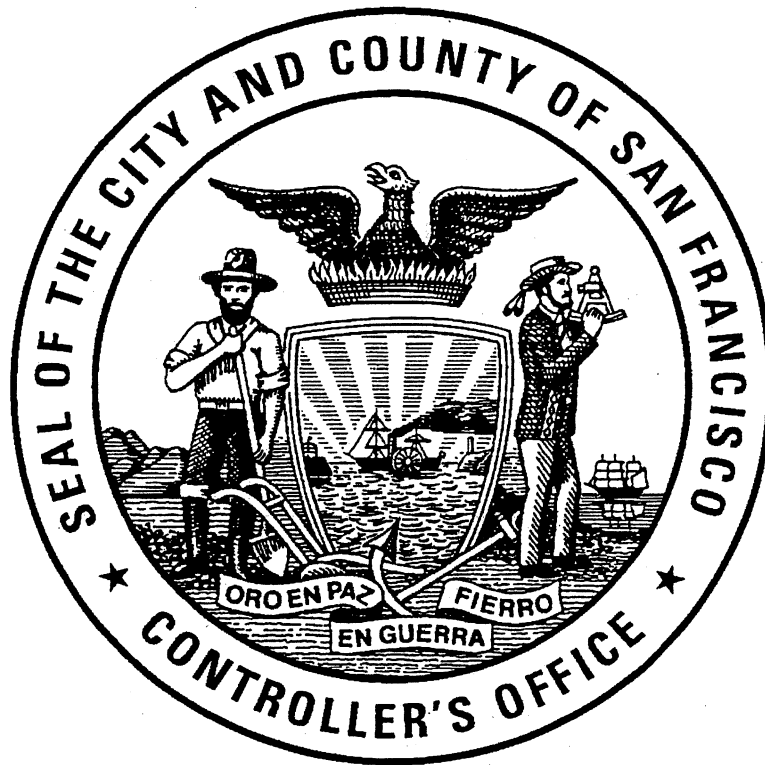


CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2005



Prepared by:
Office of the Controller

A handwritten signature in black ink, appearing to read "Edward Harrington".

Edward Harrington
Controller



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CITY AND COUNTY OF SAN FRANCISCO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2005

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Introductory Section

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- Certificate of Achievement – Government Finance Officers Association
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- City and County of San Francisco Organization Chart
- List of Principal Officials



Photo by San Francisco Convention & Visitors Bureau



December 29, 2005

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
Citizens of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the fiscal year ended June 30, 2005, with the Independent Auditor's Report, submitted in compliance with City Charter Sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The CAFR has been prepared by the Controller's Office in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City, and is based on a comprehensive structure of internal accounting controls. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. I believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the changes in the City's financial position as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. They are presented in this CAFR and have been audited by a consortium led by Macias, Gini & Company LLP, and include Louie & Wong LLP and the QBIS Group, Inc. They have issued an unqualified ("clean") opinion of our financial statements, and their report is presented at the beginning of the Financial Section. The CAFR also incorporates financial statements of the San Francisco International Airport, the Water Department, Hetch Hetchy Water and Power, Municipal Transportation Agency, the Clean Water Program, the Port of San Francisco, City of San Francisco Market Corporation, City and County of San Francisco Finance Corporation, Health Services System, Employees' Retirement System, and the Redevelopment Agency, which have been separately audited. The City has received clean audit opinions for all of these statements.

This letter of transmittal is designed to complement the Management Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and can be found immediately following the independent auditor's report.

Our CAFR is divided into the following sections:

The Introductory Section includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The Financial Section includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the independent auditors' report on the Basic Financial Statements.

The Statistical Section includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that are of interest to potential investors in our bonds and to other readers. The data includes ten-year revenue and expenditure information on an inflation-adjusted basis.

Profile of San Francisco's Government



The City and County of San Francisco (the City) was established by Charter in 1850 and is a legal subdivision of the State of California with the governmental powers of both a city and a county under California law. The City's powers are exercised through a Board of Supervisors serving as the legislative authority, and a Mayor and other independent elected officials serving as the executive authority. Services provided by the City include public protection, public transportation, construction and maintenance of all public facilities, water, parks, public health systems,

social services, planning, tax collection and many others.

The elected Mayor of San Francisco appoints the heads of most City departments. Many departments are also advised by commissions or boards whose members are appointed either by the Mayor, or, in some cases, by a combination of the Mayor, the Board of Supervisors, and other elected officials. Elected officials include the Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Courts, and Treasurer. Beginning in November 2000, the Board of Supervisors was elected by district for the first time since the 1970s. The City has eleven districts, with staggered elections for five and six seats at a time held in even numbered years. Board members serve four-year terms and any vacancies are filled by Mayoral appointment.

The financial activities of the primary government, which encompasses several enterprise activities, as well as all of its component units, are included in this CAFR. Component units include legally separate entities for which the primary government is financially accountable and that have substantially the same board as the City or provide services entirely to the City. For reporting purposes, the operations of the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the San Francisco Parking Authority are blended with the City. In addition, there are two component units, the San Francisco Redevelopment Agency and the Treasure Island Development Authority, which are legally separate entities but have some financial interdependency with the City. For reporting purposes, these entities are shown as discretely presented component units.

Budgetary Process

The City adopts annual budgets for all governmental funds and generally adopts project length budgets for capital projects and certain debt service funds. The budget is adopted at the character level of expenditure within each department, making the department level the legal level of budgetary control. Note 2(c) to the basic financial statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

San Francisco's Local Economy and Economic Development

San Francisco is the economic and cultural hub of the Bay Area, the fourth-largest city in the state of California and geographically the smallest county in California. It occupies just forty-seven square miles of land, surrounded by the Pacific Ocean and San Francisco Bay, but is the most densely populated in the state. The City's population dropped from a peak in 2000 but has stabilized in the last two years at about 745,000. San Francisco is a racially and ethnically diverse city, with minority groups combining to represent just over 56 percent of the population and no single group forming a majority.ⁱ

In 2005, San Francisco continued its economic recovery from the multiyear downturn that began in 2001, during which the United States economy as a whole experienced significant stock market losses, rising unemployment, and decreasing consumer confidence. With its high concentration of technology and internet companies, the Bay Area was hit hard by this slowdown. San Francisco lost approximately 65,000 to 75,000 jobs in the period from 2001 to 2003, nearly twice as many were lost in the last significant recession of 1991 to 1993.ⁱⁱ The unemployment rate in the City reached a peak of 7.9 percent in July 2002, but has gradually improved. By June of 2005, San Francisco's unemployment rate had decreased to

ⁱ Source: United States Census Bureau

ⁱⁱ Source: San Francisco Quarterly Economic Briefing, April 2003

5.2 percent, slightly better than California's statewide rate of 5.4 percent. San Francisco's unemployment rate continues its decline and was 4.8 percent in November 2005.ⁱⁱⁱ

While the technology sector as a whole remains soft, the developing field of electronic digital arts could become a significant factor in San Francisco's economy. In 2005, George Lucas' new Digital Arts Center opened in the Presidio—the former military base in San Francisco's northwest corner that is now part of the Golden Gate National Recreation Area. The center is home to more than 1,500 jobs and is expected to be a catalyst for other electronic game, licensing, promotion, and online ventures in the City.

Commercial Real Estate

San Francisco's downtown office real estate market has been showing gradual and consistent improvement since June 2003, when vacancy rates were at an all time high of 22.9 percent. At the end of June 2005, the overall vacancy rate was 17.3 percent, a 5.6 percent improvement over the two years. Since June 2004, the average asking price for office space rents rose from approximately \$22 to \$28 per square foot—a 27.3 percent increase.^{iv} While still considerably less than the June 2000 high of \$80 per square foot^v, the substantially lower office rental rates have made it more economical to locate in San Francisco and have contributed to the recovery in professional service jobs in the City.

Activity in the City's commercial real estate investment market was strong in fiscal year 2004-2005, resulting in a 48.1 percent increase, an amount of \$38 million, in property transfer tax revenue. Forty-one properties worth \$3.9 billion were sold during this period at an average price of \$260 per square foot. These properties included the landmark One Market building at \$495 per square foot, One Montgomery Street at \$447 per square foot, and 555 California Street at \$444 per square foot.^{vi} Transfer tax is a volatile revenue source, and in 2005 was driven in part by the mortgage market's low rates and concern over potential rate increases; therefore, the City does not expect increases of this magnitude in the future. However, San Francisco's selection in May 2005 as the future headquarters for California's \$3 billion stem cell program should contribute to a continuing healthy real estate investment market.

Residential Property, Housing and Property Tax

Despite weaknesses in areas of the economy, residential property values in San Francisco remain among the highest in the nation. As of June 2005, the median price for an average single family home in California was \$542,720, while in the City it was \$734,610. This median price represents a steady rise—increasing 12 percent over June 2004 and a 288.7 percent increase since 1995.^{vii} Despite steady construction, including 3,293 units under construction as of July 2005^{viii}, a housing shortage continues and the Bay Area's ongoing housing need keeps upward pressure on the City's residential real estate market. The gap between demand and supply has contributed to a widening affordability gap in the City, with home ownership remaining out of reach for most residents and workers. As of July 2005, the average assessed valuation in the City stood at \$368,804 for a single family home.^{ix} Average assessed valuations tend to be lower than market norms would indicate because the limits on property tax increases under California's Proposition 13 have generally motivated owners to buy and hold property. Partly due to these affordability hurdles and market conditions 65 percent of the City's residents rent their homes and only 35 percent own,^x substantially below the national average of 68.8 percent ownership.^{xi} As of June 2005, average occupancy rate for market-rate apartments in San Francisco was about 96%, 2.9% higher than the same period in 2004. Average rental rates increased slightly in June 2005 to about \$1,817 per month, compared to \$1,790 during the same period in the prior year.^{xii}

The City's property tax revenues, the single largest source of tax revenue for the City's general fund, grew by 30 percent over the past year. Approximately two-thirds of that growth was attributable to a State-wide property tax revenue shift to local governments as part of a larger package which reduced local revenues

ⁱⁱⁱ Source: California Employment Development Department

^{iv} Source: Cushman & Wakefield, Inc., Marketbeat Mid-Year 2005

^v Source: Newmark, Office Market Report, Second Quarter, 2004

^{vi} Source: Cushman & Wakefield, Inc., Marketbeat Mid-Year 2005

^{vii} Source: California Association of Realtors

^{viii} Source: Sedway Group, July 2005

^{ix} Source: Assessor-Recorder, City and County of San Francisco

^x Source: San Francisco Quarterly Economic Briefing, April 2003

^{xi} Source: U.S. Census Bureau Housing Vacancy Survey Third Quarter 2003

^{xii} Source: RealFacts, Quarterly 2004-2005

from motor vehicle license fees and sales taxes in a similar amount. The remaining growth reflects the steady rise in property values and prices during the period.

Certain other local tax revenues in the general fund also increased while others were flat or decreased slightly over the last fiscal year. Payroll tax revenue rose 10.5 percent, or \$27.8 million, reflecting the improved employment rates in the City and a growth in wages. Hotel room tax revenues increased by \$10.5 million, reaching a 10.6 percent increase over June 2004. While recovery in this sector seems underway, many tax revenues are still less than the high of fiscal year 2000-2001, representing a funding loss for local cultural institutions and general city services which the government has had to absorb.

Travel and Tourism

San Francisco's travel and tourism sector, a main driving force of the City's economy, showed consistent improvements in 2004 and 2005 after a three year period marked by flat or declining returns. The City's Convention and Visitors Bureau estimates that 15.1 million people visited San Francisco in 2004 and spent approximately \$6.7 billion, a 11.7 percent increase over the 2003 visitor spending of \$6 billion and a 13.6 percent over the \$5.9 billion spent in 2002. Hotel occupancy rates also moved up, reaching 82.4 percent in June 2005. The average daily hotel room rate rose to \$153.67 in June 2005, a 13 percent increase over the \$135.91 rate in June 2003.^{xiii} Overall, the growth including room rates and occupancy gains was 6 percent for fiscal year 2004-2005. Bookings for Moscone Convention Center have risen consistently every year, with the fiscal year bookings at a record high of 104, and 357 more bookings scheduled out until the year 2028.^{xiv}



Increases in passenger traffic at San Francisco International Airport (SFO) also demonstrate the upswing in travel and tourism. In the past fiscal year, 33.2 million passengers arrived at SFO, 6.0 percent more than the year ended in June 2004, and 11.4 percent more than the 2003 low of 29.8 million. United Airlines and Icelandic Air each expanded their international flights from SFO during the fiscal year, and Cathay Pacific returned its North American headquarters to San Francisco in February 2005.^{xv}

Hotel Development on Municipal Transportation Authority (MTA) Land

In March 2005, the Hotel Vitale opened between Mission and Steuart Street across the Embarcadero from the recently renovated Ferry Building. Built on a former bus layover yard owned by the MTA, the Hotel Vitale is privately operated and maintained. It is expected to provide an average of \$4.8 million a year to the MTA over the term of the 65-year lease, for a total of more than \$300 million. The site also includes a rent-free location for a combination transit museum and retail shop operated by the Market Street Railway, a non-profit group that is dedicated to the acquisition, restoration and operation of historic transit vehicles in San Francisco.

MAJOR INITIATIVES, FUTURE OUTLOOK, AND LONG-TERM FINANCIAL PLANNING

A number of significant initiatives, outlined below, are underway in San Francisco that will have a positive effect on the City's economic health and its ability to provide services to residents and businesses.

Biotech, Stem Cell Research, and Mission Bay Development

In May 2005, San Francisco won a competitive bid to house the California Institute for Regenerative Medicine (CIRM), making it the epicenter for California stem cell research. CIRM was created with the passage of state Proposition 71 in November 2004. The taxpayer-funded agency is charged with distributing \$3 billion over the next decade in state funds for the advancement of stem cell research. Scientists hope that this development will lead to therapies and cures for a wide range of degenerative diseases, including cancer and multiple sclerosis. The City's successful bid for CIRM was built on a unique public-private partnership, combining tax incentives, 46,000 square feet of privately donated lab space, an international stem cell conference to benefit the CIRM, and a stem cell exhibit at the San Francisco Exploratorium, in addition to the 10 years of free rent required of all bidders.

^{xiii} Source: PKFConsulting

^{xiv} Source: Moscone Center Administrative Office

^{xv} Source: San Francisco International Airport, June 2005

CIRM will be headquartered in Mission Bay, the 303-acre site of former warehouses and rail yards southeast of downtown San Francisco that is becoming the City's newest neighborhood and emerging biotech center. Since winning the bid, the City has seen numerous companies move or announce their intent to move to Mission Bay, including Five Prime Therapeutics, Inc., the first biotechnology company to move in; Alexandria Real Estate Equities, with plans to develop a state-of-the-art laboratory facility; Sirna Therapeutics, Keryx Biopharmaceuticals and many others. Together, these companies are expected to bring thousands of jobs to the City in the coming years.

When complete, Mission Bay will include 6,000 residential units, including 1,700 affordable housing units, 6 million square feet of commercial space, a new research campus for the University of California at San Francisco (UCSF), 43 acres of open space, a new public school, public library, and new fire and police stations. To date, construction has been completed on 1,079 residential units, 110,000 square feet of neighborhood-serving retail, 565,000 square feet of commercial and laboratory space, and over 1 million square feet of life science research space and other facilities for UCSF. An additional 1,179 housing units are now in construction.



UCSF has completed Phase 1 of its Mission Bay development. The UCSF campus is now home to three biomedical research buildings, a Community Center, and a housing complex, together totaling 1.3 million square feet. With UCSF as an anchor and the CIRM as an international focal point, Mission Bay is expected to realize more than 30,000 new permanent jobs in life sciences, biotech, and related fields over the next 20 to 30 years. In preparation for the growing demand for skilled workers, the City has embarked on new initiatives for job training to help prepare low-income and under-represented minorities for jobs in the biotechnology industry. Currently, there are 80,000 bioscience jobs in the Bay Area, and this figure is expected to grow to 120,000 by the end of the decade.^{xvi}

Hunters Point Shipyard Redevelopment Project

In May 2005, environmental cleanup funded by the U.S. Navy was completed, and construction began on the 500-acre Hunters Point Shipyard Redevelopment Project. By 2008, the City expects the former shipyard development to include 1,600 housing units, with up to 44 percent set aside as affordable, 300,000 square feet of commercial space, five acres of multi-purpose community campus space, and 17 acres for parks and open space. Approximately 430 construction jobs are forecast for this work and an additional 1,000 full-time jobs are expected in future phases.^{xvii} Funding for this multi-use development project will be provided from sales proceeds from U.S. Navy land given to the City according to the conveyance agreement signed in April 2004. Spending for the project could reach \$500 million when complete.

Port of San Francisco



Work continued in 2005 on a residential condominium tower that is part of the Port's \$400 million mixed-use development of the Bryant Street Pier and International Cruise Terminal Project. This project, begun in March 2004, will feature a 100,000 square foot state-of-the-art international cruise terminal, offices, retail space and a new waterfront park in addition to the residential tower. The new cruise terminal will be able to berth two large cruise ships simultaneously with thousands of passengers. Completion of the entire project is anticipated in 2008.

Work also continued on the Port's \$44 million rehabilitation and development project at three of its historic piers, Piers 1½, 3, and 5. Restaurants, office space, public access to the Bay, boat docks, and a water taxi landing are all part of this project, targeted for completion in spring 2006.

Transportation and Infrastructure

The MUNI Metro (MUNI) is San Francisco's light rail system. It serves the City's downtown with underground transit along Market Street and provides above ground service in the western and southern neighborhoods of the City. The City's public transportation infrastructure also includes an extensive bus network, cable cars, other regional bus and rail providers, and related services.

^{xvi} Source: Building and Construction Trades Council of San Francisco, April 2005

^{xvii} Source: Building and Construction Trades Council of San Francisco, April 2005

MUNI's Third Street Light Rail Project is nearing completion - now scheduled for the spring of 2006. At that time the new line will connect the South of Market, Mission Bay and the southeast sectors of San Francisco to the rest of MUNI, providing new, fast, clean, efficient service to areas currently underserved by public transportation. Testing and training of this \$1 billion addition to the rail system will take place through next summer, and passenger service is slated to start in 2006.

Another major MUNI expansion project, the Central Subway, is now underway with the planning and conceptual engineering phases in process. When complete, this project will provide a transit link between 4th and King Streets north to Union Square and Chinatown. MUNI also has plans to roll out a \$52 million fleet of cleaner hybrid-electric buses, replacing 56 of MUNI's oldest diesel buses by the end of 2006, as part of the policy goal to eliminate all of its bus emissions by 2020. The hybrid versions will emit 90 percent less soot and 30 percent less greenhouse gases.^{xviii}

Replacing the Central Freeway

The City's Octavia Boulevard project was completed shortly after the end of fiscal year 2004-2005. The new tree-lined boulevard replaces an elevated freeway that was severely damaged during the 1989 Loma Prieta Earthquake. A street level intersection to the Boulevard crosses Market Street, providing a gateway from the Bay Bridge and the Highway 101 corridors to the western areas of the City. The four lanes of the two-way boulevard provide both arterial and local access, are separated by a central median, and are flanked by on-street parallel parking. The City's newest recreational area, Hayes Green Park, has been developed along one edge of the boulevard on land once occupied by the freeway.

Rebuilding the Hetch Hetchy Water System (Hetch Hetchy)

San Francisco's water system delivers water to approximately 2.4 million people in the City and surrounding communities. The system includes the Hetch Hetchy reservoir in Yosemite, other reservoirs in the Bay Area and the Sierras, and a vast network of pipelines, tunnels and other facilities. In November of 2002, San Francisco voters passed measures that effectively repealed a rate freeze, authorized a \$1.6 billion bond to be financed by retail water rate charges and gave the Public Utilities Commission (PUC) more control over contracting, employment, and financial management practices. Together, these improvements gave the PUC the basis to move forward with plans to seismically upgrade and rebuild the water system. This important project is projected to span 13 years and cost approximately \$4 billion.



Currently, PUC is moving forward on 73 critical projects to improve the water enterprise system both locally and regionally including upgrading the Hetch Hetchy water system. By the end of the fiscal year 2004-2005, construction was underway for 13 projects, and planning or design processes were in progress for another 50 projects.

Homeless Housing Outreach Efforts

In October 2004, the City launched Project Homeless Connect, a local outreach effort to address the City's on-going homeless crisis. With the collaboration of volunteers, city staff, and non-profit service providers, the program has linked more than 5,500 homeless clients to vital city services and resulted in 509 direct and immediate placements from the street to shelter or stabilization housing. One year later, Project Homeless Connect marked its first anniversary with 1,274 volunteers serving 1,320 homeless clients in a single day. The accomplishments and achievements of Project Homeless Connect have resulted in a nation-wide civic movement that was observed nationally on December 8, 2005. Twenty-one cities participated: Bridgeport, CT; Chattanooga, TN; Chicago, IL; Columbia, SC; Denver, CO; Knoxville, TN; Miami, FL; Nashua, NH; New York, NY; Norfolk, VA; Philadelphia, PA; Pittsburgh, PA; San Diego, CA; San Francisco, CA; San Jose, CA; San Juan, Puerto Rico; St. Louis, MO; Tallahassee, FL; Warwick, RI; West Hollywood/Hollywood, CA; and Winston-Salem, NC. Through this inaugural national event organized by the United States Interagency Council on Homelessness (USICH), volunteers, civic leaders, and business organizations joined with social service agencies, non-profits, and faith-based entities to create for homeless citizens a single point of engagement and entry to local services, housing, and support in their cities.

^{xviii} Source: Municipal Transportation Agency

In May 2005, the City marked the one-year anniversary of its Care Not Cash program, a concerted approach to combat chronic homelessness approved by a voter initiative of the same name. Instead of issuing cash grants to homeless individuals, the program redirects those local dollars to provide housing. During the first 17 months of the Care Not Cash program, the homeless caseload decreased by 80% or by 1,986 persons. Also during the 2004-2005 fiscal year, the City developed a 10-year plan to end chronic homelessness in San Francisco entitled "Changing Direction." The plan's central strategy is a "housing first" model emphasizing immediate placement in permanent housing with access to on-site services necessary to stabilize the individuals and keep them housed. To accomplish this, the plan calls for the creation of 3,000 units of new permanent supportive housing and the phasing out of ineffective shelter-based programs.

Affordable Housing and Homeownership Program

The City's Affordable Housing and Homeownership Program, a \$100 million bond approved in 1996 combined with federal, state and local funds, produced 240 units of affordable housing for the City's homeless, seniors, and low- and moderate-income families over the last year. In the two-year fiscal period of 2003-2005, a total of 1,277 units were completed.

Working Families Tax Credit Program

San Francisco issued the first payments under the Working Families Tax Credit Program shortly after the end of the 2004-2005 fiscal year. By November 2005, close to 10,000 families received payments totaling about \$2.2 million dollars under this unique program, first announced in 2004. Funded by public monies and private donations, the Working Families Tax Credit Program is modeled after the Federal Earned Income Tax Credit, designed to support and encourage work by supplementing the income of low-wage workers. It is the only local program of its kind in the country.

Laguna Honda Hospital



In 1999, the voters of San Francisco approved a \$299 million general obligation bond measure to support construction of "a health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital." The project plan included constructing 1,200 beds in four buildings. Total cost of construction was estimated at approximately \$401 million, to be supported by the bonds, an allocation of tobacco settlement funds, and interest earnings. In the last six years, construction costs have escalated considerably and in May 2005, cost estimates were increased to over \$600 million for completion. While the City has identified other funding sources that can help meet these future costs, there are also discussions taking place that

would reduce the size of the hospital and provide alternative, community-based care for the same population. The hospital will be built to modern environmental and seismic standards and will provide for a technologically advanced and flexible facility serving the City's growing need for rehabilitation facilities and residential care. In March 2005, bids were made for the first phase of the replacement project and the new facilities are scheduled to open in 2011.

Emergency Preparedness

Significant work was underway on various security and emergency preparedness projects funded largely by \$80 million in Department of Homeland Security grants. These funds will help the City meet the training, planning, and equipment needs as it develops and enhances its ability to prevent, respond to, and recover from threats and acts of terrorism. The City is also a key leader in developing a first-of-its-kind regional emergency response plan, bringing together the 10 Bay Area counties, Oakland, San Jose, and the State Office of Emergency Services.

In September 2005, shortly after the end of the fiscal year, the City launched a new automated warning system named SF Alert, designed to allow top emergency officials to respond more quickly to a disaster. It may eventually be used to warn city residents of an impending tsunami, flood or other emergencies. SF Alert replaces an antiquated and time-consuming system formerly used to notify City officials and call fire, police, traffic, and health officials reporting to the City's emergency command center. The new web-based system will allow all of the City's top 90 emergency officials to be informed at once with a detailed message describing the disaster. The message is transmitted to the official's phone, email, pager or hand-held device simultaneously.

311 Call Center

The City further moved toward improving customer service and public safety for City residents with the development and deployment of a 311 Call Center. The 311 Call Center will provide a single point of contact for all non-emergency City services, and allow customers to call one easy-to-remember number to receive information and access City services. Staffed 24 hours a day, 7 days a week, the 311 Call Center will connect callers to a staff of trained customer service agents who will function as customer service representatives from all City departments. It is expected the 311 Call Center will go live in 2006.

Museums and Cultural Facilities

Public arts, educational and recreational institutions in San Francisco have been the recipients in the 1990s and 2000s of both significant voter-approved bond funding and private and community financial support for capital campaigns. Construction was completed for the dramatic new de Young Museum by the end of the 2004-2005 fiscal year, and the museum opened in October 2005.



Golden Gate Park is the site of both the de Young Museum and the Academy of Sciences. The de Young Museum includes a 293,000 square foot main building, a sculpture garden, and a unique copper-clad observation tower that rises 144 feet above the treetops of Golden Gate Park, designed by the architects Herzog & de Meuron and Fong & Chan. This new facility houses more than double the previous gallery space for exhibition of the de Young's collections of American art from the 17th to 20th centuries and art of the native Americas, Africa and the Pacific. Across the concourse, the City's Academy of Sciences closed in December 2003 for construction and relocated its 18 million-specimen collection to a temporary exhibit and research facility at 10th and Howard Street in downtown San Francisco. The construction of the new Academy of Sciences, supported by a local bond issue, state funding, and private gifts, will cost approximately \$370 million, with a 2008 opening planned. The Academy's aquarium, planetarium and natural history collection will be housed in a new building that incorporates green design principals including a "living roof" of landscaped areas, glass facings and a piazza blending it with the park surroundings.

Library Improvement Program

The City's 2000 Branch Library Improvement Program, funded by a \$105.9 million local bond, state grants, and private funding continued its project to renovate, expand or acquire 24 neighborhood libraries by 2010. In September 2004, work on the Glen Park Branch Library began in the multi-use building near the Glen Park Bart station (Glen Park Marketplace). The Glen Park Marketplace will house a library, residential housing, and a grocery all on the same site. Construction is expected to be complete by January 2006. Planning and design were also underway on an additional twelve other branch library renovations and new construction projects.

City Services

In early 2005, the Controller's Office conducted its tenth annual City Survey, measuring residents' satisfaction with local government and their opinions on the quality of public services over time. The survey results show that:

- San Franciscans feel safer walking alone in their neighborhoods this year than in any prior survey year. Half of survey respondents feel safe or very safe both day and night; another third feel safe in the daytime but not at night; and one in six feels less than safe at both times. Feelings of safety crossing the street have also improved.
- MUNI's approval ratings are down slightly in some areas, including the convenience of routes and timeliness and reliability. Muni's performance is still rated higher than it was in years 1997-2001.

- As in previous years, almost half of survey respondents, choose "fair" in assessing how well local government provides services overall.
- Residents of the southeast and Supervisorial District 6 feel less safe than those in the rest of the City. In many categories, southeast residents rate City services lower than other City residents, but overall as of July 2005, violent crimes in the City have dropped by 10% as compared to the prior year.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. This was the twenty-third consecutive year (fiscal years ended June 30, 1982 – 2004) that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

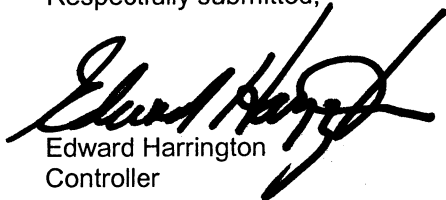
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the Award for Outstanding Financial Reporting, issued by the California Society of Municipal Finance Officers (CSMFO) for its CAFR for the fiscal year ended June 30, 2004. The award was issued in recognition of the City meeting the professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the report was prepared.

Acknowledgments

I would like to express my appreciation to the entire staff of the Controller's Office whose professionalism, dedication and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & Company LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their interest and support in planning and conducting the City's financial operations.

Respectfully submitted,



Edward Harrington
Controller



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of San Francisco

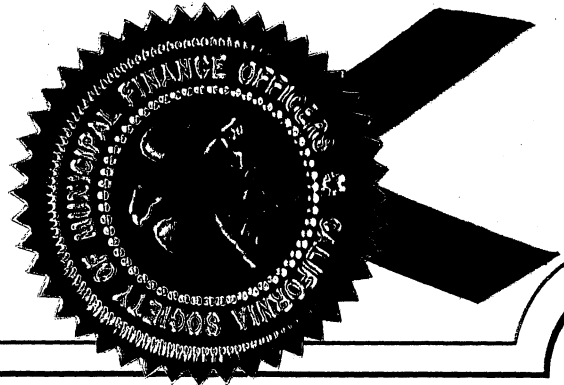
*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2005

William A. Standif

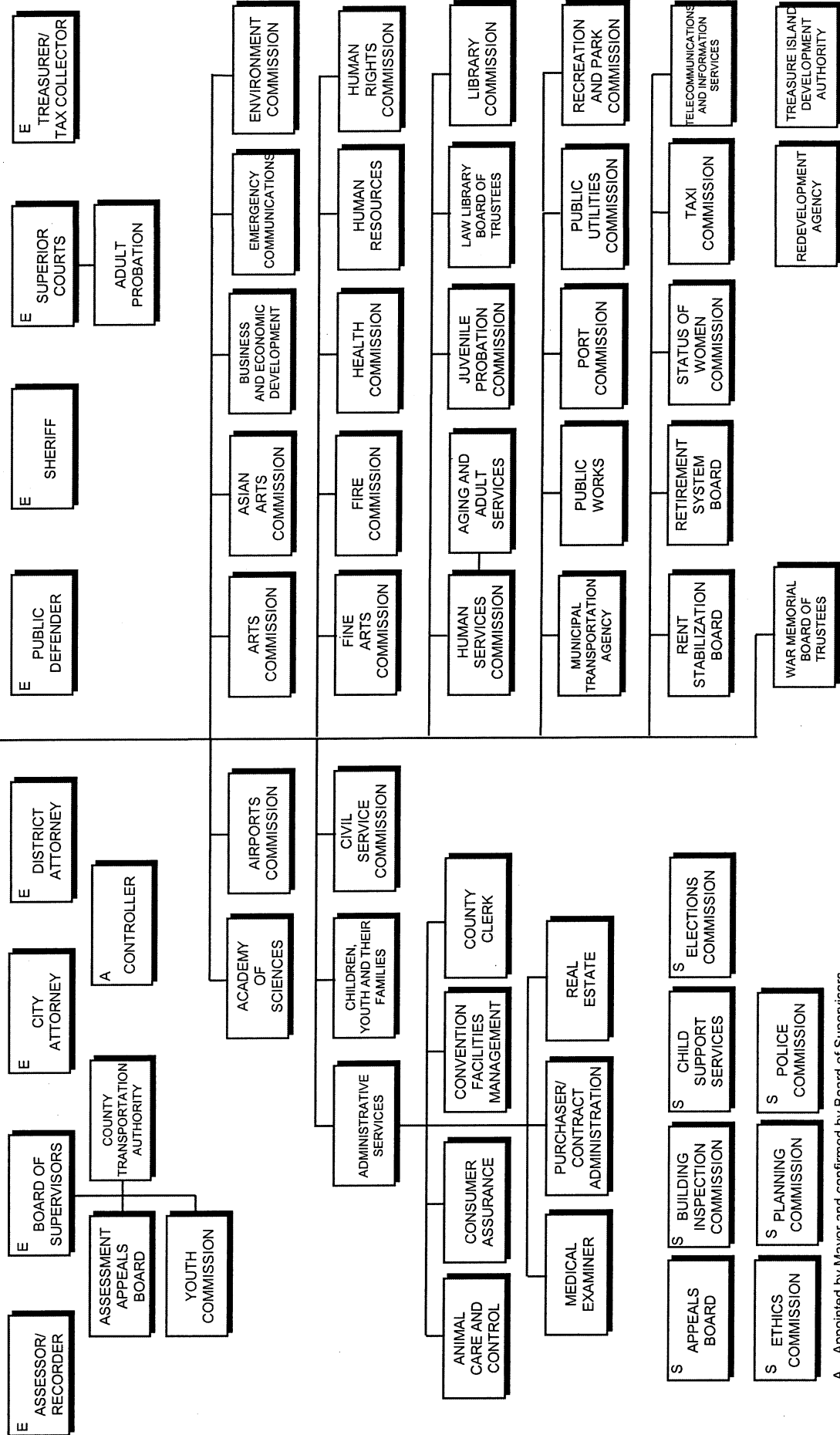
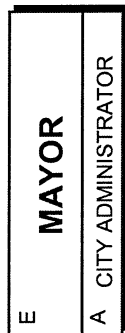
**Bill Thomas, Chair
Professional & Technical Standards Committee**

Dedicated to Excellence in Municipal Financial Management



City and County of San Francisco Organization Chart

(As of June 30, 2005)



A Appointed by Mayor and confirmed by Board of Supervisors
 E Elected
 S Shared - appointed by various elected officials

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials As of June 30, 2005

ELECTED OFFICIALS

Mayor	Gavin Newsom
Board of Supervisors:	
President	Aaron Peskin
Supervisor	Michela Alioto-Pier
Supervisor	Tom Ammiano
Supervisor	Chris Daly
Supervisor	Bevan Dufty
Supervisor	Sean Elsbernd
Supervisor	Fiona Ma
Supervisor	Sophie Maxwell
Supervisor	Jake McGoldrick
Supervisor	Ross Mirkarimi
Supervisor	Gerardo Sandoval
Assessor-Recorder	<i>Vacant</i>
City Attorney	Dennis J. Herrera
District Attorney	Kamala D. Harris
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Robert L. Dondero
Treasurer	José Cisneros

APPOINTED OFFICIALS

City Administrator	Edwin M. Lee
Controller	Edward Harrington

DEPARTMENT DIRECTORS/ADMINISTRATORS

Administrative Services	Darryl M. Burton
Animal Care and Control	Carl Friedman
Consumer Assurance	David Frieders
Convention Facilities Management	John Noguchi
County Clerk	Nancy Alfaro
Chief Medical Examiner	Amy P. Hart, M.D.
Purchaser – Office of Contract Administration	Naomi Little
Real Estate	Steve Legnitto
Academy of Sciences	J. Patrick Kociolek, Ph.D.
Adult Probation	Arturo Faro
Aging and Adult Services	Darrick Lam
Airports Commission	John L. Martin
Appeals Board	Robert H. Feldman

CITY AND COUNTY OF SAN FRANCISCO

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

Arts Commission	Richard Newirth
Asian Arts Commission	Emily J. Sano
Building Inspection Commission	Amy Lee (Acting)
Board of Supervisors	Gloria L. Young
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Business and Economic Development	Jesse Blout
Child Support Services.....	Karen M. Roye
Children, Youth and Their Families	Margaret Brodtkin
Civil Service Commission.....	Kate Favetti
Elections Commission.....	John Arntz
Emergency Communications	Christopher H. Cunnie
Ethics Commission	John St. Croix
Environment Commission	Jared Blumenfeld
Fine Arts Commission.....	Harry S. Parker III
Fire Commission.....	Joanne Hayes-White
Health Commission.....	Mitchell Katz, M.D.
Human Resources	Philip A. Ginsburg
Human Rights Commission	Virginia Harmon
Human Services Commission	Trent Rohrer
Juvenile Probation Commission	Bill Johnston
Law Library Board of Trustees	Marcia Bell
Library Commission	Luis Herrera
Municipal Transportation Agency	Michael Burns
Municipal Railway.....	Fred Stephens
Department of Parking and Traffic	Bond M. Yee (Acting)
Planning Commission	Dean Macris (Interim)
Police Commission	Heather Fong
Port Commission.....	Monique Moyer
Public Utilities Commission	Susan Leal
Public Works.....	Edwin M. Lee
Recreation and Park Commission	Yomi Agunbiade
Rent Stabilization Board.....	Delene Wolf (Acting)
Retirement System Board.....	Clare M. Murphy
Status of Women Commission.....	Emily Murase
Superior Court	Gordon Park-Li
Taxi Commission	Kelly Castagnaro (Acting)
Telecommunications and Information Services.....	Lewis Loeven
War Memorial Board of Trustees	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Marcia Rosen
Treasure Island Development Authority	Tony Hall



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Financial Section

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information



Photo by San Francisco Convention & Visitors Bureau





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2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

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925.274.3819 FAX

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
City and County of San Francisco

Independent Auditor's Report

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport, Water Department, Hetch Hetchy Water and Power, San Francisco Municipal Railway, the Parking Garage Corporations, Clean Water Program, Port of San Francisco, City of San Francisco Market Corporation, City and County of San Francisco Finance Corporation, Employees' Retirement System, Health Service System, and the San Francisco Redevelopment Agency, which collectively represent the following percentages of assets, net assets/fund balances and revenues as of and for the year ended June 30, 2005:

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues
Governmental activities	0.6%	15.2%	0.0%
Business-type activities	97.2%	96.9%	71.5%
Discretely presented component units	99.8%	96.5%	93.8%
Municipal Transportation Agency enterprise fund	96.4%	100.0%	89.3%
Aggregate remaining fund information	88.7%	92.4%	39.4%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors. The prior year partial and summarized comparative information has been derived from the City's 2004 basic financial statements and, in our report dated November 30, 2004, we expressed unqualified opinions, based on our audit and the reports of other auditors, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(q) to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3*.

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2004, from which such partial or summarized information was derived.

The management's discussion and analysis and schedules of funding progress listed in the accompanying table of contents 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 and the other auditors 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 and the other auditors 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 fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
December 29, 2005

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2003-2004 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2004-2005 basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$5.77 billion (net assets). Of this amount, approximately \$245.6 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 during fiscal year 2004-2005 by approximately \$148.8 million, a significant improvement over the 2003-2004 net asset increase of about \$8 million. This year's increase is due in part to improvements in property, business, and other local tax revenues, increases in grants and contribution revenues while governmental activities expenses increased less than one percent.
- Total revenues for governmental funds were approximately \$3.06 billion for the current fiscal year, an increase of approximately 6.8 percent over the prior fiscal year. Expenditures for governmental funds totaled \$2.79 billion, a 1.7 percent decrease over the same period. Overall, governmental funds revenues exceeded expenditures by approximately \$268.2 million in fiscal year 2004-2005, a significant improvement over last year's \$25.9 million.
- As of June 30, 2005, the City's governmental funds reported combined ending fund balances of \$1.07 billion. Approximately 16.5 percent of this total amount, \$176.1 million, is unreserved fund balance available for spending at the government's discretion within the purposes specified for the City's funds. This increase is about 83 percent more than 2004 unreserved fund balance of \$96.1 million. Improvements in property, business, and other local tax revenues as well as the expenditure reductions in community health, culture and recreation, and public works services were important factors in this year's increase.
- At the end of the fiscal year, the general fund unreserved fund balance was \$134.2 million, about two times more than the 2003-2004 amount of \$63.7 million and 6.9 percent of 2004-2005 general fund expenditures of \$1.94 billion. Significant contributing factors were the increases in property, business, local tax revenues, improvement in charges for services revenues and the less than one percent increase in general fund expenditures over 2003-2004.
- The City's total long-term debt, which includes all bonds, loans, and commercial paper, increased \$275 million, or approximately 3.9 percent, this fiscal year. This was primarily due to the City issuing general obligation bonds of \$230 million for the improvement of Laguna Honda Hospital, \$68.8 million for improvements to recreation and park facilities, and \$8.1 million for improvements to the Academy of Sciences. During the year, the Airport and the Port issued refunding bonds for \$311.6 million and \$19.9 million, respectively, and the City issued \$39.4 million to refund certificates of participation for the City courthouse building.
- The City's revenues from various local taxes including property, hotel, utility, parking and sales taxes were greater than budgeted in fiscal year 2004-2005, consistent with improvements in most sectors of the City's economy. Citywide, charges for services revenue also increased and included increases from water, power and sewer fees, MUNI passenger fares, net patient revenues at San Francisco General Hospital (SFGH), the City's acute care hospital, and rent and concession fees at the Port of San Francisco.

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 of 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 below.

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

CAFR	Introductory Section	INTRODUCTORY SECTION				
		+				
	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	STATISTICAL SECTION					

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 Statements	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 accounting and current financial resources 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	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
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 transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

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 San Francisco County Transportation Authority and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the 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 that 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 (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency, Laguna Honda Hospital, General Hospital Medical Center, and Clean Water Program (Clean Water), 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 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 Basic Financial Statements

The notes to the basic 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 and Schedules

The combining statements and schedules 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

Net Assets June 30, 2005 (in thousands)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets.....	\$ 1,942,426	\$ 1,445,923	\$ 1,757,114	\$ 1,823,724	\$ 3,699,540	\$ 3,269,647
Capital assets.....	<u>2,371,726</u>	<u>2,314,563</u>	<u>8,417,813</u>	<u>8,483,325</u>	<u>10,789,539</u>	<u>10,797,888</u>
Total assets.....	<u>4,314,152</u>	<u>3,760,486</u>	<u>10,174,927</u>	<u>10,307,049</u>	<u>14,489,079</u>	<u>14,067,535</u>
Liabilities:						
Long-term liabilities outstanding.....	2,017,494	1,820,415	5,319,853	5,426,655	7,337,347	7,247,070
Other liabilities.....	<u>795,576</u>	<u>633,330</u>	<u>587,595</u>	<u>567,417</u>	<u>1,383,171</u>	<u>1,200,747</u>
Total liabilities.....	<u>2,813,070</u>	<u>2,453,745</u>	<u>5,907,448</u>	<u>5,994,072</u>	<u>8,720,518</u>	<u>8,447,817</u>
Net assets:						
Invested in capital assets, net of related debt.....	1,159,696	1,096,834	3,391,450	3,416,154	4,551,146	4,512,988
Restricted.....	541,853	535,054	429,990	432,165	971,843	967,219
Unrestricted (deficit).....	<u>(200,467)</u>	<u>(325,147)</u>	<u>446,039</u>	<u>464,658</u>	<u>245,572</u>	<u>139,511</u>
Total net assets.....	<u>\$ 1,501,082</u>	<u>\$ 1,306,741</u>	<u>\$ 4,267,479</u>	<u>\$ 4,312,977</u>	<u>\$ 5,768,561</u>	<u>\$ 5,619,718</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 \$5.77 billion at the close of the fiscal year 2004-2005.

The largest portion of the City's net assets reflects its \$4.6 billion (78.9 percent) investment 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.

Another portion of the City's net assets, \$971.8 million (16.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance, unrestricted net assets, \$245.6 million (4.3 percent) may be used to meet the government's ongoing obligations to citizens and creditors. Together, these two categories of net assets totaled 21.1 percent, a slight increase from the prior year's total of 19.7 percent.

At the end of the fiscal year 2004-2005, the City had 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 \$200.5 million related in part to \$131.8 million in debt from general obligation bonds for the San Francisco Unified School District and San Francisco Community College District, which are recorded with no corresponding assets.

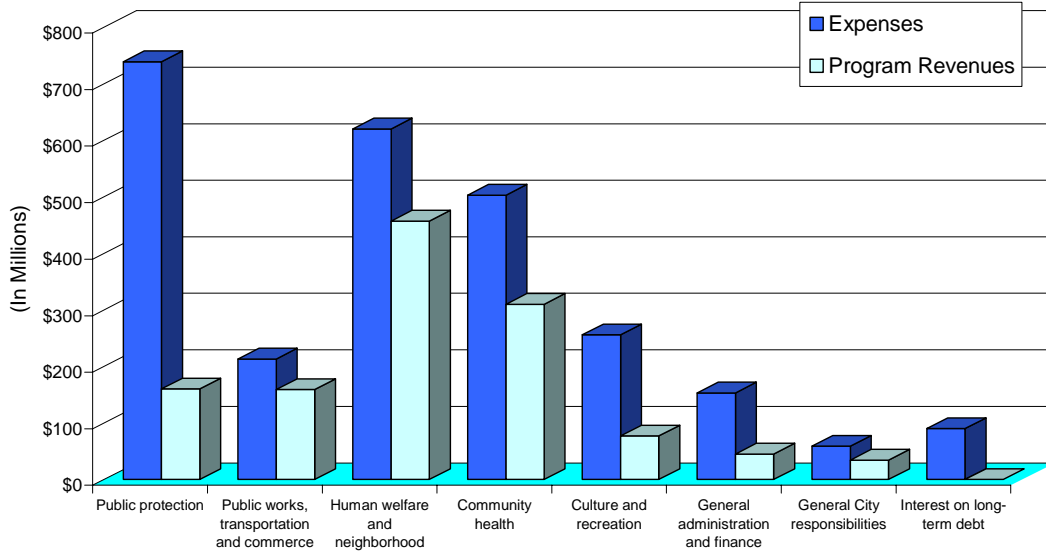
**Changes in Net Assets
June 30, 2005 (in thousands)**

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services.....	\$ 351,029	\$ 327,998	\$ 1,683,830	\$ 1,614,784	\$ 2,034,859	\$ 1,942,782
Operating grants and contributions.....	834,607	823,784	180,807	169,767	1,015,414	993,551
Capital grants and contributions.....	55,435	39,209	93,724	94,818	149,159	134,027
General revenues:						
Property taxes.....	920,314	723,786	-	-	920,314	723,786
Business taxes.....	292,763	264,832	-	-	292,763	264,832
Other local taxes.....	538,085	509,455	-	-	538,085	509,455
Interest and investment income.....	29,490	11,856	33,268	17,620	62,758	29,476
Other.....	47,153	170,163	237,102	237,692	284,255	407,855
Total revenues.....	<u>3,068,876</u>	<u>2,871,083</u>	<u>2,228,731</u>	<u>2,134,681</u>	<u>5,297,607</u>	<u>5,005,764</u>
Expenses						
Public protection.....	738,688	718,488	-	-	738,688	718,488
Public works, transportation and commerce.....	213,335	169,179	-	-	213,335	169,179
Human welfare and neighborhood development.....	619,753	651,102	-	-	619,753	651,102
Community health.....	503,259	517,066	-	-	503,259	517,066
Culture and recreation.....	256,336	232,187	-	-	256,336	232,187
General administration and finance.....	152,850	177,544	-	-	152,850	177,544
General City responsibilities.....	59,024	73,530	-	-	59,024	73,530
Unallocated Interest on long-term debt.....	89,690	86,131	-	-	89,690	86,131
Airport.....	-	-	628,445	618,301	628,445	618,301
Transportation.....	-	-	711,733	660,650	711,733	660,650
Port.....	-	-	54,897	61,185	54,897	61,185
Water.....	-	-	197,848	206,211	197,848	206,211
Power.....	-	-	116,683	121,629	116,683	121,629
Hospitals.....	-	-	598,160	562,188	598,160	562,188
Sewer.....	-	-	160,650	150,586	160,650	150,586
Market.....	-	-	1,055	949	1,055	949
Total expenses.....	<u>2,632,935</u>	<u>2,625,227</u>	<u>2,469,471</u>	<u>2,381,699</u>	<u>5,102,406</u>	<u>5,006,926</u>
Increase/(decrease) in net assets before special items and transfers.....	<u>435,941</u>	<u>245,856</u>	<u>(240,740)</u>	<u>(247,018)</u>	<u>195,201</u>	<u>(1,162)</u>
Special items.....	-	-	(46,358)	9,245	(46,358)	9,245
Transfers.....	<u>(241,600)</u>	<u>(251,937)</u>	<u>241,600</u>	<u>251,937</u>	<u>-</u>	<u>-</u>
Change in net assets.....	194,341	(6,081)	(45,498)	14,164	148,843	8,083
Net assets at beginning of year.....	1,306,741	1,312,822	4,312,977	4,298,813	5,619,718	5,611,635
Net assets at end of year.....	<u>\$ 1,501,082</u>	<u>\$ 1,306,741</u>	<u>\$ 4,267,479</u>	<u>\$ 4,312,977</u>	<u>\$ 5,768,561</u>	<u>\$ 5,619,718</u>

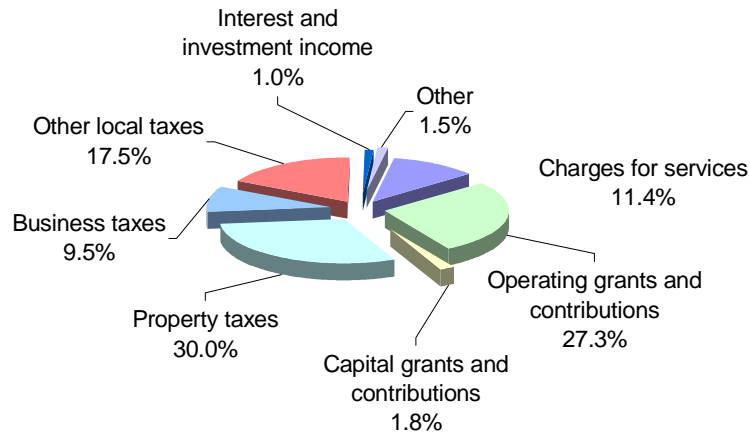
Analysis of Changes in Net Assets

The City's net assets overall increased by \$148.8 million during fiscal year 2004-2005, compared to an \$8.1 million increase last fiscal year. The governmental activities component of this change was a \$194.3 million increase, a significant improvement from the prior year's decrease of \$6.1 million. The City's business-type activities' decrease of \$45.5 million was largely due to the Airport's one time write off of approximately \$50 million capitalized costs associated with a runway development project due to asset impairment. A discussion of these changes is presented in the government and business-type activities below.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City's total net assets by \$194.3 million during fiscal year 2004-2005, compared to decreasing the City's total net assets by \$8.1 million during fiscal year 2003-2004. Key factors contributing to this year's change are as follows:

- Overall, governmental activities' revenues increased by approximately \$197.8 million while expenses increased by less than one percent or \$7.7 million, and net transfers decreased by \$10.3 million. The governmental activities achieved a total improvement of \$194.3 million in net assets in fiscal year 2004-2005 over fiscal year 2003-2004.
- Property tax revenue increased by \$196.5 million or 27.2 percent during this fiscal year. Approximately two-thirds of this improvement was due to the State shifting property tax revenue to local governments as part of a package, which also reduced local revenues from motor vehicle and sales taxes by a similar amount. The remainder of the increase in property

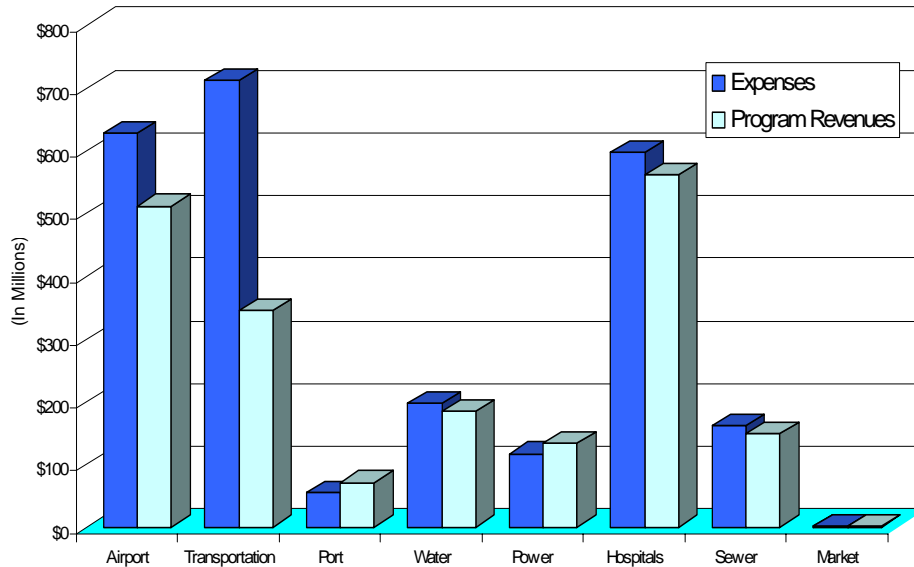
tax revenues was attributable to growth in assessed valuation and a slight improvement in assessment appeals activity.

