



Financial Section

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



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (the City), as of and for the year ended June 30, 2003, which collectively comprise of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial and summarized comparative information has been derived from the City's 2002 financial statements and, in our report dated November 27, 2002, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City and County of San Francisco, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and schedules of funding progress, on pages 3 through 21 and 124, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





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

KPMG LLP

January 30, 2004

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, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5.61 billion (net assets). Of this amount, \$277 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$93 million, or 1.6 percent, during the fiscal year. While there were increases in the City's capital assets, they were offset by decreases in non-capital asset categories largely related to decreasing investment returns and the City's budgetary use of fund balances and reserves.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$883 million. Approximately 18 percent of this total amount, \$158 million, is unreserved fund balance available for spending at the government's discretion within the purposes specified for the City's funds. Unreserved fund balance for governmental funds has dropped by approximately 44 percent from the prior year amount of \$283 million due to decreases in taxes, fees, service charges and other revenues and the City's related use of fund balances.
- At the close of the fiscal year, unreserved fund balance for the general fund was \$44.7 million or 2.3 percent of total general fund expenditures of \$1.95 billion. The general fund's unreserved fund balance dropped by approximately 67 percent from the prior year amount of \$136.7 million due to decreases in local tax and other revenues compared to budget and the City's consequent use of fund balance and reserves to fund operating expenses.
- A Charter amendment passed in 1999 required the integration of San Francisco's Parking and Traffic function into the Municipal Transportation Agency in fiscal year 2003. As a result, approximately \$36.8 million in debt and \$28.9 million in capital assets were transferred from governmental to business-type activities.
- The City's total long-term debt including all bonds, loans, and commercial paper, decreased by \$31.6 million, less than one percent, during the fiscal year. Key factors were scheduled retirement of general obligation and lease revenue bond debt, refunding of current debt, and minimal issuance of new obligations. The City issued \$803 million in refunding bonds and certificates during the year to take advantage of favorable interest rates in the current market, retire outstanding commercial paper and higher interest rate revenue bonds held by the San Francisco International Airport (Airport), the Water Department and Clean Water Program enterprises, and lower debt service payments. During the fiscal year, \$42 million in certificates of participation were issued to provide for the construction of new Juvenile Probation facilities, and \$29 million in general obligation bonds were issued to fund ongoing construction in the Branch Library Improvement Program and to continue work on new facilities at the San Francisco Zoo.
- The City's revenues from local tax sources including hotel, sales, utility, business and parking taxes were less than budget estimates during fiscal year 2003. Business and construction activity remained weak and affected the fees and service charges collected by the City. Investment earnings also dropped sharply relative to fiscal year 2002 due to continued low interest rates and lower cash balances. Early in fiscal year 2003, these revenue factors were evaluated together with projections of continued economic weakness in fiscal year 2004 and anticipated cuts in state funding, and measures were taken to decrease spending. City management reduced general fund operating expenses by approximately \$182 million from budgeted levels in order to improve San Francisco's position at the end of fiscal year 2003 and provide for an improved unreserved fund balance available for the fiscal year 2004 budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general city responsibilities. The business-type activities of the City include an airport, port, public 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 operations 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 which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

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

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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the

operations of the San Francisco International Airport (Airport), Port of San Francisco (Port), Water Department (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 Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments. Two years of financial information in the GASB 34 format are presented.

Net Assets June 30, 2003 (in thousands)

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Assets:						
Current and other assets.....	\$ 1,535,643	\$ 1,806,132	\$ 1,975,760	\$ 2,158,248	\$ 3,511,403	\$ 3,964,380
Capital assets.....	<u>2,208,191</u>	<u>2,041,451</u>	<u>8,421,571</u>	<u>8,185,824</u>	<u>10,629,762</u>	<u>10,227,275</u>
Total assets.....	<u>3,743,834</u>	<u>3,847,583</u>	<u>10,397,331</u>	<u>10,344,072</u>	<u>14,141,165</u>	<u>14,191,655</u>
Liabilities:						
Long-term liabilities outstanding.....	1,824,809	1,877,327	5,551,011	5,392,934	7,375,820	7,270,261
Other liabilities.....	<u>606,203</u>	<u>495,235</u>	<u>547,507</u>	<u>721,128</u>	<u>1,153,710</u>	<u>1,216,363</u>
Total liabilities.....	<u>2,431,012</u>	<u>2,372,562</u>	<u>6,098,518</u>	<u>6,114,062</u>	<u>8,529,530</u>	<u>8,486,624</u>
Net assets:						
Invested in capital assets, net of related debt.....	983,834	887,667	3,273,449	3,115,392	4,257,283	4,003,059
Restricted.....	594,938	717,879	482,551	546,019	1,077,489	1,263,898
Unrestricted.....	<u>(265,950)</u>	<u>(130,525)</u>	<u>542,813</u>	<u>568,599</u>	<u>276,863</u>	<u>438,074</u>
Total net assets.....	<u>\$ 1,312,822</u>	<u>\$ 1,475,021</u>	<u>\$ 4,298,813</u>	<u>\$ 4,230,010</u>	<u>\$ 5,611,635</u>	<u>\$ 5,705,031</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 \$5.61 billion at the close of the current fiscal year.

The largest portion of the City’s net assets (76 percent) reflects its investment of \$4.26 billion in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City’s net assets, \$1.08 billion (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$277 million (five percent) may be used to meet the government’s ongoing obligations to citizens and creditors. The proportion of net assets represented by these two categories together (24 percent) has dropped from the prior year’s aggregate of 30 percent both due to increases in capital assets and expenses.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities. For the governmental activities, unrestricted net assets have a deficit of \$266 million related in part to \$120 million in debt from general obligation bonds for the San Francisco Unified School District which is recorded with no corresponding assets.

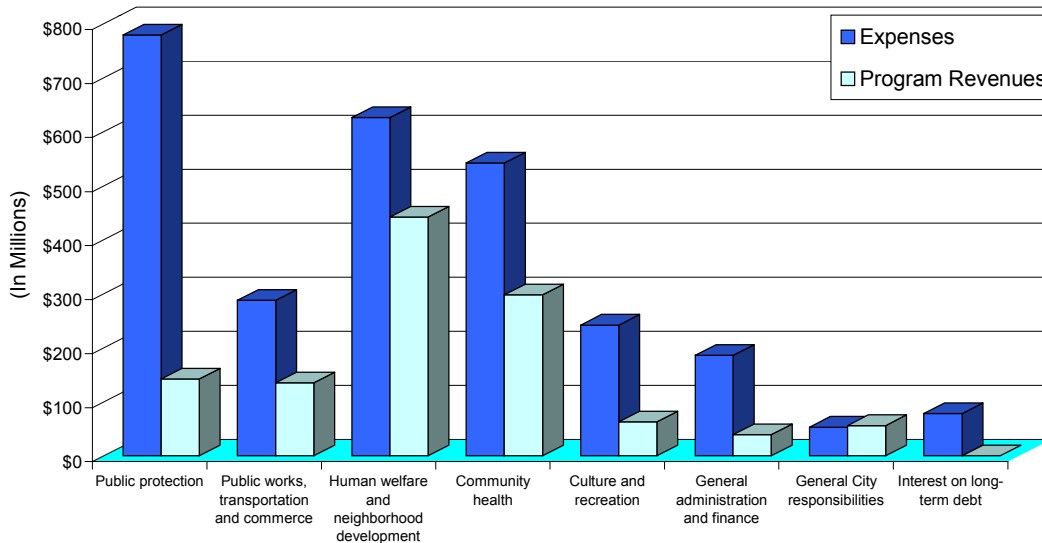
Changes in Net Assets
June 30, 2003 (in thousands)

	Governmental activities		Business-type activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program revenues:						
Charges for services.....	\$ 318,880	\$ 348,898	\$ 1,577,851	\$ 1,479,232	\$ 1,896,731	\$ 1,828,130
Operating grants and contributions.....	809,670	781,767	164,257	282,059	973,927	1,063,826
Capital grants and contributions.....	46,029	58,394	204,751	251,747	250,780	310,141
General revenues:						
Property taxes.....	686,858	697,703	-	-	686,858	697,703
Business taxes.....	276,651	274,848	-	-	276,651	274,848
Other local taxes.....	450,677	444,590	-	-	450,677	444,590
Interest and investment income.....	26,332	70,597	50,215	63,530	76,547	134,127
Other.....	196,496	115,943	188,446	85,425	384,942	201,368
Total revenues.....	<u>2,811,593</u>	<u>2,792,740</u>	<u>2,185,520</u>	<u>2,161,993</u>	<u>4,997,113</u>	<u>4,954,733</u>
Expenses						
Public protection.....	\$ 778,710	\$ 717,552	-	-	778,710	717,552
Public works, transportation and commerce.....	287,910	317,778	-	-	287,910	317,778
Human welfare and neighborhood development.....	626,306	586,188	-	-	626,306	586,188
Community health.....	542,480	493,856	-	-	542,480	493,856
Culture and recreation.....	242,398	246,620	-	-	242,398	246,620
General administration and finance.....	186,144	156,770	-	-	186,144	156,770
General City responsibilities.....	53,026	55,551	-	-	53,026	55,551
Unallocated Interest on long-term debt.....	77,827	77,335	-	-	77,827	77,335
Airport.....	-	-	641,036	599,335	641,036	599,335
Transportation.....	-	-	628,180	528,725	628,180	528,725
Port.....	-	-	61,074	58,694	61,074	58,694
Water.....	-	-	186,579	165,362	186,579	165,362
Power.....	-	-	95,427	113,754	95,427	113,754
Hospitals.....	-	-	561,673	525,045	561,673	525,045
Sewer.....	-	-	153,845	159,896	153,845	159,896
Garages/Market.....	-	-	894	32,274	894	32,274
Total expenses.....	<u>2,794,801</u>	<u>2,651,650</u>	<u>2,328,708</u>	<u>2,183,085</u>	<u>5,123,509</u>	<u>4,834,735</u>
Increase/(decrease) in net assets before special items and transfers.	16,792	141,090	(143,188)	(21,092)	(126,396)	119,998
Special items.....	-	-	33,000	-	33,000	-
Transfers.....	(178,991)	(124,399)	178,991	124,399	-	-
Change in net assets.....	(162,199)	16,691	68,803	103,307	(93,396)	119,998
Net assets at beginning of year.....	<u>1,475,021</u>	<u>1,458,330</u>	<u>4,230,010</u>	<u>4,126,703</u>	<u>5,705,031</u>	<u>5,585,033</u>
Net assets at end of year.....	<u>\$ 1,312,822</u>	<u>\$ 1,475,021</u>	<u>\$ 4,298,813</u>	<u>\$ 4,230,010</u>	<u>\$ 5,611,635</u>	<u>\$ 5,705,031</u>

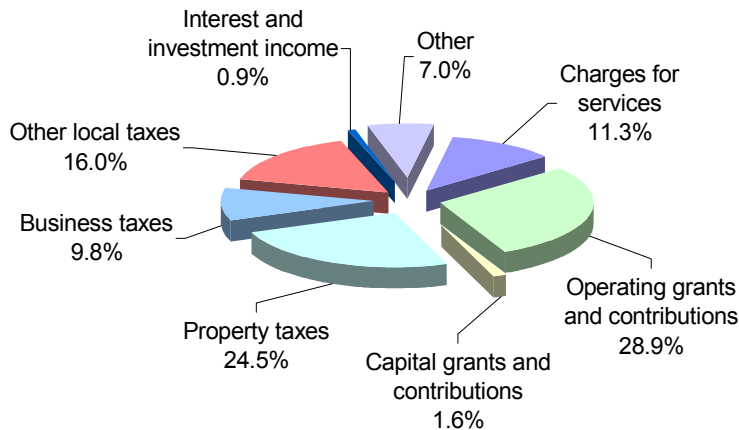
Analysis of Changes in Net Assets

The City's net assets overall decreased by \$93 million during the current fiscal year. These decreases are discussed in the government and business-type activities discussion below, and are primarily a result of flat and decreasing revenues from some tax sources and from fees and services charges, and the use of balances to fund expenses, particularly for governmental activities. Governmental activities reported a decrease in net assets during the fiscal year while the business-type activities reported less of an increase in net assets than in the previous year. Transfers from governmental to business activities increased over the prior year, to \$179 million, due in part to the Charter-required integration of the City's Parking and Traffic function, a governmental activity in fiscal year 2002, into the Municipal Transportation Agency, an enterprise activity, in fiscal year 2003.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities decreased the City’s net assets by \$162 million, accounting for all of the aggregate loss. Key factors of this decrease are as follows:

- Interest and investment income dropped by approximately \$44 million or 63 percent during the year due to a decrease in the average yield of City pooled investments from 4.14 percent to 2.77 percent, and to lower cash balances available for investment. Interest and investment income’s proportion of overall revenues for governmental activities dropped from 2.5 percent in fiscal year 2002 to one percent in 2003. In addition to the overall weakness in equity markets, because the City’s investments are concentrated in Treasury Bills and Notes and other short-term instruments, the Federal Reserve’s interest rate cuts have significantly affected the City’s investment returns. Deposits and investments with the City Treasury as of the end of the fiscal year for governmental activities were down by approximately 32 percent from fiscal year 2002, from over \$1 billion to \$714 million.

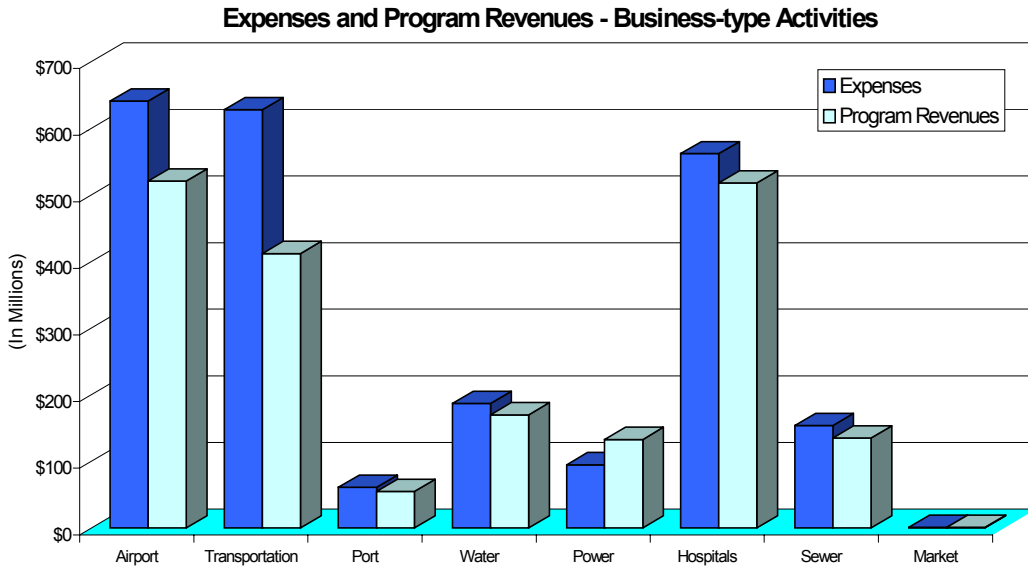
- Governmental activities' net assets have decreased in large part due to the use of reserves for budgetary purposes across all program areas. Fund balances in governmental funds decreased by \$366 million during fiscal year 2003. The majority of the City's governmental funds also had operating expenses in excess of revenues during the fiscal year.
- The continued weakness in the local and California economies during fiscal year 2003 kept revenues from most local tax sources either flat or decreasing from the prior year. Hotel, sales, business, and utility users taxes grew between one and two percent from the prior year, though at less than budgeted levels. Fees and service charges which fund governmental activities dropped by ten percent in the aggregate from the prior year.
- Property tax revenue, which grew by more than ten percent in each of the last two fiscal years offsetting weak or decreasing income from other sources, was flat in fiscal year 2003, decreasing by \$11 million or two percent in governmental activities. San Francisco's real estate market has largely held its value with a consequent rise in the assessed value of property, and the City continues to improve its ability to issue supplemental tax bills within a shorter time period following the sale of a property. However, tax revenue from these gains is reduced in part in 2003 by a higher proportion of the tax roll, approximately 18 percent as of June 30, being under appeal than in previous years. As a result the City's estimated assessment appeals reserve is also higher.
- In fiscal year 2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities. As a result, approximately \$36.8 million in debt and \$28.9 million in capital assets were transferred from governmental to business activities.
- Operating grants and contributions increased by \$28 million, or approximately four percent, largely related to increases in federal grants for health programs and federal funding for community development.
- Governmental activities showed an increase in capital assets related to projects in the culture and recreation programs including completions at the Asian Art Museum, Moscone West Convention Center, parks and libraries which increased the value of facilities, improvements, and infrastructure, while reducing construction in progress.

For the most part, increases in expenses paralleled increases in the cost of living in the San Francisco Bay Area and growth in the demand for government services. However, the City's spending in some program areas increased at greater rates notably in Public Protection where the City had both scheduled labor rate increases and greater security program costs than in the prior year. General Administration and Finance also showed an increase in expenses in part through claims activity including payment of some remaining amounts for settlements related to repeal of a portion of the City's business tax.

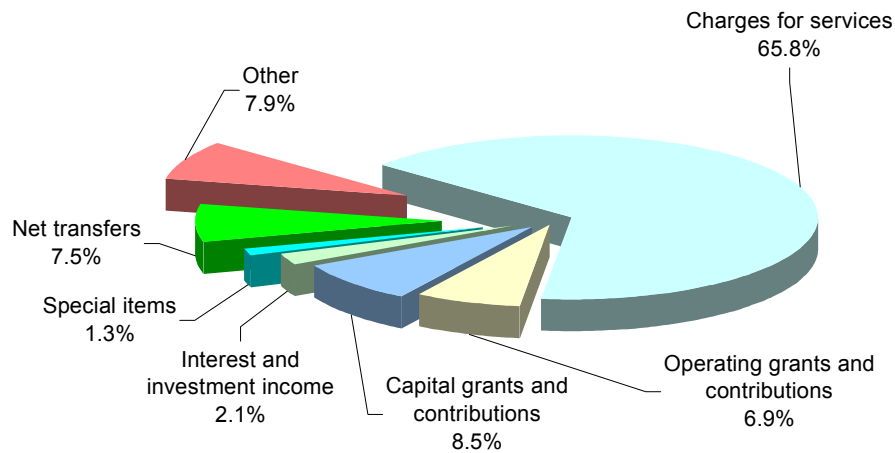
The City's General Fund subsidy transfer to the Municipal Transportation Agency as required by the Charter increased by approximately 52 percent, from \$94 million in 2002 to \$143 million in 2003. In addition, the transfers that the City makes each year to help finance the operations of the San Francisco General Hospital and Laguna Honda Hospital enterprises increased by ten percent in the aggregate from \$101 million in 2002 to \$119 million in 2003. The hospitals' improved proportion of patients covered by Medicare, Medi-Cal or other insurers, and increases in reimbursement rates have allowed them to recover a rising share of the cost of service in 2002 and 2003, however the cost of non-reimbursed health care programs also continues to rise. Both hospitals experienced operating cost increases including labor costs associated with the competitive market for nursing skills in California and scheduled raises under City labor agreements.

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 (22 percent) and community health (19 percent). General revenues such as property, business, and sales taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, operating

grants and contributions are the largest single source of funds (28.9 percent), followed by property taxes (24.5 percent) and other local taxes (16 percent). These ratios are substantially similar to 2002, with the notable exception as noted above of interest and investment income, which dropped in 2003 related to the City's decreased rates for its investments and relatively lower cash balances available to invest.



Revenues By Source - Business-type Activities



Business-type activities. Business-type activities increased the City's net assets by \$68.8 million, reducing the overall decrease in net assets to \$93 million. Key factors of this increase are as follows:

- The Municipal Transportation Agency's net assets overall increased by \$116.5 million, primarily due to increases in the total value of equipment with the acquisition of new rolling stock including 13 additional

light rail vehicles, 96 electrical trolley coaches, and 95 motor coaches, and to capitalization of infrastructure investments, primarily the L-line light rail line improvements. In addition, \$49 million of this increase is due to the integration of the Department of Parking and Traffic and the Parking Garages Fund into MTA. MUNI's operating revenues rose by approximately \$2 million due to increased advertising and net passenger revenues, and it received an approximately \$7 million increase in the subsidy transfer from the City's General Fund. Offsetting decreases occurred in interest income, capital contributions from Federal and State agencies, and non-operating revenues, which include other state and federal grants as well as parking fees and fines.

- Laguna Honda Hospital's net assets overall increased by \$19 million largely related to increases in the value of construction in progress associated with the new hospital complex now underway, and including the receipt of an additional approximately \$21 million in cash from tobacco settlement monies. San Francisco's tobacco settlement receipts are primarily used for contract costs and debt service for the Laguna Honda Replacement Project. Both Laguna Honda and San Francisco General Hospitals experienced an increase in net patient revenues of five and three percent respectively, with Laguna Honda's linked in part to increased Medi-Cal reimbursement rates for skilled nursing facilities.
- Hetch Hetchy, which operates the City's water storage and power generating facilities in the Sierra Nevada Mountains, increased total net assets by \$73 million partly as a result of a legal settlement from energy companies paid in the form of generating facilities (gas turbine generators) recorded as capital assets. In fiscal year 2003 Hetch Hetchy renegotiated contracts for purchasing power and in general benefited from the normalization of the highly volatile electricity market that affected California during the prior fiscal year. The cost of purchasing power dropped by 34 percent, for a savings in operating costs of approximately \$22 million, and total expenses for the enterprise dropped by over 16 percent.
- San Francisco International Airport's net asset decrease of \$50 million is partly attributable to its major capital assets being depreciated on a straight-line basis over an average of 30 years, while principal retirement of debt escalates over time. During fiscal year 2003, depreciation expense exceeded the principal retirement of outstanding debt by \$96 million. In fiscal year 2003, the Airport's accumulated costs for a project to configure a new runway that had previously been recorded as a capital asset were instead recognized as an expense, in the amount of \$37 million. The cash transfer from the Airport to the City's General Fund has been reduced in the last two fiscal years \$25 million in fiscal year 2001 to \$17.8 million in fiscal year 2002 to \$16.8 million in fiscal year 2003, reflecting ongoing weakness in Airport concession revenues for the period.
- The Clean Water Department's net assets decreased by \$15.6 million, approximately 1.6 percent, during the year. Approximately \$14 million in available revenues were used to fund capital expenditures during the year, resulting in a decrease in unrestricted net assets of approximately 22 percent. The department also retired \$394 million in outstanding bonds with the use of new bond issues at lower rates and approximately \$30 million in available debt service reserve funds. The Water Department's net assets also decreased by \$3.3 million overall, less than one percent, due to use of revenues to fund capital expenditures during the year, offset by increases in capital assets due to improved debt management.

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 2003. The City's long-term and acute care hospitals together recorded expenses of over \$500 million. These three enterprises together make up almost 80 percent of the total business activities. For all of the business-type activities, as in prior years, charges for services provide the largest share of revenues at 65.8 percent. In 2003, Other Revenues increased to 7.9 percent of the total from less than four percent in 2002 because of increasing other income to a number of the enterprises, most notably the Airport's reimbursement from the Federal Transportation Security Administration for law enforcement costs and, similarly, a Federal grant to the Port of San Francisco for security assessment. Capital grants and contributions, which are primarily received by the Municipal Railway, made up the next largest source of revenue at 8.5 percent, though the amount is reduced from the prior year due to reduced reimbursable capital expenditures by MUNI. Operating grants received by the enterprises in 2003 dropped significantly as a share of revenue from

12.3 percent to 6.9 percent due in part to a decrease in State sales tax support to the Municipal Railway as a result of economic conditions. The proportion of business activity revenue overall which is attributable to net transfers has increased from 5.4 percent in 2002, to 7.5 percent in 2003, as noted above due to the increases in the hospital subsidy transfers, and to the integration of Parking and Traffic with the Municipal Transportation Agency.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$883 million, a decrease of \$366 million in comparison with the prior year. As noted previously, the decrease represents the City's budgetary use of reserves in both general and special revenue funds, liquidation of encumbrances, and reductions in carry-forward funds in fiscal year 2003.

Approximately \$157 million of the combined ending fund balance in the governmental funds constitutes unreserved fund balance, which is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$322 million), (2) to fund continued programs or projects in future fiscal periods (\$278 million), (3) to pay debt service (\$34 million), and (4) for a variety of other purposes (\$92 million).

Revenues for governmental funds overall totaled approximately \$2.81 billion in the fiscal year ended June 30, 2003, which represents an increase of approximately one percent from the fiscal year ended June 30, 2002. Expenditures for governmental funds, totaling \$3.08 billion, increased by approximately four percent from the fiscal year ended June 30, 2002. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$273 million, or approximately 10 percent.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$44.7 million, while total fund balance was \$196.3 million. Total fund balance decreased in the City's general fund by \$184 million during the fiscal year mainly due to continued decreases in revenues, especially local taxes, increasing expenses from the prior year, and to consequent use of fund balance and other reserves. These factors were partly offset by management controls on general fund expenditures put in place early in the fiscal year. Overall, the general fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2003 of \$9.3 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 2003, unreserved fund balance represents 2.3 percent of total general fund expenditures of \$1.95 billion, while total fund balance represents ten percent of that same amount. For 2002, the general fund's unreserved fund balance was approximately 7.2 percent of total expenditures of \$1.91 billion, and the total fund balance represented approximately 20 percent of expenditures. These positions

also reflect the City's relatively higher budgetary use of balances and reserved funds in 2003.

Proprietary funds

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

At the end of the fiscal year, the unrestricted net assets for the San Francisco International Airport were \$291.7 million, the Water Department \$139.9 million, the Hetch Hetchy Project \$83.7 million, the Clean Water Program \$52.5 million, the Port of San Francisco \$43.7 million, and the San Francisco Market Corporation \$6.5 million. Three proprietary funds had deficits in unrestricted net assets—the Municipal Transportation Agency had a deficit of \$44.6 million, and Laguna Honda Hospital and San Francisco General Hospital had deficits in unrestricted net assets of \$17.2 million and \$13.5 million respectively. The internal service funds that are used to account for certain governmental activities also had a deficit in unrestricted net assets of \$7.7 million.

The total growth in net assets for the enterprise funds was \$68.8 million. Factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In particular, the Municipal Transportation Agency's net assets increased with the integration of the Parking and Traffic Department, and with the acquisition of capital assets including new rolling stock. The Airport's decrease in net assets is related to its major capital assets being depreciated on a straight-line basis over an average of 30 years, while principal retirement of debt escalates over time, and to the write-off of costs related to the runway project from capital assets.

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 and Special Items	Interfund Transfers	Change In Net Assets
Airport.....	\$ 500,116	\$ 447,006	\$ 53,110	\$ (106,833)	\$ 20,678	\$ (16,823)	\$ (49,868)
Water.....	170,253	167,523	2,730	(5,986)	-	-	(3,256)
Hetch Hetchy.....	132,190	95,410	36,780	3,400	33,000	-	73,180
Municipal Transportation Agency.....	155,656	622,667	(467,011)	214,910	162,712	205,928	116,539
General Hospital.....	312,347	407,336	(94,989)	73,085	-	16,636	(5,268)
Clean Water.....	134,745	129,177	5,568	(21,133)	-	-	(15,565)
Port.....	54,467	58,758	(4,291)	(2,855)	726	-	(6,420)
Laguna Honda Hospital.....	116,781	152,302	(35,521)	678	20,635	33,110	18,902
Market Corporation.....	1,296	878	418	1	-	(59,860)	(59,441)
Total.....	<u>\$ 1,577,851</u>	<u>\$ 2,081,057</u>	<u>\$ (503,206)</u>	<u>\$ 155,267</u>	<u>\$ 237,751</u>	<u>\$ 178,991</u>	<u>\$ 68,803</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 2003, the net assets of the Retirement System and Health Service System totaled \$10.6 billion, representing an increase of \$117 million in total net assets since June 30, 2002. The change is primarily related to employer contributions to the fund and to the stabilization of the market value of the Retirement Trust's investments following large losses incurred in fiscal year 2002. The Investment Trust Fund's net assets totaled \$224 million, with a decrease in net assets over the prior fiscal year of \$76.6 million, resulting from withdrawals and distributions to external participants to the fund.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year. In fiscal year 2003, significant supplemental appropriations were approved for the Police Department (\$4.2 million) and Sheriff's Department (\$495,000) for overtime and other personnel costs associated with the cost of large anti-war demonstrations in the City and, in the case of the Police Department, with workers compensation costs. The Department of Elections received an additional \$2.4 million in appropriations to move forward with implementing a voter-mandated ranked-choice voting system and related voter education. Appropriations were also increased for the Trial Courts (\$1.2 million) for the increased cost of indigent defense cases where the Public Defender cannot serve due to a conflict, for the Planning Department (\$714,000) for the cost of environmental reviews related to community planning processes in southern and eastern neighborhoods of the City and for the Treasurer/Tax Collector (\$120,000) for a program to accelerate the collection of business taxes and penalties. The final budget for the General City Responsibilities function differs from the original in that it includes payments by the City to settle final claims related to litigation over San Francisco's business tax structure.

During the year, actual revenues and other resources lagged budgetary estimates by \$134 million. The majority of this amount is attributable to local taxes—specifically the hotel, sales, utility, business and parking taxes where actual performance was less than estimates, and to reduced programmatic service charge collections. In addition, transfers to the General Fund were \$33 million less than estimates due to a reduction in the funds transferred from the San Francisco General Hospital Fund to the General Fund for the City's participation in the State cost-sharing program among county hospitals. There is no net loss to the General Fund as a result of the hospital transaction since expenses were also reduced. Budgetary shortfalls were offset in part by receipts greater than estimates in property taxes allocated to the General Fund, general government service charges and subvention of federal health and social services funds.

Differences between the final budget and the actual (budgetary basis) resulted in a \$182 million decrease in total charges to appropriations. This is primarily due to the following factors:

- Budgetary reserves of \$78.3 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.
- A decrease in expenditures by the Department of Public Health of approximately \$37.9 million, primarily associated with a reduction in the local match requirement for the State hospital cost-sharing program noted above (SB 855 Medi-Cal disproportionate share program). This decrease is non-program related and does not result in service reductions.
- A decrease in expenditures by the Human Services Department of approximately \$22.6 million related to reduced costs under programs such as wage augmentation programs and childcare subsidies. These expense reductions are partly offset by decreases in the Federal and State funds that San Francisco is able to claim under these programs.
- A decrease in expenditures of approximately \$2.3 million in the Mayor's Office Grants for the Arts program resulted from hotel tax revenue and consequent grant activity less than the budgeted level.
- Expenditures less than budgeted by the Fire Department of approximately \$2 million related to fewer retirements than had been anticipated, and the resulting decrease in the required recruitment, Fire Academy training classes, and hiring expenses need to fulfill the Department's personnel needs.

- The General Fund was able to reduce its transfers to other funds by \$16.5 million from budget, primarily through improved revenue performance at the City's hospitals, though these amounts still increased over the prior year actual levels.

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 \$47.9 million at the end of the fiscal year.

In creating its budget for the fiscal year ending June 30, 2004, the City used an estimated budgetary fund balance of \$47.1 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, 2003, amount to \$10.6 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. The total increase in the City's capital assets for the current fiscal year was four percent (an eight percent increase for governmental activities and a three percent increase for business-type activities) as shown in the table below.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	Land.....	\$ 141,608	\$ 139,534	\$ 194,024	\$ 186,508	\$ 335,632
Facilities and Improvement..	1,656,169	1,223,619	6,171,196	5,455,192	7,827,365	6,678,811
Machinery and equipment....	62,899	77,609	911,497	694,659	974,396	772,268
Infrastructure.....	131,321	23,663	506,495	481,128	637,816	504,791
Property held under lease....	536	536	103	309	639	845
Easements.....	-	-	92,053	99,631	92,053	99,631
Construction in progress.....	<u>215,658</u>	<u>576,490</u>	<u>546,203</u>	<u>1,268,397</u>	<u>761,861</u>	<u>1,844,887</u>
Total.....	<u>\$ 2,208,191</u>	<u>\$ 2,041,451</u>	<u>\$ 8,421,571</u>	<u>\$ 8,185,824</u>	<u>\$ 10,629,762</u>	<u>\$ 10,227,275</u>

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

- The Municipal Transportation Agency's capital assets increased by \$243 million over the previous year. Of this increase, \$28.9 million is related to assets of the Parking and Traffic Department that were transferred to this enterprise. The larger portion is due to acquisition of 191 electric trolleys and motor coaches and 13 light rail vehicles, and to completion and capitalization of the L-Line light rail improvements and the emergency lighting system for the Muni Metro subway. During fiscal year 2003, Muni amortized \$1.3 million of a total deferred gain of \$35.5 million that was recorded in April 2002. The gain is related to a lease transaction involving 118 Breda light rail vehicles which allows equity investors holding title to the vehicles to take advantage of tax benefits not available to public entities. During the term of the lease Muni maintains custody and use of the vehicles, and is obligated to insure and maintain them.
- The Water Department's capital asset additions of \$85 million during the fiscal year include improvements at the Sunol Valley Water Treatment Plant of \$50 million, improvements to Bay pipeline facilities valued at \$5.3 million and to City water treatment and distribution systems valued at \$4.6 million, and many smaller

projects. The Clean Water Program completed sewer replacement projects at eight sites within the City for a capital asset addition of \$4.9 million, and upgrade projects at the Southeast Treatment Plant for \$1.7 million.

- Hetch Hetchy Water and Power increased net capital assets by \$42 million, including completed improvements to its San Jose Pipeline at a value of \$6.6 million, and approximately \$3 million in road repairs in the Southfork area. As noted previously, Hetch Hetchy recorded as capital assets approximately \$33 million for the value of four gas turbine generator sets that the City will receive as part of a settlement of a lawsuit against certain energy companies (see Note 11 to the Financial Statements).
- Capital asset increases of approximately \$4 million at the Port of San Francisco were recorded in fiscal year 2003. The Port carried out construction and repairs at Pier 48, at Pier 43 and at the wharf area and public access to Pier 3. At Pier 48, the work included fire damage repairs, seismic strengthening, and electrical upgrades, and will allow the Port to begin leasing this facility again in fiscal year 2004.
- The Airport showed an overall decrease of \$41 million or one percent in capital assets (net of depreciation) during 2003. As noted previously, the Airport reduced capital assets during the year by recognizing costs associated with the runway reconfiguration project as an expense. Final completion of some additional projects under the Near Term Master Plan Program also occurred during fiscal year 2003. The Plan includes new parking facilities, roadways, runway improvements, and the new International Terminal and was substantially completed in 2001 with the Airport reporting a 13 percent increase in capital assets that year. In 2003, the Bay Area Rapid Transit (BART) station at SFO and the Air Train (people mover) were put into service, providing direct rail service to the Airport from downtown San Francisco, the East Bay and the Peninsula for the first time. Other capital asset completions during the year include an aircraft taxiway and bypass construction, and a field lighting raceway system.
- Capital assets in governmental activities under facilities and improvements increased by \$433 million due to completion of work on the Moscone Center West facility, the Asian Art Museum, and other public works, libraries, and recreation and park sites.

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

For governmental activities, no net infrastructure assets were recorded from fiscal year 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 2002, newly completed projects were capitalized and ongoing infrastructure projects were 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, San Francisco had total long-term obligations outstanding of \$7.4 billion. Of this amount, \$860 million is general obligation bonds (including \$0.8 million in general obligation bonds issued on behalf of the Port of San Francisco) backed by the full faith and credit of the City and \$6.3 billion is revenue bonds, loans, certificates of participation, leases, and other debts of the City secured solely by specified revenue sources. The remainder includes accrued leave and worker's compensation long-term obligations.

As noted previously, San Francisco's total long-term debt including all bonds, loans, and commercial paper, decreased by \$31.6 million during fiscal year 2003. However, the City's overall bonded debt increased by approximately \$60.5 million, primarily due to revenue bonds being issued and commercial paper repaid in some enterprise activities. Within the bonded debt overall increase there is a decrease for governmental activities of \$67 million, and an increase of \$128 million in business activities. The City issued \$803 million in refunding

bonds and certificates to take advantage of favorable interest rates and reduce debt payments, and of this amount, \$646 million was for the purpose of largely refunding revenue bonds and commercial paper at the Water and Clean Water enterprises. The City issued \$42 million in certificates of participation to finance the construction of new facilities for Juvenile Probation and \$11 million in lease-revenue bonds to finance equipment through the San Francisco Finance Corporation. The only general obligation bonds issued during the fiscal year were \$29 million to fund continued work on the Branch Library Facilities Improvement Program and the Zoo Facilities Improvement Program.

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 \$94.7 billion in value (net of unreimbursable exemptions) as of the close of the fiscal year. As of June 30, 2003, the City had \$860 million in authorized, outstanding property tax-supported general obligation bonds, which is equal to approximately 0.91 percent of the taxable assessed value of property. As of June 30, 2003, there were an additional \$922.5 million in bonds that were authorized but unissued. If all of these bonds were issued and outstanding in full, the total debt burden would be approximately two percent of the taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2003 were:

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

During the fiscal year, all three rating agencies affirmed San Francisco's underlying rating for general obligation debt, however Moody's, Standard & Poor's and Fitch Ratings also revised their outlook on the City's debt from stable to negative. The agencies noted that while San Francisco has taken reasonable steps to control spending, this outlook reflects the sluggish economy, tax revenue less than budgeted, the City's use of budgetary reserves and other one-time funds, and a poor outlook for state financial assistance to local governments.

The City's enterprise activities have experienced some changes in debt ratings since June 30, 2002. San Francisco International Airport's debt was downgraded by Fitch from A+ to A, reflecting vulnerabilities in the market including the bankruptcy of United Airlines and decreased passenger volume related to the war with Iraq, Sudden Acute Respiratory Syndrome (SARS), and the overall weakness in travel and tourism in the Bay Area. Other agencies however affirmed their current ratings for Airport debt.

The underlying ratings of A2 by Moody's and A+ by Standard and Poor's of the Clean Water Program's revenue and refunding bonds issued during the year were affirmed. However, Moody's revised its outlook to stable from negative in part due to passage on the November 2002 ballot of Proposition E, which effectively repealed a 1998 voter-approved rate freeze and established procedures for rate increases, thereby providing increased financial stability for the Clean Water Program.

Since the close of the 2003 fiscal year, the City has issued additional debt of \$50.4 million in general obligation bonds for construction in the Neighborhood Recreation and Parks Facilities Improvement Program and for the San Francisco Unified School District's construction and facilities improvements programs. In addition \$44.3 million in refunding settlement obligation bonds were sold for the purpose of refunding, at lower interest rates, the settlement bonds issued to pay obligations resulting from a final judgement entered into in connection with various business tax cases.

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 over \$350 million at the beginning of its annual budget process for fiscal year 2004. As a result, significant spending cuts were made across General Fund functions, the City proposed and most San Francisco public employees' unions agreed in labor contracts then under negotiation to contribute 7.5 percent of salary to fund the cost of pension benefits. The City was able to appropriate \$58.5 million in estimated available fund balance and liquidated reserves in the General Fund budget for 2004. It is intended that these cuts and the use of fund balance will avoid the need to make more drastic reductions in public safety, health and human services, and many other critical programs in the budget year.
- As noted in our transmittal letter, San Francisco's unemployment rate has increased substantially over the last two fiscal years, to a high of 7.9 percent in July 2002, dropping slightly to 7.4 percent by June 2003, and other economic indicators are similarly flat or indicating at best a gradual economic recovery.
- As of November 2003, the State of California has made several decisions which will reduce the revenues available to cities and counties including reductions in the vehicle license fee, a failure to budget funds for State-mandated reimbursements to counties (the SB90 Program), and reductions in the amounts available for human services, health, criminal justice, library, and other programs. In developing its fiscal year 2003-2004 budget, San Francisco reserved \$30 million in general fund revenues to be able to respond to State reductions, however it is now likely that the actual amount of the impact will be greater. City management will continue to closely monitor this issue during the fiscal year.
- Hotel, sales, and parking taxes, which were projected to improve slightly following two years of losses related to the economic downturn and the aftermath of September 11, 2001 have lagged relative to budget in fiscal year 2004. As of the end of the first fiscal quarter, actual revenue on an annual basis from these sources has decreased approximately \$8 million from budgeted levels.
- Given ongoing local tax revenue weakness and the State budget uncertainties, the City has restricted and will work to reduce departmental spending in fiscal year 2004, and is preparing to further reduce its budget in 2005.

All of the above factors were considered in preparing the City's budget for fiscal year 2004.

