



City of Sausalito, California

Comprehensive Annual Financial Report

For the Year Ended
June 30, 2011



Sooner or Later It Always Comes Down to Money

CITY OF SAUSALITO, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011**



**Prepared by:
Finance Department**

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CITY OF SAUSALITO

420 Litho Street • Sausalito, CA 94965
Telephone: (415) 289-4100
www.ci.sausalito.ca.us

Date: 30 November, 2011

To the Members of the City Council, and Citizens of the City of Sausalito:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sausalito (the City) for the year ended June 30, 2011. The purpose of the report is to provide the City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officer Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

REPORT FORMAT

There are three main sections in this report:

- Section I, the introductory section, contains the table of contents, this transmittal letter, and other general interest material.
- Section II, the financial section, contains the auditor's opinion, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the financial statements, and detailed combining and individual statements and schedules for the City's funds.
- Section III, the statistical section, includes a history of financial and non-financial data that give a context in which to understand the City's financial statements.

FAX NUMBERS:

Administration: (415) 289-4167
Recreation: (415) 289-4189

Community Development: (415) 339-2256

Library: (415) 331-7943
Public Works: (415) 289-4138

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Maze & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City's elected officials are accountable to the citizens; City management is accountable to the elected officials. This report gives citizens and other interested parties one means of assessing whether the elected and appointed officials in the City have faithfully carried out their role of being good stewards of the City's resources.

INTERNAL CONTROLS

The City's management is responsible for establishing a system of internal controls to:

1. Safeguard City assets from loss or unauthorized use or disposal.
2. Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
3. Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

No system of internal controls can be perfect. Therefore, internal controls are meant to provide "reasonable assurance". Reasonable assurance means:

1. The cost of a control should not exceed the benefits likely to be derived from that control.
2. The costs and benefits of internal controls are subject to estimates and judgments by management.

We believe that the City's internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable Federal and State laws and regulations.

As the City's governing board, the City Council is responsible to ensure that the City administration fulfills its responsibilities in the preparation of the financial statements:

1. Review the scope of the City's audits and the accounting principles applied in the City's financial reporting.

To ensure independence, the City's Auditor, Maze and Associates, had full and free access to meet with the City Council to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City's financial reporting.

PROFILE OF THE GOVERNMENT

The City of Sausalito, incorporated in 1893, is located in the northern part of the state in the Marin County. Sausalito is widely recognized as a unique waterfront community with world-renowned natural beauty. It currently occupies 1.9 square miles and serves a population of 7,596. The City of Sausalito is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Sausalito has operated under the council-manager form of government since 1955. Policy-making and legislative authority are vested in a City Council (Council) consisting of mayor and four other members, all elected on a non-partisan, at large basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve overlapping four-year terms. The mayor is appointed by the Council on rotating one-year terms.

The City of Sausalito provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; community development; recreation and library services.

The Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City of Sausalito financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Council.

LONG-TERM FINANCIAL PLANNING

The Unassigned/Assigned fund balance in the general fund totals \$2,683,170 and is available for spending at the government's discretion. This amount is 20 percent of total general fund expenditures and exceeds the policy guideline of 5 percent of total general fund expenditures set by the Council for budgetary and planning purposes. The City has developed a 30 year long range financial planning model that is used for the purpose of evaluating alternative fiscal policies and their impact on government finance.

MAJOR INITIATIVES

The construction of the new police building and fire station was recently completed. The construction costs were mostly paid for by the \$15.5 million of general obligation bonds approved by the citizens of the City and sold in December 2006. The facilities were

completed under budget. There were excess bond proceeds. in the amount of \$2,136,308. Note 14A in the financial statements disclose that the City Council approved the defeasance of a portion of the City's General Obligation Bond, 2006 Series A, by utilizing the excess proceeds.

The City has a fully funded five-year capital improvement program and is embarking on the second year of robust infrastructure investments for streets, sanitary sewers, parks, bulkheads, and stairs.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sausalito's finances.

Respectfully submitted,

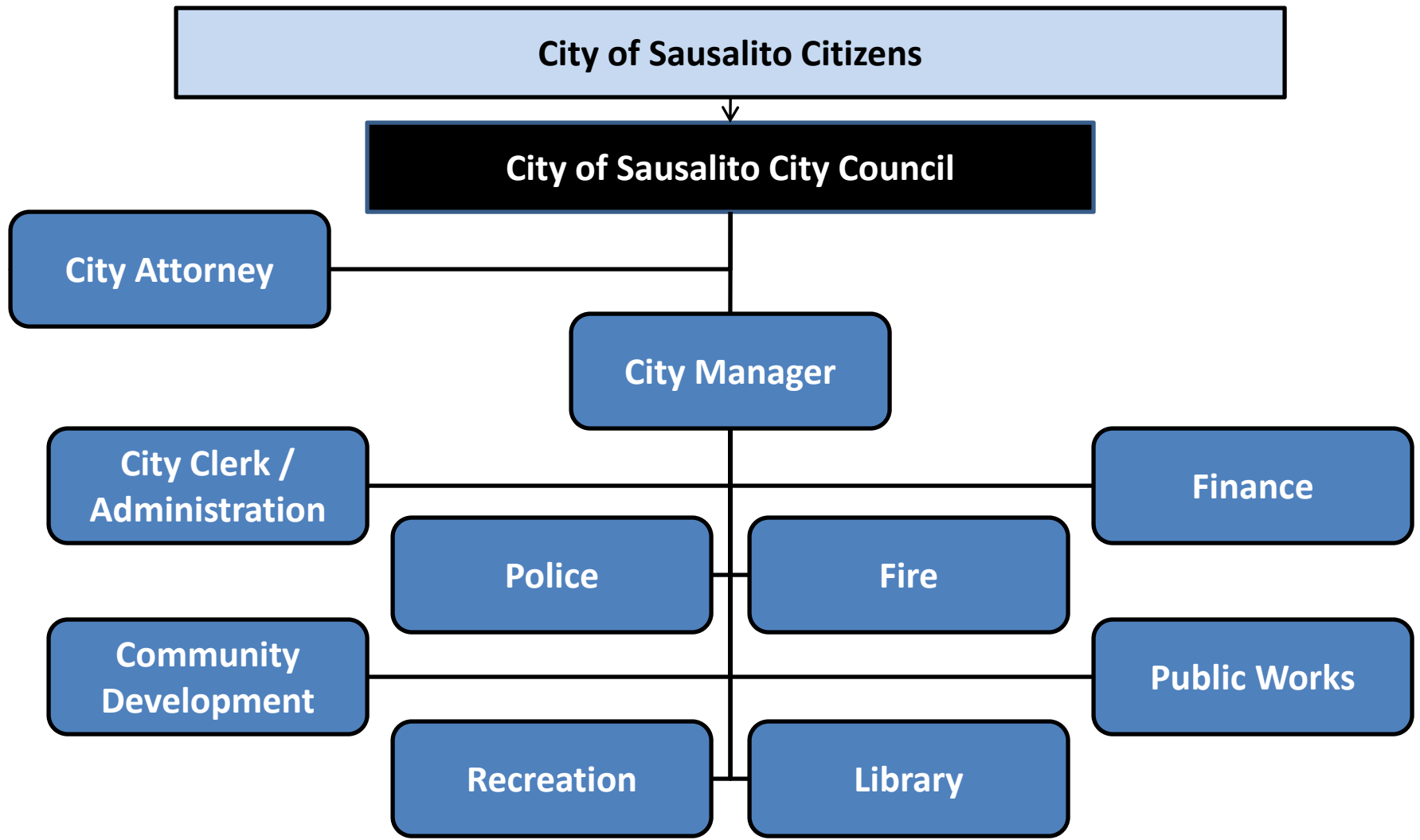


Adam Politzer
City Manager



Charles D. Francis
Administrative Services Director/Treasurer

City of Sausalito Organization Chart



City of Sausalito
List of Elected and Appointed Officials
June 30, 2011

Elected Officials

Mayor	Herb Weiner
Vice Mayor	D. Michael Kelly
Council Member	Carolyn Ford
Council Member	Jonathan Leone
Council Member	Linda Pfeifer

Appointed Officials

City Manager	Adam Politzer
Administrative Services Director/Treasurer	Charlie Francis
Chief of Police	Jennifer Tejada
City Attorney	Mary Wagner
City Librarian	Mary Richardson
Community Development Director	Jeremy Graves
Parks & Recreation Director	Mike Langford
Public Work Director	Jonathon Goldman

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Sausalito, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sausalito, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 opinion.

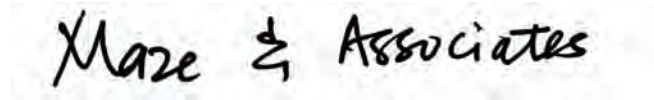
In our opinion the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sausalito at June 30, 2011 and changes in the financial position and cash flows, where applicable thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As of July 1, 2010, the City adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 11 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

Management's Discussion and Analysis; General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual; and Tidelands Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Sausalito. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section 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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, slightly slanted style. The ampersand is a simple, stylized symbol. The text is centered horizontally within a light gray rectangular background.

