

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, 2004

(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.....	\$ 691	\$ 263	\$ 710	\$ 5,041	\$ 6,705
Deposits and investments outside City Treasury.....	-	25,725	-	-	25,725
Receivables:					
Interest and other.....	-	-	-	583	583
Capital leases receivable.....	-	19,046	-	-	19,046
Deferred charges and other assets.....	-	-	-	149	149
Total current assets.....	<u>691</u>	<u>45,034</u>	<u>710</u>	<u>5,773</u>	<u>52,208</u>
Noncurrent assets:					
Capital leases receivable.....	-	227,766	-	-	227,766
Capital assets:					
Facilities and equipment, net of depreciation.....	157	-	203	2,595	2,955
Deferred charges and other assets.....	-	2,592	-	-	2,592
Total noncurrent assets.....	<u>157</u>	<u>230,358</u>	<u>203</u>	<u>2,595</u>	<u>233,313</u>
Total assets.....	<u>848</u>	<u>275,392</u>	<u>913</u>	<u>8,368</u>	<u>285,521</u>
Liabilities					
Current liabilities:					
Accounts payable.....	771	517	324	3,854	5,466
Accrued payroll.....	239	-	51	975	1,265
Accrued vacation and sick leave pay.....	367	-	-	1,441	1,808
Accrued workers' compensation.....	-	-	-	263	263
Bonds, loans, capital leases, and other payables.....	-	18,060	-	850	18,910
Accrued interest payable.....	-	986	-	-	986
Due to other funds.....	-	859	-	-	859
Deferred credits and other liabilities.....	-	27,204	-	1	27,205
Total current liabilities.....	<u>1,377</u>	<u>47,626</u>	<u>375</u>	<u>7,384</u>	<u>56,762</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	302	-	-	1,573	1,875
Accrued workers' compensation.....	-	-	-	953	953
Bonds, loans, capital leases, and other payables.....	-	227,766	-	594	228,360
Total noncurrent liabilities.....	<u>302</u>	<u>227,766</u>	<u>-</u>	<u>3,120</u>	<u>231,188</u>
Total liabilities.....	<u>1,679</u>	<u>275,392</u>	<u>375</u>	<u>10,504</u>	<u>287,950</u>
Net Assets					
Invested in capital assets, net of related debt.....	157	-	203	1,151	1,511
Unrestricted (deficit).....	(988)	-	335	(3,287)	(3,940)
Total net assets (deficit).....	<u>\$ (831)</u>	<u>\$ -</u>	<u>\$ 538</u>	<u>\$ (2,136)</u>	<u>\$ (2,429)</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, 2004

(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.....	\$ 18,997	\$ -	\$ 6,162	\$ 72,257	\$ 97,416
Total operating revenues.....	<u>18,997</u>	<u>-</u>	<u>6,162</u>	<u>72,257</u>	<u>97,416</u>
Operating expenses:					
Personal services.....	8,256	-	1,634	30,753	40,643
Contractual services.....	2,017	-	3,820	26,759	32,596
Materials and supplies.....	6,467	-	356	8,135	14,958
Depreciation and amortization.....	51	128	55	984	1,218
General and administrative.....	63	-	13	461	537
Services provided by other departments.....	1,288	-	272	2,038	3,598
Other.....	454	-	133	707	1,294
Total operating expenses.....	<u>18,596</u>	<u>128</u>	<u>6,283</u>	<u>69,837</u>	<u>94,844</u>
Operating income (loss).....	<u>401</u>	<u>(128)</u>	<u>(121)</u>	<u>2,420</u>	<u>2,572</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	5,340	-	-	5,340
Interest expense.....	(59)	(5,212)	(14)	(182)	(5,467)
Total nonoperating revenues (expenses)....	<u>(59)</u>	<u>128</u>	<u>(14)</u>	<u>(182)</u>	<u>(127)</u>
Loss before transfers.....	342	-	(135)	2,238	2,445
Transfers in.....	59	-	14	182	255
Change in net assets.....	401	-	(121)	2,420	2,700
Total net assets (deficit) - beginning.....	<u>(1,232)</u>	<u>-</u>	<u>659</u>	<u>(4,556)</u>	<u>(5,129)</u>
Total net assets (deficit) - ending.....	<u>\$ (831)</u>	<u>\$ -</u>	<u>\$ 538</u>	<u>\$ (2,136)</u>	<u>\$ (2,429)</u>