- Revenues from business taxes increased in fiscal 2004-2005 by \$27.9 million, or 10.6 percent, due to a growth in wages with moderate employment growth. In addition, revenues from other local taxes, which includes hotel, parking and utility users tax, had a total growth of \$28.6 million, or 5.6 percent. This is consistent with stronger hotel occupancy rates and average daily room rates in the City, increases in parking rates and continued improvements in the City's economy. Fees and service charges also increased this year, improving approximately 7 percent to \$23 million.
- Interest and investment income improved by about \$17.6 million, or 148.7 percent, during the year primarily due to higher interest rates and average daily cash balances during the fiscal year. The earned yield on City pooled investments increased from 1.86 percent to 2.31 percent. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other short-term investments combined with the slightly higher interest rates from the Federal Reserve. At the fiscal year end, deposits and investments for governmental activities with the City Treasury were approximately \$1,238.3 million, a 69.7 percent increase over the previous year.
- Capital grants and contributions increased by \$16.2 million, or approximately 41.4 percent, largely due to increases in federal grants for human welfare and neighborhood development, community health, and public protection, which included homeland security funds.

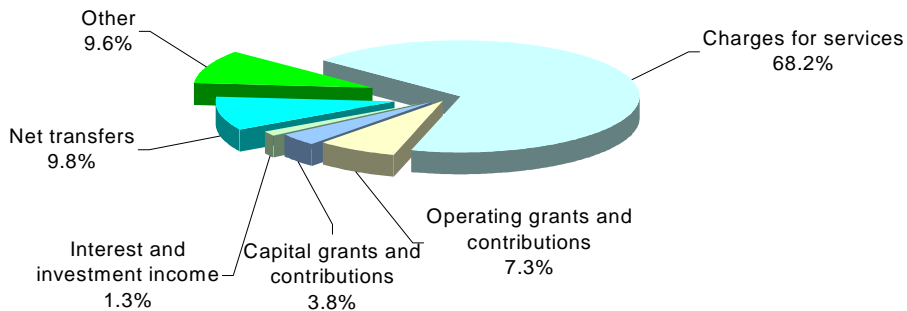
Net transfers to business-type activities were \$241.6 million in fiscal year 2004-2005, a \$10.3 million decrease from fiscal year 2003-2004. This was due in part to a \$25 million decrease to the MTA for transportation projects from non-major governmental funds, and an increase in net general fund support to the Laguna Honda Hospital of about \$14.9 million.

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 (28 percent), followed by human welfare and neighborhood development (23.5 percent), and community health (19 percent). General revenues such as property, business, and sales taxes are not shown by program, but are essentially used to support program activities citywide. For governmental activities overall, without regard to program, property taxes were the largest single source of funds (30.0 percent) in fiscal year 2004-2005, up from 25.2 percent in fiscal year 2003-2004, due in part to the State-wide property tax revenue allocation shift noted above. The ratios for other revenue categories were essentially the same for 2005 as they were for 2003-2004: operating grants and contributions (27.3 percent), other local taxes (17.5 percent), and charges for services (11.4 percent).

Expenses and Program Revenues - Business-type Activities



Revenues By Source - Business-type Activities



Business-type activities. Business-type activities decreased the City's net assets by \$45.5 million. This decrease was more than offset by the governmental-type activities increase of \$194.3 million, bringing the government-wide increase to \$148.8 million. Key factors of this contribution to this change are:

- The Municipal Transportation Agency (MTA) had net assets of \$1.75 billion at June 30, 2005. Of this, 98.4 percent, or \$1.72 billion, belong to the MUNI, the City's transportation department. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. Between the end of fiscal year 2003-2004 and 2004-2005, MUNI's net assets

increased by approximately \$20 million, primarily due to continued work on the Third Street Light Rail Line, a major expansion project for the MUNI funded by federal, state and local capital contributions. At the MTA level, this increase was essentially offset by a like amount for the one-time recognition of depreciation expenses for the Parking Garages. MUNI's total operation revenues of \$127.4 million were essentially the same for fiscal year 2004-2005 and non-operating revenues increased slightly to \$229.7 million from \$221.1 million, primarily due to increases in federal and state operating grants. The City's General Fund subsidy to the MTA for 2004-2005 was \$101.7 million to MUNI and \$36.1 million for DPT, slightly more than the fiscal 2003-2004 amounts of \$99.3 million and \$34.4 million, respectively.

- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, increased total net assets by \$22.5 million. This was largely due to a \$9.7 million increase in construction projects and a \$12.7 million decrease in total liabilities. Hetchy's total revenues were \$137.5 million this fiscal year, a \$2.0 million increase over fiscal year 2003-2004. This included \$10.4 million increase in settlement proceeds offset partially by a \$5.8 million decrease in State grants and a \$2.6 million decrease in revenue from enterprise customers due to a rate decrease. Operating expenses decreased to \$116.7 million in fiscal year 2004-2005, a drop of \$4.9 million from 2003-2004, due in part to a decrease in transmission costs.
- The Water Department's had \$8.4 million of operating income this year, compared to a \$19.1 million loss in fiscal year 2003-2004. This \$27.5 million improvement is primarily due to a \$17.2 million increase in water sales revenue in 2004-2005 and a decrease of about \$10 million in the write-off of capitalized costs. At the same time, the department's positive operating income was offset by non-operating expenses of \$14.8 million, largely net interest expense, resulting in a \$6.4 million decrease to net assets this year. The Water Department's net capital asset increase of approximately \$60.0 million was funded primarily through proceeds from \$55 million of commercial paper and other resources.
- San Francisco International Airport's net assets decreased in 2004-2005 by \$99 million to \$357.6 million, a 21.7 percent decline since the end of prior fiscal year. Slightly more than half of this, or \$50 million, was due to the recognition of an asset impairment expense associated with a runway development project. The Airport's operating expenses also increased by \$18.4 million, due to the increase in repairs and maintenance of the Airport's infrastructure and contracting expenses. Total aviation operating revenues decreased as well, by approximately \$22.2 million, due to a drop in aviation revenues attributable to a decrease in costs recovered from airline landing fees and terminal rentals. At the same time, income from rent, concessions, parking, and transportation revenues increased by \$10.1 million, primarily due to an increase in percentage rent and the elimination of the grace period in the parking garage. The transfer from the Airport to the City's General Fund was \$19.7 million, an 8 percent increase from 2003-2004.

As shown in the charts on the previous page, the two largest of San Francisco's business-type activities - the San Francisco International Airport and the Municipal Transportation Agency each had total expenses over \$600 million in fiscal year 2004-2005. The City's long-term and acute care hospitals together recorded expenses of over \$598 million. Together, these four enterprises make up almost 78.5 percent of the total expenses of the business-type activities. As in prior years, charges for services provide the largest share of revenues, 75.6 percent, for business-type activities.

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 statements 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 approximately \$1,068.3 million, an increase of \$350.7 million over the end of the prior year. The increase is due to a general increase in major revenues as reflected in the City's improving economy and a reduction in expenditures in fiscal year 2004-2005.

Approximately \$176.1 million of the total ending fund balance in the governmental funds constitutes unreserved fund balance. This is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder is reserved, an indication that it is not available for new spending because it has already been committed. These commitments include: (1) to support a general fund "rainy day" reserve (\$48.1 million), (2) to liquidate existing contracts and purchase orders (\$155.7 million), (3) to fund continued programs or projects in future fiscal periods (\$616.1 million), (3) to pay debt service (\$45.5 million), and (4) for a limited number of other purposes (\$26.7 million).

The general fund is the chief operating fund of the City and had an unreserved fund balance of \$134.2 million at the end of fiscal year 2004-2005, a \$70.5 million increase over the 2003-2004 unreserved fund balance of \$63.7 million. The general fund's total fund balance was \$307.7 at fiscal year end, a 46.2 percent improvement over the 2003-2004 comparable balance of \$210.4 million. This rise was mainly due to a general increase in major revenues including property, business, other local taxes and charges for services, along with only a slight increase in expenditures. Overall, the general fund's performance resulted in revenues in excess of expenditures for the fiscal year ended June 30, 2005 of \$272.1 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 2004-2005, the unreserved fund balance of \$134.2 million represents 6.9 percent of total general fund expenditures of \$1.94 billion, and the total fund balance represents approximately 15.8 percent of that amount. For 2003-2004, the general fund's unreserved fund balance of \$63.7 million was 3.3 percent of the total expenditures of \$1.93 billion, and the total fund balance represented approximately 10.9 percent of expenditures.

Proprietary funds

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

At the end of fiscal year 2004-2005, the unrestricted net assets for the San Francisco International Airport were \$288.9 million, the Water Department \$106 million, the Hetch Hetchy Water and Power \$103.4 million, the Clean Water Program \$44.1 million, the Port of San Francisco \$39.3 million, and the San Francisco Market Corporation \$2.2 million. Three proprietary funds had a deficit in unrestricted net assets: the Municipal Transportation Agency had a deficit of \$123.4 million, General

Hospital Medical Center \$2.5 million, and Laguna Honda Hospital \$12 million. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of \$5 million.

The total decline in net assets for the enterprise funds was \$45.5 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. As in the previous years, the Airport's decrease in net assets is partly related to its major capital assets being depreciated faster than the repayment of its bonded debt.

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	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions Special Items, and Others	Interfund Transfers	Change In Net Assets
Airport.....	\$ 477,314	\$ 418,993	\$ 58,321	\$ (127,121)	\$ (15,150)	\$ (15,066)	(99,016)
Water.....	184,835	176,453	8,382	(14,789)	-	-	(6,407)
Hetch Hetchy.....	132,303	116,683	15,620	5,220	-	1,628	22,468
Municipal Transportation Agency.....	187,913	707,049	(519,136)	248,702	45,330	220,378	(4,726)
General Hospital.....	377,069	441,999	(64,930)	79,446	-	(4,746)	9,770
Clean Water.....	148,888	139,290	9,598	(17,829)	-	246	(7,985)
Port.....	57,519	53,753	3,766	510	17,186	-	21,462
Laguna Honda Hospital.....	116,527	154,838	(38,311)	17,654	-	39,160	18,503
Market Corporation.....	1,462	1,055	407	26	-	-	433
Total.....	<u>\$ 1,683,830</u>	<u>\$ 2,210,113</u>	<u>\$ (526,283)</u>	<u>\$ 191,819</u>	<u>\$ 47,366</u>	<u>\$ 241,600</u>	<u>\$ (45,498)</u>

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 2004-2005, the net assets of the Retirement System and Health Service System totaled \$13.2 billion, representing an increase of \$1.23 billion in total net assets since June 30, 2004. This 10.3 percent increase is primarily due to a second year of improved performance of the Retirement Trust's investments. The Investment Trust Fund's net assets totaled \$320.5 million, an increase in net assets of \$115.4 million or 56.2 percent since June 30, 2004 due to the increase in addition over withdrawals and distributions to external participants of 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 2004-2005, the one significant supplemental appropriation was for \$6 million to the Human Services Agency for In-Home Supportive Services (IHSS), Medi-cal, and California Work Opportunity and Responsibility to Children (CalWORKS) programs. These programs are supported by federal grants that flow through the general fund.

During the year, actual revenues and other resources were \$68.5 million more than budgeted. While the City realized \$121.2 million more revenue than budgeted for property taxes, other local taxes, franchises, interest and investment income, this was offset by shortfalls in other areas. These shortfalls included \$18.9 million less in federal subvention revenues, \$11.1 million less in business taxes, fines and forfeitures, concession and charges for service revenues, and \$17.9 million less in transfers from the San Francisco General Hospital Fund for the City's participation in the State's cost-

sharing program among county hospitals. The City also received approximately \$11.6 million less than budgeted for motor vehicle license fees because the State reduced the allocation of this revenue to local government. In return, this decrease was offset by a similar increase in the property tax allocation.

Differences between the final budget and the actual (budgetary basis) resulted in a \$68.7 million decrease in total charges to appropriations. This is primarily due to the following factors:

- A decrease in expenditures by the Human Services Agency of approximately \$21.2 million related to reduced costs under programs such as IHSS, County Adult Assistance Programs (CAAP), Personal Assisted Employment Services (PAES), CalWORKS Aid and Operations, and various aid programs. These expense reductions are partly offset by decreases in the federal and state funds that the City is able to claim under these programs.
- A decrease in expenditures of approximately \$2.3 million in Fire Department, due to personnel, worker's compensation and work order savings.
- A decrease in expenditures of approximately \$5.6 million in Recreation and Park Department is mainly due to planned reductions by rotating closures of recreation centers one day a week and savings due to position vacancies.
- The General Fund was able to reduce its transfers to other funds by \$11.4 million from budget, primarily through improved revenue performance at San Francisco General Hospital.
- Budgetary reserves and designations of \$12.8 million for various programs and payments that 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 variance of \$ 137.2 million at the end of the fiscal year.

In creating its budget for the fiscal year ending June 30, 2006, the City used an estimated budgetary fund balance of \$118 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, 2005, decreased by \$8.4 million to \$10.8 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. The increase of \$57.2 million, or 2.5 percent, in capital assets for governmental activities was offset by a \$65.5 million decrease for business-type activities for 2004-2005. Details are shown in the table below.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land.....	\$ 143,640	\$ 143,640	\$ 193,781	\$ 193,781	\$ 337,421	\$ 337,421
Facilities and Improvement..	1,704,266	1,695,198	6,081,285	6,149,996	7,785,551	7,845,194
Machinery and equipment....	46,021	52,674	847,935	912,707	893,956	965,381
Infrastructure.....	185,223	176,838	485,043	494,671	670,266	671,509
Property held under lease....	536	536	2,667	2,248	3,203	2,784
Easements.....	-	-	85,534	89,153	85,534	89,153
Construction in progress.....	292,040	245,677	721,568	640,769	1,013,608	886,446
Total.....	<u>\$ 2,371,726</u>	<u>\$ 2,314,563</u>	<u>\$ 8,417,813</u>	<u>\$ 8,483,325</u>	<u>\$ 10,789,539</u>	<u>\$ 10,797,888</u>

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

- The Municipal Transportation Agency's (MTA) net capital assets increased by \$2.9 million this fiscal year. This was primarily due to ongoing construction work on the Third Street Light Rail project, a major expansion of the MUNI Metro system in the City's southeast neighborhoods.
- The Water Department's net capital assets increased by \$60 million. This included improvements at the Lombard Reservoir Seismic Upgrade, Sunset Pipeline, East Bay Fluoride, Third Street Light Rail and Alemany Water Main totaling approximately \$35 million, and an increase in structure, buildings, and equipment totaling approximately \$24 million.
- Hetch Hetchy Water and Power increased net capital assets by \$6.7 million. This included the capital additions for O'Shaughnessy Dam discharge modifications, Early Intake Fire Emergency improvement, Holm Powerhouse Generator rehabilitation, and Priest Reservoir By-Pass improvements, totaling \$15.8 million.
- The Airport reported a decrease in net capital assets of \$140.9 million or 3.6 percent for fiscal year 2004-2005 due largely to the net effect of depreciation against completed projects of the Near Term Master Plan for SFO in recent years. This plan includes the new International Terminal (completed in 2001), the Bay Area Rapid Transit (BART) Station at SFO and Air Train people mover (completed in 2003) and new parking facilities, roadways, runway improvements, and other Airport facilities. In addition, as noted above, approximately \$50 million capitalized costs of a runway development project were expensed due to asset impairment.
- Under governmental activities, net capital assets increased by \$57.2 million. This included construction in progress of Harding Park Club House, the North Beach Recreation Center and

pool, Page Street Community Garden, Excelsior Branch Library renovation, and various street improvement and traffic signal upgrades.

At the end of the year, the City's business type activities had approximately \$196 million in commitments for various capital projects. Of this, MTA had approximately \$50 million, Water Department had \$73 million, Hetch Hetchy had \$16 million, Clean Water had \$40 million, and the Airport had \$17 million. In addition, there was approximately \$41 million reserved for encumbrances in capital project funds for the general government.

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 net infrastructure assets were recorded in fiscal year 2000-2001 - the first year of presentation in the GASB 34 format, because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, 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 debt outstanding of \$7.3 billion. Of this amount, \$1.1 billion is general obligation bonds backed by the full faith and credit of the City and \$6.2 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial papers and capital leases increased by \$275 million during fiscal year 2004-2005, primarily due to issuance of bonded debt in the governmental activities.

The City also took advantage of favorable interest rates to reduce debt payments by issuing \$371 million in refunding bonds. Of this amount, the Airport issued \$311.6 million and the Port Commission \$19.9 million in refunding revenue bonds; the City issued the remaining \$39.4 million to refund certificates of participation. The City also issued \$68.8 million and \$8.1 million in general obligation bonds for improvements to the City's recreation and park facilities and the Academy of Sciences respectively. In addition, the City issued \$230 million in general obligation bonds for the improvement of Laguna Honda Hospital.

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 \$106.5 billion in value (net of unreimbursable exemptions) as of the close of the fiscal year. As of June 30, 2005, the City had \$1.1 billion in authorized, outstanding property tax-supported general obligation bonds, which is equal to approximately 0.98 percent of gross (1.02 percent of net) taxable assessed value of property. As of June 30, 2005, there were an additional \$565.2 million in bonds that were authorized but un-issued. If all of these bonds were issued and outstanding in full, the total debt burden would be approximately 1.49 percent of gross (1.55 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2005 were:

Moody's Investors Service, Inc.	Aa3
Standard and Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service and Standard and Poor's affirmed their ratings and revised the outlook to stable from negative reflecting the City's continued economic recovery and efforts to improve finances. In addition, Fitch Ratings affirmed its ratings and outlook on the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. The Airport's underlying debt ratings were upheld by Moody's Investors Service, Standard & Poor's, and Fitch Ratings at A1, A, and A, respectively, with a stable rating outlook. At fiscal year end 2004-2005, the San Francisco Water Department carried underlying ratings of A1 and A+ from Moody's Investor Service and Standard and Poor's respectively.

Since the close of the 2004-2005 fiscal year, the City has issued additional debt of \$150.1 million in general obligation bonds for improvements to the California Academy of Sciences, the Steinhart Aquarium, the Branch Library facilities and the Zoo facilities. In addition, general obligation bonds for \$69 million were issued for the improvement of Laguna Honda Hospital.

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

- San Francisco faced a projected General Fund shortfall of \$102.2 million at the beginning of its fiscal 2005-2006 annual budget process. The shortfall was significantly lower than previous years as the economy had begun to recover, resulting in increasing revenues, and expenditure growth had been further controlled. Most San Francisco public employees' unions agreed in labor contracts to continue to contribute up to 7.5 percent of salary to fund the employee-share cost of pension benefits, helping to constrain expenditure growth. Further, the improving revenues and savings strategies implemented by the City resulted in additional available fund balance at the end of fiscal year. The City was able to appropriate \$120.5 million in estimated available fund balance and reserves in the General Fund budget for fiscal year 2005-2006. The general improvement in revenues as well as the use of one-time sources, including the use of fund balance, prior year reserves and the State's early repayment of the vehicle license fee gap loan, meant that the City was able to avoid making even further reductions in public safety, health and human services, and many other critical programs in the 2005-2006 budget year.
- As noted in our transmittal letter, San Francisco's unemployment rate has gradually improved over the last two years, dropping to 5.2 percent in June 2005 from 6.1 percent in June 2004 after a peak of 7.7 percent in June 2003. While the unemployment rate has decreased, this is generally attributed to two factors: 1) that unemployed workers have moved to less expensive areas to live, or 2) that they are no longer included in the California Economic Development Department's count because they are not actively seeking new employment. Employers have been slow to expand their employee ranks given the lagging recovery in our region; however, the reduced unemployment rate is one sign that some improvements are emerging. Additionally, the San Francisco metro area experienced year-over-year jobs growth of 0.8 percent (7,300 jobs) from June 2004 through June 2005. On a related note, as of the third quarter of 2005, San Francisco saw 9 consecutive quarters of net positive absorption (i.e. declining office vacancy rates) in our commercial office sector. This reflects significant improvement from the second quarter of 2003 peak in office vacancy rates.
- During the fiscal 2005-2006 budget cycle, the City's budget continued to reflect the State's negotiated, two-year agreement with local governments to close the State's budgetary shortfall, in part, by shifting an additional \$25.2 million in property taxes (ERAF III) to fund the State's public education obligation. On-going shifts related to the State's permanent rollback of vehicle license

fees and the State's issuance of Economic Recovery Bonds backed by local sales taxes were budgeted along with an offsetting backfill in property taxes. City management continues to closely monitor all State funding.

- A gradual economic recovery is continuing as noted in improving local tax revenue growth, including property, real property transfer, business, hotel room, sales, and parking taxes. After a three-plus year downturn, these signs are encouraging news. Jobs growth is positive, though still weaker than we would like to see at this point in the recovery, as employers have been cautious in their hiring.
- While the above factors were considered in preparing the City's budget for fiscal year 2005-2006, voters rejected the proposed $\frac{1}{4}$ percent increase to sales tax (Proposition J) and the temporary (four-year) 0.1 percent gross receipts tax (Proposition K) in November 2004. Immediately following the election, the Mayor's Office implemented an 18-month savings plan to cover the resulting 18-month shortfall. This savings plan, in part, helped to further improve the fund balance, which ended fiscal year 2004-2005 with an \$19 million surplus over and above the \$118 million assumed in the City's adopted fiscal year 2005-2006 budget.

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
1 Dr. Carlton B. Goodlett Place, Room 316
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
Director of Accounting Financial Services
1155 Market Street, 5th Floor
San Francisco, CA 94103

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

Municipal Transportation Agency
MTA 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
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees'
Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statement

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

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
100 Van Ness Avenue, 25th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
Mayor's Office of Public Finance
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, 2005

(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS					
Current assets:					
Deposits and investments with City Treasury.....	\$ 1,238,350	\$ 651,311	\$ 1,889,661	\$ -	\$ 1,516
Deposits and investments outside City Treasury.....	62,157	8,017	70,174	157,675	-
Receivables (net of allowance for uncollectible amounts of \$51,982 for the primary government):					
Property taxes and penalties.....	33,031	-	33,031	-	-
Other local taxes.....	161,532	-	161,532	-	-
Federal and state grants and subventions.....	150,971	52,907	203,878	-	-
Charges for services.....	14,248	148,463	162,711	-	-
Interest and other.....	8,589	42,255	50,844	5,615	9
Loans receivable.....	-	130	130	163	-
Capital lease receivable from primary government.....	-	-	-	14,476	-
Due from component unit.....	537	-	537	-	-
Inventories.....	-	52,874	52,874	-	-
Deferred charges and other assets.....	9,333	3,644	12,977	-	-
Restricted assets:					
Deposits and investments with City Treasury.....	-	45,285	45,285	-	-
Deposits and investments outside City Treasury.....	-	51,750	51,750	60,704	186
Grants and other receivables.....	-	1,115	1,115	985	-
Total current assets.....	1,678,748	1,057,751	2,736,499	239,618	1,711
Noncurrent assets:					
Loans (net of allowance for uncollectible amounts of \$165,273 and \$144,983 for the primary government and component units, respectively) receivable.....	242,902	587	243,489	9,047	-
Advance to component unit.....	2,838	-	2,838	-	-
Capital lease receivable from primary government.....	-	-	-	183,751	-
Deferred charges and other assets.....	17,938	65,054	82,992	9,120	-
Restricted assets:					
Deposits and investments with City Treasury.....	-	383,439	383,439	-	-
Deposits and investments outside City Treasury.....	-	216,687	216,687	30,199	-
Grants and other receivables.....	-	33,596	33,596	-	-
Property held for resale.....	-	-	-	13,634	-
Capital assets:					
Land and other assets not being depreciated.....	435,680	915,349	1,351,029	127,260	-
Facilities, infrastructure, and equipment, net of depreciation.....	1,936,046	7,502,464	9,438,510	139,627	-
Total capital assets.....	2,371,726	8,417,813	10,789,539	266,887	-
Total noncurrent assets.....	2,635,404	9,117,176	11,752,580	512,638	-
Total assets.....	\$ 4,314,152	\$ 10,174,927	\$14,489,079	\$ 752,256	\$ 1,711

(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, 2005

(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.....	\$ 143,096	\$ 123,029	\$ 266,125	\$ 7,598	\$ 3,727
Accrued payroll.....	49,926	40,412	90,338	352	-
Accrued vacation and sick leave pay.....	63,098	41,624	104,722	1,092	-
Accrued workers' compensation.....	44,624	38,005	82,629	-	-
Estimated claims payable.....	37,487	22,503	59,990	-	-
Bonds, loans, capital leases, and other payables.....	249,815	185,612	435,427	28,581	-
Capital lease payable to component unit.....	14,476	-	14,476	-	-
Accrued interest payable.....	7,599	11,631	19,230	17,448	-
Unearned grant and subvention revenues.....	3,571	-	3,571	-	-
Due to primary government.....	-	-	-	537	-
Internal balances.....	36,498	(36,498)	-	-	-
Deferred credits and other liabilities.....	145,386	84,043	229,429	887	-
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables.....	-	16,578	16,578	-	-
Accrued interest payable.....	-	32,240	32,240	-	-
Other.....	-	28,416	28,416	-	186
Total current liabilities.....	<u>795,576</u>	<u>587,595</u>	<u>1,383,171</u>	<u>56,495</u>	<u>3,727</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	61,939	33,694	95,633	1,609	-
Accrued workers' compensation.....	170,181	138,618	308,799	-	-
Estimated claims payable.....	46,050	46,215	92,265	-	-
Bonds, loans, capital leases, and other payables.....	1,555,573	5,061,917	6,617,490	670,389	-
Advance from primary government.....	-	-	-	2,838	-
Capital lease payable to component unit.....	183,751	-	183,751	-	-
Accrued interest payable.....	-	-	-	75,597	-
Deferred credits and other liabilities.....	-	39,409	39,409	6,339	-
Total noncurrent liabilities.....	<u>2,017,494</u>	<u>5,319,853</u>	<u>7,337,347</u>	<u>756,772</u>	<u>-</u>
Total liabilities.....	<u>2,813,070</u>	<u>5,907,448</u>	<u>8,720,518</u>	<u>813,267</u>	<u>3,913</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	1,159,696	3,391,450	4,551,146	67,426	-
Restricted for:					
Reserve for rainy day.....	48,139	-	48,139	-	-
Debt service.....	46,575	202,006	248,581	47,067	-
Capital projects.....	25,101	161,231	186,332	-	-
Community development.....	208,532	-	208,532	-	-
Transportation Authority activities.....	75,282	-	75,282	-	-
Other purposes.....	138,224	66,753	204,977	13,634	-
Unrestricted (deficit).....	<u>(200,467)</u>	<u>446,039</u>	<u>245,572</u>	<u>(189,138)</u>	<u>(2,202)</u>
Total net assets (deficit).....	<u>\$ 1,501,082</u>	<u>\$ 4,267,479</u>	<u>\$ 5,768,561</u>	<u>\$ (61,011)</u>	<u>\$ (2,202)</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, 2005**

(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.....	\$ 738,688	\$ 54,805	\$ 105,522	\$ -	\$ (578,361)	\$ -	\$ (578,361)	\$ -	\$ -
Public works, transportation and commerce.....	213,335	95,081	17,415	46,032	(54,807)	-	(54,807)	-	-
Human welfare and neighborhood development...	619,753	21,375	435,176	-	(163,202)	-	(163,202)	-	-
Community health.....	503,259	44,850	264,833	-	(193,576)	-	(193,576)	-	-
Culture and recreation.....	256,336	64,614	3,390	9,403	(178,929)	-	(178,929)	-	-
General administration and finance.....	152,850	41,348	3,186	-	(108,316)	-	(108,316)	-	-
General City responsibilities....	59,024	28,956	5,085	-	(24,983)	-	(24,983)	-	-
Unallocated Interest on long-term debt.....	89,690	-	-	-	(89,690)	-	(89,690)	-	-
Total governmental activities.....	<u>2,632,935</u>	<u>351,029</u>	<u>834,607</u>	<u>55,435</u>	<u>(1,391,864)</u>	<u>-</u>	<u>(1,391,864)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Airport.....	628,445	477,314	-	34,893	-	(116,238)	(116,238)	-	-
Transportation.....	711,733	187,913	111,603	45,330	-	(366,887)	(366,887)	-	-
Port.....	54,897	57,519	-	13,501	-	16,123	16,123	-	-
Water.....	197,848	184,835	112	-	-	(12,901)	(12,901)	-	-
Power.....	116,683	132,303	334	-	-	15,954	15,954	-	-
Hospitals.....	598,160	493,596	68,758	-	-	(35,806)	(35,806)	-	-
Sewer.....	160,650	148,888	-	-	-	(11,762)	(11,762)	-	-
Market.....	1,055	1,462	-	-	-	407	407	-	-
Total business-type activities.....	<u>2,469,471</u>	<u>1,683,830</u>	<u>180,807</u>	<u>93,724</u>	<u>-</u>	<u>(511,110)</u>	<u>(511,110)</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 5,102,406</u>	<u>\$ 2,034,859</u>	<u>\$ 1,015,414</u>	<u>\$ 149,159</u>	<u>(1,391,864)</u>	<u>(511,110)</u>	<u>(1,902,974)</u>	<u>-</u>	<u>-</u>
Component units:									
San Francisco Redevelopment Agency.....	\$ 141,389	\$ 41,978	\$ 14,364	\$ -	-	-	-	(85,047)	-
Treasure Island Development Authority.....	12,980	8,783	-	-	-	-	-	-	(4,197)
Total component units.....	<u>\$ 154,369</u>	<u>\$ 50,761</u>	<u>\$ 14,364</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,047)</u>	<u>(4,197)</u>
General Revenues:									
Taxes:									
Property taxes.....	-	-	-	-	920,314	-	920,314	53,302	-
Business taxes.....	-	-	-	-	292,763	-	292,763	-	-
Other local taxes.....	-	-	-	-	538,085	-	538,085	5,620	-
Interest and investment income.....	-	-	-	-	29,490	33,268	62,758	10,760	-
Other.....	-	-	-	-	47,153	237,102	284,255	6,568	-
Special item.....	-	-	-	-	-	(46,358)	(46,358)	-	-
Transfers - internal activities of primary government.....	-	-	-	-	(241,600)	241,600	-	-	-
Total general revenues, special item, and transfers....	-	-	-	-	<u>1,586,205</u>	<u>465,612</u>	<u>2,051,817</u>	<u>76,250</u>	<u>-</u>
Change in net assets.....	-	-	-	-	194,341	(45,498)	148,843	(8,797)	(4,197)
Net assets (deficit) - beginning.....	-	-	-	-	<u>1,306,741</u>	<u>4,312,977</u>	<u>5,619,718</u>	<u>(52,214)</u>	<u>1,995</u>
Net assets (deficit) - ending.....	-	-	-	-	<u>\$ 1,501,082</u>	<u>\$ 4,267,479</u>	<u>\$ 5,768,561</u>	<u>\$ (61,011)</u>	<u>\$ (2,202)</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, 2005

(with comparative financial information as of June 30, 2004)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2005	2004	2005	2004	2005	2004
ASSETS						
Deposits and investments with City Treasury.....	\$ 314,607	\$ 158,248	\$ 915,547	\$ 564,795	\$ 1,230,154	\$ 723,043
Deposits and investments outside City Treasury.....	355	361	45,745	74,065	46,100	74,426
Receivables:						
Property taxes and penalties.....	26,141	28,020	6,890	6,575	33,031	34,595
Other local taxes.....	148,744	150,856	12,788	12,161	161,532	163,017
Federal and state grants and subventions.....	61,412	63,002	89,559	98,840	150,971	161,842
Charges for services.....	7,416	7,568	6,832	6,163	14,248	13,731
Interest and other.....	4,406	2,230	3,726	1,917	8,132	4,147
Due from other funds.....	29,743	52,917	12,303	5,384	42,046	58,301
Due from component unit.....	2,416	849	959	-	3,375	849
Loans receivable (net of allowance for uncollectible amount of \$165,336 in 2005; \$173,367 in 2004).....	1,174	1,221	241,728	213,429	242,902	214,650
Deferred charges and other assets.....	6,797	6,598	1,570	1,625	8,367	8,223
Total assets.....	<u>\$ 603,211</u>	<u>\$ 471,870</u>	<u>\$ 1,337,647</u>	<u>\$ 984,954</u>	<u>\$ 1,940,858</u>	<u>\$ 1,456,824</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 82,524	\$ 83,934	\$ 53,335	\$ 58,894	\$ 135,859	\$ 142,828
Accrued payroll.....	39,729	34,278	8,812	7,068	48,541	41,346
Deferred tax, grant and subvention revenues.....	26,880	30,151	19,371	31,620	46,251	61,771
Due to other funds.....	1,857	892	77,614	88,969	79,471	89,861
Agency obligations.....	-	-	40	138	40	138
Deferred credits and other liabilities.....	144,541	112,180	267,899	241,126	412,440	353,306
Bonds, loans, capital leases, and other payables.....	-	-	150,000	50,000	150,000	50,000
Total liabilities.....	<u>295,531</u>	<u>261,435</u>	<u>577,071</u>	<u>477,815</u>	<u>872,602</u>	<u>739,250</u>
Fund balances:						
Reserved for rainy day.....	48,139	55,139	-	-	48,139	55,139
Reserved for assets not available for appropriation....	9,031	7,142	17,683	17,443	26,714	24,585
Reserved for debt service.....	-	-	45,540	18,800	45,540	18,800
Reserved for encumbrances.....	57,762	42,501	97,920	142,784	155,682	185,285
Reserved for appropriation carryforward.....	36,198	35,754	549,571	287,690	585,769	323,444
Reserved for subsequent years' budgets.....	22,351	6,242	8,004	8,005	30,355	14,247
Unreserved (deficit), reported in:						
General fund.....	134,199	63,657	-	-	134,199	63,657
Special revenue funds.....	-	-	30,809	19,043	30,809	19,043
Capital project funds.....	-	-	7,193	10,048	7,193	10,048
Permanent fund.....	-	-	3,856	3,326	3,856	3,326
Total fund balances.....	<u>307,680</u>	<u>210,435</u>	<u>760,576</u>	<u>507,139</u>	<u>1,068,256</u>	<u>717,574</u>
Total liabilities and fund balances.....	<u>\$ 603,211</u>	<u>\$ 471,870</u>	<u>\$ 1,337,647</u>	<u>\$ 984,954</u>	<u>\$ 1,940,858</u>	<u>\$ 1,456,824</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, 2005

(In Thousands)

Fund balances - total governmental funds	\$ 1,068,256
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.	2,367,571
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	13,200
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,040,886)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(6,517)
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 are offset by deferred revenue in the funds.	311,076
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>(211,618)</u>
Net assets of governmental activities	<u>\$ 1,501,082</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, 2005
(with comparative financial information as of June 30, 2004)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2005	2004	2005	2004	2005	2004
Revenues:						
Property taxes.....	\$ 705,949	\$ 547,819	\$ 212,696	\$ 173,618	\$ 918,645	\$ 721,437
Business taxes.....	292,172	264,351	591	481	292,763	264,832
Other local taxes.....	428,244	403,549	109,841	105,906	538,085	509,455
Licenses, permits and franchises.....	19,427	17,501	6,515	6,287	25,942	23,788
Fines, forfeitures and penalties.....	9,536	22,158	2,973	3,025	12,509	25,183
Interest and investment income.....	8,374	3,222	19,894	8,408	28,268	11,630
Rents and concessions.....	20,468	17,497	28,982	26,528	49,450	44,025
Intergovernmental:						
Federal.....	165,739	163,047	183,025	181,108	348,764	344,155
State.....	438,697	497,196	84,240	133,757	522,937	630,953
Other.....	99	-	25,684	18,259	25,783	18,259
Charges for services.....	115,812	95,951	125,938	121,696	241,750	217,647
Other.....	12,277	29,564	45,210	27,580	57,487	57,144
Total revenues.....	<u>2,216,794</u>	<u>2,061,855</u>	<u>845,589</u>	<u>806,653</u>	<u>3,062,383</u>	<u>2,868,508</u>
Expenditures:						
Current:						
Public protection.....	697,450	670,729	41,044	26,937	738,494	697,666
Public works, transportation and commerce.....	60,628	58,711	135,268	106,844	195,896	165,555
Human welfare and neighborhood development.....	503,874	488,853	141,025	173,947	644,899	662,800
Community health.....	413,110	413,725	87,940	99,189	501,050	512,914
Culture and recreation.....	87,023	92,978	151,999	180,185	239,022	273,163
General administration and finance.....	120,400	128,135	14,718	19,860	135,118	147,995
General City responsibilities.....	62,185	74,257	614	366	62,799	74,623
Debt service:						
Principal retirement.....	-	-	80,306	78,831	80,306	78,831
Interest and fiscal charges.....	-	-	61,524	61,886	61,524	61,886
Bond issuance costs.....	-	374	4,842	976	4,842	1,350
Capital outlay.....	-	-	130,224	165,872	130,224	165,872
Total expenditures.....	<u>1,944,670</u>	<u>1,927,762</u>	<u>849,504</u>	<u>914,893</u>	<u>2,794,174</u>	<u>2,842,655</u>
Excess (deficiency) of revenues over expenditures.....	<u>272,124</u>	<u>134,093</u>	<u>(3,915)</u>	<u>(108,240)</u>	<u>268,209</u>	<u>25,853</u>
Other financing sources (uses):						
Transfers in.....	152,288	121,491	119,265	98,123	271,553	219,614
Transfers out.....	(330,230)	(277,464)	(183,193)	(194,342)	(513,423)	(471,806)
Issuance of bonds and loans						
Face value of bonds issued.....	-	29,480	346,225	87,165	346,225	116,645
Face value of loans issued.....	-	-	500	2,156	500	2,156
Premium on issuance of bonds.....	-	358	11,989	1,053	11,989	1,411
Payment to refunded bond escrow agent.....	-	-	(38,913)	(65,802)	(38,913)	(65,802)
Other financing sources-capital leases.....	3,063	6,165	1,479	-	4,542	6,165
Total other financing sources (uses).....	<u>(174,879)</u>	<u>(119,970)</u>	<u>257,352</u>	<u>(71,647)</u>	<u>82,473</u>	<u>(191,617)</u>
Net change in fund balances.....	<u>97,245</u>	<u>14,123</u>	<u>253,437</u>	<u>(179,887)</u>	<u>350,682</u>	<u>(165,764)</u>
Fund balances at beginning of year.....	210,435	196,312	507,139	687,026	717,574	883,338
Fund balances at end of year.....	<u>\$ 307,680</u>	<u>\$ 210,435</u>	<u>\$ 760,576</u>	<u>\$ 507,139</u>	<u>\$ 1,068,256</u>	<u>\$ 717,574</u>

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, 2005
(In Thousands)

Net change in fund balances - total governmental funds	\$ 350,682
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.	55,963
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 increase 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 financial resources.	(1,553)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,669
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	4,573
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. Governmental funds also defer recognition of revenues that do not provide current financial resources.	14,278
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. This is the principal amount of property rent payments expended in the governmental funds in the current period.	17,689
Bond issue costs are reported 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 issue costs exceed amortization expense in the current period.	4,290
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(227,506)
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 capitalized during the current period.	(11,989)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses; and change in the accrual of arbitrage liabilities.	(21,643)
The net revenues of certain activities of internal service funds is reported with governmental activities.	<u>7,888</u>
Changes in net assets of governmental activities	<u>\$ 194,341</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, 2005
(In Thousands)

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Budgetary fund balance, July 1	\$ 62,830	\$ 222,611	\$ 222,611	\$ -
Resources (inflows):				
Property taxes.....	645,495	645,495	710,486	64,991
Business taxes.....	295,230	295,230	292,171	(3,059)
Other local taxes:				
Sales tax.....	90,930	90,930	94,689	3,759
Hotel room tax.....	94,422	94,421	108,913	14,492
Utility users tax.....	66,290	66,290	72,574	6,284
Parking tax.....	32,130	32,074	33,090	1,016
Other local taxes.....	97,674	97,674	118,978	21,304
Licenses, permits, and franchises:				
Licenses and permits.....	5,839	5,839	6,637	798
Franchise tax.....	10,293	10,293	12,790	2,497
Fines, forfeitures, and penalties.....	12,111	12,196	9,536	(2,660)
Interest and investment income.....	6,300	6,490	12,590	6,100
Rents and concessions:				
Garages - Recreation and Park.....	7,786	7,831	8,061	230
Rents and concessions - Recreation and Park.....	12,590	12,590	10,938	(1,652)
Other rents and concessions.....	1,482	1,481	1,469	(12)
Intergovernmental:				
Federal subventions:				
Health and social service subventions.....	172,399	180,994	165,004	(15,990)
Other grants and subventions.....	3,656	3,736	735	(3,001)
State subventions:				
Social service subventions.....	92,899	83,230	92,592	9,362
Health and welfare realignment.....	99,553	103,346	102,547	(799)
Health/mental health subventions.....	145,089	144,864	156,090	11,226
Public safety sales tax.....	62,870	62,870	65,671	2,801
Motor vehicle in-lieu - county.....	15,240	15,240	3,675	(11,565)
Other grants & subventions.....	18,465	18,541	17,819	(722)
Other.....	-	149	83	(66)
Charges for services:				
General government service charges.....	41,281	41,196	40,143	(1,053)
Public safety service charges.....	17,632	17,632	17,841	209
Recreation charges - Recreation and Park.....	8,389	8,389	6,254	(2,135)
MediCal, Medicare and health service charges.....	52,490	52,420	51,885	(535)
Other financing sources:				
Transfers from other funds.....	155,643	161,840	143,907	(17,933)
Proceeds from issuance of bonds and loans.....	597	596	-	(596)
Other resources (inflows).....	<u>28,952</u>	<u>29,061</u>	<u>14,276</u>	<u>(14,785)</u>
Total amounts available for appropriation.....	<u>\$ 2,356,557</u>	<u>\$ 2,525,549</u>	<u>\$ 2,594,055</u>	<u>\$ 68,506</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, 2005
(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.....	\$ 3,050	\$ 3,052	\$ 3,013	\$ 39
Administrative Services - Consumer Assurance.....	183	232	232	-
Administrative Services - Medical Examiner.....	4,545	4,578	4,458	120
Adult Probation.....	9,376	9,351	9,351	-
District Attorney.....	23,899	23,622	23,445	177
Fire Department.....	190,335	192,216	189,908	2,308
Juvenile Probation.....	29,100	30,489	30,070	419
Mayor - Office of the Emergency Services.....	-	152	152	-
Police Department.....	251,814	263,045	262,559	486
Public Defender.....	16,337	17,117	17,101	16
Sheriff.....	128,657	120,905	120,313	592
Trial Courts.....	33,737	34,329	34,284	45
Public Works Transportation and Commerce				
Board of Appeals.....	466	467	452	15
Business and Economic Development.....	1,913	1,563	1,377	186
Clean Water.....	196	192	139	53
Department of Public Works.....	24,591	26,001	24,398	1,603
Emergency Communications.....	30,641	33,555	32,932	623
Parking and Traffic Commission.....	-	52	35	17
Telecommunications and Information Services	1,315	1,420	1,210	210
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	11,567	11,875	11,343	532
Commission on the Status of Women.....	2,115	2,131	2,016	115
County Education Office.....	69	69	69	-
Environment.....	861	1,778	1,530	248
Human Rights Commission.....	1,177	1,241	1,187	54
Human Services.....	508,847	508,793	487,624	21,169
Public Health.....	426,848	419,404	413,110	6,294
Culture and Recreation				
Academy of Sciences.....	1,673	1,673	1,668	5
Art Commission.....	5,773	5,698	5,696	2
Asian Art Museum.....	5,837	5,772	5,657	115
Fine Arts Museum.....	5,075	5,077	4,999	78
Law Library.....	518	537	479	58
Administrative Services - Grants for the Arts.....	12,976	12,731	12,032	699
Recreation and Park Commission.....	62,945	60,757	55,119	5,638
General Administration and Finance				
Administrative Services.....	13,173	12,415	12,415	-
Assessor/Recorder.....	9,238	8,928	8,433	495
Board of Supervisors.....	9,323	8,694	8,429	265

(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, 2005
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
City Attorney.....	6,454	5,477	4,986	491
City Planning.....	15,623	14,169	14,168	1
Civil Service.....	549	555	553	2
Controller.....	18,416	18,885	18,750	135
Elections.....	7,109	10,324	10,322	2
Ethics Commission.....	1,722	1,809	1,777	32
Human Resources.....	15,692	16,337	16,184	153
Mayor.....	6,502	6,216	6,216	-
Retirement Services.....	342	190	190	-
Treasurer/Tax Collector.....	18,465	18,667	17,881	786
General City Responsibilities				
General City Responsibilities.....	59,365	62,400	62,375	25
Other financing uses:				
Debt Service.....	2,439	141	-	141
Transfers to other funds.....	309,304	339,436	328,010	11,426
Budgetary reserves and designations.....	<u>66,405</u>	<u>13,487</u>	<u>684</u>	<u>12,803</u>
Total charges to appropriations.....	<u>2,356,557</u>	<u>2,338,004</u>	<u>2,269,331</u>	<u>68,673</u>
Budgetary fund balance, June 30	\$ -	\$ 187,545	\$ 324,724	\$ 137,179

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

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	\$2,594,055
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.....	(222,611)
Property tax revenue - Teeter Plan.....	(4,537)
Unrealized loss on investment.....	(53)
Interest revenue reclassified as transfers and other revenues.....	(4,162)
Other revenues reclassified.....	(1,991)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.....	<u>(143,907)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....	<u>\$2,216,794</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	\$2,269,331
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation.....	3,859
Other budget to GAAP differences.....	(510)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....	<u>(328,010)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....	<u>\$1,944,670</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, 2005

(with comparative financial information as of June 30, 2004)
(In Thousands)