September 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sausalito, we offer to the readers of the City of Sausalito's financial statements this narrative overview and analysis of the financial activities of the City of Sausalito for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-ix of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Sausalito exceeded its liabilities at the close of the most recent fiscal year by \$48,947,873 (*net assets*). Of this amount, \$6,970,349 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased only \$2,559, remaining relatively unchanged and reflecting the government-wide balancing of revenues with expenditures.
- As of the close of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$20,074,891, a decrease of \$3,097,629 in comparison with the prior year. This decrease in fund balances is primarily a result of the \$2,244,686 in capital project spending for the completion of the new Public Safety Facilities from previously issued general obligation bonds. In addition, the City has a robust capital improvement plan that invested another \$1,987,932 in infrastructure from accumulated fund balances.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,965,552, or 15 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sausalito's basic financial statements. The City of Sausalito's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The *Statement of Net Assets* presents information on all of the City of Sausalito'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 the financial position of the City of Sausalito is improving or deteriorating.

The *Statement of Activities* presents information showing how the government'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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sausalito 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 of Sausalito include general government, public safety, public works, community development, parks and recreation, and library. The business-type activities of the City of Sausalito include sewer services, Old City Hall building, Martin Luther King (MLK) property, and parking services.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sausalito, 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 of Sausalito can be divided into 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 of Sausalito maintains seventeen individual governmental 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 and the Public Safety Buildings Fund, all of which are considered to be major funds. The City of Sausalito also elected to include Tidelands Fund as a major fund. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Sausalito adopts an annual appropriated budget for all of its funds. However, a budgetary comparison statement has been provided only for the major funds: the General Fund and Tidelands Fund; to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 18-63 of this report.

Proprietary funds. The City of Sausalito maintains two different 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 of Sausalito uses enterprise funds to account for its Sewer, Old City Hall, MLK, and Parking operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of

Sausalito's various functions. The City of Sausalito uses internal service funds to account for its fleet of vehicles and parking equipment. The City uses the workers compensation fund to account for outstanding claim liability. The City uses the employee benefits fund to account for compensated absences and other post-employment benefits other than pension. The City uses general liability fund to help finance other liabilities including employment. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, Old City Hall, MLK, and parking operation, all of which are considered to be major funds of the City of Sausalito. Conversely, all 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.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Sausalito's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-63 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund and Tidelands Special Revenue Fund. Required supplementary information can be found on pages 68-71 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-94 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sausalito, assets exceeded liabilities by \$48,947,873 at the close of fiscal year ending 2011.

By far the largest portion of the City of Sausalito's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, machine, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Sausalito uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sausalito'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 used to liquidate these liabilities.

City of Sausalito's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	30,835,065	30,162,464	(2,676,570)	(1,116,649)	28,158,495	29,045,815
Capital assets	36,394,467	33,027,941	12,900,305	12,320,432	49,294,772	45,348,373
Total assets	67,229,532	63,190,405	10,223,735	11,203,783	77,453,267	74,394,188
Long-term liabilities outstanding	17,945,862	17,831,972	1,850,427	2,499,338	19,796,289	20,331,310
Other liabilities	8,384,692	4,402,402	324,413	710,044	8,709,105	5,112,446
Total liabilities	26,330,554	22,234,374	2,174,840	3,209,382	28,505,394	25,443,756
Net Assets:						
Invested in capital assets, net of related debt	20,994,353	22,575,555	11,049,878	9,821,094	32,044,231	32,396,649
Restricted	9,933,293	6,377,136	-	-	9,933,293	6,377,136
Unrestricted	9,971,332	12,003,340	(3,000,983)	(1,826,693)	6,970,349	10,176,647
Total net assets	40,898,978	40,956,031	8,048,895	7,994,401	48,947,873	48,950,432

\$9,933,293 of the City of Sausalito's net assets from Governmental activities (24 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets from Governmental activities is \$9,971,332 (24% compared to the prior year's 29%) and may be used to meet the government's ongoing obligations to citizens and creditors.

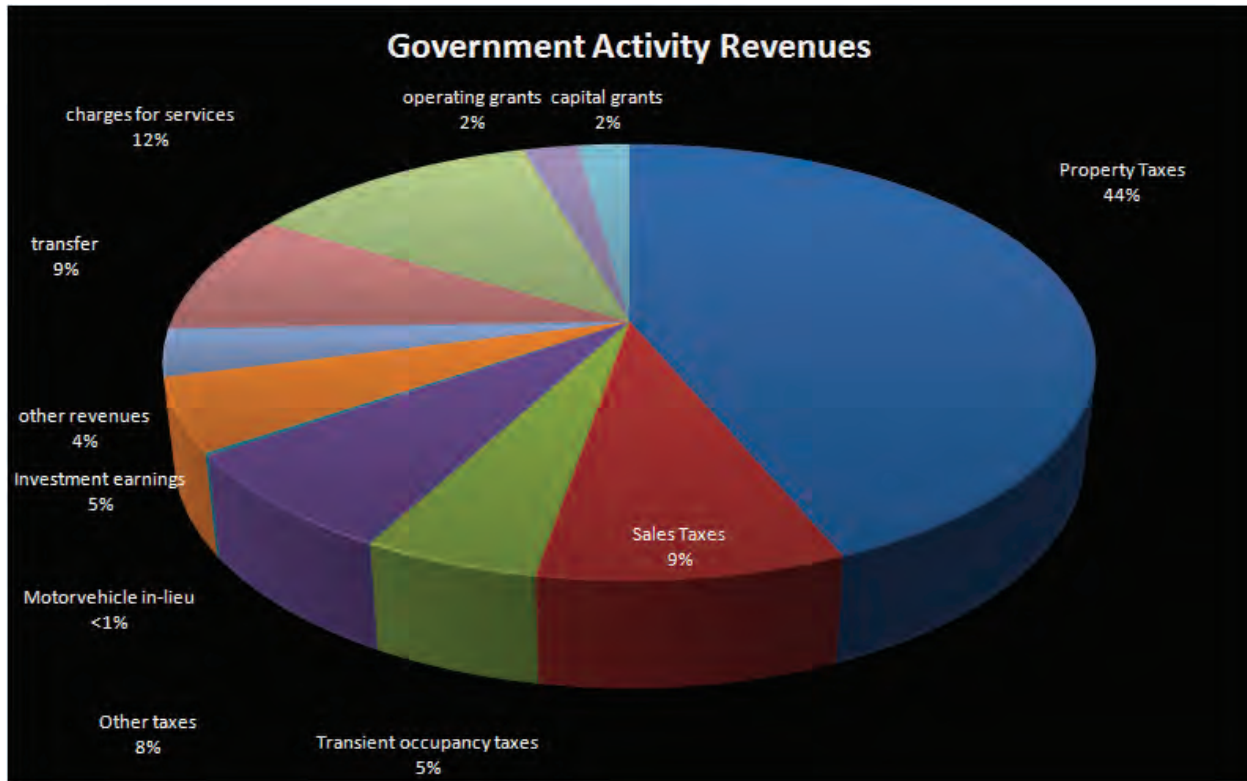
At the end of the current fiscal year, the City of Sausalito is able to report positive balances for all three categories of net assets related to governmental activities (net investment in capital assets, restricted and unrestricted net assets). There are no restricted net assets from Business-type activities, leaving unrestricted net assets negative. The same situation held true for the prior fiscal year.

The \$(3,000,983) unrestricted net asset reported in connection with the City of Sausalito's business-type activities resulted from the MLK acquisition and operations funded through long-term borrowings and advances from the General Fund.

The City's net assets remained relatively constant during the current fiscal year decreasing only \$2,557. The operating results of the governmental and business-type activities are summarized below:

City of Sausalito's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	1,944,010	1,778,554	4,270,812	4,180,848	6,214,822	5,959,402
Operating grants and contributions	358,806	396,210			358,806	396,210
Capital grants and contributions	347,764	139,678			347,764	139,678
General revenues:					-	-
Taxes	10,514,244	10,635,458			10,514,244	10,635,458
Investment earnings	866,032	883,665	8,883	14,806	874,915	898,471
Other revenues	568,659	486,980		170	568,659	487,150
Total revenues	14,599,515	14,320,545	4,279,695	4,195,824	18,879,210	18,516,369
Expenses:						
General government	2,880,287	2,501,641			2,880,287	2,501,641
Library	714,800	705,531			714,800	705,531
Public safety:					-	-
Police services	4,486,269	4,294,928			4,486,269	4,294,928
Fire services	3,448,123	3,100,259			3,448,123	3,100,259
Community development	1,125,498	1,174,708			1,125,498	1,174,708
Public works	1,981,354	2,066,838			1,981,354	2,066,838
Parks & Recreation	672,462	629,919			672,462	629,919
Interest on long-term debt	785,825	771,533			785,825	771,533
Sewer			1,561,902	1,458,226	1,561,902	1,458,226
Old City Hall			71,271	55,779	71,271	55,779
MLK			794,100	796,021	794,100	796,021
Parking			359,878	215,401	359,878	215,401
Total expenses	16,094,618	15,245,357	2,787,151	2,525,427	18,881,769	17,770,784
Increase in net assets before transfers	(1,495,103)	(924,812)	1,492,544	1,670,397	(2,559)	745,585
Transfers	1,438,050	1,157,903	(1,438,050)	(1,157,903)	-	-
Increase in net assets	(57,053)	233,091	54,494	512,494	(2,559)	745,585
Net assets - Beginning	40,956,031	40,722,940	7,994,401	7,481,907	48,950,432	48,204,847
Net assets - Ending	40,898,978	40,956,031	8,048,895	7,994,401	48,947,873	48,950,432

Governmental activities. Governmental activities decreased the City of Sausalito's net assets by \$57,053. The following chart depicts the City's Government-activity revenues:

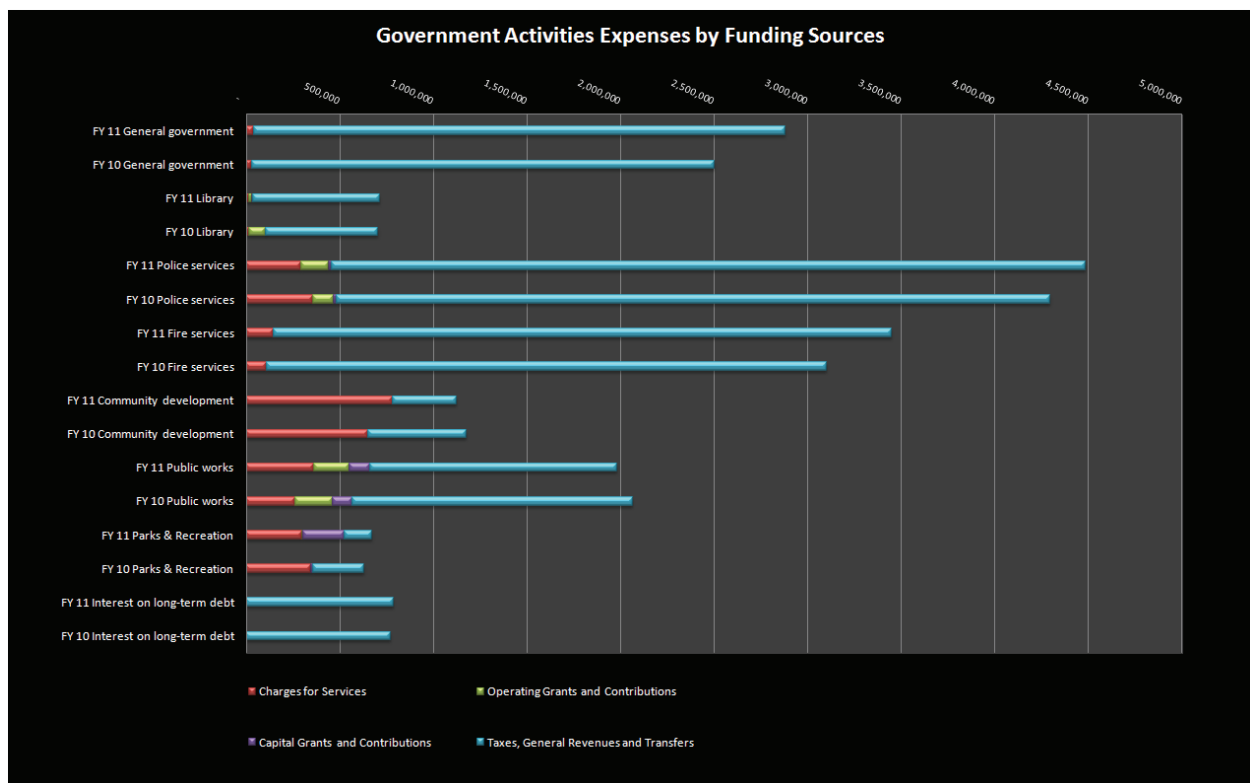


Key observations of Government Activity Revenues are as follows:

- Property taxes remained relatively stable from the previous fiscal year decreasing only 2.5% or \$180,983. Property taxes are 44% percent of the City's total government activity revenues. Property taxes are generally inelastic and provide the City a stable revenue source to meet its ongoing levels of service that cannot be funded through charges, and operating and capital grants.
- The City's sales tax base stabilized mid-year and experienced a slow recovery in the last two quarters of the fiscal year. Sales tax revenues are generally elastic and reflective of local economic conditions. Accordingly, sales taxes declined \$92,687 or 6% from the previous fiscal year.
- Transient occupancy taxes increased \$44,715 or almost 6% during the fiscal year as a result of a corporate purchase and management restructure of a former FDIC owned major resort hotel property.
- Investment earnings declined \$17,633, or 2% during the fiscal year as a result of two factors:
 - A smaller portfolio to invest because accumulated capital find balances were converted to capital investment in infrastructure
 - The holdover from the recession and stock market shock resulted in the continuation an artificially low FED discount rate, and thereby continuing to reduce T-Bill yields. The City maintains a very conservative portfolio with an investment strategy that priorities safety and liquidity over yield.

- Other government activity revenues increased \$81,679 due to the recognition of one-time deferred revenues in the fiscal prior year.
- Capital Grants and Contributions increased \$208,086 due to increases from capital grants in the Special Revenue Funds
- Operating grants contributed from Special Revenue Funds decreased by \$37,404 from the prior fiscal year due to fewer private contributions to operating expenses.
- Charges for Services decreased \$165,456 generally due to:
 - S MEMPS increasing by \$37,354
 - Fines and Forfeitures credited against Police services expenditures decreasing by \$65,359 due to the unexpected payment of a prior year audit finding payable to the County Courts for Courthouse Construction Improvements.
 - \$47,004 decrease in Recreation Programs charges
 - \$231,844 increase in Planning, Building and Engineering Charges reflecting an increase in city-wide private and public construction activity.
 - An increase of \$8,621 in Miscellaneous Charges for Services for General Government and Library services.
- Transfers in to government activity funds from business activity funds represent 9% of the government activity's revenue base. These transfers increased \$280,147 from the prior fiscal year.

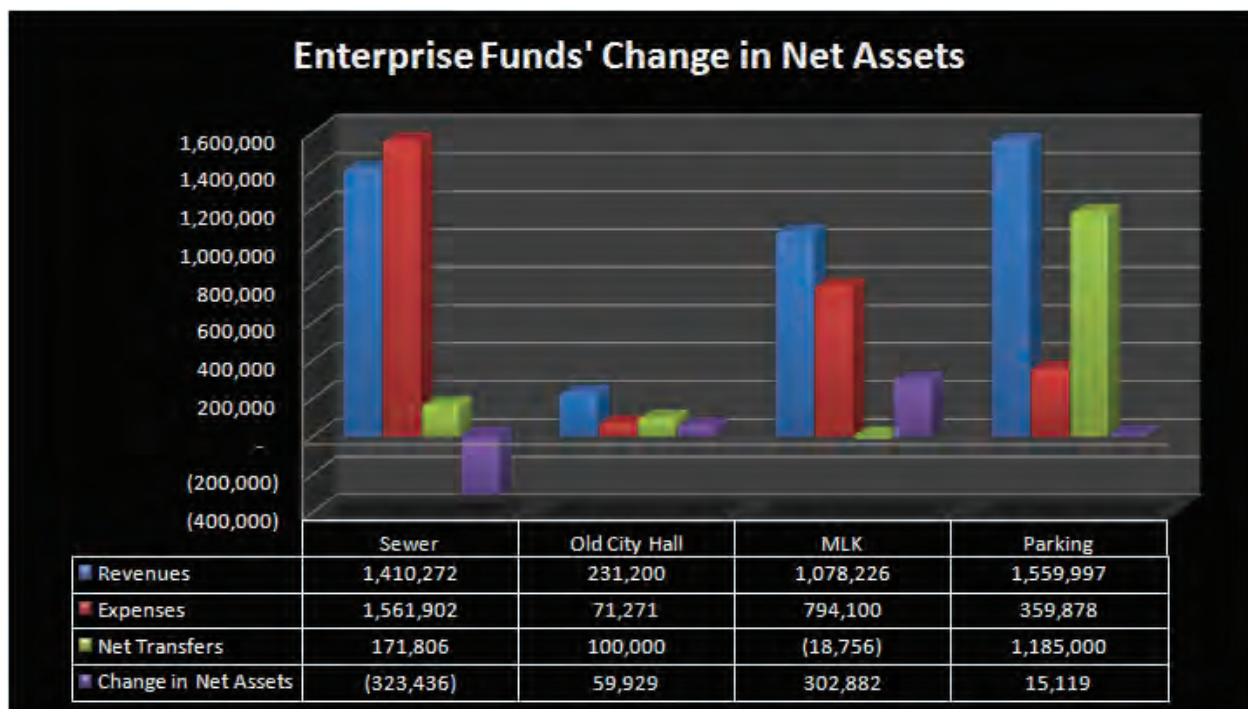
The following chart depicts the City's departmental expenses as each department is funded through **charges for services**, **operating grants**, **capital grants and contributions**, and finally through **general taxes and revenues**:



Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses increased by \$849,261 or 5.57% from the prior fiscal year primarily due to increased professional services expenditures in the Tideland Fund, increases for PERS contribution rates.
- Total Government Activity Expenses are offset by Charges for Services, Operating and Capital Grants, and Contributions resulting in Net Government Activity Expenses funded by General Revenues. Net Government Activity Expenses increased 3.97% or \$513,123 over the prior fiscal year due to the same factors discussed above for Total Government Activity Expenses.

Business-type activities. Business-type activities increased the City of Sausalito's net assets by \$54,494. The following chart depicts the operating results of the City's business-type activities:



Key elements of this increase are as follows:

- MLK Fund increased net assets by \$302,882 during the year compared to \$19,111 the previous year. Continuation of the prior years rent reductions to tenants resulted in stable rents with the prior year and near full occupancy of the property, managed on a constant level of service.
- Sewer Fund decreased net assets by \$323,436 during the year, compared to the \$165,214 decrease in net assets the previous fiscal year. Increased maintenance and capital costs in the Sewer Fund are dependent upon Sanitary Sewer fees. Sanitary Sewer fees were increased in FY 10 to offset maintenance costs and infrastructure investments as a result of EPA compliance requirement.
- Parking Fund increased net assets by \$15,119 during the year, compared to the \$645,200 increase from the prior fiscal year. The decrease is primarily due to a one-time revenue recognition in the prior year.