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

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

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

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

Component Unit Financial Statements

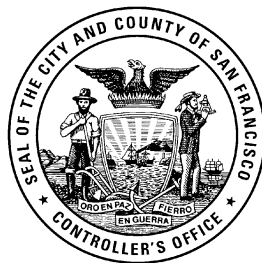
San Francisco Redevelopment Agency
Finance Department
770 Golden Gate Avenue, Third Floor
San Francisco, CA 94102

Blended Component Units Financial Statements

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

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

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets

June 30, 2003

(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.....	\$ 714,107	\$ 656,155	\$ 1,370,262	\$ -	\$ 4,250
Deposits and investments outside City Treasury.....	153,338	8,008	161,346	230,276	-
Receivables (net of allowance for uncollectible amounts of \$39,734 for the primary government):					
Property taxes and penalties.....	30,749	-	30,749	-	-
Other local taxes.....	160,415	-	160,415	-	-
Federal and state grants and subventions.....	220,082	45,700	265,782	-	12
Charges for services.....	18,041	149,538	167,579	-	694
Interest and other.....	8,131	62,111	70,242	3,729	33
Loans and capital lease receivables.....	-	85	85	13,294	-
Due from component unit	11,720	-	11,720	-	-
Inventories.....	-	45,014	45,014	-	-
Deferred charges and other assets.....	2,858	8,534	11,392	-	-
Total current assets.....	<u>1,319,441</u>	<u>975,145</u>	<u>2,294,586</u>	<u>247,299</u>	<u>4,989</u>
Restricted assets:					
Deposits and investments with City Treasury.....	-	554,302	554,302	-	-
Deposits and investments outside City Treasury.....	-	354,896	354,896	218,492	-
Grants and other receivables.....	-	25,209	25,209	1,754	-
Total restricted assets.....	<u>-</u>	<u>934,407</u>	<u>934,407</u>	<u>220,246</u>	<u>-</u>
Noncurrent assets:					
Loan (net of allowance for uncollectible amounts of \$183,424 and \$117,815 for the primary government and component units, respectively) and capital lease receivables.....	198,966	767	199,733	203,640	-
Deferred charges and other assets.....	17,236	65,441	82,677	6,124	-
Property held for resale	-	-	-	4,781	-
Capital assets:					
Land and other assets not being depreciated.....	357,266	740,227	1,097,493	85,184	-
Facilities, infrastructure, and equipment, net of depreciation.....	1,850,925	7,681,344	9,532,269	123,954	-
Total capital assets.....	<u>2,208,191</u>	<u>8,421,571</u>	<u>10,629,762</u>	<u>209,138</u>	<u>-</u>
Total noncurrent assets.....	<u>2,424,393</u>	<u>8,487,779</u>	<u>10,912,172</u>	<u>423,683</u>	<u>-</u>
Total assets.....	<u>\$ 3,743,834</u>	<u>\$ 10,397,331</u>	<u>\$ 14,141,165</u>	<u>\$ 891,228</u>	<u>\$ 4,989</u>

(Continued)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets (Continued)

June 30, 2003

(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.....	\$ 136,498	\$ 104,540	\$ 241,038	\$ 7,515	\$ 168
Accrued payroll.....	88,364	66,791	155,155	-	61
Accrued vacation and sick leave pay.....	63,836	39,566	103,402	1,095	-
Accrued workers' compensation.....	41,059	37,946	79,005	-	-
Estimated claims payable.....	18,855	13,786	32,641	-	-
Bonds, loans, capital leases, and other payables.....	107,997	95,467	203,464	26,183	-
Accrued interest payable.....	7,294	15,146	22,440	52,655	-
Unearned grant and subvention revenues.....	1,166	-	1,166	-	-
Due to primary government.....	-	-	-	11,720	-
Internal balances.....	33,458	(33,458)	-	-	-
Deferred credits and other liabilities.....	107,676	110,542	218,218	8,063	-
Total current liabilities.....	<u>606,203</u>	<u>450,326</u>	<u>1,056,529</u>	<u>107,231</u>	<u>229</u>
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables.....	-	15,367	15,367	-	-
Accrued interest payable.....	-	37,977	37,977	-	-
Other.....	-	43,837	43,837	-	-
Total liabilities payable from restricted assets.....	<u>-</u>	<u>97,181</u>	<u>97,181</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	65,057	31,063	96,120	1,805	-
Accrued workers' compensation.....	154,041	131,210	285,251	-	-
Estimated claims payable.....	39,478	21,185	60,663	-	-
Bonds, loans, capital leases, and other payables.....	1,566,233	5,323,517	6,889,750	699,597	-
Accrued interest payable.....	-	-	-	126,709	-
Deferred credits and other liabilities.....	-	44,036	44,036	-	-
Total noncurrent liabilities.....	<u>1,824,809</u>	<u>5,551,011</u>	<u>7,375,820</u>	<u>828,111</u>	<u>-</u>
Total liabilities.....	<u>2,431,012</u>	<u>6,098,518</u>	<u>8,529,530</u>	<u>935,342</u>	<u>229</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	983,834	3,273,449	4,257,283	106,473	-
Restricted for:					
Cash and emergencies requirements by Charter.....	59,337	-	59,337	-	-
Debt service.....	7,795	273,242	281,037	153,522	-
Capital projects.....	86,912	147,693	234,605	-	-
Community development.....	158,591	-	158,591	-	-
Transportation Authority activities.....	149,070	-	149,070	-	-
Other purposes.....	133,233	61,616	194,849	3,466	4,760
Unrestricted (deficit).....	<u>(265,950)</u>	<u>542,813</u>	<u>276,863</u>	<u>(307,575)</u>	<u>-</u>
Total net assets (deficit).....	<u>\$ 1,312,822</u>	<u>\$ 4,298,813</u>	<u>\$ 5,611,635</u>	<u>\$ (44,114)</u>	<u>\$ 4,760</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, 2003**

(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.....	\$ 778,710	\$ 44,291	\$ 97,996	\$ -	\$ (636,423)	\$ -	\$ (636,423)	\$ -	\$ -	\$ -
Public works, transportation and commerce.....	287,910	84,057	21,880	28,626	(153,347)	-	(153,347)	-	-	-
Human welfare and neighborhood development..	626,306	26,349	415,398	-	(184,559)	-	(184,559)	-	-	-
Community health.....	542,480	41,906	255,649	-	(244,925)	-	(244,925)	-	-	-
Culture and recreation.....	242,398	44,629	2,236	16,390	(179,143)	-	(179,143)	-	-	-
General administration and finance.....	186,144	36,525	1,772	1,013	(146,834)	-	(146,834)	-	-	-
General City responsibilities....	53,026	41,123	14,739	-	2,836	-	2,836	-	-	-
Unallocated Interest on long-term debt.....	77,827	-	-	-	(77,827)	-	(77,827)	-	-	-
Total governmental activities.....	2,794,801	318,880	809,670	46,029	(1,620,222)	-	(1,620,222)	-	-	-
Business-type activities:										
Airport.....	641,036	500,116	-	20,678	-	(120,242)	(120,242)	-	-	-
Transportation.....	628,180	155,656	94,093	162,712	-	(215,719)	(215,719)	-	-	-
Port.....	61,074	54,467	-	726	-	(5,881)	(5,881)	-	-	-
Water.....	186,579	170,253	230	-	-	(16,096)	(16,096)	-	-	-
Power.....	95,427	132,190	1,197	-	-	37,960	37,960	-	-	-
Hospitals.....	561,673	429,128	68,702	20,635	-	(43,208)	(43,208)	-	-	-
Sewer.....	153,845	134,745	35	-	-	(19,065)	(19,065)	-	-	-
Market.....	894	1,296	-	-	-	402	402	-	-	-
Total business-type activities.....	2,328,708	1,577,851	164,257	204,751	-	(381,849)	(381,849)	-	-	-
Total primary government.....	\$ 5,123,509	\$ 1,896,731	\$ 973,927	\$ 250,780	\$ (1,620,222)	\$ (381,849)	\$ (2,002,071)	\$ -	\$ -	\$ -
Component units:										
San Francisco Redevelopment Agency.....										
	\$ 119,911	\$ 24,696	\$ 14,266	\$ -	\$ -	\$ -	\$ -	\$ (80,949)	\$ -	\$ -
Treasure Island Development Authority.....										
	9,454	10,290	48	-	-	-	-	-	-	884
Total component units.....	\$ 129,365	\$ 34,986	\$ 14,314	\$ -	\$ -	\$ -	\$ -	\$ (80,949)	\$ -	\$ 884
General Revenues:										
Taxes:										
Property taxes.....	\$ 686,858	\$ -	\$ 686,858	\$ 42,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	276,651	-	276,651	-	-	-	-	-	-	-
Other local taxes.....	450,677	-	450,677	5,738	-	-	-	-	-	-
Interest and investment income.....	26,332	50,215	76,547	14,135	-	-	-	-	-	-
Other.....	196,496	188,446	384,942	6,044	-	-	-	-	-	-
Special item.....	-	33,000	33,000	-	-	-	-	-	-	-
Transfers - internal activities of primary government.....	(178,991)	178,991	-	-	-	-	-	-	-	-
Total general revenues and transfers.....	1,458,023	450,652	1,908,675	68,055	-	-	-	-	-	-
Change in net assets.....	(162,199)	68,803	(93,396)	(12,894)	884	-	-	-	-	-
Net assets (deficit) - beginning.....	1,475,021	4,230,010	5,705,031	(31,220)	3,876	-	-	-	-	-
Net assets (deficit) - ending.....	\$ 1,312,822	\$ 4,298,813	\$ 5,611,635	\$ (44,114)	\$ 4,760	-	-	-	-	-

CITY AND COUNTY OF SAN FRANCISCO

**Balance Sheet
Governmental Funds**

June 30, 2003

(with comparative financial information as of June 30, 2002)

(in thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2003	2002	2003	2002	2003	2002
ASSETS						
Deposits and investments with City Treasury.....	\$ 137,738	\$ 311,466	\$ 567,264	\$ 724,801	\$ 705,002	\$ 1,036,267
Deposits and investments outside City Treasury.....	4,149	361	126,034	132,498	130,183	132,859
Receivables:						
Property taxes and penalties.....	25,455	26,948	5,294	6,447	30,749	33,395
Other local taxes.....	149,138	147,368	11,277	26,505	160,415	173,873
Federal and state grants and subventions.....	50,119	56,890	169,963	83,085	220,082	139,975
Charges for services.....	11,356	16,125	6,685	5,630	18,041	21,755
Interest and other.....	4,469	7,506	3,201	3,105	7,670	10,611
Due from other funds	72,730	66,651	9,665	54	82,395	66,705
Due from component unit	444	400	11,276	22,187	11,720	22,587
Loans receivable (net of allowance for uncollectable amount of \$183,424 in 2003; \$165,637 in 2002).....	1,043	183	197,923	148,942	198,966	149,125
Deferred charges and other assets.....	6,224	5,862	1,832	1,338	8,056	7,200
Total assets.....	<u>\$ 462,865</u>	<u>\$ 639,760</u>	<u>\$ 1,110,414</u>	<u>\$ 1,154,592</u>	<u>\$ 1,573,279</u>	<u>\$ 1,794,352</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable.....	\$ 70,157	\$ 92,514	\$ 61,628	\$ 58,214	\$ 131,785	\$ 150,728
Accrued payroll.....	70,902	66,071	14,998	14,167	85,900	80,238
Accrued interest payable.....	-	-	-	398	-	398
Deferred tax, grant and subvention revenues.....	28,622	27,604	11,743	11,680	40,365	39,284
Due to other funds.....	700	-	115,105	33,893	115,805	33,893
Agency obligations.....	-	-	40	-	40	-
Deferred credits and other liabilities.....	96,172	73,180	219,874	167,669	316,046	240,849
Total liabilities.....	<u>266,553</u>	<u>259,369</u>	<u>423,388</u>	<u>286,021</u>	<u>689,941</u>	<u>545,390</u>
Fund balances:						
Reserved for cash requirements.....	55,139	93,293	-	-	55,139	93,293
Reserved for emergencies.....	4,198	4,198	-	-	4,198	4,198
Reserved for assets not available for appropriation....	6,768	6,406	25,906	41,233	32,674	47,639
Reserved for debt service.....	-	-	33,866	36,548	33,866	36,548
Reserved for encumbrances.....	43,195	52,735	278,656	340,591	321,851	393,326
Reserved for appropriation carryforward.....	26,880	61,716	227,818	285,508	254,698	347,224
Reserved for subsequent years' budgets.....	15,414	25,379	8,004	18,604	23,418	43,983
Unreserved (deficit), reported in:						
General fund.....	44,718	136,664	-	-	44,718	136,664
Special revenue funds.....	-	-	67,988	97,167	67,988	97,167
Capital project funds.....	-	-	40,561	44,487	40,561	44,487
Permanent fund.....	-	-	4,227	4,433	4,227	4,433
Total fund balances.....	<u>196,312</u>	<u>380,391</u>	<u>687,026</u>	<u>868,571</u>	<u>883,338</u>	<u>1,248,962</u>
Total liabilities and fund balances.....	<u>\$ 462,865</u>	<u>\$ 639,760</u>	<u>\$ 1,110,414</u>	<u>\$ 1,154,592</u>	<u>\$ 1,573,279</u>	<u>\$ 1,794,352</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, 2003

(In Thousands)

Fund balances - total governmental funds	\$	883,338
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.		2,205,571
Bond issue costs are not financial resources and, therefore, are not reported in the funds.		8,424
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(1,797,131)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.		(6,199)
Because the focus of governmental funds is not short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.		248,968
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>(230,149)</u>
Net assets of governmental activities	\$	<u>1,312,822</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, 2003

(with comparative financial information for the year ended June 30, 2002)

(in thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2003	2002	2003	2002	2003	2002
Revenues:						
Property taxes.....	\$ 516,955	\$ 507,308	\$ 169,199	\$ 179,842	\$ 686,154	\$ 687,150
Business taxes.....	276,126	274,125	525	723	276,651	274,848
Other local taxes.....	345,735	334,357	104,942	110,233	450,677	444,590
Licenses, permits and franchises.....	16,217	19,548	5,431	6,214	21,648	25,762
Fines, forfeitures and penalties.....	5,595	8,591	3,405	3,454	9,000	12,045
Interest and investment income.....	7,798	20,737	17,772	44,860	25,570	65,597
Rents and concessions.....	17,576	17,636	37,793	45,987	55,369	63,623
Intergovernmental:						
Federal.....	151,790	150,444	168,464	157,499	320,254	307,943
State.....	515,382	510,952	174,889	97,852	690,271	608,804
Other.....	-	-	24,623	33,924	24,623	33,924
Charges for services.....	93,840	102,782	128,043	122,765	221,883	225,547
Other.....	11,880	10,338	15,212	16,067	27,092	26,405
Total revenues.....	<u>1,958,894</u>	<u>1,956,818</u>	<u>850,298</u>	<u>819,420</u>	<u>2,809,192</u>	<u>2,776,238</u>
Expenditures:						
Current:						
Public protection.....	695,693	650,019	39,118	40,031	734,811	690,050
Public works, transportation and commerce.....	57,458	103,579	209,576	192,832	267,034	296,411
Human welfare and neighborhood development.....	492,083	467,688	178,587	145,445	670,670	613,133
Community health.....	424,302	395,465	100,469	89,361	524,771	484,826
Culture and recreation.....	96,959	108,810	155,518	129,516	252,477	238,326
General administration and finance.....	130,786	136,143	32,962	28,602	163,748	164,745
General City responsibilities.....	52,308	49,571	1,015	5,057	53,323	54,628
Debt service:						
Principal retirement.....	-	-	100,902	69,536	100,902	69,536
Interest and fiscal charges.....	-	-	64,243	68,111	64,243	68,111
Bond issuance costs.....	-	534	1,646	2,453	1,646	2,987
Capital outlay.....	-	-	248,928	276,662	248,928	276,662
Total expenditures.....	<u>1,949,589</u>	<u>1,911,809</u>	<u>1,132,964</u>	<u>1,047,606</u>	<u>3,082,553</u>	<u>2,959,415</u>
Excess (deficiency) of revenues over expenditures.....	<u>9,305</u>	<u>45,009</u>	<u>(282,666)</u>	<u>(228,186)</u>	<u>(273,361)</u>	<u>(183,177)</u>
Other financing sources (uses):						
Transfers in.....	105,211	109,941	121,309	157,166	226,520	267,107
Transfers out.....	(303,216)	(316,691)	(120,720)	(219,989)	(423,936)	(536,680)
Issuance of bonds and loans						
Face value of bonds issued.....	-	60,755	71,310	189,240	71,310	249,995
Premium on issuance of bonds.....	-	-	323	3,095	323	3,095
Discount on issuance of bonds.....	-	(176)	-	(62)	-	(238)
Payment to refunded bond escrow agent.....	-	-	-	(136,230)	-	(136,230)
Other financing sources-capital leases.....	3,686	1,417	28,899	90,007	32,585	91,424
Other.....	935	949	-	-	935	949
Total other financing sources (uses).....	<u>(193,384)</u>	<u>(143,805)</u>	<u>101,121</u>	<u>83,227</u>	<u>(92,263)</u>	<u>(60,578)</u>
Net change in fund balances.....	<u>(184,079)</u>	<u>(98,796)</u>	<u>(181,545)</u>	<u>(144,959)</u>	<u>(365,624)</u>	<u>(243,755)</u>
Fund balances at beginning of year.....	380,391	479,187	868,571	1,013,530	1,248,962	1,492,717
Fund balances at end of year.....	<u>\$ 196,312</u>	<u>\$ 380,391</u>	<u>\$ 687,026</u>	<u>\$ 868,571</u>	<u>\$ 883,338</u>	<u>\$ 1,248,962</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, 2003
(In Thousands)

Net change in fund balances - total governmental funds	\$(365,624)
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.	196,681
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.	(50,667)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	704
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.	18,248
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 amount of property rent payments expended in the governmental funds in the current period.	28,143
Bond issue costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	1,241
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 proceeds and capital lease financing exceeded principal retirement in the current period.	(2,993)
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.	(323)
Reduction in accrued interest calculated on bonds and notes payable.	1,917
Increase in accreted interest on capital lease obligations.	(11,255)
Amortization of bond premiums, discounts and refunding losses.	(380)
Reduction in interest calculated pertaining to the City's arbitrage rebate liability.	467
The net revenues of certain activities of internal service funds is reported with governmental activities.	3,414
During the current fiscal year, certain long-term assets and liabilities were transferred from governmental activities to the Municipal Transportation Agency enterprise fund which is reported within business-type activities. This is the amount by which the long-term liabilities transferred exceeded the corresponding long-term capital assets.	21,900
During the current fiscal year, certain long-term liabilities were transferred from the General Hospital Medical Center enterprise fund which is reported within business-type activities to governmental activities. This is the amount by which long-term liabilities increased in governmental activities.	(3,672)
Changes in net assets of governmental activities	<u><u>\$(162,199)</u></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, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Budgetary fund balance, July 1	\$ 173,289	\$ 385,027	\$ 385,027	\$ -
Resources (inflows):				
Property taxes.....	513,235	513,203	518,689	5,486
Business taxes.....	282,110	282,230	276,126	(6,104)
Other local taxes:				
Sales tax.....	130,529	130,529	115,578	(14,951)
Hotel room tax.....	97,070	97,070	74,729	(22,341)
Utility users tax.....	78,208	78,208	71,378	(6,830)
Parking tax.....	34,350	34,350	29,715	(4,635)
Other local taxes.....	47,798	47,798	54,335	6,537
Licenses, permits, and franchises:				
Licenses and permits.....	5,650	5,650	5,485	(165)
Franchise tax.....	11,332	11,332	10,732	(600)
Fines, forfeitures, and penalties.....	4,497	4,497	5,595	1,098
Interest and investment income.....	17,132	17,323	15,909	(1,414)
Rents and concessions:				
Garages - Recreation and Park.....	6,658	6,658	6,232	(426)
Rents and concessions - Recreation and Park.....	11,004	11,004	11,029	25
Other rents and concessions.....	171	171	315	144
Intergovernmental:				
Federal subventions:				
Health and social service subventions.....	145,177	143,885	145,489	1,604
Other grants and subventions.....	3,429	2,170	6,301	4,131
State subventions:				
Social service subventions.....	108,511	112,507	101,730	(10,777)
Health and welfare realignment.....	93,826	94,390	88,294	(6,096)
Health/mental health subventions.....	127,688	127,687	129,600	1,913
Public safety sales tax.....	71,864	71,864	64,284	(7,580)
Motor vehicle in-lieu - county.....	105,645	105,645	103,897	(1,748)
Other grants & subventions.....	28,376	28,418	27,577	(841)
Charges for services:				
General government service charges.....	30,730	31,851	34,072	2,221
Public safety service charges.....	15,990	15,999	10,832	(5,167)
Recreation charges - Recreation and Park.....	5,806	5,806	4,189	(1,617)
MediCal, Medicare and health service charges.....	47,861	49,145	44,747	(4,398)
Other financing sources:				
Transfers from other funds.....	130,747	137,672	104,935	(32,737)
Proceeds from issuance of bonds and loans.....	13,422	13,451	935	(12,516)
Other resources (inflows).....	<u>24,156</u>	<u>24,278</u>	<u>8,070</u>	<u>(16,208)</u>
Total amounts available for appropriation.....	<u>\$ 2,366,261</u>	<u>\$ 2,589,818</u>	<u>\$ 2,455,826</u>	<u>\$ (133,992)</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year ended June 30, 2003
(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.....	\$ 3,257	\$ 3,211	\$ 3,202	\$ 9
Administrative Services - Consumer Assurance.....	1,981	1,541	1,527	14
Administrative Services - Medical Examiner.....	4,095	4,245	4,245	-
Adult Probation.....	9,356	9,335	9,261	74
District Attorney.....	24,345	24,307	24,307	-
Fire Department.....	208,224	210,285	208,299	1,986
Juvenile Probation.....	29,965	29,066	29,066	-
Mayor - Office of the Emergency Services.....	1,305	1,214	849	365
Police Department.....	258,705	265,501	265,474	27
Public Defender.....	13,071	13,211	13,211	-
Sheriff.....	95,694	98,717	98,717	-
Trial Courts.....	33,290	34,776	34,751	25
Public Works Transportation and Commerce				
Board of Appeals.....	443	444	418	26
Business and Economic Development.....	2,373	2,843	2,737	106
Clean Water.....	403	235	228	7
Department of Public Works.....	25,097	27,861	27,178	683
Emergency Communications.....	26,648	26,297	25,397	900
Light, Heat and Power.....	-	241	3	238
Telecommunications and Information Services.....	2,242	1,725	1,496	229
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	21,626	21,192	20,578	614
Children, Youth and Their Families.....	10,792	13,888	12,707	1,181
Commission on the Status of Women.....	2,441	2,422	2,262	160
Environment.....	568	3,565	3,002	563
Human Rights Commission.....	1,808	1,727	1,648	79
Human Services.....	473,481	474,139	451,512	22,627
Mayor - Housing and Neighborhood.....	100	377	85	292
Rent Arbitration Board.....	-	24	24	-
Public Health.....	456,539	461,958	424,016	37,942
Culture and Recreation				
Academy of Sciences.....	1,977	1,978	1,954	24
Administrative Services - Convention Facilities.....	400	515	515	-
Art Commission.....	6,696	6,904	6,812	92
Asian Art Museum.....	5,983	5,961	5,163	798
County Education Office.....	68	69	69	-
Fine Arts Museum.....	5,001	5,014	4,383	631
Law Library.....	525	509	495	14
Mayor - Grants for the Arts.....	15,858	15,702	13,377	2,325
Recreation and Park Commission.....	64,268	65,702	64,191	1,511
General Administration and Finance				
Administrative Services.....	14,233	11,243	11,108	135
Administrative Services - Office of Contract Administration..	2,844	2,889	2,547	342
Assessor/Recorder.....	10,170	10,299	10,226	73
Board of Supervisors.....	9,003	8,736	8,733	3

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Budgetary Comparison Statement - General Fund (Continued)
Year ended June 30, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
City Attorney.....	9,149	8,640	7,523	1,117
City Planning.....	12,316	12,821	12,821	-
Civil Service.....	703	743	710	33
Controller.....	20,958	20,978	19,875	1,103
Elections.....	8,939	8,862	8,486	376
Ethics Commission.....	2,156	2,178	1,357	821
Human Resources.....	21,056	22,386	22,017	369
Mayor.....	7,367	7,319	7,265	54
Retirement Services.....	246	156	156	-
Treasurer/Tax Collector.....	17,595	18,199	17,925	274
General City Responsibilities				
General City Responsibilities.....	54,556	61,416	52,677	8,739
Other financing uses:				
Debt Service.....	7,259	-	-	-
Transfers to other funds.....	301,969	313,341	296,795	16,546
Budgetary reserves and designations.....	57,117	83,595	5,279	78,316
Total charges to appropriations.....	<u>2,366,261</u>	<u>2,430,502</u>	<u>2,248,659</u>	<u>181,843</u>
Budgetary fund balance, June 30	\$ -	\$ 159,316	\$ 207,167	\$ 47,851

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

Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation"		\$ 2,455,826
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.....		(385,027)
Property tax revenue - Teeter Plan.....		(1,734)
Unrealized loss on investment.....		(8,111)
Interest reclassified as transfers from other funds.....		3,810
Proceeds from issuance of bonds and loans.....		(935)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.....		<u>(104,935)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....		<u>\$ 1,958,894</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations"		\$ 2,248,659
Difference - budget to GAAP:		
Capital asset purchases funded under capital leases with Finance Corporation.....		(3,686)
Other budget to GAAP differences.....		2,362
Pension reimbursement		4,328
Change recognized in budget basis reserves.....		(5,279)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....		<u>(296,795)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.....		<u>\$ 1,949,589</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, 2003
(with summarized financial information as of June 30, 2002)
(In Thousands)

	Business-type Activities - Enterprise Funds											Total	2003	2002	Governmental Activities-Internal Service Funds		
	Major Funds										Other Fund						
	San Francisco Internal- Airport	Water Department	Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	Clean Water Program	Port of San Francisco	Laguna Honda Hospital	Market Corporation	2003						2002	
ASSETS																	
Current Assets:																	
Deposits and investments with City Treasury.....	\$ 271,646	\$ 189,359	\$ 83,317	\$ 9,110	\$ 874	\$ 49,007	\$ 52,842	\$ -	\$ -	\$ -	\$ 52,842	\$ -	\$ -	\$ 656,155	\$ 754,778	\$ 9,105	\$ 14,499
Deposits and investments outside City Treasury.....	10	40	10	6,764	10	-	9	1	-	-	9	1	1,164	8,008	3,508	23,155	51,732
Receivables (net of allowance for uncollectible amounts of \$23,093 and \$13,462 in 2003 and 2002, respectively):																	
Federal and state grants and subventions.....	-	-	32	41,720	3,474	35	439	-	-	-	-	-	-	45,700	39,306	-	-
Charges for services.....	38,969	25,959	9,855	3,354	29,041	20,923	2,885	18,524	28	-	-	-	-	149,538	156,220	-	-
Interest and other.....	1,899	3,068	420	6,377	48,948	550	849	-	-	-	-	-	-	62,111	68,364	461	1,251
Loan and capital lease receivables.....	-	-	-	-	-	-	-	-	-	-	-	-	-	85	-	16,980	16,922
Due from other funds.....	-	-	6,869	60,395	48	-	-	-	-	-	-	-	-	67,312	13,529	-	-
Inventories.....	120	1,687	237	36,250	4,612	-	1,193	915	-	-	-	-	-	45,014	37,801	-	-
Deferred charges and other assets.....	1,979	-	-	5,212	-	-	1,322	-	-	-	-	-	21	8,534	6,266	294	390
Total current assets.....	314,623	220,113	100,825	169,182	87,007	70,515	59,539	19,440	-	-	59,539	19,440	1,213	1,042,457	1,079,772	49,995	84,794
Restricted assets:																	
Deposits and investments with City Treasury.....	255,301	112,680	-	45,614	-	85,356	3,859	51,492	-	-	3,859	51,492	-	554,302	601,351	-	-
Deposits and investments outside City Treasury.....	273,329	13,504	-	23,630	26	32,649	11,360	296	102	-	11,360	296	-	354,896	390,938	-	-
Grants and other receivables.....	17,372	734	-	6,001	-	289	-	813	-	-	-	813	-	25,209	33,960	-	-
Total restricted assets.....	546,002	126,918	-	75,245	26	118,294	15,219	52,601	-	-	15,219	52,601	102	934,407	1,026,249	-	-
Noncurrent assets:																	
Deferred charges and other assets.....	45,980	4,223	-	4,414	-	2,765	8,059	-	-	-	8,059	-	-	65,441	65,756	2,510	2,266
Loan and capital lease receivables.....	-	-	767	-	-	-	-	-	-	-	-	-	-	767	-	-	-
Capital assets:																	
Land and other assets not being depreciated.....	109,283	135,425	61,879	216,434	2,869	30,692	142,221	41,424	-	-	142,221	41,424	-	740,227	1,454,905	-	-
Facilities, infrastructure, and equipment, net of depreciation.....	3,862,056	573,912	188,919	1,586,137	56,835	1,295,265	105,434	7,279	5,507	-	105,434	7,279	5,507	7,681,344	6,730,919	2,620	3,597
Total capital assets.....	3,971,339	709,337	250,798	1,802,571	59,704	1,325,957	247,655	48,703	5,507	-	247,655	48,703	5,507	8,421,571	8,185,824	2,620	3,597
Total noncurrent assets.....	4,017,319	713,560	251,565	1,806,985	59,704	1,328,722	255,714	48,703	5,507	-	255,714	48,703	5,507	8,487,779	8,251,580	241,393	247,726
Total assets.....	4,877,944	1,060,591	352,390	2,051,412	146,737	1,517,531	330,472	120,744	6,822	-	330,472	120,744	6,822	10,464,643	10,357,601	291,388	332,520

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Assets - Proprietary Funds (Continued)
June 30, 2003
(with summarized financial information as of June 30, 2002)
(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	2003	2002	Governmental Activities-Internal Service Funds
LIABILITIES													
Current liabilities:													
Accounts payable.....	13,566	8,718	11,423	48,562	12,874	4,071	2,396	2,762	168	104,540	119,989	4,713	6,814
Accrued payroll.....	8,824	6,508	1,302	24,452	13,711	2,298	1,463	8,233	-	66,791	61,174	2,464	2,315
Accrued vacation and sick leave pay.....	5,757	3,894	880	13,857	7,484	1,986	1,006	4,702	-	39,566	38,811	1,833	1,434
Accrued workers' compensation.....	1,305	2,074	384	24,841	5,007	829	644	2,862	-	37,946	30,476	244	250
Estimated claims payable.....	209	1,025	38	10,754	-	260	1,500	-	-	13,786	16,668	-	-
Due to other funds.....	320	1,043	-	1,600	23,009	-	2,000	5,882	-	33,854	44,314	48	2,027
Deferred credits and other liabilities.....	37,602	42,412	550	6,826	15,663	-	7,260	184	45	110,542	107,474	28,772	58,752
Accrued interest payable.....	-	4,136	17	589	-	10,255	149	-	-	15,146	12,381	1,095	2,997
Bonds, loans, capital leases, and other payables.....	58,858	13,345	103	6,705	787	14,929	518	222	-	95,467	185,185	17,931	16,094
Total current liabilities.....	126,441	83,155	14,697	138,186	78,535	34,628	16,936	24,847	213	517,638	616,472	57,100	90,683
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables.....	11,772	-	-	-	-	-	3,595	-	-	15,367	12,115	-	-
Accrued interest payable.....	37,037	-	-	-	-	-	940	-	-	37,977	42,666	-	-
Other.....	26,666	10,522	-	904	26	638	4,130	951	-	43,837	63,404	-	-
Total liabilities payable from restricted assets.....	75,475	10,522	-	904	26	638	8,665	951	-	97,181	118,185	-	-
Noncurrent liabilities:													
Accrued vacation and sick leave pay.....	5,400	3,923	705	10,177	5,355	1,637	884	2,982	-	31,063	30,617	1,754	1,382
Accrued workers' compensation.....	4,454	7,747	1,509	84,212	17,418	3,001	2,287	10,582	-	131,210	96,928	835	762
Estimated claims payable.....	250	2,798	105	16,918	-	714	400	-	-	21,185	28,618	-	-
Deferred credits and other liabilities.....	-	3,997	-	36,876	-	91	2,959	-	113	44,036	52,929	-	-
Bonds, loans, capital leases, and other payables.....	4,154,320	499,601	868	94,460	1,992	542,007	30,269	-	-	5,323,517	5,183,842	236,828	244,099
Total noncurrent liabilities.....	4,164,424	518,066	3,187	242,643	24,765	547,450	36,799	13,564	113	5,551,011	5,392,934	239,417	246,243
Total liabilities.....	4,366,340	611,743	17,884	381,733	103,326	582,716	62,400	39,362	326	6,165,830	6,127,591	296,517	336,926
NET ASSETS													
Invested in capital assets, net of related debt.....	(13,205)	273,644	250,798	1,652,327	56,925	782,268	222,211	48,481	-	3,273,449	3,115,392	2,620	4,164
Restricted:													
Debt service.....	224,521	14,712	-	679	-	33,330	-	-	-	273,242	334,747	-	-
Capital projects.....	8,550	20,611	-	3,887	-	66,679	-	47,966	-	147,693	141,154	-	-
Other purposes.....	-	-	-	57,346	26	-	2,128	2,116	-	61,616	70,118	-	-
Unrestricted (deficit).....	291,738	139,881	83,708	(44,560)	(13,540)	52,538	43,733	(17,181)	6,496	542,813	568,599	(7,749)	(8,570)
Total net assets (deficit).....	\$ 511,604	\$ 448,848	\$ 334,506	\$ 1,669,679	\$ 43,411	\$ 934,815	\$ 268,072	\$ 81,382	\$ 6,496	\$ 4,298,813	\$ 4,230,010	\$ (5,129)	\$ (4,406)

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

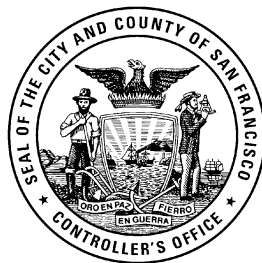
CITY AND COUNTY OF SAN FRANCISCO

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds**

Year ended June 30, 2003
(with summarized financial information for the year ended June 30, 2002)
(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	Parking Garages and Market Corporation	Total	Governmental Activities-Internal Service Funds		
2003	2003	2003	2003	2003	2003	2003	2003	2003	2003	2003	2002	2002	
Operating revenues:	\$ 347,998	\$ 157,727	\$ 131,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347,998	\$ 318,772	\$ -	\$ -
Aviation.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Water and power service.....	-	-	131,963	-	-	-	-	-	-	289,690	260,712	-	-
Passenger fees.....	-	-	-	97,764	-	-	-	-	-	97,764	97,162	-	-
Net patient service revenue.....	-	-	-	-	296,974	-	-	116,431	-	413,405	398,782	-	-
Sewer service.....	-	-	-	-	-	130,013	-	-	-	130,013	129,925	-	-
Rents and concessions.....	62,790	8,611	227	14,460	3,183	-	43,512	-	-	132,783	117,913	8	31
Parking and transportation.....	49,367	-	-	29,803	-	-	7,466	-	-	86,636	96,111	-	-
Charges for services.....	-	-	-	668	-	-	-	-	-	668	-	-	-
Other revenues.....	39,961	3,915	-	12,961	12,190	4,732	3,489	350	1,296	78,894	59,855	96,334	102,331
Total operating revenues.....	500,116	170,253	132,190	155,656	312,347	134,745	54,467	116,781	1,296	1,577,851	1,479,232	96,342	102,362
Operating expenses:	152,586	50,959	19,406	428,362	238,130	37,480	50,103	132,359	170	1,109,455	1,005,778	42,030	39,819
Personal services.....	54,713	5,168	4,072	32,890	105,475	5,432	-	3,187	346	211,283	221,118	33,010	37,216
Contractual services.....	21,028	-	43,118	1,179	-	-	-	-	79	65,404	87,812	-	-
Light, heat and power.....	6,519	6,842	1,914	25,344	38,349	7,288	-	11,666	3	97,925	112,823	15,100	16,331
Materials and supplies.....	148,294	31,430	9,572	69,332	6,432	38,369	8,655	1,260	272	313,616	286,834	1,438	2,709
Depreciation and amortization.....	4,304	22,685	11,941	30,155	870	11,974	-	-	6	81,935	89,280	889	1,737
General and administrative services provided by other departments.....	10,837	30,496	2,857	25,627	18,080	20,656	-	3,740	-	112,293	100,449	2,832	2,985
Other.....	48,725	20,043	2,530	9,778	-	7,978	-	90	2	89,146	35,511	1,888	2,778
Total operating expenses.....	447,006	167,523	95,410	622,667	407,336	129,177	58,758	152,302	878	2,081,057	1,939,605	97,187	103,575
Operating income (loss).....	53,110	2,730	36,780	(467,011)	(94,989)	5,568	(4,291)	(35,521)	418	(503,206)	(460,373)	(845)	(1,213)
Nonoperating revenues (expenses):													
Operating grants:													
Federal.....	-	230	565	18,667	-	-	-	-	-	19,462	5,151	-	-
State / other.....	-	-	632	75,426	68,702	35	-	-	-	144,795	162,654	-	-
Interest and investment income.....	33,137	7,576	1,365	2,223	-	4,123	1,774	-	17	50,215	63,530	4,258	7,003
Interest expense.....	(194,030)	(19,056)	(17)	(5,513)	(1,807)	(24,668)	(2,316)	(228)	(16)	(247,651)	(243,480)	(4,333)	(7,432)
Other, net.....	54,050	5,264	855	124,107	6,190	(623)	(2,313)	906	-	188,446	199,679	-	18
Total nonoperating revenues (expenses).....	(106,833)	(5,986)	3,400	214,910	73,085	(21,133)	(2,855)	678	1	155,267	187,534	(75)	(411)
Income (loss) before capital contributions, transfers and special items..	(53,723)	(3,256)	40,180	(252,101)	(21,904)	(15,565)	(7,146)	(34,843)	419	(347,939)	(272,839)	(920)	(1,624)
Capital Contributions.....	20,678	-	-	162,712	-	-	726	20,635	-	204,751	251,747	-	-
Transfers in.....	-	-	-	260,459	89,943	-	-	33,110	-	383,512	214,381	197	512
Transfers out.....	(16,823)	-	-	(54,531)	(73,307)	-	-	-	(59,860)	(204,521)	(89,982)	-	-
Net income (loss) before special item.....	(49,868)	(3,256)	40,180	116,539	(5,268)	(15,565)	(6,420)	18,902	(59,441)	35,803	103,307	(723)	(1,112)
Special item.....	-	-	33,000	-	-	-	-	-	-	33,000	-	-	-
Change in net assets.....	(49,868)	(3,256)	73,180	116,539	(5,268)	(15,565)	(6,420)	18,902	(59,441)	68,803	103,307	(723)	(1,112)
Net assets (deficit) at beginning of year.....	561,472	452,104	261,326	1,553,140	48,679	950,380	274,492	62,480	65,937	4,230,010	4,126,703	(4,406)	(3,294)
Net assets (deficit) at end of year.....	\$ 511,604	\$ 448,848	\$ 334,506	\$ 1,669,679	\$ 43,411	\$ 934,815	\$ 268,072	\$ 81,382	\$ 6,496	\$ 4,298,813	\$ 4,230,010	\$ (5,129)	\$ (4,406)