Business-type Activities - Enterprise Funds

	Major Funds										Other Fund								
	San Francisco International Airport		Hetch Hetchy Water and Power		Municipal Transportation Agency		General Hospital Medical Center		Clean Water Program		Port of San Francisco		Laguna Honda Hospital		Market Corporation		Total		
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
ASSETS																			
Current Assets:																			
Deposits and investments with City Treasury.....	\$ 264,061	\$ 136,065	\$ 92,966	\$ 46,167	\$ 26,360	\$ 66,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651,311	\$ 674,887	\$ 8,196	\$ 6,705	
Deposits and investments outside City Treasury.....	10	40	10	-	10	5	1	-	-	-	5	1	-	-	8,017	8,295	16,057	25,725	
Receivables (net of allowance for uncollectible amounts of \$29,030 and \$18,185 in 2005 and 2004, respectively):																			
Federal and state grants and subventions.....	-	125	126	-	1,388	1,906	-	-	-	-	1,906	-	-	-	52,907	47,026	-	-	
Charges for services.....	27,791	24,604	16,210	22,044	27,689	3,504	23,227	-	-	3,504	-	-	-	148,463	139,538	-	-		
Interest and other.....	2,418	874	262	181	20,320	-	-	-	-	-	-	-	-	42,255	45,815	457	583		
Loans receivable.....	-	-	130	-	-	-	-	-	-	-	-	-	-	130	85	18,862	19,046		
Due from other funds.....	-	2,593	14,335	-	36,411	-	-	-	-	-	-	-	-	53,339	60,501	2,301	-		
Inventories.....	48	1,860	270	-	42,959	5,122	1,441	-	-	1,174	-	-	-	52,874	47,864	-	-		
Deferred charges and other assets.....	1,902	-	-	-	1,137	581	-	-	-	-	-	-	-	3,644	17,615	148	149		
Restricted assets:																			
Deposits and investments with City Treasury.....	11,590	-	-	-	-	4,344	29,351	-	-	4,344	-	-	-	45,285	15,732	-	-		
Deposits and investments outside City Treasury.....	46,667	-	-	-	-	5,038	-	-	-	5,038	-	-	-	51,750	47,121	-	-		
Grants and other receivables.....	1,115	-	-	-	-	-	-	-	-	-	-	-	-	1,115	740	-	-		
Total current assets.....	355,602	166,161	124,309	68,392	80,889	82,648	54,020	-	-	82,648	-	-	-	1,111,090	1,105,219	46,021	52,208		
Noncurrent assets:																			
Deferred charges and other assets.....	52,127	3,888	-	3,209	-	3,719	-	-	-	3,719	-	-	-	65,054	69,069	2,403	2,592		
Loans receivable.....	-	-	587	-	-	-	-	-	-	-	-	-	-	587	768	212,958	227,766		
Restricted assets:																			
Deposits and investments with City Treasury.....	166,572	80,767	-	103,256	-	-	-	-	-	-	-	-	-	383,439	407,740	-	-		
Deposits and investments outside City Treasury.....	172,833	14,316	-	2	12	2,023	828	-	-	2,023	-	-	-	216,687	278,665	-	-		
Grants and other receivables.....	27,472	286	-	302	-	-	223	-	-	-	-	-	-	33,596	22,764	-	-		
Capital assets:																			
Land and other assets not being depreciated.....	47,358	139,792	55,121	55,726	3,225	139,846	68,833	-	-	139,846	-	-	-	915,349	834,550	-	-		
Facilities, infrastructure, and equipment, net of depreciation.....	3,712,665	672,373	211,888	1,243,219	50,225	113,125	8,142	-	-	113,125	-	-	-	7,502,464	7,648,775	4,155	2,955		
Total capital assets.....	3,760,023	812,165	267,009	1,298,945	53,450	252,971	76,975	-	-	252,971	-	-	-	8,417,813	8,483,325	4,155	2,955		
Total noncurrent assets.....	4,179,027	911,422	267,596	1,405,714	53,462	258,713	78,026	-	-	258,713	-	-	-	9,117,176	9,262,331	219,516	233,313		
Total assets.....	4,534,629	1,077,583	391,905	1,474,106	134,351	341,361	132,046	-	-	341,361	-	-	-	10,228,266	10,367,550	265,537	285,521		

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds (Continued)
June 30, 2005
(with comparative financial information as of June 30, 2004)
(In Thousands)

	Business-type Activities - Enterprise Funds											
	Major Funds										Other Fund	
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total	Governmental Activities-Internal Service Funds	
									2005	2004	2005	2004
LIABILITIES												
Current liabilities:												
Accounts payable.....	20,064	10,169	12,638	49,535	17,548	4,323	3,971	4,565	216	123,029	128,728	5,466
Accrued payroll.....	5,098	4,221	772	14,860	8,538	1,553	754	4,616	-	40,412	35,024	1,385
Accrued vacation and sick leave pay.....	5,928	4,755	988	13,810	8,167	2,173	922	4,881	-	41,624	40,694	1,828
Accrued workers' compensation.....	1,339	2,159	500	25,289	4,550	967	547	2,654	-	38,005	40,108	241
Estimated claims payable.....	812	1,225	432	16,836	-	2,241	957	-	-	22,503	15,463	-
Due to other funds.....	1,052	2,665	-	3,457	1,140	-	-	8,537	-	16,841	28,082	1,374
Deferred credits and other liabilities.....	37,100	18,813	1,177	4,627	19,024	-	2,605	652	45	84,043	117,002	19,731
Accrued interest payable.....	-	4,240	-	451	-	6,801	139	-	-	11,631	11,756	1,082
Bonds, loans, capital leases, and other payables.....	65,938	94,790	101	7,637	653	15,914	80	499	-	185,612	128,851	18,310
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables.....	13,188	-	-	-	-	-	3,390	-	-	16,578	17,013	-
Accrued interest payable.....	31,938	-	-	-	-	-	302	-	-	32,240	34,807	-
Other.....	10,728	10,767	-	861	12	455	4,673	920	-	28,416	30,390	-
Total current liabilities.....	193,185	153,794	16,608	137,363	59,632	34,427	18,340	27,324	261	640,934	627,918	51,188
Noncurrent liabilities:												
Accrued vacation and sick leave pay.....	5,562	4,829	881	10,290	6,069	1,922	770	3,371	-	33,694	33,196	1,894
Accrued workers' compensation.....	3,780	8,192	1,950	90,063	18,349	3,707	2,179	10,398	-	138,618	143,388	910
Estimated claims payable.....	33	4,061	1,570	32,930	-	6,851	770	-	-	46,215	32,168	-
Deferred credits and other liabilities.....	-	2,245	-	34,260	-	9	2,796	-	99	39,409	46,402	-
Bonds, loans, capital leases, and other payables.....	3,974,474	471,447	494	80,888	1,866	512,123	19,084	1,541	-	5,061,917	5,171,501	213,022
Total noncurrent liabilities.....	3,983,849	490,774	4,895	248,431	26,284	524,612	25,599	15,310	99	5,319,853	5,426,655	215,826
Total liabilities.....	4,177,034	644,568	21,503	385,794	85,916	559,039	43,939	42,634	360	5,960,787	6,054,573	267,014
NET ASSETS												
Invested in capital assets, net of related debt.....	(112,954)	296,107	267,009	1,801,930	50,931	772,188	236,256	74,935	5,048	3,391,450	3,421,410	1,511
Restricted:												
Debt service.....	163,758	13,791	-	23,650	-	807	-	-	-	202,006	242,537	-
Capital projects.....	17,877	17,149	-	3,887	-	98,002	-	24,316	-	161,231	128,387	-
Other purposes.....	-	-	-	42,658	8	-	21,848	2,112	127	66,753	61,241	-
Unrestricted (deficit).....	288,914	105,968	103,393	(123,402)	(2,504)	44,070	39,318	(11,951)	2,233	446,039	459,402	(3,940)
Total net assets (deficit).....	\$ 357,595	\$ 433,015	\$ 370,402	\$ 1,748,723	\$ 48,435	\$ 915,087	\$ 297,422	\$ 89,412	\$ 7,408	\$ 4,267,479	\$ 4,312,977	\$ (1,477)

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, 2005
(with comparative financial information as of June 30, 2004)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds										Other Fund		
	San Francisco International Airport	Water Department	Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Total	2005	2004	Governmental Activities-Internal Service Funds	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Operating revenues:	\$ 303,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,015	\$ 325,256	\$ -	\$ -	\$ -
Aviation.....	-	173,864	121,604	-	-	-	-	-	295,488	280,903	-	-	-
Water and power service.....	-	-	-	-	-	-	-	-	120,193	114,232	-	-	-
Passenger fees.....	-	-	-	120,193	-	-	-	-	479,655	438,107	-	-	-
Net patient service revenue.....	-	-	-	-	363,594	-	-	116,061	144,348	133,160	-	-	-
Sewer service.....	74,496	7,898	236	25,855	2,273	144,348	46,491	-	157,249	150,864	-	-	-
Rents and concessions.....	56,886	-	-	33,942	-	-	8,600	-	99,228	93,751	-	-	-
Parking and transportation.....	-	-	-	2,028	-	-	-	-	2,028	571	-	-	-
Charges for services.....	-	3,053	10,463	5,895	11,202	4,540	2,428	466	82,626	77,940	92,150	97,416	
Other revenues.....	43,117	184,835	132,303	187,913	377,069	148,888	57,519	116,527	1,683,830	1,614,784	92,150	97,416	
Total operating revenues.....	477,314	141,092	21,044	417,118	247,248	37,782	43,786	131,041	1,082,794	1,082,546	40,203	40,643	
Operating expenses:	48,661	5,235	4,905	42,916	109,574	6,227	-	4,856	222,750	204,426	28,861	32,596	
Personal services.....	18,474	1,103	49,283	1,103	-	-	-	74	68,934	80,599	-	-	
Contractual services.....	6,527	8,293	1,754	32,417	50,514	8,283	-	11,776	119,564	108,019	14,421	14,958	
Light, heat and power.....	161,641	40,112	10,759	118,440	6,655	37,800	9,967	1,023	386,679	351,854	1,119	1,218	
Materials and supplies.....	2,619	28,376	19,544	58,292	752	22,249	-	-	132,048	114,449	450	537	
Depreciation and amortization.....	12,335	32,146	3,089	33,729	27,065	23,234	-	5,743	137,351	128,647	4,088	3,588	
General and administrative.....	27,644	8,608	6,295	3,034	191	3,715	-	399	49,993	46,147	2,279	1,294	
Services provided by other departments.....	418,993	176,453	116,683	707,049	441,999	139,290	53,753	154,838	2,210,113	2,116,887	91,421	94,844	
Other.....	58,321	8,382	15,620	(519,136)	(64,930)	9,598	3,766	(38,311)	(526,283)	(501,903)	729	2,572	
Total operating expenses.....	63,160	1,401	3,463	139,562	11,524	438	(44)	17,598	2,210,113	2,116,887	91,421	94,844	
Operating income (loss).....	(127,121)	(6,407)	20,840	(270,434)	14,516	(8,231)	4,276	(20,657)	(526,283)	(501,903)	729	2,572	
Nonoperating revenues (expenses):	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating grants:	-	-	211	23,565	-	-	-	-	23,776	18,870	-	-	-
Federal.....	-	112	123	88,038	68,758	-	-	-	157,031	150,897	-	-	-
State / other.....	19,171	5,093	1,423	2,221	14	3,093	1,698	529	33,268	17,620	6,468	5,340	
Interest and investment income.....	(209,452)	(21,395)	-	(4,684)	(850)	(21,360)	(1,144)	(473)	(259,356)	(265,012)	(6,523)	(5,467)	
Interest expense.....	63,160	1,401	3,463	139,562	11,524	438	(44)	17,598	237,102	237,692	8	-	
Other, net.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses).....	(127,121)	(14,789)	5,220	248,702	79,446	(17,829)	510	17,654	191,819	160,067	(47)	(127)	
Income (loss) before capital contributions, transfers and special items.....	(88,800)	(6,407)	20,840	(270,434)	14,516	(8,231)	4,276	(20,657)	(334,464)	(341,836)	682	2,445	
Capital Contributions.....	34,893	-	-	45,330	-	-	13,501	-	83,724	94,818	-	-	-
Transfers in.....	4,611	-	1,628	232,676	78,940	1,922	-	39,239	359,016	349,192	270	255	
Transfers out.....	(19,677)	-	-	(12,298)	(83,686)	(1,676)	-	(79)	(117,416)	(97,255)	-	-	-
Net income (loss) before special item.....	(48,973)	(6,407)	22,468	(4,726)	9,770	(7,985)	17,777	18,503	860	4,919	952	2,700	
Special item.....	(50,043)	-	-	-	-	-	3,685	-	(46,358)	9,245	-	-	-
Change in net assets.....	(99,016)	(6,407)	22,468	(4,726)	9,770	(7,985)	21,462	18,503	(45,498)	14,164	952	2,700	
Net assets (deficit) at beginning of year.....	456,611	439,422	347,934	1,753,449	38,665	923,052	275,960	70,909	4,312,977	4,298,813	(2,429)	(5,129)	
Net assets (deficit) at end of year.....	\$ 357,595	\$ 433,015	\$ 370,402	\$ 1,748,723	\$ 48,435	\$ 915,067	\$ 297,422	\$ 89,412	\$ 4,267,479	\$ 4,312,977	\$ (1,477)	\$ (2,429)	

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, 2005
(with comparative financial information as of June 30, 2004)
(In Thousands)

	Business-type Activities - Enterprise Funds											
	Major Funds							Other Fund				
	San Francisco International Airport	Water Department	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Market Corporation	Total	2005	2004
Cash flows from operating activities:	\$ 489,079	\$ 167,267	\$ 121,138	\$ 215,223	\$ 400,373	\$ 146,111	\$ 9,064	\$ 106,043	\$ 1,462	\$ 1,655,760	\$ 1,608,828	\$ 113,158
Cash received from customers, including cash deposits	-	8,463	236	2,233	2,273	-	46,760	-	-	59,965	59,682	-
Cash received from tenants for rent	(140,238)	(51,805)	(20,375)	(420,059)	(245,121)	(36,230)	(19,575)	(131,522)	(189)	(1,065,114)	(1,058,130)	(41,609)
Cash paid to employees for services	(102,363)	(72,387)	(90,216)	(166,037)	(187,195)	(56,166)	(22,144)	(21,251)	(523)	(718,282)	(704,686)	(52,464)
Cash paid to suppliers for goods and services	-	(4,223)	(2,158)	(7,490)	-	(1,421)	-	-	-	(15,292)	(13,334)	-
Cash paid for judgments and claims	-	-	-	-	-	-	-	-	-	(82,963)	(107,640)	14,301
Net cash provided by (used in) operating activities	246,478	47,315	8,625	(376,130)	(29,670)	52,294	14,105	(46,730)	750	-	-	-
Cash flows from noncapital financing activities:	-	-	-	-	-	-	-	-	-	290,449	300,462	-
Operating grants	-	112	2,691	218,650	68,784	180	-	32	-	280,003	246,788	270
Transfers in	(19,677)	-	1,628	154,019	76,940	1,922	-	38,883	-	(117,416)	(98,385)	-
Transfers out	-	-	-	(12,298)	(83,686)	(1,676)	-	(79)	-	426	559	-
Transit Impact Development fees received	-	-	-	426	-	-	-	-	-	19,832	10,775	-
Other noncapital increases	(3,555)	-	-	16,404	(3,317)	-	-	3,428	-	(17,440)	(3,104)	-
Other noncapital decreases	-	-	-	(10,568)	-	-	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(18,621)	112	4,319	366,633	60,721	426	-	42,264	-	455,854	457,095	255
Cash flows from capital financing activities:	21,840	-	-	57,157	-	-	2,404	17,566	-	98,967	129,830	-
Capital grants	-	-	-	78,657	-	-	-	-	-	78,657	103,246	-
Transfers in	2,002	-	-	-	-	-	20,311	-	-	22,313	1,643	9,530
Bond sale proceeds and loans received	-	-	91	17	-	-	113	-	-	236	9,033	-
Proceeds from sale of capital assets	-	-	55,000	-	-	-	-	-	-	55,000	25,000	-
Proceeds from commercial paper borrowings	63,385	-	-	-	-	-	-	-	-	63,385	56,326	-
Proceeds from passenger facility charges	(85,391)	-	-	(133,181)	(2,543)	(29,582)	(10,554)	(12,140)	(74)	(400,770)	(419,037)	(188)
Acquisition of capital assets	(78,555)	(14,055)	-	(7,032)	(1,312)	(15,413)	(28,058)	(62)	-	(144,487)	(147,600)	(18,289)
Retirement of capital leases, bonds and loans	(3,743)	-	-	(41)	(850)	(21,937)	(308)	(117)	-	(4,092)	(988)	(112)
Bond issue costs paid	(207,897)	(24,750)	-	(4,535)	-	-	(1,386)	(117)	-	(261,472)	(260,888)	(5,320)
Interest paid on debt	3,225	-	-	-	-	-	4,650	-	-	7,875	72,984	-
Other capital financing increases	(5,473)	-	(98)	(672)	-	-	(1,054)	-	-	(7,297)	(83,651)	-
Other capital financing decreases	(290,607)	(90,198)	(20,904)	(9,630)	(4,705)	(66,932)	(13,882)	5,247	(74)	(491,685)	(514,102)	(14,379)
Net cash provided by (used in) capital financing activities	(1,842,811)	(38,468)	-	(302)	-	(17,756)	(2,018)	-	-	(1,901,356)	(1,694,790)	-
Cash flows from investing activities:	1,876,940	37,994	-	1,285	-	50,286	-	-	-	1,966,505	1,720,079	-
Purchases of investments with trustees	-	-	-	-	-	-	-	-	-	-	19,933	-
Proceeds from sale of investments with trustees	-	-	-	-	-	-	-	-	-	-	-	(7)
Proceeds from sale of restricted deposits and investments	-	-	-	-	-	-	-	-	-	-	-	-
Interest income received	8,985	4,908	2,614	2,161	14	2,837	1,586	529	26	23,660	25,532	423
Other investing activities	-	2,614	3,459	(389)	-	1,006	-	(212)	-	6,478	8,306	-
Net cash provided by (used in) investing activities	43,114	7,047	6,073	2,755	14	36,373	(432)	317	26	95,287	79,060	(7)
Net increase (decrease) in cash and cash equivalents	(19,636)	(35,724)	(1,887)	(16,372)	26,360	22,181	(209)	1,098	702	(23,507)	(85,587)	170
Cash and cash equivalents-beginning of year	461,099	252,996	94,863	74,602	10	127,262	74,931	28,254	1,986	1,115,603	1,201,190	32,260
Cash and cash equivalents-end of year	\$ 441,463	\$ 216,872	\$ 92,976	\$ 58,230	\$ 26,370	\$ 149,423	\$ 74,722	\$ 29,352	\$ 2,688	\$ 1,092,096	\$ 1,115,603	\$ 24,253
												\$ 32,430

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, 2005
(with comparative financial information as of June 30, 2004)
(In Thousands)

	Business-type Activities - Enterprise Funds										Total	2005	2004	Governmental Activities-Internal Service Funds 2005	2004
	Major Funds					Other Fund									
	San Francisco International Airport	Hetch Hetchy Water and Power Department	Municipal Transportation Agency	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Market Corporation	2005	2004					
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	\$ 58,321	\$ 8,382	\$ 15,620	\$ (519,136)	\$ (64,930)	\$ 9,598	\$ 3,766	\$ (38,311)	\$ 407	\$ (526,283)	\$ (501,709)	\$ 729	\$ 2,572		
Operating income (loss):	168,315	40,112	10,759	118,440	6,655	37,800	9,967	1,023	282	393,353	355,443	1,119	1,218		
Adjustments for non-cash activities:	1,167	-	871	1,404	-	2	918	-	-	4,362	29,057	-	-		
Depreciation and amortization:	9,193	14,074	3,303	-	-	-	-	-	-	26,570	187	-	-		
Provision for uncollectibles:	6,033	(5,634)	-	10,242	-	1,702	(366)	-	-	11,977	5,968	8	-		
Write-off of capital assets:															
Other:	6,684	2,767	(9,242)	2,276	21,195	(2,776)	(201)	(8,796)	-	11,907	(10,586)	15,187	15,741		
Changes in assets/liabilities:															
Receivables, net:			(29)	(3,806)	(982)	-	96	(63)	-	(5,010)	746	-	-		
Due from other funds:	52	(300)	(7)	3,729	-	-	2,935	-	2	6,049	(26)	(26)	146		
Inventories:	(617)	-	-	862	1,883	1,057	(3,696)	1,587	80	1,384	18,267	1,384	236		
Deferred charges and other assets:	8,330	2,252	(12,678)	1,266	1,549	366	(56)	246	-	5,237	(29,626)	120	(1,199)		
Accounts payable:	976	755	135	(119)	(94)	339	147	(972)	-	(260)	3,364	39	96		
Accrued payroll:	(86)	454	71	(4,068)	672	(126)	387	245	-	(4,116)	14,341	(65)	137		
Accrued vacation and sick leave pay:	(36)	(1,344)	174	15,922	-	4,331	560	(1,689)	-	19,383	11,665	-	-		
Accrued workers' compensation:	-	(3,253)	1,833	372	-	-	(598)	-	-	(2,063)	(4,155)	-	-		
Estimated claims payable:	-	380	(528)	(1,657)	4,356	1	246	-	(21)	443,320	394,069	(3,104)	(4,646)		
Due to other funds:	(11,854)	(11,330)	(6,985)	143,006	35,280	42,696	10,339	(8,419)	343	(23,753)	7,311	14,662	11,729		
Deferred credits and other liabilities:	188,157	38,933	(6,985)	(3,494)	(29,670)	52,294	14,105	(46,730)	750	(82,963)	(107,640)	15,391	14,301		
Total adjustments:	\$ 246,478	\$ 47,315	\$ 8,625	\$ (376,130)	\$ (29,670)	\$ 52,294	\$ 14,105	\$ (46,730)	\$ 750	\$ (82,963)	\$ (107,640)	\$ 15,391	\$ 14,301		
Net cash provided by (used in) operating activities:	\$ 264,061	\$ 136,065	\$ 92,966	\$ 19,596	\$ 26,360	\$ 46,167	\$ 66,096	\$ -	\$ -	\$ 651,311	\$ 674,889	\$ 8,196	\$ 6,705		
Reconciliation of cash and cash equivalents to the statement of net assets:	177,582	80,767	-	32,844	-	103,256	4,344	29,351	-	428,144	422,574	-	-		
Deposits and investments with City Treasury:	10	40	10	5,380	10	-	5	1	2,561	8,017	8,294	16,057	25,725		
Unrestricted:	441,653	216,872	92,976	57,820	26,370	149,423	70,445	29,352	2,561	1,087,472	1,105,757	24,253	32,430		
City Treasury:	-	-	-	410	-	-	4,308	-	127	4,845	10,280	-	-		
Unrestricted deposits and investments outside City Treasury:	(190)	-	-	-	-	-	(31)	-	-	(221)	(434)	-	-		
Total deposits and investments:	\$ 441,463	\$ 216,872	\$ 92,976	\$ 58,230	\$ 26,370	\$ 149,423	\$ 74,722	\$ 29,352	\$ 2,688	\$ 1,092,096	\$ 1,115,603	\$ 24,253	\$ 32,430		
Add: Restricted deposits and investments outside City Treasury meeting the definition of cash equivalents:															
Less: Investments not meeting the definition of cash equivalents:															
Cash and cash equivalents at end of year on statement of cash flows:															

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, 2005

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury.....	\$ 76,672	\$ 321,101	\$ 110,466
Deposits and investments outside City Treasury.....	13,230,007	-	-
Receivables:			
Payroll contribution.....	13,775	-	29,925
Interest and other.....	95,854	1,251	99,354
Invested securities lending collateral.....	1,600,111	-	-
Deferred charges and other assets.....	78	-	25,658
Total assets.....	<u>15,016,497</u>	<u>322,352</u>	<u>\$ 265,403</u>
Liabilities			
Accounts payable.....	12,042	1,867	\$ 44,518
Estimated claims payable.....	10,067	-	-
Agency obligations.....	-	-	220,885
Obligations under fixed coupon dollar reverse repurchase agreements.....	85,000	-	-
Payable to brokers.....	98,585	-	-
Securities lending collateral.....	1,600,111	-	-
Deferred credits and other liabilities.....	28,704	-	-
Total liabilities.....	<u>1,834,509</u>	<u>1,867</u>	<u>\$ 265,403</u>
Net Assets			
Held in trust for pension and other employee benefits and external pool participants	<u>\$ 13,181,988</u>	<u>\$ 320,485</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, 2005
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions.....	\$ 226,522	\$ -
Employer contributions.....	465,831	-
Contributions to pooled investments.....	-	<u>2,487,745</u>
Total contributions.....	<u>692,353</u>	<u>2,487,745</u>
Investment income:		
Interest.....	189,926	7,714
Dividends.....	121,030	-
Net increase in fair value of investments.....	1,245,892	-
Securities lending income.....	34,183	-
Fixed coupon dollar reverse repurchase agreement income.....	<u>4,923</u>	-
Total investment income	<u>1,595,954</u>	<u>7,714</u>
Less investment expenses:		
Securities lending borrower rebates and expenses.....	(27,135)	-
Fixed coupon dollar reverse repurchase finance charges and expenses	(4,556)	-
Other expenses.....	<u>(28,228)</u>	-
Total investment expenses.....	<u>(59,919)</u>	-
Total additions, net.....	<u>2,228,388</u>	<u>2,495,459</u>
Deductions:		
Benefit payments.....	975,976	-
Refunds of contributions.....	8,565	-
Distribution from pooled investments.....	-	2,380,091
Administrative expenses.....	<u>10,593</u>	-
Total deductions.....	<u>995,134</u>	<u>2,380,091</u>
Change in net assets.....	1,233,254	115,368
Net assets at beginning of year.....	11,948,734	205,117
Net assets at end of year.....	<u>\$ 13,181,988</u>	<u>\$ 320,485</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
June 30, 2005

(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 voters of the City created the Authority in 1989 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 their administrative offices at 100 Van Ness Avenue, 25th Floor, 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. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their 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 to provide services exclusively to the City. 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. Beginning on July 1, 2002, the responsibility for overseeing the operations of the DPT became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from their administrative offices at 25 Van Ness Avenue, San Francisco, CA 94102.

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.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

In fiscal year 2001-2002, the Public Initiatives Development Corporation (PIDC) was formed to develop affordable housing on the Agency's behalf. The Board of PIDC is comprised of management of the Agency and other appointed individuals. Future funding will be dependent on the Agency and as such, PIDC is reported as a blended component unit of the Agency. Activities during the year are predevelopment activities including design and financing of a 106 affordable units mixed-use development, expected to be complete by December 2005.

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 Avenue, 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 it 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 their 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. 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
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(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. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. 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.

Property taxes, other local taxes, grants and subventions, 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.

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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 Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Parking and Traffic Commission (DPT), which includes the Parking Authority. 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. DPT is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. DPT is a separate department of the MTA. The parking garages fund later accounted for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

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

The **Clean Water Program Fund** accounts for the activities of the Clean Water Program (CWP). 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.

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.

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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 retirement benefits, 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: the State of California, human welfare, community health and transportation programs.

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.

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, hospital patient service 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 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 substantially modified accrual basis of accounting except for capital project funds and certain debt service funds which substantially 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) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

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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 no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.
- (3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.
- (4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.
- (5) 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.
- (6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.
- (7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

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, e.g. supplemental appropriations. 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.

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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 through 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, 2005, \$321 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 11.35%. 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, 2005 to support the value of shares in the pool.

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 U.S. 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.

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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. 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 sixty-five 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 fifty-one days. In lending international securities, cash collateral is invested in a separate short-term investment pool, which at year-end had a weighted-average maturity of fourteen 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, 2005 was approximately \$95 thousand.

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, 2005.

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.

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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, MTA, Laguna Honda Hospital, 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 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 allowance for forgivable loans, and an offsetting deferred credit account.

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. The governmental fund types also use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(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 improvements, 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 one year. 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 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 leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, and easements of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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<u>Assets</u>	<u>Years</u>
Facilities and Improvements	15 to 175
Infrastructure	15 to 70
Machinery and Equipment	2 to 75
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, except for Local 21 members, who are all entitled to accumulate all unused sick leave. 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. Effective July 1, 2002, the City established a pilot "Wellness Incentive Program" (the Program) to promote workforce attendance. The Program was initially negotiated as part of the July 1, 2001 to June 30, 2004 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in several Memorandums of Understanding (MOUs) dated since July 1, 2001, between the City and the affected labor organizations. Under the terms of these MOUs and the labor contracts, the Program is in effect from July 1, 2002 to at least June 30, 2005.

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 accrues for all salary-related items, including the Program, 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, Premiums, Discounts and Interest Accretion

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.

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Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide and proprietary fund financial statements.

(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 rainy day - The City's Charter requires that the City set aside funds into a reserve account in years in which revenue growth exceeds five percent compared to the year before. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent.

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 carryforward - 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 balance 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 Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* - This category represents net assets that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* - This category represents net assets of the City, not restricted for any project or other purpose.

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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, 2005.

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 Net Assets/Fund Balances

The Telecommunications and Information Internal Service Fund had a \$2.1 million deficit in total net assets as of June 30, 2005. Approximately \$0.8 million of this deficit is due to current year 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 \$0.3 million deficit as of June 30, 2005. 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.

The Culture and Recreation Fund had a \$0.4 million deficit as of June 30, 2005. It is due to incurring costs for grant programs before receiving grant resources. It will be eliminated once the resources become available.

The Moscone Convention Center Fund had a \$5.2 million deficit as of June 30, 2005. The deficit will be covered as hotel tax revenues are realized.

(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 and a liability of the requesting 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.

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(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 2003-2004 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2004-2005 basic financial statements.

(q) Effects of New Pronouncements

In March 2003, GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risk identified in this statement also should be disclosed. The City implemented the new reporting requirements in the fiscal year 2004-2005 financial statements.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2006. However, the Airport Enterprise Fund early implemented this statement in fiscal year 2004-2005 and reported an impairment loss of \$50 million.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same

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manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. Application of this statement is effective for the City in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. For all other termination benefits, application of this statement is effective for the City's fiscal year ending June 30, 2006.

(r) 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 statement of net assets 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.

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(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, \$1,068,256, differ from net assets of governmental activities, \$1,501,082, 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.....	\$ 1,230,154	\$ -	\$ 8,196	\$ -	\$ 1,238,350
Deposits and investments outside City Treasury.....	46,100	-	16,057	-	62,157
Receivables, net:					
Property taxes and penalties.....	33,031	-	-	-	33,031
Other local taxes.....	161,532	-	-	-	161,532
Federal and state grants and subventions.....	150,971	-	-	-	150,971
Charges for services.....	14,248	-	-	-	14,248
Interest and other.....	8,132	-	457	-	8,589
Due from other funds.....	42,046	-	2,301	(44,347)	-
Due from component unit.....	3,375	-	-	-	3,375
Loans receivable, net.....	242,902	-	-	-	242,902
Capital assets, net.....	-	2,367,571	4,155	-	2,371,726
Deferred charges and other assets.....	8,367	13,200	5,704	-	27,271
Total assets.....	<u>1,940,858</u>	<u>2,380,771</u>	<u>36,870</u>	<u>(44,347)</u>	<u>4,314,152</u>
Liabilities					
Accounts payable.....	135,859	-	7,237	-	143,096
Accrued payroll.....	48,541	-	1,385	-	49,926
Accrued vacation and sick leave pay.....	-	121,315	3,722	-	125,037
Accrued workers' compensation.....	-	213,654	1,151	-	214,805
Estimated claims payable.....	-	83,537	-	-	83,537
Accrued interest payable.....	-	6,517	1,082	-	7,599
Deferred tax, grant and subvention revenues.....	46,251	(42,680)	-	-	3,571
Due to other funds/internal balances.....	79,471	-	1,374	(44,347)	36,498
Deferred credits and other liabilities.....	412,480	(268,299)	1,205	-	145,386
Bonds, loans, capital leases, and other payables.....	150,000	1,622,283	231,332	-	2,003,615
Total Liabilities.....	<u>872,602</u>	<u>1,736,327</u>	<u>248,488</u>	<u>(44,347)</u>	<u>2,813,070</u>
Fund balances/net assets					
Total fund balances/net assets.....	1,068,256	644,444	(211,618)	-	1,501,082
Total liabilities and fund balances/net assets.....	<u>\$ 1,940,858</u>	<u>\$ 2,380,771</u>	<u>\$ 36,870</u>	<u>\$ (44,347)</u>	<u>\$ 4,314,152</u>

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- (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.....	\$ 2,995,050
Accumulated depreciation.....	<u>(627,479)</u>
	<u>\$ 2,367,571</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.

\$ 13,200

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.....	\$ (121,315)
Accrued workers' compensation.....	(213,654)
Estimated claims payable.....	(83,537)
Bonds, loans, capital leases, and other payables.....	(1,622,283)
Deferred credits and other liabilities.....	<u>(97)</u>
	<u>\$ (2,040,886)</u>

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

\$ 6,517

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.....	\$ 42,680
Deferred credits and other liabilities.....	<u>268,396</u>
	<u>\$ 311,076</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.

Net deficit before adjustments.....	(1,477)
Adjustments for internal balances with San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds.....	(231,820)
Deferred charges and other assets.....	3,153
Deferred credits and other liabilities.....	<u>18,526</u>
	<u>\$ (211,618)</u>

In addition, intrafund receivables and payables among various internal service funds of \$0.4 million are eliminated.

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(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, \$350,682, differs from the change in net assets for governmental activities \$194,341, 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.

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.....	\$ 918,645	\$ 1,669	\$ -	\$ -	\$ -	\$ 920,314
Business taxes.....	292,763	-	-	-	-	292,763
Other local taxes.....	538,085	-	-	-	-	538,085
Licenses, permits and franchises.....	25,942	-	-	-	-	25,942
Fines, forfeitures and penalties.....	12,509	-	-	-	-	12,509
Interest and investment income.....	28,268	971	-	251	-	29,490
Rents and concessions.....	49,450	1,880	-	-	-	51,330
Intergovernmental:						
Federal.....	348,764	-	-	-	-	348,764
State.....	522,937	763	-	-	-	523,700
Other.....	25,783	-	-	-	-	25,783
Charges for services.....	241,750	-	-	-	-	241,750
Other revenues.....	57,487	959	-	-	-	58,446
Total revenues.....	3,062,383	6,242	-	251	-	3,068,876
Expenditures/Expenses						
Current:						
Public protection.....	738,494	(5,200)	10,576	(5,182)	-	738,688
Public works, transportation and commerce.....	195,896	5,088	20,834	(8,483)	-	213,335
Human welfare and neighborhood development.....	644,899	(25,620)	581	(107)	-	619,753
Community health.....	501,050	1,252	957	-	-	503,259
Culture and recreation.....	239,022	11,438	27,684	(4,119)	(17,689)	256,336
General administration and finance.....	135,118	3,595	13,629	508	-	152,850
General City responsibilities.....	62,799	(3,278)	-	(1,049)	552	59,024
Debt service:						
Principal retirement.....	80,306	-	-	-	(80,306)	-
Interest and fiscal charges.....	61,524	-	-	6,523	21,643	89,690
Bond issuance costs.....	4,842	-	-	-	(4,842)	-
Capital outlay.....	130,224	-	(130,224)	-	-	-
Total expenditures/expenses.....	2,794,174	(12,725)	(55,963)	(11,909)	(80,642)	2,632,935
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds.....	(241,870)	-	-	270	-	(241,600)
Issuance of bonds and loans:						
Face value of bonds issued.....	346,225	-	-	-	(346,225)	-
Face value of loans issued.....	500	-	-	-	(500)	-
Premium on issuance of bonds.....	11,989	-	-	-	(11,989)	-
Payment to escrow for refunded debt.....	(38,913)	-	-	-	38,913	-
Other financing sources - capital leases.....	4,542	-	-	(4,542)	-	-
Total other financing sources (uses)/changes in net assets.....	82,473	-	-	(4,272)	(319,801)	(241,600)
Net change for the year.....	\$ 350,682	\$ 18,967	\$ 55,963	\$ 7,888	\$ (239,159)	\$ 194,341

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(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.	\$ 1,669
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	<u>4,573</u>
	<u>\$ 6,242</u>
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 increase in long term liabilities exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	\$ (1,553)
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.	<u>14,278</u>
	<u>\$ 12,725</u>
(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.....	\$ 120,774
Depreciation expense.....	(64,797)
Loss on disposal of capital assets.....	(14)
Difference.....	<u>\$ 55,963</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 fund's costs for the year.	<u>\$ 7,888</u>
(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 lessee.	
Total property rent payments.....	<u>\$ 17,689</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.....	\$ 4,842
Amortization of bond issuance costs.....	(552)
Difference.....	<u>\$ 4,290</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. This is the amount of premiums capitalized during the current period.....	<u>\$ (11,989)</u>
Repayment of bond principal and the payment to escrow for 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.....	\$ 80,306
Payments to escrow for refunded debt.....	38,913
	<u>\$ 119,219</u>

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Bond proceeds and capital leases are reported as other 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 do not affect the statement of activities. Proceeds were received from:

General obligation bonds.....	\$ (306,875)
Refunding certificate of participation.....	(39,350)
Loans.....	(500)
	(346,725)
	\$ (227,506)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, (2) amortization of bond discounts, premiums and refunding losses which are expensed within the fund statements, and (3) 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.

Increase in accrued interest.....	\$ (318)
Interest payment on capital lease obligations on the Moscone Convention Center.....	(22,198)
Amortization of bond premiums, discounts and refunding losses.....	(214)
Reduction in arbitrage rebate liability.....	1,087
	\$ (21,643)

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(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 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 balance of the General Fund as of June 30, 2005 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows (in thousands):

	General Fund
Fund Balance - Budget Basis.....	\$ 324,724
Unrealized Gains on Investments.....	224
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(24,419)
Deferred Charges & Other.....	(1,880)
Reserved for Assets Not Available for Appropriation.....	9,031
Fund Balance - GAAP Basis.....	\$ 307,680

General Fund Budget basis fund balance at June 30, 2005 is composed of the following (in thousands):

Reserved for Rainy Day - Economic Stabilization Reserve.....	\$	48,139	
Reserved for Encumbrances.....		57,762	
Reserved for Appropriation Carryforward.....		36,198	
Reserved for Subsequent Years' Budgets:			
Baseline Appropriation Funding Mandates.....		6,223	
Budget Savings Incentive Program.....		2,628	
Budget Savings Incentive Program - Recreation & Park.....		3,075	
Salaries & benefits costs (MOU).....		9,150	
Total Reserved Fund Balance.....			\$ 163,175
Designated for Litigation and Contingencies.....		24,370	
Unreserved, Undesignated Fund Balance - Available for Appropriation.....		137,179	
Total Unreserved Amounts.....			161,549
Fund Balance, June 30, 2005 - Budget basis.....			\$ 324,724

Of the \$137.2 million unreserved, undesignated fund balance - available for appropriation, \$118 million has been subsequently appropriated as part of the General Fund budget for use in fiscal year 2005-2006.

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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with					
City Treasury.....	\$ 1,238,350 ¹	\$ 651,311	\$ 508,239 ²	\$ 2,397,900	\$ 1,516
Deposits and investments outside					
City Treasury.....	62,157 ³	8,017	13,230,007	13,300,181	157,675
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	428,724	-	428,724	-
Deposits and investments outside					
City Treasury.....	-	268,437	-	268,437	91,089
Invested securities lending collateral			1,600,111	1,600,111	-
Total deposits and investments.....	<u>\$ 1,300,507</u>	<u>\$ 1,356,489</u>	<u>\$ 15,338,357</u>	<u>\$ 17,995,353</u>	<u>\$ 250,280</u>
Cash and deposits.....	\$ (70,123)	\$ 4,047	\$ 17,986	\$ (48,090)	\$ 1,056
Investments.....	1,370,630	1,352,442	15,320,371	18,043,443	249,224
Total deposits and investments.....	<u>\$ 1,300,507</u>	<u>\$ 1,356,489</u>	<u>\$ 15,338,357</u>	<u>\$ 17,995,353</u>	<u>\$ 250,280</u>

¹ Includes deposits and investments with the City Treasury of total governmental funds (\$1,230,154) and internal service funds (\$8,196).

² Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds (\$76,672), investment trust fund (\$321,101) and agency funds (\$110,466).

³ Includes deposits and investments outside the City Treasury of total governmental funds (\$46,100) and internal service funds (\$16,057).

(b) Cash and Deposits

The City had cash and deposits at June 30, 2005, 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.....	\$ 1,680	\$ -	\$ 483	\$ -	\$ -	\$ -	\$ 1	\$ -
Federally insured deposits....	500	500	377	828	100	100	268	468
Collateralized deposits*.....	(72,303)	32,873	170	60	3,752	3,752	787	2,002
Uninsured and uncollateralized.....	-	-	3,017	2,417	14,134	14,134	-	-
	<u>\$ (70,123)</u>	<u>\$ 33,373</u>	<u>\$ 4,047</u>	<u>\$ 3,305</u>	<u>\$ 17,986</u>	<u>\$ 17,986</u>	<u>\$ 1,056</u>	<u>\$ 2,470</u>

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2005, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks of approximately \$105.5 million. Of the \$105.5 million of outstanding checks, \$46.2 million relates to the San Francisco Unified School District and Community College District, which have been reflected in an investment trust fund.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The

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California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. In addition, the City's investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2005, \$2.4 million and \$14.1 million of the business-type activities and the Retirement System's bank balances, respectively, were exposed to custodial credit risk by not being insured or collateralized.

(c) Investment Policies

Treasurer's Pool

The City's investment 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. The objectives of the policy, in order of priority, are preservation of capital, liquidity, and yield. The City has established a Treasury Oversight Committee (Oversight Committee), comprised of various City officials and representatives of agencies with large cash balances, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits a comprehensive investment report to the members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

Although the California Government Code and the City's investment policy do not limit the amount of City funds that may be invested in treasury bills and treasury notes, the investment policy requires the consideration of the City's anticipated cash requirements when purchasing treasury notes of longer maturities. Also, treasury notes with maturities that exceed five years are restricted to a maximum of 10 percent of the total portfolio at the time of purchase. In addition, purchases of treasury bonds are subject to an analysis of cash requirements and restricted to a maximum of five percent of the total portfolio at the time of purchase.

Further, the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments. However, the City's investment policy requires that investments in federal agencies should neither exceed 60 percent of the total portfolio at the time of purchase nor have a weighted average maturity in excess of 270 days. If it exceeds 270 days, the total should not exceed 30 percent of the total par value of the portfolio. The investment policy also limits each type of agency instrument.

The City's investment policy also limits the purchase of negotiable certificates of deposit to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. In addition, the investment policy requires that public time deposits be made only at approved financial institutions with at least one full service branch within the geographical boundaries of the City, and that they yield a minimum of 0.125% higher than equal maturity U.S. Treasury instruments. The investment policy restricts exposure to \$100,000 for all savings institutions and requires that each deposit be fully guaranteed by the Federal Deposit Insurance Corporation. The investment policy also requires that commercial bank deposits be made on a competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

Also, the California State Government Code requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 270 days and that the issuer must be rated in the highest ranking by at least one of the national rating agencies. However, the Treasurer's investment policy is more restrictive in that it requires that the Treasurer purchase only domestic commercial paper with maturities not to exceed 180 days.

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The table below identifies the investment types that are authorized for the City, along with the related interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	N/A	None	None
U.S. Agency Securities	N/A	60%	None
Commercial Paper Discounts	180 days	15%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Public Time Deposit	1 year	None	\$100,000
Public Demand Accounts	N/A	None	None
Bankers Acceptances	180 days	40%	30%
Repurchase Agreements	30 days	None	None
Reverse Repurchase Agreements	45 days	None	\$75 million

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or market value at the time of donation.

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.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Redevelopment Agency

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.

Certain investments of the Redevelopment Agency are in the Local Agency Investment Fund (LAIF). LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated market value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated market values. In addition, the Redevelopment Agency has investments with trustees. These investments are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(d) *Investment Risks*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The following schedule indicates the interest rate risk of the City's

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investments as of June 30, 2005 (in thousands). The Employees' Retirement System's interest rate risk information begins on page 68.

	Fair Value	Investment Maturities		
		Less than 1 year	1 to 5 years	More than 10 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Bills	\$ 682,030	\$ 682,030	\$ -	\$ -
U.S. Treasury Notes	54,791	-	54,791	-
U.S. Agencies - Coupon	1,431,791	1,431,791	-	-
Commercial paper	377,888	377,888	-	-
Negotiable certificates of deposits	357,975	357,975	-	-
Nonnegotiable certificates of deposits	100	100	-	-
Less: Treasure Island Development Authority Investments with City Treasury	(1,516)	(1,516)	-	-
Subtotal investments in City Treasury	2,903,059	\$ 2,848,268	\$ 54,791	\$ -
Investments Outside City Treasury: (Governmental and Business-Type)				
U.S. Treasury Notes	4,896	\$ -	\$ 4,896	\$ -
U.S. Treasury Bills	23,892	23,892	-	-
U.S. Agencies - Coupon	28,407	23,034	5,373	-
U.S. Agencies - Discount	222,700	222,700	-	-
Money market mutual funds	46,791	46,791	-	-
Equity securities	828	828	-	-
Commercial paper	738	738	-	-
Subtotal investments outside City Treasury	328,252	\$ 317,983	\$ 10,269	\$ -
Employees' Retirement System investments	14,812,132			
Total Primary Government	18,043,443			
Component Units:				
Redevelopment Agency:				
U.S. Agencies - Coupon	52,154	\$ -	\$ 52,154	\$ -
U.S. Agencies - Discount	19,057	19,057	-	-
Commercial paper	13,981	13,981	-	-
Medium-term corporate notes	1,990	1,990	-	-
Repurchase agreements	1,834	1,834	-	-
State Local Agency Investment Fund	64,477	64,477	-	-
Money market mutual funds	71,324	71,324	-	-
Guaranteed investment contracts	22,705	-	988	21,717
Subtotal Redevelopment Agency	247,522	\$ 172,663	\$ 53,142	\$ 21,717
Treasure Island Development Authority:				
Investments with City Treasury	1,516	\$ 1,516	\$ -	\$ -
Investments Outside City Treasury:				
Certificates of deposits	186	186	-	-
Subtotal Treasure Island Development Authority	1,702	\$ 1,702	\$ -	\$ -
Total Component Units	249,224			
Total Investments	\$ 18,292,667			

One of the ways that the Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper 180 days. Investment in commercial paper will comprise not more than 30% of the Agency's portfolio if average maturity is no more than 31 days or 15% if average maturity is more than 31 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

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Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the City's investment policy and the actual rating as of June 30, 2005 for each investment type.

<u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Standard & Poor's Rating</u>	<u>Total Investment Portfolio</u>
U.S. Treasury Bills	N/A	A-1+	24%
U.S. Treasury Notes	N/A	A-1	2%
U.S. Agencies	N/A	A-1+	18%
U.S. Agencies	N/A	A-1	31%
Commercial Paper	A-1	A-1	13%
Negotiable Certificates of Deposits	N/A	A-1+	12%

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A or better, and maintaining a portfolio diversified by type and issuer.

<u>Investment Type</u>	<u>Credit Ratings</u>	<u>Total Investment Portfolio</u>
U.S. Agencies - Coupon	AAA	21%
U.S. Agencies - Discount	AAA	8%
Commercial paper	A-1/P-1	6%
Medium-term corporate notes	AAA	1%
Repurchase agreements	Not rated	1%
State Local Agency Investment Fund	Not rated	26%
Money market mutual funds	AAA	28%
Guaranteed investment contracts	AA or Higher	9%

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

The Agency does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2005, \$1.8 million of the Agency's investments are uninsured and unregistered.

Concentration of Credit Risk

The City diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name. U.S. Treasury and Agency securities are not subject to this limitation. More than 5 percent of the City's investments with City Treasurer are in the Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and the Federal National Mortgage Association. These investments represent 15.4 percent, 16.2 percent, and 17.7 percent, respectively, of the City's investments with the City Treasurer. In addition, more than five percent of the Airport's investments with its trustees are in Federal Home Loan Bank and Federal Nation Mortgage Association. These investments represent 51 percent and 48 percent, respectively, of the Airport's investments with its trustees. The Finance Corporation's investments with its trustee are held in Federal Home Loan Bank for 19 percent and Federal Nation Mortgage Association for 20 percent.

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(e) Investment Gain

The types of investments made during the year were substantially the same as those held as of June 30, 2005. 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 gain is comprised of the following at June 30, 2005 (in thousands):

Interest and dividends, net of amounts capitalized	\$ 377,976
Net increase in the fair value of investments	<u>1,244,537</u>
Total investment gain	<u><u>\$ 1,622,513</u></u>

The net increase 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 increase in 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, 2005 was 2.31%.