-
-
- The Old City Hall Fund increased net assets by \$59,929 as compared to the prior year's increase of \$13,397.

Financial Analysis of the City's Funds

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

Governmental funds:

The focus of the City of Sausalito's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sausalito'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.

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$20,074,891, a decrease of \$3,097,629 in comparison with the prior year. Planned capital expenditures in the amount of \$2,245,603 for the new public safety facilities from General Obligation Bonds, and 1,987,932 in capital investment for other general infrastructure were offset by the surplus in the General Fund of \$213,826. \$2,683,170, approximately 13% of the \$20,074,891 in combined ending fund balances, constitutes *assigned and unassigned fund balances* in the General Fund, which is available for spending at the government's discretion. The remainder of fund balance is labeled *nonspendable, restricted or committed* (consistent with implementation of GASB 54) to indicate that it is not available for new spending because the amounts are specifically for: 1) the *nonspendable* advance to the MLK Fund (\$6,232,107), 2) *restricted* balances to return GO Bond money to taxpayers (\$2,307,835-see Note 11), 2) *restricted* balances to construct the Bulkhead (4,906,747), 3) *restricted* balances for legal or debt services payments (\$2,496,266), 3) and *committed* reserves for library capital improvements and disaster assistance (\$1,180,029). Transfers of deferred revenues from the new Tidelands leases to the Capital Improvement Fund for construction of the new Bulkhead provided the capital that increased the Fund Balance in the Capital Improvement Fund, and decreased the unassigned Fund Balance in the Tidelands Fund by \$2,491,917. Recognition of deferred revenues in future years will restore the unassigned fund balance in the Tideland Fund.

General Fund. The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year assigned fund balance was \$717,618; and unassigned fund balance was 1,965,552; for a total of \$2,683,170 that is available for spending at the government's discretion. Total fund balance, including \$6,232,107 of nonspendable amounts due to non-liquid advances to the MLK Fund, reached \$8,915,277. As a measure of the general fund's liquidity, it may be useful to compare both unassigned/assigned fund balance and total fund balance to total fund expenditures. Unassigned/assigned fund balance represents 20% of total general fund expenditures, while total fund balance represents 68% of that same amount.

Fund balance for the City of Sausalito's general fund increased by \$213,826 during the fiscal year. Revenues and Transfers-in were generally balanced with expenditures and transfers-out except for one-time recognition of deferred revenues on the balance sheet.

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a negative total fund balance of \$2,491,917, due to

the cash deposit of unearned revenue in the amount of \$4,078,374 from Sausalito Yacht Harbor, a Tideland Fund tenant, Bulkhead Replacement Capital Project. Future years' amortization of the unearned revenues will restore the Tideland Fund's fund balance. Unearned revenue proceeds were transferred to the Capital Improvement Fund in order to account for the construction costs.

Public Safety Buildings Capital Projects Fund has a total fund balance of \$2,307,835, of which \$2,136,308 is reserved for the defeasance of a portion of the \$15.5 million general obligation bond sale, that was approved by the citizens of Sausalito in August of 2006 to pay for the construction of the public safety facilities.

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

General Fund Budgetary Highlights

The adopted budget anticipated a \$130,593 increase in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations exceeding revenues by \$118,135. The results of operations generated \$213,826 of increase to Fund Balance thus improving beyond the adopted budget. The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual for the General Fund detailing the adopted and amended budget with actual results can be found on page 68 of this report.

Capital Assets and Debt Administration

Capital assets. The City of Sausalito's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$49,294,772 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. The increase in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase in buildings and improvements due to transfers from construction-in-progress. The construction of the police building and fire station financed through the general obligation bonds issued and sold in November 2006 was completed during FY 11.

City of Sausalito's Capital Assets						
<i>(net of depreciation)</i>						
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	2,503,643	13,024,446	109,918	698,051	2,613,561	13,722,497
Building and improvements	14,762,434	355,937	3,472,838	3,526,869	18,235,272	3,882,806
MLK Bus Barn			203,505	209,005	203,505	209,005
Vehicles and equipment	251,114	277,068	928,072	233,268	1,179,186	510,336
Machinery and equipment	479,105	549,255			479,105	549,255
Infrastructure	3,383,509	3,806,573	4,389,971	3,857,238	7,773,480	7,663,811
Total	36,394,467	33,027,941	12,900,305	12,320,432	49,294,772	45,348,373

Additional information about the City's capital assets can be found in Note. 4 on pages 44-46 of this report.

Long-term debt. At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$19,796,289, a decrease of \$535,021..

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Short-term debt	803,554	894,739			803,554	894,739
Notes payable	16,921,143	16,643,845			16,921,143	16,643,845
Capital leases	221,165	293,388	1,850,427	2,499,338	2,071,592	2,792,726
Total	17,945,862	17,831,972	1,850,427	2,499,338	19,796,289	20,331,310

In November 2006, the City of Sausalito issued and sold \$15.5 million of general obligation bonds for the construction of a police building and fire station.

For more detailed information on the City's Long-term debt see Note 5 on pages 47-51 in this report, and Note 14 A on page 62 in this report.

Economic Factors and Future Years' Budgets

National, State and Local Economic Recoveries

The U.S. economy has crawled out from the financial crisis of 2008 where jobs disappeared, domestic consumption screeched to a halt, and US households began to deleverage (pay down its debt).

& The USA TODAY / IHS Global Insight Economic Outlook Index...

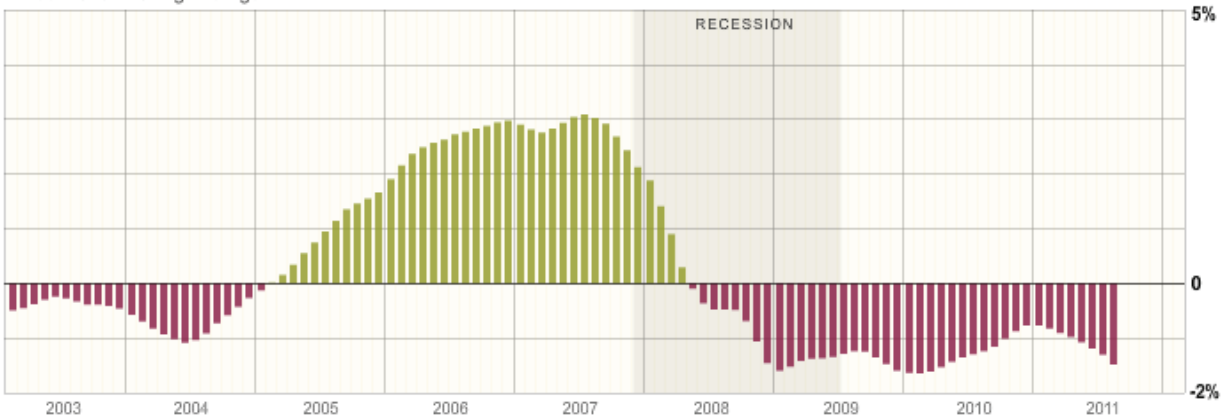
Real GDP, six-month percentage change, annual rate