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, 2003
(with summarized financial information for the year ended June 30, 2002)
(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	Parking Garages and Market Corporation	Total	Governmental Activities-Internal Service Funds																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash flows from operating activities:													Cash received from customers, including cash deposits.....	\$ 490,743	\$ 150,814	\$ 131,142	\$ 157,585	\$ 315,041	\$ 135,992	\$ 7,081	\$ -	\$ 1,296	\$ 1,359,694	\$ 111,900	\$ 115,302	Cash received from patients and third party payors.....	-	8,611	227	16,971	3,183	-	43,998	120,371	-	103,145	-	-	Cash received from tenants for rent.....	-	(43,845)	(20,258)	(395,833)	(238,562)	(35,222)	(19,995)	(134,106)	-	57,802	-	-	Cash paid to employees for services.....	(151,608)	(77,363)	(71,560)	(147,144)	(162,419)	(54,969)	(19,271)	(19,860)	(170)	(1,037,599)	(41,043)	(38,873)	Cash paid to suppliers for goods and services.....	(99,443)	(4,141)	(2,295)	(6,963)	-	(1,158)	-	-	(443)	(652,472)	(95,268)	(155,795)	Cash paid for judgements and claims.....	-	34,076	37,256	(375,384)	(80,757)	44,643	11,813	(33,595)	-	(14,557)	-	-	Net cash provided by (used in) operating activities.....	239,692	230	1,344	182,294	65,228	-	-	-	683	(121,573)	(24,411)	(79,366)	Cash flows from noncapital financing activities:													Operating grants.....	2,541	-	-	202,465	86,271	-	-	-	-	251,637	-	-	Transfers in.....	-	-	-	(54,531)	(73,307)	-	-	33,110	-	321,846	-	512	Transfers out.....	(16,823)	-	-	3,199	-	-	-	-	(1,866)	(146,527)	-	-	Transit Impact Development fees received.....	-	-	-	-	6,190	-	-	-	-	3,199	-	-	Other noncapital increases.....	-	-	-	(171)	-	-	-	-	-	6,190	-	-	Other noncapital decreases.....	-	-	-	-	-	-	-	-	-	5,224	-	-	Net cash provided by (used in) noncapital financing activities.....	(14,282)	230	1,344	333,256	84,382	-	-	33,110	(1,866)	436,174	197	512	Cash flows from capital financing activities:													Capital grants.....	27,523	-	-	128,360	-	-	1,145	-	-	157,928	-	-	Transfers in.....	-	-	-	-	-	-	-	-	-	272,423	-	145,791	Bond sale proceeds and loans received.....	507	164,665	971	66,988	-	32,998	-	-	(251)	265,878	11,070	7,928	Proceeds from sale of capital assets.....	13	1,200	-	661	-	-	-	-	-	1,874	-	-	Loss from disposition of fixed assets.....	-	-	-	(69)	-	-	-	-	-	(69)	-	-	Proceeds from commercial paper borrowings.....	-	-	-	-	-	-	-	-	-	260,847	-	-	Loans received.....	-	-	-	-	-	-	-	-	-	-	2,091	3,541	Proceeds from passenger facility charges.....	53,435	-	-	-	-	-	-	-	-	53,435	-	-	Acquisition of capital assets.....	(124,385)	(115,997)	(18,712)	(225,585)	(2,437)	(15,114)	(14,448)	(20,269)	(134)	(537,081)	(339)	(3,627)	Retirement of capital leases, bonds and loans.....	(52,260)	(11,789)	-	(3,609)	-	(69,871)	(4,720)	(210)	-	(142,459)	(16,869)	(16,902)	Retirement of commercial paper borrowings.....	-	(90,000)	-	-	-	-	-	-	-	(90,000)	-	-	Bond issue costs paid.....	(736)	-	-	-	-	-	-	-	-	(736)	-	(67)	Interest paid on long term debt.....	(221,220)	(21,855)	-	(4,686)	(1,807)	(15,820)	(2,259)	(228)	(153)	(267,822)	(6,129)	(7,468)	Other capital financing increases.....	-	-	-	-	-	-	437	20,635	-	21,072	-	-	Other capital financing decreases.....	(4,358)	-	-	(2,650)	-	-	(5,968)	-	-	(12,976)	-	-	Net cash provided by (used in) capital financing activities.....	(321,481)	(73,576)	(17,741)	(40,590)	(4,244)	(67,807)	(25,807)	(72)	(538)	(551,856)	(10,440)	129,196	Cash flows from investing activities:													Purchases of investments with trustees.....	(2,157,006)	(205,149)	-	(1,376)	-	(58,390)	-	-	24	(2,421,897)	-	-	Proceeds from sale of investments with trustees.....	2,166,717	204,945	-	4,600	-	68,372	5,359	-	-	2,449,993	-	-	Purchases of restricted deposits and investments.....	324,859	-	-	-	-	-	-	-	-	(119,357)	-	-	Proceeds from sale of restricted deposits and investments.....	33,519	6,958	1,353	2,310	-	3,072	2,083	1,047	17	324,859	789	8,178	Interest income received.....	-	4,064	855	7,969	-	(573)	-	(33)	-	50,359	63,904	8,178	Other investing activities.....	248,732	10,818	2,208	13,503	-	12,481	7,442	1,014	41	296,239	432,336	8,093	Net cash provided by investing activities.....	152,661	(28,452)	23,067	(69,215)	(619)	(10,663)	(6,552)	457	(1,680)	58,984	419,593	58,435	Cash and cash equivalents-beginning of year.....	347,602	330,531	60,260	130,864	1,503	145,046	73,270	50,284	2,844	1,142,204	66,231	7,796	Cash and cash equivalents-end of year.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 32,260	\$ 66,231
Cash received from customers, including cash deposits.....	\$ 490,743	\$ 150,814	\$ 131,142	\$ 157,585	\$ 315,041	\$ 135,992	\$ 7,081	\$ -	\$ 1,296	\$ 1,359,694	\$ 111,900	\$ 115,302																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash received from patients and third party payors.....	-	8,611	227	16,971	3,183	-	43,998	120,371	-	103,145	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash received from tenants for rent.....	-	(43,845)	(20,258)	(395,833)	(238,562)	(35,222)	(19,995)	(134,106)	-	57,802	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash paid to employees for services.....	(151,608)	(77,363)	(71,560)	(147,144)	(162,419)	(54,969)	(19,271)	(19,860)	(170)	(1,037,599)	(41,043)	(38,873)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash paid to suppliers for goods and services.....	(99,443)	(4,141)	(2,295)	(6,963)	-	(1,158)	-	-	(443)	(652,472)	(95,268)	(155,795)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash paid for judgements and claims.....	-	34,076	37,256	(375,384)	(80,757)	44,643	11,813	(33,595)	-	(14,557)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Net cash provided by (used in) operating activities.....	239,692	230	1,344	182,294	65,228	-	-	-	683	(121,573)	(24,411)	(79,366)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash flows from noncapital financing activities:													Operating grants.....	2,541	-	-	202,465	86,271	-	-	-	-	251,637	-	-	Transfers in.....	-	-	-	(54,531)	(73,307)	-	-	33,110	-	321,846	-	512	Transfers out.....	(16,823)	-	-	3,199	-	-	-	-	(1,866)	(146,527)	-	-	Transit Impact Development fees received.....	-	-	-	-	6,190	-	-	-	-	3,199	-	-	Other noncapital increases.....	-	-	-	(171)	-	-	-	-	-	6,190	-	-	Other noncapital decreases.....	-	-	-	-	-	-	-	-	-	5,224	-	-	Net cash provided by (used in) noncapital financing activities.....	(14,282)	230	1,344	333,256	84,382	-	-	33,110	(1,866)	436,174	197	512	Cash flows from capital financing activities:													Capital grants.....	27,523	-	-	128,360	-	-	1,145	-	-	157,928	-	-	Transfers in.....	-	-	-	-	-	-	-	-	-	272,423	-	145,791	Bond sale proceeds and loans received.....	507	164,665	971	66,988	-	32,998	-	-	(251)	265,878	11,070	7,928	Proceeds from sale of capital assets.....	13	1,200	-	661	-	-	-	-	-	1,874	-	-	Loss from disposition of fixed assets.....	-	-	-	(69)	-	-	-	-	-	(69)	-	-	Proceeds from commercial paper borrowings.....	-	-	-	-	-	-	-	-	-	260,847	-	-	Loans received.....	-	-	-	-	-	-	-	-	-	-	2,091	3,541	Proceeds from passenger facility charges.....	53,435	-	-	-	-	-	-	-	-	53,435	-	-	Acquisition of capital assets.....	(124,385)	(115,997)	(18,712)	(225,585)	(2,437)	(15,114)	(14,448)	(20,269)	(134)	(537,081)	(339)	(3,627)	Retirement of capital leases, bonds and loans.....	(52,260)	(11,789)	-	(3,609)	-	(69,871)	(4,720)	(210)	-	(142,459)	(16,869)	(16,902)	Retirement of commercial paper borrowings.....	-	(90,000)	-	-	-	-	-	-	-	(90,000)	-	-	Bond issue costs paid.....	(736)	-	-	-	-	-	-	-	-	(736)	-	(67)	Interest paid on long term debt.....	(221,220)	(21,855)	-	(4,686)	(1,807)	(15,820)	(2,259)	(228)	(153)	(267,822)	(6,129)	(7,468)	Other capital financing increases.....	-	-	-	-	-	-	437	20,635	-	21,072	-	-	Other capital financing decreases.....	(4,358)	-	-	(2,650)	-	-	(5,968)	-	-	(12,976)	-	-	Net cash provided by (used in) capital financing activities.....	(321,481)	(73,576)	(17,741)	(40,590)	(4,244)	(67,807)	(25,807)	(72)	(538)	(551,856)	(10,440)	129,196	Cash flows from investing activities:													Purchases of investments with trustees.....	(2,157,006)	(205,149)	-	(1,376)	-	(58,390)	-	-	24	(2,421,897)	-	-	Proceeds from sale of investments with trustees.....	2,166,717	204,945	-	4,600	-	68,372	5,359	-	-	2,449,993	-	-	Purchases of restricted deposits and investments.....	324,859	-	-	-	-	-	-	-	-	(119,357)	-	-	Proceeds from sale of restricted deposits and investments.....	33,519	6,958	1,353	2,310	-	3,072	2,083	1,047	17	324,859	789	8,178	Interest income received.....	-	4,064	855	7,969	-	(573)	-	(33)	-	50,359	63,904	8,178	Other investing activities.....	248,732	10,818	2,208	13,503	-	12,481	7,442	1,014	41	296,239	432,336	8,093	Net cash provided by investing activities.....	152,661	(28,452)	23,067	(69,215)	(619)	(10,663)	(6,552)	457	(1,680)	58,984	419,593	58,435	Cash and cash equivalents-beginning of year.....	347,602	330,531	60,260	130,864	1,503	145,046	73,270	50,284	2,844	1,142,204	66,231	7,796	Cash and cash equivalents-end of year.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 32,260	\$ 66,231																																																																																																								
Operating grants.....	2,541	-	-	202,465	86,271	-	-	-	-	251,637	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Transfers in.....	-	-	-	(54,531)	(73,307)	-	-	33,110	-	321,846	-	512																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Transfers out.....	(16,823)	-	-	3,199	-	-	-	-	(1,866)	(146,527)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Transit Impact Development fees received.....	-	-	-	-	6,190	-	-	-	-	3,199	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Other noncapital increases.....	-	-	-	(171)	-	-	-	-	-	6,190	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Other noncapital decreases.....	-	-	-	-	-	-	-	-	-	5,224	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Net cash provided by (used in) noncapital financing activities.....	(14,282)	230	1,344	333,256	84,382	-	-	33,110	(1,866)	436,174	197	512																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash flows from capital financing activities:													Capital grants.....	27,523	-	-	128,360	-	-	1,145	-	-	157,928	-	-	Transfers in.....	-	-	-	-	-	-	-	-	-	272,423	-	145,791	Bond sale proceeds and loans received.....	507	164,665	971	66,988	-	32,998	-	-	(251)	265,878	11,070	7,928	Proceeds from sale of capital assets.....	13	1,200	-	661	-	-	-	-	-	1,874	-	-	Loss from disposition of fixed assets.....	-	-	-	(69)	-	-	-	-	-	(69)	-	-	Proceeds from commercial paper borrowings.....	-	-	-	-	-	-	-	-	-	260,847	-	-	Loans received.....	-	-	-	-	-	-	-	-	-	-	2,091	3,541	Proceeds from passenger facility charges.....	53,435	-	-	-	-	-	-	-	-	53,435	-	-	Acquisition of capital assets.....	(124,385)	(115,997)	(18,712)	(225,585)	(2,437)	(15,114)	(14,448)	(20,269)	(134)	(537,081)	(339)	(3,627)	Retirement of capital leases, bonds and loans.....	(52,260)	(11,789)	-	(3,609)	-	(69,871)	(4,720)	(210)	-	(142,459)	(16,869)	(16,902)	Retirement of commercial paper borrowings.....	-	(90,000)	-	-	-	-	-	-	-	(90,000)	-	-	Bond issue costs paid.....	(736)	-	-	-	-	-	-	-	-	(736)	-	(67)	Interest paid on long term debt.....	(221,220)	(21,855)	-	(4,686)	(1,807)	(15,820)	(2,259)	(228)	(153)	(267,822)	(6,129)	(7,468)	Other capital financing increases.....	-	-	-	-	-	-	437	20,635	-	21,072	-	-	Other capital financing decreases.....	(4,358)	-	-	(2,650)	-	-	(5,968)	-	-	(12,976)	-	-	Net cash provided by (used in) capital financing activities.....	(321,481)	(73,576)	(17,741)	(40,590)	(4,244)	(67,807)	(25,807)	(72)	(538)	(551,856)	(10,440)	129,196	Cash flows from investing activities:													Purchases of investments with trustees.....	(2,157,006)	(205,149)	-	(1,376)	-	(58,390)	-	-	24	(2,421,897)	-	-	Proceeds from sale of investments with trustees.....	2,166,717	204,945	-	4,600	-	68,372	5,359	-	-	2,449,993	-	-	Purchases of restricted deposits and investments.....	324,859	-	-	-	-	-	-	-	-	(119,357)	-	-	Proceeds from sale of restricted deposits and investments.....	33,519	6,958	1,353	2,310	-	3,072	2,083	1,047	17	324,859	789	8,178	Interest income received.....	-	4,064	855	7,969	-	(573)	-	(33)	-	50,359	63,904	8,178	Other investing activities.....	248,732	10,818	2,208	13,503	-	12,481	7,442	1,014	41	296,239	432,336	8,093	Net cash provided by investing activities.....	152,661	(28,452)	23,067	(69,215)	(619)	(10,663)	(6,552)	457	(1,680)	58,984	419,593	58,435	Cash and cash equivalents-beginning of year.....	347,602	330,531	60,260	130,864	1,503	145,046	73,270	50,284	2,844	1,142,204	66,231	7,796	Cash and cash equivalents-end of year.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 32,260	\$ 66,231																																																																																																																																																																																																																
Capital grants.....	27,523	-	-	128,360	-	-	1,145	-	-	157,928	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Transfers in.....	-	-	-	-	-	-	-	-	-	272,423	-	145,791																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Bond sale proceeds and loans received.....	507	164,665	971	66,988	-	32,998	-	-	(251)	265,878	11,070	7,928																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Proceeds from sale of capital assets.....	13	1,200	-	661	-	-	-	-	-	1,874	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Loss from disposition of fixed assets.....	-	-	-	(69)	-	-	-	-	-	(69)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Proceeds from commercial paper borrowings.....	-	-	-	-	-	-	-	-	-	260,847	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Loans received.....	-	-	-	-	-	-	-	-	-	-	2,091	3,541																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Proceeds from passenger facility charges.....	53,435	-	-	-	-	-	-	-	-	53,435	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Acquisition of capital assets.....	(124,385)	(115,997)	(18,712)	(225,585)	(2,437)	(15,114)	(14,448)	(20,269)	(134)	(537,081)	(339)	(3,627)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Retirement of capital leases, bonds and loans.....	(52,260)	(11,789)	-	(3,609)	-	(69,871)	(4,720)	(210)	-	(142,459)	(16,869)	(16,902)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Retirement of commercial paper borrowings.....	-	(90,000)	-	-	-	-	-	-	-	(90,000)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Bond issue costs paid.....	(736)	-	-	-	-	-	-	-	-	(736)	-	(67)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Interest paid on long term debt.....	(221,220)	(21,855)	-	(4,686)	(1,807)	(15,820)	(2,259)	(228)	(153)	(267,822)	(6,129)	(7,468)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Other capital financing increases.....	-	-	-	-	-	-	437	20,635	-	21,072	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Other capital financing decreases.....	(4,358)	-	-	(2,650)	-	-	(5,968)	-	-	(12,976)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Net cash provided by (used in) capital financing activities.....	(321,481)	(73,576)	(17,741)	(40,590)	(4,244)	(67,807)	(25,807)	(72)	(538)	(551,856)	(10,440)	129,196																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash flows from investing activities:													Purchases of investments with trustees.....	(2,157,006)	(205,149)	-	(1,376)	-	(58,390)	-	-	24	(2,421,897)	-	-	Proceeds from sale of investments with trustees.....	2,166,717	204,945	-	4,600	-	68,372	5,359	-	-	2,449,993	-	-	Purchases of restricted deposits and investments.....	324,859	-	-	-	-	-	-	-	-	(119,357)	-	-	Proceeds from sale of restricted deposits and investments.....	33,519	6,958	1,353	2,310	-	3,072	2,083	1,047	17	324,859	789	8,178	Interest income received.....	-	4,064	855	7,969	-	(573)	-	(33)	-	50,359	63,904	8,178	Other investing activities.....	248,732	10,818	2,208	13,503	-	12,481	7,442	1,014	41	296,239	432,336	8,093	Net cash provided by investing activities.....	152,661	(28,452)	23,067	(69,215)	(619)	(10,663)	(6,552)	457	(1,680)	58,984	419,593	58,435	Cash and cash equivalents-beginning of year.....	347,602	330,531	60,260	130,864	1,503	145,046	73,270	50,284	2,844	1,142,204	66,231	7,796	Cash and cash equivalents-end of year.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 32,260	\$ 66,231																																																																																																																																																																																																																																																																																																																																																																																																																																													
Purchases of investments with trustees.....	(2,157,006)	(205,149)	-	(1,376)	-	(58,390)	-	-	24	(2,421,897)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Proceeds from sale of investments with trustees.....	2,166,717	204,945	-	4,600	-	68,372	5,359	-	-	2,449,993	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Purchases of restricted deposits and investments.....	324,859	-	-	-	-	-	-	-	-	(119,357)	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Proceeds from sale of restricted deposits and investments.....	33,519	6,958	1,353	2,310	-	3,072	2,083	1,047	17	324,859	789	8,178																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Interest income received.....	-	4,064	855	7,969	-	(573)	-	(33)	-	50,359	63,904	8,178																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Other investing activities.....	248,732	10,818	2,208	13,503	-	12,481	7,442	1,014	41	296,239	432,336	8,093																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Net cash provided by investing activities.....	152,661	(28,452)	23,067	(69,215)	(619)	(10,663)	(6,552)	457	(1,680)	58,984	419,593	58,435																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash and cash equivalents-beginning of year.....	347,602	330,531	60,260	130,864	1,503	145,046	73,270	50,284	2,844	1,142,204	66,231	7,796																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		
Cash and cash equivalents-end of year.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 32,260	\$ 66,231																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																		

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, 2003
(with summarized financial information for the year ended June 30, 2002)
(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	Parking Garages and Market Corporation	Total	Governmental Activities-Internal Service Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	\$ 53,110	\$ 2,730	\$ 36,780	\$ (467,011)	\$ (94,989)	\$ 5,568	\$ (4,291)	\$ (35,521)	\$ 418	\$ (503,206)	\$ (460,373)	\$ (645)	\$ (1,213)
Operating income (loss).....	151,334	31,430	9,572	69,332	6,432	38,369	8,655	1,260	272	316,656	289,211	1,438	2,709
Adjustments for non-cash activities:	39,917	-	-	2	31,351	461	365	946	-	73,042	28,788	-	-
Depreciation and amortization.....	-	4,076	-	-	-	-	-	-	-	4,076	5,822	-	-
Provision for uncollectibles.....	-	(561)	(162)	-	-	147	(831)	-	-	(1,407)	(1,475)	-	-
Write off of capital assets.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in assets/liabilities:													
Receivables, net.....	(8,793)	711	(1,315)	2,104	(24,268)	786	25	4,410	-	(26,340)	(70,553)	13,937	13,327
Due from other funds.....	-	-	(6,663)	-	754	-	-	-	-	(5,909)	(802)	-	-
Inventories.....	255	291	30	(6,452)	(942)	-	(40)	(20)	-	(6,878)	5,439	-	-
Deferred charges and other assets.....	(4,691)	2,939	3,360	(2,646)	2,742	-	3,766	-	(7)	3,855	(5,549)	(95)	(387)
Accounts payable.....	978	854	222	(5,193)	(6,452)	2,508	1,166	(1,079)	(13)	(7,455)	4,728	(2,101)	1,573
Accrued payroll.....	-	-	159	2,767	987	55	66	38	-	5,967	2,057	149	246
Accrued vacation and sick leave pay.....	-	2,514	733	3,051	584	168	95	187	-	4,659	3,409	771	266
Accrued workers' compensation.....	-	-	(1,445)	26,711	7,749	(3,754)	461	2,557	-	41,395	24,209	67	434
Estimated claims payable.....	114	(1,043)	(3,477)	(1,039)	3,980	(800)	300	-	-	(5,135)	(9,060)	-	-
Due to other funds.....	7,468	(11,539)	(1,200)	1,600	(6,684)	(800)	2,000	(4,532)	13	(10,459)	41,878	-	-
Deferred credits and other liabilities.....	-	-	-	1,390	(1)	-	76	(1,841)	-	(4,434)	42,482	(37,732)	(96,321)
Total adjustments.....	186,582	31,346	476	91,627	14,232	39,075	16,104	1,926	265	381,633	360,584	(23,566)	(76,153)
Net cash provided by (used in) operating activities.....	\$ 239,682	\$ 34,076	\$ 37,256	\$ (375,384)	\$ (80,757)	\$ 44,643	\$ 11,813	\$ (33,595)	\$ 683	\$ (121,573)	\$ (99,789)	\$ (24,411)	\$ (79,366)
Reconciliation of cash and cash equivalents to the balance sheet:													
Deposits and investments with City Treasury:													
Unrestricted.....	\$ 271,646	\$ 189,359	\$ 83,317	\$ 9,110	\$ 874	\$ 49,007	\$ 52,842	\$ -	\$ -	\$ 656,155	\$ 754,778	\$ 9,105	\$ 14,499
Restricted.....	255,301	112,680	-	45,614	-	85,356	3,859	51,492	-	554,302	601,351	-	-
Unrestricted deposits and investments outside City Treasury.....	10	40	10	6,764	10	-	9	1	1,164	8,008	3,508	23,155	51,732
Total deposits and investments.....	526,957	302,079	83,327	61,488	884	134,363	56,710	51,493	1,164	1,218,465	1,359,637	32,260	66,231
Add: Restricted deposits outside City Treasury meeting the definition of cash equivalents.....	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: Deposits and investments not meeting the definition of cash equivalents.....	(26,694)	-	-	161	-	-	10,567	100	-	10,828	15,322	-	-
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 500,263	\$ 302,079	\$ 83,327	\$ 61,649	\$ 884	\$ 134,363	\$ 66,718	\$ 50,741	\$ 1,164	\$ 1,201,188	\$ 1,142,204	\$ 32,260	\$ 66,231

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, 2003

(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury.....	\$ 75,943	\$ 223,074	\$ 87,338
Deposits and investments outside City Treasury.....	11,139,540	-	1,005
Receivables:			
Payroll contribution.....	14,619	-	51,849
Interest and other.....	162,749	1,535	86,453
Invested securities lending collateral.....	1,107,990	-	-
Deferred charges and other assets.....	175	-	24,869
Total assets.....	12,501,016	224,609	\$ 251,514
Liabilities			
Accounts payable.....	16,165	652	52,687
Estimated claims payable.....	15,044	-	-
Agency obligations.....	-	-	198,827
Obligations under fixed coupon dollar repurchase agreements.....	205,782	-	-
Payable to brokers.....	560,809	-	-
Securities lending collateral.....	1,107,990	-	-
Deferred credits and other liabilities.....	24,043	-	-
Total liabilities.....	1,929,833	652	\$ 251,514
Net Assets			
Held in trust for pension and other employee benefits and pool participants...	\$ 10,571,183	\$ 223,957	

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, 2003
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions.....	\$ 230,173	\$ -
Employer contributions.....	309,682	-
Contributions on pooled investments.....	-	1,890,091
Total contributions.....	539,855	1,890,091
Investment income:		
Interest.....	175,941	5,449
Dividends.....	73,415	-
Net increase in fair value of investments.....	171,972	-
Securities lending income.....	22,288	-
Fixed coupon dollar repurchase agreement income.....	4,197	-
Total investment income	447,813	5,449
Less investment expenses:		
Securities lending borrower rebates and expenses.....	(15,778)	-
Fixed coupon dollar repurchase finance charges and expenses.....	(3,038)	-
Other expenses.....	(21,454)	-
Total investment expenses.....	(40,270)	-
Total additions, net.....	947,398	1,895,540
Deductions:		
Benefit payments.....	811,584	-
Refunds of contributions.....	8,214	-
Distribution from pooled investments.....	-	1,972,156
Administrative expenses.....	10,744	-
Total deductions.....	830,542	1,972,156
Change in net assets.....	116,856	(76,616)
Net assets at beginning of year.....	10,454,327	300,573
Net assets at end of year.....	\$ 10,571,183	\$ 223,957

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, 2003

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

San Francisco Finance Corporation (Finance Corporation) - The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. Financial statements for the Finance Corporation can be obtained from the Finance Corporation's administrative offices at City Hall, Room 336, #1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) - The Parking Authority was created in October 1949. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (DPT). The DPT consists of five commissioners appointed by the mayor. Upon creation of the DPT, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the DPT. The staff and fiscal operations of the Parking Authority were also incorporated into the DPT. 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. Accordingly, the assets and liabilities of the DPT were transferred from the general and other governmental funds to the MTA (Note 2(b)) which is reported as an enterprise fund. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the Parking Authority's administrative offices at 25 Van Ness Avenue, San Francisco, CA 94102.

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

In Fiscal Year 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.

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

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

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

Non Disclosed Organizations

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

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

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

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

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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. It 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 beginning on July 1, 2002 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. Through June 30, 2002, DPT's activities were reported in the general fund, other governmental funds and the parking garages fund. The 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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

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

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

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

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

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

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, telecommunication and information system support charges, and equipment rentals of the Finance Corporation. 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 modified accrual basis of accounting except for capital project funds, and certain debt service funds which adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) and amounts available for appropriation and (3) the estimated charges to appropriations. The budget represents a process through

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

which policy decisions are made, 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 and data reflected in the financial statements is as follows:

Original Budget

- (1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.
- (2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.
- (3) By the first working day of May, the Mayor submits the Proposed Budget to the Board of Supervisors for departments that are not supported by the City's General Fund or departments that 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 appropriate Committee of the Board of Supervisors conducts hearings, obtains public comment, and reviews the Mayor's proposed annual budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim budget.
- (7) Not later than the last working day of July, the Board of Supervisors adopts the annual 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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

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

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

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

(d) Deposits and Investments

Investment in the Treasurer's Pool

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

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

The San Francisco Unified School District, San Francisco Community College District, and the Trial Courts of the State of California are voluntary participants in the City's investment pool. As of June 30, 2003, \$224 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 9.69%. 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, 2003 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 US government securities that have a remaining maturity at time of purchase of one year or less are carried at amortized cost, which approximates market value.

Employees' Retirement System (Retirement System) - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in market value of open contracts are immediately recognized as gains or losses. The market values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2003, the fair value of open purchase contracts was \$757.8 million, offset by the fair value of open sales contracts of (\$755) million for a net fair value of \$2.8 million. The Retirement System utilized contracts netting to \$303.8 million to hedge (or decrease) the currency risk of foreign investments or to settle trades, and contracts netting to \$306.6 million to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts.

The City Charter and Retirement System Board (Board) policies permit the Retirement System to use investments of the Retirement System's Pension Plan (the Plan) to enter into securities lending transactions. These are loans of securities to broker-dealers and other entities for collateral, with a simultaneous agreement to return collateral for the same securities in the future. The Retirement System's securities custodians are agents in lending the Plan's securities for cash collateral of 102% for domestic securities and 105% for international securities. Securities on loan at year-end are presented as "non-categorized" in the schedule of custodial risk (note 5). As of June 30, 2003, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes the borrowers exceed the amounts the borrowers owe the Retirement System. Contracts with the lending agents require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or if the borrowers fail to pay the Retirement System for income distributions by the securities issuers while the securities are on loan. Non cash collateral cannot be pledged or sold unless the borrower defaults.

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

The City Charter and Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased in the open market at a price higher than the agreed-upon buy back price. This credit exposure at June 30, 2003 was approximately \$1.8 million.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Investments in S&P 500 futures contracts are used to replicate the performance of the S&P 500 index while lowering transaction costs. Changes in market value of open contracts are immediately recognized as gains or losses. At June 30, 2003, the fair value of total open contracts was \$0. Changes in market value of open contracts are immediately recognized as gains or losses.

Investments in fixed income future contracts are used to hedge two fixed income portfolios as their assigned performance benchmark is the Lehman Brothers Global Aggregate Index-Hedged. As of June 30, 2003, the market value of open contracts was \$92 thousand. Changes in the market value of open contracts are immediately recognized as gains or losses.

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

Component Unit - San Francisco Redevelopment Agency - Investments are stated at fair value except for money market investments with maturities of one year or less which have been stated at amortized cost. The fair value of investments has been obtained by using market quotes as of June 30, 2003, and reflects the values as if the Agency were to liquidate the securities on that date.

Investment Income

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

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

The Mayor's Office of Housing administers several housing programs and issues loans to qualified applicants. Many of these loans may be forgiven if certain terms and conditions of the loans are met. They

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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. During the year ended June 30, 2003, re-built inventory items including motors, transmissions, and other smaller parts from MUNI coaches were included in materials and supplies inventory. Previously, the actual costs of in-house re-built inventory items were expensed as incurred. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. An exception is the CWP which accounts for materials and supplies using the purchase method. This method records items as expenses when they are acquired. The governmental fund types also use the purchase method to account for supply inventories.

(g) Redevelopment Agency Property Held for Resale

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

(h) Capital Assets

Capital assets, which include land, facilities and 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 lease 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:

<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.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(i) Accrued Vacation and Sick Leave Pay

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

Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978 are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death. Effective July 1, 2002, the City established a pilot "wellness incentive program" (the Program) to promote workforce attendance. The Program was negotiated as part of the July 1, 2001 to June 30, 2003 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in a Memorandum of Understanding (MOU) dated July 1, 2001, between the City and the effected labor organizations. Under the terms of this MOU and the labor contracts, the Program is in effect from July 1, 2002 to 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.

Effective July 1, 2002, management adopted a policy to charge accrued vacation and sick leave for certain health employees to the Department of Public Health to reflect the organization's structure. Prior to July 1, 2002, accrued vacation and sick leave for these employees were charged to the General Hospital Medical Center. Due to the new policy, certain long-term liabilities were transferred from the General Hospital Medical Center enterprise fund which is reported within business-type activities to governmental activities.

(j) Bond Issuance Costs, Premiums, and Discounts

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

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(k) Fund Equity

Reservations of Fund Equity

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

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

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

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

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

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

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

Reserve for subsequent years' budgets - A portion of fund 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 Assets

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

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2003.

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.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Deficit Net Assets

The Telecommunications and Information Internal Service Fund had a \$4.6 million deficit total net assets as of June 30, 2003. Approximately \$1.2 million of this deficit is due to depreciation that is not funded and will result in continuing deficits. The remaining portion of the deficit of total net assets relates to operations and is expected to be reduced in future years through anticipated rate increases or reductions in operating expenses.

The Central Shops Internal Service Fund had a \$1.2 million deficit as of June 30, 2003. The deficit is due to depreciation and certain non-current accrued expenses that are not funded and will result in continuing deficits in future years.

(l) Interfund Transfers

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

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

(m) Refunding of Debt

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

(n) Cash Flows

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

(o) Estimates

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

(p) Reclassifications

Certain amounts presented as 2002 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform with the presentation in the 2003 basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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, \$883,338, differs from net assets of governmental activities, \$1,312,822, 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.....	\$ 705,002	\$ -	\$ 9,105	\$ -	\$ 714,107
Deposits and investments outside City Treasury.....	130,183	-	23,155	-	153,338
Receivables, net:					
Property taxes and penalties.....	30,749	-	-	-	30,749
Other local taxes.....	160,415	-	-	-	160,415
Federal and state grants and subventions.....	220,082	-	-	-	220,082
Charges for services.....	18,041	-	-	-	18,041
Interest and other.....	7,670	-	461	-	8,131
Due from other funds	82,395	-	-	(82,395)	-
Due from component unit	11,720	-	-	-	11,720
Loans receivable, net.....	198,966	-	-	-	198,966
Capital assets, net.....	-	2,205,571	2,620	-	2,208,191
Deferred charges and other assets.....	8,056	8,424	3,614	-	20,094
Total assets.....	<u>1,573,279</u>	<u>2,213,995</u>	<u>38,955</u>	<u>(82,395)</u>	<u>3,743,834</u>
Liabilities					
Accounts payable.....	131,785	-	4,713	-	136,498
Accrued payroll.....	85,900	-	2,464	-	88,364
Accrued vacation and sick leave pay.....	-	125,306	3,587	-	128,893
Accrued workers' compensation.....	-	194,021	1,079	-	195,100
Estimated claims payable.....	-	58,333	-	-	58,333
Accrued interest payable.....	-	6,199	1,095	-	7,294
Deferred tax, grant and subvention revenues.....	40,365	(39,199)	-	-	1,166
Due to other funds/internal balances.....	115,805	-	48	(82,395)	33,458
Deferred credits and other liabilities.....	316,086	(209,769)	1,359	-	107,676
Bonds, loans, capital leases, and other payables.....	-	1,419,471	254,759	-	1,674,230
Total liabilities.....	<u>689,941</u>	<u>1,554,362</u>	<u>269,104</u>	<u>(82,395)</u>	<u>2,431,012</u>
Fund balances/net assets					
Total fund balances/net assets.....	<u>883,338</u>	<u>659,633</u>	<u>(230,149)</u>	<u>-</u>	<u>1,312,822</u>
Total liabilities and fund balances/net assets.....	<u>\$ 1,573,279</u>	<u>\$ 2,213,995</u>	<u>\$ 38,955</u>	<u>\$ (82,395)</u>	<u>\$ 3,743,834</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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.....	\$ 2,708,976
Accumulated depreciation.....	(503,405)
	<u>\$ 2,205,571</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.

\$ 8,424

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.....	\$ (125,306)
Accrued workers' compensation.....	(194,021)
Estimated claims payable.....	(58,333)
Bonds, loans, capital leases, and other payables.....	(1,419,471)
	<u>\$ (1,797,131)</u>

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

\$ (6,199)

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.....	\$ 39,199
Deferred credits and other liabilities.....	209,769
	<u>\$ 248,968</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.

\$ (230,149)

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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, (\$365,624), differs from the change in net assets for governmental activities (\$162,199) 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.....	\$ 686,154	\$ 704	\$ -	\$ -	\$ -	\$ 686,858
Business taxes.....	276,651	-	-	-	-	276,651
Other local taxes.....	450,677	-	-	-	-	450,677
Licenses, permits and franchises.....	21,648	-	-	-	-	21,648
Fines, forfeitures and penalties.....	9,000	-	-	-	-	9,000
Interest and investment income.....	25,570	-	-	762	-	26,332
Rents and concessions.....	55,369	-	-	-	-	55,369
Intergovernmental:						
Federal.....	320,254	-	-	-	-	320,254
State.....	690,271	-	-	-	-	690,271
Other.....	24,623	-	-	-	-	24,623
Charges for services.....	221,883	-	-	-	-	221,883
Other revenues.....	27,092	-	-	-	-	27,092
Total revenues.....	<u>2,809,192</u>	<u>704</u>	<u>-</u>	<u>762</u>	<u>-</u>	<u>2,810,658</u>
Expenditures/Expenses						
Current:						
Public protection.....	734,811	37,204	10,971	(4,276)	-	778,710
Public works, transportation and commerce.....	267,034	13,928	15,589	(8,641)	-	287,910
Human welfare and neighborhood development.....	670,670	(44,832)	535	(67)	-	626,306
Community health.....	524,771	17,047	998	(336)	-	542,480
Culture and recreation.....	252,477	3,034	10,824	4,206	(28,143)	242,398
General administration and finance.....	163,748	9,173	13,330	(107)	-	186,144
General City responsibilities.....	53,323	(3,135)	-	2,433	405	53,026
Debt service:						
Principal retirement.....	100,902	-	-	-	(100,902)	-
Interest and fiscal charges.....	64,243	-	-	4,333	9,251	77,827
Bond issuance costs.....	1,646	-	-	-	(1,646)	-
Capital outlay.....	248,928	-	(248,928)	-	-	-
Total expenditures/expenses.....	<u>3,082,553</u>	<u>32,419</u>	<u>(196,681)</u>	<u>(2,455)</u>	<u>(121,035)</u>	<u>2,794,801</u>
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds.....	(197,416)	10,361	(28,964)	197	36,831	(178,991)
Issuance of bonds and loans						
Face value of bonds issued.....	71,310	-	-	-	(71,310)	-
Premium on issuance of bonds.....	323	-	-	-	(323)	-
Other Financing sources - capital leases.....	32,585	-	-	-	(32,585)	-
Other.....	935	-	-	-	-	935
Total other financing sources (uses)/changes in net assets.....	<u>(92,263)</u>	<u>10,361</u>	<u>(28,964)</u>	<u>197</u>	<u>(67,387)</u>	<u>(178,056)</u>
Net change for the year.....	\$ (365,624)	\$ (21,354)	\$ 167,717	\$ 3,414	\$ 53,648	\$ (162,199)

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(3)	<p>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.</p>	\$ <u>704</u>								
	<p>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.</p>	\$ (50,667)								
	<p>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.</p>	<u>18,248</u> <u>\$ (32,419)</u>								
(4)	<p>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.</p>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Capital expenditures.....</td> <td style="text-align: right;">\$ 252,456</td> </tr> <tr> <td>Depreciation expenses.....</td> <td style="text-align: right;">(51,855)</td> </tr> <tr> <td>Loss on disposal of capital assets.....</td> <td style="text-align: right;"><u>(3,920)</u></td> </tr> <tr> <td>Difference.....</td> <td style="text-align: right;"><u>\$ 196,681</u></td> </tr> </table>	Capital expenditures.....	\$ 252,456	Depreciation expenses.....	(51,855)	Loss on disposal of capital assets.....	<u>(3,920)</u>	Difference.....	<u>\$ 196,681</u>	
Capital expenditures.....	\$ 252,456									
Depreciation expenses.....	(51,855)									
Loss on disposal of capital assets.....	<u>(3,920)</u>									
Difference.....	<u>\$ 196,681</u>									
(5)	<p>Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.</p>	\$ <u>3,414</u>								
(6)	<p>Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to the lessee.</p>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Total property rent payments.....</td> <td style="text-align: right;"><u>\$ 28,143</u></td> </tr> </table>	Total property rent payments.....	<u>\$ 28,143</u>							
Total property rent payments.....	<u>\$ 28,143</u>									
	<p>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.</p>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Bond issuance costs.....</td> <td style="text-align: right;">\$ 1,646</td> </tr> <tr> <td>Amortization of bond issuance costs.....</td> <td style="text-align: right;"><u>(405)</u></td> </tr> <tr> <td>Difference.....</td> <td style="text-align: right;"><u>\$ 1,241</u></td> </tr> </table>	Bond issuance costs.....	\$ 1,646	Amortization of bond issuance costs.....	<u>(405)</u>	Difference.....	<u>\$ 1,241</u>			
Bond issuance costs.....	\$ 1,646									
Amortization of bond issuance costs.....	<u>(405)</u>									
Difference.....	<u>\$ 1,241</u>									
	<p>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:</p>	\$ <u>(323)</u>								
	<p>Repayment of bond principal is 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 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.</p>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Principal payments made.....</td> <td style="text-align: right;"><u>\$ 100,902</u></td> </tr> </table>	Principal payments made.....	<u>\$ 100,902</u>							
Principal payments made.....	<u>\$ 100,902</u>									
	<p>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:</p>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">General obligation bonds.....</td> <td style="text-align: right;">(29,345)</td> </tr> <tr> <td>Certificate of participation.....</td> <td style="text-align: right;"><u>(41,965)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>(71,310)</u></td> </tr> </table>	General obligation bonds.....	(29,345)	Certificate of participation.....	<u>(41,965)</u>		<u>(71,310)</u>			
General obligation bonds.....	(29,345)									
Certificate of participation.....	<u>(41,965)</u>									
	<u>(71,310)</u>									
	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Capital leases</td> <td style="text-align: right;"><u>(32,585)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>\$ (2,993)</u></td> </tr> </table>	Capital leases	<u>(32,585)</u>		<u>\$ (2,993)</u>					
Capital leases	<u>(32,585)</u>									
	<u>\$ (2,993)</u>									

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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 expended 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.

Reduction in accrued interest.....	\$ 1,917
Increase in accreted interest on capital lease obligations.....	(11,255)
Amortization of bond premiums, discounts and refunding losses.....	(380)
Reduction in arbitrage rebate liability.....	<u>467</u>
	<u>\$ (9,251)</u>

(3,4,6) During the current fiscal year, certain long-term assets and liabilities were transferred from governmental activities to the Municipal Transportation Agency enterprise fund which is reported within business-type activities. This is the amount by which the long-term liabilities transferred exceeded the corresponding long-term capital assets.

Long-term debt transferred	\$ 36,831
Capital assets transferred.....	<u>\$ (28,964)</u>
Other long-term liabilities transferred.....	<u>\$ 14,033</u>

(3) During the current fiscal year, certain long-term liabilities were transferred from the General Hospital Medical Center enterprise fund which is reported in the business-type activities to governmental activities. This is the amount by which the long-term liabilities increased in governmental activities.