(f) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2005 (in thousands):

Statement of Net Assets	
Net assets held in trust for all pool participants.....	<u>\$ 2,828,140</u>
Equity of internal pool participants.....	2,507,655
Equity of external pool participants.....	<u>320,485</u>
Total equity.....	<u><u>\$ 2,828,140</u></u>
 Statement of Changes in Net Assets	
Net assets at July 1, 2004.....	\$ 2,222,788
Net change in investments by pool participants.....	<u>605,352</u>
Net assets at June 30, 2005.....	<u><u>\$ 2,828,140</u></u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2005 (in thousands):

Types of Investment	Rates	Maturities	Par Value	Carrying Value
U.S. government securities.....	2.64% - 4.56%	07/07/05-06/15/10	\$ 745,000	\$ 736,821
Federal agencies.....	2.91% - 3.27%	07/05/05-10/18/05	1,442,000	1,431,791
Negotiable certificate of deposits.....	3.09% - 3.31%	07/11/05-08/30/05	358,000	357,975
Commercial paper.....	3.04% - 3.29%	07/05/05-08/29/05	380,000	377,888
Public time deposits.....	3.00%	07/16/05	<u>100</u>	<u>100</u>
			<u><u>\$ 2,925,100</u></u>	2,904,575
Carrying amount of deposits in Treasurer's Pool.....				<u>(76,435)</u>
Total cash and investments in Treasurer's Pool.....				<u><u>\$ 2,828,140</u></u>

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(g) Retirement System Investments

The Retirement System's investments as of June 30, 2005 are summarized as follows (in thousands):

Fixed Income Investments:	
Short-term bills and notes	<u>\$ 622,621</u>
Debt securities:	
U.S. Government and agencies	1,372,895
U.S. Corporate	1,773,910
International government	319,682
International corporate	<u>162,740</u>
Subtotal debt securities	<u>3,629,227</u>
Total fixed income investments	<u>4,251,848</u>
Equity securities:	
Domestic	4,225,420
International	<u>2,199,917</u>
Total equity securities	<u>6,425,337</u>
Real estate holdings	1,084,786
Venture capital	1,436,796
Foreign currency contracts, net	13,254
Investment in lending agent's short-term investment pool	<u>1,600,111</u>
Total Retirement System Investments	<u><u>\$ 14,812,132</u></u>

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board.

As of June 30, 2005, the Retirement System had the following fixed income investments subject to interest rate risk (amounts in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in Years)</u>
Asset Backed Securities	\$ 136,564	0.791
Commercial Mortgage-Backed Securities	378,542	1.861
Corporate Bonds	1,302,916	1.175
Corporate Convertible Bonds	166,487	0.693
Government Agencies	45,552	0.143
Government Bonds	1,166,117	1.984
Government Mortgage-Backed Securities	395,979	1.669
Index Linked Government Bonds	75,017	0.310
Mortgages	10,207	0.023
Municipal/Provincial Bonds	11,041	0.015
Non-Government Backed Collateralized Mortgage Obligations	104,484	0.635
Other Fixed Income	3,000	0.001
Short-term Bills and Notes	94,678	0.003
Short-term Investment Funds	<u>297,936</u>	<u>0.000</u>
Total	<u><u>\$ 4,188,520</u></u>	<u><u>9.303</u></u>

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The 9.3 year weighted average maturity of the Retirement System's fixed income investments is based on the final maturity dates of all of the securities listed in the table. However, it is estimated that approximately 30% of the securities in the table contain embedded call options. Some of these "put back" options are explicit (such as call features attached to corporate bonds) and others are implicit (such as prepayment options on mortgage backed securities) which makes the expected life of these investments shorter than the stated maturity. For these reasons, actual maturities might differ from those reflected in the table.

Credit Risk

The Retirement System's fixed income managers are limited within their portfolios to no more than 10% exposure in any single security, with the exception of United States Treasury and government agencies. The following table illustrates the Retirement System's exposure to credit risk excluding obligations of the U.S. government and those explicitly guaranteed by the U.S. government as of June 30, 2005 (amounts in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>B</u>	<u>BB</u>	<u>BBB</u>	<u>C</u>	<u>Not Rated</u>
Asset Backed Securities	\$ 136,564	\$ 77	\$ -	\$ 68,303	\$ 2,346	\$ 24,481	\$ 33,008	\$ 3,075	\$ 5,274
Commercial Mortgage-Backed	378,542	1,842	19,186	117,862	17,214	101,633	36,209	3,889	80,707
Corporate Bonds	1,302,916	49,302	35,147	27,763	213,866	138,113	62,395	33,960	742,370
Corporate Convertible Bonds	166,487	18,548	3,592	-	21,411	36,457	65,683	3,068	17,728
Government Agencies	45,552	2,218	8,112	35,222	-	-	-	-	-
Government Bonds	296,424	72,018	27,837	79,718	41,783	14,056	51,523	170	9,319
Government Mortgage-Backed Securities	373,445	-	-	-	568	783	-	-	372,094
Index Linked Government Bonds	11,288	-	-	11,288	-	-	-	-	-
Mortgages	10,207	-	-	-	-	-	-	-	10,207
Municipal/Provincial Bonds	11,041	205	10,836	-	-	-	-	-	-
Non-Government Backed Collateralized Mortgage Obligations	104,484	1,048	490	53,784	14,630	11,276	3,491	514	19,251
Other fixed Income	3,000	-	3,000	-	-	-	-	-	-
Short-term bills and notes	89,082	-	-	-	-	-	-	-	89,082
Total	\$ 2,929,032	\$ 145,258	\$ 108,200	\$ 393,940	\$ 311,818	\$ 326,799	\$ 252,309	\$ 44,676	\$ 1,346,032

The ratings are the lower of the ratings by Moody's Investors Service (Moody's) and Standard & Poor's (S&P). Investments not rated by either Moody's or S&P are shown as not rated in the above table.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but it is the practice of the Retirement System that all investments are insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2005, \$9,967 of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

Cash received as securities lending collateral is invested in a securities lending collateral investment pool and is not exposed to custodial credit risk.

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Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of investments. As of June 30, 2005, the Retirement System was subjected to foreign currency risk. To mitigate this risk, the Retirement System's investment policy allows international managers to enter into foreign currency exchange contracts limited to hedging currency exposure existing in the portfolio. The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated international equity and fixed income investments. The Retirement System's net exposure to foreign currency risk is as follows (in thousands):

<u>Currency</u>	<u>Cash</u>	<u>Fixed Income Securities</u>	<u>Equity Securities</u>	<u>Real Estate</u>	<u>Venture Capital</u>	<u>Total</u>
Australian dollar	\$ 39,325	\$ -	\$ 54,475	\$ -	\$ -	\$ 93,800
Brazilian real	14,862	-	2,418	-	-	17,280
British pound sterling	29,845	12,584	357,972	-	3,660	404,061
Canadian dollar	(26,841)	12,853	58,149	-	-	44,161
Chilean peso	3,166	-	-	-	-	3,166
Chinese yuan renminbi	(3,266)	-	-	-	-	(3,266)
Danish krone	(778)	835	13,652	-	-	13,709
Egyptian pound	2,212	2,977	-	-	-	5,189
Euro currency	(471,992)	296,870	582,913	-	97,811	505,602
Hong Kong dollar	467	-	44,459	-	-	44,926
Hungarian forint	5,565	-	-	-	-	5,565
Iceland krona	(4,710)	6,548	-	-	-	1,838
Indian rupee	2,264	-	-	-	-	2,264
Japanese yen	(45,532)	95,978	404,855	5,048	-	460,349
Malaysian ringgit	6,146	-	-	-	-	6,146
Mexican peso	13,881	-	-	-	-	13,881
New Israeli shekel	-	2,741	-	-	-	2,741
Taiwan dollar	3,298	-	-	-	-	3,298
New Zealand dollar	(9,759)	7,996	5,085	-	-	3,322
Norwegian krone	674	-	11,918	-	-	12,592
Philippine peso	4,319	-	-	-	-	4,319
Polish zloty	10,298	-	-	-	-	10,298
Russian ruble (new)	13,366	6,076	-	-	-	19,442
Singapore dollar	8,870	-	15,215	-	-	24,085
Slovak koruna	7,942	-	-	-	-	7,942
South African rand	4,948	-	3,809	-	-	8,757
South Korean won	8,414	1,728	31,237	-	-	41,379
Swedish krona	3,878	2,575	32,741	-	-	39,194
Swiss franc	6,039	-	119,178	-	-	125,217
Turkish lira	1,523	15,366	-	-	-	16,889
Ukrainian hryvnia	2,404	3,115	-	-	-	5,519
Uruguayan peso	45	2,601	-	-	-	2,646
Total	\$ (369,127)	\$ 470,843	\$ 1,738,076	\$ 5,048	\$ 101,471	\$ 1,946,311

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, 2005, the fair value of open contracts can be summarized as follows (in thousands):

Purchase contracts	\$ 1,132,367
Sales contracts	(1,119,113)
Net fair value	<u>\$ 13,254</u>

The Retirement System utilized these contracts to hedge (or decrease) the currency risk of foreign investments, 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

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cancel previous contracts. The impact on market risk of these contracts can be summarized as follows (in thousands):

Contracts used to hedge or to settle trades, net	\$ (509,479)
Contracts used to increase investment exposure in a foreign currency or to settle trades, net	522,733
Net fair value	\$ 13,254

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Collateral cash is pledged at 102% and securities at 105% of the fair market value of domestic securities and non-domestic securities lent. There are no restrictions on the amount of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral.

The Retirement System lent \$1,932,450 in securities and received collateral of \$391,580 and \$1,600,111 in securities and cash, respectively, from borrowers. The Retirement System's securities lending transactions as of June 30, 2005, are summarized in the following table (in thousands):

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities Loaned for Cash Collateral:			
International Corporate Fixed	\$ 2,001	\$ 2,092	\$ -
International Equities	216,236	226,926	-
International Government Fixed	19,307	20,306	-
U.S. Agencies	605	616	-
U.S. Corporate Fixed	182,593	186,989	-
U.S. Equities	248,102	254,608	-
U.S. Government Fixed	888,303	908,574	-
Securities Loaned with Non-Cash Collateral:			
International Equities	268,163	-	281,856
International Government Fixed	10,611	-	11,008
International UK Gilt	11,069	-	11,414
U.S. Agencies	6,408	-	6,570
U.S. Corporate Fixed	18,988	-	19,401
U.S. Equities	1,289	-	1,319
U.S. Government Fixed	58,775	-	60,012
Total	\$ 1,932,450	\$ 1,600,111	\$ 391,580

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. As of June 30, 2005, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

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(h) Supplemental disclosure of non-cash investing and financing activities

San Francisco International Airport

During the fiscal year 2004-2005, the San Francisco International Airport (SFO) issued Second Series Revenue Bonds Issue 31F and Issue 32 to refund previously issued debt. The \$109.1 million in proceeds from Issue 31F and the \$197.7 million in proceeds from Issue 32 were deposited immediately into irrevocable trusts for the defeasance of \$306.8 million of Second Series Refunding Bonds.

Bond issuance costs of \$8.4 million that were deducted from the proceeds of the Second Series Revenue Bonds were capitalized and will be amortized over the debt repayment period.

Other Non-Cash Transactions

The following represents the other non-cash transactions as of June 30, 2005 (in thousands):

	General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Internal Service Funds	Total	
					2005	2004
Loss on abandonment of property and equipment.....	\$ -	\$ 11	\$ -	\$ -	\$ 11	\$ 39
Acquisition of capital assets on accounts payable and capital leases.....	958	2,313	409	313	3,993	3,750
Donated surplus.....	-	5,000	-	-	5,000	-
Total	<u>\$ 958</u>	<u>\$ 7,324</u>	<u>\$ 409</u>	<u>\$ 313</u>	<u>\$ 9,004</u>	<u>\$ 3,789</u>

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(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 1978-1979, general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-1976 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. In 2000, California voters approved Proposition 39 which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for debt service amounted to approximately \$130 million for the year ended June 30, 2005.

Taxable valuation for the year ended June 30, 2005 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately \$100.6 billion, an increase of 5.5%. The secured tax rate was \$1.144 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, \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also \$0.144 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.36% and 2.53%, respectively, of the current year tax levy, for an average delinquency rate of 1.44% 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 tax 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, 2005 was \$11.3 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
June 30, 2005

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2005, was as follows (in thousands):

Governmental Activities:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 143,640	\$ -	\$ -	\$ 143,640
Construction in progress.....	245,677	112,520	(66,157)	292,040
Total capital assets, not being depreciated.....	389,317	112,520	(66,157)	435,680
Capital assets, being depreciated:				
Facilities and improvements.....	2,092,382	48,216	-	2,140,598
Machinery and equipment.....	244,119	14,868	(2,550)	256,437
Infrastructure.....	180,976	13,490	-	194,466
Property held under lease.....	4,816	-	-	4,816
Total capital assets, being depreciated.....	2,522,293	76,574	(2,550)	2,596,317
Less accumulated depreciation for:				
Facilities and improvements.....	397,184	39,148	-	436,332
Machinery and equipment.....	191,445	21,507	(2,536)	210,416
Infrastructure.....	4,138	5,105	-	9,243
Property held under lease.....	4,280	-	-	4,280
Total accumulated depreciation.....	597,047	65,760	(2,536)	660,271
Total capital assets, being depreciated, net.....	1,925,246	10,814	(14)	1,936,046
Governmental activities capital assets, net.....	<u>\$ 2,314,563</u>	<u>\$ 123,334</u>	<u>\$ (66,171)</u>	<u>\$ 2,371,726</u>

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2005, was as follows (in thousands):

San Francisco International Airport

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 2,316	\$ -	\$ -	\$ 2,316
Construction in progress.....	126,574	77,399	(158,931)	45,042
Total capital assets, not being depreciated.....	128,890	77,399	(158,931)	47,358
Capital assets, being depreciated:				
Facilities and improvements.....	4,670,864	102,009	(3,329)	4,769,544
Machinery and equipment.....	70,207	739	(5,077)	65,869
Easements.....	135,598	3,011	-	138,609
Total capital assets, being depreciated.....	4,876,669	105,759	(8,406)	4,974,022
Less accumulated depreciation for:.....				
Facilities and improvements.....	998,507	150,311	-	1,148,818
Machinery and equipment.....	59,702	4,700	(4,938)	59,464
Easements.....	46,445	6,630	-	53,075
Total accumulated depreciation.....	1,104,654	161,641	(4,938)	1,261,357
Total capital assets, being depreciated, net.....	3,772,015	(55,882)	(3,468)	3,712,665
Capital assets, net.....	<u>\$ 3,900,905</u>	<u>\$ 21,517</u>	<u>\$ (162,399)</u>	<u>\$ 3,760,023</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Water Department

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 17,929	\$ -	\$ -	\$ 17,929
Construction in progress.....	85,755	110,342	(74,234)	121,863
Total capital assets, not being depreciated.....	103,684	110,342	(74,234)	139,792
Capital assets, being depreciated:				
Facilities and improvements.....	968,502	59,334	-	1,027,836
Machinery and equipment.....	99,905	4,704	(415)	104,194
Total capital assets, being depreciated.....	1,068,407	64,038	(415)	1,132,030
Less accumulated depreciation for:				
Facilities and improvements.....	359,118	32,088	-	391,206
Machinery and equipment.....	60,806	8,024	(379)	68,451
Total accumulated depreciation.....	419,924	40,112	(379)	459,657
Total capital assets, being depreciated, net.....	648,483	23,926	(36)	672,373
Capital assets, net.....	\$ 752,167	\$ 134,268	\$ (74,270)	\$ 812,165

Hetch Hetchy Water and Power

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 4,215	\$ -	\$ -	\$ 4,215
Construction in progress.....	51,097	19,941	(20,132)	50,906
Total capital assets, not being depreciated.....	55,312	19,941	(20,132)	55,121
Capital assets, being depreciated:				
Facilities and improvements.....	426,665	16,707	-	443,372
Machinery and equipment.....	38,156	1,002	(100)	39,058
Total capital assets, being depreciated.....	464,821	17,709	(100)	482,430
Less accumulated depreciation for:				
Facilities and improvements.....	234,066	9,197	-	243,263
Machinery and equipment.....	25,806	1,562	(89)	27,279
Total accumulated depreciation.....	259,872	10,759	(89)	270,542
Total capital assets, being depreciated, net.....	204,949	6,950	(11)	211,888
Capital assets, net.....	\$ 260,261	\$ 26,891	\$ (20,143)	\$ 267,009

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Municipal Transportation Agency

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 26,245	\$ -	\$ -	\$ 26,245
Construction in progress.....	282,779	101,762	(5,338)	379,203
Total capital assets, not being depreciated.....	<u>309,024</u>	<u>101,762</u>	<u>(5,338)</u>	<u>405,448</u>
Capital assets, being depreciated:				
Facilities and improvements.....	376,851	6,746	-	383,597
Machinery and equipment.....	1,088,637	5,652	(5,023)	1,089,266
Infrastructure.....	703,673	13,052	-	716,725
Total capital assets, being depreciated.....	<u>2,169,161</u>	<u>25,450</u>	<u>(5,023)</u>	<u>2,189,588</u>
Less accumulated depreciation for:				
Facilities and improvements.....	123,396	32,317	-	155,713
Machinery and equipment.....	257,450	63,424	(4,461)	316,413
Infrastructure.....	209,003	22,680	-	231,683
Total accumulated depreciation.....	<u>589,849</u>	<u>118,421</u>	<u>(4,461)</u>	<u>703,809</u>
Total capital assets, being depreciated, net.....	<u>1,579,312</u>	<u>(92,971)</u>	<u>(562)</u>	<u>1,485,779</u>
Capital assets, net.....	<u>\$ 1,888,336</u>	<u>\$ 8,791</u>	<u>\$ (5,900)</u>	<u>\$ 1,891,227</u>

General Hospital Medical Center

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 542	\$ -	\$ -	\$ 542
Construction in progress.....	3,555	717	(1,589)	2,683
Total capital assets, not being depreciated.....	<u>4,097</u>	<u>717</u>	<u>(1,589)</u>	<u>3,225</u>
Capital assets, being depreciated:				
Facilities and improvements.....	125,903	2,529	-	128,432
Machinery and equipment.....	45,930	2,512	-	48,442
Total capital assets, being depreciated.....	<u>171,833</u>	<u>5,041</u>	<u>-</u>	<u>176,874</u>
Less accumulated depreciation for:				
Facilities and improvements.....	83,369	4,248	-	87,617
Machinery and equipment.....	36,625	2,407	-	39,032
Total accumulated depreciation.....	<u>119,994</u>	<u>6,655</u>	<u>-</u>	<u>126,649</u>
Total capital assets, being depreciated, net.....	<u>51,839</u>	<u>(1,614)</u>	<u>-</u>	<u>50,225</u>
Capital assets, net.....	<u>\$ 55,936</u>	<u>\$ (897)</u>	<u>\$ (1,589)</u>	<u>\$ 53,450</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Clean Water Program

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 22,168	\$ -	\$ -	\$ 22,168
Construction in progress.....	22,379	27,560	(16,381)	33,558
Total capital assets, not being depreciated.....	<u>44,547</u>	<u>27,560</u>	<u>(16,381)</u>	<u>55,726</u>
Capital assets, being depreciated:				
Facilities and improvements.....	1,923,515	13,891	-	1,937,406
Machinery and equipment.....	24,203	2,513	-	26,716
Total capital assets, being depreciated.....	<u>1,947,718</u>	<u>16,404</u>	<u>-</u>	<u>1,964,122</u>
Less accumulated depreciation for:				
Facilities and improvements.....	662,932	36,704	-	699,636
Machinery and equipment.....	20,171	1,096	-	21,267
Total accumulated depreciation.....	<u>683,103</u>	<u>37,800</u>	<u>-</u>	<u>720,903</u>
Total capital assets, being depreciated, net.....	<u>1,264,615</u>	<u>(21,396)</u>	<u>-</u>	<u>1,243,219</u>
Capital assets, net.....	<u>\$ 1,309,162</u>	<u>\$ 6,164</u>	<u>\$ (16,381)</u>	<u>\$ 1,298,945</u>

Port of San Francisco

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 119,452	\$ -	\$ -	\$ 119,452
Construction in progress.....	12,056	12,250	(3,912)	20,394
Total capital assets, not being depreciated.....	<u>131,508</u>	<u>12,250</u>	<u>(3,912)</u>	<u>139,846</u>
Capital assets, being depreciated:				
Facilities and improvements.....	265,826	8,243	(790)	273,279
Machinery and equipment.....	13,368	921	(812)	13,477
Total capital assets, being depreciated.....	<u>279,194</u>	<u>9,164</u>	<u>(1,602)</u>	<u>286,756</u>
Less accumulated depreciation for:				
Facilities and improvements.....	157,300	8,963	(790)	165,473
Machinery and equipment.....	7,957	1,004	(803)	8,158
Total accumulated depreciation.....	<u>165,257</u>	<u>9,967</u>	<u>(1,593)</u>	<u>173,631</u>
Total capital assets, being depreciated, net.....	<u>113,937</u>	<u>(803)</u>	<u>(9)</u>	<u>113,125</u>
Capital assets, net.....	<u>\$ 245,445</u>	<u>\$ 11,447</u>	<u>\$ (3,921)</u>	<u>\$ 252,971</u>

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005**

Laguna Honda Hospital

	Balance July 1, 2004	Increases *	Decreases *	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 914	\$ -	\$ -	\$ 914
Construction in progress.....	56,574	11,345	-	67,919
Total capital assets, not being depreciated.....	<u>57,488</u>	<u>11,345</u>	<u>-</u>	<u>68,833</u>
Capital assets, being depreciated:				
Facilities and improvements.....	27,388	-	-	27,388
Machinery and equipment.....	12,619	288	-	12,907
Property held under lease.....	2,294	508	-	2,802
Total capital assets, being depreciated.....	<u>42,301</u>	<u>796</u>	<u>-</u>	<u>43,097</u>
Less accumulated depreciation for:				
Facilities and improvements.....	22,056	779	-	22,835
Machinery and equipment.....	11,830	155	-	11,985
Property held under lease.....	46	89	-	135
Total accumulated depreciation.....	<u>33,932</u>	<u>1,023</u>	<u>-</u>	<u>34,955</u>
Total capital assets, being depreciated, net	<u>8,369</u>	<u>(227)</u>	<u>-</u>	<u>8,142</u>
Capital assets, net.....	<u>\$ 65,857</u>	<u>\$ 11,118</u>	<u>\$ -</u>	<u>\$ 76,975</u>

Other Fund - San Francisco Market Corporation

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, being depreciated:				
Facilities and improvements.....	\$ 9,483	\$ 48	\$ -	\$ 9,531
Machinery and equipment.....	29	26	-	55
Total capital assets, being depreciated.....	<u>9,512</u>	<u>74</u>	<u>-</u>	<u>9,586</u>
Less accumulated depreciation for:				
Facilities and improvements.....	4,256	282	-	4,538
Machinery and equipment.....	-	-	-	-
Total accumulated depreciation.....	<u>4,256</u>	<u>282</u>	<u>-</u>	<u>4,538</u>
Total capital assets, being depreciated, net.....	<u>5,256</u>	<u>(208)</u>	<u>-</u>	<u>5,048</u>
Capital assets, net.....	<u>\$ 5,256</u>	<u>\$ (208)</u>	<u>\$ -</u>	<u>\$ 5,048</u>

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005**

Total Business-type Activities

	Balance July 1, 2004	Increases *	Decreases *	Balance June 30, 2005
Capital assets, not being depreciated:				
Land.....	\$ 193,781	\$ -	\$ -	\$ 193,781
Construction in progress.....	640,769	361,316	(280,517)	721,568
Total capital assets, not being depreciated.....	834,550	361,316	(280,517)	915,349
Capital assets, being depreciated:				
Facilities and improvements.....	8,794,997	209,507	(4,119)	9,000,385
Machinery and equipment.....	1,393,054	18,357	(11,427)	1,399,984
Infrastructure.....	703,673	13,052	-	716,725
Property held under lease.....	2,294	508	-	2,802
Easements.....	135,598	3,011	-	138,609
Total capital assets, being depreciated.....	11,029,616	244,435	(15,546)	11,258,505
Less accumulated depreciation for:				
Facilities and improvements.....	2,645,001	274,889	(790)	2,919,100
Machinery and equipment.....	480,347	82,372	(10,670)	552,049
Infrastructure.....	209,002	22,680	-	231,682
Property held under lease.....	46	89	-	135
Easements.....	46,445	6,630	-	53,075
Total accumulated depreciation.....	3,380,841	386,660	(11,460)	3,756,041
Total capital assets, being depreciated, net.....	7,648,775	(142,225)	(4,086)	7,502,464
Capital assets, net.....	\$ 8,483,325	\$ 219,091	\$ (284,603)	\$ 8,417,813

* The increases and decreases include transfers of categories of fixed assets from properties held under lease to facilities and improvements.

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

Governmental Activities	
Public protection.....	\$ 10,224
Public works, transportation, and commerce.....	15,693
Human welfare and neighborhood development.....	551
Community health.....	916
Culture and recreation.....	23,915
General administration and finance.....	13,498
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	963
Total depreciation expense - governmental activities	\$ 65,760
Business-type activities:	
Airport.....	\$ 161,641
Transportation.....	118,421
Port.....	9,967
Water.....	40,112
Power.....	10,759
Hospitals.....	7,678
Sewer.....	37,800
Market.....	282
Total depreciation expense - business-type activities.....	\$ 386,660

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

Equipment is generally estimated to have useful lives of 2 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 15 to 50 years, except for utility type assets of the Water Department (Water), Hetch Hetchy Water and Power (Hetch Hetchy), the Clean Water Program (CWP), the Municipal Transportation Agency (MTA), Laguna Honda Hospital (LHH), and the Port of San Francisco (Port) that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, building and structures of LHH, and pier substructures of the Port and totaled \$1.5 billion as of June 30, 2005. In addition, the Water Department had utility type assets with useful lives over 100 years, which totaled \$4.5 million as of June 30, 2005.

During the fiscal year ended June 30, 2005, the City's enterprise funds incurred total interest expense and interest income of approximately \$268 million and \$33.3 million, respectively. Of these amounts, interest expense of approximately \$8.3 million was capitalized, while no interest income was received as part of the cost of constructing proprietary capital assets.

During fiscal year ended June 30, 2005, Water, Hetch Hetchy, and CWP expensed \$14.1 million, \$3.3 million, and \$1.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

Special items identify significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence. During fiscal year ended June 30, 2005, the Airport recognized a loss due to asset impairment of approximately \$50 million (including capitalized interest of \$5 million) relating to potential runway reconfigurations, construction methods, and materials.

Component Unit - Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2005 was as follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, not being depreciated:				
Property held under lease.....	\$ 82,692	\$ 22,276	\$ -	\$ 104,968
Construction in progress.....	31,568	17,494	(26,770)	22,292
Total capital assets, not being depreciated/amortized.....	<u>114,260</u>	<u>39,770</u>	<u>(26,770)</u>	<u>127,260</u>
Capital assets, being depreciated:				
Facilities and improvements.....	137,212	24,227	-	161,439
Leasehold improvements.....	21,602	-	-	21,602
Machinery and equipment.....	7,759	68	-	7,827
Total capital assets, being depreciated.....	<u>166,573</u>	<u>24,295</u>	<u>-</u>	<u>190,868</u>
Less accumulated depreciation and amortization for:				
Facilities and improvements.....	32,332	3,683	-	36,015
Leasehold improvements.....	7,354	432	-	7,786
Machinery and equipment.....	7,157	283	-	7,440
Total accumulated depreciation and amortization.....	<u>46,843</u>	<u>4,398</u>	<u>-</u>	<u>51,241</u>
Total capital assets, being depreciated, net.....	<u>119,730</u>	<u>19,897</u>	<u>-</u>	<u>139,627</u>
Redevelopment Agency capital assets, net.....	<u>\$ 233,990</u>	<u>\$ 59,667</u>	<u>\$ (26,770)</u>	<u>\$ 266,887</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

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

The following is a summary of long-term obligations of the City as of June 30, 2005 (in thousands):

GOVERNMENTAL ACTIVITIES			
<u>Type of Obligation and Purpose</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
GENERAL OBLIGATION BONDS (a):			
Affordable housing.....	2021	4.0 to 7.05%	\$ 84,030
California Academy of Sciences.....	2024	3.0 to 5.25%	7,805
Library.....	2022	2.5 to 5.0%	35,940
Laguna Honda Hospital.....	2030	3.25 to 5.0%*	230,000
Museums.....	2019	4.5 to 5.5%	13,345
Parks and playgrounds.....	2024	2.4 to 5.75%	135,570
Schools.....	2023	2.4 to 5.75%	131,760
Zoo facilities.....	2022	2.5 to 5.75%	33,525
Refunding.....	2016	3.0 to 5.75%	<u>414,380</u>
General obligation bonds - governmental activities.....			<u>1,086,355</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation (b) & (e).....	2030	2.0 to 5.5%**	<u>230,620</u>
Lease revenue bonds - governmental activities.....			<u>230,620</u>
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c) & (d).....	2034	3.0 to 5.3%	283,320
Commercial Paper (c).....	2006	1.85 to 2.85%	150,000
Loans (c), (d) & (f).....	2015	2.0 to 6.7%	7,961
Capital leases payable (c) & (f).....	2024	1.5 to 7.05%	198,703
Settlement Obligation Bonds (d).....	2011	2.4 to 3.05%	38,670
Accrued vacation and sick leave (d) & (f).....			125,037
Accrued workers' compensation (d) & (f).....			214,805
Estimated claims payable (d) & (f).....			<u>83,537</u>
Other long-term obligations - governmental activities.....			<u>1,102,033</u>
DEFERRED AMOUNTS:			
Bond issuance premiums.....			16,254
Bond issuance discounts.....			(2,425)
Bond refunding.....			<u>(5,843)</u>
Deferred amounts.....			<u>7,986</u>
Governmental activities total long-term obligations.....			<u>\$ 2,426,994</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 the 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 the 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.

* Laguna Honda Hospital General Obligation Bonds Series 2005 A are fixed rate bonds and Series 2005 B, C and D are variable rate bonds that reset weekly. The remaining interest rates stated are for Series 2005 A. The average interest rate for the variable rate bonds from issuance date of May 26, 2005 through June 30, 2005 was 2.42%. The rate at June 30, 2005 was 2.20%.

** 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, 2005 was 1.57%. The rate at June 30, 2005 was 2.21%.

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005**

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds.....	2032	1.55 to 8.0%*	\$ 4,114,431
Water Department:			
Revenue bonds.....	2032	3.0 to 7.0%	486,970
Commercial paper.....	2006	2.58 to 2.75%	80,000
Accreted interest.....	2019	7.0%	2,749
Hetch Hetchy Water and Power:			
Notes, loans and other payables.....	2010	3.0%	595
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds.....	2020	4.0 to 5.0%	21,170
Lease revenue bonds.....	2022	3.7 to 6.0%	10,465
Capital leases.....	2008	3.41 to 5.11%	195
Notes, loans and other payables**.....	2010	3.0 to 5.25%	20,266
Downtown Parking - parking revenue refunding bonds.....	2018	3.0 to 5.375%	11,440
Ellis-O'Farrell - parking revenue refunding bonds.....	2017	3.5 to 4.7%	5,315
Japan Center Garage Corporation - notes, loans and other payables.....	2008	6.75%	309
Uptown Parking - revenue bonds.....	2031	4.5 to 6.0%	18,425
General Hospital Medical Center:			
Capital leases.....	2010	5.7 to 8.5%	2,519
Clean Water Program:			
Revenue bonds.....	2026	3.0 to 5.25%	396,270
State of California - Revolving fund loans.....	2021	2.8 to 3.5%	134,783
Port of San Francisco:			
Revenue bonds.....	2010	2.25 to 4.0%	19,940
Notes, loans and other payables.....	2029	4.5%	3,359
Laguna Honda Hospital:			
Capital leases.....	2009	3.465%	2,040
Accrued vacation and sick leave.....			75,318
Accrued workers' compensation.....			176,623
Estimated claims payable.....			68,718
Deferred Amounts:			
Bond issuance premiums.....			45,420
Bond issuance discounts.....			(20,108)
Bond refunding.....			(92,446)
Business-type activities total long-term obligations.....			<u>\$ 5,584,766</u>

* Includes Second Series Revenue Bonds Issue 31 and 32, which were issued in an auction mode. The average interest rates on the Issue 31 and 32 bonds were 1.8% and 2.36%, respectively, from the dates of issuance through June 30, 2005.

** Includes an unamortized loan premium of \$0.9 million for Parking and Traffic.

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

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COMPONENT UNITS

<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).....	2025	2.0 to 7.05%	\$ 138,155
Hotel Tax Revenue Bonds (b).....	2025	4.25 to 6.94%	67,220
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c).....	2031	2.0 to 8.3%	469,671
South Beach Harbor Variable Rate			
Refunding Bonds (d).....	2017	Variable (2.4% at 6/30/05)	10,000
Less deferred amounts:			
Bond issuance premiums.....			8,966
Refunding loss.....			<u>(3,042)</u>
Sub-total.....			690,970
California Department of Boating and			
Waterways Loan (e).....	2037	4.5%	8,000
Accrued interest payable.....			77,025
Accrued vacation and sick leave pay.....			<u>2,701</u>
Component unit total long-term obligations.....			<u><u>\$ 778,696</u></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, 2005, the City's debt limit (3% of valuation subject to taxation) was \$3.2 billion. The total amount of debt applicable to the debt limit was \$1.1 billion, net of certain assets in other non-major governmental funds, and other deductions allowed by law. The resulting legal debt margin was \$2.1 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 \$0.4 million as of June 30, 2005. This arbitrage liability is reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated their lease revenue bonds, and a liability of \$0.2 million was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2005. 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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

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 issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2005, the aggregate outstanding obligation of such bonds was \$130 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2005, are as follows (in thousands):

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds.....	\$ 844,350	\$ 306,875	\$ (64,870)	\$ 1,086,355	\$ 67,805
Lease revenue bonds.....	245,680	-	(15,060)	230,620	17,780
Certificates of participation.....	290,635	39,350	(46,665)	283,320	7,160
Settlement obligation bond.....	44,275	-	(5,605)	38,670	5,715
Less deferred amounts:					
For issuance premiums.....	4,912	11,989	(647)	16,254	-
For issuance discounts.....	(2,509)	-	84	(2,425)	-
On refunding.....	(6,339)	(253)	749	(5,843)	-
Total Bonds payable.....	1,421,004	357,961	(132,014)	1,646,951	98,460
Commercial Paper.....	50,000	100,000	-	150,000	150,000
Loans.....	9,515	500	(2,054)	7,961	943
Capital leases.....	194,815	6,364	(2,476)	198,703	14,888
Accrued vacation and sick leave pay.....	128,417	72,900	(76,280)	125,037	63,098
Accrued workers' compensation.....	213,630	34,042	(32,867)	214,805	44,624
Estimated claims payable.....	79,805	29,360	(25,628)	83,537	37,487
Governmental activities long-term obligations..	<u>\$ 2,097,186</u>	<u>\$ 601,127</u>	<u>\$ (271,319)</u>	<u>\$ 2,426,994</u>	<u>\$ 409,500</u>

CITY AND COUNTY OF SAN FRANCISCO
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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 ended June 30, 2005, \$230.7 million of lease revenue bonds, \$0.5 million of capital leases, \$0.1 million of loans, \$3.7 million of accrued vacation and sick leave pay and \$1.2 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 fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2005, are as follows (in thousands):

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds.....	\$ 4,173,170	\$ 311,596	\$ (370,335)	\$ 4,114,431	\$ 79,126
Less deferred amounts:					
For issuance premiums.....	17,544	-	(435)	17,109	-
For issuance discounts.....	(19,059)	-	1,709	(17,350)	-
On refunding.....	(53,004)	(13,281)	5,695	(60,590)	-
Total bonds payable.....	4,118,651	298,315	(363,366)	4,053,600	79,126
Accrued vacation and sick leave pay.....	11,576	7,788	(7,874)	11,490	5,928
Accrued workers' compensation.....	5,155	2,316	(2,352)	5,119	1,339
Estimated claims payable.....	459	575	(189)	845	812
Long-term obligations.....	<u>\$ 4,135,841</u>	<u>\$ 308,994</u>	<u>\$ (373,781)</u>	<u>\$ 4,071,054</u>	<u>\$ 87,205</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2005, are as follows (in thousands) - continued:

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Water Department					
Bonds payable:					
Revenue bonds.....	\$ 501,025	\$ -	\$ (14,055)	\$ 486,970	\$ 14,790
Less deferred amounts:					
For issuance premiums.....	6,932	-	(245)	6,687	-
For issuance discounts.....	(2,709)	-	(49)	(2,758)	-
On refunding.....	(7,885)	-	474	(7,411)	-
Total bonds payable.....	497,363	-	(13,875)	483,488	14,790
Accreted interest payable.....	2,567	182	-	2,749	-
Commercial paper.....	25,000	55,000	-	80,000	80,000
Accrued vacation and sick leave pay.....	9,130	6,176	(5,722)	9,584	4,755
Accrued workers' compensation.....	11,695	669	(2,013)	10,351	2,159
Estimated claims payable.....	6,111	1,385	(2,210)	5,286	1,225
Long-term obligations.....	\$ 551,866	\$ 63,412	\$ (23,820)	\$ 591,458	\$ 102,929
Hetch Hetchy Water and Power					
Notes, loans, and other payables.....	\$ 693	\$ -	\$ (98)	\$ 595	\$ 101
Accrued vacation and sick leave pay.....	1,798	973	(902)	1,869	988
Accrued workers' compensation.....	2,276	463	(289)	2,450	500
Estimated claims payable.....	169	3,702	(1,869)	2,002	432
Long-term obligations.....	\$ 4,936	\$ 5,138	\$ (3,158)	\$ 6,916	\$ 2,021
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds.....	\$ 58,420	\$ -	\$ (2,070)	\$ 56,350	\$ 2,365
Lease revenue bonds.....	11,425	-	(960)	10,465	1,010
Less deferred amounts:					
For issuance premiums.....	969	-	(29)	940	-
Total bonds payable.....	70,814	-	(3,059)	67,755	3,375
Notes, loans, and other payables.....	24,299	335	(4,059)	20,575 *	4,124
Capital leases.....	561	91	(457)	195	138
Accrued vacation and sick leave pay.....	24,219	19,077	(19,196)	24,100	13,810
Accrued workers' compensation.....	119,440	17,443	(21,531)	115,352	25,289
Estimated claims payable.....	33,844	23,602	(7,680)	49,766	16,836
Long-term obligations.....	\$ 273,177	\$ 60,548	\$ (55,982)	\$ 277,743	\$ 63,572
* Includes an unamortized loan premium of \$0.9 million for Parking and Traffic.					
General Hospital Medical Center					
Capital leases.....	\$ 2,205	\$ 959	\$ (645)	\$ 2,519	\$ 653
Accrued vacation and sick leave pay.....	13,564	10,231	(9,559)	14,236	8,167
Accrued workers' compensation.....	22,993	4,199	(4,293)	22,899	4,550
Long-term obligations.....	\$ 38,762	\$ 15,389	\$ (14,497)	\$ 39,654	\$ 13,370

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

The changes in long-term obligations for all enterprise funds for the year ended June 30, 2005, are as follows (in thousands) - continued:

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Clean Water Program					
Bonds payable:					
Revenue bonds.....	\$ 396,270	\$ -	\$ -	\$ 396,270	\$ -
Less deferred amounts:					
For issuance premiums.....	21,386	-	(1,005)	20,381	-
On refunding.....	(25,124)	-	1,727	(23,397)	-
Total bonds payable.....	392,532	-	722	393,254	-
State of California - Revolving fund loans.....	150,196	-	(15,413)	134,783	15,914
Accrued vacation and sick leave pay.....	3,756	2,208	(1,869)	4,095	2,173
Accrued workers' compensation.....	4,800	721	(847)	4,674	967
Estimated claims payable.....	4,761	4,779	(448)	9,092	2,241
Long-term obligations.....	<u>\$ 556,045</u>	<u>\$ 7,708</u>	<u>\$ (17,855)</u>	<u>\$ 545,898</u>	<u>\$ 21,295</u>
Port of San Francisco					
Bonds payable:					
General obligation bonds.....	\$ 400	\$ -	\$ (400)	\$ -	\$ -
Revenue bonds.....	27,095	19,940	(27,095)	19,940	3,390
Less deferred amounts:					
For issuance premiums.....	216	159	(72)	303	-
On refunding.....	(788)	(510)	250	(1,048)	-
Total bonds payable.....	26,923	19,589	(27,317)	19,195	3,390
Notes, loans, and other payables.....	3,436	-	(77)	3,359	80
Capital leases.....	23	-	(23)	-	-
Accrued vacation and sick leave pay.....	1,839	1,431	(1,578)	1,692	922
Accrued workers' compensation.....	3,113	417	(804)	2,726	547
Estimated claims payable.....	2,287	300	(860)	1,727	957
Long-term obligations.....	<u>\$ 37,621</u>	<u>\$ 21,737</u>	<u>\$ (30,659)</u>	<u>\$ 28,699</u>	<u>\$ 5,896</u>
Laguna Honda Hospital					
Capital leases.....	\$ 2,102	\$ 409	\$ (471)	\$ 2,040	\$ 499
Accrued vacation and sick leave pay.....	8,008	6,290	(6,046)	8,252	4,881
Accrued workers' compensation.....	14,024	27,088	(28,060)	13,052	2,654
Long-term obligations.....	<u>\$ 24,134</u>	<u>\$ 33,787</u>	<u>\$ (34,577)</u>	<u>\$ 23,344</u>	<u>\$ 8,034</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

A summary of the changes in long-term obligations for all enterprise funds for the year ended June 30, 2005, is as follows (in thousands):

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
General obligation bonds.....	\$ 400	\$ -	\$ (400)	\$ -	\$ -
Revenue bonds.....	5,155,980	331,536	(413,555)	5,073,961	99,671
Lease revenue bonds.....	11,425	-	(960)	10,465	1,010
Less deferred amounts:					
For issuance premiums.....	47,047	159	(1,786)	45,420	-
For issuance discounts.....	(21,768)	-	1,660	(20,108)	-
On refunding.....	(86,801)	(13,791)	8,146	(92,446)	-
Total bonds payable.....	5,106,283	317,904	(406,895)	5,017,292	100,681
Accreted interest payable.....	2,567	182	-	2,749	-
Commercial paper.....	25,000	55,000	-	80,000	80,000
State of California - Revolving fund loans.....	150,196	-	(15,413)	134,783	15,914
Notes, loans, and other payables.....	28,428	335	(4,234)	24,529	4,305
Capital leases.....	4,891	1,482	(1,619)	4,754	1,290
Accrued vacation and sick leave pay.....	73,890	54,174	(52,746)	75,318	41,624
Accrued workers' compensation.....	183,496	53,330	(60,203)	176,623	38,005
Estimated claims payable.....	47,631	34,324	(13,237)	68,718	22,503
Business-type activities long term obligations....	<u>\$ 5,622,382</u>	<u>\$ 516,731</u>	<u>\$ (554,347)</u>	<u>\$ 5,584,766</u>	<u>\$ 304,322</u>

The changes in long term obligations for the component unit for the year ended June 30, 2005, are as follows (in thousands):

	July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2005	Amounts Due Within One Year
Component Unit:					
Redevelopment Agency					
Bonds payable:					
Revenue bonds.....	\$ 727,713	\$ -	\$ (52,667)	\$ 675,046	\$ 28,581
Refunding bonds.....	11,500	-	(1,500)	10,000	-
Less deferred amounts:					
For issuance premiums.....	9,641	-	(675)	8,966	-
On refunding.....	(3,263)	-	221	(3,042)	-
Total bonds payable.....	745,591	-	(54,621)	690,970	28,581
Accreted interest payable.....	142,388	9,167	(74,530)	77,025	2,084 (1)
Notes, loans, and other payables.....	8,000	-	-	8,000	-
Accrued vacation and sick leave pay.....	2,733	6	(38)	2,701	1,092
Component unit - long term obligations.....	<u>\$ 898,712</u>	<u>\$ 9,173</u>	<u>\$ (129,189)</u>	<u>\$ 778,696</u>	<u>\$ 31,757</u>

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

CITY AND COUNTY OF SAN FRANCISCO
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June 30, 2005

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2005, for governmental activities are as follows (in thousands):

Fiscal Year Ending June 30	Governmental Activities ^{(1) (2) (3)}							
	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006.....	\$ 67,805	\$ 50,878	\$ 17,780	\$ 6,979	\$ 13,818	\$ 14,788	\$ 99,403	\$ 72,645
2007.....	70,795	47,346	15,805	6,424	15,977	14,269	102,577	68,039
2008.....	78,090	43,871	13,955	5,928	15,863	13,723	107,908	63,522
2009.....	81,715	40,079	12,565	5,469	16,427	13,165	110,707	58,713
2010.....	82,495	36,070	7,180	5,019	16,921	12,609	106,596	53,698
2011-2015..	327,125	123,872	35,670	21,438	61,520	54,236	424,315	199,546
2016-2020..	209,045	56,107	36,995	15,651	48,745	41,711	294,785	113,469
2021-2025..	99,385	17,084	42,970	9,631	43,265	30,636	185,620	57,351
2026-2030..	69,900	5,279	47,700	3,686	51,050	18,860	168,650	27,825
2031-2035..	-	-	-	-	46,365	4,894	46,365	4,894
Total.....	<u>\$1,086,355</u>	<u>\$ 420,586</u>	<u>\$ 230,620</u>	<u>\$ 80,225</u>	<u>\$ 329,951</u>	<u>\$ 218,891</u>	<u>\$ 1,646,926</u>	<u>\$ 719,702</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.
- (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.
- (3) Includes the following variable rate demand notes, Moscone Center Expansion Project Lease Revenue Bonds and Laguna Honda Hospital General Obligation Bonds. Currently, they bear interest at a weekly rate of 2.21% and 2.2% respectively, at June 30, 2005.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2005, for each enterprise fund is as follows (in thousands):

Fiscal Year Ending June 30	San Francisco International Airport ⁽¹⁾					
	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006.....	\$ 79,126	\$ 201,214	\$ -	\$ -	\$ 79,126	\$ 201,214
2007.....	86,505	198,119	-	-	86,505	198,119
2008.....	105,720	192,997	-	-	105,720	192,997
2009.....	110,865	188,512	-	-	110,865	188,512
2010.....	118,795	182,488	-	-	118,795	182,488
2011-2015..	759,270	816,444	-	-	759,270	816,444
2016-2020..	940,920	614,584	-	-	940,920	614,584
2021-2025..	1,116,380	368,838	-	-	1,116,380	368,838
2026-2030..	742,520	122,053	-	-	742,520	122,053
2031-2035..	54,330	3,637	-	-	54,330	3,637
Total.....	<u>\$ 4,114,431</u>	<u>\$ 2,888,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,114,431</u>	<u>\$ 2,888,886</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
June 30, 2005

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2005, for each enterprise fund is as follows (in thousands) - continued:

Water Department ⁽¹⁾⁽²⁾						
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2006.....	\$ 14,790	\$ 23,315	\$ -	\$ -	\$ 14,790	\$ 23,315
2007.....	15,450	22,666	-	-	15,450	22,666
2008.....	16,225	21,921	-	-	16,225	21,921
2009.....	17,035	21,131	-	-	17,035	21,131
2010.....	17,805	20,370	-	-	17,805	20,370
2011-2015...	102,670	88,254	-	-	102,670	88,254
2016-2020...	85,815	64,100	-	-	85,815	64,100
2021-2025...	84,165	43,683	-	-	84,165	43,683
2026-2030...	86,095	22,183	-	-	86,095	22,183
2031-2035...	46,920	3,142	-	-	46,920	3,142
Total.....	\$ 486,970	\$ 330,765	\$ -	\$ -	\$ 486,970	\$ 330,765

Hetch Hetchy Water and Power ⁽¹⁾						
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2006.....	\$ -	\$ -	\$ 101	\$ 17	\$ 101	\$ 17
2007.....	-	-	104	14	104	14
2008.....	-	-	107	11	107	11
2009.....	-	-	110	8	110	8
2010.....	-	-	115	4	115	4
2011-2015...	-	-	58	1	58	1
Total.....	\$ -	\$ -	\$ 595	\$ 55	\$ 595	\$ 55

Municipal Transportation Agency ⁽¹⁾⁽³⁾						
Fiscal Year Ending	Revenue and Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2006.....	\$ 3,375	\$ 3,281	\$ 4,123	\$ 931	\$ 7,498	\$ 4,212
2007.....	3,500	3,147	4,331	723	7,831	3,870
2008.....	3,650	3,003	4,519	505	8,169	3,508
2009.....	3,810	2,851	6,381	283	10,191	3,134
2010.....	3,125	2,707	279	61	3,404	2,768
2011-2015...	15,715	11,221	-	-	15,715	11,221
2016-2020...	18,405	6,420	-	-	18,405	6,420
2021-2025...	4,315	2,914	-	-	4,315	2,914
2026-2030...	-	1,420	-	-	-	1,420
2031-2035...	10,920	78	-	-	10,920	78
Total.....	\$ 66,815	\$ 37,042	\$ 19,633	\$ 2,503	\$ 86,448	\$ 39,545

- (1) The specific year for payment of accreted interest payable (Water Department), 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.
- (3) Unamortized loan premiums of \$0.9 million (MTA) are not included in principal payments.