...and its 11 component indicators

Real federal funds rate

Three-month moving average



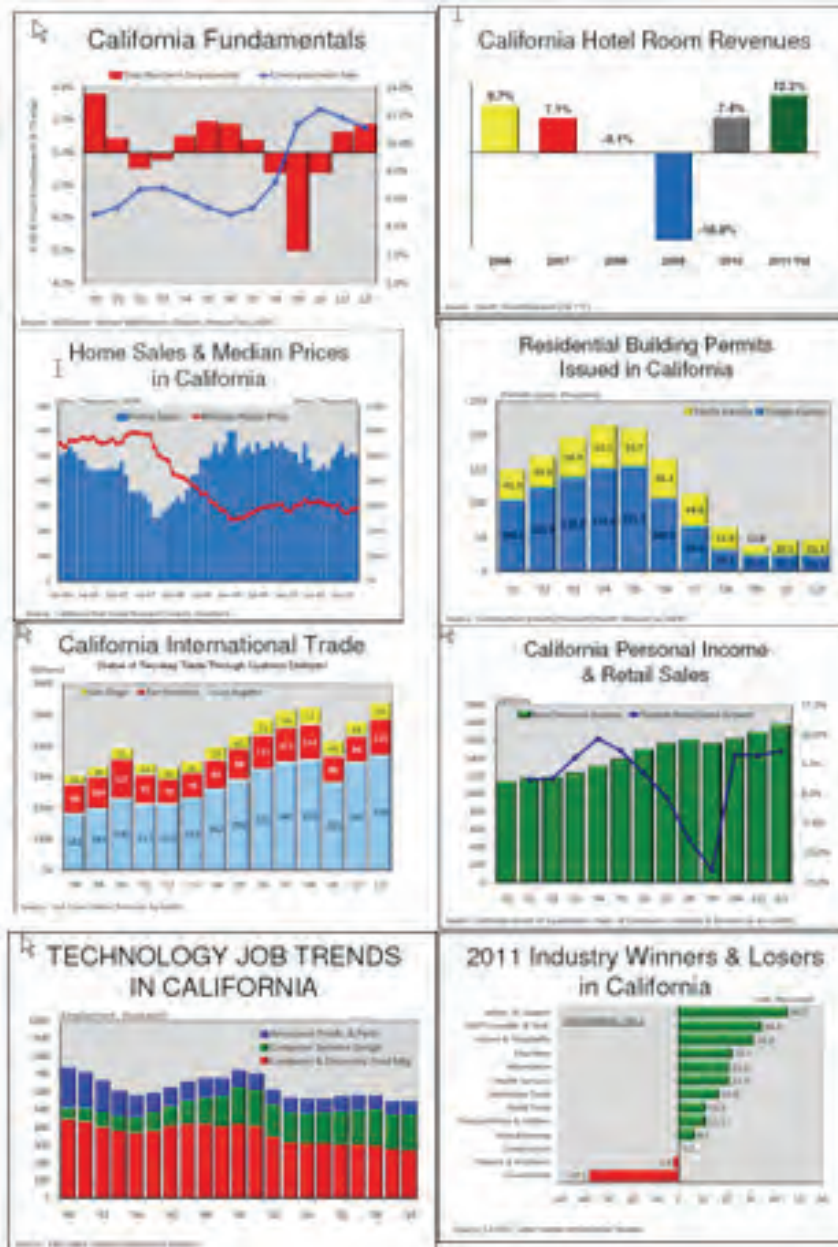
Source: IHS Global Insight

Credit: Barbara Hansen and Juan Thomassie, USA TODAY

The September update of the USA TODAY/IHS Global Insight Economic Outlook Index shows real GDP growth, at a six-month annualized growth rate, remaining below 2% through February, 2012. **This weak growth in the US economy** is a result of stalled consumer spending because of persistent unemployment, elevated debt levels, high energy and food prices and low public trust and confidence. Businesses are hesitant to expand amid uncertainty. Consequently, the economy is growing so slowly, that even a modest economic shock could trigger a full-blown recession. But, there is no recession in the forecast. Instead, economic growth will gradually rebound in mid-2012 with the economy advancing at a modest 2.5% - 3% rate. Modest gains in exports, consumption and equipment and software investment will drive the growth.

Employment growth will become more meaningful with gains averaging about 150 thousand jobs per month and the unemployment rate falling to (a still high) 8.6% by the end of 2013.

The current forecast for California calls for slow growth until the end of 2012. However, California is a "bifurcated" state, one in which the coastal regions continue to grow out of the depths of the recession, while the inland regions suffer from economic "doldrums." It had been



hoped that the recovery in the U.S. and proximate fortunes of Coastal California would pull Inland California into a belated recovery. But now that the U.S. economy has stalled, the differential between Coastal California and Inland California has begun to widen. There is the specter of long-term economic stagnation in Inland California.

The most likely scenario for the state will be a slow build over the next 12 months followed by an incipient recovery period. The California forecast sees virtually no growth in employment, with employment growth of 0.7% and 2.1% expected in 2012 and '13 respectively. Payrolls will grow more rapidly at 1.1%, .6% and 2.0% for the forecast years through 2013 and the unemployment rate will hover around 12% for the rest of this year and will average 11% through 2013.

The City of Sausalito continues to experience geo-economic benefits from: its unique residential community blended with "charm" to its commercial and industrial sectors; and world-class scenic tourist base. This yields a more stable tax and revenue base than other California cities experiencing severe economic stress, structural imbalances, and non-sustainable budget policies. Sausalito's economic decline was mild and lagged the state and the nation. In a similar fashion, Sausalito's recovery will respectively be moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are showing signs of a modest recovery and may be a leading

indicator of an improving gross city product.

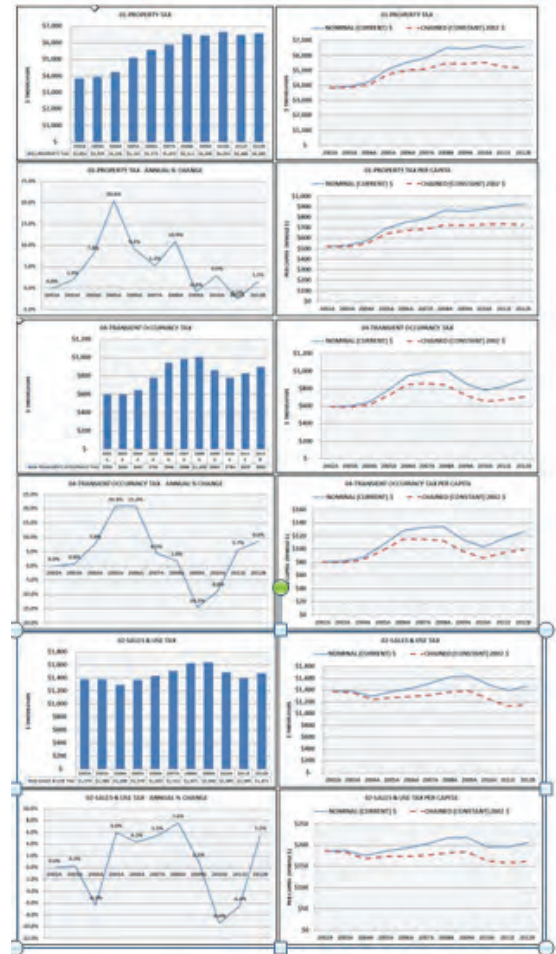
Future Years Budgets

The city closely monitors its tax base. Property taxes comprise 52% of the General Fund revenues and it appears that this will remain a stable source of revenue into the coming year. Other City taxes, such as sales and transient occupancy taxes are more elastic and dependent on the national, state and local economies. Accordingly the City is forecasting static revenues from these elastic sources in the near future.

This is not to say that there are not potential financial challenges ahead. The global and national economy faces numerous economic pitfalls. California's state budget is still structurally unsound and faces political challenges as well. Finally, although the City expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures, there are threats to the city's fiscal sustainability and resilience. CalPERS rate increases, inflation and labor negotiations, all militate together with the economy against a balanced budget. To address these challenges, the City has implemented a series of strategies in order to continue to provide the current excellent level of services and meeting Sausalito's capital infrastructure needs. Those strategies include: long-term financial planning, revenue optimization, expenditure control, economic development planning, and regionalizing fire safety services.

Requests for Information

This financial report is designed to provide a general overview of the City of Sausalito's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services/Treasurer, 420 Litho Street, Sausalito, CA 94965 or www.ci.sausalito.ca.us.



**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents information in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Debt Service, and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The City's general revenues are then listed in the Governmental Activities and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

CITY OF SAUSALITO
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$16,419,559	\$3,440,564	\$19,860,123
Restricted cash (Note 2)	7,353,386		7,353,386
Receivables:			
Taxes receivables, net	83,866	28,811	112,677
Accounts receivable, net	746,147	49,542	795,689
Loans receivable	3,254		3,254
Internal balances (Note 3C)	6,208,285	(6,208,285)	
Prepays	20,568		20,568
Unamortized issuance costs		12,798	12,798
Capital assets (Note 4):			
Land and construction in progress	17,518,305	3,905,919	21,424,224
Depreciable, net of accumulated depreciation	18,876,162	8,994,386	27,870,548
Total Assets	67,229,532	10,223,735	77,453,267
LIABILITIES			
Accounts payable	889,040	83,947	972,987
Accrued interest payable	180,153	83,730	263,883
Compensated absences (Note 1H)			
Due within one year	564,031	16,818	580,849
Due in more than one year	136,203		136,203
Claims payable (Note 10):			
Due within one year	265,389		265,389
Due in more than one year	605,761		605,761
Refundable deposits	228,565	139,918	368,483
Unearned revenue (Note 7)	4,112,571		4,112,571
Net OPEB obligation (Note 9)			
Due in more than one year	1,402,979		1,402,979
Long-term debt (Note 5):			
Due within one year	302,588	693,242	995,830
Due in more than one year	17,643,274	1,157,185	18,800,459
Total Liabilities	26,330,554	2,174,840	28,505,394
NET ASSETS (Note 11):			
Invested in capital assets, net of related debt	20,994,353	11,049,878	32,044,231
Restricted for:			
Special revenue programs	2,159,642		2,159,642
Debt service	336,624		336,624
Capital projects	7,437,027		7,437,027
Total Restricted Net Assets	9,933,293		9,933,293
Unrestricted	9,971,332	(3,000,983)	6,970,349
Total Net Assets	\$40,898,978	\$8,048,895	\$48,947,873

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$2,880,287	\$40,921			(\$2,839,366)		(\$2,839,366)
Library	714,800	13,812	\$19,000	\$3,120	(678,868)		(678,868)
Public safety:							
Police services	4,486,269	292,898	150,293	13,712	(4,029,366)		(4,029,366)
Fire services	3,448,123	148,672			(3,299,451)		(3,299,451)
Community development	1,125,498	781,973			(343,525)		(343,525)
Public works	1,981,354	364,494	187,422	111,774	(1,317,664)		(1,317,664)
Parks & recreation	672,462	301,240	2,091	219,158	(149,973)		(149,973)
Interest on long-term debt	785,825				(785,825)		(785,825)
Total Governmental Activities	16,094,618	1,944,010	358,806	347,764	(13,444,038)		(13,444,038)
Business-type Activities:							
MLK	794,100	1,076,518				\$282,418	282,418
Sewer	1,561,902	1,406,892				(155,010)	(155,010)
Parking	359,878	1,556,315				1,196,437	1,196,437
Old City Hall	71,271	231,087				159,816	159,816
Total Business-type Activities	2,787,151	4,270,812				1,483,661	1,483,661
Total	\$18,881,769	\$6,214,822	\$358,806	\$347,764	(13,444,038)	1,483,661	(11,960,377)
General revenues:							
Taxes:							
Property taxes					7,006,903		7,006,903
Sales taxes					1,443,028		1,443,028
Transient occupancy tax					828,819		828,819
Other taxes					1,200,878		1,200,878
Motor vehicle in-lieu, unrestricted					34,616		34,616
Investment earnings					866,032	8,883	874,915
Other revenues					568,659		568,659
Transfers (Note 3A)					1,438,050	(1,438,050)	
Total general revenues and transfers					13,386,985	(1,429,167)	11,957,818
Change in Net Assets					(57,053)	54,494	(2,559)
Net Assets-Beginning					40,956,031	7,994,401	48,950,432
Net Assets-Ending					\$40,898,978	\$8,048,895	\$48,947,873

See accompanying notes to financial statements

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CITY OF SAUSALITO

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2011. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

The General Fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit, which are not accounted for in another fund.