	<u>(3,672)</u>
	<u>\$ 10,361</u>

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

Budgetary Results Reconciliation

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

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

(a) Basis differences

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(b) Timing differences

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

The fund balances as of June 30, 2003 on a Budget basis are reconciled to the fund balances on a GAAP basis as follows (in thousands):

	<u>General Fund</u>
Fund balance - Budget basis.....	\$207,167
Unrealized gain on investments.....	3,266
Deferred charges and assets not available for appropriation.....	6,768
Cumulative excess property tax revenues recognized on a Budget basis.....	<u>(20,889)</u>
Fund balance - GAAP basis.....	<u>\$196,312</u>

General Fund Budget basis fund balance at June 30, 2003 is composed of the following (in thousands):

Reserved for cash requirements.....	\$55,139	
Reserved for emergencies.....	4,198	
Reserved for encumbrances.....	43,195	
Reserved for appropriation carryforward.....	26,880	
Reserved for subsequent years' budgets:		
Reserved for budget incentive program.....	4,018	
Reserved for salaries and benefits (MOU).....	4,421	
Reserved for nurses' childcare (MOU).....	1,100	
Reserved for litigation.....	4,364	
Reserved for Recreation & Park savings.....	1,511	
Total reserved amounts.....		\$144,826
Designated for litigation and contingencies.....	14,490	
Unreserved – available for appropriation.....	<u>47,851</u>	
Total unreserved amounts.....		<u>62,341</u>
Fund Balance, June 30, 2003 - Budget basis		<u>\$207,167</u>

Of the \$47.9 million unreserved-available for appropriation, \$47.1 million has been subsequently appropriated as part of the General Fund budget for fiscal year 2004.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(5) DEPOSITS AND INVESTMENTS

The City's deposits and investments are invested pursuant to investment policy guidelines established by the City Treasurer subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee established under California Government Code Sections 27130 to 27137 is composed of various City officials and representatives of agencies with large cash balances. The objectives of the policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. Investments permitted by the City's investment policy include the following:

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

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

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

Employees' Retirement System

The Retirement System's funds are invested pursuant to policy guidelines established by the Retirement System's Board. The objective of the investment policy is to maximize the expected return of the fund at an agreed upon level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified. As of June 30, 2003, the Retirement System had no investments in any one organization that represented 5% or more of plan net assets. Investments held by the Retirement System during the year did not include reverse repurchase agreements.

Other Funds

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Component Units

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

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

Deposits and investments

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

	Primary Government			Total	Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 714,107 ¹	\$ 656,155	\$ 386,355 ²	\$ 1,756,617	\$ 4,250
Deposits and investments outside					
City Treasury.....	153,338 ³	8,008	11,140,545	11,301,891	230,276
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	554,302	-	554,302	-
Deposits and investments outside					
City Treasury.....	-	354,896	-	354,896	218,492
Invested securities lending collateral.....	-	-	1,107,990	1,107,990	-
Total deposits and investments.....	\$ 867,445	\$ 1,573,361	\$ 12,634,890	\$ 15,075,696	\$ 453,018
Deposits.....	\$ (13,219)	\$ 5,000	\$ 9,252	\$ 1,033	\$ 35,590
Investments.....	880,664	1,568,361	12,625,638	15,074,663	417,428
Total deposits and investments.....	\$ 867,445	\$ 1,573,361	\$ 12,634,890	\$ 15,075,696	\$ 453,018

¹ Includes deposits and investments with the City Treasury of total governmental funds (\$705,002) and internal service funds (\$9,105).

² Includes deposits and investments with the City Treasury of pension and other employee benefit trust funds (\$75,943), investment trust fund (\$223,074) and agency funds (\$87,338).

³ Includes deposits and investments outside the City Treasury of total governmental funds (\$130,183) and internal service funds (\$23,155).

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Cash and Deposits

The City had cash and deposits at June 30, 2003, 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.....	\$ 3,866	\$ -	\$ 831	\$ -	\$ 1,005	\$ -	\$ 1	\$ -
Federally insured deposits.....	500	500	1,155	1,154	-	-	334	1,164
Collateralized deposits *.....	(18,067)	84,362	170	50	-	-	35,255	35,255
Uninsured and uncollateralized.....	482	482	2,844	2,790	8,247	8,247	-	-
	<u>\$ (13,219)</u>	<u>\$ 85,344</u>	<u>\$ 5,000</u>	<u>\$ 3,994</u>	<u>\$ 9,252</u>	<u>\$ 8,247</u>	<u>\$ 35,590</u>	<u>\$ 36,419</u>

* Under the City's cash management policy, investments are converted to cash as checks are presented for payment. At June 30, 2003, the carrying amount of collateralized deposits has been reduced by the amount of outstanding checks of approximately \$102 million. Of the \$102 million of outstanding checks, \$38.8 million relates to the San Francisco Unified School District and Community College District which have been reflected in an investment trust fund.

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

The \$11.6 million of uncollateralized cash outlined above consists of \$8.2 million of cash held on behalf of the Employees' Retirement System by a third party trustee, \$0.13 million, \$1.5 million, \$1 million, \$0.19 million, \$0.48 million, of cash held on behalf of Port Commission, MTA, Market Corporation, Laguna Honda Hospital, and the Social Services Corporation, respectively, by third party trustees.

Investments

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

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

At June 30, 2003, investments included the following (in thousands):

Type of Investment	Category			Carrying value
	1	2	3	
Primary Government including Pension and Investment Trust Funds				
<u>Investments in City Treasury:</u>				
U.S. government securities.....	\$ 1,593,898	\$ -	\$ -	\$ 1,593,898
Federal agencies.....	228,027	-	-	228,027
Negotiable certificates of deposit.....	516,049	-	-	516,049
Total Investments in City Treasury.....	2,337,974	-	-	2,337,974
<u>Employees' Retirement System (ERS):</u>				
U.S. government securities.....	292,384	-	2,129	294,513
Short term bills and notes.....	18,200	-	57,295	75,495
Debt securities.....	1,092,143	-	87,711	1,179,854
Equity securities.....	3,717,602	-	-	3,717,602
Total categorized investments.....	5,120,329	-	147,135	5,267,464
Non-categorized investments:				
Mortgage backed securities.....				447,358
Fixed interest mutual funds.....				483,502
Equity investments, including mutual funds.....				567,351
Real estate.....				953,533
Venture capital.....				1,249,167
Money market mutual funds.....				1,085,987
Forward currency contracts.....				2,802
Investment in lending agents' short-term investment pool.....				1,107,990
Investments lent to broker-dealers.....				1,074,129
Total non-categorized investments.....				6,971,819
Total Employees' Retirement System.....				12,239,283
<u>Other Funds:</u>				
U.S. government securities.....	56,049	4,433	407,675	468,157
Total categorized investments.....	56,049	4,433	407,675	468,157
Non-categorized investments:				
Money market mutual funds.....				29,249
Total Other Funds.....				497,406
Total Primary Government including Pension and Investment Trust Funds.....				
	\$ 7,514,352	\$ 4,433	\$ 554,810	\$ 15,074,663
Component Units -				
Redevelopment Agency				
U.S. government securities and Federal agencies.....	\$ 17,857	\$ 57,802	\$ 108,283	\$ 183,942
Bankers' acceptances.....	-	18,186	-	18,186
Commercial paper.....	-	10,774	-	10,774
Repurchase agreements.....	-	-	1,717	1,717
Total categorized investments.....	17,857	86,762	110,000	214,619
Non-categorized investments:				
Guaranteed investment contracts.....				34,220
Local agency investment fund.....				123,657
Money market mutual funds.....				40,682
Total non-categorized investments.....				198,559
Total Redevelopment Agency.....				413,178
Treasure Island Development Authority				
<u>Investments in City Treasury:</u>				
U.S. government securities.....	4,250	-	-	4,250
Total Treasure Island Development Authority.....	4,250	-	-	4,250
Total Component Units.....	\$ 22,107	\$ 86,762	\$ 110,000	\$ 417,428

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The types of investments made during the year were substantially the same as those held as of June 30, 2003. 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, 2003 (in thousands):

Interest and dividends, net of amounts capitalized	\$ 354,692
Net increase in the fair value of investments	<u>152,478</u>
Total investment gain	<u>\$507,170</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 the fair value of pension investments.

The earned yield, which includes net gains on investments sold, on all investments held by the City Treasurer for the fiscal year ended June 30, 2003 was 2.766%.

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2003 (in thousands):

Statement of Net Assets

Net assets held in trust for all pool participants.....	\$ <u>2,315,169</u>
Equity of internal pool participants.....	\$ 2,091,212
Equity of external pool participants.....	<u>223,957</u>
Total equity.....	<u>\$ 2,315,169</u>

Statement of Changes in Net Assets

Net assets at July 1, 2002.....	\$ 2,885,772
Net change in investments by pool participants.....	<u>(570,603)</u>
Net assets at June 30, 2003.....	<u>\$ 2,315,169</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2003 (in thousands):

<u>Type of Investment</u>	<u>Rates</u>	<u>Maturities</u>	<u>Par Value</u>	<u>Carrying Value</u>
US government securities.....	1.00% - 7.52%	7/03/03 - 11/15/06	\$ 1,587,005	\$ 1,598,148
Federal agencies.....	0.85% - 1.33%	7/08/03 - 11/04/03	229,000	228,027
Certificate of deposits.....	0.90% - 1.24%	7/01/03 - 08/12/03	<u>516,000</u>	<u>516,049</u>
			<u>\$ 2,332,005</u>	2,342,224
Carrying amount of deposits in Treasurer's Pool.....				<u>(27,055)</u>
Total cash and investments in Treasurer's Pool.....				<u>\$ 2,315,169</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Supplemental disclosure of non-cash investing and financing activities

San Francisco International Airport

During fiscal year 2003, the San Francisco International Airport (SFO) issued Second Series Revenue Bond Issue 29 to refund previously issued debt. Proceeds from Issue 29 in the amount of \$161.5 million were deposited immediately into irrevocable trusts for the defeasance of \$157.1 million of Second Series Revenue Bonds.

Bond issuance costs of \$2.4 million that was deducted from the proceeds of the Second Series Revenue Bonds was capitalized and will be amortized over the debt repayment period.

Clean Water Program

During fiscal year 2003, the CWP issued 2003 Refunding Bonds Series A (Refunding Bonds) to refund previously issued debt. The \$383.3 million in proceeds was deposited immediately into irrevocable trusts for the defeasance of \$394.4 million of Revenue Bonds and \$6.9 million of current interest. Of the total debt refunded, \$363.9 million was done so with proceeds from the Refunding Bonds and \$30.5 million was done so with available debt service funds held by the CWP.

Bond issuance costs of \$3.4 million that was deducted from the proceeds of the Refunding Bonds was capitalized and will be amortized over the debt repayment period.

Water Department

During fiscal year 2003, the Water Department issued Water Revenue Refunding Bonds Series B (Refunding Bonds) to refund previously issued debt. The \$88.9 million in proceeds was deposited immediately into irrevocable trusts for the defeasance of \$92.1 million of Water Revenue Refunding Bonds and \$1.5 million of current interest. Of the total debt refunded, \$85.7 million was done so with proceeds from the Refunding Bonds and \$6.4 million was done so with available debt service funds held by the Water Department.

Bond issuance costs of \$2.3 million that were deducted from the proceeds of the Water Revenue Refunding Bonds 2002 Series A and the Refunding Bonds were capitalized and will be amortized over the debt repayment period.

Municipal Transportation Agency and Parking Garages

In conjunction with the incorporation of the DPT (including the Parking Garages) into the MTA, \$66.5 million (including \$59.9 million from the Parking Garages) of net assets, were transferred into the MTA.

Other Non Cash Transactions

	General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Total	
				2003	2002
Loss on abandonment of property and equipment.....	\$ -	\$ 119	\$ -	\$ 119	\$ 259
Acquisition of capital assets on accounts payable and capital leases....	754	473	389	1,616	3,151
	<u>\$ 754</u>	<u>\$ 592</u>	<u>\$ 389</u>	<u>\$ 1,735</u>	<u>\$ 3,410</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(6) PROPERTY TAXES

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

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

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. These "override" taxes for debt service amounted to approximately \$102.3 million for the year ended June 30, 2003, of which \$2.8 million was for the San Francisco Community College District (CCD).

Taxable valuation for the year ended June 30, 2003 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately \$90.3 billion, an increase of 6.8%. The secured tax rate was \$1.117 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, \$0.117 for bond debt service, and \$0.350 for the San Francisco Unified School District, CCD, the Bay Area Air Quality Management District, and the Bay Area Rapid Transit District. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.96% and 4.94%, respectively, of the current year tax levy, for an average delinquency rate of 2.21% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the County; in return, as the delinquent property taxes and associated penalties and interest are collected, the County retains such amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required, transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve, as of June 30, 2003 was \$9 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2003, was as follows (in thousands):

Governmental Activities:

	<u>Balance</u> <u>July 1,</u> <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 139,534	\$ 9,838	\$ (7,764)	\$ 141,608
Construction in progress.....	<u>576,490</u>	<u>239,998</u>	<u>(600,830)</u>	<u>215,658</u>
Total capital assets, not being depreciated.....	<u>716,024</u>	<u>249,836</u>	<u>(608,594)</u>	<u>357,266</u>
Capital assets, being depreciated:				
Facilities and improvements.....	1,571,321	479,114	(34,454)	2,015,981
Machinery and equipment.....	231,222	39,990	(38,749)	232,463
Infrastructure.....	23,663	108,145	-	131,808
Property held under lease.....	<u>4,816</u>	<u>-</u>	<u>-</u>	<u>4,816</u>
Total capital assets, being depreciated.....	<u>1,831,022</u>	<u>627,249</u>	<u>(73,203)</u>	<u>2,385,068</u>
Less accumulated depreciation for:				
Facilities and improvements.....	347,702	28,017	(15,907)	359,812
Machinery and equipment.....	153,613	24,666	(8,715)	169,564
Infrastructure.....	-	487	-	487
Property held under lease.....	<u>4,280</u>	<u>-</u>	<u>-</u>	<u>4,280</u>
Total accumulated depreciation.....	<u>505,595</u>	<u>53,170</u>	<u>(24,622)</u>	<u>534,143</u>
Total capital assets, being depreciated, net.....	<u>1,325,427</u>	<u>574,079</u>	<u>(48,581)</u>	<u>1,850,925</u>
Governmental activities capital assets, net.....	<u>\$ 2,041,451</u>	<u>\$ 823,915</u>	<u>\$ (657,175)</u>	<u>\$ 2,208,191</u>

Business-type Activities:

San Francisco International Airport

	<u>Balance</u> <u>July 1,</u> <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 2,316	\$ -	\$ -	\$ 2,316
Construction in progress.....	<u>777,739</u>	<u>152,879</u>	<u>(823,651)</u>	<u>106,967</u>
Total capital assets, not being depreciated.....	<u>780,055</u>	<u>152,879</u>	<u>(823,651)</u>	<u>109,283</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,827,200	778,066	(539)	4,604,727
Machinery and equipment.....	70,480	1,239	(1,479)	70,240
Easements.....	<u>132,939</u>	<u>3,286</u>	<u>(4,377)</u>	<u>131,848</u>
Total capital assets, being depreciated.....	<u>4,030,619</u>	<u>782,591</u>	<u>(6,395)</u>	<u>4,806,815</u>
Less accumulated depreciation for:				
Facilities and improvements.....	715,221	135,100	(310)	850,011
Machinery and equipment.....	49,664	6,707	(1,418)	54,953
Easements.....	<u>33,308</u>	<u>6,487</u>	<u>-</u>	<u>39,795</u>
Total accumulated depreciation.....	<u>798,193</u>	<u>148,294</u>	<u>(1,728)</u>	<u>944,759</u>
Total capital assets, being depreciated, net.....	<u>3,232,426</u>	<u>634,297</u>	<u>(4,667)</u>	<u>3,862,056</u>
Capital assets, net.....	<u>\$ 4,012,481</u>	<u>\$ 787,176</u>	<u>\$ (828,318)</u>	<u>\$ 3,971,339</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Water Department

	<u>Balance</u> <u>July 1,</u> <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 18,083	\$ 29	\$ -	\$ 18,112
Construction in progress.....	<u>103,385</u>	<u>128,129</u>	<u>(114,201)</u>	<u>117,313</u>
Total capital assets, not being depreciated.....	<u>121,468</u>	<u>128,158</u>	<u>(114,201)</u>	<u>135,425</u>
Capital assets, being depreciated:				
Facilities and improvements.....	790,817	76,870	(3,942)	863,745
Machinery and equipment.....	<u>66,950</u>	<u>29,422</u>	<u>(691)</u>	<u>95,681</u>
Total capital assets, being depreciated.....	<u>857,767</u>	<u>106,292</u>	<u>(4,633)</u>	<u>959,426</u>
Less accumulated depreciation for:				
Facilities and improvements.....	306,986	24,844	-	331,830
Machinery and equipment.....	<u>47,754</u>	<u>6,586</u>	<u>(656)</u>	<u>53,684</u>
Total accumulated depreciation.....	<u>354,740</u>	<u>31,430</u>	<u>(656)</u>	<u>385,514</u>
Total capital assets, being depreciated, net.....	<u>503,027</u>	<u>74,862</u>	<u>(3,977)</u>	<u>573,912</u>
Capital assets, net.....	<u>\$ 624,495</u>	<u>\$ 203,020</u>	<u>\$ (118,178)</u>	<u>\$ 709,337</u>

Hetch Hetchy Water and Power

	<u>Balance</u> <u>July 1,</u> <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 4,215	\$ -	\$ -	\$ 4,215
Construction in progress.....	<u>18,461</u>	<u>53,397</u>	<u>(14,194)</u>	<u>57,664</u>
Total capital assets, not being depreciated.....	<u>22,676</u>	<u>53,397</u>	<u>(14,194)</u>	<u>61,879</u>
Capital assets, being depreciated:				
Facilities and improvements.....	391,023	11,130	-	402,153
Machinery and equipment.....	<u>35,618</u>	<u>1,383</u>	<u>(89)</u>	<u>36,912</u>
Total capital assets, being depreciated.....	<u>426,641</u>	<u>12,513</u>	<u>(89)</u>	<u>439,065</u>
Less accumulated depreciation for:				
Facilities and improvements.....	217,733	8,063	-	225,796
Machinery and equipment.....	<u>22,926</u>	<u>1,509</u>	<u>(85)</u>	<u>24,350</u>
Total accumulated depreciation.....	<u>240,659</u>	<u>9,572</u>	<u>(85)</u>	<u>250,146</u>
Total capital assets, being depreciated, net.....	<u>185,982</u>	<u>2,941</u>	<u>(4)</u>	<u>188,919</u>
Capital assets, net.....	<u>\$ 208,658</u>	<u>\$ 56,338</u>	<u>\$ (14,198)</u>	<u>\$ 250,798</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Municipal Transportation Agency

	<u>Balance July 1, 2002</u>	<u>Increases*</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 18,481	\$ 7,764	\$ -	\$ 26,245
Construction in progress.....	291,645	188,728	(290,184)	190,189
Total capital assets, not being depreciated.....	<u>310,126</u>	<u>196,492</u>	<u>(290,184)</u>	<u>216,434</u>
Capital assets, being depreciated:				
Facilities and improvements.....	231,967	142,971	-	374,938
Machinery and equipment.....	814,000	252,394	(23,501)	1,042,893
Infrastructure.....	646,276	46,753	-	693,029
Total capital assets, being depreciated.....	<u>1,692,243</u>	<u>442,118</u>	<u>(23,501)</u>	<u>2,110,860</u>
Less accumulated depreciation for:				
Facilities and improvements.....	81,413	33,794	-	115,207
Machinery and equipment.....	195,944	49,292	(22,254)	222,982
Infrastructure.....	165,148	21,386	-	186,534
Total accumulated depreciation.....	<u>442,505</u>	<u>104,472</u>	<u>(22,254)</u>	<u>524,723</u>
Total capital assets, being depreciated, net.....	<u>1,249,738</u>	<u>337,646</u>	<u>(1,247)</u>	<u>1,586,137</u>
Capital assets, net.....	<u>\$ 1,559,864</u>	<u>\$ 534,138</u>	<u>\$ (291,431)</u>	<u>\$ 1,802,571</u>

* The increases include the transfers of DPT and Parking Garages beginning balances.

General Hospital Medical Center

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 542	\$ -	\$ -	\$ 542
Construction in progress.....	2,918	492	(1,083)	2,327
Total capital assets, not being depreciated.....	<u>3,460</u>	<u>492</u>	<u>(1,083)</u>	<u>2,869</u>
Capital assets, being depreciated:				
Facilities and improvements.....	123,434	1,230	-	124,664
Machinery and equipment.....	41,757	3,774	-	45,531
Total capital assets, being depreciated.....	<u>165,191</u>	<u>5,004</u>	<u>-</u>	<u>170,195</u>
Less accumulated depreciation for:				
Facilities and improvements.....	74,898	4,211	-	79,109
Machinery and equipment.....	32,030	2,221	-	34,251
Total accumulated depreciation.....	<u>106,928</u>	<u>6,432</u>	<u>-</u>	<u>113,360</u>
Total capital assets, being depreciated, net.....	<u>58,263</u>	<u>(1,428)</u>	<u>-</u>	<u>56,835</u>
Capital assets, net.....	<u>\$ 61,723</u>	<u>\$ (936)</u>	<u>\$ (1,083)</u>	<u>\$ 59,704</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Clean Water Program

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 22,445	\$ -	\$ (277)	\$ 22,168
Construction in progress.....	10,613	14,971	(17,060)	8,524
Total capital assets, not being depreciated.....	<u>33,058</u>	<u>14,971</u>	<u>(17,337)</u>	<u>30,692</u>
Capital assets, being depreciated:				
Facilities and improvements.....	1,901,865	14,965	-	1,916,830
Machinery and equipment.....	22,141	1,342	(39)	23,444
Total capital assets, being depreciated.....	<u>1,924,006</u>	<u>16,307</u>	<u>(39)</u>	<u>1,940,274</u>
Less accumulated depreciation for:				
Facilities and improvements.....	588,428	36,969	-	625,397
Machinery and equipment.....	18,251	1,400	(39)	19,612
Total accumulated depreciation.....	<u>606,679</u>	<u>38,369</u>	<u>(39)</u>	<u>645,009</u>
Total capital assets, being depreciated, net.....	<u>1,317,327</u>	<u>(22,062)</u>	<u>-</u>	<u>1,295,265</u>
Capital assets, net.....	<u>\$ 1,350,385</u>	<u>\$ (7,091)</u>	<u>\$ (17,337)</u>	<u>\$ 1,325,957</u>

Port of San Francisco

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 119,512	\$ -	\$ -	\$ 119,512
Construction in progress.....	18,784	12,941	(9,016)	22,709
Total capital assets, not being depreciated.....	<u>138,296</u>	<u>12,941</u>	<u>(9,016)</u>	<u>142,221</u>
Capital assets, being depreciated:				
Facilities and improvements.....	249,828	7,300	(7,007)	250,121
Machinery and equipment.....	11,480	1,571	(174)	12,877
Total capital assets, being depreciated.....	<u>261,308</u>	<u>8,871</u>	<u>(7,181)</u>	<u>262,998</u>
Less accumulated depreciation for:				
Facilities and improvements.....	149,870	7,341	(6,888)	150,323
Machinery and equipment.....	6,102	1,314	(175)	7,241
Total accumulated depreciation.....	<u>155,972</u>	<u>8,655</u>	<u>(7,063)</u>	<u>157,564</u>
Total capital assets, being depreciated, net.....	<u>105,336</u>	<u>216</u>	<u>(118)</u>	<u>105,434</u>
Capital assets, net.....	<u>\$ 243,632</u>	<u>\$ 13,157</u>	<u>\$ (9,134)</u>	<u>\$ 247,655</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Laguna Honda Hospital

	Balance July 1, <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 914	\$ -	\$ -	\$ 914
Construction in progress.....	<u>22,693</u>	<u>20,130</u>	<u>(2,313)</u>	<u>40,510</u>
Total capital assets, not being depreciated.....	<u>23,607</u>	<u>20,130</u>	<u>(2,313)</u>	<u>41,424</u>
Capital assets, being depreciated:				
Facilities and improvements.....	24,251	2,313	-	26,564
Machinery and equipment.....	12,472	139	-	12,611
Property held under lease.....	<u>824</u>	<u>-</u>	<u>-</u>	<u>824</u>
Total capital assets, being depreciated.....	<u>37,547</u>	<u>2,452</u>	<u>-</u>	<u>39,999</u>
Less accumulated depreciation for:				
Facilities and improvements.....	19,532	823	-	20,355
Machinery and equipment.....	11,413	231	-	11,644
Property held under lease.....	<u>515</u>	<u>206</u>	<u>-</u>	<u>721</u>
Total accumulated depreciation.....	<u>31,460</u>	<u>1,260</u>	<u>-</u>	<u>32,720</u>
Total capital assets, being depreciated, net.....	<u>6,087</u>	<u>1,192</u>	<u>-</u>	<u>7,279</u>
Capital assets, net.....	<u>\$ 29,694</u>	<u>\$ 21,322</u>	<u>\$ (2,313)</u>	<u>\$ 48,703</u>

Other Fund - Parking Garages and San Francisco Market Corporation

	Balance July 1, <u>2002</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2003</u>
Capital assets, not being depreciated:				
Construction in progress.....	\$ 22,159	\$ -	\$ (22,159)	\$ -
Total capital assets, not being depreciated.....	<u>22,159</u>	<u>-</u>	<u>(22,159)</u>	<u>-</u>
Capital assets, being depreciated:				
Facilities and improvements.....	84,002	134	(74,664)	9,472
Machinery and equipment.....	<u>3,949</u>	<u>-</u>	<u>(3,924)</u>	<u>25</u>
Total capital assets, being depreciated.....	<u>87,951</u>	<u>134</u>	<u>(78,588)</u>	<u>9,497</u>
Less accumulated depreciation for:				
Facilities and improvements.....	15,114	263	(11,387)	3,990
Machinery and equipment.....	<u>104</u>	<u>-</u>	<u>(104)</u>	<u>-</u>
Total accumulated depreciation.....	<u>15,218</u>	<u>263</u>	<u>(11,491)</u>	<u>3,990</u>
Total capital assets, being depreciated, net.....	<u>72,733</u>	<u>(129)</u>	<u>(67,097)</u>	<u>5,507</u>
Capital assets, net.....	<u>\$ 94,892</u>	<u>\$ (129)</u>	<u>\$ (89,256)</u>	<u>\$ 5,507</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Total Business-type Activities

	<u>Balance July 1, 2002</u>	<u>Increases*</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land.....	\$ 186,508	\$ 7,793	\$ (277)	\$ 194,024
Construction in progress.....	<u>1,268,397</u>	<u>571,667</u>	<u>(1,293,861)</u>	<u>546,203</u>
Total capital assets, not being depreciated.....	<u>1,454,905</u>	<u>579,460</u>	<u>(1,294,138)</u>	<u>740,227</u>
Capital assets, being depreciated:				
Facilities and improvements.....	7,624,387	1,034,979	(86,152)	8,573,214
Machinery and equipment.....	1,078,847	291,264	(29,897)	1,340,214
Infrastructure.....	646,276	46,753	-	693,029
Property held under lease.....	824	-	-	824
Easements.....	<u>132,939</u>	<u>3,286</u>	<u>(4,377)</u>	<u>131,848</u>
Total capital assets, being depreciated.....	<u>9,483,273</u>	<u>1,376,282</u>	<u>(120,426)</u>	<u>10,739,129</u>
Less accumulated depreciation for:				
Facilities and improvements.....	2,169,195	251,408	(18,585)	2,402,018
Machinery and equipment.....	384,188	69,260	(24,731)	428,717
Infrastructure.....	165,148	21,386	-	186,534
Property held under lease.....	515	206	-	721
Easements.....	<u>33,308</u>	<u>6,487</u>	<u>-</u>	<u>39,795</u>
Total accumulated depreciation.....	<u>2,752,354</u>	<u>348,747</u>	<u>(43,316)</u>	<u>3,057,785</u>
Total capital assets, being depreciated, net.....	<u>6,730,919</u>	<u>1,027,535</u>	<u>(77,110)</u>	<u>7,681,344</u>
Business-type activities capital assets, net.....	<u>\$ 8,185,824</u>	<u>\$ 1,606,995</u>	<u>\$ (1,371,248)</u>	<u>\$ 8,421,571</u>

* The increases include the transfers of DPT and Parking Garages beginning balances.

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

Governmental Activities:	
Public protection.....	\$ 11,035
Public works transportation and commerce.....	13,965
Human welfare and neighborhood development.....	540
Community Health.....	857
Culture and recreation.....	12,070
General administration and finance.....	13,388
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets.....	<u>1,315</u>
Total depreciation expense - governmental activities.....	<u>\$ 53,170</u>
Business-type activities:	
Airport.....	148,294
Water.....	31,430
Power.....	9,572
Transit.....	69,221
Hospitals.....	7,692
Sewer.....	38,369
Port.....	8,655
Market.....	<u>263</u>
Total depreciation expense - business-type activities.....	<u>\$ 313,496</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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 and Hetch Hetchy Water and Power (Hetch Hetchy), the CWP, 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, 2003. In addition, the Hetch Hetchy had utility type assets with useful lives over 100 years which totaled \$4.5 million at June 30, 2003.

During the fiscal year ended June 30, 2003, in conjunction with the incorporation of the DPT into the MTA enterprise fund, net capital assets were transferred from governmental activities and the parking garages enterprise fund to the MTA enterprise fund in the amounts of \$29 million and \$89.2 million, respectively.

During the fiscal year ended June 30, 2003, the City's enterprise funds incurred total interest expense and interest income of approximately \$292.7 million and \$50.3 million, respectively. Of these amounts, interest expense and interest income of approximately \$45 million and \$0.1 million respectively, was capitalized as part of the cost of constructing proprietary capital assets. The net amount of approximately \$44.9 million was capitalized into capital assets.

During fiscal year ended June 30, 2003, Water, Hetch Hetchy, and CWP expensed \$18.3 million, \$2.5 million, \$2.2 million respectively, related to capitalized design and planning costs on certain projects which were discontinued. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

During the fiscal year ended June 30, 2003, the City's board of supervisors suspended all activities of the Airfield Development Bureau (ADB) relating to the evaluation, planning, design, and construction of any future runway and configuration project of the Airport. As a result, of approximately \$80 million of costs incurred to date and capitalized under the ADB program, the Airport expensed \$37 million of costs. The expensed items were primarily related to industry forecasting tasks, legal services, public relations, and program management. The amounts of the write-off were recognized as other operating expense in the accompanying financial statements.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Component Unit - Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2003 was as follows (in thousands):

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Capital assets, not being depreciated:				
Property held under lease.....	\$ 64,150	\$ 13,462	\$ -	\$ 77,612
Construction in progress.....	648	6,924	-	7,572
Total capital assets not being depreciated.....	<u>64,798</u>	<u>20,386</u>	<u>-</u>	<u>85,184</u>
Capital assets, being depreciated:				
Facilities and improvements.....	135,608	1,604	-	137,212
Leasehold improvements.....	21,602	-	-	21,602
Machinery and equipment.....	7,606	121	-	7,727
Total capital assets being depreciated.....	<u>164,816</u>	<u>1,725</u>	<u>-</u>	<u>166,541</u>
Less accumulated depreciation and amortization for:				
Facilities and improvements.....	25,492	3,410	-	28,902
Leasehold improvements.....	6,490	432	-	6,922
Machinery and equipment.....	6,266	497	-	6,763
Total accumulated depreciation and amortization.....	<u>38,248</u>	<u>4,339</u>	<u>-</u>	<u>42,587</u>
Total capital assets being depreciated, net.....	<u>126,568</u>	<u>(2,614)</u>	<u>-</u>	<u>123,954</u>
Redevelopment Agency capital assets, net...	<u>\$ 191,366</u>	<u>\$ 17,772</u>	<u>\$ -</u>	<u>\$ 209,138</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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

The following is a summary of long-term obligations of the City as of June 30, 2003 (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 7.375%	\$ 90,830
City hall improvement project	2007	4.875 to 5.125%	11,545
Fire protection	2006	5.1 to 5.3%	1,890
Library	2022	2.5 to 7.0%	38,980
Museums	2019	5.1 to 5.5%	17,925
Parks and playgrounds	2021	3.5 to 6.5%	62,625
Public safety improvements	2014	5.1 to 5.5%	6,535
Schools	2020	4.25 to 6.5%	120,265
Zoo facilities	2022	2.5 to 6.5%	36,530
Refunding	2016	3.0 to 5.75%	<u>472,500</u>
General obligation bonds - governmental activities			<u>859,625</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation* (b) & (e).....	2030	2.0 to 5.5%	<u>252,035</u>
Lease revenue bonds - governmental activities			<u>252,035</u>
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation (c)	2034	3.0 to 5.875%	296,135
Loans (c) & (f)	2012	4.5 to 6.7%	9,278
Capital leases payable (c) & (f).....	2024	2.0 to 8.5%	212,649
Settlement Obligation Bonds (d)	2011	3.0 to 4.0%	49,470
Accrued vacation and sick leave (d) & (f).....			128,893
Accrued workers' compensation (d) & (f)			195,100
Estimated claims payable (d) & (f)			<u>58,333</u>
Other long-term obligations - governmental activities			<u>949,858</u>
DEFERRED AMOUNTS:			
Bond issuance premiums.....			3,852
Bond issuance discounts.....			(2,737)
Bond refunding.....			<u>(6,077)</u>
Deferred amounts.....			<u>(4,962)</u>
Governmental activities total long-term obligations.....			<u>\$ 2,056,556</u>

Debt service payments are made from the following sources:

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

*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, 2003 was 1.72%.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

BUSINESS-TYPE ACTIVITIES

<u>Entity and Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
San Francisco International Airport:			
Revenue bonds	2032	1.55 to 8.0%	\$ 4,270,600
Water Department:			
Revenue bonds	2032	2.5 to 7.4%	514,370
Accreted interest			2,396
Hetch Hetchy Water and Power:			
Notes, loans and other payables	2010	3%	971
Municipal Transportation Agency:			
Municipal Railway			
Capital leases	2005	3.43%	331
Parking and Traffic			
Revenue bonds	2020	4 to 5%	23,045
Lease revenue bonds	2022	3.5 to 6%	12,355
Capital leases	2006	2.25 to 4.87%	810
Notes, loans and other payables*	2010	3.0 to 5.25%	26,511
Downtown Parking - parking revenue refunding bonds	2018	3.0 to 5.375%	12,740
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.5 to 4.7%	5,465
Uptown Parking - revenue bonds	2031	4.5 to 6.0%	19,000
General Hospital Medical Center:			
Capital leases	2007	3.0 to 3.8%	2,779
Clean Water Program:			
Revenue bonds	2025	3.0 to 5.25%	396,270
State of California - Revolving fund loans	2021	2.8 to 3.5%	165,125
Port of San Francisco:			
General Obligation Bonds -			
City and County of San Francisco	2005	6.30%	800
Revenue bonds	2010	5.0 to 9.0%	30,690
Notes, loans and other payables	2029	4.50%	3,510
Capital leases	2005	6.31%	68
Laguna Honda Hospital:			
Capital leases	2003	5.40%	222
Accrued vacation and sick leave			70,629
Accrued workers' compensation			169,156
Estimated claims payable			34,971
Deferred Amounts:			
Bond issuance premiums			46,226
Bond issuance discounts			(22,579)
Bond refunding			(77,354)
Business-type activities total long-term obligations			<u>\$ 5,709,107</u>

*Includes an unamortized loan premium of \$1.4 million for DPT.