CITY AND COUNTY OF SAN FRANCISCO

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

Year ended June 30, 2004

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 18,997	\$ 15,885	\$ 6,162	\$ 72,114	\$ 113,158
Cash paid to employees for services.....	(8,455)	-	(1,680)	(31,474)	(41,609)
Cash paid to suppliers for goods and services.....	(10,362)	(4,647)	(4,496)	(37,743)	(57,248)
Net cash used in operating activities.....	<u>180</u>	<u>11,238</u>	<u>(14)</u>	<u>2,897</u>	<u>14,301</u>
Cash flows from noncapital financing activities:					
Transfers in.....	59	-	14	182	255
Net cash provided by noncapital financing activities.....	<u>59</u>	<u>-</u>	<u>14</u>	<u>182</u>	<u>255</u>
Cash flows from capital financing activities:					
Bond sale proceeds.....	-	9,530	-	-	9,530
Acquisition of capital assets.....	(49)	-	(139)	-	(188)
Retirement of capital lease obligation.....	-	(15,885)	-	(2,404)	(18,289)
Bond issue costs paid.....	-	(112)	-	-	(112)
Interest paid on long term debt.....	-	(5,320)	-	-	(5,320)
Net cash used in capital financing activities.....	<u>(49)</u>	<u>(11,787)</u>	<u>(139)</u>	<u>(2,404)</u>	<u>(14,379)</u>
Cash flows from investing activities:					
Interest income received.....	(59)	248	(14)	(182)	(7)
Net cash provided by (used in) investing activities.....	<u>(59)</u>	<u>248</u>	<u>(14)</u>	<u>(182)</u>	<u>(7)</u>
Net decrease in cash and cash equivalents.....	131	(301)	(153)	493	170
Cash and cash equivalents - beginning of year.....	560	26,289	863	4,548	32,260
Cash and cash equivalents - end of year.....	<u>\$ 691</u>	<u>\$ 25,988</u>	<u>\$ 710</u>	<u>\$ 5,041</u>	<u>\$ 32,430</u>
Reconciliation of operating income (loss) to net cash used in operating activities:					
Operating income (loss).....	\$ 401	\$ (128)	\$ (121)	\$ 2,420	\$ 2,572
Adjustments for non-cash activities:					
Depreciation and amortization.....	51	128	55	984	1,218
Changes in assets/liabilities:					
Receivables, net.....	-	15,885	-	(144)	15,741
Deferred charges & other assets.....	-	-	-	146	146
Accounts payable.....	(73)	-	98	211	236
Accrued payroll.....	(268)	-	(46)	(885)	(1,199)
Accrued vacation & sick leave pay.....	69	-	-	27	96
Accrued workers' compensation.....	-	-	-	137	137
Deferred credits and other liabilities.....	-	(4,647)	-	1	(4,646)
Total adjustments.....	<u>(221)</u>	<u>11,366</u>	<u>107</u>	<u>477</u>	<u>11,729</u>
Net cash used in operating activities.....	<u>\$ 180</u>	<u>\$ 11,238</u>	<u>\$ (14)</u>	<u>\$ 2,897</u>	<u>\$ 14,301</u>
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury.....	\$ 691	\$ 263	\$ 710	\$ 5,041	\$ 6,705
Unrestricted deposits and investments outside City Treasury.....	-	25,725	-	-	25,725
Cash and cash equivalents at end of year on combining statement of cash flows.....	<u>\$ 691</u>	<u>\$ 25,988</u>	<u>\$ 710</u>	<u>\$ 5,041</u>	<u>\$ 32,430</u>