TIDELANDS SPECIAL REVENUE FUND

To account for lease income and construction, maintenance, and operation of tideland properties granted in trust to the City from the State of California.

PUBLIC SAFETY BUILDINGS CAPITAL PROJECTS FUND

To account for contributions and expenditures related to the design and construction of two new public safety buildings.

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

To account for City-wide construction and improvements not otherwise paid for through the proprietary funds.

CITY OF SAUSALITO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011

	General	Tidelands Fund	Public Safety Buildings	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments (Note 2)	\$2,736,461	\$1,603,237	\$202,113	\$2,960,267	\$3,370,867	\$10,872,945
Restricted cash (Note 2)			2,111,385	4,906,747	335,254	7,353,386
Receivables:						
Taxes receivables, net	80,000				3,866	83,866
Accounts receivable, net	525,073	46,100			173,804	744,977
Loans receivable	3,254					3,254
Due from other funds	193,306					193,306
Prepays	20,568					20,568
Advances to other funds (Note 3B)	6,208,285					6,208,285
Total Assets	\$9,766,947	\$1,649,337	\$2,313,498	\$7,867,014	\$3,883,791	\$25,480,587
LIABILITIES						
Accounts payable	\$599,308	\$52,480	\$5,663	\$170,988	\$42,815	\$871,254
Refundable deposits	218,165	10,400				228,565
Due to other funds					193,306	193,306
Unearned revenue (Note 7)	34,197	4,078,374				4,112,571
Total Liabilities	851,670	4,141,254	5,663	170,988	236,121	5,405,696
FUND BALANCES (DEFICITS) (Note 11)						
Nonspendable	6,232,107					6,232,107
Restricted		1,540,357	2,307,835	4,906,747	2,496,266	11,251,205
Committed				2,789,279	1,180,029	3,969,308
Assigned	717,618					717,618
Unassigned	1,965,552	(4,032,274)			(28,625)	(2,095,347)
Total Fund Balances (Deficits)	8,915,277	(2,491,917)	2,307,835	7,696,026	3,647,670	20,074,891
Total Liabilities and Fund Balances	\$9,766,947	\$1,649,337	\$2,313,498	\$7,867,014	\$3,883,791	\$25,480,587

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances reported on the governmental funds balance sheet \$20,074,891

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 35,781,377

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	5,546,614
Accounts receivable, net	1,170
Capital assets, net of depreciation	613,090
Claims payable	(871,150)
Long-term debt	(201,247)
Accounts payable and accrued interest	(21,215)

LONG TERM LIABILITIES

The liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(17,744,615)
Accrued interest payable	(176,724)
Compensated absences	(700,234)
Net OPEB obligation	<u>(1,402,979)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$40,898,978

See accompanying notes to financial statements

CITY OF SAUSALITO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	General	Tidelands Fund	Public Safety Buildings	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property tax	\$6,522,465				\$484,438	\$7,006,903
Sales tax	1,443,028					1,443,028
Other tax	1,554,829					1,554,829
Licenses and permits	474,868					474,868
Fines and forfeitures	273,530				47,866	321,396
Use of money and property	434,855	\$553,102	\$1,151	\$17,410	9,580	1,016,098
Intergovernmental	93,798			84,269	526,914	704,981
Charges for services	1,323,997				298,617	1,622,614
Other revenues	415,038		12,561	10,095	4,990	442,684
Total Revenues	12,536,408	553,102	13,712	111,774	1,372,405	14,587,401
EXPENDITURES						
Current:						
General government	2,412,922	359,413				2,772,335
Library	694,953					694,953
Public safety:						
Police	3,874,004				131,261	4,005,265
Fire	3,140,578					3,140,578
Community development	1,115,397					1,115,397
Public works	1,246,192				136,843	1,383,035
Parks & recreation	662,833					662,833
Capital outlay			2,244,686	1,987,932	62,395	4,295,013
Debt service:						
Principal					221,185	221,185
Interest and other charges			917		390,152	391,069
Total Expenditures	13,146,879	359,413	2,245,603	1,987,932	941,836	18,681,663
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(610,471)	193,689	(2,231,891)	(1,876,158)	430,569	(4,094,262)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of assets	30					30
Transfers in (Note 3A)	1,709,681			6,819,990	120,799	8,650,470
Transfers (out) (Note 3A)	(885,414)	(5,370,028)			(1,398,425)	(7,653,867)
Total Other Financing Sources (Uses)	824,297	(5,370,028)		6,819,990	(1,277,626)	996,633
NET CHANGE IN FUND BALANCES	213,826	(5,176,339)	(2,231,891)	4,943,832	(847,057)	(3,097,629)
BEGINNING FUND BALANCES	8,701,451	2,684,422	4,539,726	2,752,194	4,494,727	23,172,520
ENDING FUND BALANCES (DEFICITS)	\$8,915,277	(\$2,491,917)	\$2,307,835	\$7,696,026	\$3,647,670	\$20,074,891

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2011

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$3,097,629)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance 4,252,279

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation
 of \$151,761 which has already been allocated to serviced funds) (796,805)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 231,577

Change in accrued interest payable (403,102)

ACCRUAL OF NON-CURRENT ITEMS

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

Compensated absences (78,264)

Net OPEB obligation (505,983)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, before they service those activities.

Change in Net Assets - All Internal Service Funds 340,874

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$57,053)

See accompanying notes to financial statements

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CITY OF SAUSALITO

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds.

MLK FUND

The City has a lease agreement with the Sausalito School District to finance the acquisition of the Martin Luther King School site (“MLK”), containing approximately 17 acres of land, with improvements. The City leases units in the building to various tenants under operating leases with terms ranging from one to five years.

SEWER FUND

Accounts for the provision of sewer services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing, billing, and collections. The City contracts with Sausalito-Marin City Sanitary District.

PARKING FUND

Accounts for the provision of parking services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing, billing, and collections.

OLD CITY HALL FUND

The City leases the Old City Hall to a tenant and uses this fund to account for the rent collections and related costs to administer and maintain the property.

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$934,823	\$1,084,194	\$1,395,787	\$25,760	\$3,440,564	\$5,546,614
Receivables:						
Taxes receivable, net		28,811			28,811	
Accounts receivable, net	40,803		6,063	2,676	49,542	1,170
Issuance costs, net	10,851			1,947	12,798	
Total current assets:	986,477	1,113,005	1,401,850	30,383	3,531,715	5,547,784
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063	109,918		9,938	3,905,919	
Depreciable, net of accumulated depreciation	3,062,510	4,749,504	575,399	606,973	8,994,386	613,090
Total noncurrent assets	6,848,573	4,859,422	575,399	616,911	12,900,305	613,090
Total Assets	7,835,050	5,972,427	1,977,249	647,294	16,432,020	6,160,874
LIABILITIES						
Current liabilities:						
Accounts payable	9,722	72,603	1,622		83,947	17,786
Accrued interest payable	81,132			2,598	83,730	3,429
Compensated absences, due in one year (Note 1H)		16,818			16,818	
Refundable deposits	106,874	4,040	29,004		139,918	
Claims payable-due within one year (Note 10)						265,389
Long-term debt, due within one year (Note 5)	526,966			166,276	693,242	64,385
Total current liabilities	724,694	93,461	30,626	168,874	1,017,655	350,989
Noncurrent liabilities:						
Advance from other funds (Note 3B)	6,208,285				6,208,285	
Claims payable - due in more than one year (Note 10)						605,761
Long-term debt, due in more than one year (Note 5)	1,157,185				1,157,185	136,862
Total noncurrent liabilities	7,365,470				7,365,470	742,623
Total Liabilities	8,090,164	93,461	30,626	168,874	8,383,125	1,093,612
NET ASSETS (Note 11)						
Invested in capital assets, net of related debt	5,164,422	4,859,422	575,399	450,635	11,049,878	411,843
Unrestricted	(5,419,536)	1,019,544	1,371,224	27,785	(3,000,983)	4,655,419
Total Net Assets (Deficits)	(\$255,114)	\$5,878,966	\$1,946,623	\$478,420	\$8,048,895	\$5,067,262