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

COMPONENT UNIT

<u>Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
SAN FRANCISCO REDEVELOPMENT AGENCY AND FINANCING AUTHORITY:			
Lease Revenue Bonds:			
Moscone Convention Center (a)	2024	2.0 to 8.5%	\$ 187,210
Hotel Tax Revenue Bonds (b)	2025	4.1 to 6.75%	72,515
Financing Authority Bonds:			
Tax Allocation Revenue Bonds (c)	2025	3.0 to 8.3%	438,536
South Beach Harbor Variable Rate Refunding Bonds (d)	2017	Variable (1.05 % at 6/30/03)	11,500
Less deferred amounts:			
Bond issuance premiums.....			8,232
Refunding loss.....			(213)
Sub-total			717,780
California Department of Boating and Waterways Loan (e)	2037	4.50%	8,000
Accreted interest payable.....			159,478
Accrued vacation and sick leave pay			2,900
Component unit total long-term obligations.....			<u>\$ 888,158</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, 2003, the City's debt limit (3% of valuation subject to taxation) was \$2.8 billion. The total amount of debt applicable to the debt limit was \$0.8 billion, net of certain assets in other non-major governmental funds, and other deductions allowed by law. The resulting legal debt margin was \$2.0 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 \$1.6 million as of June 30, 2003. This arbitrage liability is reported in deferred credits and other liabilities in the

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

governmental activities of the statement of net assets. The Finance Corporation had an independent consultant perform a separate calculation on their lease revenue bonds and a liability of \$1.4 million was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2003. Each Enterprise Fund has performed a similar analysis of its debt which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the Enterprise Funds has been recorded as a liability in the respective fund. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

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

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City 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. During the fiscal year 2003, the City issued multifamily housing revenue bonds in the amount of \$31.3 million and single-family mortgage revenue draw down bonds in the amount of \$24.1 million. As of June 30, 2003, the aggregate outstanding obligation of such bonds was \$138.6 million.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2003, are as follows (in thousands):

	<u>July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 917,220	\$ 29,345	\$ (86,940)	\$ 859,625	\$ 64,155
Lease revenue bonds.....	293,810	10,975	(52,750)	252,035	15,885
Certificates of participation	259,360	41,965	(5,190)	296,135	5,500
Settlement obligation bond.....	54,820	-	(5,350)	49,470	5,510
Less deferred amounts:					
For issuance premiums	3,805	417	(370)	3,852	-
For issuance discounts	(2,840)	-	103	(2,737)	-
On refunding.....	(6,670)	-	593	(6,077)	-
Total bonds payable	1,519,505	82,702	(149,904)	1,452,303	91,050
Loans.....	13,007	-	(3,729)	9,278	1,824
Capital leases	226,541	79,092	(92,984)	212,649	15,123
Accrued vacation and sick leave pay.....	121,960	79,990	(73,057)	128,893	63,836
Accrued workers' compensation.....	176,777	49,090	(30,767)	195,100	41,059
Estimated claims payable.....	41,445	30,533	(13,645)	58,333	18,855
Governmental activities long-term obligations.....	<u>\$ 2,099,235</u>	<u>\$ 321,407</u>	<u>\$ (364,086)</u>	<u>\$ 2,056,556</u>	<u>\$ 231,747</u>

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. At the year ending June 30, 2003, \$252 million of lease revenue bonds, \$2 million of capital leases, \$0.6 million of loans, \$3.6 million of accrued vacation and sick leave pay and \$1.1 million of accrued workers' compensation are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2003, are as follows (in thousands):

	<u>July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2003</u>	<u>Amounts Due Within One Year</u>
San Francisco International Airport					
Bonds payable:					
Revenue bonds	\$ 4,323,005	\$ 156,975	\$ (209,380)	\$ 4,270,600	\$ 70,630
Less deferred amounts:					
For issuance premiums	7,836	7,457	196	15,489	-
For issuance discounts	(20,537)	-	591	(19,946)	-
On refunding.....	(39,246)	(5,714)	3,767	(41,193)	-
Total bonds payable	4,271,058	158,718	(204,826)	4,224,950	70,630
Accrued vacation and sick leave pay.....	10,945	957	(745)	11,157	5,757
Accrued workers' compensation	5,403	2,393	(2,037)	5,759	1,305
Estimated claims payable	459	77	(77)	459	209
Long-term obligations.....	<u>\$ 4,287,865</u>	<u>\$ 162,145</u>	<u>\$ (207,685)</u>	<u>\$ 4,242,325</u>	<u>\$ 77,901</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2003, are as follows (in thousands) - continued:

	<u>July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements, and Net Decreases</u>	<u>June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Water Department					
Bonds payable:					
Revenue bonds	\$ 362,604	\$ 249,260	\$ (97,494)	\$ 514,370	\$ 13,345
Less deferred amounts:					
For issuance premiums	755	6,650	(227)	7,178	-
For issuance discounts	(4,693)	2,160	(100)	(2,633)	-
On refunding.....	<u>(4,162)</u>	<u>(4,673)</u>	<u>470</u>	<u>(8,365)</u>	<u>-</u>
Total bonds payable	354,504	253,397	(97,351)	510,550	13,345
Accreted interest payable.....	2,237	159	-	2,396	-
Commercial paper.....	90,000	-	(90,000)	-	-
Accrued vacation and sick leave pay.....	7,084	5,836	(5,103)	7,817	3,894
Accrued workers' compensation.....	7,307	5,428	(2,914)	9,821	2,074
Estimated claims payable.....	<u>4,968</u>	<u>82</u>	<u>(1,227)</u>	<u>3,823</u>	<u>1,025</u>
Long-term obligations.....	<u>\$ 466,100</u>	<u>\$ 264,902</u>	<u>\$ (196,595)</u>	<u>\$ 534,407</u>	<u>\$ 20,338</u>
Hetch Hetchy Water and Power					
Notes, loans, and other payables.....	\$ -	\$ 971	\$ -	\$ 971	\$ 103
Accrued vacation and sick leave pay.....	1,744	754	(913)	1,585	880
Accrued workers' compensation.....	1,625	568	(300)	1,893	384
Estimated claims payable.....	<u>3,620</u>	<u>-</u>	<u>(3,477)</u>	<u>143</u>	<u>38</u>
Long-term obligations.....	<u>\$ 6,989</u>	<u>\$ 2,293</u>	<u>\$ (4,690)</u>	<u>\$ 4,592</u>	<u>\$ 1,405</u>
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	\$ -	\$ 79,930	\$ (19,680)	\$ 60,250	\$ 920
Lease revenue bonds	-	13,245	(890)	12,355	1,840
Less deferred amounts:					
For issuance premiums	-	945	(37)	908	-
Total bonds payable	-	94,120	(20,607)	73,513	2,760
Notes, loans, and other payables.....	-	28,620	(2,109)	26,511 *	3,342
Capital leases	-	1,656	(515)	1,141	603
Accrued vacation and sick leave pay.....	20,983	21,203	(18,152)	24,034	13,857
Accrued workers' compensation.....	82,342	49,326	(22,615)	109,053	24,841
Estimated claims payable.....	<u>29,911</u>	<u>4,775</u>	<u>(7,014)</u>	<u>27,672</u>	<u>10,754</u>
Long-term obligations.....	<u>\$ 133,236</u>	<u>\$ 199,700</u>	<u>\$ (71,012)</u>	<u>\$ 261,924</u>	<u>\$ 56,157</u>
*Includes an unamortized loan premium of \$1.4 million for DPT					
General Hospital Medical Center					
Capital leases.....	\$ 802	\$ 3,054	\$ (1,077)	\$ 2,779	\$ 787
Accrued vacation and sick leave pay.....	15,927	5,563	(8,651)	12,839	7,484
Accrued workers' compensation.....	<u>14,675</u>	<u>12,728</u>	<u>(4,978)</u>	<u>22,425</u>	<u>5,007</u>
Long-term obligations.....	<u>\$ 31,404</u>	<u>\$ 21,345</u>	<u>\$ (14,706)</u>	<u>\$ 38,043</u>	<u>\$ 13,278</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2003, are as follows (in thousands) – continued:

	July 1, <u>2002</u>	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, <u>2003</u>	Amounts Due Within One Year
Clean Water Program					
Bonds payable:					
Revenue bonds	\$ 418,809	\$ 396,834	\$ (419,373)	\$ 396,270	\$ -
Less deferred amounts:					
For issuance premiums	-	22,809	(418)	22,391	-
For issuance discounts	(4,345)	-	4,345	-	-
On refunding	(8,925)	(27,569)	9,644	(26,850)	-
Total bonds payable	405,539	392,074	(405,802)	391,811	-
State of California - Revolving fund loans.....	179,591	-	(14,466)	165,125	14,929
Accrued vacation and sick leave pay.....	3,455	2,148	(1,980)	3,623	1,986
Accrued workers' compensation.....	2,695	2,035	(900)	3,830	829
Estimated claims payable.....	4,728	-	(3,754)	974	260
Long-term obligations.....	<u>\$ 596,008</u>	<u>\$ 396,257</u>	<u>\$ (426,902)</u>	<u>\$ 565,363</u>	<u>\$ 18,004</u>
Port of San Francisco					
Bonds payable:					
General obligation bonds	\$ 2,000	\$ -	\$ (1,200)	\$ 800	\$ 400
Revenue bonds	34,095	-	(3,405)	30,690	3,595
Less deferred amounts:					
For issuance premiums	303	-	(43)	260	-
On refunding	(1,103)	-	157	(946)	-
Total bonds payable	35,295	-	(4,491)	30,804	3,995
Notes, loans, and other payables.....	3,584	-	(74)	3,510	74
Capital leases	108	-	(40)	68	44
Accrued vacation and sick leave pay.....	1,795	1,489	(1,394)	1,890	1,006
Accrued workers' compensation.....	2,470	1,205	(744)	2,931	644
Estimated claims payable.....	1,600	326	(26)	1,900	1,500
Long-term obligations.....	<u>\$ 44,852</u>	<u>\$ 3,020</u>	<u>\$ (6,769)</u>	<u>\$ 41,103</u>	<u>\$ 7,263</u>
Laguna Honda Hospital					
Capital leases	\$ 432	\$ -	\$ (210)	\$ 222	\$ 222
Accrued vacation and sick leave pay.....	7,495	6,050	(5,861)	7,684	4,702
Accrued workers' compensation.....	10,887	4,235	(1,678)	13,444	2,862
Business-type activity					
Long-term obligations.....	<u>\$ 18,814</u>	<u>\$ 10,285</u>	<u>\$ (7,749)</u>	<u>\$ 21,350</u>	<u>\$ 7,786</u>
Other Fund - Parking Garages and San Francisco Market Corporation					
Bonds payable:					
Revenue bonds	\$ 37,010	\$ -	\$ (37,010)	\$ -	\$ -
Less deferred amounts:					
For issuance premiums	620	-	(620)	-	-
For issuance discounts	(130)	-	130	-	-
Total bonds payable	37,500	-	(37,500)	-	-
Notes, loans, and other payables.....	492	-	(492)	-	-
Long-term obligations.....	<u>\$ 37,992</u>	<u>\$ -</u>	<u>\$ (37,992)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

A summary of the changes in long-term obligations for each enterprise fund for the year ended June 30, 2003, are as follows (in thousands):

	July 1, 2002	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2003	Amounts Due Within One Year
Total Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 2,000	\$ -	\$ (1,200)	\$ 800	\$ 400
Revenue bonds	5,175,523	882,999	(786,342)	5,272,180	88,490
Lease revenue bonds	-	13,245	(890)	12,355	1,840
Less deferred amounts:					
For issuance premiums	9,514	37,861	(1,149)	46,226	-
For issuance discounts	(29,705)	2,160	4,966	(22,579)	-
On refunding	(53,436)	(37,956)	14,038	(77,354)	-
Total bonds payable	5,103,896	898,309	(770,577)	5,231,628	90,730
Accreted interest payable	2,237	159	-	2,396	-
Commercial paper	90,000	-	(90,000)	-	-
State of California - Revolving fund loans	179,591	-	(14,466)	165,125	14,929
Notes, loans, and other payables	4,076	29,591	(2,675)	30,992	3,519
Capital leases	1,342	4,710	(1,842)	4,210	1,656
Accrued vacation and sick leave pay	69,428	44,000	(42,799)	70,629	39,566
Accrued workers' compensation	127,404	77,918	(36,166)	169,156	37,946
Estimated claims payable	45,286	5,260	(15,575)	34,971	13,786
Business-type activities long term obligations	<u>\$ 5,623,260</u>	<u>\$ 1,059,947</u>	<u>\$ (974,100)</u>	<u>\$ 5,709,107</u>	<u>\$ 202,132</u>

The changes in long term obligations for the component unit for the year ended June 30, 2003, are as follows (in thousands):

	July 1, 2002	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2003	Amounts Due Within One Year
Component unit:					
Redevelopment Agency					
Bonds payable:					
Revenue bonds	\$ 569,477	\$ 212,105	\$ (83,321)	\$ 698,261	\$ 26,183
Refunding bonds	12,500	-	(1,000)	11,500	-
Less deferred amounts:					
For issuance premiums	-	8,232	-	8,232	-
For issuance discounts	-	(213)	-	(213)	-
Total bonds payable	581,977	220,124	(84,321)	717,780	26,183
Accreted interest payable	154,859	16,582	(11,963)	159,478	33,684 ⁽¹⁾
Notes, loans, and other payables	8,000	-	-	8,000	-
Accrued vacation and sick leave pay	1,870	1,030	-	2,900	1,095
Component unit - long term obligations	<u>\$ 746,706</u>	<u>\$ 237,736</u>	<u>\$ (96,284)</u>	<u>\$ 888,158</u>	<u>\$ 60,962</u>

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2003, for governmental activities are as follows (in thousands):

Governmental Activities ^{(1) (2)}								
Fiscal Year Ending	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004.....	\$ 64,155	\$ 43,338	\$ 15,885	\$ 5,321	\$ 12,834	\$ 16,586	\$ 92,874	\$ 65,245
2005.....	60,150	40,462	16,880	4,818	15,554	16,363	92,584	61,643
2006.....	63,005	37,635	15,210	4,303	15,840	15,730	94,055	57,668
2007.....	66,075	34,356	12,975	3,871	15,462	15,064	94,512	53,291
2008.....	67,030	30,921	12,135	3,495	14,934	14,428	94,099	48,844
2009-2013.....	321,720	103,299	40,440	13,139	69,079	61,982	431,239	178,420
2014-2018.....	168,375	37,733	34,685	8,822	51,930	47,570	254,990	94,125
2019-2023.....	49,115	4,591	40,025	5,309	43,605	35,244	132,745	45,144
2024-2028.....	-	-	43,700	2,138	47,315	23,831	91,015	25,969
2029-2033.....	-	-	20,100	247	57,030	10,524	77,130	10,771
2034-2038.....	-	-	-	-	11,300	350	11,300	350
Total.....	<u>\$ 859,625</u>	<u>\$ 332,335</u>	<u>\$ 252,035</u>	<u>\$ 51,463</u>	<u>\$ 354,883</u>	<u>\$ 257,672</u>	<u>\$ 1,466,543</u>	<u>\$ 641,470</u>

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2003, for each enterprise fund is as follows (in thousands):

San Francisco International Airport ⁽¹⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004.....	\$ -	\$ -	\$ 70,630	\$ 222,223	\$ -	\$ -	\$ 70,630	\$ 222,223
2005.....	-	-	93,070	218,926	-	-	93,070	218,926
2006.....	-	-	98,260	214,490	-	-	98,260	214,490
2007.....	-	-	107,870	209,636	-	-	107,870	209,636
2008.....	-	-	114,430	204,304	-	-	114,430	204,304
2009-2013.....	-	-	668,125	929,868	-	-	668,125	929,868
2014-2018.....	-	-	818,780	742,734	-	-	818,780	742,734
2019-2023.....	-	-	1,029,930	499,477	-	-	1,029,930	499,477
2024-2028.....	-	-	997,615	211,499	-	-	997,615	211,499
2029-2033.....	-	-	271,890	24,941	-	-	271,890	24,941
Total.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,270,600</u>	<u>\$ 3,478,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,270,600</u>	<u>\$ 3,478,098</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) Includes the Moscone Center Expansion Project Lease Revenue Bonds with variable rate bonds currently reset weekly.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2003, for each enterprise fund is as follows (in thousands) – continued:

Water Department ⁽¹⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ -	\$ -	\$ 13,345	\$ 24,537	\$ -	\$ -	\$ 13,345	\$ 24,537
2005.....	-	-	14,055	23,939	-	-	14,055	23,939
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
2009-2013.....	-	-	93,470	97,385	-	-	93,470	97,385
2014-2018.....	-	-	100,685	73,209	-	-	100,685	73,209
2019-2023.....	-	-	79,210	51,914	-	-	79,210	51,914
2024-2028.....	-	-	87,175	30,847	-	-	87,175	30,847
2029-2033.....	-	-	79,965	9,507	-	-	79,965	9,507
Total.....	\$ -	\$ -	\$ 514,370	\$ 379,240	\$ -	\$ -	\$ 514,370	\$ 379,240

Hetch Hetchy Water and Power ⁽¹⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 45	\$ 103	\$ 45
2005.....	-	-	-	-	123	25	123	25
2006.....	-	-	-	-	127	21	127	21
2007.....	-	-	-	-	130	18	130	18
2008.....	-	-	-	-	134	14	134	14
2009-2013.....	-	-	-	-	354	16	354	16
Total.....	\$ -	\$ -	\$ -	\$ -	\$ 971	\$ 139	\$ 971	\$ 139

Municipal Transportation Agency ⁽¹⁾⁽²⁾								
Fiscal Year Ending	General Obligation Bonds		Revenue and Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ -	\$ -	\$ 2,760	\$ 3,551	\$ 3,341	\$ 1,283	\$ 6,101	\$ 4,834
2005.....	-	-	3,030	3,422	3,559	1,066	6,589	4,488
2006.....	-	-	3,375	3,281	3,741	883	7,116	4,164
2007.....	-	-	3,500	3,147	3,934	691	7,434	3,838
2008.....	-	-	3,650	3,003	4,136	489	7,786	3,492
2009-2013.....	-	-	15,925	12,792	6,275	278	22,200	13,070
2014-2018.....	-	-	20,245	8,461	170	59	20,415	8,520
2019-2023.....	-	-	9,200	3,881	-	-	9,200	3,881
2024-2028.....	-	-	-	2,125	-	-	-	2,125
2029-2033.....	-	-	10,920	452	-	-	10,920	452
Total.....	\$ -	\$ -	\$ 72,605	\$ 44,115	\$ 25,156	\$ 4,749	\$ 97,761	\$ 48,864

(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) Unamortized loan premiums of \$1.4 million (MTA) are not included in principal payments.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2003, for each enterprise fund is as follows (in thousands) – continued:

Clean Water Program ⁽¹⁾

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ -	\$ -	\$ -	\$ 20,233	\$ 14,929	\$ 5,203	\$ 14,929	\$ 25,436
2005.....	-	-	-	17,219	15,414	4,718	15,414	21,937
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
2009-2013.....	-	-	144,220	60,556	60,525	9,395	204,745	69,951
2014-2018.....	-	-	102,005	31,915	23,612	2,354	125,617	34,269
2019-2023.....	-	-	73,235	11,678	4,964	291	78,199	11,969
2024-2028.....	-	-	8,865	674	-	-	8,865	674
Total.....	\$ -	\$ -	\$ 396,270	\$ 191,910	\$ 165,125	\$ 33,048	\$ 561,395	\$ 224,958

Port of San Francisco ⁽¹⁾

Fiscal Year Ending	General Obligation Bonds		Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ 400	\$ 50	\$ 3,595	\$ 1,719	\$ 74	\$ 158	\$ 4,069	\$ 1,927
2005.....	400	25	3,920	1,449	77	155	4,397	1,629
2006.....	-	-	4,135	1,226	81	151	4,216	1,377
2007.....	-	-	4,370	985	84	148	4,454	1,133
2008.....	-	-	4,615	727	88	144	4,703	871
2009-2013.....	-	-	10,055	602	503	656	10,558	1,258
2014-2018.....	-	-	-	-	627	532	627	532
2019-2023.....	-	-	-	-	781	377	781	377
2024-2028.....	-	-	-	-	973	182	973	182
2029-2033.....	-	-	-	-	222	9	222	9
Total.....	\$ 800	\$ 75	\$ 30,690	\$ 6,708	\$ 3,510	\$ 2,512	\$ 35,000	\$ 9,295

A summary of the annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2003, for business type activities follows (in thousands):

Total Business-type Activities ⁽¹⁾⁽²⁾

Fiscal Year Ending	General Obligation Bonds		Revenue / Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30								
2004.....	\$ 400	\$ 50	\$ 90,330	\$ 272,263	\$ 18,447	\$ 6,689	\$ 109,177	\$ 279,002
2005.....	400	25	114,075	264,955	19,173	5,964	133,648	270,944
2006.....	-	-	120,560	259,531	19,863	5,273	140,423	264,804
2007.....	-	-	164,635	253,152	20,578	4,558	185,213	257,710
2008.....	-	-	173,420	245,653	17,695	3,815	191,115	249,468
2009-2013.....	-	-	931,795	1,101,203	67,657	10,345	999,452	1,111,548
2014-2018.....	-	-	1,041,715	856,319	24,409	2,945	1,066,124	859,264
2019-2023.....	-	-	1,191,575	566,950	5,745	668	1,197,320	567,618
2024-2028.....	-	-	1,093,655	245,145	973	182	1,094,628	245,327
2029-2033.....	-	-	362,775	34,900	222	9	362,997	34,909
Total.....	\$ 800	\$ 75	\$ 5,284,535	\$ 4,100,071	\$ 194,762	\$ 40,448	\$ 5,480,097	\$ 4,140,594

(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) Unamortized loan premiums of \$1.4 million (MTA) are not included in principal payments.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2003, for the component unit are as follows (in thousands):

Component Unit: Redevelopment Agency ⁽¹⁾								
Fiscal Year Ending	Lease Revenue		Tax Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004.....	\$ 10,734	\$ 39,381	\$ 15,449	\$ 25,381	\$ -	\$ 679	\$ 26,183	\$ 65,441
2005.....	33,776	84,130	20,861	26,489	-	679	54,637	111,298
2006.....	5,875	13,338	22,347	25,600	-	679	28,222	39,617
2007.....	5,606	13,680	21,960	24,641	675	679	28,241	39,000
2008.....	5,399	13,957	24,283	21,957	806	664	30,488	36,578
2009-2013.....	24,793	73,109	129,228	99,599	6,110	2,669	160,131	175,377
2014-2018.....	62,652	36,187	164,769	54,621	5,515	1,702	232,936	92,510
2019-2023.....	30,615	5,755	91,035	26,572	1,358	1,322	123,008	33,649
2024-2028.....	7,760	532	21,119	22,858	1,692	988	30,571	24,378
2029-2033.....	-	-	-	-	2,110	570	2,110	570
2034-2038.....	-	-	-	-	1,234	101	1,234	101
Total.....	<u>\$ 187,210</u>	<u>\$ 280,069</u>	<u>\$ 511,051</u>	<u>\$ 327,718</u>	<u>\$ 19,500</u>	<u>\$ 10,732</u>	<u>\$ 717,761</u>	<u>\$ 618,519</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; however, general obligation bonds have not been issued for business-type activities since 1979. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2003, are as follows (in thousands):

Governmental Activities - General Obligation Bonds
(in thousands)

Authorized and unissued as of June 30, 2002.....	\$ 951,845
Bonds issued:	
Series 2002A, Zoo Facilities Bonds.....	(6,210)
Series 2002B, Branch Library Facilities Improvement Bonds	<u>(23,135)</u>
Net authorized and unissued as of June 30, 2003	<u>\$ 922,500</u>

There were no new authorizations on general obligation bonds in fiscal year ended June 30, 2003.

In October 2002, the City issued General Obligation Bonds, Zoo Facilities, Series 2002A in the amount of \$6.2 million. Interest rates range from 2.5% to 5.0%. The bonds mature from June 2003 through June 2022. The bonds were issued to provide funds to finance the acquisition, construction and/or reconstruction of San Francisco Zoo facilities and properties and all other works, property and structures necessary or convenient for these purposes. Debt service payments are funded through ad valorem taxes on property.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

In October 2002, the City issued General Obligation Bonds, Branch Library Facilities Improvement Bonds, Series 2002B in the amount of \$23.1 million. Interest rates range from 2.5% to 5.0%. The bonds mature from June 2003 through June 2022. The bonds were issued to finance the acquisition of sites to be used for the construction of new branch libraries to replace currently leased facilities, the renovation and rehabilitation of branch libraries, and acquisition and construction of a new branch library in the Mission Bay neighborhood. Debt service payments are funded through ad valorem taxes on property.

The Port of San Francisco is the only business-type activity that has General Obligation Bonds outstanding which amount to \$0.8 million as of June 30, 2003. The bonds were issued in 1971 for the improvement of the San Francisco harbor area. The final maturity is in fiscal year 2004-2005. Debt service payments are funded from Port's revenues.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2003 were as follows:

Governmental Activities - Lease Revenue Bonds
(in thousands)

Authorized and unissued as of June 30, 2002*	\$	129,492
Increase in authorization in this fiscal year:		
Current year annual increase in Finance Corporation's equipment program.....		1,710
Current year maturities in Finance Corporation's equipment program.....		5,880
Bonds issued:		
Series 2003A, San Francisco Finance Corporation		<u>(10,975)</u>
Net authorized and unissued as of June 30, 2003	\$	<u>126,107</u>

*Amount net of authorization for DPT. Starting July 1, 2002, the activities of the DPT are accounted for under the MTA.

Finance Corporation

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

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of 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.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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 June 30, 2003, the total authorized amount is \$35.9 million. The total accumulated annual authorization since 1990 is \$15.9 million of which \$1.7 million is new annual authorization for the fiscal year ending June 30, 2003.

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 \$94.5 million in equipment lease revenue bonds since 1991. As of June 30, 2003, \$70.5 million has been repaid leaving \$24 million in equipment lease revenue bonds outstanding and \$11.9 million available for new issuance.

In March 2003, the Finance Corporation issued its eleventh Series of equipment lease revenue bonds Series 2003A in the amount of \$11 million with interest rates ranging from 2.0% to 2.4%. The bonds mature from April 2004 through October 2008.

(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, 2003, 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, 2003, 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. Funds deposited to the Capitalized Interest Account on the issue date were calculated to be sufficient to pay interest on the Bonds based on an assumed interest rate of 5.02% through August 1, 2003. The average actual rate of interest through June 30, 2003 was 1.72%. The final maturity date is April 2030. The expansion project was completed in fiscal year 2003.

Certificates of Participation

In April 2003, the City issued \$42 million in Certificates of Participation to finance a portion of the costs of the acquisition, improvement, construction and/or reconstruction of a new juvenile detention facility and related improvements at the site of the existing San Francisco Juvenile Hall located at 375 Woodside Avenue in the City. The Series 2003 Certificates have interest rates ranging from 3.0% to 5.0% and the final maturity date is June 2034.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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

On February 5, 2003, the San Francisco International Airport (SFO) issued Second Series Revenue Bond Issue 29 (issue 29) in the amount of \$156.9 million with interest rates ranging from 1.55% to 5.50%. Proceeds from issue 29 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):

San Francisco International Airport Refunding Bonds
(in thousands)

	Amount Refunded	Average Interest Rate
<u>Second Series Revenue Bond Issuance:</u>		
Issue 2.....	\$ 72,440	6.35 - 6.75%
Issue 3.....	31,430	5.6 - 6.2%
Issue 4.....	53,250	5.5 - 6.0%
	\$ 157,120	

The refunded Second Series Revenue Bonds have final maturity dates ranging from May 1, 2004 to May 1, 2020 and a call date of May 1, 2003.

The net proceeds of \$161.6 million (including original issue premium of \$7.5 million, and after depositing \$0.5 million in a construction account to provide funding for future construction activity and the payment of \$2.4 million in underwriting fees, insurance and other issuance costs) plus an additional \$3.3 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, 2003.

The refunded bonds were called and redeemed on May 1, 2003. Accordingly, the liability for the refunded bonds has been removed from the Statement of Net Assets.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$5.7 million for the fiscal year ended June 30, 2003, the SFO in effect reduced its aggregate debt service payments by approximately \$20.8 million over the next eighteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$19.6 million.

Upon the terms and conditions set forth in a letter of credit dated May 1, 1997, SFO obtained a \$300 million standby letter of credit that may be increased to \$400 million and commenced issuing commercial paper as a means of interim financing. The rates on this letter of credit vary from 2.9% to 3.9%. During the fiscal year 2002, SFO refinanced the commercial paper outstanding with Second Series Revenue Bonds. Moreover, SFO obtained a \$200 million standby letter of credit in May 2002 that may be increased to \$400 million upon the terms and conditions set forth in the letter of credit dated as of May 1, 2002. As at June 30, 2003, there was no commercial paper balance outstanding.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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.

In March and May 2003, the Commission and the Board of Supervisors, respectively, approved the reestablishment of the commercial paper program in an amount not to exceed \$250 million. There was no commercial paper outstanding as of June 30, 2003.

During fiscal year 2003, the San Francisco Water Department (Water Department) issued \$164 million of Water Revenue Bonds 2002 Series A (2002 Series A Bonds). The bonds were insured by a municipal bond insurance company and carried Aaa and AAA ratings from Moody's and Standard and Poor's respectively. A portion of the proceeds from the issuance of the 2002 Series A Bonds was used to refund all of the Water Department's outstanding commercial paper. The Revenue Bonds include interest and serial and term bonds with interest rates varying from 2.5% to 5.0%. The current interest serial bonds mature through November 1, 2026 and the current interest term bonds mature on November 1, 2025 and 2032.

On August 8, 2002, the Water Department issued 2002 Water Revenue Refunding Bonds, Series B (the 2002B Refunding Bonds) in the amount of \$85.3 million with interest rates ranging from 3% to 5%. A portion of the proceeds from the 2002B Refunding Bonds were deposited into an irrevocable trust with an escrow agent to advance refund the \$92.1 million outstanding balance of the 1992A Water Revenue Refunding Bonds with interest rate ranging from 5.35% to 6.5%.

The refunded 1992A Water Revenue Refunding Bonds have a final maturity date of November 1, 2015 and a call date of November 1, 2002.

The net proceeds of \$88.9 million (including original issue premium of \$4.8 million and the payment of \$1.1 million in underwriting fees, insurance and other issuance costs) plus an additional \$6.4 million of available debt service funds were used to purchase noncallable Federal Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called on November 1, 2002.

The refunded 1992A Water Revenue Refunding Bonds were called and redeemed on November 1, 2002. Accordingly, the liability for the refunded bonds has been removed from the statement of net assets.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$4.7 million for the fiscal year ended June 30, 2003, the Water Department in effect reduced its aggregate debt service payments by approximately \$21.7 million over the next 13 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$11.6 million.

On November 5, 2002, the San Francisco voters passed Proposition A, which provides for the issuance of revenue bonds and/or other forms of revenue financing by the Commission in a principal amount not to exceed \$1.6 billion to finance the acquisition and construction of improvements to the City's Water System. The issuance of the bonds will be contingent upon the amendment of certain provisions in the City's Administrative Code. The Commission shall be authorized to impose a surcharge on retail water rates for City customers to pay its share of the debt service on the bonds issued.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Hetch Hetchy Water and Power

In December 2002, Hetch Hetchy received a \$971 thousand loan from the California Energy Commission with an annual interest rate of 3%, and semi-annual repayments of \$74 thousand beginning on December 22, 2003 with a final maturity date of December 22, 2010. Proceeds from the loan were used to provide funding for an energy conservation project undertaken at San Francisco General Hospital (the Hospital). In accordance with the terms of the loan agreement, Hetch Hetchy is required to prepare and submit annual energy use reports to the California Energy Commission for three years following the completion of the project. The reports are to demonstrate the cost of energy saved as a result of the project.

Pursuant to the terms of a memorandum of understanding agreement entered into between the Hospital and Hetch Hetchy, the Hospital is required to repay Hetch Hetchy for the cost of the project less any amounts received by Hetch Hetchy under State grant programs. Payments received from the Hospital will be used to satisfy the debt service requirements of the loan.

Municipal Transportation Agency

Effective July 1, 2002, DPT was accounted for in the MTA enterprise fund. Prior to this, the operations of DPT were accounted for in the general fund, other governmental funds and the parking garage fund. The MTA enterprise fund formerly accounted for the activities MUNI and SFMRIC. Further information can be found in note (11) (e). DPT long-term liabilities of \$50.9 million was transferred from governmental activities to business-type activities under MTF. Additionally, the Parking Garages long-term liabilities of \$38 million was transferred to MTA.

MUNI entered into a lease-purchase agreement with System Finance Corporation for network infrastructure upgrade amounting to \$511 thousand. The first payment of \$100 thousand was paid on November 1, 2002, and the balance to be paid in five equal installments of \$86 thousand due and payable semi-annually. The total principal and interest payments for the year ended June 30, 2003 were \$180 thousand and \$6 thousand, respectively.

In July 2002, the Downtown Parking Corporation issued \$13.6 million of bonds for the purpose of refunding the 1993 bond series. These bonds have maturity dates from April 2003 through April 2018. The bonds bear interest rates from 3.0% to 5.375%.

In April 2002, the Ellis-O'Farrell Parking Corporation issued \$5.5 million of bonds for the purpose of refunding the 1992 bond series. These bonds have maturity dates from April 2005 through April 2017. The bonds bear interest at rates from 3.5% to 4.7%.

Both corporations have pledged their gross revenues, and all funds and amounts held under the trust indentures as security for payment of the bonds. Additionally, the trust indentures require the Corporations to maintain certain ratios and level of cash and cash equivalents.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Clean Water Program

On January 28, 2003, the Clean Water Program (CWP) issued 2003 Refunding Bonds, Series A (Refunding Bonds) in the amount of \$396.8 million with interest rates ranging from 3% to 5.25%. A portion of the proceeds from the Refunding Bond were deposited into an irrevocable trust with an escrow agent to advance refund all of the CWP's Sewer Revenue Bonds as follows:

Clean Water Program Sewer Revenue Refunding Bonds
(in thousands)

	Amount Refunded	Interest Rates
<u>Sewer revenue bond issuance:</u>		
1992 Series.....	\$ 171,950	5.5 to 6.0%
1994 Series.....	166,235	4.7 to 5.38%
1995A Series.....	38,910	5.38 to 5.95%
1995B Series.....	17,348	5.55 to 5.99%
	\$ 394,443	

The refunded Sewer Revenue Bonds have final maturity dates ranging from October 1, 2010 to October 1, 2025 and call dates ranging from March 1, 2003 to October 1, 2010.

The net proceeds of \$383.3 million (including original issue premium of \$22.8 million, and after depositing \$32.4 million in a Bond Reserve Fund to provide funding for future debt service on the Refunding Bonds and the payment of \$3.4 million in underwriting fees, insurance and other issuance costs) plus an additional \$30.5 million of available debt service funds were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds identified above until called and redeemed.

The 1992 and 1994 Series were called and redeemed on March 1, 2003, and the 1995 Series are considered defeased in-substance. Accordingly the liability for these bonds has been removed from the accompanying statement of net assets.

Although the advance refunding resulted in the recognition of a deferred accounting loss of \$27.6 million for the fiscal year ended June 30, 2003, the CWP in effect reduced its aggregate debt service payments by approximately \$57.2 million over the next 22 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$32.8 million.

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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, 2003 was \$2,019 million. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership

Membership of the Retirement System at July 1, 2002, the date of the latest actuarial valuation is:

	<u>Police</u>	<u>Fire</u>	<u>Others</u>	<u>Total</u>
Retirees and beneficiaries				
currently receiving benefits	<u>1,957</u>	<u>1,719</u>	<u>14,277</u>	<u>17,953</u>
Active members:				
Vested	1,886	1,373	18,986	22,245
Nonvested	<u>372</u>	<u>409</u>	<u>7,613</u>	<u>8,394</u>
Subtotal	<u>2,258</u>	<u>1,782</u>	<u>26,599</u>	<u>30,639</u>
Total	<u>4,215</u>	<u>3,501</u>	<u>40,876</u>	<u>48,592</u>

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 2002-03 varied from 7.00% to 8.00% as a percentage of gross salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. Based on the actuarial report, there were no required employer contributions for fiscal year 2002-03 because the City is funded at 118.0% of liability. Due to certain bargaining agreements effective in 2003 which mandated certain groups of employees to contribute 2.75% of covered payroll as employee-paid employee contributions, the City's contributions to the Retirement System on behalf of some of its employees was reduced to 4.25% to 5.25% for 2003. For those groups of employees not mandated to contribute to the Retirement System, the City's contributions remained at 7.0% to 8.0% of covered payroll. the City's contributions in 2002 and 2001 were equal to the required employee contributions.

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, 2002. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.25%; (2) inflation element in wage increase of 4.5%; and (3) salary merit increases of 1.25%. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

assumptions and purchasable services are amortized as a level percentage of pay over a closed 15 year period. Plan amendments are amortized over 20 years.

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2001	\$ 0	N/A	\$ 0
6/30/2002	\$ 0	N/A	\$ 0
6/30/2003	\$ 0	N/A	\$ 0

California Public Employees' Retirement System

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

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

Miscellaneous Plan

Funding Policy - Miscellaneous plan – Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2002-03 contribution rate is 0% of annual covered payroll because the City is funded at 145.2%. 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 2002-03 was equal to the City's required and actual contributions which was determined as part of the June 30, 2000 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2000 actuarial valuation were: (a) 8.25% investment rate of return (net of administrative expenses), (b) 3.75% to 14.20% projected annual salary increases that vary by age, service, and type of employment, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.50%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized, as a level percentage of pay, over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 10% of the net unamortized gain/loss is recognized.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/1998	\$ 0	N/A	\$0
6/30/1999	\$ 0	N/A	\$0
6/30/2000	\$ 0	N/A	\$0

Safety Plan

Funding Policy – Safety plan - Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 5.115% because the City is funded at 128.2%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan - cost for PERS for fiscal year 2002-03 was equal to the City's required and actual contributions which was determined as part of the June 30, 2000 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2000 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):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/1998	\$ 8,392	100%	\$0
6/30/1999	\$ 0	N/A	\$0
6/30/2000	\$ 0	N/A	\$0

(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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Unified School District, amounted to approximately \$309.7 million in fiscal year 2003. 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 \$78.4 million to provide post-retirement health care benefits for 18,350 retired employees. The City's liability for both current employee and post-retirement health care benefits is limited to its annual contribution. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements and required supplementary information for the Health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, 2nd Floor, San Francisco, CA 94103 or by calling (415) 554-1700.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

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

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

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

In April 1998, the Authority signed a memorandum of understanding with the State of California Department of Transportation (Caltrans) to serve as the lead agency for the environmental impact research and study and the preliminary design for the Doyle Drive Replacement Project for which Caltrans was awarded \$6 million in federal grant funds.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Following is a summary of the Authority's financial position and results of operations as of and for the year ended June 30, 2003 (in thousands).

ASSETS		OPERATIONS	
Deposits and investments.....	\$ 139,427	Revenues:	
Receivables.....	<u>79,222</u>	Sales tax	\$ 56,818
Total assets.....	<u>\$ 218,649</u>	Interest and investment income.....	2,287
		Intergovernmental.....	<u>75,452</u>
			134,557
LIABILITIES AND FUND BALANCE			
Due to other funds.....	\$ 68,719	Expenditures and other financing uses:	
Other liabilities.....	<u>843</u>	Public works, transportation, and commerce....	112,500
Total liabilities.....	<u>69,562</u>	Transfer to other funds.....	<u>15,710</u>
			<u>128,210</u>
Fund balance:		Deficiency of revenues under expenditures	
Reserved for encumbrances.....	115,099	and other financing uses.....	6,347
Unreserved.....	<u>33,988</u>	Fund balance at beginning of year.....	<u>142,740</u>
Total fund balance.....	<u>149,087</u>	Fund balance at end of year.....	<u>\$ 149,087</u>
Total liabilities and fund balance.....	<u>\$ 218,649</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 the 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 2002 from the Airports Council International (the ACI), SFO is one of the largest airports in the United States both in terms of passengers (11th) and air cargo (12th). SFO is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to SFO opened for full operation on June 22, 2003. The extension creates a convenient connection between SFO and the greater San Francisco Bay Area that is served by BART. An intermodal station in the City of Millbrae provides a direct link to Caltrain offering additional transit options and connection 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, which opened for full operation on March 24, 2003, 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 is in the process of developing a revised Capital Plan to better fit the changes in the aviation industry. The Commission expects that a revised Capital Plan will be completed in the Fall of 2003 and will include 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.

SFO currently has outstanding \$4.3 billion in aggregate principal amount of Second Series Revenue Bonds. SFO has issued \$1.4 billion in Bonds to refund previously outstanding Bonds and Commercial

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Paper Notes of the Commission, \$432.9 million in Bonds for noise mitigation and other capital projects, \$60 million in Bonds to finance a portion of the construction costs of the BART extension to SFO.

On July 27, 2001, the Federal Aviation Administration (FAA) approved the 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. On March 21, 2002, the FAA approved the 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 ITC.

On March 25, 2003, as a result of decrease in enplanement, SFO notified PFC collecting carriers of the intent to extend the PFC#1 collection, 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 changes from June 1, 2003 to January 1, 2004. Automatically, the PFC#2 expiration date changes from April 1, 2008 to November 1, 2008. During the extended collection period, the PFC is maintained at \$4.50.

For the fiscal year ending June 30, 2003, SFO reported approximately \$51.8 million of PFC revenue, which is included in other non-operating revenues in the accompanying basic financial statements. SFO designated \$13 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2003. In addition, during the fiscal year ended June 30, 2003, SFO designated \$56.1 million of PFC revenues as "Revenues" for the purpose of paying debt service in fiscal year 2004, as required in the 1991 Master Bond Resolution.

Due to the 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.

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 fiscal year ended June 30, 2003 was \$16.8 million.

During the fiscal year ended June 30, 2003, the City's Board of Supervisors suspended all activities of the Airfield Development Bureau (ADB) relating to the evaluation, planning, design, and construction of any future runway and configuration project of the Airport. As a result, of approximately \$80 million of costs incurred to date and capitalized under the ADB program, the Airport expensed \$37 million of costs. The expensed items were primarily related to industry forecasting tasks, legal services, public relations, and program management.

Purchase commitments for construction, material and services as of June 30, 2003 are as follows (in thousands):

Construction.....	\$	38,132
Operating.....		10,147
Total	\$	48,279

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

local communities, and by operating and other internally generated funds. As of June 30, 2003, approximately \$118 million has been disbursed under this program.

SFO maintains a capital plan which included in particular, the Near Term Master Plan "NTMP" program. All projects included in the "NTMP" have been completed as of June 30, 2003. The total master plan funding is \$2.85 billion. In addition to the NTMP projects, SFO's capital program also includes infrastructure projects. The current budget for capital projects is \$546 million. SFO spent \$80.7 million for these projects as of June 30, 2003.

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

On November 26, 1996, a fire at the east end of Pier 48 destroyed the interconnecting wood frame structure and caused substantial structural damage to the steel frames, walls, and roof at the easterly end of Sheds A and B on the pier. On July 14, 1998, a fire damaged the historic ferry slip arch structure at Pier 43 and the one-story auxiliary building connected to the arch's west tower. Insurance was in force to cover fire damage to the Port's property at both piers. The Port received insurance payments of \$14.8 million for approved and completed repairs, including certain seismic retrofit work at Pier 48. Through June 30, 2003, the Port received interim insurance payments \$0.9 million for Pier 43. The Port is involved in discussions with its insurers as to additional insurance proceeds which the Port believes it is entitled for the repair of the Pier 43 arch. Receivables at June 30, 2003 include an additional \$0.4 million for approved construction repairs.

In September 2002, the Port received a notice of violation from the California Department of Toxic Substance Control (DTSC) in connection with the presence of approximately 22,000 tons of soil contaminated with soluble lead in concentrations that classify it as hazardous waste in California. A former tenant operated a soil disposal service and abandoned the contaminated soil after declaring bankruptcy in 1995 and ceasing operations. The soil had been tested to identify potential disposal and re-use options. In January 2003, the Port completed removal of the soil to an appropriate out-of-state landfill with DTSC approval. The total cost of soil removal and related expenses totaled \$1.6 million.

In November 2002, a maritime vessel known as Dry Dock #1 broke free from its moorings at Pier 70 and went adrift in very high winds, finally running aground on Yerba Buena Island. The Port entered into emergency contracts to recover the dry dock vessel and to complete certain repairs to restore and maintain its watertight condition. The Port is evaluating options for the final disposition of this surplus vessel. During the fiscal year ended June 30, 2003, \$1.7 million was expended for the recovery and repairs.

The Port is presently planning various development projects which involve a commitment to expend significant funds. Purchase commitments at June 30, 2003 were \$4.6 million for capital projects and \$3 million for general operating costs. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30 million over a 20 year period for pier removal, parks and plazas and other public access improvements. As of June 30,

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

2003 \$3.1 million has been appropriated and \$0.9 million has been expended for projects under the agreement.

(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 90,885 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 CWP. 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 million, is included in the charges for services provided by other departments in the accompanying financial statements.

During fiscal year 2003, water sales to suburban resale customers were \$79.1 million. As of June 30, 2003, the Water Department owed suburban resale customers approximately \$2.1 million under the Suburban Water Rate Agreement.

As of June 30, 2003, the Water Department had outstanding commitments with third parties of \$51.8 million for various capital projects and for materials and supplies.