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The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2005, for each enterprise fund is as follows (in thousands) - continued:

Clean Water Program ⁽¹⁾						
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2006.....	\$ -	\$ 17,219	\$ 15,914	\$ 4,218	\$ 15,914	\$ 21,437
2007.....	33,445	16,718	16,430	3,701	49,875	20,419
2008.....	34,500	15,698	13,337	3,168	47,837	18,866
2009.....	35,665	14,646	13,761	2,744	49,426	17,390
2010.....	37,130	13,183	14,199	2,307	51,329	15,490
2011-2015...	121,610	48,948	46,444	5,795	168,054	54,743
2016-2020...	79,255	22,653	12,996	1,145	92,251	23,798
2021-2025...	51,155	5,310	1,702	49	52,857	5,359
2026-2030...	3,510	83	-	-	3,510	83
Total.....	\$ 396,270	\$ 154,458	\$ 134,783	\$ 23,127	\$ 531,053	\$ 177,585

Port of San Francisco ⁽¹⁾						
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2006.....	\$ 3,390	\$ 554	\$ 80	\$ 151	\$ 3,470	\$ 705
2007.....	3,975	453	84	148	4,059	601
2008.....	4,070	348	88	144	4,158	492
2009.....	4,185	222	92	140	4,277	362
2010.....	4,320	75	96	136	4,416	211
2011-2015...	-	-	549	609	549	609
2016-2020...	-	-	685	474	685	474
2021-2025...	-	-	853	305	853	305
2026-2030...	-	-	832	95	832	95
Total.....	\$ 19,940	\$ 1,652	\$ 3,359	\$ 2,202	\$ 23,299	\$ 3,854

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2005, for business type activities is as follows (in thousands):

Total Business-type Activities ^{(1) (2) (3)}						
Fiscal Year Ending	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30						
2006.....	\$ 100,681	\$ 245,583	\$ 20,218	\$ 5,317	\$ 120,899	\$ 250,900
2007.....	142,875	241,103	20,949	4,586	163,824	245,689
2008.....	164,165	233,967	18,051	3,828	182,216	237,795
2009.....	171,560	227,362	20,344	3,175	191,904	230,537
2010.....	181,175	218,823	14,689	2,508	195,864	221,331
2011-2015...	999,265	964,867	47,051	6,405	1,046,316	971,272
2016-2020...	1,124,395	707,757	13,681	1,619	1,138,076	709,376
2021-2025...	1,256,015	420,745	2,555	354	1,258,570	421,099
2026-2030...	832,125	145,739	832	95	832,957	145,834
2031-2035...	112,170	6,857	-	-	112,170	6,857
Total.....	\$ 5,084,426	\$ 3,412,803	\$ 158,370	\$ 27,887	\$ 5,242,796	\$ 3,440,690

- (1) The specific year for payment of accreted interest payable (Water Department), 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.
- (3) Unamortized loan premiums of \$0.9 million (MTA) are not included in principal payments.

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The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2005, for the component unit are as follows (in thousands):

Component Unit: Redevelopment Agency ⁽¹⁾								
Fiscal Year Ending June 30	Lease Revenue Bonds		Tax Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006.....	\$ 5,510	\$ 12,361	\$ 23,071	\$ 27,856	\$ -	\$ 786	\$ 28,581	\$ 41,003
2007.....	5,146	12,728	24,639	26,934	1	785	29,786	40,447
2008.....	5,544	13,027	27,018	24,141	882	779	33,444	37,947
2009.....	5,350	13,289	26,212	24,627	1,107	757	32,669	38,673
2010.....	5,152	13,565	27,051	23,529	1,169	668	33,372	37,762
2011-2015...	28,933	65,698	160,515	90,251	7,767	2,379	197,215	158,328
2016-2020...	68,040	11,171	170,492	41,755	1,190	1,489	239,722	54,415
2021-2025...	14,480	1,953	62,742	43,001	1,483	1,196	78,705	46,150
2026-2030...	-	-	13,275	1,899	1,849	831	15,124	2,730
2031-2035...	-	-	1,876	54	2,304	376	4,180	430
2036-2040...	-	-	-	-	248	12	248	12
Total.....	<u>\$ 138,155</u>	<u>\$ 143,792</u>	<u>\$ 536,891</u>	<u>\$ 304,047</u>	<u>\$ 18,000</u>	<u>\$ 10,058</u>	<u>\$ 693,046</u>	<u>\$ 457,897</u>

(1) The specific year for payment of accreted interest payable and accrued vacation and sick leave pay 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. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2005, are as follows (in thousands):

**Governmental Activities - General Obligation Bonds
(in thousands)**

Authorized and unissued as of June 30, 2004.....	\$ 872,060
Bonds issued:	
Series 2004A, Neighborhood Recreation and Park Facilities Improvement Bonds.....	(68,800)
Series 2004B, California Academy of Sciences Improvement Bonds.....	(8,075)
Series 2005A, Laguna Honda Hospital.....	(110,000)
Series 2005B, C & D, Laguna Honda Hospital.....	<u>(120,000)</u>
Net authorized and unissued as of June 30, 2005.....	<u>\$ 565,185</u>

There were no new authorizations on general obligation bonds in the year ended June 30, 2005.

In October 2004, the City issued General Obligation Bonds, Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2004A in the amount of \$68.8 million. Interest rates range from 3.0% to 5.0%. The bonds mature from June 2005 through June 2024. The bonds were issued to provide funds to finance the acquisition, construction and/or reconstruction of certain improvements to recreation and park facilities in the City, and all other works, property and structures necessary or convenient for these purposes. Debt service payments are funded through ad valorem taxes on property.

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In October 2004, the City issued General Obligation Bonds, California Academy of Sciences Improvement Bonds, Series 2004B in the amount of \$8.1 million. Interest rates range from 3.0% to 5.0%. The bonds mature from June 2005 through June 2024. The bonds were issued to provide funds to finance the acquisition, construction, and/or reconstruction of certain improvements to the California Academy of Sciences, and all other works, property and structures necessary or convenient for these purposes. Debt service payments are funded through ad valorem taxes on property.

In May 2005, the City issued General Obligation Bonds, Laguna Honda Hospital, Series 2005A, in the amount of \$110 million and Series 2005B, C and D in the amount of \$40 million each, totaling \$120 million. Interest rates for Series 2005A ranges from 3.25% to 5.0%. The Bonds mature from June 2005 through June 2021. Series B, C & D Bonds are variable rate demand and interest rate resets weekly. The bonds mature from June 2021 through June 2030. The bonds were issued to provide funds 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. Debt service payments are funded through ad valorem taxes on property.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2005 were as follows:

**Governmental Activities - Lease Revenue Bonds
(in thousands)**

Authorized and unissued as of June 30, 2004.....	\$ 125,218
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.....	1,886
Current year maturities in Finance Corporation's equipment program.....	8,450
Net authorized and unissued as of June 30, 2005.....	\$ 135,554

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance through lease financings, 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 an Indenture and Equipment Lease Agreement. 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 purposes.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which 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

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June 30, 2005, the total authorized amount is \$39.6 million. The total accumulated annual authorization since 1990 is \$19.6 million of which \$1.9 million is new annual authorization for the fiscal year ended June 30, 2005.

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 \$104 million in equipment lease revenue bonds since 1991. As of June 30, 2005, \$85.8 million has been repaid leaving \$18.2 million in equipment lease revenue bonds outstanding and \$21.4 million available for new issuance.

The Lease Revenue Bonds, Series 2005A were originally scheduled for issuance in the fiscal year 2004-2005. In anticipation of the issuance of the Lease Revenue Bonds, Series 2005A, expenditures in the total amount of \$2.3 million for equipment were incurred in fiscal year 2004-2005. The Lease Revenue Bonds, Series 2005A were subsequently issued in October 2005 in the aggregate principal amount of \$9.4 million (see note 17). The issuance of the Lease Revenue Bonds, Series 2005A was delayed due to the budget constraints to alleviate the City's general fund of lease payment in fiscal year 2005-2006.

(b) City-wide Communication System

In 1993, the voters approved the issuance of up to \$50 million in lease revenue bonds to finance the acquisition and construction of a citywide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and January 1999 for \$31.2 million and \$18.7 million, respectively. As of June 30, 2005, the amount authorized and unissued was \$0.1 million. Further, in 1994, the voters approved the issuance of up to \$60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in June 1998 for \$22.6 million and \$23.3 million, respectively. As of June 30, 2005, 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 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. Currently, the bonds bear interest at a weekly rate.

In March 2005, the Corporation revised the mandatory sinking fund schedules set forth in the Indenture of Trust dated November 1, 2000. The First Supplemental Indenture of Trust dated March 1, 2005 revised the mandatory sinking fund by spreading the principal amount of \$3 million that would otherwise have been paid on April 1, 2005 over the remaining terms of the financing through March 1, 2030. The revision of the mandatory sinking fund was due to budget constraints, which resulted in \$3 million savings for lease payment for Lease Revenue Bonds, Series 2000-1, -2, -3 in fiscal year 2004-2005.

Refunding Certificates of Participation

In July 2004, the City issued \$39.4 million Refunding Certificates of Participation, Series 2004-R1 (San Francisco Courthouse Project) to refinance an existing City courthouse building located at 400 McAllister in the City by refunding in whole a series of certificates of participation executed and delivered to finance the construction, furnishing, and equipping of the said building, \$40.6 million of which were outstanding.

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The Series 2004-R1 were issued with interest rates ranging from 3.0% to 4.5% and mature from April 2007 through April 2021.

The net proceeds of \$39.3 million (including original issue premium of \$0.5 million, and after payment of \$0.6 million in underwriting fees and other issuance costs), together with funds from the existing debt service reserves, were used to refund in whole a series of Certificates of Participation (San Francisco Courthouse Project), Series 1995. Although the refund resulted in the recognition of an accounting loss of \$0.3 million for the year ended June 30, 2005, the City in effect reduced its aggregate debt service payment by \$7.4 million over the next 16 years, and obtained an economic gain of \$2.3 million.

Facades Improvement Revolving Fund Loan

In January 2005, the City through the Mayor's Office of Community Development entered into a loan agreement with Wells Fargo Community Development Corporation. Under the Agreement, Wells Fargo advanced a principal sum of \$0.5 million to the City for operating and managing a revolving loan program (Loan) to assist small businesses in improving their storefront facades in targeted neighborhoods representing distressed or underserved areas of the city, including the Mission District, South of Market, Tenderloin, Chinatown, Bayview, Mid-Market, Excelsior (Outer Mission), and Ocean Avenue.

The City agrees to repay the Loan, together with interest at an initial fixed rate of 2% on the principal sum outstanding for the first ten years of the Loan and a fixed rate of 6% thereafter until the Loan is fully paid or the agreement is terminated. The principal is due and payable in the year 2015, subject to one mandatory extension for one year, provided the City continues to satisfactorily perform all its obligations under the agreement and annually thereafter at the discretion of Wells Fargo.

San Francisco County Transportation Authority Commercial Paper Notes

In March 2004, the San Francisco County Transportation Authority authorized the issuance of an initial tranche of up to \$50 million and in September 2004, the Authority authorized the second tranche of \$100 million of a programmed \$200 million aggregate principal amount of Commercial Paper Notes (Limited Tax Bonds), Series A and B. The Commercial Paper Notes are issued to provide an interim source of financing for the Authority's New Transportation Expenditure Plan until a permanent financing plan is finalized and implemented. Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable Letter of Credit (LOC), issued by Landesbank Baden-Württemberg, New York Branch in the amount up to \$217.8 million, with an expiration date of April 14, 2007. The expiration date of the irrevocable letter of credit was extended through Authority Board Resolution 06-01 on July 12, 2005 to December 29, 2015. The commercial paper notes are secured by a first lien gross pledge of the Authority's ability to levy a half-cent sales tax collected by the California State Board of Equalization. The principal and interest on the commercial paper notes will be payable at each maturity.

As of June 30, 2005, \$150 million in commercial paper notes was outstanding and maturing within 6 to 130 days after year-end with interest rates ranging from 1.85% to 2.85%.

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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.

San Francisco International Airport

In January 2005, the San Francisco International Airport (SFO or Airport) issued Second Series Revenue Bonds Issue 31F in the amount of \$111.7 million with interest rates ranging from 3.95% to 4.91%. Proceeds from Issue 31F were deposited into an irrevocable trust with an escrow agent to advance refund certain of the SFO's Second Series Revenue Bonds as follows (in thousands):

	<u>Amount Refunded</u>	<u>Interest Rate</u>	<u>Call Price</u>
<u>Second Series Revenue Bond Issuance:</u>			
Issue 13.....	\$ 100,400	6.75% - 7.13%	\$ 102,000

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2009 to May 1, 2026 and a call date of May 1, 2006.

The net proceeds of \$109.1 million (after payment of \$2.6 million in underwriting fees, insurance, surety, premium and cost of issuance account) were used to purchase U.S. Treasury Securities. The securities were deposited in an irrevocable trust with an escrow agent to provide debt service payment on the refunded bond identified above until called on May 1, 2006. 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 Statements of Net Assets. Although the advance refunding resulted in the recognition of a deferred accounting loss of \$8.2 million for the year ended June 30, 2005, SFO in effect reduced its aggregate debt service payments by approximately \$47 million over the next 22 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$19.8 million.

The Issue 31 bonds were initially issued, and remain in Auction Mode, subject to conversion by the Airport Commission (Commission) to another interest rate mode. The initial interest was established by the Commission for the interest rate period commencing March 25, 2004 for each series of Issue 31 bonds.

Each series of Issue 31 auction rate bonds may bear a different interest rate and is subject to different auction periods. As of June 30, 2005, series Issue 31A was in a 343 days auction period, series 31B, 31C, and 31D were in a 35 days auction period, and series 31E was in a 7 days auction period. For the period July 1, 2004 through June 30, 2005, the average interest rate on the Issue 31 was 1.805%.

In February 2005, SFO issued Second Series Variable Rate Revenue Refunding Bonds Issue 32 in the amount of \$199.9 million. The Issue 32 Bonds were initially issued in an auction mode, subject to conversion by the Commission to another interest rate mode. The initial interest rate was established by the Commission for the initial interest rate period commencing February 10, 2005 for each series of Issue 32 Bonds. Thereafter, each series of Issue 32 bonds will bear interest at an auction rate resulting from an auction conducted for each auction period.

Each series of Issue 32 Bonds may bear a different auction rate and are subject to a different auction period. As of June 30, 2005, Series 32A, 32B, 32C, 32D and 32E were in 7 days, 35 days, 35 days, 35 days and 7 days auction periods, respectively. For the period of February 10, 2005 to June 30, 2005, the average interest rate for the Issue 32 Bonds was 2.36%.

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During fiscal year 2004-2005, the Airport issued Second Series Revenue Bonds Issue 31F and Issue 32 to refund previously issued debt. The \$109.1 million in proceeds from Issue 31F and the \$197.7 million in proceeds from Issue 32 were deposited immediately into irrevocable trusts for the defeasance of \$291.8 million of Second Series Revenue Bonds.

Proceeds of the Issue 32 were deposited into an irrevocable trust with an escrow agent to advance refund certain of SFO's Second Series Revenue Bonds as follows (in thousands):

	<u>Amount Refunded</u>	<u>Interest Rate</u>	<u>Call Price</u>
<u>Second Series Revenue Bond Issuance:</u>			
Issue 9.....	\$ 191,380	5.0% - 5.9%	\$ 101,000

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2006 to May 1, 2025 and a call date of May 1, 2005. The net proceeds of \$197.7 million (after payment of \$5.8 million in underwriting fees, insurance, surety premium, and cost of issuance account) plus an additional \$3.6 million of available debt service funds were used to purchase U.S. Treasury Securities – State and Local Government Series. These securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded bonds identified above until called on May 1, 2005. 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 Statements of Net Assets. Although the advance refunding resulted in the recognition of a deferred accounting loss of \$5.1 million for the year ended June 30, 2005, SFO in effect reduced its aggregate debt service payment by approximately \$11.7 million (based on an assumed interest rate of 3.44%) over the next 22 years and obtained an economic gain (the difference between the present values of the old and new debt service payments), of \$30.3 million.

SFO entered into seven forward-starting interest rate swaps in December 2004 in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 32, on February 10, 2005, and its Variable Rate Refunding Bonds, Issue 33, on February 15, 2006. Pursuant to these interest rate swaps, SFO will receive a monthly variable rate payment from each counterparty approximate to the variable interest rate SFO will pay on the Issue 32 and 33 Bonds. SFO will then make a monthly fixed rate payment to the counterparties. The objective of the swaps is to achieve a synthetic fixed rate with respect to Issue 32 and 33 Bonds.

The four interest rate swaps relating to the Issue 32 Bonds went into effect on February 10, 2005, the date of the issuance of the Issue 32 Bonds, and the first payment commenced on March 1, 2005. The remaining three interest rate swaps relating to the Issue 33 Bonds are expected to go into effect concurrently with the issuance of the Issue 33 Bonds on February 15, 2006, with the first payment commencing on March 1, 2006. All of the interest rate swaps are terminable at any time at the option of SFO at their fair market value.

The interest rate swaps relating to the Issue 32 Bonds terminate by their terms on May 1, 2026, the final maturity date for the Issue 32 Bonds. The following is additional information regarding each swap and the counterparties as of June 30, 2005:

<u>Counterparty/guarantor</u>	<u>Initial notional amount</u>	<u>Counterparty credit ratings (S&P/Moody's)</u>	<u>Fixed rate payable by Commission</u>	<u>Fair value to Commission</u>
J.P. Morgan Chase Bank, N.A.	\$ 70,000,000	AA-/Aa2	3.444%	\$ (2,485,569)
Bear Sterns Capital Markets, Inc.	30,000,000	A/A1	3.444%	(1,065,244)
J.P. Morgan Chase Bank, N.A.	69,930,000	AA-/Aa2	3.445%	(2,491,182)
Bear Sterns Capital Markets, Inc.	29,970,000	A/A1	3.445%	(1,067,650)
(Aggregate notional amount)	<u>\$ 199,900,000</u>			<u>\$ (7,109,645)</u>

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The interest rate swaps relating to the Issue 33 Bonds terminate by their terms on May 1, 2019, the final maturity date for the Issue 33 Bonds. The following is additional information regarding each swap and counterparties as of June 30, 2005:

<u>Counterparty/guarantor</u>	<u>Initial notional amount</u>	<u>Counterparty credit ratings (S&P/Moody's)</u>	<u>Fixed rate payable by Commission</u>	<u>Fair value to Commission</u>
Lehman Brothers Special Financial Inc.	\$ 73,570,000	A/A1	3.393%	\$ (1,889,060)
Bear Sterns Capital Markets, Inc.	31,530,000	A/A1	3.393%	(809,597)
Lehman Brothers Special Financial Inc.	100,000,000	A/A1	3.379%	(2,460,207)
(Aggregate notional amount)	<u>\$ 205,100,000</u>			<u>\$ (5,158,864)</u>

Risks Disclosure

The aggregate fair value to the Airport from time to time, if any, of the interest rate swaps with any single counterparty is the maximum amount of credit exposure the Commission will have to that counterparty. The Airport has limited counterparty credit risk by limiting its exposure to any one counterparty. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities for the fair value of a swap that exceeds specified thresholds which are linked to the counterparty's credit ratings. Any such collateral will be held by the Airport's custodial bank. There is limited basis risk with respect to the interest rate swaps, as the Airport has chosen a variable rate index designed to closely approximate the variable rates payable on the Issue 32 and 33 Bonds. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Commission, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for its payments due under each interest rate swaps, as the Airport has secured a forward municipal bond insurance commitment from an insurer currently rated AAA/Aaa with respect to the Issue 33 Bonds.

Water Department

In November 1997, the voters approved Propositions A and B, authorizing up to \$304 million in Water Revenue Bonds to fund capital improvements for the Water Enterprise. In May and June 1999, the San Francisco Public Utilities Commission (the 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. In October 2000, the Commission and the Board of Supervisors approved the expansion of the commercial paper program to up to \$250 million.

As of June 30, 2005, the Water Department had \$80 million in commercial paper notes outstanding. The interest rates ranged from 2.58% to 2.75%.

Municipal Transportation Agency

In fiscal year 2004-2005, the Japan Center Garage Corporation (the Corporation) entered into an unsecured small business banking agreement for \$0.3 million to partially finance the purchase of certain garage equipment. Under the terms of the agreement, the Corporation is required to make 36 monthly payments of \$10 thousand including interest at 6.75% per annum.

San Francisco Clean Water Program

During the fiscal year 2002-2003, the San Francisco Clean Water Program (the Program) issued 2003 Refunding Series A Bonds in the amount of \$396 million with interest rates ranging from 3.0% to 5.25%. During the fiscal year 2004-2005, the Program substituted cash and equivalents held in the Bond Reserve Fund with a surety bond reserve fund policy of \$34 million, which was the largest reserve

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requirement pursuant to the Indenture. The cash released by the substitution will be used for improvements to capital projects within the Program in accordance with the Indenture.

The Program has entered into several contracts with the State Water Resources Control Board (SWRCB) under which the Program borrowed up to prescribed maximum amounts to finance the construction of certain facilities. Interest rates range from 2.8% to 3.5% and mature from April 2007 through January 2021.

Port of San Francisco

In August 2004, the Port Commission issued Revenue Refunding Bonds, Series 2004 in the amount of \$19.9 million with an average interest rate of 3.16%. The bonds were issued to refund \$23.2 million of outstanding Series 1994 Revenue Bonds with an average interest rate of 5.84%. Net proceeds from the new bonds plus an additional \$3.9 million of Series 1994 debt service monies were used to defease the 1994 bonds. Although the refunding resulted in the recognition of an accounting loss of \$0.5 million, the Port in effect reduced its aggregate debt service payment over the next five years by \$1.6 million and obtained an economic gain of \$1.2 million. The 1994 bonds refunded \$50 million of outstanding 1984 Revenue Bonds, Series A, B and C with an average rate of 8.4%.

The refunding resulted in a difference between the reacquisition price (principal of the old debt plus 2% call premium) and the net carrying amount of the old debt of \$0.5 million. The previous 1994 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2.36 million. The total difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the fiscal year 2010 using the straight line method.

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, 2005 was approximately \$2.155 billion. 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

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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, 2004, 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>2,050</u>	<u>1,856</u>	<u>15,175</u>	<u>19,081</u>
Active members:				
Vested.....	1,843	1,344	20,807	23,994
Nonvested.....	340	319	6,998	7,657
Subtotal.....	<u>2,183</u>	<u>1,663</u>	<u>27,805</u>	<u>31,651</u>
Total.....	<u><u>4,233</u></u>	<u><u>3,519</u></u>	<u><u>42,980</u></u>	<u><u>50,732</u></u>

As of July 1, 2004, there were 996 terminated members entitled to, but not yet receiving benefits.

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 2004-2005 varied from 7% to 8% as a percentage of gross salary. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2004 actuarial report, the required employer contribution for fiscal year 2004-05 was 4.48 percent. In collective bargaining during the year ended June 30, 1994, the City and County agreed to pay a portion of the employee contributions on behalf of employees. From 1994 through June 2003, the City and County portion of these contributions has been negotiated through the various unions on a member group basis, and did not exceed 8% of base salary. For fiscal year ended June 30, 2005, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis.

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, 2004. 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%; (2) inflation element in wage increases of 3.5%; and (3) salary merit increases of 4.5%. 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.

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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>
6/30/2003	\$ -	N/A	\$ -
6/30/2004	-	N/A	-
6/30/2005	83,664	100%	-

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 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. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy - Miscellaneous plan - Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2004-2005 contribution rate is 0% of annual covered payroll because the City is funded at 145.7% at June 30, 2002. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost - Miscellaneous plan - cost for PERS for fiscal year 2004-2005 was equal to the City's required and actual contributions which was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2002 actuarial valuation were: (a) 8.25% investment rate of return (net of administrative expenses), (b) 3.75% to 14.2% 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, 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>
6/30/2003	\$ -	N/A	\$ -
6/30/2004	-	N/A	-
6/30/2005	-	N/A	-

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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 20.801% because the City is funded at 103%. 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 2004-2005 was equal to the City's required and actual contributions which was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2002 actuarial valuation were: (a) 8.25% investment rate of return (net of administrative expenses), (b) 4.27% 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>
6/30/2003	\$ -	100%	\$ -
6/30/2004	5,606	100%	-
6/30/2005	3,689	100%	-

(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 \$382.2 million in fiscal year 2005. 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 \$113.7 million to provide post-employment health care benefits for 19,755 retired employees. The City's liability for both current employee and post-employment 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

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supplementary information for the health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

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

In November 2003, the City voters approved Proposition K amending the City Business and Tax Code to extend the sunset date to 2034 from 2010, continue the existing half-cent sales tax, and replace the 1989 Proposition B Expenditure Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: Transit, Streets and Roads (including street resurfacing, and bicycle and pedestrian improvements); Paratransit services for seniors and disabled people; Transportation System Management/Strategic Initiatives, to fund neighborhood parking management, land use coordination, and beautification efforts; and Major Capital Projects. The major capital projects to be funded by the new Expenditure Plan are development of the Bus Rapid Transit/MUNI Metro Network, construction of the MUNI Central Subway (Third Street Light Rail Project – Phase 2), construction of the CalTrain Downtown Extension to a rebuilt Transbay Terminal and replacement of the South Access to the Golden Gate Bridge (Doyle Drive). The Authority may modify the Expenditure Plan with voter approval, and the half-cent sales tax would continue as long as a new or modified plan is in effect. Under the current Proposition K legislation, the Authority directs the use of the sales tax and may spend up to \$485.2 million per year and issue up to \$1.9 billion in bonds, to be repaid from the half-cent sales tax.

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Following is a summary of the Authority's financial position and changes in financial position as of and for the year ended June 30, 2005 (in thousands):

ASSETS		OPERATIONS	
Deposits and investments.....	\$ 257,933	Revenues:	
Receivables and other assets.....	<u>17,747</u>	Sales tax.....	\$ 66,762
Total assets.....	<u>\$ 275,680</u>	Interest and investment income.....	5,398
		Intergovernmental.....	3,131
		Other.....	<u>408</u>
			75,699
LIABILITIES AND FUND BALANCE			
Due to other funds.....	\$ 45,881	Expenditures and other financing uses:	
Other liabilities.....	<u>155,202</u>	Public works, transportation, and commerce....	41,734
Total liabilities.....	<u>201,083</u>	Transfer to other funds.....	<u>94,834</u>
Fund balance:			<u>136,568</u>
Reserved for debt service.....	931	Deficiency of revenues under expenditures and other financing uses.....	(60,869)
Reserved for encumbrances.....	1,747	Fund balance at the beginning of year.....	<u>135,466</u>
Reserved for appropriation carryforward....	<u>71,919</u>	Fund balance at end of year.....	<u>\$ 74,597</u>
Total fund balance.....	<u>74,597</u>		
Total liabilities and fund balance.....	<u>\$ 275,680</u>		

(11) DETAILED 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 SFO. SFO 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 the San Francisco Bay. According to final data for calendar year 2004 from the Airports Council International (the ACI), SFO is one of the largest airports in the United States both in terms of passengers (12th) and air cargo (14th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to SFO creates a convenient connection between SFO and the greater San Francisco Bay Area. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout SFO is enhanced by the AirTrain system, a shuttle train that connects airport terminals. The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex.

SFO has developed a revised Capital Plan to better fit the changes in the aviation industry. The revised Capital Plan was approved in March 2005 and included projects related to improvements to the airfield, groundside activities and customer service functions, environmental mitigation, utilities infrastructure upgrades, seismic retrofit of certain facilities, health, safety and security enhancements, and cost savings and revenue generating enhancements.

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In May 2002, SFO obtained a standby letter of credit with a maximum stated principal amount of \$200 million. The subordinate Lien Resolution authorizes a maximum principal amount of notes of \$400 million. There were no commercial borrowings during the year ended June 30, 2005.

In addition to the long-term obligations discussed above, there is \$115 million and \$118 million in Special Facilities Lease Revenue Bonds outstanding at June 30, 2005 and June 30, 2004, respectively, for SFO Fuel. SFO Fuel is required to pay facilities rent to SFO in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to SFO. SFO assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither SFO nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

In July 2001, the Federal Aviation Administration (FAA) approved SFO's first Passenger Facility Charge application (PFC#1) to impose and use a \$4.50 Passenger Facility Charge (PFC) per enplaning passenger from October 1, 2001 through June 1, 2003, to pay for approximately \$113 million in PFC eligible project development activities and studies associated with the potential runway reconfiguration. In March 2002, the FAA approved SFO's PFC Application Number 2 (PFC#2) to impose and use a \$4.50 PFC per enplaning passenger from June 1, 2003 through April 1, 2008, to pay for approximately \$224 million in the principal and interest on bonds issued for certain eligible costs relating to the new International Terminal Complex.

In March 2003, as a result of decrease in enplanement, SFO notified PFC-collecting carriers of the intent to extend the PFC#1 collection period, thereby revising the current PFC#1 charge expiration date from June 1, 2003 to January 1, 2004. With the PFC#1 collection period extension in place, the PFC#2 effective date changed from June 1, 2003 to January 1, 2004. Automatically, the PFC#2 expiration date changed from April 1, 2008 to November 1, 2008. During the extended collection period, the PFC is maintained at \$4.50.

In November 2003, the FAA approved SFO's third PFC application (PFC#3) to impose and use a \$4.50 PFC per enplaning passenger for approximately \$539 million to pay for debt service costs related to the construction of the new international terminal and boarding areas A and G. The collection period for PFC #3, as originally approved, was from November 1, 2008 to November 1, 2018.

In January 2004, the FAA approved SFO's amendment to delete PFC#1. The receipts from PFC#1 were applied to PFC#2 and the FAA revised PFC#2 and PFC#3 collection periods to expire in January 1, 2006 and January 1, 2016, respectively.

In June 2005, the Airport Commission authorized the fourth PFC application (PFC#4) for approximately \$70 million.

For the year ended June 30, 2005, SFO reported approximately \$61.4 million of PFC revenue, which is included in other non-operating revenues in the accompanying basic financial statements. SFO designated \$68.4 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2004-2005.

Due to SFO'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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Pursuant to an agreement with certain airlines, SFO 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 year ended June 30, 2005 was \$19.7 million.

Purchase commitments for construction, material and services as of June 30, 2005 are as follows (in thousands):

Construction.....	\$ 17,224
Operating.....	<u>13,091</u>
Total	<u><u>\$ 30,315</u></u>

SFO has a Memorandum of Understanding with various surrounding communities to insulate residential and nonresidential structures such as schools, churches and hospitals. The total estimated funding for this program is approximately \$154 million funded by bond proceeds, by federal grant reimbursements to the local communities, and by operating and other internally generated funds. As of June 30, 2005, approximately \$123.6 million has been disbursed under this program.

SFO leases facilities to the airlines pursuant to the Lease and Use Agreements and to other businesses to operate concessions at SFO. During the year ended June 30, 2005, revenues realized from the following SFO tenants exceeded five percent of SFO's total operating revenues:

United Airlines.....	26.0%
AMPCO Parking Systems.....	10.2%
American Airlines.....	5.1%

(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 20 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.

In connection with a mixed-use cruise terminal development project at Piers 30-32, and as approved by state legislation in 2001 (Assembly Bill No. 1389), a portion of Seawall Lot No. 330 was sold to a developer in 2004. The land was sold for \$9.3 million, slightly above its appraised fair value. Certain proceeds from the land sale (\$9 million) are restricted for the construction of a public plaza area called Brannan Street Wharf. The remainder of the proceeds from the land sale, together with certain residual receipts from the future sale of residential condominium units built on the land sold, is restricted for the construction of the cruise terminal.

The Port is presently planning various development projects that involve a commitment to expend significant funds. Purchase commitments at June 30, 2005 were \$14.5 million for capital projects and \$1.1 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

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30, 2005, \$16.5 million has been appropriated and \$1.6 million has been expended for projects under the agreement.

Special items identify significant transactions or events within the control of management that are either unusual in nature or infrequent in occurrence. In 2001, the Port entered into an agreement giving the San Francisco Municipal Transportation Agency (MUNI) the permanent right to use certain land for its Metro East Maintenance and Operations Facility. MUNI paid a total use fee of \$29.7 million for these property rights. A portion of the fee (\$4 million) was restricted for the construction of a new rail bridge. Construction on the bridge commenced during 2005 and approximately \$3.7 million of deferred revenue was recognized as of June 30, 2005.

(c) Water Department

The Water Department was established in 1930. The Water Department, 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. The Water Department delivers water, approximately 88,686 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 Commission, established in 1932, provides the operational oversight for the Water Department, Hetch Hetchy, 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.

The Water Department purchases water from Hetch Hetchy. This amount, totaling approximately \$19.0 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2004-2005, water sales to suburban resale customers were \$104 million. As of June 30, 2005, the Water Department owed suburban resale customers approximately \$8 million under the Suburban Water Rate Agreement.

As of June 30, 2005, the Water Department had outstanding commitments with third parties of \$72.6 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. The cost of cleanup associated with the Plan was estimated to be \$22.7 million and was accrued in fiscal year 2000-2001. At June 30, 2005, the outstanding estimated liability is \$7.7 million.

(d) 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, San Francisco International Airport, 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 (the Districts).

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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.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by state and federal power matters before the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at both CPUC and FERC forums and continues to monitor regulatory proceedings.

Charges for services for the year ended June 30, 2005 include \$57.3 million in sales of power by Hetch Hetchy to other City Departments. Income from Hetch Hetchy is available for certain operations of the City.

As of June 30, 2005, Hetch Hetchy had outstanding commitments with third parties of \$16 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy facilitates all electric and gas service connections between Pacific Gas and Electric Company (PG&E) and City Departments. In this capacity, Hetch Hetchy, as a pass-through agent on behalf of the City departments, coordinates the payment for the service connections that are performed by PG&E. As of June 30, 2005, there were no outstanding amounts from City departments related to this work.

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 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 2004-2005, Hetch Hetchy purchased \$16.4 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 Districts in which they 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 1988, 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. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to 2007, the existing pricing structure was modified, and Hetch Hetchy's firm obligation to provide power to the MID was relaxed. For fiscal year 2004-2005, power sales to the Districts totaled 965,348 MWhrs or \$25.7 million.

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On May 9, 2001, Hetch Hetchy entered into a fixed price, forward contract (the Contract) to purchase 2.19 million MWhrs of electric energy from a third party energy provider with scheduled future delivery over a five-year period beginning July 1, 2001. Effective March 9, 2003, Hetch Hetchy executed an amended and restated transaction confirmation with the third party energy provider to amend and retroactively restate the terms of the original agreement entered into on May 9, 2001 in its entirety, to settle any pending disputes brought forth by Hetch Hetchy. Under this amended 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 \$86.1 million from July 1, 2003 through June 30, 2006. Expenses under this contract totaled \$30.4 million in fiscal year 2004-2005.

In December 2002, the City entered into an agreement (the Power Purchase Agreement) with the California Department of Water Resources in anticipation of the settlement and implementation agreements. Under the terms of the Power Purchase Agreement, the California Department of Water Resources has agreed to purchase power and rated capacity from the City at rates that will essentially provide for the full recovery of the City's costs incurred in the construction of a power generating facility (The Facility) over a ten year period from the date in which the California Department of Water Resources accepts the City's certification that the Facility meets all requirements of commercial operation as set forth in the Power Purchase Agreement (Commercial Operation Date).

The City may terminate the Power Purchase Agreement at any time from and after the fifth anniversary of the Commercial Operation Date upon providing a one-year notice to the California Department of Water Resources, and the California Department of Water Resources may terminate the Power Purchase Agreement at such time that there is no longer a debt service component within the capacity payment.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed in January 2001 by the City, on behalf of the people of the State of California (the State), against certain energy companies. Under the terms of the settlement, the City received or is to receive (i) four gas turbine generator sets valued at approximately \$33 million for use within the City, (ii) future funding from a State administered fund (the Fund) to assist with the costs of sitting and developing electric generating equipment in the City, and (iii) payment to the City of \$0.5 million for attorney's fees and other expenses of litigation.

Effective January 23, 2003, the City entered into an implementation agreement with the Attorney General of the State of California (the Attorney General), the California Consumer Power and Conservation Financing Authority (the Financing Authority), and the California Department of Water Resources, outlining the terms of execution of the settlement agreement.

In conjunction with the execution of the settlement agreement, the Attorney General has received the first \$7.6 million from the defendants, and deposited that amount into the Fund. The City has eligible costs incurred in the development of the facility of about \$3.8 million. As of June 30, 2005, the City has requested and received a total of \$2.0 million for reimbursement from the Fund. Under the terms of the Agreement, the City only has claim to the proceeds held by the Fund to the extent that eligible costs are incurred in the development of the Facility. As such, the corresponding revenue will be recognized as eligible costs. Hetch Hetchy has recognized \$2.0 million of revenue from the Fund as of June 30, 2005.

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(e) Municipal Transportation Agency

The Municipal Transportation Agency (MTA) is responsible for overseeing the City's public transportation operations, including those of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the Department of Parking and Traffic (DPT), which includes the Parking Authority and its five parking garages operated by separate nonprofit corporations organized by the City. Created in November 1999, with the passage of Proposition E, by the voters, the MTA replaced the San Francisco Public Transportation Commission as the oversight agency for the operations of MUNI and SFMRIC, and effective July 1, 2002, the MTA also assumed responsibility for overseeing the operations of DPT.

The tables below reflect the financial information of MUNI, DPT, and the parking garages that are reported within the MTA (in thousands), net of \$0.7 million interagency accounts payables and receivables.

	MUNI	DPT	Parking Garages	Total
Assets				
Current assets.....	\$ 151,742	\$ 21,761	\$ 2,928	\$ 176,431
Noncurrent assets.....	1,820,024	43,003	95,059	1,958,086
Total Assets.....	1,971,766	64,764	97,987	2,134,517
Liabilities				
Current liabilities.....	97,207	18,443	20,852	136,502
Liabilities payable from restricted assets.....	861	-	-	861
Noncurrent liabilities.....	153,188	60,246	34,997	248,431
Total liabilities.....	251,256	78,689	55,849	385,794
Net assets				
Invested in capital assets, net of related debt.....	1,778,547	(12,001)	35,384	1,801,930
Restricted net assets.....	40,616	6,608	22,971	70,195
Unrestricted net assets (deficit).....	(98,653)	(8,532)	(16,217)	(123,402)
Total net assets (deficit).....	\$ 1,720,510	\$ (13,925)	\$ 42,138	\$ 1,748,723
	MUNI	DPT	Parking Garages	Total
Operating revenues.....	\$ 127,431	\$ 24,009	\$ 36,473	\$ 187,913
Operating expenses.....	579,065	70,686	57,298	707,049
Net operating income (loss).....	(451,634)	(46,677)	(20,825)	(519,136)
Nonoperating Income (loss).....	229,652	20,734	(1,684)	248,702
Capital contributions.....	45,330	-	-	45,330
Transfers in.....	196,610	36,066	-	232,676
Transfers out.....	-	(12,298)	-	(12,298)
Change in net assets.....	19,958	(2,175)	(22,509)	(4,726)
Net assets (deficit) at beginning of year.....	1,700,552	(11,750)	64,647	1,753,449
Net assets (deficit) at end of year.....	\$ 1,720,510	\$ (13,925)	\$ 42,138	\$ 1,748,723

The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the MTA was \$138 million (\$102 million for MUNI and \$36 million for DPT).

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Municipal Railway

MUNI receives capital grants from various federal, state, and local agencies to finance transit related property and equipment purchases. As of June 30, 2005, MUNI had approved capital grants with unused balances amounting to \$278 million. Capital grants receivable as of June 30, 2005 totaled \$47 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, 2005, MUNI had various operating grants receivable of \$26.4 million.

These capital grants and operating assistance include funds from the San Francisco Transportation Authority (SFCTA). During the year ended June 30, 2005, the SFCTA approved \$81 million in new capital grants and \$17 million in new operating grants for MUNI. During the same period, MUNI received total payments of \$87 million for capital grants and \$19 million in operating grants from the Authority. As of June 30, 2005, MUNI had \$24 million due from the SFCTA for capital grants and \$3 million due from the SFCTA for operating grants reported in due from other funds.

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 \$50 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 \$7 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. The San Francisco Municipal Railway Improvement Corporation's (SMFRIC) Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling \$4.3 million.

Given that the proposed Metro East light Rail Vehicle Maintenance and Operating Facility (Metro East) is an integral part of the Third Street Light Rail Project and is vital for relieving overcrowded conditions at MUNI's existing light rail facility, MUNI identified a 17-acre site of the Western Pacific Railroad under the jurisdiction of the Port of San Francisco (Port) as the best location for the Metro East Facility.

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. The MOU also required MUNI to pay the Port an additional \$4 million to construct the Illinois Street Bridge over Islais Creek. Construction of this bridge will mitigate traffic in the area and improve coordination with MUNI's Metro East and Third Street Light Rail Project. In the event the Port fails to expend the money toward construction of the bridge within three years after the effective date of the MOU, the Port shall return the \$4 million to MUNI. MUNI has agreed to reasonably extend this deadline up to March 2006 provided the Port has demonstrated good faith efforts toward construction of the bridge. The Port started construction of the Illinois Street Bridge in May 2005 with substantial completion scheduled by the end of July 2006. As of June 30, 2005, the \$4 million is reflected as nonoperating revenues and expenses.

Leveraged Lease-Leaseback with BREDA Vehicles

Tranche 1

The Municipal Transportation Agency board of directors authorized the Director of Transportation to solicit proposals regarding a leveraged lease-leaseback transaction 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 an upfront economic benefit in return for entering into a lease-leaseback

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transaction involving the Breda light rail vehicles, without impairing the day-to-day operations of the transit system.

In April 2002, MUNI entered into the leveraged lease-leaseback transaction over 118 Breda light rail vehicles (the Tranche 1 Equipment). The transaction was structured as a head lease of the Tranche 1 Equipment to separate special purpose trusts and a sublease of the Tranche 1 Equipment back from such trusts. The sublease provides MUNI with an option to purchase the Tranche 1 Equipment in approximately 27 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Tranche 1 Equipment and is obligated to insure and maintain the Tranche 1 Equipment throughout the life of the sublease.

MUNI received an aggregate of \$388.2 million from the equity investors in full prepayment of the head lease. MUNI deposited \$352.7 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote. Therefore, the trust assets and the sublease obligations are not recorded on the financial statements of MUNI as of June 30, 2005.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2001-2002 of \$35.5 million for the difference between the amount received of \$388.2 million and the amount paid to the escrows of \$352.7 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were \$1.3 million for fiscal year 2004-2005.

As of June 30, 2005, the outstanding payments to be made on the sublease through 2027 are \$295.7 million and the payments to be made on the purchase option of the Tranche 1 Equipment would be \$643.1 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

Tranche 2

In September 2003, after obtaining final approval from the Municipal Transportation Agency's Board of Directors and the City's Board of Supervisors, MUNI entered into a second leveraged lease-leaseback transaction over 21 BREDA light rail vehicles (the Equipment). The transaction was structured as a head lease of the Equipment to one separate special purpose trust (formed on behalf of a certain equity investor) and a sublease of the Equipment back from such trust. The sublease provides MUNI with an option to purchase the Equipment in approximately 26 years, the scheduled completion date of the sublease. During the term of the sublease, MUNI maintains custody of the Equipment and is obligated to insure and maintain the Equipment throughout the life of the sublease.

MUNI received an aggregate of \$72.6 million from the equity investors in full prepayment of the head lease. MUNI deposited approximately \$67.5 million of this head lease payment into two escrows. One escrow was deposited with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance, an "Aaa/AAA" rated bond insurance company. The other escrow was invested in U.S. government bonds with maturity dates that match the completion of the sublease. Payments under these escrows are to be made at such times and in such amounts so as to fund MUNI's scheduled payments under the sublease as well as to provide a source of funding for MUNI's purchase

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option if it chooses to exercise it. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the creditworthiness of these escrows is such that they will fund MUNI's obligations under the sublease and that the possibility that MUNI will need to access other monies to make sublease payments is remote.

As a result of the cash transactions above, MUNI recorded deferred revenue in fiscal year 2004 of \$4.4 million for the difference between the amount received of \$72.6 million and the amount paid to the escrows of \$67.5 million (minus \$0.7 million for certain transaction expenses). The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized in fiscal year 2004-2005 amounted to \$168 thousand.

As of June 30, 2005, the outstanding payments to be made on the sublease through 2029 are \$59.7 million and the payments to be made on the purchase option of the Equipment would be \$198.5 million, if exercised. All of these payments are to be funded from the amounts in escrow. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

The data below reflect the operations of the five parking garages operated by separate nonprofit corporations organized by the City, which are under the Parking Authority. Information about these nonprofit corporations for the year ended June 30, 2005 follows (in thousands), including \$0.7 million accounts payable to MUNI:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis- O'Farrell Parking	Portsmouth Plaza Parking	Total
Operating revenues.....	\$ 11,319	\$ 14,903	\$ 2,437	\$ 4,658	\$ 3,156	\$ 36,473
Depreciation.....	737	11,979	4,363	8,412	129	25,620
Operating income.....	593	(9,861)	(4,110)	(7,521)	74	(20,825)
Interest and other non-operating revenues (expenses).....	(442)	(1,059)	(5)	(194)	16	(1,684)
Change in net assets.....	151	(10,920)	(4,115)	(7,715)	90	(22,509)
Capital assets, additions.....	-	-	-	-	246	246
Capital assets, deletions.....	(433)	(11,979)	(3,694)	(7,994)	-	(24,100)
Net working capital (deficit).....	(7,280)	(8,626)	21	(1,486)	791	(16,580)
Total assets.....	29,155	49,675	3,805	11,991	3,361	97,987
Total liabilities.....	19,136	28,989	576	6,536	612	55,849
Net assets.....	10,019	20,686	3,229	5,455	2,749	42,138
Total debt outstanding.....	\$ 11,665	\$ 19,095	\$ 309	\$ 5,323	\$ -	\$ 36,392

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(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, 2005, the subsidy for LHH was approximately \$39 million.

	(in thousands)
Changes in net assets of LHH on a GAAP basis	\$ 18,502
Transfer to General Fund	79
Net income on specific/donor restricted funds	(17,598)
Operating subsidy from City General Fund	<u>(39,239)</u>
Net loss on LHH on a GAAP basis before operating subsidy	<u>(38,256)</u>
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	1,339
Change in encumbrances and appropriation carryforward	(2,503)
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation and other expenses	<u>181</u>
Net loss of LHH requiring General Fund subsidy on a budget basis	<u><u>\$ (39,239)</u></u>

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, 2005, Medicare and Medi-Cal charges for services amounted to approximately \$4 million and \$107 million, respectively. As of June 30, 2005, LHH had net patient receivables from Medicare of \$1.3 million and net patient receivables from Medi-Cal of \$21.7 million.

During fiscal year ended June 30, 2005, LHH received approximately \$15 million in payments 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 issue general obligation bonds 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 (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, 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 some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2005, bonds have been sold to fund the Replacement Project. LHH is actively involved in the planning and design phase and construction of the Replacement Project.

The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By

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January 1, 2030, all general acute care inpatient buildings must be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. A five-year extension for the January 2008 deadline was requested and granted, postponing the deadline to 2013.

LHH received a report initiated by the California Integrated Waste Management Board declaring an old dumpsite on hospital property a "hazardous waste site" under California hazardous waste statute. The San Francisco Department of Public Health, as the local enforcement agency, has been designated to oversee and certify the future abatement of the dumpsite. LHH management has subsequently received a number of estimates to remedy this situation, ranging from approximately \$0.8 million to \$2.5 million. The hospital and the San Francisco Department of Public Health are evaluating the bids submitted. The State has mentioned that this particular hazardous waste site is classified as a low priority considering the other more hazardous waste sites within the State. The specific site has been contained and secured for the safety of the general public.

As of June 30, 2005, LHH has entered into various purchase contracts totaling approximately \$11.6 million that are related to future construction for the Replacement Project.

(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 year ended June 30, 2005, the subsidy for SFGH was \$78 million.

	(in thousands)
Income before transfers of SFGH on a GAAP basis	\$ 14,516
Reimbursement to City General Fund for SB 855 matching program	(80,683)
Transfers from City General Fund to support SFGH on:	
Other Program Support	1,374
Interest expense on the over draft funds with the City Treasury	(684)
Transfers from SFGH to City facility projects	(350)
Transfers from SFGH to Jail Health	(620)
Transfers from SFGH to Laguna Honda	(2,032)
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	(4,170)
Change in encumbrances and appropriation carryforwards	(8,075)
Other expenses - Non-Operating Funds	(2,119)
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation expense	6,655
Other Net GAAP expenses	(2,062)
	(80,683)
Net loss of SFGH requiring General Fund subsidy on a budget basis	\$ (78,250)

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

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program, the federal Medi-Cal Medical Education Program and Administrative Claiming System, and a managed care agreement signed with a health maintenance organization (HMO).

During the year ended June 30, 2005, Medicare and Medi-Cal revenue accounted for \$73 million and \$77 million of net patient service revenue, respectively. As of June 30, 2005, SFGH had net patient receivables from Medicare of \$8.1 million and net patient receivables from Medi-Cal of \$14.2 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 \$113.1 million for the year ended June 30, 2005. This revenue was offset by a reduction in the General Fund operating subsidy of \$80.7 million for net SB-855 revenues of \$32.4 million for the year ended June 30, 2005.

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, 2005, SFGH recognized gross patient revenue in the amount of \$65.0 million offset by a reduction in the contribution provided by the City of \$30.5 million for net SB-1255 revenues of \$34.5 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, 2005, SFGH recognized net patient service revenue in the amount of \$2.3 million pertaining to this program.

As of June 30, 2005, SFGH had Medi-Cal supplemental reimbursement receivables for SB-855, SB-1255, and other federal and state settlement payments of approximately \$13.3 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 other operating revenue for the year ended June 30, 2005, 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, 2005, reimbursement under the Short-Doyle program amounted to approximately \$5.8 million and is included in State and other nonoperating revenues.

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, 2005, amounted to \$1.2 million and are included in other operating 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 \$213 million and estimated costs and expenses to provide charity care were \$109 million in fiscal year 2004-2005.

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, 2005, was approximately \$77.6 million.

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In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In May 2005, the Mayor created the Blue Ribbon Committee (the Committee) on SFGH's future location. The Committee's charge was to make a recommendation on where SFGH should be built: (1) on the existing Potrero Hill campus or (2) at Mission Bay, collocating with the University of California at San Francisco (UCSF).