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
OPERATING REVENUES						
Building rents	\$1,076,518			\$231,087	\$1,307,605	
Charges for services		\$1,406,892	\$1,556,315		2,963,207	
Other revenue						\$337,392
Total Operating Revenues	1,076,518	1,406,892	1,556,315	231,087	4,270,812	337,392
OPERATING EXPENSES						
Other expenses	39,759	94,798	73,948		208,505	287,254
Professional services	1,207	257,090	100		258,397	
Repairs and maintenance	54,024	81,584	6,726	25,300	167,634	3,118
Salaries and benefits	66,345	938,125	146,244		1,150,714	
Utilities	111,759	13,094	66,348	469	191,670	
Depreciation	78,401	177,211	66,512	27,590	349,714	151,761
Amortization	3,568			2,596	6,164	
Total Operating Expenses	355,063	1,561,902	359,878	55,955	2,332,798	442,133
Operating Income (Loss) Before Transfers	721,455	(155,010)	1,196,437	175,132	1,938,014	(104,741)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	1,708	3,380	3,682	113	8,883	\$12,514
Interest expense	(439,037)			(15,316)	(454,353)	(8,346)
Total nonoperating revenue (expenses)	(437,329)	3,380	3,682	(15,203)	(445,470)	4,168
Income (Loss) before transfers	284,126	(151,630)	1,200,119	159,929	1,492,544	(100,573)
TRANSFERS						
Transfers in (Note 3A)	52,131				52,131	441,447
Transfers (out) (Note 3A)	(33,375)	(171,806)	(1,185,000)	(100,000)	(1,490,181)	
Net transfers	18,756	(171,806)	(1,185,000)	(100,000)	(1,438,050)	441,447
Change in net assets	302,882	(323,436)	15,119	59,929	54,494	340,874
BEGINNING NET ASSETS (DEFICIT)	(557,996)	6,202,402	1,931,504	418,491	7,994,401	4,726,388
ENDING NET ASSETS (DEFICIT)	(\$255,114)	\$5,878,966	\$1,946,623	\$478,420	\$8,048,895	\$5,067,262

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,068,311	\$1,398,755	\$1,554,745	\$233,683	\$4,255,494	\$336,222
Payment to employees	(66,345)	(928,607)	(146,244)		(1,141,196)	
Payment to suppliers	(206,915)	(529,871)	(147,122)	(25,769)	(909,677)	(212,556)
Other receipts (payments)	1,566	(3,960)	(281,743)	(2,596)	(286,733)	
Cash Flows from Operating Activities	796,617	(63,683)	979,636	205,318	1,917,888	123,666
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	200,395				200,395	
Transfers in	52,131				52,131	441,447
Transfers (out)	(33,375)	(171,806)	(1,185,000)	(100,000)	(1,490,181)	
Cash Flows from Noncapital Financing Activities	219,151	(171,806)	(1,185,000)	(100,000)	(1,237,655)	441,447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures	(46,879)	(671,597)	(211,110)		(929,586)	(62,813)
Principal payments on capital debt	(492,560)			(156,351)	(648,911)	(61,831)
Interest payment	(467,703)			(17,759)	(485,462)	(10,134)
Cash Flows from Capital and Related Financing Activities	(1,007,142)	(671,597)	(211,110)	(174,110)	(2,063,959)	(134,778)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	1,708	3,380	3,682	112	8,882	12,514
Net Cash Flows	10,334	(903,706)	(412,792)	(68,680)	(1,374,844)	442,849
Cash and investments at beginning of period	\$924,489	\$1,987,900	\$1,808,579	\$94,440	\$4,815,408	\$5,103,765
Cash and investments at end of period	\$934,823	\$1,084,194	\$1,395,787	\$25,760	\$3,440,564	\$5,546,614
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$721,455	(\$155,010)	\$1,196,437	\$175,132	\$1,938,014	(\$104,741)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	78,401	177,211	66,512	27,590	349,714	151,761
Change in assets and liabilities:						
Accounts receivables	(11,775)	(8,137)	(1,570)		(21,482)	(1,170)
Issuance/leasing costs	3,568			2,596	6,164	
Accounts payable and accruals	(166)	(83,305)	(275,543)		(359,014)	(4,498)
Accrued compensated absences		9,518			9,518	
Refundable deposits	5,134	(3,960)	(6,200)		(5,026)	
Claims payable						82,314
Cash Flows from Operating Activities	\$796,617	(\$63,683)	\$979,636	\$205,318	\$1,917,888	\$123,666

See accompanying notes to financial statements

CITY OF SAUSALITO

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF SAUSALITO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$128,140
Assessments receivable	<u>405</u>
Total Assets	<u><u>\$128,545</u></u>
LIABILITIES	
Due to local Improvement Districts	<u>\$128,545</u>
Total Liabilities	<u><u>\$128,545</u></u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. *Reporting Entity*

The City of Sausalito was incorporated in 1893 under the general laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City operates under a Council-Manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as Mayor for one year. This legislative body selects a City Manager to administer the affairs of the City. The City provides the following services: public safety (police, fire, and civil defense), highways and streets, sanitary sewer, storm drainage, culture-recreation, library, public works, planning and zoning, and general administrative services.

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council.

B. *Basis of Presentation*

The City's Comprehensive Annual Financial Report is prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category —governmental and proprietary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

The City's major governmental funds are identified and presented separately in the Fund financial statements. All other governmental funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds. During fiscal year 2011, the City elected Tidelands Special Revenue Fund as a major fund.

The major governmental funds of the City are:

GENERAL FUND – The General Fund is used to account for the resources to carry out basic governmental activities of the City such as general government, public safety, public works, community development, library, and recreation, which are not required to be accounted for in another fund.

TIDELANDS SPECIAL REVENUE FUND - To account for lease income and construction, maintenance, and operation of tideland properties granted in trust to the City from the State of California.

PUBLIC SAFETY BUILDINGS CAPITAL PROJECTS FUND - To account for contributions and expenditures related to the design and construction of two new public safety buildings.

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND – To account for City-wide construction and improvements not otherwise paid for through the proprietary funds.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

MLK FUND – The City has a lease agreement with the Sausalito School District used to finance the acquisition of the Martin Luther King School site (the “MLK site”), containing approximately 17 acres of land, with improvements. The City leases units in the building to various tenants under operating leases with terms ranging from one to five years. This fund is used to account for these activities.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SEWER FUND – Accounts for the provision of sewer services to residences and businesses of the City. All activities to provide such services are accounted for in this fund, including but not limited to, administration, operations, capital improvements, maintenance, financing, billing and collections.

PARKING FUND – Accounts for the provision of parking services to residences and businesses of the City. All activities to provide such services are accounted for in this fund, including but not limited to, administration, operations, capital improvements, maintenance, financing, billing and collections.

OLD CITY HALL FUND – The City leases the Old City Hall to a tenant and uses this fund to account for the rent collections and related costs to administer and maintain the property. This fund is used to account for these activities.

Internal Service Funds - The funds account for vehicle replacement, workers compensation, employee benefits, and general liability, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds – The Agency Fund is used to account for assets held by the City as an agent for the Area Improvement Districts. The financial activities of this fund are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as expenditures in governmental funds.

Those revenues susceptible to accrual are property, sales, transient occupancy and franchise taxes, licenses for services and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and goods in connection with a proprietary fund's main operations. The main operating revenues of the MLK Enterprise Fund and the Old City Hall Enterprise Funds are charges to tenants for rental revenues. The main operating revenues of the Parking Enterprise Funds are charges for parking services to residences and businesses. The main operating revenues of the Sewer Enterprise Funds are charges for sewer services to residences and businesses. The main operating revenues of the Internal Service Funds are charges for services. The main operating expenses for the enterprise funds and internal service funds include administrative services, professional services, repairs and maintenances, salaries and benefits, utilities, depreciation, amortization and other operating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. *Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

F. *Budgets and Budgetary Accounting*

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year.

The City Manager submits a Preliminary Budget to the City Council on or about June 1 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the year. During the year, several supplementary appropriations were necessary.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Traffic Congestion Relief, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund, Measure A and Prop 1B Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year end and are rebudgeted for the coming year. Capital Project Funds are budgeted on a project length basis.

G. *Inventories and Prepaid Items*

General fund inventories are recorded as expenditures when consumed, rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market, and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

H. *Compensated Absences*

The City's policy with regard to earned vacation and sick leave is dependent upon years of service and hours of work week per employee.

Accrued vacation – The hours earned each month for accrued vacation range from 9.375 hours up to 28 hours. Non-fire department employees are permitted to accumulate the unused portion, provided that on June 30th of any fiscal year (December 31st of any calendar year for management and confidential employees), they do not have more than 30 working days of vacation time accrued. Fire department personnel may accumulate the unused portion up to 336 hours, consisting of 14 24-hour shifts. Any vacation time in excess of the maximum is paid to the employee on the June 30th payroll, unless he or she is a management or confidential employee, in which case there is no payout. Upon termination of an employee's service with the City, the employee is paid a lump sum for all accrued vacation that has been earned at that time.

Sick leave – Under the City's policy for sick leave, an employee does not receive any amount for accumulated sick leave unless he or she retires. Upon retirement the employee is entitled to be paid up to a maximum of 75 days of sick leave for management, 60 days for firefighters, police, and SEIU and confidential employees, and to convert the remaining unused balance to additional service credit under the California Public Employees' Retirement System (PERS).

Compensated absences comprise of unpaid vacation, compensated time-off, and the vested portion of sick leave which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities
Beginning balance	\$621,970	\$7,300
Additions	574,299	14,669
Payments	(496,035)	(5,151)
Ending Balance	\$700,234	\$16,818
Current Portion	\$564,031	\$16,818

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

I. Property Tax Revenues

State Constitution Article 13 provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by the above-referenced Article 13; otherwise assessed value is calculated as the lesser of 100% of market value or 2% over the prior year assessed value. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy additional tax rate as is necessary to provide for voter-approved debt.