In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Department to develop a remedial action plan (Plan) that addresses environmental contamination at certain real property owned by the Water Department. In response to the directive, the Commission developed a remedial action plan and in August 2001 received the final directive from the CRWQCB to execute the plan by middle of 2004. The Commission appropriated funding for pre-work and the award of Phase I of the plan during fiscal year 2002. The cost of cleanup associated with the Plan is estimated to be \$22.7 million and was accrued in fiscal year 2001. During fiscal year 2003, The Water Department expended \$1.8 million in accordance with the Plan.

(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, 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).

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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, 2003 include \$66.7 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, 2003, Hetch Hetchy had outstanding commitments with third parties of \$24.7 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, 2003, 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 2003, Hetch Hetchy purchased \$13.8 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 2003, power sales to the Districts totaled 871,807 MWhrs or \$28.6 million.

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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

for operations. Commitments related to this contract total \$86.1 million from July 1, 2003 through June 30, 2006. Expenses under this contract totaled \$28.8 million in fiscal year 2003.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed on January 18, 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) in the amount of \$13.3 million to assist with the costs of siting and developing electric generating equipment in the City, and (iii) payment to the City of \$500 thousand for attorney's fees and other expenses of litigation.

Effective January 23, 2003, the City entered into an implementation agreement (the 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 the event that the (i) City has not secured a site for the construction of the Facility by December 31, 2003, (ii) the Attorney General determines that the City has ceased development of the Facility, or (iii) the City decides not to develop the Facility pursuant to the terms of the Agreement, the Financing Authority shall have the right (but not the obligation) to purchase any or all of the gas turbine generator sets from the City at a price of \$2.5 million per unit and terminate the Agreement. Should the Financing Authority elect not to exercise its option to acquire the gas turbine generator sets from the City pursuant to the terms of the Agreement, the City must promptly sell the units by means of a public bidding process. The City is entitled to retain (i) the first \$2.5 million from the sale of each unit, plus 5% of any amount in excess of \$2.5 million and (ii) any eligible amounts incurred by the City in excess of the amount provided by the Fund.

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 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 state 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.

As the energy agency for the City, the Commission is responsible for the development of the Facility. As such, the four gas turbine generator sets are included within Hetch Hetchy's construction-in-progress at their estimated fair value as of June 30, 2003, in the accompanying statement of net assets. Hetch Hetchy has also reported settlement revenue of \$33 million as a special item in the accompanying statement of revenues, expenses, and changes in fund net assets for the year ended June 30, 2003.

In conjunction with the execution of the Settlement Agreement, the Attorney General has received the first \$2.6 million from the defendants, and deposited that amount into the Fund. However, no costs have been claimed for reimbursement from the Fund by the City, and no revenue has been recognized from the \$2.6 million during the year ended June 30, 2003. 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 are incurred by the City.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(e) Municipal Transportation Agency

The MTA is responsible for overseeing the City's public transportation operations, including those of MUNI, SFMRIC, and the 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 the DPT (Notes 1 and 2(b)).

The tables below reflect the financial information of MUNI, the DPT (excluding the parking garages) and the parking garages that are reported within the MTA (in thousands), net of \$6.2 million interagency accounts payables and receivables:

	MUNI	DPT	Parking Garages	Total
Assets				
Current Assets.....	\$ 147,995	\$ 16,814	\$ 4,373	\$ 169,182
Restricted Assets.....	56,208	-	19,037	75,245
Noncurrent Assets.....	<u>1,656,658</u>	<u>55,040</u>	<u>95,287</u>	<u>1,806,985</u>
Total Assets.....	<u>1,860,861</u>	<u>71,854</u>	<u>118,697</u>	<u>2,051,412</u>
Liabilities				
Current liabilities.....	108,238	17,995	11,953	138,186
Liabilities payable from restricted assets.....	904	-	-	904
Noncurrent liabilities.....	<u>137,292</u>	<u>68,199</u>	<u>37,152</u>	<u>242,643</u>
Total liabilities.....	<u>246,434</u>	<u>86,194</u>	<u>49,105</u>	<u>381,733</u>
Net assets				
Invested in capital assets, net of related debt.....	1,652,327	-	-	1,652,327
Restricted net assets.....	55,304	6,608	-	61,912
Unrestricted net assets (deficit).....	<u>(86,992)</u>	<u>(20,948)</u>	<u>63,380</u>	<u>(44,560)</u>
Total net assets (deficit).....	<u>\$ 1,620,639</u>	<u>\$ (14,340)</u>	<u>\$ 63,380</u>	<u>\$ 1,669,679</u>

	MUNI	DPT	Parking Garages	Total
Operating Revenues.....	\$ 109,490	\$ 13,949	\$ 32,217	\$ 155,656
Operating Expenses.....	<u>529,307</u>	<u>64,933</u>	<u>28,427</u>	<u>622,667</u>
Net Operating Income (Loss).....	(419,817)	(50,984)	3,790	(467,011)
Nonoperating Income (Loss).....	210,060	7,560	(2,710)	214,910
Capital Contributions.....	160,272	-	2,440	162,712
Transfers In.....	116,984	83,615	59,860	260,459
Transfers Out.....	<u>-</u>	<u>(54,531)</u>	<u>-</u>	<u>(54,531)</u>
Change in Net Assets.....	67,499	(14,340)	63,380	116,539
Net Assets at Beginning of Year.....	<u>1,553,140</u>	<u>-</u>	<u>-</u>	<u>1,553,140</u>
Net Assets (Deficit) at End of Year.....	<u>\$ 1,620,639</u>	<u>\$ (14,340)</u>	<u>\$ 63,380</u>	<u>\$ 1,669,679</u>

The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and the DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the MTA was \$143 million (\$101 million for MUNI and \$42 million for DPT).

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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, 2003, MUNI had approved capital grants with unused balances amounting to \$288.1 million. Capital grants receivable as of June 30, 2003 totaled \$74.8 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, 2003, MUNI had various operating grants receivable of \$25.9 million.

These capital grants and operating assistance include funds from the San Francisco Transportation Authority (SFCTA). During the year ended June 30, 2003, the SFCTA approved \$122.8 million in new capital grants and \$16.2 million in new operating grants for MUNI. During the same period, MUNI received total payments of \$22.7 million for capital grants and \$13.6 million in operating grants from the Authority. As of June 30, 2003, MUNI had \$57.2 million due from the SFCTA for capital grants and \$2.1 million due from the SFCTA for operating grants.

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

MUNI has outstanding contract commitments of approximately \$96 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. SMFRIC's Board of Directors has authorized SMFRIC to extend financial guarantees to MUNI for certain projects totaling \$2.6 million.

In March 2001, MUNI and the Port entered in to a Memorandum of Understanding (MOU) under which MUNI may use the Metro East site in perpetuity for rail vehicle maintenance, operations and other operational needs at a cost of \$25.7 million. This amount was reported as a Special Item in the proprietary funds statement of revenues, expenses and changes in fund net assets for the year ended June 30, 2001. MUNI received a capital contribution from the Authority for this. As part of this MOU, MUNI paid the Port an additional \$4 million in fiscal year 2002 to construct the Illinois Street Bridge over Islais Creek that will mitigate traffic in the area and improve coordination with MUNI's Metro East and Third Street Light Rail Project. MUNI has agreed to reasonably extend this deadline up to March 2004 provided the Port has demonstrated good faith efforts toward construction of the bridge. The Port is currently in the selection process for procuring the design and contract to build the bridge.

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

In April 2002, MUNI entered into the leveraged lease-lease back transaction of 118 Breda light rail vehicles to a group of equity investors and a sublease of the vehicles back from the investors over a period of 27 years. MUNI maintains custody of the light rail vehicles and is obligated to insure and maintain the vehicles throughout the life of the lease.

MUNI received \$388.2 million from the equity investors as full payment of the cost to lease the vehicles based on fair value of the vehicles. MUNI paid \$352.7 million to an irrevocable trust to be used solely for

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

satisfying scheduled payments of both interest and principle of the sublease to the equity investors. The trust assets are invested in U.S. government bonds with maturity dates that match the completion date of the sublease. While these payments to the trust did not represent a legal defeasance of MUNI's obligations under the sublease, management believes that the possibility that MUNI will be required to make future payments to the trust is remote based on the stability of the investment and the limited risks to the physical assets. Therefore, the trust assets and the sublease obligation is not recorded in the accompanying statement of net assets of MUNI as of June 30, 2003.

As a result of the cash transactions above, MUNI recorded deferred revenue in the year ended June 30, 2003, of \$35.5 million, for the difference between the amount received of \$388.2 million and the amount paid to the trust for the future sublease payments of \$352.7 million, which will be amortized over the life of the sublease. The amount of \$1.3 million was amortized in the year ended June 30, 2003.

Department of Parking and Traffic

The DPT receives grants from various federal, state, and local agencies that result in City assets. As a result, they are shown in the MTA budget and then transferred to the City as assets.

During the year ended June 30, 2003, the DPT entered into three loan agreements for the purchase of capital equipment. DPT entered into loan agreement with the state of California GS Smart Program to replace all of the City's parking meters with new electronic parking meters. On October 9, 2002, the City received funds of \$26.3 million for this project. The term of the loan is 7 years, with the final payment in October 2009. The two other loan agreements are with the California Energy Commission for the purchase of LED bulbs for traffic signals. DPT borrowed a total of \$1.8 million and will make its final payment in June 2010.

The data below reflects 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, 2003 follows (in thousands), including \$6.2 million accounts payable to MUNI:

	<u>Downtown Parking</u>	<u>Uptown Parking</u>	<u>Japan Center Garage</u>	<u>Ellis- O'Farrell Parking</u>	<u>Portsmouth Plaza Parking</u>	<u>Total</u>
Operating revenues.....	\$ 9,998	\$ 13,238	\$ 2,162	\$ 3,699	\$ 3,120	\$ 32,217
Depreciation.....	695	-	-	-	126	821
Operating income (loss).....	<u>1,463</u>	<u>1,978</u>	<u>156</u>	<u>27</u>	<u>166</u>	<u>3,790</u>
Interest and other non-operating revenues (expenses).....	<u>(1,555)</u>	<u>(898)</u>	<u>-</u>	<u>(249)</u>	<u>(8)</u>	<u>(2,710)</u>
Change in net assets.....	<u>9,750</u>	<u>31,502</u>	<u>7,074</u>	<u>12,505</u>	<u>2,549</u>	<u>63,380</u>
Capital assets, increases.....	<u>550</u>	<u>28,340</u>	<u>145</u>	<u>(99)</u>	<u>(112)</u>	<u>28,824</u>
Capital assets, decreases.....	<u>-</u>	<u>(22,127)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,127)</u>
Net working capital (deficit).....	<u>(5,274)</u>	<u>(8,806)</u>	<u>158</u>	<u>(627)</u>	<u>758</u>	<u>(13,791)</u>
Total assets.....	<u>28,542</u>	<u>61,246</u>	<u>7,385</u>	<u>18,702</u>	<u>2,822</u>	<u>118,697</u>
Total liabilities.....	<u>18,792</u>	<u>29,744</u>	<u>311</u>	<u>6,197</u>	<u>273</u>	<u>55,317</u>
Net assets.....	<u>9,750</u>	<u>31,502</u>	<u>7,074</u>	<u>12,505</u>	<u>2,549</u>	<u>63,380</u>
Total debt outstanding.....	<u>\$ 13,000</u>	<u>\$ 19,599</u>	<u>\$ -</u>	<u>\$ 5,473</u>	<u>\$ -</u>	<u>\$ 38,072</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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, 2003, the subsidy for LHH was \$33 million.

	(in thousands)
Changes in net assets of LHH on a GAAP basis	\$18,902
Tobacco claims settlement*	(20,635)
Net loss on specific/donor restricted funds	(795)
Operating subsidy from City General Fund	(32,568)
Operating subsidy from General Hospital Medical Center	(425)
Net loss on LHH on a GAAP basis before operating subsidy	(35,521)
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	(265)
Change in encumbrances and appropriation carry forwards	(1,213)
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation and other expenses	4,006
Net loss of LHH requiring General Fund subsidy on a budget basis	<u><u>\$(32,993)</u></u>

*During the fiscal year ended June 30, 2003, LHH received approximately \$21 million of the tobacco settlement funds. In addition, LHH received approximately \$1.1 million in income from investments, which is included in the net loss on specific/donor restricted funds calculation. As a result, LHH's net assets on a GAAP basis do not show a deficit.

LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. During the fiscal year ended June 30, 2003, Medicare and Medi-Cal charges for services amounted to approximately \$3.6 million and \$107 million, respectively. As of June 30, 2003, LHH had net patient receivables from Medicare of \$1.3 million and net patient receivables from Medi-Cal of \$17 million.

During fiscal year ended June 30, 2003, LHH received approximately \$17 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 finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital. Proposition A stipulates that \$100 million of tobacco settlement funds received by the City, excluding \$1 million set aside each year for smoking education and prevention programs, may be used to pay for construction of a replacement facility for LHH. As of June 30, 2003, no bonds have been sold. LHH is actively involved in the planning and design phase for new facilities to replace Laguna Honda Hospital.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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 expense is 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, 2003, the subsidy for SFGH was \$78 million.

	(in thousands)
Loss before transfers of SFGH on a GAAP basis	\$(21,904)
Reimbursement to City General Fund for SB 855 matching program	(73,307)
Transfer of accrued vacation and sick leave liability to governmental activities	3,672
Transfers from City General Fund to support SFGH on:	
Operation of Mental Health Rehabilitation Facility	(587)
Other Program Support	5,959
Interest expense on the overdraft funds with the City Treasury	1,708
Expenses which require budgetary funding but are not GAAP basis expenses:	
Capitalized services and other asset purchases	(4,413)
Change in encumbrances and appropriation carryforwards	4,727
Other expenses	(302)
Expenses which do not require budgetary funding but are GAAP basis expenses:	
Depreciation expense	<u>6,432</u>
Net loss of SFGH requiring General Fund subsidy on a Budget basis	<u><u>\$(78,015)</u></u>

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

During the year ended June 30, 2003, Medicare and Medi-Cal revenue accounted for \$50 million and \$59 million of net patient service revenue respectively. As of June 30, 2003, SFGH had net patient receivables from Medicare of \$5.8 million and net patient receivables from Medi-Cal of \$16.4 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 \$103.3 million for the fiscal year ended June 30, 2003. This revenue was offset by a reduction in the General Fund operating subsidy of \$73.3 million for net SB 855 revenues of \$30 million for the year ended June 30, 2003.

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, 2003, SFGH recognized gross patient revenue in the amount of \$54.5 million offset by a reduction in the contribution provided by the City of \$30.5 million for net SB 1255 revenues of \$24 million.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

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, 2003, SFGH recognized net patient service revenue in the amount of \$1.3 million pertaining to this program.

As of June 30, 2003, SFGH had Medi-Cal supplemental reimbursement receivables for SB-855, SB-1255, and other federal and state settlement payments of approximately \$45.1 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, 2003, 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, 2003, reimbursement under the Short-Doyle program amounted to approximately \$4.4 million and is included in transfers in.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Proposition 99 funds allocated to SFGH for the year ended June 30, 2003, amounted to \$3.1 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 \$98.4 million and estimated costs and expenses to provide charity care were \$61.7 million in fiscal year 2003.

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, 2003, was approximately \$58.4 million.

(h) Clean Water Program

The 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.

In 1995, CWP entered into a forward purchase and sale agreement with an investment bank (Bank). Under the agreement, CWP received an up front fee of \$8.9 million from the Bank. In exchange, CWP used its debt service payments deposited but not yet due to bondholders to purchase short-term U.S. Treasury bills at face value from the Bank. The fee was recorded as deferred revenue, and the unamortized balance as of June 30, 2002 was \$1.3 million. In conjunction with the advance refunding of debt that occurred in January 2003, the CWP terminated the forward purchase agreement by paying an early termination fee of \$449 thousand to the Bank, which included a contract termination value of \$425 thousand. As of June 30, 2003, no unamortized amounts are remaining for this agreement.

As of June 30, 2003, the CWP had outstanding commitments with third parties for capital projects and for materials and services totaling \$10.6 million.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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 three new redevelopment survey areas designated by the Board of Supervisors of the City and County of San Francisco.

The Agency acts as the lead Agency in administering the Housing Opportunities for Persons with AIDS (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 a 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. Mission Bay North consists of approximately 65 acres adjacent to the Pacific Bell Park. Mission Bay South includes approximately 238 acres of land. The Agency has entered into an Owner Participation Agreement with the owner/developer to provide for development of the project areas. The proposed development in the north includes 3,000 housing units, 20% of which will be affordable units, 350,000 square feet of urban entertainment retail space, 100,000 square feet of City-serving retail space, 55,000 square feet of neighborhood-serving retail space and six acres of public open space. The proposed development in the south will include 3,090 housing units, 20% of which will be affordable units, a 43-acre University of California San Francisco (UCSF) research campus, a 500 room hotel, 210,000 square feet of City-serving and neighborhood-serving retail space, five million square feet of commercial industrial space, and a 500-student public school on land to be donated by UCSF. Mission Bay is expected to create over 31,000 new permanent jobs. The Mission Bay development will take place over 20 to 30 years and will require investment of over \$145 million in new public infrastructure. Total development costs for the two project areas are expected to exceed \$4 billion.

As of June 30, 2003, 384 residential units, including 121 affordable units, 24,000 square feet of office space, and 19,000 square feet of neighborhood retail space have been completed in Mission Bay North. A commercial office building totaling 285,000 square feet and one UCSF research building of 385,000 square feet have been completed in Mission Bay South.

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 \$42 million.

Outstanding bond issues had cumulative interest accretion of approximately \$159.5 million as of June 30, 2003. Interest accretion is included in the accrued interest payable balance in the basic financial statements.

In order to facilitate construction and rehabilitation within the project areas, various construction loan notes, promissory notes and mortgage revenue bonds with an aggregate outstanding balance of

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

approximately \$723 million at June 30, 2003, have been issued. When these obligations are issued, they are secured by the related mortgage indebtedness and, in the opinion of management, are not considered obligations of the Agency or the City and therefore not included in the basic financial statements. Debt service payments will be made by developers or property owners.

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

The Agency had commitments under contracts for capital improvements of approximately \$57.2 million at June 30, 2003.

(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 2003, TIDA's primary source of revenues included facility and housing rents. During fiscal year 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. TIDA assisted with the opening of a new childcare center for Treasure Island residents and employees, and funded an extensive new program of recreation services for Island residents.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(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, 2003, is as follows (in thousands):

Due to / from other funds:		
Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Fund	\$ 42,290
	San Francisco International Airport	320
	General Hospital Medical Center	22,238
	Port of San Francisco	2,000
	Laguna Honda Hospital	5,882
		<u>72,730</u>
Nonmajor Governmental Fund	Nonmajor Governmental Fund	9,362
	Municipal Transportation Agency	303
		<u>9,665</u>
Municipal Transportation Agency	Nonmajor Governmental Fund	59,352
	Water Department Fund	1,043
		<u>60,395</u>
Hetch Hetchy Water and Power	General	700
	Nonmajor Governmental Fund	4,101
	Municipal Transportation Agency	1,297
	General Hospital Medical Center	771
		<u>6,869</u>
General Hospital Medical Center	Internal Service Funds	48
Total		<u>\$ 149,707</u>
Due to / from primary government and component units:		
Receivable Entity	Payable Entity	Amount
Primary government - governmental	Component unit - SF Redevelopment Agency	<u>\$ 11,720</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Transfers Out:	Transfers In:								
	Funds						Government-wide		
	General	Nonmajor	Internal	Municipal	San	Laguna	Governmental		
<u>Funds</u>	<u>Fund</u>	<u>Governmental</u>	<u>Service</u>	<u>Transportation</u>	Francisco	Honda	<u>Activities</u>	<u>Total</u>	
			<u>Funds</u>	<u>Agency</u>	General	Hospital			
					Hospital				
General fund.....	\$ -	\$ 41,110	\$ 197	\$ 143,115	\$ 85,684	\$ 33,110	\$ -	\$ 303,216	
Nonmajor governmental funds.....	15,081	76,532	-	28,520	587	-	-	120,720	
San Francisco International Airport.....	16,823	-	-	-	-	-	-	16,823	
Municipal Transportation Agency.....	-	3,667	-	-	-	-	50,864	54,531	
San Francisco General Hospital.....	73,307	-	-	-	-	-	-	73,307	
Parking Garages and Market Corporation.....	-	-	-	59,860	-	-	-	59,860	
Government-wide									
Governmental Activities....	-	-	-	28,964	3,672	-	-	32,636	
Total transfers out.....	<u>\$ 105,211</u>	<u>\$ 121,309</u>	<u>\$ 197</u>	<u>\$ 260,459</u>	<u>\$ 89,943</u>	<u>\$ 33,110</u>	<u>\$ 50,864</u>	<u>\$ 661,093</u>	

The \$303.2 million General Fund transfer out includes a total of \$261.9 million in operating subsidies to Municipal Railway, General Hospital Medical Center, and Laguna Honda Hospital (note 11). The transfers of \$41.1 million from the General Fund to the non major governmental funds is to provide support to various City programs such as the public library and community health services. The transfers between the non major governmental funds are to provide support for various City programs and to provide resources for the payment of debt services.

The General Fund received transfers in of \$73.3 million from General Hospital Medical Center as reimbursement for the SB 855 matching program (note 11(g)), \$16.8 million from the San Francisco International Airport, representing a portion of concession revenue (note 11(a)).

Due to the incorporation of the DPT into the MTA, certain assets and liabilities were transferred from governmental activities, governmental funds, and the Parking Garages enterprise fund. These transfers consist of the following:

Approximately \$29 million of capital assets and \$50.9 million of long-term liabilities were transferred from governmental activities.

Approximately \$28.5 million of assets in excess of liabilities were transferred from non-major governmental funds.

Approximately \$59.9 million of assets in excess of liabilities were transferred from the Parking Garages enterprise fund.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

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

(b) Operating Leases

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

Primary Government

Governmental Activities

<u>Fiscal Years</u>	
2004.....	\$ 23,130
2005.....	22,229
2006.....	19,953
2007.....	15,913
2008.....	11,392
2009-2013.....	13,487
Total.....	<u>\$ 106,104</u>

Business-type Activities

<u>Fiscal Years</u>	<u>San Francisco International Airport</u>	<u>Municipal Transportation Agency</u>	<u>General Hospital Medical Center</u>	<u>Total Business-type Activities</u>
2004.....	\$ 5,398	\$ 5,471	\$ 4,982	\$ 15,851
2005.....	5,247	3,029	1,011	9,287
2006.....	5,507	1,042	454	7,003
2007.....	5,714	416	5	6,135
2008.....	5,714	210	-	5,924
2009-2013.....	4,604	307	-	4,911
2014-2018.....	-	121	-	121
2019-2023.....	-	121	-	121
2024-2028.....	-	121	-	121
2029-2033.....	-	49	-	49
Total.....	<u>\$ 32,184</u>	<u>\$ 10,887</u>	<u>\$ 6,452</u>	<u>\$ 49,523</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Component Unit - Redevelopment Agency

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

Fiscal	
Years	
2004.....	\$ 2,159
2005.....	2,198
2006.....	1,115
2007.....	757
2008.....	765
2009-2013.....	3,825
2014-2018.....	3,825
2019-2023.....	3,825
2024-2028.....	3,825
2029-2033.....	3,825
2034-2038.....	3,825
2039-2043.....	3,825
2044-2048.....	3,825
2049-2050.....	<u>1,530</u>
Total.....	<u>\$ 39,124</u>

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	
2004.....	\$ 1,351
2005.....	968
2006.....	831
2007.....	569
2008.....	440
2009-2013.....	2,360
2014-2018.....	2,669
2019-2023.....	418
2024-2028.....	190
2029-2033.....	<u>33</u>
Total.....	<u>\$ 9,829</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Business-type Activities

<u>Fiscal Years</u>	<u>San Francisco International Airport</u>	<u>Port of San Francisco</u>	<u>General Hospital Medical Center</u>	<u>Municipal Transportation Agency</u>	<u>Market Corp</u>	<u>Total Business-type Activities</u>
2004.....	\$ 64,774	\$ 26,726	\$ 1,829	\$ 2,537	718	\$ 96,584
2005.....	44,497	23,790	1,958	1,981	731	72,957
2006.....	37,617	19,930	1,998	1,535	719	61,799
2007.....	29,693	18,488	2,038	1,054	667	51,940
2008.....	27,600	17,796	2,080	966	747	49,189
2009-2013.....	65,159	76,864	2,124	2,747	3,057	149,951
2014-2018.....	-	68,365	-	-	-	68,365
2019-2023.....	-	60,537	-	-	-	60,537
2024-2028.....	-	47,756	-	-	-	47,756
2029-2033.....	-	42,991	-	-	-	42,991
2034-2038.....	-	36,894	-	-	-	36,894
2039-2043.....	-	23,375	-	-	-	23,375
2044-2048.....	-	17,506	-	-	-	17,506
2049-2053.....	-	10,071	-	-	-	10,071
2054-2058.....	-	7,023	-	-	-	7,023
2059-2063.....	-	7,023	-	-	-	7,023
2064-2068.....	-	5,308	-	-	-	5,308
Total.....	<u>\$ 269,340</u>	<u>\$ 510,443</u>	<u>\$ 12,027</u>	<u>\$ 10,820</u>	<u>\$ 6,639</u>	<u>\$ 809,269</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):

<u>Fiscal Years</u>	
2004.....	\$ 2,940
2005.....	3,016
2006.....	2,900
2007.....	2,839
2008.....	2,839
2009-2013.....	14,641
2014-2018.....	15,256
2019-2023.....	14,661
2024-2028.....	14,796
2029-2033.....	15,815
2034-2038.....	16,914
2039-2043.....	18,169
2044-2048.....	12,809
2049-2053.....	684
2054-2058.....	380
2059-2063.....	325
2064-2068.....	317
2069-2073.....	250
2074-2078.....	198
2079-2083.....	150
2084-2088.....	150
2089-2093.....	150
2094-2098.....	128
Total.....	<u>\$ 140,327</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

(c) Other Lease Commitments

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

Amounts to be provided from capital leases are as follows:

<u>Fiscal</u> <u>Years</u>	<u>Moscone</u> <u>Convention</u> <u>Center</u>	<u>Other</u>	<u>Total</u>
2004.....	\$ 23,895	\$ 1,887	\$ 25,782
2005.....	19,041	221	19,262
2006.....	20,073	-	20,073
2007.....	20,146	-	20,146
2008.....	20,216	-	20,216
2009-2013.....	102,202	-	102,202
2014-2018.....	103,139	-	103,139
2019-2023.....	36,370	-	36,370
2024-2025.....	<u>8,292</u>	<u>-</u>	<u>8,292</u>
Total minimum lease payments.....	\$ 353,374	\$ 2,108	\$ 355,482
Less amounts representing interest.....	<u>(142,770)</u>	<u>(63)</u>	<u>(142,833)</u>
Present value of maximum lease payments.....	<u>\$ 210,604</u>	<u>\$ 2,045</u>	<u>\$ 212,649</u>

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately \$1.1 billion at June 30, 2003.

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, 2003, the City contributed approximately \$8.7 million to the PCJPB.

(16) RISK MANAGEMENT

Risk Retention Program Description

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

The City maintains limited excess coverage for certain facilities. The 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

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

SFO is self-insured for general liability up to the first \$10,000 and the SFO carries liability insurance for any amounts in excess of \$10,000. The Port carries commercial insurance for all general liability, property and casualty risks of loss. Additionally, limited insurance coverage is maintained by the City for the Moscone Convention Center property, personal liability, and for art at City-owned museums.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials errors and omissions risks with combined single limits of \$15 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, 2003 has been actuarially determined and includes an estimate of incurred but not reported losses. In addition, various businesses in the City had filed suit in California Superior Court challenging the constitutionality of the City Gross Receipts and Payroll Expense Tax Ordinances. The majority of these suits have been settled for approximately \$63 million. The City has issued debt to pay off this liability over 10 years. A few remaining unsettled claims may be settled over the next 12 months and funds are included in the City's estimated claims payable to cover these expected expenses.

Changes in the reported estimated claims payable since June 30, 2001, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2001-2002	\$ 191,462	\$ (16,305)	\$ (88,426)	\$ 86,731
2002-2003	\$ 86,731	\$ 35,793	\$ (29,220)	\$ 93,304

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Breakdown of the estimated claims payable at June 30, 2003 is as follows (in thousands):

<u>Governmental activities:</u>	
Current portion of estimated claims payables.....	\$ 18,855
Long-term portion of estimated claims payable.....	39,478
<u>Business-type activities:</u>	
Current portion of estimated claims payables.....	13,786
Long-term portion of estimated claims payable.....	21,185
Total	<u>\$ 93,304</u>

The Retirement System is involved in two class action type lawsuits which are collectively referred to as "Final Compensation" cases. These lawsuits allege that the Retirement System should include additional "pay types" in pension calculations. The most significant pay types common to all members of the Retirement System are lump sum payments after termination of employment for sick leave and vacation. The police, fire, and transit employees have additional claims for special pay types specific to those employee groups. There is also a new lawsuit against the Retirement System by the Veteran Police Officers Association (VPOA) that alleges that the Retirement System should include Police Officers' Standards Training (POST) pay in pension calculations for those police officers who retired prior to the creation of the POST ranks. These cases are being vigorously contested. The City Attorney has sought outside counsel to help defend the claims. The possible loss to the Retirement System should these cases be successful, while difficult to estimate, could range between \$500 million and \$1 billion. The actual loss could exceed this range. No liability has been accrued by the City relating to these lawsuits as of June 30, 2003.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2003 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, 2003 was \$ 364.3 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, 2001, resulted from the following activity (in thousands):

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2001-2002	\$ 256,792	\$ 109,671	\$ (62,282)	\$ 304,181
2002-2003	304,181	127,008	(66,933)	364,256

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

Breakdown of the accrued workers' compensation liability at June 30, 2003 is as follows (in thousands):

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 41,059
Long-term portion of accrued workers' compensation liability.....	154,041
 <u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	37,946
Long-term portion of accrued workers' compensation liability.....	<u>131,210</u>
	<u>\$ 364,256</u>

(17) SUBSEQUENT EVENTS

Short term Debt

On November 3, 2003, the Water Department issued commercial paper in the amount of \$25 million to provide short-term financing for certain projects. The financing was issued in two segments, \$5 million at an interest rate of 1%, maturing on April 1, 2004, and \$20 million at an interest rate of .96%, maturing on November 12, 2003.

On November 12, 2003, the Water Department resold \$20 million of commercial paper at an interest rate of 1.06%, maturing on December 19, 2003.

Long-term Debt

In July 2003, the City issued a total of \$50.4 million in General Obligation Bonds. They consist of the following two bonds: \$21 million Neighborhood Recreation and Park Facilities Improvement Bonds, Series 2003A, and \$29.4 million Educational Facilities Bonds, San Francisco Unified School District, Series 2003B. The 2003A Bonds will finance the acquisition, construction, and reconstruction of certain improvements to recreation and park facilities in the City. The 2003B Bonds will provide funds to finance the acquisition, construction, installation, equipping and/or reconstruction or completion of educational facilities and other related improvements used or to be used by the San Francisco Unified School District.

In December 2003, the City issued Refunding Settlement Obligation Bonds, Series 2003-R1 in the amount of \$44.3 million to refund from savings a portion of the \$49.5 million outstanding principal amount of the City and County of San Francisco Settlement Obligation Bonds, Series 2001 (Business Tax Judgment). The Series 2001 Bonds were issued to refund certain obligations resulting from certain final judgments entered pursuant to California Code of Civil Procedure Section 998 by the Superior Court of the County of San Francisco in connection with various business tax cases.

Elections

On November 4, 2003 the San Francisco voters approved the following propositions that will have fiscal impact on the City:

Proposition A - School General Obligation Bonds This authorizes the San Francisco School District (School District) to borrow \$295 million by issuing general obligation bonds, to complete some of the projects in the District's Facilities Master Plan. The District will use this money to renovate classrooms, kitchens and bathrooms; improve accessibility for students with disabilities;

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

correct environmental hazards such as asbestos; make health and safety repairs to electrical and plumbing systems; replace bungalows; and rebuild outdoor areas for hands-on environmental learning. For the first time, the School District is issuing bonds under its own authority.

Proposition C - City Services Auditor This amends the City's Charter to require the Controller to serve as City Services Auditor (CSA). The CSA would be required to monitor the level and effectiveness of services provided by the City to its residents. The City would set aside at least two-tenths of one percent (0.2%) of the City's annual budget to fund the CSA program.

Proposition F - Targeted Early Retirement This amends the City's Charter to authorize early retirement of City employees if the employees are in job classifications where individual positions are being eliminated because of the City's budget shortfall. Employees who receive this benefit would be treated as if they had worked three years longer and were three years older. This would allow some employees to retire who are not now eligible. Also, it would increase the retirement pay of employees who are already eligible to retire. The number of City employees who receive early retirement could not exceed the number of jobs eliminated because of the budget shortfall.

Proposition G - Rainy Day Reserve This amends the City's Charter to require 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 would be able to spend those reserved funds in years in which revenues decline or grow by less than two percent. This new approach replaces the existing requirement (Charter Section 9.113) for a Cash Reserve Fund equal to ten percent of the last preceding tax levy. The amendment includes other specifications such as a cap on the total amount of money that must be set aside, and limits as to how reserved funds may be spent. In the aggregate, while the total amount of City revenue or expenditure would not change, this will cause the City to budget less in some years, and to fund the budget with reserved funds in other years.

Proposition I - Child Care for Low Income Families This ordinance creates a separate program to pay part of the cost of child care and preschool for certain families. Families with at least one child between 3 and 5 years old could receive this subsidy if they live in San Francisco; have an income at or below 75% of the California median income; and do not receive a child care or preschool subsidy from the State. Money from the Children's Fund could not be used to pay for this child care program. It would be up to the Mayor and the Board of Supervisors whether to fund this program each year.

Proposition K - Sales Tax for Transportation This amends the City Business and Tax Code to continue the existing one-half cent sales tax, and replace the current transportation spending plan with a new, 30-year plan. Under the new plan, the money would be used for maintenance of local streets; transportation for the elderly and disabled; construction of a Central Subway; upgrades to the bus system, including new buses, stations and dedicated lanes; a Caltrain extension to a new Transbay Terminal; projects to improve pedestrian and bicycle safety; support for regional transportation systems (BART, Caltrain, and ferries); and replacing the roadway to Golden Gate Bridge (Doyle Drive). The Transportation Authority could modify the plan if voters approved. The sales tax would continue as long as the new or modified plan is in effect. The Transportation Authority would continue to direct use of the sales tax. It could spend up to \$485.2 million per year and issue up to \$1.88 billion in bonds, to be repaid from the one-half cent sales tax.

Passenger Facility Charges

On July 14, 2003, the Airport Commission authorized the Airport Director to finalize and submit the third PFC application (PFC#3) to the FAA to continue collections of a PFC at the Airport in the amount of \$4.50 per enplaning passenger. PFC#3 amount is estimated at approximately \$539 million and that the collections would extend through November 1, 2018. PFC#3 revenues would be used as a funding source to pay principal and interest on bonds issued for certain eligible costs associated with the development of the new international terminal complex, which consists of Boarding areas A and G and the International Terminal Complex.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2003

On July 31, 2003, SFO submitted PFC application #3 to the FAA. On August 27, 2003, the FAA determined PFC#3 as substantially complete in accordance with 14 Code of Federal Regulation Part 158. On September 15, 2003, the FAA published notice in Federal Register for public comments regarding PFC#3.

Leverage Lease - Lease Back Transaction (Unaudited)

In September 2003, MUNI entered into a second leveraged lease-lease back 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 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 be need to access other monies to make sublease payments is remote.

As a result of the cash transactions above, MUNI will record deferred revenue in fiscal year 2004 of between \$4.7 and \$5 million for the difference between the amount received of \$72.6 million and the amount paid to the escrows of \$67.5 million (minus certain transaction expenses). The deferred revenue will be amortized over the life of the sublease.

As of September 30, 2003, 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; 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.



Required Supplementary Information

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

Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued 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>
7/1/96	6,663,504	5,813,808	849,696	114.6%	1,320,652	64.3%
7/1/97	7,245,195	6,162,138	1,083,057	117.6%	1,384,666	78.2%
7/1/98	7,945,707	6,351,397	1,594,310	125.1%	1,474,007	108.2%
7/1/99	8,862,168	6,430,740	2,431,428	137.8%	1,591,240	152.8%
7/1/00	10,076,469	7,258,394	2,818,075	138.8%	1,727,127	163.2%
7/1/01	10,797,024	8,371,843	2,425,181	129.0%	1,858,565	130.5%
7/1/02	11,102,516	9,415,905	1,686,611	117.9%	2,019,097	83.5%

California Public Employees' Retirement System - Analysis of Funding Progress

Historical trend information is presented.

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Asset Value</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Over- funded AAL (OAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>OAAL as a % of Covered Payroll</u>
06/30/96:						
Misc.	\$ 20,901	\$ 19,615	\$ 1,286	106.6%	\$ 1,171	109.8%
Safety	214,416	196,124	18,292	109.3%	54,673	33.5%
Total	<u>\$ 235,317</u>	<u>\$ 215,739</u>	<u>\$ 19,578</u>	109.1%	<u>\$ 55,844</u>	35.1%
06/30/97:						
Misc.	\$ 25,017	\$ 19,882	\$ 5,135	125.8%	\$ 1,119	458.9%
Safety	275,556	219,726	55,830	125.4%	54,708	102.1%
Total	<u>\$ 300,573</u>	<u>\$ 239,608</u>	<u>\$ 60,965</u>	125.4%	<u>\$ 55,827</u>	109.2%
06/30/98:						
Misc.	\$ 28,215	\$ 20,914	\$ 7,301	134.9%	\$ 1,149	635.4%
Safety	337,060	260,893	76,167	129.2%	57,834	131.7%
Total	<u>\$ 365,275</u>	<u>\$ 281,807</u>	<u>\$ 83,468</u>	129.6%	<u>\$ 58,983</u>	141.5%
06/30/99:						
Misc.	\$ 30,355	\$ 21,042	\$ 9,313	144.3%	\$ 1,123	829.3%
Safety	381,063	290,509	90,554	131.2%	55,633	162.8%
Total	<u>\$ 411,418</u>	<u>\$ 311,551</u>	<u>\$ 99,867</u>	132.1%	<u>\$ 56,756</u>	176.0%
06/30/00:						
Misc.	\$ 32,572	\$ 22,430	\$ 10,142	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%



Combining Financial Statements And Supplemental Information

CITY AND COUNTY OF SAN FRANCISCO

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

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

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

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.