In October 2005, the Health Commission accepted the Committee's recommendation to rebuild at its current Potrero Avenue campus.

In addition to the Potrero location recommendation, the Committee recommended that the City begin the process of ascertaining whether a General Obligation bond for a SFGH rebuild can be approved by voters as well as what dollar amount voters are likely to approve. The City should identify additional mechanisms for financing the hospital replacement.

(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.

As of June 30, 2005, the CWP had outstanding commitments with third parties for capital projects and for materials and services totaling \$40.1 million.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) SAN FRANCISCO REDEVELOPMENT AGENCY

The Redevelopment Agency of the City and County of San Francisco (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 two potential redevelopment areas, designated by the Board of Supervisors of the City, and proposed expansion to two existing project areas.

The Agency acts as the lead Agency in administering the Housing Opportunities for Persons with AIDS (HOPWA) program, which is funded by a grant from the U.S. Department of Housing and Urban Development. The Agency applied for and was awarded a "Special Projects of National Significance" grant under the HOPWA program to provide partial rent subsidies and back to work job training.

In 1998, the Board of Supervisors approved ordinances and resolutions adopting the Mission Bay North and South Redevelopment Plans, Interagency Cooperation Agreements, Tax Allocation Agreements, and related ordinances and resolutions. The two project areas total 303 acres. The Agency has entered into an Owner Participation Agreement with the owner/developer to provide for development of the project

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areas. The proposed development in the north includes 3,000 housing units, 20% of which will be affordable units, urban entertainment retail space, City-serving retail space, neighborhood-serving retail space and public open space. The proposed development in the south will include 3,090 housing units, 20% of which will be affordable units, a UCSF research campus, a hotel, City-serving and neighborhood-serving retail space, commercial industrial space, a new fire and police station, and a 500-student public school on land to be donated by UCSF.

As of June 30, 2005, 1,079 residential units, including 148 affordable units, 24,000 square feet of office space, and 72,650 square feet of neighborhood retail space have been completed in Mission Bay North. Another 552 residential units are under construction, of which 159 units are affordable. A commercial office building totaling 285,000 square feet and two UCSF research building of 550,000 square feet have been completed in Mission Bay South. 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 construction of the Jessie Square Garage (the Garage), which contains 450 parking spaces, was completed and started operations in February 2005. During the year ended June 30, 2003, the Garage construction was financed by tax allocation bonds issued. The City has advanced tax increment revenue for debt service payments, which will be repaid from net operating revenues from the Garage.

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 \$53.3 million.

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the Partnership). PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. The Partnership is currently constructing a 106-unit affordable housing project in the South of Market project area. The project, which is scheduled for completion in December 2005, was originally undertaken by PIDC. Additionally, PIDC transferred all related assets (including the rights to a ground lease) and liabilities to the Partnership.

In order to facilitate construction and rehabilitation within the project areas, various construction loan notes, promissory notes, community district facility bonds, and mortgage revenue bonds with an aggregate outstanding balance of approximately \$662 million as of June 30, 2005, have been issued. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, 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 a Low and Moderate Income Housing Fund to account for this commitment and has budgeted \$362 million for such expenditures since its inception. The Agency has expended \$249 million for low- and moderate-income housing since its inception.

The Agency had commitments under contracts for capital improvements of approximately \$23.3 million as of June 30, 2005.

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(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 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 2004-2005, TIDA's primary source of revenues included facility and housing rents. During fiscal year 2002-2003, TIDA received Navy agreement to initiate the process of early transfer, including competitive selection of a contractor to complete the Navy's Treasure Island Remediation Program with Navy funding but under TIDA direction and supervision; entered an exclusive negotiating agreement with a private developer for the redevelopment of the former naval base; and completed a draft Environmental Impact Report (EIR) for the transfer.

**CITY AND COUNTY OF SAN FRANCISCO
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(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, 2005, is as follows (in thousands):

Due to/from other funds (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 18,117
	Internal Service Funds	1,374
	San Francisco International Airport	1,052
	Municipal Transportation Agency	762
	Laguna Honda Hospital	8,438
		<u>29,743</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	12,303
		<u>12,303</u>
Internal Service	General Fund	796
	Nonmajor Governmental Funds	861
	General Hospital Medical Center	545
	Laguna Honda Hospital	99
		<u>2,301</u>
Water Department	Municipal Transportation Agency	2,593
		<u>2,593</u>
Hetch Hetchy Water and Power	General Fund	1,061
	Nonmajor Governmental Funds	12,496
	Municipal Transportation Agency	102
	General Hospital Medical Center	595
	Water Department	81
		<u>14,335</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	33,837
	Water Department Fund	2,574
		<u>36,411</u>
Total		<u>\$ 97,686</u>

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - governmental	Component unit - Redevelopment Agency	<u>\$ 3,375</u>

CITY AND COUNTY OF SAN FRANCISCO
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Transfers (in thousands):

Transfers: Funds	Funds									Total Transfers Out
	General Fund	Nonmajor Governmental	Internal Service Funds	San Francisco International Airport	Hetch Hetchy	Municipal Transportation Agency	San Francisco General Hospital	Clean Water	Laguna Honda Hospital	
General fund.....	\$ -	\$ 71,432	\$ 270	\$ 4,611	\$ -	\$ 137,770	\$ 78,940	\$ -	\$ 37,207	\$ 330,230
Nonmajor governmental funds.....	51,228	35,137	-	-	-	94,906	-	1,922	-	183,193
San Francisco International Airport.....	19,677	-	-	-	-	-	-	-	-	19,677
Municipal Transportation Agency.....	-	12,298	-	-	-	-	-	-	-	12,298
San Francisco General Hospital.....	81,304	350	-	-	-	-	-	-	2,032	83,686
Clean Water.....	-	48	-	-	1,628	-	-	-	-	1,676
Laguna Honda Hospital.....	79	-	-	-	-	-	-	-	-	79
Total transfers in.....	<u>\$ 152,288</u>	<u>\$ 119,265</u>	<u>\$ 270</u>	<u>\$ 4,611</u>	<u>\$ 1,628</u>	<u>\$ 232,676</u>	<u>\$ 78,940</u>	<u>\$ 1,922</u>	<u>\$ 39,239</u>	<u>\$ 630,839</u>

The \$330.2 million General Fund transfer out includes a total of \$253.9 million in operating subsidies to Municipal Transportation Agency, General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers of \$71.4 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the public library and the Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

The General Fund received transfers in of \$81.3 million from General Hospital Medical Center, of which \$80.7 million was reimbursement for the SB 855 matching program (note 11(g)), and \$19.7 million from the San Francisco International Airport, representing a portion of concession revenue (note 11 (a)). The \$95 million transfer from nonmajor governmental funds is for capital and operating transfers from the San Francisco County Transportation Authority to the Municipal Transportation Agency.

(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.

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
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(b) Operating Leases

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

Primary Government

Governmental Activities

<u>Fiscal Years</u>	
2006.....	\$ 27,319
2007.....	24,008
2008.....	20,940
2009.....	11,535
2010.....	9,951
2011-2015.....	18,206
2016-2020.....	3,600
Total.....	<u>\$ 115,559</u>

Operating lease expense incurred for fiscal year 2004-2005 was approximately \$28.9 million.

Business-type Activities

<u>Fiscal Years</u>	<u>San Francisco International Airport</u>	<u>Port of San Francisco</u>	<u>Municipal Transportation Agency</u>	<u>General Hospital Medical Center</u>	<u>Total Business-type Activities</u>
2006.....	\$ 5,320	\$ 2,739	\$ 4,682	\$ 5,457	\$ 18,198
2007.....	5,727	2,936	4,101	2,766	15,530
2008.....	5,741	2,936	3,874	1,910	14,461
2009.....	4,631	2,936	3,874	1,457	12,898
2010.....	-	2,936	3,314	1,277	7,527
2011-2015...	-	14,684	167	-	14,851
2016-2020...	-	13,888	179	-	14,067
2021-2025...	-	13,888	135	-	14,023
2026-2030...	-	13,888	121	-	14,009
2031-2035...	-	13,888	-	-	13,888
2036-2040...	-	13,888	-	-	13,888
2041-2045...	-	13,888	-	-	13,888
2046-2050...	-	11,341	-	-	11,341
Total.....	<u>\$ 21,419</u>	<u>\$ 123,836</u>	<u>\$ 20,447</u>	<u>\$ 12,867</u>	<u>\$ 178,569</u>

Operating lease expense incurred for the Airport, Port, MTA, and SFGH for fiscal year 2004-2005 was \$5.9 million, \$2.6 million, \$6.2 million, and \$4.8 million, respectively.

**CITY AND COUNTY OF SAN FRANCISCO
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Component Unit - Redevelopment Agency

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

Fiscal Years		
2006.....	\$	1,930
2007.....		867
2008.....		846
2009.....		853
2010.....		862
2011-2015.....		4,351
2016-2020.....		4,351
2021-2025.....		4,351
2026-2030.....		4,351
2031-2035.....		4,351
2036-2040.....		4,350
2041-2045.....		4,350
2046-2050.....		4,350
Total.....	\$	40,163

Rent payments totaling \$2.1 million are included in the Agency's financial statements for the year ended June 30, 2005.

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		
2006.....	\$	1,191
2007.....		861
2008.....		626
2009.....		567
2010.....		598
2011-2015.....		2,466
2016-2020.....		1,815
2021-2025.....		340
2026-2030.....		70
2031-2035.....		17
Total.....	\$	8,551

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Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2006.....	\$ 56,954	\$ 25,379	\$ 1,950	\$ 3,143	\$ 912	\$ 88,338
2007.....	47,487	22,951	1,991	2,958	782	76,169
2008.....	45,818	21,311	2,033	2,634	476	72,272
2009.....	38,694	19,593	2,077	2,168	380	62,912
2010.....	29,946	17,161	2,123	1,303	405	50,938
2011-2015.....	20,406	76,230	2,168	2,965	1,305	103,074
2016-2020.....	-	63,890	-	-	-	63,890
2021-2025.....	-	54,080	-	-	-	54,080
2026-2030.....	-	45,230	-	-	-	45,230
2031-2035.....	-	42,800	-	-	-	42,800
2036-2040.....	-	33,473	-	-	-	33,473
2041-2045.....	-	21,142	-	-	-	21,142
2046-2050.....	-	16,678	-	-	-	16,678
2051-2055.....	-	7,197	-	-	-	7,197
2056-2060.....	-	7,000	-	-	-	7,000
2061-2065.....	-	7,000	-	-	-	7,000
2066-2070.....	-	2,485	-	-	-	2,485
Total.....	<u>\$ 239,305</u>	<u>\$ 483,600</u>	<u>\$ 12,342</u>	<u>\$ 15,171</u>	<u>\$ 4,260</u>	<u>\$ 754,678</u>

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	
2006.....	\$ 3,019
2007.....	2,899
2008.....	2,839
2009.....	2,843
2010.....	2,948
2011-2015.....	14,880
2016-2020.....	15,401
2021-2025.....	14,323
2026-2030.....	15,190
2031-2035.....	16,250
2036-2040.....	17,405
2041-2045.....	18,692
2046-2050.....	5,430
2051-2055.....	440
2056-2060.....	350
2061-2065.....	325
2066-2070.....	287
2071-2075.....	250
2076-2080.....	158
2081-2085.....	150
2086-2090.....	150
2091-2095.....	150
2096-2099.....	68
Total.....	<u>\$ 134,447</u>

CITY AND COUNTY OF SAN FRANCISCO
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(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately \$18 million per year through July 1, 2025. The lease payments are intended to approximate the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the Moscone Convention Center 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 for capital leases are as follows (in thousands):

Fiscal Years	Moscone Convention Center	Other	Total
2006.....	\$ 17,871	\$ 424	\$ 18,295
2007.....	17,874	65	17,939
2008.....	18,571	-	18,571
2009.....	18,640	-	18,640
2010.....	18,717	-	18,717
2011-2015.....	94,631	-	94,631
2016-2020.....	79,211	-	79,211
2021-2025.....	16,433	-	16,433
Total minimum lease payments.....	281,948	489	282,437
Less amounts representing interest.....	(83,721)	(13)	(83,734)
Present value of maximum lease payments.....	<u>\$ 198,227</u>	<u>\$ 476</u>	<u>\$ 198,703</u>

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately \$718 million at June 30, 2005.

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, 2005, the City contributed \$6.4 million to the PCJPB for its operating needs. This is paid by MTA from the subsidy transfer it receives from the City.

(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 SFO carries liability insurance coverage of \$750 million and commercial property insurance coverage for full replacement value on all facilities owned by the SFO. The SFO does not carry insurance for losses due to seismic activity. The SFO is self-insured for general liability up to the first \$10,000 and the SFO carries liability insurance for

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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 million 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, 2005 has been actuarially determined and includes an estimate of incurred but not reported losses.

Changes in the reported estimated claims payable since June 30, 2003, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2003-2004	\$ 93,304	\$ 71,967	\$ (37,835)	\$ 127,436
2004-2005	127,436	63,684	(38,865)	152,255

CITY AND COUNTY OF SAN FRANCISCO
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June 30, 2005

Breakdown of the estimated claims payable at June 30, 2005 is as follows (in thousands):

<u>Governmental activities:</u>	
Current portion of estimated claims payables.....	\$ 37,487
Long-term portion of estimated claims payable.....	46,050
<u>Business-type activities:</u>	
Current portion of estimated claims payables.....	22,503
Long-term portion of estimated claims payable.....	46,215
 Total.....	 <u>\$ 152,255</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 lawsuit against the Retirement System by the Veteran Police Officers Association (VPOA) that alleges that the Retirement System should include Police Officers' Standards Training (POST) pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. The Retirement System was successful in defending both of these class action lawsuits in the trial court. An appeal remains a possibility for either or both of these lawsuits. Should there be a successful appeal, the potential loss to the Retirement System is estimated to be less than \$100 million as of June 30, 2005.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2005 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, 2005 was \$391.4 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

Changes in the reported accrued workers' compensation since June 30, 2003, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2003-2004	\$ 364,256	\$ 108,177	\$ (75,307)	\$ 397,126
2004-2005	397,126	87,372	(93,070)	391,428

CITY AND COUNTY OF SAN FRANCISCO
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June 30, 2005

Breakdown of the accrued workers' compensation liability at June 30, 2005 is as follows (in thousands):

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 44,624
Long-term portion of accrued worker's compensation liability.....	170,181
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	38,005
Long-term portion of accrued worker's compensation liability.....	<u>138,618</u>
 Total.....	 <u>\$ 391,428</u>

(17) SUBSEQUENT EVENTS (UNAUDITED)

Long-term Debt

In July 2005, the City issued a total of \$150.1 million in General Obligation Bonds. They consist of the following four bonds: \$79.4 million California Academy of Sciences Improvement Bonds, Series 2005E, \$29.2 million Steinhart Aquarium Improvement Bonds Series 2005F, \$34 million Branch Library Facilities Improvement Bonds Series 2005G and \$7.5 million Zoo Facilities Bonds Series 2005H. The 2005E and 2005F Bonds will finance the acquisition, construction, and reconstruction of certain improvements to the Academy of Sciences and Steinhart Aquarium respectively. The 2005G Bonds were issued to provide funds to finance the acquisition, renovation and construction of branch libraries and other library facilities, other than the Main Library. The 2005H Bonds will finance the acquisition, construction and/or reconstruction of San Francisco Zoo facilities. The 2005E, 2005F, 2005G and 2005H Bonds have interest rates ranging from 3.0% to 5.0% and mature from June 2006 through June 2025.

In July 2005, the San Francisco Redevelopment Agency issued Tax Allocation Refunding Revenue Bonds Series 2005A in the amount of \$20.4 million and Taxable Tax Allocation Refunding Revenue Bonds Series 2005B in the amount of \$8.1 million. Series 2005A Bonds were issued for the purpose of refunding the entire Series 1998A Tax Allocation Revenue Bonds and partially refunding the Series 1998C Tax Allocation Refunding Revenue Bonds. Series 2005B Bonds were issued to refund the entire Series 1998B Tax Allocation Revenue Bonds and the Series 2000B Tax Allocation Revenue Bonds. Together, the 2005 Series A and B Bonds produced net present value savings exceeding \$2 million or 7.2% of the par amount of bonds refunded. In July 2005, the Agency issued Taxable Tax Allocation Revenue Bonds, Series 2005C in the amount of \$43.9 million and Tax Allocation Revenue Bonds, Series 2005D in the amount of \$16.2 million. The proceeds from the Series 2005C Bonds will be used primarily to fund the construction of low-income housing, provide for economic development in the Western Addition project area, and fund a capital reserve for the Yerba Buena Gardens. Series 2005D Bonds were issued for the purpose of funding the construction of infrastructure in the Mission Bay North project area.

In September 2005, the City issued General Obligation Bonds, Laguna Honda Hospital, Series 2005I in the amount of \$69 million. The bonds mature from June 2008 through June 2030. The bonds were issued to provide funds for 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 the Laguna Honda Hospital. The 2005I Bonds have interest rates ranging from 4.0% to 5.0%.

In September 2005, the San Francisco Water Department issued an additional \$10 million commercial paper notes to fund capital projects associated with Proposition A authorization. As of that date, there was \$90 million in commercial paper outstanding.

In October 2005, the San Francisco Finance Corporation issued Lease Revenue Bonds Series 2005A in the amount of \$9.4 million. The bonds mature from April 2006 through October 2010 and have interest rates ranging from 3.25% to 5.0%. The bonds were issued to provide funds to finance the acquisition and

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2005

installation of certain equipment to be leased to the City under an Equipment Lease between the City and San Francisco Finance Corporation.

Elections

On November 8, 2005, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – Community College District General Obligation Bonds This is an ordinance that allows the Community College District to borrow \$246.3 million by issuing general obligation bonds. The District will use the money to construct and equip new facilities or buildings for performing arts, bio/stem cell technology, for student services and programs offered jointly with San Francisco State University, as well as to complete various construction projects at City College campuses and improve existing facilities by expanding intercampus communication systems, improving energy conservation, and supporting various training and educational programs. The principal and interest on general obligation bonds are paid with property tax revenues. Proposition A will require an increase in property taxes to pay for the bonds. In fiscal year 2006-2007, following issuance of the first series of bonds, the estimated annual costs of debt service would be \$6.5 million and result in a property tax rate of 0.057¢ per \$100 of assessed valuation (or \$5.66 per \$100,000 of assessed valuation).

In fiscal year 2009-2010, following issuance of the last series of bonds, and the year with the highest tax rate, the estimated costs of debt service would be \$19.5 million and result in a property tax rate of .15¢ per \$100 of assessed valuation (or \$15.44 per \$100,000 of assessed valuation). The best estimate of the average tax rate from fiscal year 2006-2007 through 2032-2033 is .11¢ per \$100 of assessed valuation (or \$10.71 per \$100,000 of assessed valuation). Based on these estimates, the highest estimated increase in annual property taxes for the owner of a home with an assessed value of \$400,000 would be approximately \$60.68.

Proposition F – Neighborhood Firehouses This is an ordinance that requires the City to maintain and operate all 42 firehouses and specific emergency and rescue vehicles and equipment at the same levels that were used on January 1, 2004. The City will be required to operate the following 24 hours a day: Operate each firehouse, provide adequate staff, operate an arson and investigation unit, maintain no fewer than four ambulances based in the firehouses, and maintain no fewer than four medical supervisors based in the firehouses. The fiscal impact of Proposition F is a new added cost of approximately \$4.4 to \$6.6 million annually, and a requirement to operate facilities and vehicles that currently cost the City approximately \$158 million annually. The costs could increase or decrease depending on how the City implements the ordinance. Under the City Charter, the ultimate cost of this proposal depends on decisions made in the City's annual budget process.



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Required Supplementary Information



Photo by San Francisco Convention & Visitors Bureau



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 (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>
7/1/99	\$ 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%
7/1/02	11,102,516	9,415,905	1,686,611	117.9%	2,019,097	83.5%
7/1/03	11,173,636	10,249,896	923,740	109.0%	2,130,071	43.4%
7/1/04	11,299,997	10,885,455	414,542	103.8%	2,155,252	19.2%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

Schedule of funding progress for PERS (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>
06/30/97:						
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	\$ 10,142	145.2%	\$ 1,079	939.9%
Safety	423,369	330,118	93,251	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%
06/30/01:						
Misc.	\$ 32,773	\$ 22,031	\$ 10,742	148.8%	\$ 1,087	988.2%
Safety	445,005	358,626	86,379	124.1%	63,581	135.9%
Total	<u>\$ 477,778</u>	<u>\$ 380,657</u>	<u>\$ 97,121</u>	125.5%	<u>\$ 64,668</u>	150.2%
06/30/02:						
Misc.	\$ 31,897	\$ 21,889	\$ 10,008	145.7%	\$ 1,150	870.3%
Safety	430,019	417,394	12,625	103.0%	71,716	17.6%
Total	<u>\$ 461,916</u>	<u>\$ 439,283</u>	<u>\$ 22,633</u>	105.2%	<u>\$ 72,866</u>	31.1%

Combining Financial Statements and Schedules



Photo by San Francisco Convention & Visitors Bureau



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.

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.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS *(Continued)*

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.

Golf Fund -- Accounts for the revenue and expenditures related to the City's six golf courses.

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

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.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

SPECIAL REVENUE FUNDS (Continued)

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).

Certificates of Participation (COP) Funds -- Accounts for transfers of Base Rental payments from the various COP Special Revenue Funds and General Fund 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.) and business tax settlement bonds.

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.

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL PROJECTS FUNDS (*Continued*)

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.

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.

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.



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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2005

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
ASSETS					
Deposits and investments with City Treasury.....	\$ 505,602	\$ 48,845	\$ 354,998	\$ 6,102	\$ 915,547
Deposits and investments outside City Treasury.....	6,628	10,340	28,723	54	45,745
Receivables:					
Property taxes and penalties.....	2,610	4,280	-	-	6,890
Other local taxes.....	12,788	-	-	-	12,788
Federal and state grants and subventions.....	67,146	-	22,413	-	89,559
Charges for services.....	6,280	-	552	-	6,832
Interest and other.....	2,627	20	1,063	16	3,726
Due from other funds.....	1,578	-	10,725	-	12,303
Due from component unit.....	-	-	959	-	959
Loans receivable (net of allowance for uncollectibles).....	241,728	-	-	-	241,728
Deferred charges and other assets.....	1,535	-	35	-	1,570
Total assets.....	\$ 848,522	\$ 63,485	\$ 419,468	\$ 6,172	\$ 1,337,647
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 37,149	\$ 61	\$ 15,996	\$ 129	\$ 53,335
Accrued payroll.....	7,518	-	1,281	13	8,812
Deferred tax, grant and subvention revenues.....	14,203	3,853	1,083	232	19,371
Due to other funds.....	57,096	-	20,518	-	77,614
Agency obligations.....	-	-	-	40	40
Deferred credits and other liabilities.....	249,429	14,962	3,508	-	267,899
Bonds, loans, capital leases and other payables.....	150,000	-	-	-	150,000
Total liabilities.....	515,395	18,876	42,386	414	577,071
Fund balances:					
Reserved for assets not available for appropriation.....	17,594	-	35	54	17,683
Reserved for debt service.....	931	44,609	-	-	45,540
Reserved for encumbrances.....	56,744	-	41,142	34	97,920
Reserved for appropriation carryforward.....	219,045	-	328,712	1,814	549,571
Reserved for subsequent years' budgets.....	8,004	-	-	-	8,004
Unreserved (deficit).....	30,809	-	7,193	3,856	41,858
Total fund balances.....	333,127	44,609	377,082	5,758	760,576
Total liabilities and fund balances.....	\$ 848,522	\$ 63,485	\$ 419,468	\$ 6,172	\$ 1,337,647

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2005
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes.....	\$ 82,682	\$ 130,014	\$ -	\$ -	\$ 212,696
Business taxes.....	591	-	-	-	591
Other local taxes.....	109,841	-	-	-	109,841
Licenses, permits and franchises.....	6,514	-	1	-	6,515
Fines, forfeitures and penalties.....	2,973	-	-	-	2,973
Interest and investment income.....	14,635	1,372	3,781	106	19,894
Rents and concessions.....	26,768	813	721	680	28,982
Intergovernmental:					
Federal.....	170,107	-	12,918	-	183,025
State.....	66,306	885	17,049	-	84,240
Other.....	2,564	-	23,120	-	25,684
Charges for services.....	125,822	-	116	-	125,938
Other.....	29,591	-	14,894	725	45,210
Total revenues.....	638,394	133,084	72,600	1,511	845,589
Expenditures:					
Current:					
Public protection.....	41,044	-	-	-	41,044
Public works, transportation and commerce.....	135,268	-	-	-	135,268
Human welfare and neighborhood development.....	141,025	-	-	-	141,025
Community health.....	87,940	-	-	-	87,940
Culture and recreation.....	150,841	-	-	1,158	151,999
General administration and finance.....	14,718	-	-	-	14,718
General City responsibilities.....	614	-	-	-	614
Debt service:					
Principal retirement.....	10	80,296	-	-	80,306
Interest and fiscal charges.....	2	61,173	349	-	61,524
Bond issuance costs.....	-	899	3,943	-	4,842
Capital outlay.....	-	-	130,224	-	130,224
Total expenditures.....	571,462	142,368	134,516	1,158	849,504
Excess (deficiency) of revenues					
over (under) expenditures.....	66,932	(9,284)	(61,916)	353	(3,915)
Other financing sources (uses):					
Transfers in.....	59,774	35,565	23,926	-	119,265
Transfers out.....	(164,842)	(1,114)	(17,228)	(9)	(183,193)
Issuance of bonds and loans					
Face value of bonds issued.....	-	39,350	306,875	-	346,225
Face value of loans issued.....	500	-	-	-	500
Premium on issuance of bonds.....	-	523	11,466	-	11,989
Payment to refunded bond escrow agent.....	-	(38,913)	-	-	(38,913)
Other financing sources-capital leases.....	1,479	-	-	-	1,479
Total other financing sources (uses).....	(103,089)	35,411	325,039	(9)	257,352
Net change in fund balances.....	(36,157)	26,127	263,123	344	253,437
Fund balances at beginning of year.....	369,284	18,482	113,959	5,414	507,139
Fund balances at end of year.....	\$ 333,127	\$ 44,609	\$ 377,082	\$ 5,758	\$ 760,576

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2005
(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.....	\$ 26,829	\$ 47,223	\$ 57,909	\$ 7,345	\$ 17,832	\$ 3,174	\$ 7	\$ 1,473
Deposits and investments outside City								
Treasury.....	-	-	1,506	-	-	-	-	-
Receivables:								
Property taxes and penalties.....	-	880	-	-	-	-	-	-
Federal and state grants and subventions.....	-	5,107	9,907	16,622	-	52	4,520	784
Charges for services.....	-	-	-	-	-	3	45	-
Interest and other.....	81	170	160	3	-	10	9	2
Due from other funds.....	-	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles).....	161	-	232,021	-	9,546	-	-	-
Deferred charges and other assets.....	-	1	446	-	-	-	-	-
Total assets.....	<u>\$ 27,071</u>	<u>\$ 53,381</u>	<u>\$ 301,949</u>	<u>\$ 23,970</u>	<u>\$ 27,378</u>	<u>\$ 3,239</u>	<u>\$ 4,581</u>	<u>\$ 2,259</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable.....	\$ 296	\$ 6,709	\$ 2,612	\$ 5,429	\$ 6,811	\$ 150	\$ 214	\$ 180
Accrued payroll.....	855	458	338	954	11	8	69	21
Deferred tax, grant and subvention revenues.....	-	730	-	2,309	-	-	4,534	1,677
Due to other funds.....	-	1,783	-	-	-	-	141	-
Deferred credits and other liabilities.....	3,854	3,611	217,961	3,944	11,837	-	-	-
Bonds, loans, capital leases and other payables.....	-	-	-	-	-	-	-	-
Total liabilities.....	<u>5,005</u>	<u>13,291</u>	<u>220,911</u>	<u>12,636</u>	<u>18,659</u>	<u>158</u>	<u>4,958</u>	<u>1,878</u>
Fund balances:								
Reserved for assets not available for appropriation.....	-	1	15,599	-	1,012	-	-	-
Reserved for encumbrances.....	1,071	9,037	18,528	9,349	979	886	135	202
Reserved for appropriation carryforward.....	11,004	21,584	44,732	6,027	5,132	1,698	3,133	347
Reserved for subsequent years' budgets.....	-	8,000	-	-	-	-	4	-
Unreserved (deficit).....	9,991	1,468	2,179	(4,042)	1,596	497	(3,649)	(168)
Total fund balances.....	<u>22,066</u>	<u>40,090</u>	<u>81,038</u>	<u>11,334</u>	<u>8,719</u>	<u>3,081</u>	<u>(377)</u>	<u>381</u>
Total liabilities and fund balances.....	<u>\$ 27,071</u>	<u>\$ 53,381</u>	<u>\$ 301,949</u>	<u>\$ 23,970</u>	<u>\$ 27,378</u>	<u>\$ 3,239</u>	<u>\$ 4,581</u>	<u>\$ 2,259</u>

(Continued)

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

June 30, 2005

(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury.....	\$ 1,561	\$ 5,580	\$ 7,332	\$ 1,392	\$ 406	\$ 21,428	\$ 16,626
Deposits and investments outside City							
Treasury.....	-	-	469	-	-	-	-
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	902	828
Other local taxes.....	-	-	-	-	-	-	-
Federal and state grants and subventions.....	1,820	-	135	-	6,007	-	-
Charges for services.....	106	1,386	-	392	-	-	-
Interest and other.....	11	94	10	5	-	71	39
Due from other funds.....	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	-
Deferred charges and other assets.....	-	-	-	-	-	-	-
Total assets.....	<u>\$ 3,498</u>	<u>\$ 7,060</u>	<u>\$ 7,946</u>	<u>\$ 1,789</u>	<u>\$ 6,413</u>	<u>\$ 22,401</u>	<u>\$ 17,493</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 97	\$ 1,658	\$ 244	\$ 890	\$ 1,228	\$ 374	\$ 2,162
Accrued payroll.....	721	52	13	5	-	557	1,493
Deferred tax, grant and subvention revenues.....	-	109	49	-	41	779	740
Due to other funds.....	820	-	-	-	4,921	-	-
Deferred credits and other liabilities.....	3	138	-	29	-	3,073	3,072
Bonds, loans, capital leases and other payables.....	-	-	-	-	-	-	-
Total liabilities.....	<u>1,641</u>	<u>1,957</u>	<u>306</u>	<u>924</u>	<u>6,190</u>	<u>4,783</u>	<u>7,467</u>
Fund balances:							
Reserved for assets not available for appropriation.....	-	-	469	-	-	-	-
Reserved for encumbrances.....	469	81	692	142	1,272	807	711
Reserved for appropriation carryforward.....	1,388	3,468	5,189	277	145	13,642	1,886
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	-
Unreserved (deficit).....	-	1,554	1,290	446	(1,194)	3,169	7,429
Total fund balances.....	<u>1,857</u>	<u>5,103</u>	<u>7,640</u>	<u>865</u>	<u>223</u>	<u>17,618</u>	<u>10,026</u>
Total liabilities and fund balances.....	<u>\$ 3,498</u>	<u>\$ 7,060</u>	<u>\$ 7,946</u>	<u>\$ 1,789</u>	<u>\$ 6,413</u>	<u>\$ 22,401</u>	<u>\$ 17,493</u>

(Continued)

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

June 30, 2005

(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.....	\$ 6,947	\$ 11,652	\$ 5,344	\$ 254,167	\$ 699	\$ 10,676	\$ 505,602
Deposits and investments outside City							
Treasury.....	411	-	476	3,766	-	-	6,628
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	-	2,610
Other local taxes.....	218	-	-	12,570	-	-	12,788
Federal and state grants and subventions.....	17,986	409	-	2,672	1,125	-	67,146
Charges for services.....	126	4,222	-	-	-	-	6,280
Interest and other.....	135	-	3	1,824	-	-	2,627
Due from other funds.....	-	997	-	581	-	-	1,578
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	241,728
Deferred charges and other assets.....	-	988	-	100	-	-	1,535
Total assets.....	<u>\$ 25,823</u>	<u>\$ 18,268</u>	<u>\$ 5,823</u>	<u>\$ 275,680</u>	<u>\$ 1,824</u>	<u>\$ 10,676</u>	<u>\$ 848,522</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 1,463	\$ 2,728	\$ 170	\$ 3,402	\$ 195	\$ 137	\$ 37,149
Accrued payroll.....	936	642	65	66	-	254	7,518
Deferred tax, grant and subvention revenues.....	2,470	-	-	763	2	-	14,203
Due to other funds.....	23	3,527	-	45,881	-	-	57,096
Deferred credits and other liabilities.....	-	914	-	971	-	22	249,429
Bonds, loans, capital leases and other payables..	-	-	-	150,000	-	-	150,000
Total liabilities.....	<u>4,892</u>	<u>7,811</u>	<u>235</u>	<u>201,083</u>	<u>197</u>	<u>413</u>	<u>515,395</u>
Fund balances:							
Reserved for assets not available for appropriation.....	411	-	102	-	-	-	17,594
Reserved for debt service.....	-	-	-	931	-	-	931
Reserved for encumbrances.....	6,613	3,763	57	1,747	2	201	56,744
Reserved for appropriation carryforward.....	8,971	5,463	3,537	71,919	322	9,181	219,045
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	8,004
Unreserved (deficit).....	4,936	1,231	1,892	-	1,303	881	30,809
Total fund balances.....	<u>20,931</u>	<u>10,457</u>	<u>5,588</u>	<u>74,597</u>	<u>1,627</u>	<u>10,263</u>	<u>333,127</u>
Total liabilities and fund balances.....	<u>\$ 25,823</u>	<u>\$ 18,268</u>	<u>\$ 5,823</u>	<u>\$ 275,680</u>	<u>\$ 1,824</u>	<u>\$ 10,676</u>	<u>\$ 848,522</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, 2005
(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
Revenues:								
Property taxes.....	\$ -	\$ 31,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	591	-	-	-	-	-
Other local taxes.....	-	-	-	-	34,672	-	-	-
Licenses, permits and franchises.....	3,471	-	-	-	-	-	150	-
Fines, forfeitures and penalties.....	-	-	-	1,661	-	40	-	-
Interest and investment income.....	546	864	5,213	135	278	125	54	35
Rents and concessions.....	-	-	-	-	15,370	-	164	-
Intergovernmental:								
Federal.....	-	10,914	42,240	74,107	-	112	-	19
State.....	-	14,713	239	11,492	-	233	-	2,996
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	32,503	846	3,615	1,957	3,575	3,961	4,526	94
Other.....	3	-	17,545	205	180	-	499	-
Total revenues.....	36,523	58,347	69,443	89,557	54,075	4,471	5,393	3,144
Expenditures:								
Current:								
Public protection.....	-	-	-	135	-	972	-	-
Public works, transportation and commerce..	33,482	-	517	-	-	699	336	-
Human welfare and neighborhood development.....	-	61,667	44,088	-	1,538	-	-	2,924
Community health.....	-	-	-	86,198	-	-	-	-
Culture and recreation.....	-	-	5	-	53,033	-	220	-
General administration and finance.....	-	-	8,787	-	-	-	9	-
General City responsibilities.....	-	-	-	-	510	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	10	-
Interest and fiscal charges.....	-	-	-	-	-	-	2	-
Total expenditures.....	33,482	61,667	53,397	86,333	55,081	1,671	577	2,924
Excess (deficiency) of revenues over (under) expenditures.....	3,041	(3,320)	16,046	3,224	(1,006)	2,800	4,816	220
Other financing sources (uses):								
Transfers in.....	-	9,755	-	-	4,053	-	3,118	-
Transfers out.....	(6,259)	-	(3,690)	(3,557)	(278)	(6,892)	-	(269)
Issuance of bonds and loans								
Face value of loans issued.....	-	-	500	-	-	-	-	-
Other financing sources-capital leases.....								
Total other financing sources (uses).....	(6,259)	9,755	(3,190)	(3,557)	3,775	(6,892)	3,118	(269)
Net change in fund balances.....	(3,218)	6,435	12,856	(333)	2,769	(4,092)	7,934	(49)
Fund balances at beginning of year.....	25,284	33,655	68,182	11,667	5,950	7,173	(8,311)	430
Fund balances at end of year.....	\$ 22,066	\$ 40,090	\$ 81,038	\$ 11,334	\$ 8,719	\$ 3,081	\$ (377)	\$ 381

(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, 2005
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,837	\$ 25,835
Business taxes.....	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-
Licenses, permits and franchises.....	-	1,130	-	-	217	-	-
Fines, forfeitures and penalties.....	-	-	-	-	-	-	-
Interest and investment income.....	24	24	204	68	-	384	71
Rents and concessions.....	-	420	-	1,676	-	-	77
Intergovernmental:							
Federal.....	-	-	-	-	13,178	-	151
State.....	18,083	1,099	-	-	1,430	172	532
Other.....	-	42	-	-	-	-	-
Charges for services.....	452	1,765	-	6,325	194	-	674
Other.....	1	67	4,641	4,746	-	186	-
Total revenues.....	18,560	4,547	4,845	12,815	15,019	26,579	27,340
Expenditures:							
Current:							
Public protection.....	-	429	100	-	-	-	-
Public works, transportation and commerce.....	27,373	839	112	4,432	-	2,930	-
Human welfare and neighborhood development.....	-	-	2,179	-	15,094	-	-
Community health.....	-	-	356	-	-	-	-
Culture and recreation.....	-	371	169	8,079	6	23,759	55,685
General administration and finance.....	-	2,102	18	-	-	78	-
General City responsibilities.....	-	104	-	-	-	-	-
Debt service:							
Principal retirement.....	-	-	-	-	-	-	-
Interest and fiscal charges.....	-	-	-	-	-	-	-
Total expenditures.....	27,373	3,845	2,934	12,511	15,100	26,767	55,685
Excess (deficiency) of revenues over (under) expenditures.....	(8,813)	702	1,911	304	(81)	(188)	(28,345)
Other financing sources (uses):							
Transfers in.....	5,977	104	-	536	118	329	31,857
Transfers out.....	-	(94)	(2,953)	(329)	(16)	(2,722)	(31)
Issuance of bonds and loans							
Face value of loans issued.....	-	-	-	-	-	-	-
Other financing sources-capital leases.....	1,189	-	-	-	-	-	-
Total other financing sources (uses).....	7,166	10	(2,953)	207	102	(2,393)	31,826
Net change in fund balances.....	(1,647)	712	(1,042)	511	21	(2,581)	3,481
Fund balances at beginning of year.....	3,504	4,391	8,682	354	202	20,199	6,545
Fund balances at end of year.....	\$ 1,857	\$ 5,103	\$ 7,640	\$ 865	\$ 223	\$ 17,618	\$ 10,026

(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, 2005

(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.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,682
Business taxes.....	-	-	-	-	-	-	591
Other local taxes.....	-	-	-	66,762	-	8,407	109,841
Licenses, permits and franchises.....	1,546	-	-	-	-	-	6,514
Fines, forfeitures and penalties.....	1,271	1	-	-	-	-	2,973
Interest and investment income.....	571	368	44	5,398	25	204	14,635
Rents and concessions.....	-	261	7,039	-	-	1,761	26,768
Intergovernmental:							
Federal.....	24,306	-	-	-	5,080	-	170,107
State.....	7,988	1,655	-	3,131	2,543	-	66,306
Other.....	38	2,484	-	-	-	-	2,564
Charges for services.....	47,437	14,805	2,849	-	-	244	125,822
Other.....	41	1,046	23	408	-	-	29,591
Total revenues.....	<u>83,198</u>	<u>20,620</u>	<u>9,955</u>	<u>75,699</u>	<u>7,648</u>	<u>10,616</u>	<u>638,394</u>
Expenditures:							
Current:							
Public protection.....	38,888	520	-	-	-	-	41,044
Public works, transportation and commerce.....	9,681	11,522	226	41,734	-	1,385	135,268
Human welfare and neighborhood development.....	61	5,801	29	-	7,644	-	141,025
Community health.....	1,386	-	-	-	-	-	87,940
Culture and recreation.....	13	55	-	-	-	9,446	150,841
General administration and finance.....	-	12	3,712	-	-	-	14,718
General City responsibilities.....	-	-	-	-	-	-	614
Debt service:							
Principal retirement.....	-	-	-	-	-	-	10
Interest and fiscal charges.....	-	-	-	-	-	-	2
Total expenditures.....	<u>50,029</u>	<u>17,910</u>	<u>3,967</u>	<u>41,734</u>	<u>7,644</u>	<u>10,831</u>	<u>571,462</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>33,169</u>	<u>2,710</u>	<u>5,988</u>	<u>33,965</u>	<u>4</u>	<u>(215)</u>	<u>66,932</u>
Other financing sources (uses):							
Transfers in.....	3,340	535	52	-	-	-	59,774
Transfers out.....	(28,612)	(7,855)	(6,256)	(94,834)	(25)	(170)	(164,842)
Issuance of bonds and loans							
Face value of loans issued.....	-	-	-	-	-	-	500
Other financing sources-capital leases.....	-	290	-	-	-	-	1,479
Total other financing sources (uses).....	<u>(25,272)</u>	<u>(7,030)</u>	<u>(6,204)</u>	<u>(94,834)</u>	<u>(25)</u>	<u>(170)</u>	<u>(103,089)</u>
Net change in fund balances.....	7,897	(4,320)	(216)	(60,869)	(21)	(385)	(36,157)
Fund balances at beginning of year.....	13,034	14,777	5,804	135,466	1,648	10,648	369,284
Fund balances at end of year.....	<u>\$ 20,931</u>	<u>\$ 10,457</u>	<u>\$ 5,588</u>	<u>\$ 74,597</u>	<u>\$ 1,627</u>	<u>\$ 10,263</u>	<u>\$ 333,127</u>

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, 2005
(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.....	\$ -	\$ -	\$ -	\$ -	\$ 28,046	\$ 28,046	\$ 31,010	\$ 2,964
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	3,400	3,400	3,471	71	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	479	479	463	(16)	860	860	876	16
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	10,352	11,289	10,914	(375)
State.....	-	-	-	-	12,290	14,904	14,714	(190)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	28,654	28,655	32,503	3,848	99	843	846	3
Other revenues.....	-	-	2	2	-	-	-	-
Total revenues.....	<u>32,533</u>	<u>32,534</u>	<u>36,439</u>	<u>3,905</u>	<u>51,647</u>	<u>55,942</u>	<u>58,360</u>	<u>2,418</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	34,649	34,244	33,482	762	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	61,526	62,604	61,662	942
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>34,649</u>	<u>34,244</u>	<u>33,482</u>	<u>762</u>	<u>61,526</u>	<u>62,604</u>	<u>61,662</u>	<u>942</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,116)</u>	<u>(1,710)</u>	<u>2,957</u>	<u>4,667</u>	<u>(9,879)</u>	<u>(6,662)</u>	<u>(3,302)</u>	<u>3,360</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	9,749	9,749	9,749	-
Transfers out.....	(6,526)	(6,526)	(6,165)	361	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(6,526)</u>	<u>(6,526)</u>	<u>(6,165)</u>	<u>361</u>	<u>9,749</u>	<u>9,749</u>	<u>9,749</u>	<u>-</u>
Net change in fund balances.....	(8,642)	(8,236)	(3,208)	5,028	(130)	3,087	6,447	3,360
Budgetary fund balance (deficit), July 1.....	8,642	25,267	25,267	-	130	33,619	33,619	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 17,031</u>	<u>\$ 22,059</u>	<u>\$ 5,028</u>	<u>\$ -</u>	<u>\$ 36,706</u>	<u>\$ 40,066</u>	<u>\$ 3,360</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, 2005
(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.....	775	775	591	(184)	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	1,871	1,883	1,661	(222)
Interest and investment income.....	-	4,265	5,137	872	50	56	75	19
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	42,240	42,240	-	83,498	74,108	74,108	-
State.....	-	239	239	-	14,821	11,492	11,492	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,598	2,985	3,615	630	118	1,927	1,957	30
Other revenues.....	-	17,914	17,545	(369)	474	206	206	-
Total revenues.....	<u>4,373</u>	<u>68,418</u>	<u>69,367</u>	<u>949</u>	<u>100,832</u>	<u>89,672</u>	<u>89,499</u>	<u>(173)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	135	135	-
Public works, transportation and commerce.....	404	517	517	-	-	-	-	-
Human welfare and neighborhood development.....	4,900	44,885	44,372	513	-	-	-	-
Community health.....	-	-	-	-	100,832	86,197	86,197	-
Culture and recreation.....	1,529	5	5	-	-	-	-	-
General administration and finance.....	-	8,787	8,787	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>6,833</u>	<u>54,194</u>	<u>53,681</u>	<u>513</u>	<u>100,832</u>	<u>86,332</u>	<u>86,332</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,460)</u>	<u>14,224</u>	<u>15,686</u>	<u>1,462</u>	<u>-</u>	<u>3,340</u>	<u>3,167</u>	<u>(173)</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	(1,692)	(3,595)	(3,595)	-	-	(3,496)	(3,496)	-
Issuance of loans.....	-	500	500	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(1,692)</u>	<u>(3,095)</u>	<u>(3,095)</u>	<u>-</u>	<u>-</u>	<u>(3,496)</u>	<u>(3,496)</u>	<u>-</u>
Net change in fund balances.....	<u>(4,152)</u>	<u>11,129</u>	<u>12,591</u>	<u>1,462</u>	<u>-</u>	<u>(156)</u>	<u>(329)</u>	<u>(173)</u>
Budgetary fund balance (deficit), July 1.....	<u>4,152</u>	<u>59,407</u>	<u>59,407</u>	<u>-</u>	<u>-</u>	<u>11,663</u>	<u>11,663</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 70,536</u>	<u>\$ 71,998</u>	<u>\$ 1,462</u>	<u>\$ -</u>	<u>\$ 11,507</u>	<u>\$ 11,334</u>	<u>\$ (173)</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, 2005
(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.....	34,672	34,672	34,672	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	38	38	40	2
Interest and investment income.....	-	-	-	-	161	161	130	(31)
Rents and concessions.....	12,246	12,246	15,370	3,124	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	112	112	-
State.....	-	-	-	-	-	233	233	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,607	3,607	3,575	(32)	4,539	4,539	3,961	(578)
Other revenues.....	-	180	180	-	-	-	-	-
Total revenues.....	<u>50,525</u>	<u>50,705</u>	<u>53,797</u>	<u>3,092</u>	<u>4,738</u>	<u>5,083</u>	<u>4,476</u>	<u>(607)</u>
Expenditures:								
Public protection.....	-	-	-	-	8,820	8,481	6,922	1,559
Public works, transportation and commerce.....	-	-	-	-	-	699	699	-
Human welfare and neighborhood development.....	600	1,538	1,538	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	56,907	57,475	53,033	4,442	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	510	510	-	-	-	-	-
Total expenditures.....	<u>57,507</u>	<u>59,523</u>	<u>55,081</u>	<u>4,442</u>	<u>8,820</u>	<u>9,180</u>	<u>7,621</u>	<u>1,559</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(6,982)</u>	<u>(8,818)</u>	<u>(1,284)</u>	<u>7,534</u>	<u>(4,082)</u>	<u>(4,097)</u>	<u>(3,145)</u>	<u>952</u>
Other financing sources (uses):								
Transfers in.....	-	3,951	4,053	102	-	-	-	-
Transfers out.....	-	-	-	-	-	(942)	(942)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>3,951</u>	<u>4,053</u>	<u>102</u>	<u>-</u>	<u>(942)</u>	<u>(942)</u>	<u>-</u>
Net change in fund balances.....	<u>(6,982)</u>	<u>(4,867)</u>	<u>2,769</u>	<u>7,636</u>	<u>(4,082)</u>	<u>(5,039)</u>	<u>(4,087)</u>	<u>952</u>
Budgetary fund balance (deficit), July 1.....	<u>6,982</u>	<u>9,197</u>	<u>9,197</u>	<u>-</u>	<u>4,082</u>	<u>7,166</u>	<u>7,166</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 4,330</u>	<u>\$ 11,966</u>	<u>\$ 7,636</u>	<u>\$ -</u>	<u>\$ 2,127</u>	<u>\$ 3,079</u>	<u>\$ 952</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, 2005
(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.....	145	147	150	3	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	52	51	55	4	-	16	24	8
Rents and concessions.....	158	158	164	6	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	304	19	19	-
State.....	-	10,950	10,950	-	1,855	2,996	2,996	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	4,318	5,162	4,526	(636)	-	94	94	-
Other revenues.....	135	289	289	-	-	-	-	-
Total revenues.....	<u>4,808</u>	<u>16,757</u>	<u>16,134</u>	<u>(623)</u>	<u>2,159</u>	<u>3,125</u>	<u>3,133</u>	<u>8</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	126	336	336	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	1,884	2,924	2,924	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	3,661	11,069	11,020	49	-	-	-	-
General administration and finance.....	-	9	9	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>3,787</u>	<u>11,414</u>	<u>11,365</u>	<u>49</u>	<u>1,884</u>	<u>2,924</u>	<u>2,924</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,021</u>	<u>5,343</u>	<u>4,769</u>	<u>(574)</u>	<u>275</u>	<u>201</u>	<u>209</u>	<u>8</u>
Other financing sources (uses):								
Transfers in.....	-	3,179	3,179	-	-	-	-	-
Transfers out.....	-	-	-	-	(275)	(257)	(257)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	(12)	(12)	(12)	-	-	-	-	-
Total other financing sources (uses).....	<u>(12)</u>	<u>3,167</u>	<u>3,167</u>	<u>-</u>	<u>(275)</u>	<u>(257)</u>	<u>(257)</u>	<u>-</u>
Net change in fund balances.....	1,009	8,510	7,936	(574)	-	(56)	(48)	8
Budgetary fund balance (deficit), July 1.....	1,323	(3,431)	(3,431)	-	-	429	429	-
Budgetary fund balance (deficit), June 30.....	<u>\$ 2,332</u>	<u>\$ 5,079</u>	<u>\$ 4,505</u>	<u>\$ (574)</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ 381</u>	<u>\$ 8</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, 2005
(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.....	-	-	-	-	228	936	1,130	194
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	255	255	26	(229)	9	9	25	16
Rents and concessions.....	700	-	-	-	-	420	420	-
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	18,819	18,820	18,083	(737)	1,013	1,099	1,099	-
Other.....	-	-	-	-	-	97	97	-
Charges for services.....	518	518	452	(66)	2,303	1,757	1,765	8
Other revenues.....	-	-	-	-	-	-	12	12
Total revenues.....	20,292	19,593	18,561	(1,032)	3,553	4,318	4,548	230
Expenditures:								
Public protection.....	-	-	-	-	354	429	429	-
Public works, transportation and commerce.....	26,484	26,751	25,363	1,388	870	839	839	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	371	371	-
General administration and finance.....	-	-	-	-	3,336	2,122	2,095	27
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	26,484	26,751	25,363	1,388	4,560	3,761	3,734	27
Excess (deficiency) of revenues over (under) expenditures.....	(6,192)	(7,158)	(6,802)	356	(1,007)	557	814	257
Other financing sources (uses):								
Transfers in.....	5,277	5,977	5,977	-	-	-	-	-
Transfers out.....	-	-	-	-	(94)	(94)	(94)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	5,277	5,977	5,977	-	(94)	(94)	(94)	-
Net change in fund balances.....	(915)	(1,181)	(825)	356	(1,101)	463	720	257
Budgetary fund balance (deficit), July 1.....	915	3,502	3,502	-	1,101	4,389	4,389	-
Budgetary fund balance (deficit), June 30.....	\$ -	\$ 2,321	\$ 2,677	\$ 356	\$ -	\$ 4,852	\$ 5,109	\$ 257