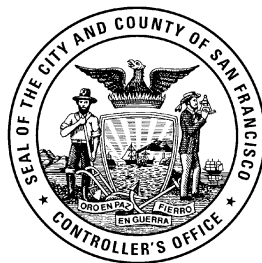
Recreation and Park Projects Fund -- Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance 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, 2003

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
ASSETS					
Deposits and investments with City Treasury.....	\$ 420,582	\$ 24,378	\$ 116,703	\$ 5,601	\$ 567,264
Deposits and investments outside City Treasury.....	10,985	20,705	94,290	54	126,034
Receivables:					
Property taxes and penalties.....	1,974	3,320	-	-	5,294
Other local taxes.....	11,277	-	-	-	11,277
Federal and state grants and subventions.....	137,782	-	32,181	-	169,963
Charges for services.....	5,547	-	1,138	-	6,685
Interest and other.....	2,430	-	740	31	3,201
Due from other funds.....	361	-	9,304	-	9,665
Due from component unit.....	445	-	10,831	-	11,276
Loans receivable (net of allowance for uncollectibles).....	197,923	-	-	-	197,923
Deferred charges and other assets.....	1,747	-	85	-	1,832
Total assets.....	<u>\$ 791,053</u>	<u>\$ 48,403</u>	<u>\$ 265,272</u>	<u>\$ 5,686</u>	<u>\$ 1,110,414</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 36,444	\$ 20	\$ 25,153	\$ 11	\$ 61,628
Accrued payroll.....	13,128	-	1,846	24	14,998
Deferred tax, grant and subvention revenues.....	8,256	3,404	83	-	11,743
Due to other funds.....	100,095	-	15,010	-	115,105
Agency obligations.....	-	-	-	40	40
Deferred credits and other liabilities.....	207,322	11,113	1,439	-	219,874
Total liabilities.....	<u>365,245</u>	<u>14,537</u>	<u>43,531</u>	<u>75</u>	<u>423,388</u>
Fund balances:					
Reserved for assets not available for appropriation.....	15,020	-	10,832	54	25,906
Reserved for debt service.....	-	33,866	-	-	33,866
Reserved for encumbrances.....	172,359	-	106,296	1	278,656
Reserved for appropriation carryforward.....	162,437	-	64,052	1,329	227,818
Reserved for subsequent years' budgets.....	8,004	-	-	-	8,004
Unreserved (deficit).....	67,988	-	40,561	4,227	112,776
Total fund balances.....	<u>425,808</u>	<u>33,866</u>	<u>221,741</u>	<u>5,611</u>	<u>687,026</u>
Total liabilities and fund balances.....	<u>\$ 791,053</u>	<u>\$ 48,403</u>	<u>\$ 265,272</u>	<u>\$ 5,686</u>	<u>\$ 1,110,414</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2003

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes.....	\$ 69,692	\$ 99,507	\$ -	\$ -	\$ 169,199
Business taxes.....	525	-	-	-	525
Other local taxes.....	104,942	-	-	-	104,942
Licenses, permits and franchises.....	5,431	-	-	-	5,431
Fines, forfeitures and penalties.....	3,405	-	-	-	3,405
Interest and investment income.....	10,858	1,912	4,871	131	17,772
Rents and concessions.....	19,785	16,924	644	440	37,793
Intergovernmental:					
Federal.....	165,341	-	3,123	-	168,464
State.....	158,461	806	15,622	-	174,889
Other.....	2,555	-	22,068	-	24,623
Charges for services.....	117,149	-	10,894	-	128,043
Other.....	13,275	-	1,922	15	15,212
Total revenues.....	671,419	119,149	59,144	586	850,298
Expenditures:					
Current:					
Public protection.....	39,118	-	-	-	39,118
Public works, transportation and commerce.....	209,576	-	-	-	209,576
Human welfare and neighborhood development.....	178,587	-	-	-	178,587
Community health.....	100,469	-	-	-	100,469
Culture and recreation.....	154,698	-	-	820	155,518
General administration and finance.....	32,962	-	-	-	32,962
General City responsibilities.....	1,015	-	-	-	1,015
Debt service:					
Principal retirement.....	9	100,893	-	-	100,902
Interest and fiscal charges.....	3	64,240	-	-	64,243
Bond issuance costs.....	-	12	1,634	-	1,646
Capital outlay.....	-	-	248,928	-	248,928
Total expenditures.....	716,437	165,145	250,562	820	1,132,964
Deficiency of revenues under expenditures.....	(45,018)	(45,996)	(191,418)	(234)	(282,666)
Other financing sources (uses):					
Transfers in.....	55,771	45,488	20,050	-	121,309
Transfers out.....	(86,623)	(2,174)	(31,913)	(10)	(120,720)
Issuance of bonds and loans					
Face value of bonds issued.....	-	-	71,310	-	71,310
Premium on issuance of bonds.....	-	-	323	-	323
Other financing sources-capital leases.....	91	-	28,808	-	28,899
Total other financing sources (uses).....	(30,761)	43,314	88,578	(10)	101,121
Net change in fund balances.....	(75,779)	(2,682)	(102,840)	(244)	(181,545)
Fund balances at beginning of year.....	501,587	36,548	324,581	5,855	868,571
Fund balances at end of year.....	\$ 425,808	\$ 33,866	\$ 221,741	\$ 5,611	\$ 687,026

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2003
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Cultural and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury...	\$ 32,252	\$ 43,967	\$ 66,338	\$ 8,620	\$ 15,798	\$ 7,953	\$ -	\$ -
Deposits and investments outside City								
Treasury.....	-	-	757	-	-	-	18	13
Receivables:								
Property taxes and penalties.....	-	801	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Federal and state grants and subventions...	-	11,623	7,306	22,353	-	51	10,112	3,365
Charges for services.....	-	-	-	3	330	-	7	-
Interest and other.....	170	289	386	38	-	49	16	-
Due from other funds.....	-	-	-	-	-	-	-	-
Due from component unit.....	-	-	445	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles).....	140	-	188,028	-	9,755	-	-	-
Deferred charges and other assets.....	-	-	-	-	-	-	-	-
Total assets.....	<u>\$ 32,562</u>	<u>\$ 56,680</u>	<u>\$ 263,260</u>	<u>\$ 31,014</u>	<u>\$ 25,883</u>	<u>\$ 8,053</u>	<u>\$ 10,153</u>	<u>\$ 3,378</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable.....	\$ 90	\$ 4,139	\$ 3,428	\$ 8,216	\$ 2,120	\$ 318	\$ 171	\$ 219
Accrued payroll.....	1,441	834	590	1,664	43	37	147	9
Deferred tax, grant and subvention revenues.....	-	772	5	3,515	-	-	-	-
Due to other funds.....	-	7,867	-	-	-	-	7,460	2,674
Deferred credits and other liabilities.....	6,678	2,624	176,918	3,496	11,388	-	-	-
Total liabilities.....	<u>8,209</u>	<u>16,236</u>	<u>180,941</u>	<u>16,891</u>	<u>13,551</u>	<u>355</u>	<u>7,778</u>	<u>2,902</u>
Fund balances:								
Reserved for assets not available for appropriation.....	-	-	11,867	-	1,012	-	-	-
Reserved for encumbrances.....	725	11,899	8,774	14,249	2,134	62	204	235
Reserved for appropriation carryforward.....	10,309	20,545	47,021	10,142	9,186	1,355	1,485	476
Reserved for subsequent years' budgets.....	-	8,000	-	-	-	-	4	-
Unreserved (deficit).....	13,319	-	14,657	(10,268)	-	6,281	682	(235)
Total fund balances.....	<u>24,353</u>	<u>40,444</u>	<u>82,319</u>	<u>14,123</u>	<u>12,332</u>	<u>7,698</u>	<u>2,375</u>	<u>476</u>
Total liabilities and fund balances..	<u>\$ 32,562</u>	<u>\$ 56,680</u>	<u>\$ 263,260</u>	<u>\$ 31,014</u>	<u>\$ 25,883</u>	<u>\$ 8,053</u>	<u>\$ 10,153</u>	<u>\$ 3,378</u>

(Continued)

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

June 30, 2003

(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.....	\$ 6,227	\$ 10,963	\$ 6,254	\$ 217	\$ -	\$ 27,950	\$ 11,088
Deposits and investments outside City							
Treasury.....	-	-	469	5	-	-	-
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	629	544
Other local taxes.....	-	61	-	-	-	-	-
Federal and state grants and subventions.....	2,132	-	4	-	5,844	-	-
Charges for services.....	1,083	-	386	48	-	-	52
Interest and other.....	13	21	10	1	1	111	35
Due from other funds.....	-	-	-	-	-	-	-
Due from component unit.....	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	-
Deferred charges and other assets.....	-	-	-	-	-	-	-
Total assets.....	<u>\$ 9,455</u>	<u>\$ 11,045</u>	<u>\$ 7,123</u>	<u>\$ 271</u>	<u>\$ 5,845</u>	<u>\$ 28,690</u>	<u>\$ 11,719</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 494	\$ 6,420	\$ 183	\$ 34	\$ 2,491	\$ 1,739	\$ 1,830
Accrued payroll.....	1,991	56	95	186	2	1,149	2,540
Deferred tax, grant and subvention revenues.....	-	-	113	-	41	607	520
Due to other funds.....	-	-	-	-	2,288	-	-
Deferred credits and other liabilities.....	23	212	37	29	-	2,324	2,312
Total liabilities.....	<u>2,508</u>	<u>6,688</u>	<u>428</u>	<u>249</u>	<u>4,822</u>	<u>5,819</u>	<u>7,202</u>
Fund balances:							
Reserved for assets not available for appropriation.....	-	-	468	-	-	-	-
Reserved for encumbrances.....	267	106	189	20	2,688	3,743	739
Reserved for appropriation carryforward.....	5,558	3,572	5,026	-	867	16,922	635
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	-
Unreserved (deficit).....	1,122	679	1,012	2	(2,532)	2,206	3,143
Total fund balances.....	<u>6,947</u>	<u>4,357</u>	<u>6,695</u>	<u>22</u>	<u>1,023</u>	<u>22,871</u>	<u>4,517</u>
Total liabilities and fund balances.....	<u>\$ 9,455</u>	<u>\$ 11,045</u>	<u>\$ 7,123</u>	<u>\$ 271</u>	<u>\$ 5,845</u>	<u>\$ 28,690</u>	<u>\$ 11,719</u>

(Continued)

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

June 30, 2003

(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.....	\$ 15,845	\$ 15,424	\$ 4,935	\$ 131,327	\$ 489	\$ 14,935	\$420,582
Deposits and investments outside City							
Treasury.....	411	-	1,212	8,100	-	-	10,985
Receivables:							
Property taxes and penalties.....	-	-	-	-	-	-	1,974
Other local taxes.....	342	-	-	10,874	-	-	11,277
Federal and state grants and subventions.....	4,940	1,301	-	67,196	1,555	-	137,782
Charges for services.....	102	3,536	-	-	-	-	5,547
Interest and other.....	133	1	4	1,152	-	-	2,430
Due from other funds.....	-	361	-	-	-	-	361
Due from component unit.....	-	-	-	-	-	-	445
Loans receivable (net of allowance for uncollectibles).....	-	-	-	-	-	-	197,923
Deferred charges and other assets.....	49	1,698	-	-	-	-	1,747
Total assets.....	<u>\$ 21,822</u>	<u>\$ 22,321</u>	<u>\$ 6,151</u>	<u>\$ 218,649</u>	<u>\$ 2,044</u>	<u>\$ 14,935</u>	<u>\$ 791,053</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 1,528	\$ 1,543	\$ 156	\$ 813	\$ 358	\$ 154	\$36,444
Accrued payroll.....	1,074	675	124	30	-	441	13,128
Deferred tax, grant and subvention revenues.....	2,683	-	-	-	-	-	8,256
Due to other funds.....	5,720	5,367	-	68,719	-	-	100,095
Deferred credits and other liabilities.....	170	1,111	-	-	-	-	207,322
Total liabilities.....	<u>11,175</u>	<u>8,696</u>	<u>280</u>	<u>69,562</u>	<u>358</u>	<u>595</u>	<u>365,245</u>
Fund balances:							
Reserved for assets not available for appropriation.....	460	-	1,213	-	-	-	15,020
Reserved for encumbrances.....	7,045	2,789	87	115,099	1,218	87	172,359
Reserved for appropriation carryforward.....	2,521	11,062	1,683	-	-	14,072	162,437
Reserved for subsequent years' budgets.....	-	-	-	-	-	-	8,004
Unreserved (deficit).....	621	(226)	2,888	33,988	468	181	67,988
Total fund balances.....	<u>10,647</u>	<u>13,625</u>	<u>5,871</u>	<u>149,087</u>	<u>1,686</u>	<u>14,340</u>	<u>425,808</u>
Total liabilities and fund balances.....	<u>\$ 21,822</u>	<u>\$ 22,321</u>	<u>\$ 6,151</u>	<u>\$ 218,649</u>	<u>\$ 2,044</u>	<u>\$ 14,935</u>	<u>\$ 791,053</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, 2003
(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.....	\$ -	\$ 26,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	525	-	-	-	-	-
Other local taxes.....	-	-	-	-	40,118	-	-	-
Licenses, permits and franchises.....	3,413	-	-	-	-	-	125	-
Fines, forfeitures and penalties.....	-	-	-	1,815	-	30	2	-
Interest and investment income.....	738	1,025	3,986	182	470	194	58	-
Rents and concessions.....	-	-	-	-	9,421	-	148	-
Intergovernmental:								
Federal.....	-	16,867	40,853	80,319	-	133	32	-
State.....	-	16,404	493	12,559	-	-	4,216	6,852
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	30,111	1,042	7,840	3,311	3,471	4,723	4,104	-
Other.....	32	49	9,566	548	-	-	37	-
Total revenues.....	34,294	61,544	63,263	98,734	53,480	5,080	8,722	6,852
Expenditures:								
Current:								
Public protection.....	-	-	-	205	-	4,710	-	-
Public works, transportation and commerce..	30,086	-	392	-	919	1,188	86	-
Human welfare and neighborhood development.....	-	61,564	75,527	-	7,600	-	-	6,376
Community health.....	-	-	-	98,919	-	-	-	-
Culture and recreation.....	-	-	900	-	57,258	-	5,413	-
General administration and finance.....	-	-	12,104	-	-	-	128	-
General City responsibilities.....	-	-	-	-	801	-	-	73
Debt service:								
Principal retirement.....	-	-	-	-	-	-	9	-
Interest and fiscal charges.....	-	-	-	-	-	-	3	-
Total expenditures.....	30,086	61,564	88,923	99,124	66,578	5,898	5,639	6,449
Excess (deficiency) of revenues over (under) expenditures.....	4,208	(20)	(25,660)	(390)	(13,098)	(818)	3,083	403
Other financing sources (uses):								
Transfers in.....	-	-	103	-	17,320	-	213	73
Transfers out.....	(456)	(1,204)	(31,450)	(596)	(10,370)	(360)	(3,993)	-
Other financing sources-capital leases.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	(456)	(1,204)	(31,347)	(596)	6,950	(360)	(3,780)	73
Net change in fund balances.....	3,752	(1,224)	(57,007)	(986)	(6,148)	(1,178)	(697)	476
Fund balances at beginning of year.....	20,601	41,668	139,326	15,109	18,480	8,876	3,072	-
Fund balances at end of year.....	\$ 24,353	\$ 40,444	\$ 82,319	\$ 14,123	\$ 12,332	\$ 7,698	\$ 2,375	\$ 476

(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, 2003
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Off-street Parking Fund	Open Space and Park Fund	Public Library Fund
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,768	\$ 21,767
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits and franchises.....	-	215	-	-	192	-	-	-
Fines, forfeitures and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	31	20	99	7	9	-	372	113
Rents and concessions.....	-	571	-	258	-	-	-	33
Intergovernmental:								
Federal.....	-	28	21	-	12,968	-	-	-
State.....	22,010	25	-	-	464	-	172	1,083
Other.....	-	532	-	-	105	-	-	-
Charges for services.....	5,897	10,931	54	3,256	233	-	-	657
Other.....	1	-	2,821	-	-	-	-	-
Total revenues.....	<u>27,939</u>	<u>12,322</u>	<u>2,995</u>	<u>3,521</u>	<u>13,971</u>	<u>-</u>	<u>22,312</u>	<u>23,653</u>
Expenditures:								
Current:								
Public protection.....	-	362	163	-	-	-	-	-
Public works, transportation and commerce.....	31,428	798	119	-	-	-	5,016	709
Human welfare and neighborhood development.....	-	-	1,230	-	13,924	-	-	-
Community health.....	-	-	164	-	-	-	-	-
Culture and recreation.....	-	644	2,806	3,499	-	-	19,454	55,704
General administration and finance.....	-	10,190	327	-	-	-	-	-
General City responsibilities.....	-	141	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and fiscal charges.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>31,428</u>	<u>12,135</u>	<u>4,809</u>	<u>3,499</u>	<u>13,924</u>	<u>-</u>	<u>24,470</u>	<u>56,413</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(3,489)</u>	<u>187</u>	<u>(1,814)</u>	<u>22</u>	<u>47</u>	<u>-</u>	<u>(2,158)</u>	<u>(32,760)</u>
Other financing sources (uses):								
Transfers in.....	4,725	141	2,456	-	50	-	-	28,764
Transfers out.....	(3,655)	(75)	(106)	-	(25)	(1,581)	(1,998)	(63)
Other financing sources-capital leases.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>1,070</u>	<u>66</u>	<u>2,350</u>	<u>-</u>	<u>25</u>	<u>(1,581)</u>	<u>(1,998)</u>	<u>28,701</u>
Net change in fund balances.....	(2,419)	253	536	22	72	(1,581)	(4,156)	(4,059)
Fund balances at beginning of year.....	9,366	4,104	6,159	-	951	1,581	27,027	8,576
Fund balances at end of year.....	<u>\$ 6,947</u>	<u>\$ 4,357</u>	<u>\$ 6,695</u>	<u>\$ 22</u>	<u>\$ 1,023</u>	<u>\$ -</u>	<u>\$ 22,871</u>	<u>\$ 4,517</u>

(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, 2003

(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,692
Business taxes.....	-	-	-	-	-	-	525
Other local taxes.....	-	-	-	56,818	-	8,006	104,942
Licenses, permits and franchises.....	1,486	-	-	-	-	-	5,431
Fines, forfeitures and penalties.....	1,558	-	-	-	-	-	3,405
Interest and investment income.....	483	431	27	2,287	-	326	10,858
Rents and concessions.....	-	598	7,151	-	-	1,605	19,785
Intergovernmental:							
Federal.....	7,492	415	-	583	5,630	-	165,341
State.....	16,959	500	-	74,869	1,855	-	158,461
Other.....	-	1,918	-	-	-	-	2,555
Charges for services.....	25,759	13,748	1,751	-	-	261	117,149
Other.....	71	144	6	-	-	-	13,275
Total revenues.....	53,808	17,754	8,935	134,557	7,485	10,198	671,419
Expenditures:							
Current:							
Public protection.....	33,492	186	-	-	-	-	39,118
Public works, transportation and commerce.....	13,227	9,410	3,069	112,500	-	629	209,576
Human welfare and neighborhood development.....	523	5,352	2	-	6,489	-	178,587
Community health.....	1,386	-	-	-	-	-	100,469
Culture and recreation.....	-	58	-	-	-	8,962	154,698
General administration and finance.....	-	551	9,662	-	-	-	32,962
General City responsibilities.....	-	-	-	-	-	-	1,015
Debt service:							
Principal retirement.....	-	-	-	-	-	-	9
Interest and fiscal charges.....	-	-	-	-	-	-	3
Total expenditures.....	48,628	15,557	12,733	112,500	6,489	9,591	716,437
Excess (deficiency) of revenues over (under) expenditures.....	5,180	2,197	(3,798)	22,057	996	607	(45,018)
Other financing sources (uses):							
Transfers in.....	166	1,234	521	-	5	-	55,771
Transfers out.....	(11,854)	(426)	(1,144)	(15,710)	(783)	(774)	(86,623)
Other financing sources-capital leases.....	91	-	-	-	-	-	91
Total other financing sources (uses).....	(11,597)	808	(623)	(15,710)	(778)	(774)	(30,761)
Net change in fund balances.....	(6,417)	3,005	(4,421)	6,347	218	(167)	(75,779)
Fund balances at beginning of year.....	17,064	10,620	10,292	142,740	1,468	14,507	501,587
Fund balances at end of year.....	\$ 10,647	\$ 13,625	\$ 5,871	\$ 149,087	\$ 1,686	\$ 14,340	\$ 425,088

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, 2003
(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.....	\$ -	\$ -	\$ -	\$ -	\$ 26,891	\$ 26,891	\$ 26,157	\$ (734)
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	2,916	2,916	3,413	497	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	884	884	689	(195)	318	1,024	1,155	131
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	670	18,555	16,867	(1,688)
State.....	-	-	-	-	34,102	17,245	16,404	(841)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	24,124	24,125	30,111	5,986	94	1,047	1,042	(5)
Other revenues.....	-	-	32	32	-	50	49	(1)
Total revenues.....	<u>27,924</u>	<u>27,925</u>	<u>34,245</u>	<u>6,320</u>	<u>62,075</u>	<u>64,812</u>	<u>61,674</u>	<u>(3,138)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	30,429	29,923	30,086	(163)	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	66,209	65,371	61,564	3,807
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>30,429</u>	<u>29,923</u>	<u>30,086</u>	<u>(163)</u>	<u>66,209</u>	<u>65,371</u>	<u>61,564</u>	<u>3,807</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,505)</u>	<u>(1,998)</u>	<u>4,159</u>	<u>6,157</u>	<u>(4,134)</u>	<u>(559)</u>	<u>110</u>	<u>669</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	(396)	(396)	(350)	46	-	(1,204)	(1,204)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(396)</u>	<u>(396)</u>	<u>(350)</u>	<u>46</u>	<u>-</u>	<u>(1,204)</u>	<u>(1,204)</u>	<u>-</u>
Net change in fund balances.....	<u>(2,901)</u>	<u>(2,394)</u>	<u>3,809</u>	<u>6,203</u>	<u>(4,134)</u>	<u>(1,763)</u>	<u>(1,094)</u>	<u>669</u>
Budgetary fund balance (deficit), July 1.....	<u>2,901</u>	<u>20,269</u>	<u>20,269</u>	<u>-</u>	<u>4,134</u>	<u>41,101</u>	<u>41,101</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 17,875</u>	<u>\$ 24,078</u>	<u>\$ 6,203</u>	<u>\$ -</u>	<u>\$ 39,338</u>	<u>\$ 40,007</u>	<u>\$ 669</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, 2003
(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.....	700	700	525	(175)	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	1,730	1,767	1,815	48
Interest and investment income.....	-	2,434	4,420	1,986	50	7	184	177
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	40,853	40,853	-	77,528	80,319	80,319	-
State.....	-	493	493	-	17,750	12,559	12,559	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	4,725	5,715	7,840	2,125	121	1,977	3,311	1,334
Other revenues.....	-	6,530	9,566	3,036	1,047	481	548	67
Total revenues.....	<u>5,425</u>	<u>56,725</u>	<u>63,697</u>	<u>6,972</u>	<u>98,226</u>	<u>97,110</u>	<u>98,736</u>	<u>1,626</u>
Expenditures:								
Public protection.....	-	-	-	-	-	205	205	-
Public works, transportation and commerce.....	378	921	921	-	-	-	-	-
Human welfare and neighborhood development.....	6,195	75,911	75,424	487	-	-	-	-
Community health.....	-	-	-	-	98,226	98,906	98,906	-
Culture and recreation.....	900	900	900	-	-	-	-	-
General administration and finance.....	-	12,104	12,104	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>7,473</u>	<u>89,836</u>	<u>89,349</u>	<u>487</u>	<u>98,226</u>	<u>99,111</u>	<u>99,111</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,048)</u>	<u>(33,111)</u>	<u>(25,652)</u>	<u>7,459</u>	<u>-</u>	<u>(2,001)</u>	<u>(375)</u>	<u>1,626</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	(21)	(31,450)	(31,450)	-	-	(587)	(587)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	(4,065)	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(4,086)</u>	<u>(31,450)</u>	<u>(31,450)</u>	<u>-</u>	<u>-</u>	<u>(587)</u>	<u>(587)</u>	<u>-</u>
Net change in fund balances.....	(6,134)	(64,561)	(57,102)	7,459	-	(2,588)	(962)	1,626
Budgetary fund balance (deficit), July 1.....	6,362	132,726	132,726	-	-	15,035	15,035	-
Budgetary fund balance (deficit), June 30.....	<u>\$ 228</u>	<u>\$ 68,165</u>	<u>\$ 75,624</u>	<u>\$ 7,459</u>	<u>\$ -</u>	<u>\$ 12,447</u>	<u>\$ 14,073</u>	<u>\$ 1,626</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, 2003

(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.....	47,329	45,330	40,118	(5,212)	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	26	26	30	4
Interest and investment income.....	-	-	-	-	363	363	217	(146)
Rents and concessions.....	9,292	9,292	9,421	129	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	133	133	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,095	3,094	3,471	377	5,146	5,146	4,723	(423)
Other revenues.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>59,716</u>	<u>57,716</u>	<u>53,010</u>	<u>(4,706)</u>	<u>5,535</u>	<u>5,668</u>	<u>5,103</u>	<u>(565)</u>
Expenditures:								
Public protection.....	-	-	-	-	2,327	4,816	4,710	106
Public works, transportation and commerce.....	-	919	919	-	-	1,188	1,188	-
Human welfare and neighborhood development.....	6,036	7,600	7,600	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	48,481	48,775	57,258	(8,483)	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	801	801	-	-	-	-	-
Total expenditures.....	<u>54,517</u>	<u>58,095</u>	<u>66,578</u>	<u>(8,483)</u>	<u>2,327</u>	<u>6,004</u>	<u>5,898</u>	<u>106</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>5,199</u>	<u>(379)</u>	<u>(13,568)</u>	<u>(13,189)</u>	<u>3,208</u>	<u>(336)</u>	<u>(795)</u>	<u>(459)</u>
Other financing sources (uses):								
Transfers in.....	1,600	7,970	17,320	9,350	-	-	-	-
Transfers out.....	(9,900)	(9,900)	(9,900)	-	-	(360)	(360)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	(4,235)	-	-	-
Total other financing sources (uses).....	<u>(8,300)</u>	<u>(1,930)</u>	<u>7,420</u>	<u>9,350</u>	<u>(4,235)</u>	<u>(360)</u>	<u>(360)</u>	<u>-</u>
Net change in fund balances.....	(3,101)	(2,309)	(6,148)	(3,839)	(1,027)	(696)	(1,155)	(459)
Budgetary fund balance (deficit), July 1.....	<u>3,101</u>	<u>18,480</u>	<u>18,480</u>	<u>-</u>	<u>1,027</u>	<u>8,773</u>	<u>8,773</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 16,171</u>	<u>\$ 12,332</u>	<u>\$ (3,839)</u>	<u>\$ -</u>	<u>\$ 8,077</u>	<u>\$ 7,618</u>	<u>\$ (459)</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, 2003

(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	156	156	125	(31)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	2	2	-	-	-	-
Interest and investment income.....	139	139	69	(70)	-	-	-	-
Rents and concessions.....	169	169	148	(21)	-	-	-	-
Intergovernmental:								
Federal.....	-	32	32	-	-	-	-	-
State.....	40	4,216	4,216	-	3,426	6,852	6,852	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	3,836	4,179	4,104	(75)	-	-	-	-
Other revenues.....	131	168	37	(131)	-	-	-	-
Total revenues.....	<u>4,471</u>	<u>9,059</u>	<u>8,733</u>	<u>(326)</u>	<u>3,426</u>	<u>6,852</u>	<u>6,852</u>	<u>-</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	86	86	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	3,426	6,376	6,376	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	2,963	5,482	5,201	281	-	-	-	-
General administration and finance.....	136	128	128	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>3,099</u>	<u>5,696</u>	<u>5,415</u>	<u>281</u>	<u>3,426</u>	<u>6,376</u>	<u>6,376</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,372</u>	<u>3,363</u>	<u>3,318</u>	<u>(45)</u>	<u>-</u>	<u>476</u>	<u>476</u>	<u>-</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(3,993)	(3,993)	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	(23)	(12)	(12)	-	-	-	-	-
Total other financing sources (uses).....	<u>(23)</u>	<u>(4,005)</u>	<u>(4,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	1,349	(642)	(687)	(45)	-	476	476	-
Budgetary fund balance (deficit), July 1.....	512	(3,007)	(3,007)	-	-	-	-	-
Budgetary fund balance (deficit), June 30.....	<u>\$ 1,861</u>	<u>\$ (3,649)</u>	<u>\$ (3,694)</u>	<u>\$ (45)</u>	<u>\$ -</u>	<u>\$ 476</u>	<u>\$ 476</u>	<u>\$ -</u>

(Continued)

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

Year ended June 30, 2003

(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.....	630	630	-	(630)	-	244	215	(29)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	255	255	88	(167)	9	9	24	15
Rents and concessions.....	-	-	-	-	-	571	571	-
Intergovernmental:								
Federal.....	-	-	-	-	-	28	28	-
State.....	23,089	23,089	22,010	(1,079)	-	25	25	-
Other.....	-	-	-	-	-	532	532	-
Charges for services.....	7,572	8,741	5,897	(2,844)	2,160	9,996	10,931	935
Other revenues.....	10	20	1	(19)	-	-	-	-
Total revenues.....	<u>31,556</u>	<u>32,735</u>	<u>27,996</u>	<u>(4,739)</u>	<u>2,169</u>	<u>11,405</u>	<u>12,326</u>	<u>921</u>
Expenditures:								
Public protection.....	-	-	-	-	401	362	362	-
Public works, transportation and commerce.....	38,999	39,844	31,429	8,415	886	798	798	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	644	644	-
General administration and finance.....	-	-	-	-	1,220	9,961	10,190	(229)
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>38,999</u>	<u>39,844</u>	<u>31,429</u>	<u>8,415</u>	<u>2,507</u>	<u>11,765</u>	<u>11,994</u>	<u>(229)</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(7,443)</u>	<u>(7,109)</u>	<u>(3,433)</u>	<u>3,676</u>	<u>(338)</u>	<u>(360)</u>	<u>332</u>	<u>692</u>
Other financing sources (uses):								
Transfers in.....	9,396	6,784	4,725	(2,059)	-	-	-	-
Transfers out.....	(1,024)	(17)	(3,655)	(3,638)	(75)	(75)	(75)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	(929)	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>7,443</u>	<u>6,767</u>	<u>1,070</u>	<u>(5,697)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>-</u>
Net change in fund balances.....	-	(342)	(2,363)	(2,021)	(413)	(435)	257	692
Budgetary fund balance (deficit), July 1.....	-	9,271	9,271	-	413	4,091	4,091	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 8,929</u>	<u>\$ 6,908</u>	<u>\$ (2,021)</u>	<u>\$ -</u>	<u>\$ 3,656</u>	<u>\$ 4,348</u>	<u>\$ 692</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, 2003

(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	30	22	-	-	5	5
Rents and concessions.....	-	-	-	-	285	285	258	(27)
Intergovernmental:								
Federal.....	-	22	21	(1)	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	27	54	27	3,701	3,701	3,256	(445)
Other revenues.....	1,176	5,002	2,821	(2,181)	-	-	-	-
Total revenues.....	<u>1,176</u>	<u>5,059</u>	<u>2,926</u>	<u>(2,133)</u>	<u>3,986</u>	<u>3,986</u>	<u>3,519</u>	<u>(467)</u>
Expenditures:								
Public protection.....	-	163	163	-	-	-	-	-
Public works, transportation and commerce.....	-	119	119	-	-	-	-	-
Human welfare and neighborhood development.....	326	1,230	1,230	-	-	-	-	-
Community health.....	-	164	164	-	-	-	-	-
Culture and recreation.....	850	2,806	2,806	-	3,524	3,504	3,499	5
General administration and finance.....	-	327	327	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>1,176</u>	<u>4,809</u>	<u>4,809</u>	<u>-</u>	<u>3,524</u>	<u>3,504</u>	<u>3,499</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures.....	-	250	(1,883)	(2,133)	462	482	20	(462)
Other financing sources (uses):								
Transfers in.....	-	2,456	2,456	-	-	-	-	-
Transfers out.....	-	(33)	(33)	-	(462)	(462)	-	462
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	2,423	2,423	-	(462)	(462)	-	462
Net change in fund balances.....	-	2,673	540	(2,133)	-	20	20	-
Budgetary fund balance (deficit), July 1.....	-	6,132	6,132	-	-	-	-	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 8,805</u>	<u>\$ 6,672</u>	<u>\$ (2,133)</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ -</u>

(Continued)

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

Year ended June 30, 2003

(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.....	\$ -	\$ -	\$ -	\$ -	\$ 22,414	\$ 22,414	\$ 21,768	\$ (646)
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	200	200	192	(8)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	12	12	847	847	529	(318)
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	3,410	12,968	12,968	-	-	-	-	-
State.....	-	464	464	-	165	165	172	7
Other.....	-	105	105	-	-	-	-	-
Charges for services.....	-	220	233	13	-	-	-	-
Other revenues.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>3,610</u>	<u>13,957</u>	<u>13,974</u>	<u>17</u>	<u>23,426</u>	<u>23,426</u>	<u>22,469</u>	<u>(957)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	5,016	5,016	-
Human welfare and neighborhood development.....	3,594	13,874	13,874	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	25,993	19,542	19,454	88
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>3,594</u>	<u>13,874</u>	<u>13,874</u>	<u>-</u>	<u>25,993</u>	<u>24,558</u>	<u>24,470</u>	<u>88</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>16</u>	<u>83</u>	<u>100</u>	<u>17</u>	<u>(2,567)</u>	<u>(1,132)</u>	<u>(2,001)</u>	<u>(869)</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	462	462	-	(462)
Transfers out.....	(16)	(25)	(25)	-	-	(1,998)	(1,998)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>(16)</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>462</u>	<u>(1,536)</u>	<u>(1,998)</u>	<u>(462)</u>
Net change in fund balances.....	-	58	75	17	(2,105)	(2,668)	(3,999)	(1,331)
Budgetary fund balance (deficit), July 1.....	-	948	948	-	2,105	26,687	26,687	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 1,006</u>	<u>\$ 1,023</u>	<u>\$ 17</u>	<u>\$ -</u>	<u>\$ 24,019</u>	<u>\$ 22,688</u>	<u>\$ (1,331)</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, 2003

(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.....	\$ 22,414	\$ 22,414	\$ 21,767	\$ (647)	-	-	-	-
Business taxes.....	-	-	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	1,201	1,441	1,486	45
Fines, forfeitures, and penalties.....	-	-	-	-	1,571	1,709	1,558	(151)
Interest and investment income.....	-	-	105	105	307	483	681	198
Rents and concessions.....	28	28	33	5	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	3,967	7,492	7,492	-
State.....	1,500	1,560	1,083	(477)	8,870	16,959	16,959	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	727	727	657	(70)	19,129	26,457	25,759	(698)
Other revenues.....	-	-	-	-	-	34	71	37
Total revenues.....	<u>24,669</u>	<u>24,729</u>	<u>23,645</u>	<u>(1,084)</u>	<u>35,045</u>	<u>54,575</u>	<u>54,006</u>	<u>(569)</u>
Expenditures:								
Public protection.....	-	-	-	-	20,339	33,399	33,322	77
Public works, transportation and commerce.....	-	709	709	-	8,670	13,064	13,135	(71)
Human welfare and neighborhood development.....	-	-	-	-	-	523	523	-
Community health.....	-	-	-	-	-	1,386	1,386	-
Culture and recreation.....	55,058	56,429	55,704	725	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>55,058</u>	<u>57,138</u>	<u>56,413</u>	<u>725</u>	<u>29,009</u>	<u>48,372</u>	<u>48,366</u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(30,389)</u>	<u>(32,409)</u>	<u>(32,768)</u>	<u>(359)</u>	<u>6,036</u>	<u>6,203</u>	<u>5,640</u>	<u>(563)</u>
Other financing sources (uses):								
Transfers in.....	29,101	28,934	28,764	(170)	-	-	-	-
Transfers out.....	-	(21)	(21)	-	(6,830)	(11,854)	(11,854)	-
Budget reserves and designations.....	(4)	(4)	-	4	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>29,097</u>	<u>28,909</u>	<u>28,743</u>	<u>(166)</u>	<u>(6,830)</u>	<u>(11,854)</u>	<u>(11,854)</u>	<u>-</u>
Net change in fund balances.....	(1,292)	(3,500)	(4,025)	(525)	(794)	(5,651)	(6,214)	(563)
Budgetary fund balance (deficit), July 1.....	1,292	8,440	8,440	-	871	16,736	16,736	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 4,940</u>	<u>\$ 4,415</u>	<u>\$ (525)</u>	<u>\$ 77</u>	<u>\$ 11,085</u>	<u>\$ 10,522</u>	<u>\$ (563)</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, 2003

(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.....	-	3	-	(3)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	7	7	-	13	28	15
Rents and concessions.....	-	700	598	(102)	7,521	7,521	7,150	(371)
Intergovernmental:								
Federal.....	-	415	415	-	-	-	-	-
State.....	-	500	500	-	-	-	-	-
Other.....	157	1,918	1,918	-	-	-	-	-
Charges for services.....	5,681	13,308	13,748	440	1,200	1,200	1,751	551
Other revenues.....	-	95	144	49	-	6	6	-
Total revenues.....	<u>5,838</u>	<u>16,939</u>	<u>17,330</u>	<u>391</u>	<u>8,721</u>	<u>8,740</u>	<u>8,935</u>	<u>195</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	9,173	9,449	(276)	-	3,069	3,069	-
Human welfare and neighborhood development.....	5,835	6,068	5,352	716	-	2	2	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	58	58	-	-	-	-	-
General administration and finance.....	157	551	551	-	9,919	9,662	9,662	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>5,992</u>	<u>15,850</u>	<u>15,410</u>	<u>440</u>	<u>9,919</u>	<u>12,733</u>	<u>12,733</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(154)</u>	<u>1,089</u>	<u>1,920</u>	<u>831</u>	<u>(1,198)</u>	<u>(3,993)</u>	<u>(3,798)</u>	<u>195</u>
Other financing sources (uses):								
Transfers in.....	-	1,089	1,089	-	619	521	521	-
Transfers out.....	-	-	-	-	-	(1,144)	(1,144)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>1,089</u>	<u>1,089</u>	<u>-</u>	<u>619</u>	<u>(623)</u>	<u>(623)</u>	<u>-</u>
Net change in fund balances.....	<u>(154)</u>	<u>2,178</u>	<u>3,009</u>	<u>831</u>	<u>(579)</u>	<u>(4,616)</u>	<u>(4,421)</u>	<u>195</u>
Budgetary fund balance (deficit), July 1.....	<u>154</u>	<u>10,625</u>	<u>10,625</u>	<u>-</u>	<u>579</u>	<u>10,291</u>	<u>10,291</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 12,803</u>	<u>\$ 13,634</u>	<u>\$ 831</u>	<u>\$ -</u>	<u>\$ 5,675</u>	<u>\$ 5,870</u>	<u>\$ 195</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, 2003

(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.....	-	75,198	56,818	(18,380)	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	5,200	2,287	(2,913)	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	4,723	583	(4,140)	4,062	5,137	5,630	493
State.....	-	123,771	74,869	(48,902)	1,614	2,091	1,855	(236)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	-	-	-	-
Other revenues.....	-	-	-	-	-	-	-	-
Total revenues.....	<u>-</u>	<u>208,892</u>	<u>134,557</u>	<u>(74,335)</u>	<u>5,676</u>	<u>7,228</u>	<u>7,485</u>	<u>257</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	185,692	112,500	73,192	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	5,676	6,617	6,484	133
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>-</u>	<u>185,692</u>	<u>112,500</u>	<u>73,192</u>	<u>5,676</u>	<u>6,617</u>	<u>6,484</u>	<u>133</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>23,200</u>	<u>22,057</u>	<u>(1,143)</u>	<u>-</u>	<u>611</u>	<u>1,001</u>	<u>390</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(15,710)	(15,710)	-	-	(783)	(783)	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(15,710)</u>	<u>(15,710)</u>	<u>-</u>	<u>-</u>	<u>(783)</u>	<u>(783)</u>	<u>-</u>
Net change in fund balances.....	-	7,490	6,347	(1,143)	-	(172)	218	390
Budgetary fund balance (deficit), July 1.....	-	143,904	143,904	-	-	1,471	1,471	-
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 151,394</u>	<u>\$ 150,251</u>	<u>\$ (1,143)</u>	<u>\$ -</u>	<u>\$ 1,299</u>	<u>\$ 1,689</u>	<u>\$ 390</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, 2003

(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.....	\$ -	\$ -	\$ -	\$ -	\$ 71,719	\$ 71,719	\$ 69,692	\$ (2,027)
Business taxes.....	-	-	-	-	700	700	525	(175)
Other local taxes.....	9,380	9,380	8,006	(1,374)	56,709	129,908	104,942	(24,966)
Licenses, permits, and franchises.....	-	-	-	-	5,103	5,590	5,431	(159)
Fines, forfeitures, and penalties.....	-	-	-	-	3,327	3,502	3,405	(97)
Interest and investment income.....	-	-	-	-	3,172	11,666	10,530	(1,136)
Rents and concessions.....	1,279	1,522	1,605	83	18,574	20,088	19,784	(304)
Intergovernmental:								
Federal.....	-	-	-	-	89,637	170,677	165,341	(5,336)
State.....	-	-	-	-	90,556	209,989	158,461	(51,528)
Other.....	-	-	-	-	157	2,555	2,555	-
Charges for services.....	229	268	261	(7)	81,540	109,928	117,149	7,221
Other revenues.....	-	-	-	-	2,364	12,386	13,275	889
Total revenues.....	<u>10,888</u>	<u>11,170</u>	<u>9,872</u>	<u>(1,298)</u>	<u>423,558</u>	<u>748,708</u>	<u>671,090</u>	<u>(77,618)</u>
Expenditures:								
Public protection.....	-	-	-	-	23,067	38,945	38,762	183
Public works, transportation and commerce.....	-	629	629	-	79,362	291,150	210,053	81,097
Human welfare and neighborhood development.....	-	-	-	-	97,297	183,572	178,429	5,143
Community health.....	-	-	-	-	98,226	100,456	100,456	-
Culture and recreation.....	15,009	8,801	8,962	(161)	152,778	146,941	154,486	(7,545)
General administration and finance.....	-	-	-	-	11,432	32,733	32,962	(229)
General City responsibilities.....	-	-	-	-	-	801	801	-
Total expenditures.....	<u>15,009</u>	<u>9,430</u>	<u>9,591</u>	<u>(161)</u>	<u>462,162</u>	<u>794,598</u>	<u>715,949</u>	<u>78,649</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(4,121)</u>	<u>1,740</u>	<u>281</u>	<u>(1,459)</u>	<u>(38,604)</u>	<u>(45,890)</u>	<u>(44,859)</u>	<u>1,031</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	41,178	48,216	54,875	6,659
Transfers out.....	-	(448)	(448)	-	(18,724)	(80,460)	(83,590)	(3,130)
Budget reserves and designations.....	-	-	-	-	(4)	(4)	-	4
Loan repayments and other financing sources.....	-	-	-	-	(9,252)	(12)	(12)	-
Total other financing sources (uses).....	<u>-</u>	<u>(448)</u>	<u>(448)</u>	<u>-</u>	<u>13,198</u>	<u>(32,260)</u>	<u>(28,727)</u>	<u>3,533</u>
Net change in fund balances.....	<u>(4,121)</u>	<u>1,292</u>	<u>(167)</u>	<u>(1,459)</u>	<u>(25,406)</u>	<u>(78,150)</u>	<u>(73,586)</u>	<u>4,564</u>
Budgetary fund balance (deficit), July 1.....	<u>4,121</u>	<u>14,509</u>	<u>14,509</u>	<u>-</u>	<u>27,572</u>	<u>486,482</u>	<u>486,482</u>	<u>-</u>
Budgetary fund balance (deficit), June 30.....	<u>\$ -</u>	<u>\$ 15,801</u>	<u>\$ 14,342</u>	<u>\$ (1,459)</u>	<u>\$ 2,166</u>	<u>\$ 408,332</u>	<u>\$ 412,896</u>	<u>\$ 4,564</u>

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

**Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Year ended June 30, 2003**

(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.....	\$ 30,429	\$ 29,923	\$ 30,086	\$ (163)
Total Building Inspection Fund.....	<u>30,429</u>	<u>29,923</u>	<u>30,086</u>	<u>(163)</u>
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services.....	26,452	26,547	23,660	2,887
Children and Families Commission.....	7,668	5,803	5,804	(1)
Mayor's Office.....	32,089	33,021	32,100	921
Total Children and Families Fund.....	<u>66,209</u>	<u>65,371</u>	<u>61,564</u>	<u>3,807</u>
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development.....	378	921	921	-
Human Welfare and Neighborhood Development				
Mayor's Office.....	1,698	71,352	71,352	-
Rent Arbitration Board.....	4,497	4,559	4,072	487
	<u>6,195</u>	<u>75,911</u>	<u>75,424</u>	<u>487</u>
Culture and Recreation				
Recreation and Park Commission.....	900	900	900	-
General Administration and Finance				
City Planning.....	-	12,104	12,104	-
Total Community/Neighborhood Development Fund.....	<u>7,473</u>	<u>89,836</u>	<u>89,349</u>	<u>487</u>
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Trial Courts.....	-	205	205	-
Community Health				
Community Health Network.....	98,226	98,906	98,906	-
Total Community Health Services Fund.....	<u>98,226</u>	<u>99,111</u>	<u>99,111</u>	<u>-</u>
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Parking and Traffic Commission.....	-	42	42	-
Public Works.....	-	877	877	-
	<u>-</u>	<u>919</u>	<u>919</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	6,036	7,600	7,600	-
Culture and Recreation				
Administrative Services - Convention Facilities.....	48,481	47,560	56,043	(8,483)
Arts Commission.....	-	1,215	1,215	-
	<u>48,481</u>	<u>48,775</u>	<u>57,258</u>	<u>(8,483)</u>
General City Responsibilities				
General City Responsibility.....	-	801	801	-
Total Convention Facilities Fund.....	<u>54,517</u>	<u>58,095</u>	<u>66,578</u>	<u>(8,483)</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, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COURT'S FUND				
Public Protection	2,327	4,816	4,710	106
Public Works, Transportation and Commerce	-	1,188	1,188	-
Public Works.....	-	1,188	1,188	-
Total Court's Fund.....	<u>2,327</u>	<u>6,004</u>	<u>5,898</u>	<u>106</u>
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce	-	86	86	-
Public Works.....	-	86	86	-
Culture and Recreation	450	1,092	1,092	-
Arts Commission.....	147	503	503	-
Asian Art Museum.....	177	1,639	1,639	-
Fine Arts Museums.....	2,189	2,248	1,967	281
Recreation and Park Commission.....	2,963	5,482	5,201	281
General Administration and Finance	136	128	128	-
Mayor's Office.....	3,099	5,696	5,415	281
Total Culture and Recreation Fund.....	<u>3,099</u>	<u>5,696</u>	<u>5,415</u>	<u>281</u>
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development	3,426	6,376	6,376	-
Environment.....	3,426	6,376	6,376	-
Total Environmental Protection Fund.....	<u>3,426</u>	<u>6,376</u>	<u>6,376</u>	<u>-</u>
GASOLINE TAX FUND				
Public Works, Transportation and Commerce	-	11	11	-
Controller.....	31,319	31,490	23,731	7,759
Public Works.....	7,680	8,343	7,687	656
Parking and Traffic Commission.....	38,999	39,844	31,429	8,415
Total Gasoline Tax Fund.....	<u>38,999</u>	<u>39,844</u>	<u>31,429</u>	<u>8,415</u>
GENERAL SERVICES FUND				
Public Protection	-	27	27	-
Mayor's Office.....	401	335	335	-
Trial Courts.....	401	362	362	-
Public Works, Transportation and Commerce	886	798	798	-
Telecommunications and Information Services.....	-	644	644	-
Culture and Recreation	-	644	644	-
Fine Arts Museum.....	-	644	644	-
General Administration and Finance	1,220	1,417	1,417	-
Administrative Services.....	-	73	73	-
Assessor/Recorder.....	-	327	327	-
Board of Supervisors.....	-	8,005	8,234	(229)
City Planning.....	-	18	18	-
Human Resources.....	1,220	9,961	10,190	(229)
Mayor's Office.....	2,507	11,765	11,994	(229)
Total General Services Fund.....	<u>2,507</u>	<u>11,765</u>	<u>11,994</u>	<u>(229)</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, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
GIFT FUND				
Public Protection				
Administrative Services - Animal Care and Control.....	-	118	118	-
Fire Department.....	-	14	14	-
Sheriff.....	-	31	31	-
	<u>-</u>	<u>163</u>	<u>163</u>	<u>-</u>
Public Works, Transportation and Commerce				
Mayor's Office.....	-	10	10	-
Public Works.....	-	109	109	-
	<u>-</u>	<u>119</u>	<u>119</u>	<u>-</u>
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	76	50	50	-
Human Services.....	250	1,180	1,180	-
Mayor's Office.....	-	-	-	-
	<u>326</u>	<u>1,230</u>	<u>1,230</u>	<u>-</u>
Community Health				
Community Health Network.....	-	164	164	-
Culture and Recreation				
Fine Arts Museums.....	-	1,330	1,330	-
Mayor's Office.....	-	31	31	-
Public Library.....	-	127	127	-
Recreation and Park Commission.....	850	1,318	1,318	-
	<u>850</u>	<u>2,806</u>	<u>2,806</u>	<u>-</u>
General Administration and Finance				
Board of Supervisors.....	-	27	27	-
Mayor's Office.....	-	300	300	-
	<u>-</u>	<u>327</u>	<u>327</u>	<u>-</u>
Total Gift and Other Expendable Trusts Fund.....	<u>1,176</u>	<u>4,809</u>	<u>4,809</u>	<u>-</u>
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission.....	3,524	3,504	3,499	5
Total Golf Fund.....	<u>3,524</u>	<u>3,504</u>	<u>3,499</u>	<u>5</u>
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women.....	184	239	239	-
Human Services.....	3,410	13,635	13,635	-
Total Human Welfare Fund.....	<u>3,594</u>	<u>13,874</u>	<u>13,874</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, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	5,012	5,012	-
Telecommunications and Information Services.....	-	4	4	-
	<u>-</u>	<u>5,016</u>	<u>5,016</u>	<u>-</u>
Culture and Recreation				
Arts Commission.....	-	17	17	-
Recreation and Park Commission.....	25,993	19,525	19,437	88
	<u>25,993</u>	<u>19,542</u>	<u>19,454</u>	<u>88</u>
Total Open Space and Park Fund.....	<u>25,993</u>	<u>24,558</u>	<u>24,470</u>	<u>88</u>
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	709	709	-
Culture and Recreation				
Public Library.....	55,058	56,429	55,704	725
Total Public Library Fund.....	<u>55,058</u>	<u>57,138</u>	<u>56,413</u>	<u>725</u>
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney.....	4,734	5,729	5,729	-
Fire Department.....	-	519	519	-
Mayor's Office.....	1,899	4,264	4,264	-
Police Commission.....	7,053	14,552	14,475	77
Public Defender.....	60	601	601	-
Sheriff.....	6,264	6,348	6,348	-
Trial Courts.....	329	1,386	1,386	-
	<u>20,339</u>	<u>33,399</u>	<u>33,322</u>	<u>77</u>
Public Works, Transportation and Commerce				
Emergency Communications Department.....	8,670	10,858	10,929	(71)
Public Works.....	-	1,336	1,336	-
Telecommunications and Information Services.....	-	870	870	-
	<u>8,670</u>	<u>13,064</u>	<u>13,135</u>	<u>(71)</u>
Human Welfare and Neighborhood Development				
Mayor's Office.....	-	507	507	-
Commission on Status of Women.....	-	16	16	-
	<u>-</u>	<u>523</u>	<u>523</u>	<u>-</u>
Community Health				
Public Health.....	-	1,386	1,386	-
Total Public Protection Fund.....	<u>29,009</u>	<u>48,372</u>	<u>48,366</u>	<u>6</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, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Department of Building Inspection.....	-	13	13	-
Mayor's Office.....	-	186	186	-
Municipal Transportation Agency.....	-	510	510	-
Port.....	-	36	36	-
Public Utilities Commission.....	-	228	228	-
Public Works.....	-	8,200	8,476	(276)
	-	<u>9,173</u>	<u>9,449</u>	<u>(276)</u>
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	5,835	6,068	5,352	716
Culture and Recreation				
Arts Commission.....	-	56	56	-
Public Library.....	-	2	2	-
	-	<u>58</u>	<u>58</u>	-
General Administration and Finance				
Administrative Services	-	32	32	-
City Planning.....	157	519	519	-
	<u>157</u>	<u>551</u>	<u>551</u>	-
Total Public Works, Transportation and Commerce Fund....	<u>5,992</u>	<u>15,850</u>	<u>15,410</u>	<u>440</u>
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Metropolitan Trans. Agency.....	-	15	15	-
Public Works.....	-	3,054	3,054	-
	-	<u>3,069</u>	<u>3,069</u>	-
Human Welfare and Neighborhood Development				
Rent Arbitration Board.....	-	2	2	-
General Administration and Finance				
Administrative Services - Real Estate.....	9,919	9,662	9,662	-
Total Real Property Fund.....	<u>9,919</u>	<u>12,733</u>	<u>12,733</u>	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Total San Francisco County Transportation Authority Fund.....	-	<u>185,692</u>	<u>112,500</u>	<u>73,192</u>
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Adult and Aging Services.....	5,676	6,617	6,484	133
Total Senior Citizens' Program Fund.....	<u>5,676</u>	<u>6,617</u>	<u>6,484</u>	<u>133</u>
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works.....	-	629	629	-
Culture and Recreation				
War Memorial.....	15,009	8,801	8,962	(161)
Total War Memorial Fund.....	<u>15,009</u>	<u>9,430</u>	<u>9,591</u>	<u>(161)</u>
Total Special Revenue Funds With Legally Adopted Budgets.....	<u>\$ 462,162</u>	<u>\$ 794,598</u>	<u>\$ 715,949</u>	<u>\$ 78,649</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service
June 30, 2003
(In Thousands)

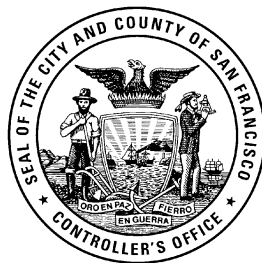
	General Obligation Bond	Certificate of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 24,373	\$ -	\$ 5	\$ 24,378
Deposits and investments outside City Treasury.....	-	20,223	482	20,705
Receivables:				
Property taxes and penalties.....	3,320	-	-	3,320
Total assets.....	\$ 27,693	\$ 20,223	\$ 487	\$ 48,403
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 20	\$ -	\$ -	\$ 20
Deferred tax, grant and subvention revenues.....	3,404	-	-	3,404
Deferred credits and other liabilities.....	10,965	-	148	11,113
Total liabilities.....	14,389	-	148	14,537
Fund balances:				
Reserved for debt service.....	13,304	20,223	339	33,866
Total liabilities and fund balances.....	\$ 27,693	\$ 20,223	\$ 487	\$ 48,403

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, 2003
(In Thousands)

	<u>General Obligation Bond</u>	<u>Certificate of Participation</u>	<u>Other Bond Funds</u>	<u>Total</u>
Revenues:				
Property taxes.....	\$ 99,507	\$ -	\$ -	\$ 99,507
Interest and investment income.....	1,446	456	10	1,912
Rents and concessions.....	-	16,037	887	16,924
Intergovernmental:				
State.....	806	-	-	806
Total revenues.....	<u>101,759</u>	<u>16,493</u>	<u>897</u>	<u>119,149</u>
Expenditures:				
Debt service:				
Principal retirement.....	86,940	5,190	8,763	100,893
Interest and fiscal charges.....	47,666	13,014	3,560	64,240
Bond issuance costs.....	12	-	-	12
Total expenditures.....	<u>134,618</u>	<u>18,204</u>	<u>12,323</u>	<u>165,145</u>
Deficiency of revenues under expenditures.....	<u>(32,859)</u>	<u>(1,711)</u>	<u>(11,426)</u>	<u>(45,996)</u>
Other financing sources (uses):				
Transfers in.....	27,214	6,922	11,352	45,488
Transfers out.....	(1,446)	-	(728)	(2,174)
Total other financing sources, net.....	<u>25,768</u>	<u>6,922</u>	<u>10,624</u>	<u>43,314</u>
Net change in fund balances.....	(7,091)	5,211	(802)	(2,682)
Fund balances at beginning of year.....	20,395	15,012	1,141	36,548
Fund balances at end of year.....	<u>\$ 13,304</u>	<u>\$ 20,223</u>	<u>\$ 339</u>	<u>\$ 33,866</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, 2003
(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.....	\$ 117,360	\$ 114,565	\$ 99,507	(15,058)
State.....	1,109	1,109	806	(303)
Total revenues.....	<u>118,469</u>	<u>120,397</u>	<u>100,313</u>	<u>(20,084)</u>
Expenditures:				
Debt service:				
Principal retirement.....	118,469	142,339	86,940	55,399
Interest and fiscal charges.....	-	549	48,064	(47,515)
Bond issuance costs.....	-	-	12	(12)
Total expenditures.....	<u>118,469</u>	<u>142,888</u>	<u>135,016</u>	<u>7,872</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>(22,491)</u>	<u>(34,703)</u>	<u>(12,212)</u>
Other financing sources (uses):				
Transfers in.....	-	27,214	27,214	-
Total other financing sources (uses).....	<u>-</u>	<u>27,214</u>	<u>27,214</u>	<u>-</u>
Net change in fund balances.....	-	4,723	(7,489)	(12,212)
Budgetary fund balance, July 1.....	-	20,395	20,395	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 25,118</u>	<u>\$ 12,906</u>	<u>\$ (12,212)</u>



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CITY AND COUNTY OF SAN FRANCISCO

**Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project**

June 30, 2003

(In Thousands)

	<u>City Facilities Improvement</u>	<u>Earthquake Safety Improvement</u>	<u>Fire Protection Systems Improvement</u>	<u>Moscone Convention Center</u>
ASSETS				
Deposits and investments with City Treasury.....	\$ 17,447	\$ 14,116	\$ 19,153	\$ 25,121
Deposits and investments outside City Treasury.....	94,290	-	-	-
Receivables:				
Federal and state grants and subventions.....	-	-	-	-
Charges for services.....	-	-	-	-
Interest and other.....	156	96	115	139
Due from component unit.....	-	-	-	7,943
Deferred charges and other assets.....	-	60	-	-
Total assets.....	<u>\$ 111,893</u>	<u>\$ 14,272</u>	<u>\$ 19,268</u>	<u>\$ 33,203</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 12,452	\$ 140	\$ 115	\$ 3,004
Accrued payroll.....	307	66	13	78
Deferred tax, grant and subvention revenues.....	-	-	-	-
Due to other funds.....	-	-	-	4,100
Deferred credits and other liabilities.....	49	642	-	46
Total liabilities.....	<u>12,808</u>	<u>848</u>	<u>128</u>	<u>7,228</u>
Fund balances:				
Reserved for assets not available for appropriation.....	-	-	-	7,944
Reserved for encumbrances.....	86,281	861	1,632	1,481
Reserved for appropriation carryforward.....	4,247	12,563	6,905	8,698
Unreserved.....	8,557	-	10,603	7,852
Total fund balances.....	<u>99,085</u>	<u>13,424</u>	<u>19,140</u>	<u>25,975</u>
Total liabilities and fund balances.....	<u>\$ 111,893</u>	<u>\$ 14,272</u>	<u>\$ 19,268</u>	<u>\$ 33,203</u>

(Continued)

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

June 30, 2003

(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury.....	\$ 34,879	\$ 5,987	\$ -	\$ 116,703
Deposits and investments outside City Treasury.....	-	-	-	94,290
Receivables:				
Federal and state grants and subventions.....	-	11,018	21,163	32,181
Charges for services.....	-	974	164	1,138
Interest and other.....	184	50	-	740
Due from other funds.....	-	-	9,304	9,304
Due from component unit.....	-	-	2,888	10,831
Deferred charges and other assets.....	-	-	25	85
Total assets.....	\$ 35,063	\$ 18,029	\$ 33,544	\$ 265,272
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 142	\$ 4,517	\$ 4,783	\$ 25,153
Accrued payroll.....	77	416	889	1,846
Deferred tax, grant and subvention revenues.....	-	-	83	83
Due to other funds.....	-	-	10,910	15,010
Deferred credits and other liabilities.....	-	294	408	1,439
Total liabilities.....	219	5,227	17,073	43,531
Fund balances:				
Reserved for assets not available for appropriation.....	-	-	2,888	10,832
Reserved for encumbrances.....	231	7,448	8,362	106,296
Reserved for appropriation carryforward.....	31,639	-	-	64,052
Unreserved.....	2,974	5,354	5,221	40,561
Total fund balances.....	34,844	12,802	16,471	221,741
Total liabilities and fund balances.....	\$ 35,063	\$ 18,029	\$ 33,544	\$ 265,272

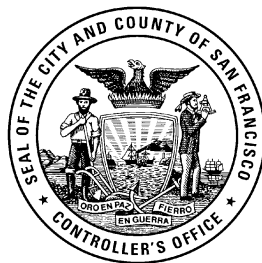
CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project
Year ended June 30, 2003
(In Thousands)

	City Facilities Improve- ment	Earthquake Safety Improve- ment	Fire Protection Systems Improve- ment	Moscone Convention Center
Revenues:				
Interest and investment income.....	\$ 2,301	\$ 386	\$ 428	\$ 596
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	-	-	-
State.....	11	-	-	-
Other.....	-	-	-	-
Charges for services.....	1,523	-	-	-
Other.....	-	-	-	-
Total revenues.....	<u>3,835</u>	<u>386</u>	<u>428</u>	<u>596</u>
Expenditures:				
Debt service:				
Bond issuance costs.....	1,317	-	-	-
Capital outlay.....	<u>76,989</u>	<u>7,202</u>	<u>1,086</u>	<u>71,197</u>
Total expenditures.....	<u>78,306</u>	<u>7,202</u>	<u>1,086</u>	<u>71,197</u>
Deficiency of revenues under expenditures.....	<u>(74,471)</u>	<u>(6,816)</u>	<u>(658)</u>	<u>(70,601)</u>
Other financing sources (uses):				
Transfers in.....	972	-	-	9,961
Transfers out.....	(14,048)	-	-	(17,408)
Issuance of bonds and loans				
Face value of bonds issued.....	48,175	-	-	-
Premium on issuance of bonds.....	137	-	-	-
Other financing sources-capital leases.....	-	-	-	28,808
Total other financing sources, net.....	<u>35,236</u>	<u>-</u>	<u>-</u>	<u>21,361</u>
Net change in fund balances.....	<u>(39,235)</u>	<u>(6,816)</u>	<u>(658)</u>	<u>(49,240)</u>
Fund balances at beginning of year.....	<u>138,320</u>	<u>20,240</u>	<u>19,798</u>	<u>75,215</u>
Fund balances at end of year.....	<u>\$ 99,085</u>	<u>\$ 13,424</u>	<u>\$ 19,140</u>	<u>\$ 25,975</u>

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project (Continued)
Year ended June 30, 2003
(In Thousands)

	<u>Public Library Improvement</u>	<u>Recreation and Park Projects</u>	<u>Street Improvement</u>	<u>Total</u>
Revenues:				
Interest and investment income.....	\$ 942	\$ 217	\$ 1	\$ 4,871
Rents and concessions.....	58	-	586	644
Intergovernmental:				
Federal.....	-	25	3,098	3,123
State.....	-	12,458	3,153	15,622
Other.....	-	-	22,068	22,068
Charges for services.....	-	9,371	-	10,894
Other.....	-	-	1,922	1,922
Total revenues.....	<u>1,000</u>	<u>22,071</u>	<u>30,828</u>	<u>59,144</u>
Expenditures:				
Debt service:				
Bond issuance costs.....	317	-	-	1,634
Capital outlay.....	<u>11,218</u>	<u>47,216</u>	<u>34,020</u>	<u>248,928</u>
Total expenditures.....	<u>11,535</u>	<u>47,216</u>	<u>34,020</u>	<u>250,562</u>
Deficiency of revenues under expenditures.....	<u>(10,535)</u>	<u>(25,145)</u>	<u>(3,192)</u>	<u>(191,418)</u>
Other financing sources (uses):				
Transfers in.....	21	7,371	1,725	20,050
Transfers out.....	(12)	-	(445)	(31,913)
Issuance of bonds and loans				
Face value of bonds issued.....	23,135	-	-	71,310
Premium on issuance of bonds.....	186	-	-	323
Other financing sources-capital leases.....	-	-	-	28,808
Total other financing sources, net.....	<u>23,330</u>	<u>7,371</u>	<u>1,280</u>	<u>88,578</u>
Net change in fund balances.....	12,795	(17,774)	(1,912)	(102,840)
Fund balances at beginning of year.....	22,049	30,576	18,383	324,581
Fund balances at end of year.....	<u>\$ 34,844</u>	<u>\$ 12,802</u>	<u>\$ 16,471</u>	<u>\$ 221,741</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, 2003

(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.....	\$ 560	\$ 3,134	\$ 863	\$ 4,548	\$ 9,105
Deposits and investments outside City Treasury.....	-	23,155	-	-	23,155
Receivables:					
Interest and other.....	-	22	-	439	461
Capital lease receivable.....	-	16,980	-	-	16,980
Deferred charges and other assets.....	-	-	-	294	294
Total current assets.....	<u>560</u>	<u>43,291</u>	<u>863</u>	<u>5,281</u>	<u>49,995</u>
Noncurrent assets:					
Capital lease receivable.....		236,263			236,263
Capital assets:					
Facilities and equipment, net of depreciation.....	159	-	119	2,342	2,620
Deferred charges and other assets.....	-	2,509	-	1	2,510
Total noncurrent assets.....	<u>159</u>	<u>238,772</u>	<u>119</u>	<u>2,343</u>	<u>241,393</u>
Total assets.....	<u>719</u>	<u>282,063</u>	<u>982</u>	<u>7,624</u>	<u>291,388</u>
Liabilities					
Current liabilities:					
Accounts payable.....	844	-	226	3,643	4,713
Accrued payroll.....	507	-	97	1,860	2,464
Accrued vacation and sick leave pay.....	351	-	-	1,482	1,833
Accrued workers' compensation.....	-	-	-	244	244
Bonds, loans, capital leases, and other payables.....	-	15,885	-	2,046	17,931
Accrued interest payable.....	-	1,095	-	-	1,095
Due to other funds.....	-	48	-	-	48
Deferred credits and other liabilities.....	-	28,772	-	-	28,772
Total current liabilities.....	<u>1,702</u>	<u>45,800</u>	<u>323</u>	<u>9,275</u>	<u>57,100</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	249	-	-	1,505	1,754
Accrued workers' compensation.....	-	-	-	835	835
Bonds, loans, capital leases, and other payables.....	-	236,263	-	565	236,828
Total noncurrent liabilities.....	<u>249</u>	<u>236,263</u>	<u>-</u>	<u>2,905</u>	<u>239,417</u>
Total liabilities.....	<u>1,951</u>	<u>282,063</u>	<u>323</u>	<u>12,180</u>	<u>296,517</u>
Net Assets					
Invested in capital assets, net of related debt.....	159	-	119	2,342	2,620
Unrestricted (deficit).....	(1,391)	-	540	(6,898)	(7,749)
Total net assets (deficit).....	<u>\$ (1,232)</u>	<u>\$ -</u>	<u>\$ 659</u>	<u>\$ (4,556)</u>	<u>\$ (5,129)</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, 2003

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 16,864	\$ -	\$ 6,738	\$ 72,732	\$ 96,334
Rent and concessions.....	-	-	-	8	8
Total operating revenues.....	<u>16,864</u>	<u>-</u>	<u>6,738</u>	<u>72,740</u>	<u>96,342</u>
Operating expenses:					
Personal services.....	8,480	-	1,708	31,842	42,030
Contractual services.....	1,767	-	4,197	27,046	33,010
Materials and supplies.....	6,529	-	467	8,104	15,100
Depreciation and amortization.....	38	122	39	1,239	1,438
General and administrative.....	84	-	11	794	889
Services provided by other departments.....	414	-	277	2,141	2,832
Other.....	3	-	303	1,582	1,888
Total operating expenses.....	<u>17,315</u>	<u>122</u>	<u>7,002</u>	<u>72,748</u>	<u>97,187</u>
Operating loss.....	<u>(451)</u>	<u>(122)</u>	<u>(264)</u>	<u>(8)</u>	<u>(845)</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	4,258	-	-	4,258
Interest expense.....	(88)	(4,136)	(18)	(91)	(4,333)
Total nonoperating revenues (expenses)....	<u>(88)</u>	<u>122</u>	<u>(18)</u>	<u>(91)</u>	<u>(75)</u>
Loss before transfers.....	(539)	-	(282)	(99)	(920)
Transfers in.....	88	-	18	91	197
Change in net assets.....	(451)	-	(264)	(8)	(723)
Total net assets (deficit) - beginning.....	<u>(781)</u>	<u>-</u>	<u>923</u>	<u>(4,548)</u>	<u>(4,406)</u>
Total net assets (deficit) - ending.....	<u>\$ (1,232)</u>	<u>\$ -</u>	<u>\$ 659</u>	<u>\$ (4,556)</u>	<u>\$ (5,129)</u>

CITY AND COUNTY OF SAN FRANCISCO

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

Year ended June 30, 2003

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 16,864	\$ 14,700	\$ 6,738	\$ 73,598	\$ 111,900
Cash paid to employees for services.....	(8,402)	-	(1,708)	(30,933)	(41,043)
Cash paid to suppliers for goods and services.....	(8,559)	(37,732)	(5,437)	(43,540)	(95,268)
Net cash used in operating activities.....	(97)	(23,032)	(407)	(875)	(24,411)
Cash flows from noncapital financing activities:					
Transfers in.....	88	-	18	91	197
Net cash provided by noncapital financing activities.....	88	-	18	91	197
Cash flows from capital financing activities:					
Bond sale proceeds.....	-	11,070	-	-	11,070
Loans received.....	-	-	-	2,091	2,091
Acquisition of capital assets.....	-	-	(1)	(338)	(339)
Retirement of capital lease obligation.....	-	(14,700)	-	(2,169)	(16,869)
Bond issue costs paid.....	-	(264)	-	-	(264)
Interest paid on long term debt.....	-	(6,038)	-	(91)	(6,129)
Net cash used in capital financing activities.....	-	(9,932)	(1)	(507)	(10,440)
Cash flows from investing activities:					
Interest income received.....	-	789	-	-	789
Other investing activities.....	(88)	-	(18)	-	(106)
Net cash provided by (used in) investing activities.....	(88)	789	(18)	-	683
Net decrease in cash and cash equivalents.....	(97)	(32,175)	(408)	(1,291)	(33,971)
Cash and cash equivalents - beginning of year.....	657	58,464	1,271	5,839	66,231
Cash and cash equivalents - end of year.....	\$ 560	\$ 26,289	\$ 863	\$ 4,548	\$ 32,260
Reconciliation of operating loss to net cash used in operating activities:					
Operating loss.....	\$ (451)	\$ (122)	\$ (264)	\$ (8)	\$ (845)
Adjustments for non-cash activities:					
Depreciation and amortization.....	38	122	39	1,239	1,438
Changes in assets/liabilities:					
Receivables, net.....	-	14,700	-	(763)	13,937
Deferred charges & other assets.....	-	-	-	(95)	(95)
Accounts payable.....	238	-	(182)	(2,157)	(2,101)
Accrued payroll.....	50	-	-	99	149
Accrued vacation & sick leave pay.....	28	-	-	743	771
Accrued workers' compensation.....	-	-	-	67	67
Deferred credits and other liabilities.....	-	(37,732)	-	-	(37,732)
Total adjustments.....	354	(22,910)	(143)	(867)	(23,566)
Net cash used in operating activities.....	\$ (97)	\$ (23,032)	\$ (407)	\$ (875)	\$ (24,411)
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury.....	\$ 560	\$ 3,134	\$ 863	\$ 4,548	\$ 9,105
Unrestricted deposits and investments outside City Treasury..	-	23,155	-	-	23,155
Cash and cash equivalents at end of year on combining statement of cash flows.....	\$ 560	\$ 26,289	\$ 863	\$ 4,548	\$ 32,260

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, 2003
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
ASSETS			
Deposits and investments with City Treasury.....	\$ 4,437	\$ 71,506	\$ 75,943
Deposits and investments outside City Treasury.....	11,139,540	-	11,139,540
Receivables:			
Payroll contribution.....	-	14,619	14,619
Interest and other.....	162,416	333	162,749
Invested securities lending collateral.....	1,107,990	-	1,107,990
Deferred charges and other assets.....	-	175	175
Total assets.....	12,414,383	86,633	12,501,016
Liabilities			
Accounts payable.....	6,789	9,376	16,165
Estimated claims payable.....	-	15,044	15,044
Obligations under fixed coupon dollar repurchase agreements.....	205,782	-	205,782
Payable to brokers.....	560,809	-	560,809
Securities lending collateral.....	1,107,990	-	1,107,990
Deferred credits and other liabilities.....	-	24,043	24,043
Total liabilities.....	1,881,370	48,463	1,929,833
Net Assets			
Held in trust for pension benefits and other purposes.....	\$ 10,533,013	\$ 38,170	\$ 10,571,183

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, 2003
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Additions:			
Employees' contributions.....	\$ 182,069	\$ 48,104	\$ 230,173
Employer contributions.....	-	309,682	309,682
Total contributions.....	<u>182,069</u>	<u>357,786</u>	<u>539,855</u>
Investment income:			
Interest.....	174,461	1,480	175,941
Dividends.....	73,415	-	73,415
Net increase/(decrease) in fair value of investments.....	172,125	(153)	171,972
Securities lending income.....	22,288	-	22,288
Fixed coupon dollar repurchase agreement income.....	4,197	-	4,197
Total investment income.....	<u>446,486</u>	<u>1,327</u>	<u>447,813</u>
Less investment expenses:			
Securities lending borrower rebates and expenses.....	(15,778)	-	(15,778)
Fixed coupon dollar repurchase finance charges and expenses.....	(3,038)	-	(3,038)
Other expenses.....	(21,454)	-	(21,454)
Total investment expenses.....	<u>(40,270)</u>	<u>-</u>	<u>(40,270)</u>
Total additions, net.....	<u>588,285</u>	<u>359,113</u>	<u>947,398</u>
Deductions:			
Benefit payments.....	452,264	359,320	811,584
Refunds of contributions.....	8,214	-	8,214
Administrative expenses.....	10,744	-	10,744
Total deductions.....	<u>471,222</u>	<u>359,320</u>	<u>830,542</u>
Change in net assets.....	117,063	(207)	116,856
Net assets at beginning of year.....	10,415,950	38,377	10,454,327
Net assets at end of year.....	<u>\$ 10,533,013</u>	<u>\$ 38,170</u>	<u>\$10,571,183</u>

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Combining Statement of Changes in Assets and Liabilities - Agency Funds

Year ended June 30, 2003

(In Thousands)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 7,543	\$ 40,970	\$ 40,192	\$ 8,321
Receivables:				
Interest and other.....	140	147	140	147
Total assets.....	<u>\$ 7,683</u>	<u>\$ 41,117</u>	<u>\$ 40,332</u>	<u>\$ 8,468</u>
LIABILITIES				
Accounts payable.....	\$ 1,023	\$ 7,989	\$ 8,219	\$ 793
Agency obligations.....	6,660	38,930	37,915	7,675
Total liabilities.....	<u>\$ 7,683</u>	<u>\$ 46,919</u>	<u>\$ 46,134</u>	<u>\$ 8,468</u>
 Deposits Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 37,270	\$ 51,421	\$ 64,126	\$ 24,565
Receivables:				
Interest and other.....	1	-	1	-
Deferred charges and other assets.....	5,741	19,653	525	24,869
Total assets.....	<u>\$ 43,012</u>	<u>\$ 71,074</u>	<u>\$ 64,652</u>	<u>\$ 49,434</u>
LIABILITIES				
Accounts payable.....	\$ 660	\$ 34,052	\$ 34,026	\$ 686
Agency obligations.....	42,352	50,878	44,482	48,748
Total liabilities.....	<u>\$ 43,012</u>	<u>\$ 84,930</u>	<u>\$ 78,508</u>	<u>\$ 49,434</u>
 Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 3,967	\$ 662	\$ 4,629	\$ -
Receivables:				
Payroll Contribution.....	48,329	3,520	-	51,849
Total assets.....	<u>\$ 52,296</u>	<u>\$ 4,182</u>	<u>\$ 4,629</u>	<u>\$ 51,849</u>
LIABILITIES				
Accounts payable.....	\$ 52,019	\$ 662	\$ 7,757	\$ 44,924
Agency obligations.....	277	6,648	-	6,925
Total liabilities.....	<u>\$ 52,296</u>	<u>\$ 7,310</u>	<u>\$ 7,757</u>	<u>\$ 51,849</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, 2003

(In Thousands)

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2003</u>
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 1,220	\$ 9,527	\$ 9,495	\$ 1,252
Total assets.....	<u>\$ 1,220</u>	<u>\$ 9,527</u>	<u>\$ 9,495</u>	<u>\$ 1,252</u>
LIABILITIES				
Accounts payable.....	\$ 856	\$ 8,790	\$ 9,471	\$ 175
Agency obligations.....	364	9,432	8,719	1,077
Total liabilities.....	<u>\$ 1,220</u>	<u>\$ 18,222</u>	<u>\$ 18,190</u>	<u>\$ 1,252</u>
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 31,617	\$ 1,464,278	\$ 1,454,278	\$ 41,617
Deposits and investments outside City Treasury.....	2,930	1,005	2,930	1,005
Receivables:				
Interest and other.....	85,139	1,186,127	1,185,109	86,157
Total assets.....	<u>\$ 119,686</u>	<u>\$ 2,651,410</u>	<u>\$ 2,642,317</u>	<u>\$ 128,779</u>
LIABILITIES				
Accounts payable.....	\$ 314	\$ 16,695	\$ 16,539	\$ 470
Agency obligations.....	119,372	1,453,717	1,444,780	128,309
Total liabilities.....	<u>\$ 119,686</u>	<u>\$ 1,470,412</u>	<u>\$ 1,461,319</u>	<u>\$ 128,779</u>
Transit Fund				
ASSETS				
Deposits and investments with City Treasury.....	\$ 770	\$ 35,605	\$ 33,709	\$ 2,666
Receivables:				
Interest and other.....	37	72	93	16
Total assets.....	<u>\$ 807</u>	<u>\$ 35,677</u>	<u>\$ 33,802</u>	<u>\$ 2,682</u>
LIABILITIES				
Accounts payable.....	\$ 769	\$ 7,168	\$ 7,179	\$ 758
Agency obligations.....	38	33,104	31,218	1,924
Total liabilities.....	<u>\$ 807</u>	<u>\$ 40,272</u>	<u>\$ 38,397</u>	<u>\$ 2,682</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, 2003

(In Thousands)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 21,606	\$ 66,171	\$ 78,860	\$ 8,917
Receivables:				
Interest and other.....	124	126	117	133
Total assets.....	<u>\$ 21,730</u>	<u>\$ 66,297</u>	<u>\$ 78,977</u>	<u>\$ 9,050</u>
LIABILITIES				
Accounts payable.....	\$ 17,408	\$ 63,349	\$ 75,876	\$ 4,881
Agency obligations.....	4,322	63,837	63,990	4,169
Total liabilities.....	<u>\$ 21,730</u>	<u>\$ 127,186</u>	<u>\$ 139,866</u>	<u>\$ 9,050</u>
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury.....	\$ 103,993	\$ 1,668,634	\$ 1,685,289	\$ 87,338
Deposits and investments outside City Treasury.....	2,930	1,005	2,930	1,005
Receivables:				
Payroll contribution.....	48,329	3,520	-	51,849
Interest and other.....	85,441	1,186,472	1,185,460	86,453
Deferred charges and other assets.....	5,741	19,653	525	24,869
Total assets.....	<u>\$ 246,434</u>	<u>\$ 2,879,284</u>	<u>\$ 2,874,204</u>	<u>\$ 251,514</u>
LIABILITIES				
Accounts payable.....	\$ 73,049	\$ 138,705	\$ 159,067	\$ 52,687
Agency obligations.....	173,385	1,656,546	1,631,104	198,827
Total liabilities.....	<u>\$ 246,434</u>	<u>\$ 1,795,251</u>	<u>\$ 1,790,171</u>	<u>\$ 251,514</u>



Capital Assets Used in the Operation Of Governmental Funds

CITY AND COUNTY OF SAN FRANCISCO
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source¹
June 30, 2003
(In Thousands)

Governmental funds capital assets:	
Land.....	\$ 141,608
Facilities and improvements.....	2,015,061
Machinery and equipment.....	204,841
Infrastructure.....	131,808
Construction in progress.....	215,658
Total governmental funds capital assets.....	<u>\$ 2,708,976</u>
Investments in governmental funds capital assets acquired prior to July 1, 2000.....	\$ 2,015,263
Investments in governmental funds capital assets acquired from July 1, 2000 by source:	
General fund.....	33,525
Special revenue funds.....	88,312
Capital project funds.....	571,876
Total governmental funds capital assets.....	<u>\$ 2,708,976</u>

Schedule By Function¹
June 30, 2003
(In Thousands)

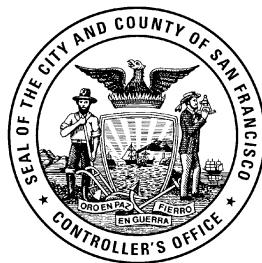
<u>Function</u>	<u>Land</u>	<u>Facilities and Improvements</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
Public protection.....	\$ 11,629	\$ 171,932	\$ 79,822	\$ 1,294	\$ 3,021	\$ 267,698
Public works, transportation and commerce.....	13,226	34,910	104,073	86,684	197,244	436,137
Human welfare and neighborhood development.....	4,240	21,364	2,687	-	31	28,322
Community health.....	1,978	25,848	3,690	-	1,044	32,560
Culture and recreation.....	86,137	1,066,838	10,841	43,830	10,953	1,218,599
General administration and finance.....	24,399	694,168	3,727	-	3,366	725,660
Total governmental funds capital assets.....	<u>\$ 141,609</u>	<u>\$ 2,015,060</u>	<u>\$ 204,840</u>	<u>\$ 131,808</u>	<u>\$ 215,659</u>	<u>\$ 2,708,976</u>

Schedule of Changes by Function¹
Year ended June 30, 2003
(In Thousands)

	<u>Balance²</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Public protection.....	\$ 248,132	\$ 20,080	\$ 514	\$ 267,698
Public works, transportation and commerce.....	511,495	219,039	294,397	436,137
Human welfare and neighborhood development.....	27,990	3,618	3,286	28,322
Community health.....	29,732	4,303	1,475	32,560
Culture and recreation.....	975,174	573,209	329,784	1,218,599
General administration and finance.....	721,502	4,158	-	725,660
Total governmental funds capital assets.....	<u>\$ 2,514,025</u>	<u>\$ 824,407</u>	<u>\$ 629,456</u>	<u>\$ 2,708,976</u>

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

² Certain balances as of July 1, 2002 have been reclassified to conform with current year presentation.



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