(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, 2005
(In Thousands)

	Gift Fund				Golf 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.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	8	94	86	10	10	71	61
Rents and concessions.....	-	-	-	-	1,590	1,590	1,676	86
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	7,687	7,687	6,324	(1,363)
Other revenues.....	5,200	6,716	4,641	(2,075)	-	4,562	4,746	184
Total revenues.....	<u>5,200</u>	<u>6,724</u>	<u>4,735</u>	<u>(1,989)</u>	<u>9,287</u>	<u>13,849</u>	<u>12,817</u>	<u>(1,032)</u>
Expenditures:								
Public protection.....	60	100	100	-	-	-	-	-
Public works, transportation and commerce.....	-	113	113	-	-	4,432	4,432	-
Human welfare and neighborhood development.....	4,019	2,178	2,178	-	-	-	-	-
Community health.....	20	356	356	-	-	-	-	-
Culture and recreation.....	121	169	169	-	9,113	9,561	8,083	1,478
General administration and finance.....	-	18	18	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>4,220</u>	<u>2,934</u>	<u>2,934</u>	<u>-</u>	<u>9,113</u>	<u>13,993</u>	<u>12,515</u>	<u>1,478</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>980</u>	<u>3,790</u>	<u>1,801</u>	<u>(1,989)</u>	<u>174</u>	<u>(144)</u>	<u>302</u>	<u>446</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	536	536	-
Transfers out.....	(1,000)	(2,844)	(2,844)	-	(329)	(329)	(329)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(1,000)</u>	<u>(2,844)</u>	<u>(2,844)</u>	<u>-</u>	<u>(329)</u>	<u>207</u>	<u>207</u>	<u>-</u>
Net change in fund balances.....	(20)	946	(1,043)	(1,989)	(155)	63	509	446
Budgetary fund balance (deficit), July 1.....	20	8,674	8,674	-	155	356	356	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 9,620</u>	<u>\$ 7,631</u>	<u>\$ (1,989)</u>	<u>\$ -</u>	<u>\$ 419</u>	<u>\$ 865</u>	<u>\$ 446</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, 2005
(In Thousands)

	Human Welfare 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.....	\$ -	\$ -	\$ -	\$ -	\$ 23,481	\$ 23,481	\$ 25,837	\$ 2,356
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	210	204	217	13	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	300	300	394	94
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	11,941	13,178	13,178	-	-	-	-	-
State.....	50	1,430	1,430	-	165	165	172	7
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	221	221	194	(27)	-	-	-	-
Other revenues.....	-	-	-	-	-	-	186	186
Total revenues.....	<u>12,422</u>	<u>15,033</u>	<u>15,019</u>	<u>(14)</u>	<u>23,946</u>	<u>23,946</u>	<u>26,589</u>	<u>2,643</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	2,930	2,930	-
Human welfare and neighborhood development.....	12,519	14,976	14,976	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	6	6	-	22,771	24,189	23,758	431
General administration and finance.....	-	-	-	-	-	78	78	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>12,519</u>	<u>14,982</u>	<u>14,982</u>	<u>-</u>	<u>22,771</u>	<u>27,197</u>	<u>26,766</u>	<u>431</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(97)</u>	<u>51</u>	<u>37</u>	<u>(14)</u>	<u>1,175</u>	<u>(3,251)</u>	<u>(177)</u>	<u>3,074</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	329	329	329	-
Transfers out.....	(16)	(16)	(16)	-	-	(2,722)	(2,722)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	(2,000)	-	-	-
Total other financing sources (uses).....	<u>(16)</u>	<u>(16)</u>	<u>(16)</u>	<u>-</u>	<u>(1,671)</u>	<u>(2,393)</u>	<u>(2,393)</u>	<u>-</u>
Net change in fund balances.....	(113)	35	21	(14)	(496)	(5,644)	(2,570)	3,074
Budgetary fund balance (deficit), July 1.....	113	202	202	-	496	20,177	20,177	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ 223</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 14,533</u>	<u>\$ 17,607</u>	<u>\$ 3,074</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, 2005
(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.....	\$ 23,481	\$ 23,481	\$ 25,835	\$ 2,354	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	1,174	1,174	1,546	372
Fines, forfeitures, and penalties.....	-	-	-	-	1,769	2,298	1,271	(1,027)
Interest and investment income.....	50	50	141	91	124	256	574	318
Rents and concessions.....	28	28	77	49	-	-	-	-
Intergovernmental:								
Federal.....	-	151	151	-	7,615	24,306	24,306	-
State.....	651	562	532	(30)	7,012	7,989	7,989	-
Other.....	-	-	-	-	-	39	39	-
Charges for services.....	763	763	674	(89)	37,044	43,238	47,437	4,199
Other revenues.....	-	-	-	-	40	41	41	-
Total revenues.....	<u>24,973</u>	<u>25,035</u>	<u>27,410</u>	<u>2,375</u>	<u>54,778</u>	<u>79,341</u>	<u>83,203</u>	<u>3,862</u>
Expenditures:								
Public protection.....	-	-	-	-	24,693	38,856	38,760	96
Public works, transportation and commerce.....	-	-	-	-	300	9,703	9,681	22
Human welfare and neighborhood development.....	-	-	-	-	-	61	61	-
Community health.....	-	-	-	-	-	1,386	1,386	-
Culture and recreation.....	57,024	57,372	55,785	1,587	-	13	13	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>57,024</u>	<u>57,372</u>	<u>55,785</u>	<u>1,587</u>	<u>24,993</u>	<u>50,019</u>	<u>49,901</u>	<u>118</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(32,051)</u>	<u>(32,337)</u>	<u>(28,375)</u>	<u>3,962</u>	<u>29,785</u>	<u>29,322</u>	<u>33,302</u>	<u>3,980</u>
Other financing sources (uses):								
Transfers in.....	31,987	32,867	31,857	(1,010)	2,888	3,260	3,260	-
Transfers out.....	-	-	-	-	(28,599)	(28,612)	(28,612)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	(5,638)	-	-	-
Total other financing sources (uses).....	<u>31,987</u>	<u>32,867</u>	<u>31,857</u>	<u>(1,010)</u>	<u>(31,349)</u>	<u>(25,352)</u>	<u>(25,352)</u>	<u>-</u>
Net change in fund balances.....	(64)	530	3,482	2,952	(1,564)	3,970	7,950	3,980
Budgetary fund balance (deficit), July 1.....	64	6,536	6,536	-	1,638	13,021	13,021	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 7,066</u>	<u>\$ 10,018</u>	<u>\$ 2,952</u>	<u>\$ 74</u>	<u>\$ 16,991</u>	<u>\$ 20,971</u>	<u>\$ 3,980</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, 2005

(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.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	1	1	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	13	24	11
Rents and concessions.....	-	-	262	262	8,319	4,869	7,040	2,171
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	1,655	1,655	-	-	-	-	-
Other.....	169	2,484	2,484	-	-	-	-	-
Charges for services.....	6,058	11,685	14,805	3,120	1,900	1,893	2,849	956
Other revenues.....	250	2,619	1,046	(1,573)	-	-	23	23
Total revenues.....	<u>6,477</u>	<u>18,444</u>	<u>20,253</u>	<u>1,809</u>	<u>10,219</u>	<u>6,775</u>	<u>9,936</u>	<u>3,161</u>
Expenditures:								
Public protection.....	-	519	519	-	-	-	-	-
Public works, transportation and commerce.....	250	11,893	11,149	744	-	226	226	-
Human welfare and neighborhood development.....	6,838	5,770	5,801	(31)	-	29	29	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	55	55	-	-	-	-	-
General administration and finance.....	169	12	12	-	10,393	3,712	3,712	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>7,257</u>	<u>18,249</u>	<u>17,536</u>	<u>713</u>	<u>10,393</u>	<u>3,967</u>	<u>3,967</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(780)</u>	<u>195</u>	<u>2,717</u>	<u>2,522</u>	<u>(174)</u>	<u>2,808</u>	<u>5,969</u>	<u>3,161</u>
Other financing sources (uses):								
Transfers in.....	-	457	457	-	9	52	52	-
Transfers out.....	-	(7,443)	(7,443)	-	-	(6,236)	(6,236)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(6,986)</u>	<u>(6,986)</u>	<u>-</u>	<u>9</u>	<u>(6,184)</u>	<u>(6,184)</u>	<u>-</u>
Net change in fund balances.....	<u>(780)</u>	<u>(6,791)</u>	<u>(4,269)</u>	<u>2,522</u>	<u>(165)</u>	<u>(3,376)</u>	<u>(215)</u>	<u>3,161</u>
Budgetary fund balance (deficit), July 1.....	780	14,788	14,788	-	165	5,808	5,808	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 7,997</u>	<u>\$ 10,519</u>	<u>\$ 2,522</u>	<u>\$ -</u>	<u>\$ 2,432</u>	<u>\$ 5,593</u>	<u>\$ 3,161</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, 2005

(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.....	63,124	63,124	66,762	3,638	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	1,022	1,022	5,467	4,445	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	4,079	5,806	5,081	(725)
State.....	43,034	43,034	3,539	(39,495)	1,476	1,956	2,543	587
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	-	-	-	-
Other revenues.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>107,180</u>	<u>107,180</u>	<u>75,768</u>	<u>(31,412)</u>	<u>5,555</u>	<u>7,762</u>	<u>7,624</u>	<u>(138)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	211,591	211,591	145,123	66,468	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	5,555	7,714	7,644	70
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>211,591</u>	<u>211,591</u>	<u>145,123</u>	<u>66,468</u>	<u>5,555</u>	<u>7,714</u>	<u>7,644</u>	<u>70</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(104,411)</u>	<u>(104,411)</u>	<u>(69,355)</u>	<u>35,056</u>	<u>-</u>	<u>48</u>	<u>(20)</u>	<u>(68)</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	106,392	106,392	100,000	(6,392)	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>106,392</u>	<u>106,392</u>	<u>100,000</u>	<u>(6,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	1,981	1,981	30,645	28,664	-	48	(20)	(68)
Budgetary fund balance (deficit), July 1.....	<u>136,082</u>	<u>186,630</u>	<u>186,630</u>	<u>-</u>	<u>-</u>	<u>1,651</u>	<u>1,651</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ 138,063</u>	<u>\$ 188,611</u>	<u>\$ 217,275</u>	<u>\$ 28,664</u>	<u>\$ -</u>	<u>\$ 1,699</u>	<u>\$ 1,631</u>	<u>\$ (68)</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, 2005

(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.....	\$ -	\$ -	\$ -	\$ -	\$ 75,008	\$ 75,008	\$ 82,682	\$ 7,674
Business taxes.....	-	-	-	-	775	775	591	(184)
Other local taxes.....	8,407	8,407	8,407	-	106,203	106,203	109,841	3,638
Licenses, permits, and franchises.....	-	-	-	-	5,157	5,861	6,514	653
Fines, forfeitures, and penalties.....	-	-	-	-	3,678	4,220	2,973	(1,247)
Interest and investment income.....	-	-	-	-	3,372	7,811	13,576	5,765
Rents and concessions.....	1,312	1,580	1,762	182	24,353	20,891	26,771	5,880
Intergovernmental:								
Federal.....	-	-	-	-	117,789	171,209	170,109	(1,100)
State.....	-	-	-	-	101,186	117,524	77,666	(39,858)
Other.....	-	-	-	-	169	2,620	2,620	-
Charges for services.....	249	285	244	(41)	101,676	115,859	125,821	9,962
Other revenues.....	-	-	-	-	6,099	32,527	28,917	(3,610)
Total revenues.....	<u>9,968</u>	<u>10,272</u>	<u>10,413</u>	<u>141</u>	<u>545,465</u>	<u>660,508</u>	<u>648,081</u>	<u>(12,427)</u>
Expenditures:								
Public protection.....	-	-	-	-	33,927	48,520	46,865	1,655
Public works, transportation and commerce.....	-	1,355	1,385	(30)	274,674	305,629	236,275	69,354
Human welfare and neighborhood development.....	-	-	-	-	97,841	142,679	141,185	1,494
Community health.....	-	-	-	-	100,852	87,939	87,939	-
Culture and recreation.....	9,968	10,155	9,446	709	161,094	170,440	161,744	8,696
General administration and finance.....	-	-	-	-	13,898	14,738	14,711	27
General City responsibilities.....	-	-	-	-	-	510	510	-
Total expenditures.....	<u>9,968</u>	<u>11,510</u>	<u>10,831</u>	<u>679</u>	<u>682,286</u>	<u>770,455</u>	<u>689,229</u>	<u>81,226</u>
Excess (deficiency) of revenues over (under) expenditures.....	-	(1,238)	(418)	820	(136,821)	(109,947)	(41,148)	68,799
Other financing sources (uses):								
Transfers in.....	-	-	-	-	50,239	60,357	59,449	(908)
Transfers out.....	-	-	-	-	(38,531)	(63,112)	(62,751)	361
Issuance of loans.....	-	-	-	-	-	500	500	-
Issuance of commercial paper.....	-	-	-	-	106,392	106,392	100,000	(6,392)
Loan repayments and other financing sources.....	-	-	-	-	(7,650)	(12)	(12)	-
Total other financing sources (uses).....	-	-	-	-	<u>110,450</u>	<u>104,125</u>	<u>97,186</u>	<u>(6,939)</u>
Net change in fund balances.....	-	(1,238)	(418)	820	(26,371)	(5,822)	56,038	61,860
Budgetary fund balance (deficit), July 1.....	-	10,648	10,648	-	166,840	419,699	419,699	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 9,410</u>	<u>\$10,230</u>	<u>\$ 820</u>	<u>\$ 140,469</u>	<u>\$ 413,877</u>	<u>\$ 475,737</u>	<u>\$ 61,860</u>

CITY AND COUNTY OF SAN FRANCISCO
SPECIAL REVENUE FUNDS
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Year ended June 30, 2005
(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.....	\$ 34,649	\$ 34,244	\$ 33,482	\$ 762
Total Building Inspection Fund.....	<u>34,649</u>	<u>34,244</u>	<u>33,482</u>	<u>762</u>
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	14,809	14,919	14,091	828
Children and Families Commission.....	7,758	9,750	9,750	-
Mayor's Office.....	38,959	37,935	37,821	114
Total Children and Families Fund.....	<u>61,526</u>	<u>62,604</u>	<u>61,662</u>	<u>942</u>
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development.....	-	66	66	-
Public Works.....	404	428	428	-
Dept of Building Inspection.....	-	23	23	-
	<u>404</u>	<u>517</u>	<u>517</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	696	40,913	40,913	-
Rent Arbitration Board.....	4,204	3,972	3,459	513
	<u>4,900</u>	<u>44,885</u>	<u>44,372</u>	<u>513</u>
Culture and Recreation				
Recreation and Park Commission.....	1,529	5	5	-
General Administration and Finance				
City Planning.....	-	8,787	8,787	-
Total Community/Neighborhood Development Fund.....	<u>6,833</u>	<u>54,194</u>	<u>53,681</u>	<u>513</u>
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts.....	-	135	135	-
Community Health				
Community Health Network.....	100,832	86,197	86,197	-
Total Community Health Services Fund.....	<u>100,832</u>	<u>86,332</u>	<u>86,332</u>	<u>-</u>
CONVENTION FACILITIES FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	600	1,538	1,538	-
Culture and Recreation				
Administrative Services - Convention Facilities.....	56,907	57,420	52,978	4,442
Arts Commission.....	-	55	55	-
	<u>56,907</u>	<u>57,475</u>	<u>53,033</u>	<u>4,442</u>
General City Responsibilities				
Controller.....	-	510	510	-
Total Convention Facilities Fund.....	<u>57,507</u>	<u>59,523</u>	<u>55,081</u>	<u>4,442</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, 2005
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COURT'S FUND				
Public Protection				
Trial Courts.....	8,820	8,481	6,922	1,559
Public Works, Transportation and Commerce				
Public Works.....	-	699	699	-
Total Court's Fund.....	<u>8,820</u>	<u>9,180</u>	<u>7,621</u>	<u>1,559</u>
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office.....	126	80	80	-
Public Works.....	-	256	256	-
	<u>126</u>	<u>336</u>	<u>336</u>	<u>-</u>
Culture and Recreation				
Administrative Services.....	-	3	3	-
Arts Commission.....	412	1,091	1,091	-
Asian Art Museum.....	248	1,094	1,094	-
Fine Arts Museums.....	180	990	990	-
Recreation and Park Commission.....	2,821	7,891	7,842	49
	<u>3,661</u>	<u>11,069</u>	<u>11,020</u>	<u>49</u>
General Administration and Finance				
Mayor's Office.....	-	9	9	-
Total Culture and Recreation Fund.....	<u>3,787</u>	<u>11,414</u>	<u>11,365</u>	<u>49</u>
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office.....	1,884	2,924	2,924	-
Total Environmental Protection Fund.....	<u>1,884</u>	<u>2,924</u>	<u>2,924</u>	<u>-</u>
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Public Works.....	26,484	26,751	25,363	1,388
Total Gasoline Tax Fund.....	<u>26,484</u>	<u>26,751</u>	<u>25,363</u>	<u>1,388</u>
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office.....	-	69	69	-
Trial Courts.....	354	360	360	-
	<u>354</u>	<u>429</u>	<u>429</u>	<u>-</u>
Public Works, Transportation and Commerce				
Telecommunications and Information Services.....	870	839	839	-
Culture and Recreation				
Fine Arts Museum.....	-	371	371	-
General Administration and Finance				
Board of Supervisors.....	3,336	2,033	2,006	27
	<u>-</u>	<u>89</u>	<u>89</u>	<u>-</u>
	<u>3,336</u>	<u>2,122</u>	<u>2,095</u>	<u>27</u>
Total General Services Fund.....	<u>4,560</u>	<u>3,761</u>	<u>3,734</u>	<u>27</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, 2005

(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GIFT FUND				
Public Protection				
Fire Department.....	-	6	6	-
Mayor's Office.....	-	1	1	-
Police Department.....	-	3	3	-
Public Defender.....	60	33	33	-
Sheriff.....	-	57	57	-
	<u>60</u>	<u>100</u>	<u>100</u>	<u>-</u>
Public Works, Transportation and Commerce				
Telecommunications and Information Services.....	-	1	1	-
Public Works.....	-	111	111	-
	<u>-</u>	<u>112</u>	<u>112</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Human Services.....	4,019	2,155	2,155	-
Mayor's Office.....	-	24	24	-
	<u>4,019</u>	<u>2,179</u>	<u>2,179</u>	<u>-</u>
Community Health				
Community Health Network.....	20	356	356	-
Culture and Recreation				
Fine Arts Museums.....	-	31	31	-
Mayor's Office.....	-	40	40	-
Public Library.....	41	18	18	-
Recreation and Park Commission.....	80	80	80	-
	<u>121</u>	<u>169</u>	<u>169</u>	<u>-</u>
General Administration and Finance				
Administrative Services.....	-	17	17	-
Board of Supervisors.....	-	1	1	-
	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Total Gift Fund.....	<u>4,220</u>	<u>2,934</u>	<u>2,934</u>	<u>-</u>
GOLF FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	4,424	4,424	-
Telecommunications & Information Services.....	-	8	8	-
	<u>-</u>	<u>4,432</u>	<u>4,432</u>	<u>-</u>
Culture and Recreation				
Recreation and Park Commission.....	9,113	9,561	8,083	1,478
Total Golf Fund.....	<u>9,113</u>	<u>13,993</u>	<u>12,515</u>	<u>1,478</u>
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	307	343	343	-
Human Services.....	12,212	14,633	14,633	-
	<u>12,519</u>	<u>14,976</u>	<u>14,976</u>	<u>-</u>
Culture and Recreation				
Public Library.....	-	6	6	-
Total Human Welfare Fund.....	<u>12,519</u>	<u>14,982</u>	<u>14,982</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, 2005

(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				
Parking and Traffic Commission.....	-	19	19	-
Public Works.....	-	2,887	2,887	-
Public Utilities Commission.....	-	9	9	-
Telecommunications and Information Services.....	-	14	14	-
	<u>-</u>	<u>2,929</u>	<u>2,929</u>	<u>-</u>
Culture and Recreation				
Arts Commission.....	-	38	38	-
Recreation and Park Commission.....	22,771	24,152	23,721	431
	<u>22,771</u>	<u>24,190</u>	<u>23,759</u>	<u>431</u>
General Administration and Finance				
City Attorney.....	-	78	78	-
Total Open Space and Park Fund.....	<u>22,771</u>	<u>27,197</u>	<u>26,766</u>	<u>431</u>
PUBLIC LIBRARY FUND				
Culture and Recreation				
Public Library.....	57,024	57,372	55,785	1,587
Total Public Library Fund.....	<u>57,024</u>	<u>57,372</u>	<u>55,785</u>	<u>1,587</u>
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney.....	4,770	4,785	4,785	-
Fire Department.....	-	3,406	3,406	-
Mayor's Office.....	1,031	3,053	3,053	-
Police Commission.....	15,089	22,291	22,193	98
Public Defender.....	231	341	341	-
Sheriff.....	3,348	4,113	4,113	-
Trial Courts.....	224	869	869	-
	<u>24,693</u>	<u>38,858</u>	<u>38,760</u>	<u>98</u>
Public Works, Transportation and Commerce				
Emergency Communications Department.....	300	9,583	9,563	20
Public Works.....	-	24	24	-
Metropolitan Transportation Agency	-	-	-	-
Telecommunications and Information Services.....	-	93	93	-
	<u>300</u>	<u>9,700</u>	<u>9,680</u>	<u>20</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	7	7	-
Commission on Status of Women.....	-	55	55	-
	<u>-</u>	<u>62</u>	<u>62</u>	<u>-</u>
Community Health				
Community Health.....	-	1,386	1,386	-
Culture and Recreation				
Recreation and Park.....	-	13	13	-
Total Public Protection Fund.....	<u>24,993</u>	<u>50,019</u>	<u>49,901</u>	<u>118</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, 2005
(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 Protection				
Mayor's Office.....	-	520	520	-
Public Works, Transportation and Commerce				
Department of Building Inspection.....	-	4	4	-
Mayor's Office.....	-	44	44	-
Municipal Transportation Agency.....	-	260	260	-
Port.....	-	1	1	-
Public Utilities Commission.....	-	88	88	-
Public Works.....	250	11,495	10,751	744
	<u>250</u>	<u>11,892</u>	<u>11,148</u>	<u>744</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	6,838	5,770	5,801	(31)
Culture and Recreation				
Arts Commission.....	-	52	52	-
Public Library.....	-	3	3	-
	-	55	55	-
General Administration and Finance				
City Planning.....	169	12	12	-
Total Public Works, Transportation and Commerce Fund...	<u>7,257</u>	<u>18,249</u>	<u>17,536</u>	<u>713</u>
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	226	226	-
Human Welfare and Neighborhood Development				
Rent Arbitration Board.....	-	29	29	-
General Administration and Finance				
Administrative Services	10,393	3,712	3,712	-
Total Real Property Fund.....	<u>10,393</u>	<u>3,967</u>	<u>3,967</u>	<u>-</u>
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors.....	211,591	211,591	145,123	66,468
Total SF County Transportation Authority Fund.....	<u>211,591</u>	<u>211,591</u>	<u>145,123</u>	<u>66,468</u>
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	-	163	82	81
Social Services Department.....	5,555	7,551	7,562	(11)
	<u>5,555</u>	<u>7,714</u>	<u>7,644</u>	<u>70</u>
Total Senior Citizens' Program Fund.....	<u>5,555</u>	<u>7,714</u>	<u>7,644</u>	<u>70</u>
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	1,355	1,385	(30)
Culture and Recreation				
War Memorial.....	9,968	10,155	9,446	709
Total War Memorial Fund.....	<u>9,968</u>	<u>11,510</u>	<u>10,831</u>	<u>679</u>
Total Special Revenue Funds With Legally Adopted Budgets.....	<u>\$ 682,286</u>	<u>\$ 770,455</u>	<u>\$ 689,229</u>	<u>\$ 81,226</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service
June 30, 2005
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 48,337	\$ -	\$ 508	\$ 48,845
Deposits and investments outside City Treasury.....	-	10,340	-	10,340
Receivables:				
Property taxes and penalties.....	4,280	-	-	4,280
Interest and other.....	20	-	-	20
Total assets.....	\$ 52,637	\$ 10,340	\$ 508	\$ 63,485
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 48	\$ -	\$ 13	\$ 61
Deferred tax, grant and subvention revenues.....	3,853	-	-	3,853
Deferred credits and other liabilities.....	14,962	-	-	14,962
Total liabilities.....	18,863	-	13	18,876
Fund balances:				
Reserved for debt service.....	33,774	10,340	495	44,609
Total fund balances.....	33,774	10,340	495	44,609
Total liabilities and fund balances.....	\$ 52,637	\$ 10,340	\$ 508	\$ 63,485

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, 2005
(In Thousands)

	<u>General Obligation Bond</u>	<u>Certificates of Participation</u>	<u>Other Bond Funds</u>	<u>Total</u>
Revenues:				
Property taxes.....	\$ 130,014	\$ -	\$ -	\$ 130,014
Interest and investment income.....	1,137	235	-	1,372
Rents and concessions.....	-	813	-	813
Intergovernmental:				
State.....	885	-	-	885
Total revenues.....	<u>132,036</u>	<u>1,048</u>	<u>-</u>	<u>133,084</u>
Expenditures:				
Debt service:				
Principal retirement.....	64,870	8,005	7,421	80,296
Interest and fiscal charges.....	44,146	15,331	1,696	61,173
Bond issuance costs.....	-	899	-	899
Total expenditures.....	<u>109,016</u>	<u>24,235</u>	<u>9,117</u>	<u>142,368</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>23,020</u>	<u>(23,187)</u>	<u>(9,117)</u>	<u>(9,284)</u>
Other financing sources (uses):				
Transfers in.....	10,335	16,108	9,122	35,565
Transfers out.....	<u>(1,114)</u>	<u>-</u>	<u>-</u>	<u>(1,114)</u>
Issuance of bonds and loans				
Face value of bonds issued.....	-	39,350	-	39,350
Premium on issuance of bonds.....	-	523	-	523
Payment to refunded bond escrow agent	<u>-</u>	<u>(38,913)</u>	<u>-</u>	<u>(38,913)</u>
Total other financing sources, net.....	<u>9,221</u>	<u>17,068</u>	<u>9,122</u>	<u>35,411</u>
Net change in fund balances.....	32,241	(6,119)	5	26,127
Fund balances at beginning of year.....	1,533	16,459	490	18,482
Fund balances at end of year.....	<u>\$ 33,774</u>	<u>\$ 10,340</u>	<u>\$ 495</u>	<u>\$ 44,609</u>

CITY AND COUNTY OF SAN FRANCISCO
DEBT SERVICE FUNDS
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances -
Budget and Actual - Budget Basis
Year ended June 30, 2005
(In Thousands)

	<u>General Obligation Bond Fund</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive</u>
	<u>Budget</u>	<u>Budget</u>		<u>(Negative)</u>
Revenues:				
Property taxes.....	\$ 119,146	\$ 119,146	\$ 130,014	\$ 10,868
Intergovernmental:				-
State.....	750	750	885	135
Total revenues.....	<u>119,896</u>	<u>119,896</u>	<u>130,899</u>	<u>11,003</u>
Expenditures:				
Debt service:				
Principal retirement.....	119,896	64,870	64,870	-
Interest and fiscal charges.....	-	57,293	44,114	13,179
Total expenditures.....	<u>119,896</u>	<u>122,163</u>	<u>108,984</u>	<u>13,179</u>
Excess (deficiency) of revenues over (under) expenditures.....	-	(2,267)	21,915	24,182
Other financing sources (uses):				
Transfers in.....	-	10,335	10,335	-
Total other financing sources (uses).....	-	<u>10,335</u>	<u>10,335</u>	-
Net change in fund balances.....	-	8,068	32,250	24,182
Budgetary fund balance, July 1.....	-	1,136	1,136	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 9,204</u>	<u>\$ 33,386</u>	<u>\$ 24,182</u>



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

June 30, 2005

(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury.....	\$ 241,445	\$ 4,457	\$ 14,291	\$ 7,409
Deposits and investments outside City Treasury.....	28,723	-	-	-
Receivables:				
Federal and state grants and subventions.....	-	478	-	-
Charges for services.....	-	-	-	-
Interest and other.....	640	16	51	36
Due from other funds.....	-	-	-	-
Due from component unit.....	-	-	-	-
Deferred charges and other assets.....	-	-	-	35
Total assets.....	\$ 270,808	\$ 4,951	\$ 14,342	\$ 7,480
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 4,463	\$ 275	\$ 110	\$ 109
Accrued payroll.....	183	27	3	-
Deferred tax, grant and subvention revenues.....	-	-	-	-
Due to other funds.....	2	-	-	12,496
Deferred credits and other liabilities.....	1,283	24	4	30
Total liabilities.....	5,931	326	117	12,635
Fund balances:				
Reserved for assets not available for appropriation.....	-	-	-	35
Reserved for encumbrances.....	19,083	529	1,429	93
Reserved for appropriation carryforward.....	244,968	3,718	444	-
Unreserved.....	826	378	12,352	(5,283)
Total fund balances.....	264,877	4,625	14,225	(5,155)
Total liabilities and fund balances.....	\$ 270,808	\$ 4,951	\$ 14,342	\$ 7,480

(Continued)

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

June 30, 2005

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 20,155	\$ 67,241	\$ -	\$ 354,998
Deposits and investments outside City Treasury.....	-	-	-	28,723
Receivables:				
Federal and state grants and subventions.....	-	11,665	10,270	22,413
Charges for services.....	-	-	552	552
Interest and other.....	68	222	30	1,063
Due from other funds.....	-	-	10,725	10,725
Due from component unit.....	-	-	959	959
Deferred charges and other assets.....	-	-	-	35
Total assets.....	\$ 20,223	\$ 79,128	\$ 22,536	\$ 419,468
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 514	\$ 2,538	\$ 7,987	\$ 15,996
Accrued payroll.....	61	230	777	1,281
Deferred tax, grant and subvention revenues.....	-	1,000	83	1,083
Due to other funds.....	-	-	8,020	20,518
Deferred credits and other liabilities.....	365	298	1,504	3,508
Total liabilities.....	940	4,066	18,371	42,386
Fund balances:				
Reserved for assets not available for appropriation.....	-	-	-	35
Reserved for encumbrances.....	6,446	10,117	3,445	41,142
Reserved for appropriation carryforward.....	10,573	69,009	-	328,712
Unreserved.....	2,264	(4,064)	720	7,193
Total fund balances.....	19,283	75,062	4,165	377,082
Total liabilities and fund balances.....	\$ 20,223	\$ 79,128	\$ 22,536	\$ 419,468

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects
Year ended June 30, 2005
(In Thousands)

	City Facilities Improve- ment	Earthquake Safety Improve- ment	Fire Protection Systems Improve- ment	Moscone Convention Center
Revenues:				
Licenses, permits and franchises.....	\$ -	\$ -	\$ -	\$ -
Interest and investment income.....	1,397	154	336	207
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	554	-	-
State.....	31	575	-	-
Other.....	-	-	-	-
Charges for services.....	116	-	-	-
Other.....	269	-	165	-
Total revenues.....	<u>1,813</u>	<u>1,283</u>	<u>501</u>	<u>207</u>
Expenditures:				
Debt service:				
Interest and fiscal charges.....	349	-	-	-
Bond issuance costs.....	3,410	-	-	-
Capital outlay.....	26,534	3	4,524	1,540
Total expenditures.....	<u>30,293</u>	<u>3</u>	<u>4,524</u>	<u>1,540</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(28,480)</u>	<u>1,280</u>	<u>(4,023)</u>	<u>(1,333)</u>
Other financing sources (uses):				
Transfers in.....	5,814	-	-	50
Transfers out.....	(8,307)	(5,471)	-	(102)
Issuance of bonds and loans				
Face value of bonds issued.....	238,075	-	-	-
Premium on issuance of bonds.....	8,877	-	-	-
Total other financing sources, net.....	<u>244,459</u>	<u>(5,471)</u>	<u>-</u>	<u>(52)</u>
Net change in fund balances.....	215,979	(4,191)	(4,023)	(1,385)
Fund balances at beginning of year.....	48,898	8,816	18,248	(3,770)
Fund balances at end of year.....	<u>\$ 264,877</u>	<u>\$ 4,625</u>	<u>\$ 14,225</u>	<u>\$ (5,155)</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects (Continued)
Year ended June 30, 2005
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Licenses, permits and franchises.....	\$ -	\$ -	\$ 1	\$ 1
Interest and investment income.....	438	1,067	182	3,781
Rents and concessions.....	55	-	666	721
Intergovernmental:				
Federal.....	-	2,173	10,191	12,918
State.....	-	12,238	4,205	17,049
Other.....	-	-	23,120	23,120
Charges for services.....	-	-	-	116
Other.....	-	669	13,791	14,894
Total revenues.....	<u>493</u>	<u>16,147</u>	<u>52,156</u>	<u>72,600</u>
Expenditures:				
Debt service:				
Interest and fiscal charges.....	-	-	-	349
Bond issuance costs.....	-	533	-	3,943
Capital outlay.....	6,915	24,308	66,400	130,224
Total expenditures.....	<u>6,915</u>	<u>24,841</u>	<u>66,400</u>	<u>134,516</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(6,422)</u>	<u>(8,694)</u>	<u>(14,244)</u>	<u>(61,916)</u>
Other financing sources (uses):				
Transfers in.....	-	5,641	12,421	23,926
Transfers out.....	-	(3,348)	-	(17,228)
Issuance of bonds and loans				
Face value of bonds issued.....	-	68,800	-	306,875
Premium on issuance of bonds.....	-	2,589	-	11,466
Total other financing sources, net.....	<u>-</u>	<u>73,682</u>	<u>12,421</u>	<u>325,039</u>
Net change in fund balances.....	<u>(6,422)</u>	<u>64,988</u>	<u>(1,823)</u>	<u>263,123</u>
Fund balances at beginning of year.....	25,705	10,074	5,988	113,959
Fund balances at end of year.....	<u>\$ 19,283</u>	<u>\$ 75,062</u>	<u>\$ 4,165</u>	<u>\$ 377,082</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, 2005

(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.....	\$ 377	\$ 268	\$ 1,265	\$ 6,286	\$ 8,196
Deposits and investments outside City Treasury.....	-	16,057	-	-	16,057
Receivables:					
Interest and other.....	-	1	-	456	457
Due from other funds.....	-	2,663	-	24	2,687
Capital leases receivable.....	-	18,862	-	-	18,862
Deferred charges and other assets.....	-	-	-	148	148
Total current assets.....	<u>377</u>	<u>37,851</u>	<u>1,265</u>	<u>6,914</u>	<u>46,407</u>
Noncurrent assets:					
Capital leases receivable.....	-	212,958	-	-	212,958
Capital assets:					
Facilities and equipment, net of depreciation.....	1,540	-	192	2,423	4,155
Deferred charges and other assets.....	-	2,400	-	3	2,403
Total noncurrent assets.....	<u>1,540</u>	<u>215,358</u>	<u>192</u>	<u>2,426</u>	<u>219,516</u>
Total assets.....	<u>\$ 1,917</u>	<u>\$ 253,209</u>	<u>\$ 1,457</u>	<u>\$ 9,340</u>	<u>\$ 265,923</u>
Liabilities					
Current liabilities:					
Accounts payable.....	\$ 807	\$ 904	\$ 529	\$ 4,997	\$ 7,237
Accrued payroll.....	309	-	64	1,012	1,385
Accrued vacation and sick leave pay.....	412	-	-	1,416	1,828
Accrued workers' compensation.....	-	-	-	241	241
Bonds, loans, capital leases, and other payables.....	-	17,780	-	530	18,310
Accrued interest payable.....	-	1,082	-	-	1,082
Due to other funds.....	313	1,374	-	73	1,760
Deferred credits and other liabilities.....	-	19,111	21	599	19,731
Total current liabilities.....	<u>1,841</u>	<u>40,251</u>	<u>614</u>	<u>8,868</u>	<u>51,574</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	345	-	-	1,549	1,894
Accrued workers' compensation.....	-	-	-	910	910
Bonds, loans, capital leases, and other payables.....	-	212,958	-	64	213,022
Total noncurrent liabilities.....	<u>345</u>	<u>212,958</u>	<u>-</u>	<u>2,523</u>	<u>215,826</u>
Total liabilities.....	<u>2,186</u>	<u>253,209</u>	<u>614</u>	<u>11,391</u>	<u>267,400</u>
Net Assets					
Invested in capital assets, net of related debt.....	1,540	-	192	1,829	3,561
Unrestricted (deficit).....	<u>(1,809)</u>	<u>-</u>	<u>651</u>	<u>(3,880)</u>	<u>(5,038)</u>
Total net assets (deficit).....	<u>\$ (269)</u>	<u>\$ -</u>	<u>\$ 843</u>	<u>\$ (2,051)</u>	<u>\$ (1,477)</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, 2005
(In Thousands)

	<u>Central Shops Fund</u>	<u>Finance Corporation</u>	<u>Reproduction Fund</u>	<u>Telecom- munications & Information Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services.....	\$ 18,781	\$ -	\$ 6,408	\$ 66,961	\$ 92,150
Total operating revenues.....	<u>18,781</u>	<u>-</u>	<u>6,408</u>	<u>66,961</u>	<u>92,150</u>
Operating expenses:					
Personal services.....	8,799	-	1,706	29,698	40,203
Contractual services.....	1,900	-	3,526	23,435	28,861
Materials and supplies.....	6,031	-	382	8,008	14,421
Depreciation and amortization.....	151	156	62	750	1,119
General and administrative.....	75	-	11	364	450
Services provided by other departments.....	1,257	-	314	2,517	4,088
Other.....	6	-	161	2,112	2,279
Total operating expenses.....	<u>18,219</u>	<u>156</u>	<u>6,162</u>	<u>66,884</u>	<u>91,421</u>
Operating income (loss).....	<u>562</u>	<u>(156)</u>	<u>246</u>	<u>77</u>	<u>729</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	6,468	-	-	6,468
Interest expense.....	(74)	(6,312)	(12)	(125)	(6,523)
Other, net.....	-	-	-	8	8
Total nonoperating revenues (expenses)....	<u>(74)</u>	<u>156</u>	<u>(12)</u>	<u>(117)</u>	<u>(47)</u>
Income (loss) before transfers.....	488	-	234	(40)	682
Transfers in.....	74	-	71	125	270
Change in net assets.....	562	-	305	85	952
Total net assets (deficit) - beginning.....	<u>(831)</u>	<u>-</u>	<u>538</u>	<u>(2,136)</u>	<u>(2,429)</u>
Total net assets (deficit) - ending.....	<u>\$ (269)</u>	<u>\$ -</u>	<u>\$ 843</u>	<u>\$ (2,051)</u>	<u>\$ (1,477)</u>

CITY AND COUNTY OF SAN FRANCISCO

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

Year ended June 30, 2005

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 18,781	\$ 15,060	\$ 6,429	\$ 67,694	\$ 107,964
Cash paid to employees for services.....	(8,641)	-	(1,693)	(29,775)	(40,109)
Cash paid to suppliers for goods and services.....	(9,233)	(3,796)	(4,189)	(35,246)	(52,464)
Net cash provided by operating activities.....	<u>907</u>	<u>11,264</u>	<u>547</u>	<u>2,673</u>	<u>15,391</u>
Cash flows from noncapital financing activities:					
Transfers in.....	74	-	71	125	270
Net cash provided by noncapital financing activities.....	<u>74</u>	<u>-</u>	<u>71</u>	<u>125</u>	<u>270</u>
Cash flows from capital financing activities:					
Acquisition of capital assets.....	(1,221)	-	(51)	(578)	(1,850)
Retirement of capital lease obligation.....	-	(15,060)	-	(850)	(15,910)
Bond issue costs paid.....	-	(74)	-	-	(74)
Interest paid on long term debt.....	-	(6,216)	-	-	(6,216)
Net cash provided by capital financing activities.....	<u>(1,221)</u>	<u>(21,350)</u>	<u>(51)</u>	<u>(1,428)</u>	<u>(24,050)</u>
Cash flows from investing activities:					
Interest income received.....	-	423	-	-	423
Other investing activities.....	(74)	-	(12)	(125)	(211)
Net cash provided by (provided by) investing activities...	<u>(74)</u>	<u>423</u>	<u>(12)</u>	<u>(125)</u>	<u>212</u>
Increase (decrease) in cash and cash equivalents.....	(314)	(9,663)	555	1,245	(8,177)
Cash and cash equivalents - beginning of year.....	691	25,988	710	5,041	32,430
Cash and cash equivalents - end of year.....	<u>\$ 377</u>	<u>\$ 16,325</u>	<u>\$ 1,265</u>	<u>\$ 6,286</u>	<u>\$ 24,253</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss).....	\$ 562	\$ (156)	\$ 246	\$ 77	\$ 729
Adjustments for non-cash activities:					
Depreciation and amortization.....	151	156	62	750	1,119
Other.....	-	-	-	8	8
Changes in assets/liabilities:					
Receivables, net.....	-	15,060	-	127	15,187
Deferred charges & other assets.....	-	-	-	(26)	(26)
Accounts payable.....	36	-	205	1,143	1,384
Accrued payroll.....	70	-	13	37	120
Accrued vacation & sick leave pay.....	88	-	-	(49)	39
Accrued workers' compensation.....	-	-	-	(65)	(65)
Deferred credits and other liabilities.....	-	(3,796)	21	671	(3,104)
Total adjustments.....	<u>345</u>	<u>11,420</u>	<u>301</u>	<u>2,596</u>	<u>14,662</u>
Net cash provided by operating activities.....	<u>\$ 907</u>	<u>\$ 11,264</u>	<u>\$ 547</u>	<u>\$ 2,673</u>	<u>\$ 15,391</u>
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury.....	\$ 377	\$ 268	\$ 1,265	\$ 6,286	\$ 8,196
Restricted deposits and investments outside City Treasury.....	-	16,057	-	-	16,057
Cash and cash equivalents at end of year on combining statement of cash flows.....	<u>\$ 377</u>	<u>\$ 16,325</u>	<u>\$ 1,265</u>	<u>\$ 6,286</u>	<u>\$ 24,253</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, 2005

(In Thousands)

	<u>Pension Trust Fund</u>	<u>Other Employee Benefit Trust Fund</u>	
	<u>Employees' Retirement System</u>	<u>Health Service System</u>	<u>Total</u>
ASSETS			
Deposits and investments with City Treasury.....	\$ -	\$ 76,672	\$ 76,672
Deposits and investments outside City Treasury.....	13,230,007	-	13,230,007
Receivables:			
Payroll contribution.....	2,736	11,039	13,775
Interest and other.....	95,661	193	95,854
Invested securities lending collateral.....	1,600,111	-	1,600,111
Deferred charges and other assets.....	-	78	78
Total assets.....	<u>14,928,515</u>	<u>87,982</u>	<u>15,016,497</u>
Liabilities			
Accounts payable.....	9,556	2,486	12,042
Estimated claims payable.....	-	10,067	10,067
Obligations under fixed coupon dollar reverse repurchase agreements	85,000	-	85,000
Payable to brokers.....	98,585	-	98,585
Securities lending collateral.....	1,600,111	-	1,600,111
Deferred credits and other liabilities.....	-	28,704	28,704
Total liabilities.....	<u>1,793,252</u>	<u>41,257</u>	<u>1,834,509</u>
Net Assets			
Held in trust for pension benefits and other purposes.....	<u>\$ 13,135,263</u>	<u>\$ 46,725</u>	<u>\$ 13,181,988</u>

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, 2005
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Additions:			
Employees' contributions.....	\$ 164,365	\$ 62,157	\$ 226,522
Employer contributions.....	83,664	382,167	465,831
Total contributions.....	<u>248,029</u>	<u>444,324</u>	<u>692,353</u>
Investment income:			
Interest.....	188,854	1,072	189,926
Dividends.....	121,030	-	121,030
Net increase/(decrease) in fair value of investments.....	1,245,926	(34)	1,245,892
Securities lending income.....	34,183	-	34,183
Fixed coupon dollar reverse repurchase agreement income.....	4,923	-	4,923
Total investment income.....	<u>1,594,916</u>	<u>1,038</u>	<u>1,595,954</u>
Less investment expenses:			
Securities lending borrower rebates and expenses.....	(27,135)	-	(27,135)
Fixed coupon dollar reverse repurchase finance charges and expenses.....	(4,556)	-	(4,556)
Other expenses.....	(28,228)	-	(28,228)
Total investment expenses.....	<u>(59,919)</u>	<u>-</u>	<u>(59,919)</u>
Total additions, net.....	<u>1,783,026</u>	<u>445,362</u>	<u>2,228,388</u>
Deductions:			
Benefit payments.....	535,963	440,013	975,976
Refunds of contributions.....	8,565	-	8,565
Administrative expenses.....	10,593	-	10,593
Total deductions.....	<u>555,121</u>	<u>440,013</u>	<u>995,134</u>
Change in net assets.....	1,227,905	5,349	1,233,254
Net assets at beginning of year.....	11,907,358	41,376	11,948,734
Net assets at end of year.....	<u>\$ 13,135,263</u>	<u>\$ 46,725</u>	<u>\$13,181,988</u>

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2005

(In Thousands)

	<u>Balance</u> <u>July 1,</u> <u>2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,</u> <u>2005</u>
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 1,614	\$ 42,034	\$ 42,184	\$ 1,464
Receivables:				
Interest and other.....	68	65	68	65
Total assets.....	<u>\$ 1,682</u>	<u>\$ 42,099</u>	<u>\$ 42,252</u>	<u>\$ 1,529</u>
LIABILITIES				
Accounts payable.....	\$ 993	\$ 7,663	\$ 7,698	\$ 958
Agency obligations.....	689	40,235	40,353	571
Total liabilities.....	<u>\$ 1,682</u>	<u>\$ 47,898</u>	<u>\$ 48,051</u>	<u>\$ 1,529</u>
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 26,232	\$ 27,657	\$ 24,684	\$ 29,205
Receivables:				
Interest and other.....	-	1	1	-
Deferred charges and other assets.....	25,658	-	-	25,658
Total assets.....	<u>\$ 51,890</u>	<u>\$ 27,658</u>	<u>\$ 24,685</u>	<u>\$ 54,863</u>
LIABILITIES				
Accounts payable.....	\$ 511	\$ 11,073	\$ 10,588	\$ 996
Agency obligations.....	51,379	27,649	25,161	53,867
Total liabilities.....	<u>\$ 51,890</u>	<u>\$ 38,722</u>	<u>\$ 35,749</u>	<u>\$ 54,863</u>
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 9,876	\$ 372	\$ -	\$ 10,248
Receivables:				
Payroll Contribution.....	25,461	4,464	-	29,925
Total assets.....	<u>\$ 35,337</u>	<u>\$ 4,836</u>	<u>\$ -</u>	<u>\$ 40,173</u>
LIABILITIES				
Accounts payable.....	\$ 29,757	\$ 4,011	\$ -	\$ 33,768
Agency obligations.....	5,580	1,941	1,116	6,405
Total liabilities.....	<u>\$ 35,337</u>	<u>\$ 5,952</u>	<u>\$ 1,116</u>	<u>\$ 40,173</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, 2005

(In Thousands)

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 504	\$ 2,315	\$ 2,138	\$ 681
Total assets.....	<u>\$ 504</u>	<u>\$ 2,315</u>	<u>\$ 2,138</u>	<u>\$ 681</u>
LIABILITIES				
Accounts payable.....	\$ 179	\$ 2,168	\$ 2,029	\$ 318
Agency obligations.....	325	2,220	2,182	363
Total liabilities.....	<u>\$ 504</u>	<u>\$ 4,388</u>	<u>\$ 4,211</u>	<u>\$ 681</u>
 Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 46,328	\$ 1,946,907	\$ 1,939,940	\$ 53,295
Receivables:				
Interest and other.....	89,385	98,781	89,044	99,122
Total assets.....	<u>\$ 135,713</u>	<u>\$ 2,045,688</u>	<u>\$ 2,028,984</u>	<u>\$ 152,417</u>
LIABILITIES				
Accounts payable.....	\$ 925	\$ 49,373	\$ 49,528	\$ 770
Agency obligations.....	134,788	1,459,729	1,442,870	151,647
Total liabilities.....	<u>\$ 135,713</u>	<u>\$ 1,509,102</u>	<u>\$ 1,492,398</u>	<u>\$ 152,417</u>
 Transit Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 2,653	\$ 43,362	\$ 40,464	\$ 5,551
Receivables:				
Interest and other.....	5	86	78	13
Total assets.....	<u>\$ 2,658</u>	<u>\$ 43,448</u>	<u>\$ 40,542</u>	<u>\$ 5,564</u>
LIABILITIES				
Accounts payable.....	\$ 755	\$ 7,447	\$ 7,436	\$ 766
Agency obligations.....	1,903	34,542	31,647	4,798
Total liabilities.....	<u>\$ 2,658</u>	<u>\$ 41,989</u>	<u>\$ 39,083</u>	<u>\$ 5,564</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, 2005

(In Thousands)

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 12,100	\$ 95,594	\$ 97,672	\$ 10,022
Receivables:				
Interest and other.....	826	249	921	154
Total assets.....	<u>\$ 12,926</u>	<u>\$ 95,843</u>	<u>\$ 98,593</u>	<u>\$ 10,176</u>
LIABILITIES				
Accounts payable.....	\$ 10,104	\$ 90,497	\$ 93,659	\$ 6,942
Agency obligations.....	2,822	82,907	82,495	3,234
Total liabilities.....	<u>\$ 12,926</u>	<u>\$ 173,404</u>	<u>\$ 176,154</u>	<u>\$ 10,176</u>
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 99,307	\$ 2,158,241	\$ 2,147,082	\$ 110,466
Receivables:				
Payroll contribution.....	25,461	4,464	-	29,925
Interest and other.....	90,284	99,182	90,112	99,354
Deferred charges and other assets.....	25,658	-	-	25,658
Total assets.....	<u>\$ 240,710</u>	<u>\$ 2,261,887</u>	<u>\$ 2,237,194</u>	<u>\$ 265,403</u>
LIABILITIES				
Accounts payable.....	\$ 43,224	\$ 172,232	\$ 170,938	\$ 44,518
Agency obligations.....	197,486	1,649,223	1,625,824	220,885
Total liabilities.....	<u>\$ 240,710</u>	<u>\$ 1,821,455</u>	<u>\$ 1,796,762</u>	<u>\$ 265,403</u>

Statistical Section



Photo by San Francisco Convention & Visitors Bureau





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CITY AND COUNTY OF SAN FRANCISCO
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Ten Fiscal Years
(In Thousands)

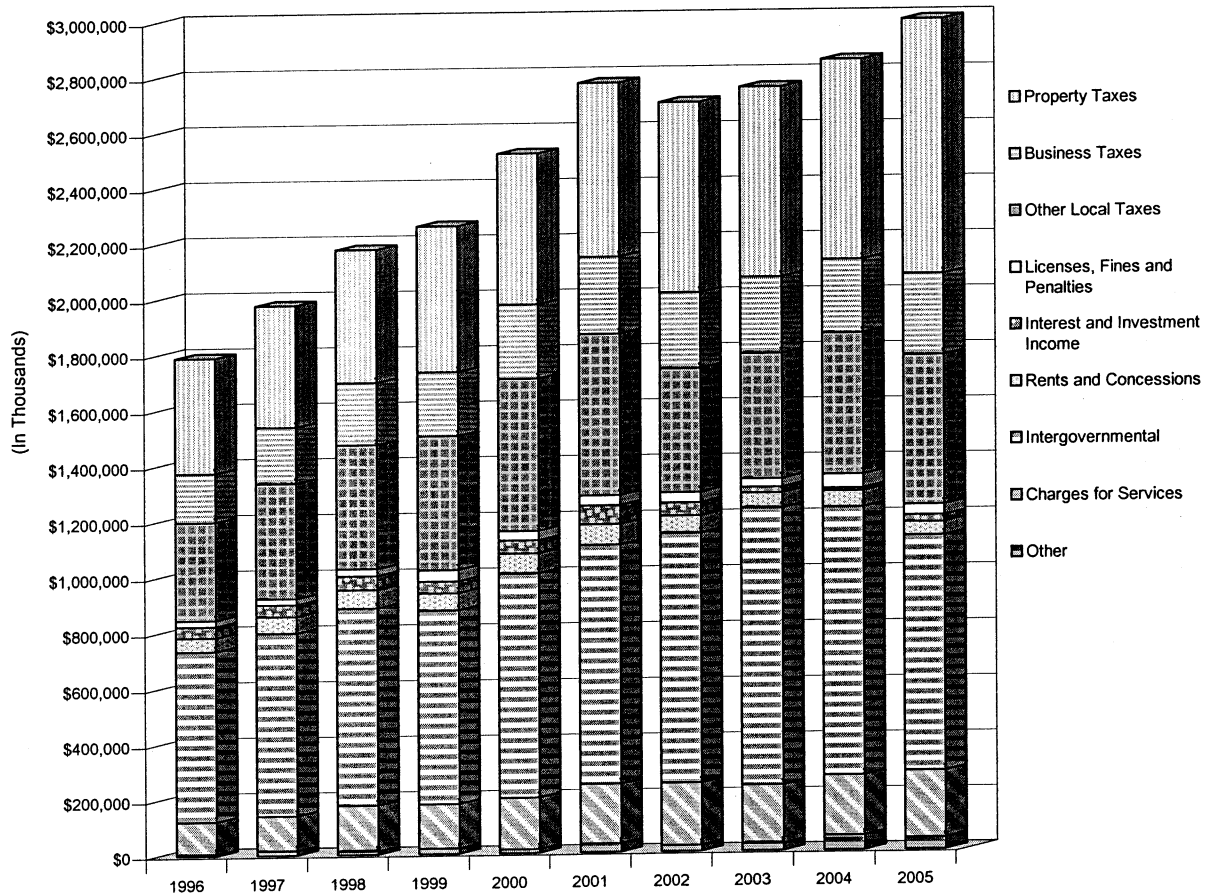
<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Business Taxes</u>	<u>Other Local Taxes</u>	<u>Licenses, Fines and Penalties</u>	<u>Interest and Investment Income</u>	<u>Rents and Concessions</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
1996.....	\$ 415,009	\$ 175,624	\$ 351,790	\$ 22,124	\$ 40,770	\$ 49,019	\$ 612,853	\$ 117,674	\$ 4,408	\$ 1,789,271
% of Total....	23.2	9.8	19.7	1.2	2.3	2.7	34.3	6.6	0.2	100.0
% Change....	-	-	-	-	-	-	-	-	-	-
1997.....	438,250	201,210	413,935	22,154	42,227	59,816	656,127	126,137	15,885	1,975,741
% of Total....	22.2	10.2	21.0	1.1	2.1	3.0	33.2	6.4	0.8	100.0
% Change....	5.6	14.6	17.7	0.1	3.6	22.0	7.1	7.2	260.4	10.4
1998.....	479,912	223,647	445,628	24,667	50,115	65,318	709,078	164,881	12,038	2,175,284
% of Total....	22.1	10.3	20.5	1.1	2.3	3.0	32.5	7.6	0.6	100.0
% Change....	9.5	11.2	7.7	11.3	18.7	9.2	8.1	30.7	(24.2)	10.1
1999.....	527,176	229,905	481,362	40,482	42,466	61,363	696,071	160,540	19,022	2,258,387
% of Total....	23.3	10.2	21.3	1.8	1.9	2.7	30.9	7.1	0.8	100.0
% Change....	9.8	2.8	8.0	64.1	(15.3)	(6.1)	(1.8)	(2.6)	58.0	3.8
2000.....	544,210	267,918	547,470	33,681	47,132	72,380	804,723	185,510	13,898	2,516,922
% of Total....	21.6	10.6	21.8	1.3	1.9	2.9	31.9	7.4	0.6	100.0
% Change....	3.2	16.5	13.7	(16.8)	11.0	18.0	15.6	15.6	(26.9)	11.4
2001.....	627,654	277,822	581,480	36,276	68,042	73,731	858,766	214,638	30,364	2,768,773
% of Total....	22.7	10.0	21.0	1.3	2.5	2.7	30.9	7.8	1.1	100.0
% Change....	15.3	3.7	6.2	7.7	44.4	1.9	6.7	15.7	118.5	10.0
2002.....	687,150	274,848	444,590	37,807	47,209	62,360	895,979	224,919	21,753	2,696,615
% of Total....	25.5	10.2	16.5	1.4	1.8	2.3	33.2	8.3	0.8	100.0
% Change....	9.5	(1.1)	(23.5)	4.2	(30.6)	(15.4)	4.3	4.8	(28.4)	(2.6)
2003.....	686,154	276,651	450,677	30,648	20,568	54,285	994,335	210,989	25,155	2,749,462
% of Total....	25.0	10.0	16.4	1.1	0.7	2.0	36.2	7.7	0.9	100.0
% Change....	(0.1)	0.7	1.4	(18.9)	(56.4)	(12.9)	11.0	(6.2)	15.6	2.0
2004.....	721,437	264,832	509,455	48,971	10,175	57,878	962,508	216,923	52,670	2,844,849
% of Total....	25.4	9.3	17.9	1.7	0.4	2.0	33.8	7.6	1.9	100.0
% Change....	5.1	(4.3)	13.0	59.8	(50.5)	6.6	(3.2)	2.8	109.4	3.5
2005.....	918,645	292,763	538,085	38,450	24,381	48,049	844,397	241,634	41,868	2,988,272
% of Total....	30.7	9.8	18.0	1.3	0.8	1.6	28.2	8.1	1.4	99.9
% Change....	27.3	10.5	5.6	(21.5)	139.6	(17.0)	(12.3)	11.4	(20.5)	5.0

Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the City's revenues since 1996.
- (3) Beginning in fiscal year 1997-98, the base year for the Consumer Price Index was changed from 1967 to 1982-84.

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**

**Last Ten Fiscal Years
(In Thousands)**



Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the City's revenues since 1996.
- (3) Beginning in fiscal year 1997-98, the base year for the Consumer Price Index was changed from 1967 to 1982-84.

CITY AND COUNTY OF SAN FRANCISCO
GENERAL REVENUES BY SOURCE - CONSTANT DOLLAR VALUE(1)(2)(3)

Last Ten Fiscal Years

(In Thousands)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Business Taxes</u>	<u>Other Local Taxes</u>	<u>Licenses, Fines and Penalties</u>	<u>Interest and Investment Income</u>	<u>Rents and Concessions</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Other</u>	<u>Total</u>
1996.....	\$ 415,009	\$ 175,624	\$ 351,790	\$ 22,124	\$ 40,770	\$ 49,019	\$ 612,853	\$ 117,674	\$ 4,408	\$ 1,789,271
% of Total.....	23.2	9.8	19.7	1.2	2.3	2.7	34.3	6.6	0.2	100.0
% Change.....	-	-	-	-	-	-	-	-	-	-
1997.....	430,230	197,528	406,360	21,749	41,454	58,721	644,119	123,829	15,594	1,939,584
% of Total.....	22.2	10.2	21.0	1.1	2.1	3.0	33.2	6.4	0.8	100.0
% Change.....	3.7	12.5	15.5	(1.7)	1.7	19.8	5.1	5.2	253.8	8.4
1998.....	457,378	213,146	424,704	23,509	47,762	62,251	675,784	157,139	11,473	2,073,146
% of Total.....	22.0	10.3	20.5	1.1	2.3	3.0	32.6	7.6	0.6	100.0
% Change.....	6.3	7.9	4.5	8.1	15.2	6.0	4.9	26.9	(26.4)	6.9
1999.....	494,886	215,823	451,879	38,002	39,865	57,605	653,437	150,707	17,857	2,120,061
% of Total.....	23.4	10.2	21.3	1.8	1.9	2.7	30.8	7.1	0.8	100.0
% Change.....	8.2	1.3	6.4	61.6	(16.5)	(7.5)	(3.3)	(4.1)	55.6	2.3
2000.....	463,907	228,384	466,686	28,711	40,177	61,700	685,978	158,136	11,847	2,145,526
% of Total.....	21.5	10.6	21.8	1.3	1.9	2.9	32.0	7.4	0.6	100.0
% Change.....	(6.3)	5.8	3.3	(24.4)	0.8	7.1	5.0	4.9	(33.7)	1.2
2001.....	506,303	224,108	469,056	29,262	54,887	59,476	692,732	173,140	24,493	2,233,457
% of Total.....	22.7	10.0	21.0	1.3	2.5	2.7	30.9	7.8	1.1	100.0
% Change.....	9.1	(1.9)	0.5	1.9	36.6	(3.6)	1.0	9.5	106.7	4.1
2002.....	538,112	215,236	348,162	29,607	36,970	48,835	701,648	176,136	17,035	2,111,741
% of Total.....	25.5	10.2	16.5	1.4	1.8	2.3	33.2	8.3	0.8	100.0
% Change.....	6.3	(4.0)	(25.8)	1.2	(32.6)	(17.9)	1.3	1.7	(30.4)	(5.4)
2003.....	527,433	212,656	346,426	23,558	15,810	41,728	764,325	162,183	19,336	2,113,455
% of Total.....	25.0	10.1	16.3	1.1	0.7	2.0	36.2	7.7	0.9	100.0
% Change.....	(2.0)	(1.2)	(0.5)	(20.4)	(57.2)	(14.6)	8.9	(7.9)	13.5	0.1
2004.....	549,492	201,713	388,033	37,299	7,750	44,084	733,107	165,222	40,117	2,166,817
% of Total.....	25.4	9.3	17.9	1.7	0.4	2.0	33.8	7.6	1.9	100.0
% Change.....	4.2	(5.1)	12.0	58.3	(51.0)	5.6	(4.1)	1.9	107.5	2.5
2005.....	687,839	219,207	402,893	28,790	18,255	35,977	632,245	180,924	31,349	2,237,479
% of Total.....	30.7	9.8	18.0	1.3	0.8	1.6	28.3	8.0	1.4	100.0
% Change.....	25.2	8.7	3.8	(22.8)	135.5	(18.4)	(13.8)	9.5	(21.9)	3.3

Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the City's revenues since 1996.
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CITY AND COUNTY OF SAN FRANCISCO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION(1)(4)

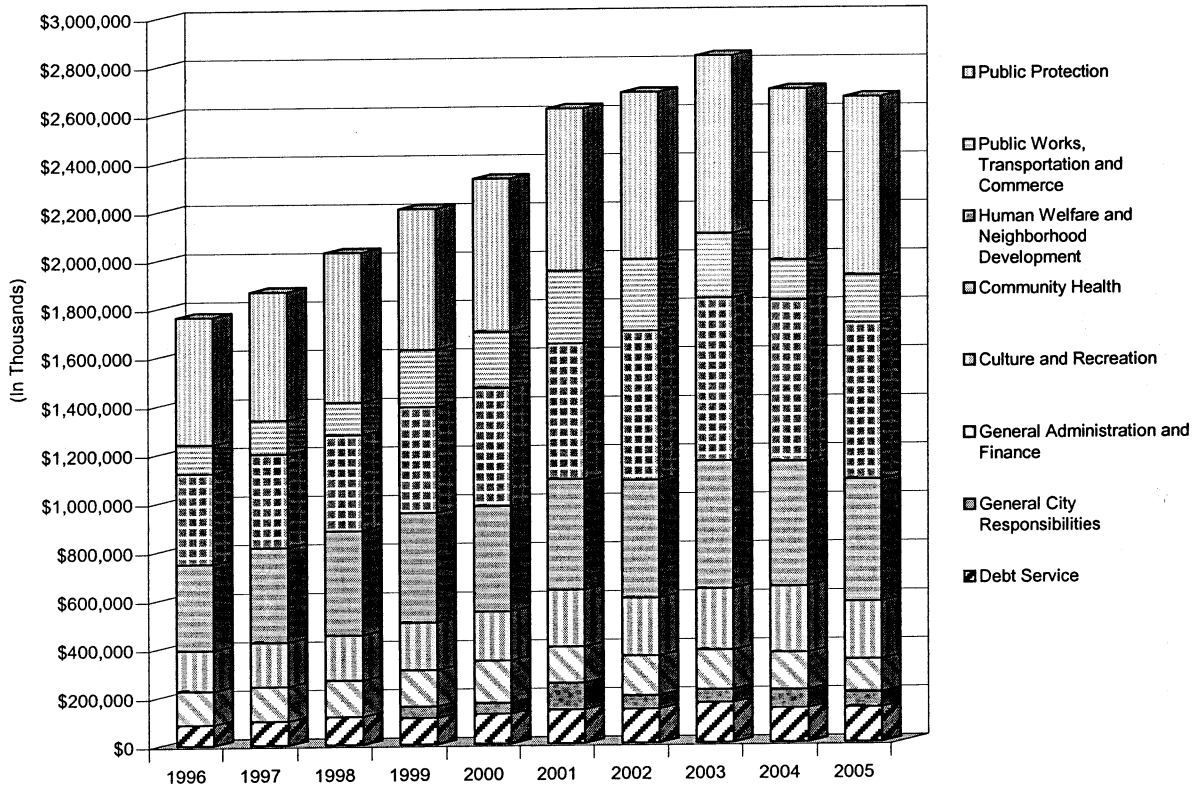
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Public Protection	Public Works, Transportation and Commerce	Human Welfare and Neighborhood Development	Community Health	Culture and Recreation	General Administration and Finance	General City Responsibilities	Debt Service	Total
1996.....	\$ 524,499	\$118,007	\$ 372,763	\$356,080	\$ 167,379	\$ 138,616	\$ -	\$86,088	\$1,763,432
% of Total.....	29.7	6.7	21.1	20.2	9.5	7.9	-	4.9	100.0
% Change.....	3.4	1.4	(1.6)	2.5	13.9	0.5	-	7.7	2.8
1997.....	529,302	139,021	384,519	390,226	182,505	142,287	-	99,016	1,866,876
% of Total.....	28.4	7.4	20.6	20.9	9.8	7.6	-	5.3	100.0
% Change.....	0.9	17.8	3.2	9.6	9.0	2.6	-	15.0	5.9
1998.....	617,595	134,557	393,003	430,087	186,733	149,636	-	115,552	2,027,163
% of Total.....	30.5	6.6	19.4	21.2	9.2	7.4	-	5.7	100.0
% Change.....	16.7	(3.2)	2.2	10.2	2.3	5.2	-	16.7	8.6
1999.....	582,460	234,524	435,014	452,563	196,008	148,440	48,093	109,538	2,206,640
% of Total.....	26.4	10.6	19.7	20.5	8.9	6.7	2.2	5.0	100.0
% Change.....	(5.7)	74.3	10.7	5.2	5.0	(0.8)	100.0	(5.2)	8.9
2000.....	632,516	231,970	485,201	433,448	201,558	174,566	45,194	124,246	2,328,699
% of Total.....	27.2	10.0	20.8	18.6	8.7	7.5	1.9	5.3	100.0
% Change.....	8.6	(1.1)	11.5	(4.2)	2.8	17.6	(6.0)	13.4	5.5
2001.....	672,119	299,949	557,242	454,975	233,506	150,482	109,753	139,138	2,617,164
% of Total.....	25.7	11.5	21.3	17.4	8.9	5.7	4.2	5.3	100.0
% Change.....	6.3	29.3	14.8	5.0	15.9	(13.8)	142.8	12.0	12.4
2002.....	690,050	296,411	613,133	484,826	237,532	164,745	54,628	140,277	2,681,602
% of Total.....	25.7	11.1	22.9	18.1	8.9	6.1	2.0	5.2	100.0
% Change.....	2.7	(1.2)	10.0	6.6	1.7	9.5	(50.2)	0.8	2.5
2003.....	734,811	267,034	670,670	524,771	251,657	163,748	53,323	165,157	2,831,171
% of Total.....	26.0	9.4	23.7	18.5	8.9	5.8	1.9	5.8	100.0
% Change.....	6.5	(9.9)	9.4	8.2	5.9	(0.6)	(2.4)	17.7	5.6
2004.....	706,758	165,555	662,948	512,914	272,551	153,709	74,623	141,611	2,690,669
% of Total.....	26.3	6.1	24.6	19.1	10.1	5.7	2.8	5.3	100.0
% Change.....	(3.8)	(38.0)	(1.2)	(2.3)	8.3	(6.1)	39.9	(14.3)	(5.0)
2005.....	738,494	195,896	644,899	501,050	237,864	135,118	62,799	142,380	2,658,500
% of Total.....	27.8	7.3	24.3	18.8	8.9	5.1	2.4	5.4	100.0
% Change.....	4.5	18.3	(2.7)	(2.3)	(12.7)	(12.1)	(15.8)	0.5	(1.2)

NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the expenditure level of the City since 1996.
- (3) Beginning in fiscal year 1997-98, the base year for the Consumer Price Index was changed from 1967 to 1982-84.
- (4) Prior to fiscal year 1998-99, the General City Responsibilities were reported in the General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION(1)(4)
Last Ten Fiscal Years
(In Thousands)



NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the expenditure level of the City since 1996.
- (3) Beginning in fiscal year 1997-98, the base year for the Consumer Price Index was changed from 1967 to 1982-84.
- (4) Prior to fiscal year 1998-99, the General City Responsibilities were reported in the General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION -
CONSTANT DOLLAR VALUE(1)(2)(3)(4)
Last Ten Fiscal Years
(In Thousands)

<u>Fiscal Year</u>	<u>Public Protection</u>	<u>Public Works, Transportation and Commerce</u>	<u>Human Welfare and Neighborhood Development</u>	<u>Community Health</u>	<u>Culture and Recreation</u>	<u>General Administration and Finance</u>	<u>General City Responsibilities</u>	<u>Debt Service</u>	<u>Total</u>
1996.....	\$ 524,499	\$ 118,007	\$ 372,763	\$ 356,080	\$ 167,379	\$ 138,616	\$ -	\$ 86,088	\$ 1,763,432
% of Total.....	29.7	6.7	21.1	20.2	9.5	7.9	-	4.9	100.0
% Change.....	-	-	-	-	-	-	-	-	-
1997.....	519,615	136,477	377,482	383,085	179,165	139,683	-	97,204	1,832,711
% of Total.....	28.4	7.4	20.6	20.9	9.8	7.6	-	5.3	100.0
% Change.....	(0.9)	15.7	1.3	7.6	7.0	0.8	-	12.9	3.9
1998.....	588,596	128,239	374,550	409,893	177,965	142,610	-	110,126	1,931,979
% of Total.....	30.5	6.6	19.4	21.2	9.2	7.4	-	5.7	100.0
% Change.....	13.3	(6.0)	(0.8)	7.0	(0.7)	2.1	-	13.3	5.4
1999.....	546,784	220,159	408,369	424,844	184,003	139,348	45,147	102,829	2,071,483
% of Total.....	26.4	10.6	19.7	20.5	8.9	6.7	2.2	5.0	100.0
% Change.....	(7.1)	71.7	9.0	3.6	3.4	(2.3)	100.0	(6.6)	7.2
2000.....	539,182	197,741	413,605	369,489	171,816	148,807	38,525	105,912	1,985,077
% of Total.....	27.2	10.0	20.8	18.6	8.7	7.5	1.9	5.3	100.0
% Change.....	(1.4)	(10.2)	1.3	(13.0)	(6.6)	6.8	(14.7)	3.0	(4.2)
2001.....	542,171	241,957	449,505	367,010	188,360	121,388	88,533	112,237	2,111,161
% of Total.....	25.7	11.5	21.3	17.4	8.9	5.7	4.2	5.3	100.0
% Change.....	0.6	22.4	8.7	(0.7)	9.6	(18.4)	129.8	6.0	6.4
2002.....	540,383	232,122	480,149	379,671	186,013	129,013	42,780	109,852	2,099,983
% of Total.....	25.7	11.1	22.9	18.1	8.9	6.1	2.0	5.2	100.0
% Change.....	(0.3)	(4.1)	6.8	3.4	(1.2)	6.3	(51.7)	(2.1)	(0.5)
2003.....	564,834	205,264	515,530	403,381	193,444	125,870	40,988	126,953	2,176,264
% of Total.....	26.0	9.4	23.7	18.5	8.9	5.8	1.9	5.8	100.0
% Change.....	4.5	(11.6)	7.4	6.2	4.0	(2.4)	(4.2)	15.6	3.6
2004.....	538,312	126,097	504,943	390,668	207,592	117,075	56,838	107,860	2,049,385
% of Total.....	26.2	6.2	24.6	19.1	10.1	5.7	2.8	5.3	100.0
% Change.....	(4.7)	(38.6)	(2.1)	(3.2)	7.3	(7.0)	38.7	(15.0)	(5.8)
2005.....	552,950	146,678	482,871	375,163	178,102	101,170	47,021	106,608	1,990,563
% of Total.....	27.8	7.3	24.3	18.8	8.9	5.1	2.4	5.4	100.0
% Change.....	2.7	16.3	(4.4)	(4.0)	(14.2)	(13.6)	(17.3)	(1.2)	(2.9)

NOTES:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) The information for the years 1997 through 2005 has been adjusted to the 1996 value of the dollar, using the average Consumer Price Index - Urban for each year. This information has been provided for informational purposes as an indication of the true changes in the expenditure level of the City since 1996.
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CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS (1) (2)

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Annual Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Annual Tax Levy	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Annual Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Annual Tax Levy
1996 (3)...	\$ 648,876	\$ 635,110	97.9	\$ 11,373	\$ 646,483	99.6	\$ 55,104	8.5
1997 (3)...	671,657	658,300	98.0	13,556	671,856	100.0	48,743	7.3
1998 (3)...	709,852	697,755	98.3	8,917	706,672	99.6	46,716	6.6
1999 (3)...	757,899	742,774	98.0	8,719	751,493	99.2	49,811	6.6
2000 (3)...	799,385	784,984	98.2	6,153	791,137	99.0	47,751	6.0
2001 (3)...	892,675	877,170	98.3	3,526	880,696	98.7	50,242	5.6
2002 (3)...	1,010,960	985,838	97.5	7,366	993,204	98.2	57,503	5.7
2003 (3)...	1,051,921	1,028,649	97.8	5,766	1,034,415	98.3	63,034	6.0
2004 (3)...	1,100,951	1,079,354	98.0	9,092	1,088,446	98.9	62,913	5.7
2005 (3)...	1,208,044	1,179,959	97.7	18,010	1,197,969	99.2	70,367	5.8

Source:

Controller, City and County of San Francisco

Notes:

- (1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District and San Francisco Redevelopment Agency.
- (2) Does not include SB-813 supplemental property taxes.
- (3) Delinquent tax collections and outstanding delinquent taxes reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO
ASSESSED VALUE OF TAXABLE PROPERTY (1)

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Assessed Value			Exemptions (2)			Assessed Value Less Exemptions	Net Increase/ (Decrease)	
	Real Property	Personal Property	Total	Non-reimbursable	Reim-bursable	Redevelopment Tax Increments		Amount	Percentage
1996 (3)	\$56,336,280	\$2,652,119	\$58,988,399	\$2,075,607	\$678,295	\$3,134,869	\$53,099,628	(\$1,546,768)	(2.8)
1997 (3)	56,956,168	2,680,912	59,637,080	2,260,394	663,199	3,126,655	53,586,832	487,204	0.9
1998 (3)	59,010,846	2,585,594	61,596,440	2,331,980	668,877	3,343,618	55,251,965	1,665,133	3.1
1999 (4)	61,700,799	4,010,092	65,710,891	2,663,293	668,010	2,672,017	59,707,571	4,455,606	8.1
2000 (4)	66,859,683	4,384,155	71,243,838	2,783,904	666,747	2,844,489	64,948,698	5,241,127	8.8
2001 (4)	73,712,384	7,807,032	81,519,416	2,800,943	670,468	3,175,792	74,872,213	9,923,515	15.3
2002 (4)	88,866,299	4,686,951	93,553,250	3,129,961	665,145	5,291,437	84,466,707	9,594,494	12.8
2003 (4)	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	5,783,334	6.8
2004 (4)	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	5,189,712	5.8
2005 (4)	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	5,208,127	5.5

Source:

Controller, City and County of San Francisco

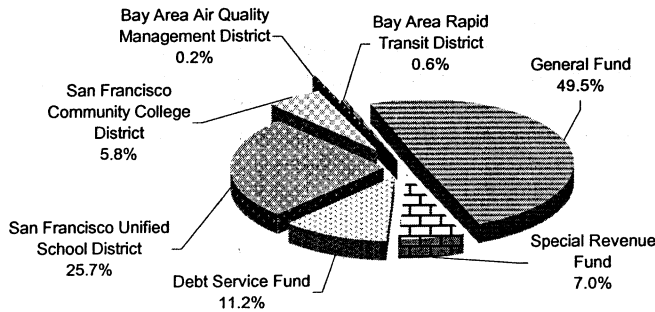
Notes:

- (1) Assessed value of taxable property represents all property within the City value or \$1/\$100 of the assessed value, excluding the tax rate for debt service
- (2) Exemptions are summarized as follows:
 - (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3)
 - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k)
 - (c) Tax increments are allocations made to the San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code an indebtedness agreement between the City and the Redevelopment Agency
- (3) Based on certified assessed values
- (4) Based on year end actual assessed values

CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City and County of San Francisco				San Francisco Unified School District	San Francisco Community College District	Bay Area Air Quality Management District	Bay Area Rapid Transit District	Total
	General Fund (1)	Special Revenue Fund (2)	Debt Service Fund	Total					
1996.....	\$ 0.57299654	\$ 0.075000	\$ 0.13674375	\$ 0.78474029	\$ 0.29363919	\$ 0.05420985	\$ 0.00208539	\$ 0.02932528	\$ 1.1640
1997.....	0.57299654	0.075000	0.15637530	0.80437184	0.29350764	0.05420985	0.00208539	0.02882528	1.1830
1998.....	0.57185541	0.075000	0.16430174	0.81115715	0.29404237	0.05438981	0.00208539	0.02832528	1.1900
1999.....	0.57185541	0.075000	0.14493925	0.79179466	0.29372486	0.05438981	0.00208539	0.02300528	1.1650
2000.....	0.57185541	0.075000	0.12766122	0.77451663	0.29168289	0.05438981	0.00208539	0.00632528	1.1290
2001.....	0.57185541	0.075000	0.13481356	0.78166897	0.29153055	0.05438981	0.00208539	0.00632528	1.1360
2002.....	0.56685541	0.080000	0.12359506	0.77045047	0.29074905	0.05438981	0.00208539	0.00632528	1.1240
2003.....	0.56685541	0.080000	0.11671113	0.76356654	0.29063298	0.05438981	0.00208539	0.00632528	1.1170
2004.....	0.56685541	0.080000	0.10682335	0.75367876	0.29052076	0.05438981	0.00208539	0.00632528	1.1070
2005.....	0.56685541	0.080000	0.12838968	0.77524509	0.29426992	0.06607432	0.00208539	0.00632528	1.1440

Fiscal Year 2005 Property Tax Percentage Breakdown



Source:

Controller, City and County of San Francisco

Notes:

(1) The General Fund shifted the following property tax rates to schools under State law:

FY 1993.....	\$0.10310710
FY 1994 through 1997.....	0.25216000
FY 1998 through 2004.....	0.25330113
FY 2005.....	0.14000000 (effective rate per 2 year - ERAF III)

(2) The Special Revenue Fund includes the following:

	Open Space Fund	Children's Fund	Library Preservation Fund	Total
FY 1990-1992.....	\$0.0250	\$ -	\$ -	\$0.0250
FY 1993.....	0.0250	0.0125	-	0.0375
FY 1994.....	0.0250	0.0250	-	0.0500
FY 1995 through 2001.....	0.0250	0.0250	0.0250	0.0750
FY 2002 through 2005.....	0.0250	0.0300	0.0250	0.0800

The allocation to the Open Space Fund is required under Section 16.107 of the San Francisco Charter.

The allocation to the Children's Fund is required under Section 16.108 of the San Francisco Charter.

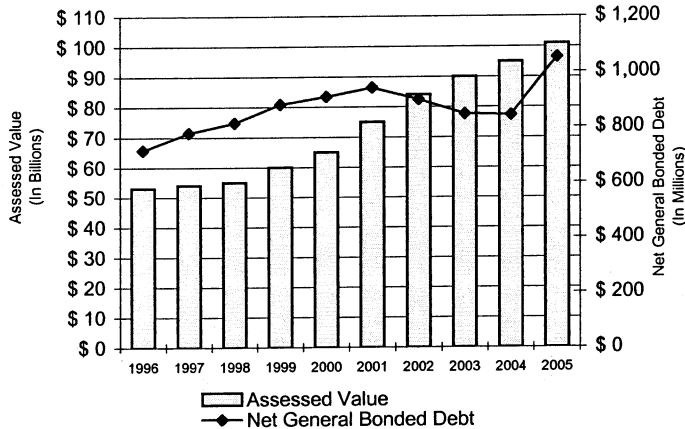
The allocation to the Library Preservation Fund is required under Section 16.109 of the San Francisco Charter.

CITY AND COUNTY OF SAN FRANCISCO

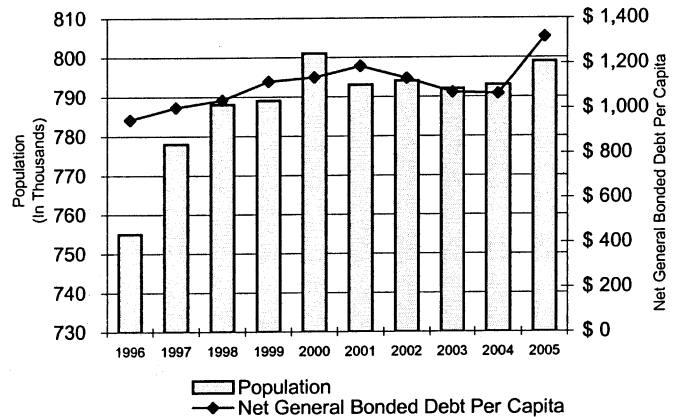
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO NET ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Assessed Value vs General Bonded Debt



Population vs Net General Bonded Debt Per Capita



Fiscal Year	Population (1)	Assessed Value (net of exemptions)			Debt Service Monies Available			Debt Payable from Enterprise Revenue (3) (4)	Net General Bonded Debt (4)	Ratio of Net General Bonded Debt to Net Assessed Value	Net General Bonded Debt Per Capita
		(2)	(4)	(5) (8)	(3)	(4)	(6)				
1996	755,315	\$ 53,099,628	\$ 3,109,276	\$ 242,680	\$ 2,149,998	\$ 716,598	1.35%	\$ 948.74			
1997	777,906	53,586,832	3,721,458	250,020	2,691,888	779,550	1.45	1,002.11			
1998	788,297	55,251,965	4,362,727	209,948	3,336,715	816,064	1.48	1,035.22			
1999	789,463	59,707,571	5,079,106	269,426	3,927,313	882,367	1.48	1,117.68			
2000	800,606	64,948,698	5,134,208	290,121	3,934,230	909,857	1.40	1,136.46			
2001	793,459	74,872,213	5,368,482	317,537	4,109,019	941,926	1.26	1,187.11			
2002	793,600	84,466,707	5,993,217	372,359	4,722,033	898,825	1.06	1,132.59			
2003	791,600	90,250,041	6,044,379	342,683	4,854,575	847,121	0.94	1,070.14			
2004	792,700	95,439,753	5,906,130	289,315	4,773,598	843,217	0.88	1,063.73			
2005	799,263	100,647,880	6,072,186	263,271	4,756,334	1,052,581	1.05	1,316.94			

Sources:

- (1) Department of Finance, State of California
- (2) Assessor, City and County of San Francisco
- (3) Controller, City and County of San Francisco

Notes:

- (4) In thousands.
- (5) See Statistical Section Table of Assessed Value of Taxable Property note (2) for exemptions.
- (6) Excludes San Francisco Redevelopment Agency revenue bonds and nonprofit corporation obligations. Amounts are net of unamortized bond discount or premium. Effective fiscal year 2003, amounts include activities for Parking and Traffic that is reported as an enterprise fund under the Municipal Transportation Agency.
- (7) Includes monies restricted for debt service payments (principal and interest) and reserves set aside as required by bond indentures.
- (8) Net assessed value for the purposes of calculating the debt limit under the City Charter would include \$9.9 billion of additional value including, \$5.2 billion attributable to Redevelopment Tax Increments, and \$4.7 billion attributable to exemptions in the current fiscal year.

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2005

<u>District</u>	<u>Total General Debt Outstanding</u>	<u>Estimated Percentage Applicable to City and County of San Francisco (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Bay Area Rapid Transit District.....	\$ 100,000,000	27.18%	\$ 27,176,829
San Francisco Unified School District.....	168,390,000	100.00	168,390,000
San Francisco Community College District.....	140,520,000	100.00	<u>140,520,000</u>
Subtotal, overlapping debt.....			336,086,829
City and County of San Francisco direct debt.....			<u>1,086,355,000</u>
Total net direct and overlapping debt.....			<u>\$ 1,422,441,829</u>
Population - 2005 (2).....			<u>799,263</u>
			<u>\$ 1,779.69</u>

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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

(2) Source: Department of Finance, State of California

CITY AND COUNTY OF SAN FRANCISCO

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2005

(In Thousands)

Total assessed value (1).....		\$ 110,542,908
Less: Non-reimbursable exemptions (1).....		<u>4,017,052</u>
Basis of levy.....		<u>\$ 106,525,856</u>
Debt limit - 3 percent of valuation subject to taxation (3)		\$ 3,195,776
Amount of debt applicable to debt limit.....	\$ 1,086,355	
Less: Net assets in General Obligation Bonds Fund (2).....	<u>33,774</u>	
Total amount of debt applicable to debt limit.....		<u>1,052,581</u>
Legal debt margin.....		<u>\$ 2,143,195</u>

Sources:

- (1) Assessor, City and County of San Francisco
- (2) Controller, City and County of San Francisco

Note:

- (3) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

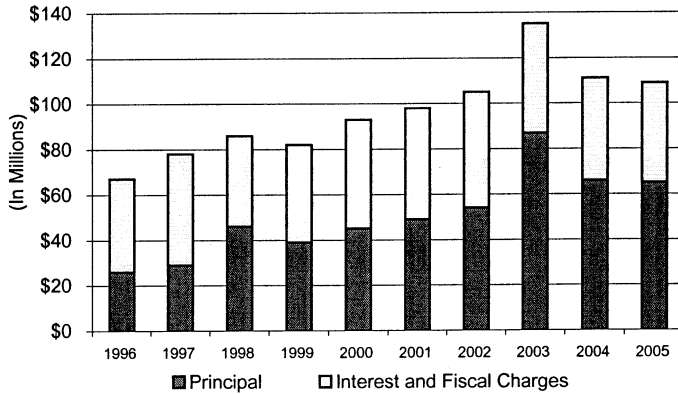
CITY AND COUNTY OF SAN FRANCISCO

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1) (2) Last Ten Fiscal Years

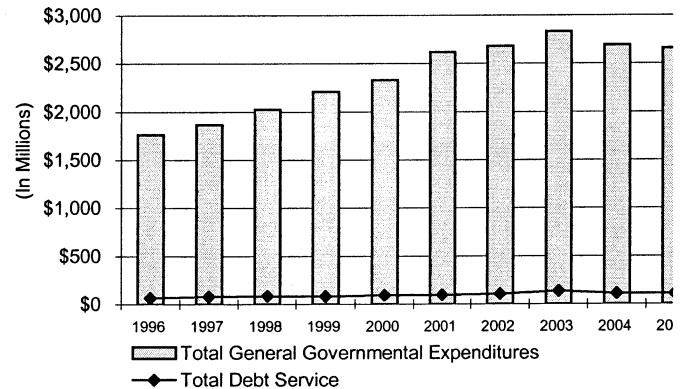
(In Thousands)

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Percent of Debt Service to Total General Governmental Expenditures
1996	\$ 26,360	\$ 41,203	\$ 67,563	\$ 1,763,432	3.83%
1997	29,400	49,190	78,590	1,866,876	4.21
1998	46,385	39,964	86,349	2,027,163	4.26
1999	38,800	42,844	81,644	2,206,640	3.70
2000	44,590	47,734	92,324	2,328,699	3.96
2001	49,210	49,169	98,379	2,617,164	3.76
2002	54,415	50,761	105,176	2,681,602	3.92
2003	86,940	47,666	134,606	2,831,171	4.75
2004	66,120	45,120	111,240	2,690,669	4.13
2005	64,870	44,146	109,016	2,658,500	4.10

Debt Service Growth



**Total General Governmental Expenditures
vs Total Debt Service**



Notes:

- (1) Includes General, Special Revenue and Debt Service Funds.
- (2) Amounts have been restated to exclude general obligation bonds of Water Department/Hetch Hetchy Project and Clean Water that were previously reported as part of general bonded debt.

CITY AND COUNTY OF SAN FRANCISCO

**DEBT SERVICE COVERAGE BY ENTERPRISE REVENUES
AIRPORT, PORT, CLEAN WATER, MUNICIPAL TRANSPORTATION AGENCY,
WATER, AND HETCH HETCHY**

Last Ten Fiscal Years

(In Thousands)

Fiscal Year	Gross Revenue (2)	Direct Operating Expenses (3)	Net Revenue Available for Debt Service	Debt Service Requirements (1)			Debt Service Coverage
				Principal	Interest	Total	
1996	\$ 917,041	\$ 676,385	\$ 240,656	\$ 25,699	\$ 92,551	\$ 118,250	2.04
1997	961,133	706,977	254,156	56,284	139,175	195,459	1.30
1998 (4)	743,160	472,739	270,421	144,625 (5)	172,388 (5)	317,013	0.85
1999 (4)	790,883	499,710	291,173	52,865	204,032	256,897	1.13
2000 (4)	868,748	547,678	321,070	64,497	228,391	292,888	1.10
2001 (4)	996,420	640,437	355,983	55,964	253,770	309,734	1.15
2002 (4)	907,316	547,382	359,934	47,984	339,691	387,675	0.93
2003 (4)	1,068,639	710,591	358,048	142,249	263,615	405,864	0.88
2004 (4)	1,014,052	616,092	397,960	146,353	258,329	404,682	0.98
2005 (4)	1,039,694	636,790	402,904	142,122	258,667	400,789	1.01

Notes:

- (1) Covers general obligation and revenue bonds for all indicated enterprise funds. Amounts have been restated to include general obligation bonds of Water, Hetch Hetchy Water and Power, and Clean Water that were previously reported as part of general bonded debt.
- (2) Gross revenue includes operating revenues, non-operating revenues and operating transfers.
- (3) Direct operating expenses include operating expenses (except depreciation), non-operating expenses (except interest expense) and operating transfers out.
- (4) During fiscal year 1996-97, Municipal Railway made the final payment on their long-term debt. Accordingly, for fiscal year 1997-98 through fiscal year 2001-02, revenue and expenses do not reflect activity of Municipal Railway. Effective fiscal year 2002-03, the parking meter revenue bonds for Parking and Traffic are included as it is a part of the Municipal Transportation Agency.
- (5) Principal and interest for fiscal year 1997-98 include \$100.6 million and \$5 million respectively relating to refunding of bonds by the Water Department.

CITY AND COUNTY OF SAN FRANCISCO

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (3)</u>	<u>Public School Enrollment (4)</u>	<u>Unemployment Rate % (5)</u>
1996.....	755,315	\$ 39,249	37.4	66,343	5.6
1997.....	777,906	41,290	37.8	66,604	4.1
1998.....	788,297	44,518	37.9	66,679	3.9
1999.....	789,463	49,695	38.7	65,540	3.4
2000.....	800,606	55,272	39.1	65,519	2.6
2001.....	793,459	55,816	37.3	67,152	3.4
2002.....	793,600	54,369	38.3	64,870	6.5
2003.....	791,600	55,720	38.3	66,141	7.2
2004.....	792,700	N/A	N/A	63,009	6.2
2005.....	799,263	N/A	N/A	63,421	5.4

Sources:

- (1) State of California Department of Finance
- (2) State of California Employment Development Department
- (3) Market Statistics - Demographics USA - County Edition
- (4) San Francisco Unified School District (includes Child Center, Juvenile Center, etc.)
- (5) State of California Department of Employment Development

N/A Not available

CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUE

Last Ten Fiscal Years

(All Dollar Figures in Thousands)

<u>Year Ended</u>	<u>Authorized New Dwelling Units (2)</u>	<u>Value of Building Permits (2)</u>		<u>Bank Deposits (3)</u>	<u>Real Property Values (1)</u>		
		<u>Residential</u>	<u>Non-Residential</u>		<u>Residential</u>	<u>Non-residential</u>	<u>Non-taxable</u>
1996.....	956	\$ 108,932	\$ 637,100	\$ 38,847,726	\$ 31,117,350	\$ 19,658,750	\$ 2,025,771
1997.....	1,249	319,744	553,895	41,505,334	32,570,542	19,406,454	2,260,394
1998.....	2,411	478,929	531,172	44,416,996	33,577,176	19,787,009	2,311,636
1999.....	3,297	712,161	1,693,705	48,159,221	36,266,388	21,744,102	2,418,557
2000.....	3,058	305,828	623,257	50,248,551	40,299,182	23,151,611	2,424,640
2001.....	2,570	381,623	725,313	51,211,617	43,064,184	27,642,410	2,660,826
2002.....	3,273	299,028	364,801	60,938,217	47,847,771	31,791,203	2,967,823
2003.....	1,279	214,244	57,455	86,795,058	51,945,852	34,176,360	3,134,578
2004.....	1,726	307,603	122,377	82,824,643	56,150,192	35,169,631	3,272,758
2005.....	1,961	362,759	71,251	93,498,152	61,664,929	36,848,836	3,655,940

- Sources: (1) Assessor, City and County of San Francisco (excludes unsecured roll and State Board Roll)
 (2) Department of Building Inspection, City and County of San Francisco (fiscal year basis)
 (3) Federal deposit corporation. These figures include savings and loan deposits.

N/A - Not available

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL TAXPAYERS

June 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation (In 000's)</u>	<u>Percentage of Total Assessed Valuation</u>
Embarcadero Center Venture	Offices, Commercial	\$ 1,410,865	1.34
Pacific Gas & Electric Company	Utilities	976,099	0.93
555 California Street Partners	Offices, Commercial	924,454	0.88
SBC California (Formerly Pacific Bell)	Utilities, Communications	441,015	0.42
EOP-One Market LLC	Offices	401,262	0.38
CB-1 Entertainment Partners	Hotel, Condos	393,972	0.37
Marriott Hotel	Hotel	391,943	0.37
Post Montgomery Associates	Office, Commercial	382,157	0.36
China Basin Ballpark Company LLC	Possessory Interest-Stadium	375,661	0.36
BRE-St. Francis LLC	Hotels	<u>331,824</u>	<u>0.32</u>
Ten largest taxpayers		6,029,252	5.73
All other taxpayers		<u>99,114,866</u>	<u>94.27</u>
Total assessed valuation - all taxpayers		<u><u>\$105,144,118</u></u>	<u><u>100.00</u></u>

Source:

Assessor, City and County of San Francisco

CITY AND COUNTY OF SAN FRANCISCO

MISCELLANEOUS STATISTICS

June 30, 2005

Date of incorporation.....	April 15, 1850
Form of government.....	Chartered City and County
Area.....	47 square miles
Miles of streets (1).....	1,050
Number of street lights (2)	41,431
Fire protection (3):	
Number of stations.....	45
Number of firefighters	1,675
Police protection (4):	
Number of stations.....	10
Number of police officers	2,180
Public school education (5):	
Attendance centers	119
Number of classrooms.....	3,434
Number of teachers, full time equivalent.....	3,171
Number of students.....	57,144
Municipal water department (2):	
Number of services.....	175,000
Average daily consumption	247 million gallons
Miles of water mains	1,475
Sewers (2):	
Collecting sewers	903 miles
Transport/storage sewers	15 miles
Recreation and culture:	
Number of parks (6).....	210
Number of libraries (7)	27
Number of library volumes (7).....	2.4 million
Employees (8):	
2004-05 Paid full time equivalent.....	24,992

Sources:

- (1) Department of Public Works, City and County of San Francisco
- (2) Public Utilities Commission, City and County of San Francisco
- (3) Fire Commission, City and County of San Francisco
- (4) Police Commission, City and County of San Francisco
- (5) San Francisco Unified School District
- (6) Parks and Recreation Commission, City and County of San Francisco
- (7) Library Commission, City and County of San Francisco
- (8) Controller, City and County of San Francisco



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