The County of Marin assesses properties and bills for and collects property taxes on behalf of the City on the schedule as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation Dates	January 1	January 1
Lien/Levy Dates	July 1	July 1
Due Dates	50% on November 1 50% on February 1	July 31
Delinquent as of	December 10 April 10	August 31

The term “unsecured” refers to taxes on personal property and possessory interest not secured by liens on real property.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax revenues are recognized in the fiscal year, for which the taxes have been levied, provided they become available. Available means due, or past-due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, usually within 60-days of year end. The City receives property taxes pursuant to an arrangement with the County known as the “Teeter Plan,” whereby the County assumes responsibility for the collection of delinquent taxes and pays the full allocation to the City

J. *Unearned Revenues*

Unearned revenues in governmental funds arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenue also arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

K. *Statement of Cash Flows*

For purposes of the statement of cash flows, all highly liquid investments with maturities of three months or less when purchased are considered to be cash equivalents. The City considers all pooled cash and investments as cash and cash equivalents because the pools are used essentially as a demand deposit account from the standpoint of the funds.

L. *Estimates and Assumption*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. *Excess of Expenditures Over Appropriations*

For the fiscal year ended June 30, 2011, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Public safety:	
Fire	\$37,013
Community development	98,722
Tidelands Special Revenue Fund:	
General Government	252,404
Traffic Safety Special Revenue Fund	
Capital Outlay	5,550
Gas Tax Special Revenue Fund	
Public Works	12,231
Storm Drain Special Revenue Fund	
Capital Outlay	24,957

The excess expenditures were funded by available financial resources.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS

A. Policies

The City invests all funds, except cash with fiscal agents, in investment pools. The goal is to invest at the maximum yield, consistent with safety and liquidity, while individual funds can process payments for expenditures at any time. The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classifications

The City's total cash and investments, at fair value, are presented on the accompanying statement of net assets in the following allocation:

<i>Statement of Net Assets</i>	
Cash and investments	\$19,860,123
Restricted cash	7,353,386
Subtotal	27,213,509
<i>Fiduciary Funds</i>	
Cash and investments	128,140
Total Cash and investments	\$27,341,649

C. Authorized Investments by the City and Debt Agreements

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive that addresses interest rate risk, credit risk and concentration of credit risk. This table also addresses investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City.

The City's investment policy and debt agreements allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	30%	\$40 million
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	50%	None
Bankers Acceptances	180 days	N/A	10%	5%
Commercial Paper	180 days	A1/P1	15%	5%
Certificate of Time Deposits	360 days	N/A	10% (*)	None
Negotiable Certificates of Deposit	360 days	N/A	10%	5%
Repurchase Agreements	360 days	N/A	5%	5%
Reverse Repurchase Agreement	90 days	N/A	5%	None
Medium Term Notes	5 years	A	5%	None

* On uncollateralized deposits, City's portfolio limited to \$96,000

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Authorized Investments by Debt Agreements

The City must maintain required amounts of cash and investments with fiscal agent under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The City's Investment Policy allows investments of bond proceeds to be governed by provisions of the related bond indentures. Under the terms of the bond indentures of the related debt issue, authorized investments from bond proceeds are governed by the City's Investment Policy.

E. Interest Rate Risk

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

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the City's investments by maturity:

Investments	12 Months or less	Total
Money Market Fund (U.S. Treasury)	\$2,446,639	\$2,446,639
Money Market Fund (Escrow Account)	4,906,747	4,906,747
U.S. Treasury Bills	12,001,178	12,001,178
Local Agency Investment Fund	5,783,365	5,783,365
 Total Investments	 <u>\$25,137,929</u>	 25,137,929
Cash in banks		2,201,785
Petty Cash		<u>1,935</u>
 Total Cash and Investments		 <u>\$27,341,649</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2011 for each investment type as provided by Standard & Poor's Investment rating system:

Investment Type	AAA	Total
Money Market Fund (U.S. Treasury)	\$2,446,639	\$2,446,639
Money Market Fund (Escrow Account)	4,906,747	4,906,747
U.S. Treasury Obligations	12,001,178	12,001,178
Not Rated:		
Local Agency Investment Fund		5,783,365
Cash in banks		2,201,785
Petty cash		1,935
Total Cash and Investments		\$27,341,649

G. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its Agent having a fair value of 105% to 150% of the City's cash on deposit. All of the City's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the City's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's Investment Policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City, including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

H. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2011, these investments matured in an average of 237 days.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Tideland Special Revenue Fund	\$219,500 A
	MLK Enterprise Fund	33,375 A
	Sewer Enterprise Fund	171,806 A
	Parking Enterprise Fund	1,185,000 C
	Old City Hall Enterprise Fund	100,000 C
General Capital Improvement	General Fund	457,914 D, B, G
	Tideland Special Revenue Fund	5,078,373 D
	Non-Major Governmental Funds	1,283,703 B
Non-Major Governmental Funds	General Fund	3,173 D, B, G
	Tideland Special Revenue Fund	72,155 B
	Non-Major Governmental Funds	45,471 B
MLK Enterprise Fund	Non-Major Governmental Funds	52,131 B
Internal Service Funds	General Fund	424,327 E, F
	Non-Major Governmental Funds	17,120 H
Total Interfund Transfers		<u>\$9,144,048</u>

The reasons for these transfers are set forth below:

- A To reimburse the General Fund for costs incurred for the benefit of funds making the transfer.
- B To reimburse the fund receiving the transfer for costs incurred for the benefit of funds making the transfer.
- C To fund the General Fund operation.
- D To fund capital improvement projects.
- E To set aside fund for future equipment replacement.
- F To set aside fund for compensated absences and post employment benefits other than pension and general liability.
- G To set aside fund for disaster emergencies.
- H To transfer PD vehicle camera equipment.

B. Long-term Interfund Advances

The City had the following interfund advances at June 30:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
MLK Enterprise Fund	General Fund	\$6,208,285
		<u>\$6,208,285</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

The City General Fund has loaned monies to the MLK Enterprise Fund to be used for any expenses necessary or incidental to carrying out the administration and maintenance of the property. At June 30, 2011, outstanding loans totaling \$6,007,890 (\$3,398,889 in advances and \$2,809,396 of accrued interest) have been made from the General Fund. Repayments would be made as practical to the City. Simple interest accrues at a rate of 5% per annum on the principal amount of the advance. Unpaid interest becomes part of the principal balance.

The City General Capital Project Fund loaned monies to the Public Safety Buildings Capital Project Fund to cover pre-construction costs for the public safety building construction. This loan does not accrue interest.

C. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Infrastructure capital assets with a value of \$100,000 or more, and non-infrastructure capital assets with a value of \$5,000 or more are capitalized.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings and Improvements	50 years
Light Duty Vehicles	5 years
Other Vehicles	10 years
Machinery and Equipment	5-10 years
Infrastructure	10-65 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS (Continued)

Changes in fixed assets during the year ended June 30, 2011 comprise:

	Balance June 30, 2010	Additions	Retirements & Adjustments	Transfers	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land and improvements	\$15,014,662				\$15,014,662
Construction in progress	13,024,446	\$4,241,841		(\$14,762,644)	2,503,643
	<u>28,039,108</u>	<u>4,241,841</u>		<u>(14,762,644)</u>	<u>17,518,305</u>
Depreciable capital assets:					
Building and improvements	1,114,195			14,725,520	15,839,715
Vehicles and equipment	1,380,793		(\$71,825)		1,308,968
Machinery and equipment	831,410	10,438		37,124	878,972
Infrastructure	23,765,488				23,765,488
Total	<u>27,091,886</u>	<u>10,438</u>	<u>(71,825)</u>	<u>14,762,644</u>	<u>41,793,143</u>
Less: accumulated depreciation for					
Building and improvements	(758,258)	(319,023)			(1,077,281)
Vehicles and equipment	(1,380,793)		71,825		(1,308,968)
Machinery and equipment	(707,125)	(54,718)			(761,843)
Infrastructure	(19,958,915)	(423,064)			(20,381,979)
Total accumulated depreciation	<u>(22,805,091)</u>	<u>(796,805)</u>	<u>71,825</u>		<u>(23,530,071)</u>
Depreciable capital assets, net	<u>4,286,795</u>	<u>(786,367)</u>		<u>14,762,644</u>	<u>18,263,072</u>
Internal Service Funds					
Depreciable capital assets:					
Vehicles and equipment	512,010	55,238			567,248
Machinery and equipment	705,685	7,575			713,260
	<u>1,217,695</u>	<u>62,813</u>			<u>1,280,508</u>
Less: accumulated depreciation for					
Vehicles and equipment	(234,942)	(81,192)			(316,134)
Machinery and equipment	(280,715)	(70,569)			(351,284)
Total accumulated depreciation	<u>(515,657)</u>	<u>(151,761)</u>			<u>(667,418)</u>
Depreciable capital assets, net	<u>702,038</u>	<u>(88,948)</u>			<u>613,090</u>
Governmental capital assets, net	<u>\$33,027,941</u>	<u>\$3,366,526</u>			<u>\$36,394,467</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2010	Additions	Retirements & Adjustments	Transfers	Balance June 30, 2011
Business-type Activities					
Land and improvements	\$3,796,001				\$3,796,001
Construction in Progress	\$698,051	\$684,892		(\$1,273,025)	109,918
	<u>4,494,052</u>	<u>684,892</u>		<u>(1,273,025)</u>	<u>3,905,919</u>
Depreciable capital assets:					
Building and improvements	5,713,258	46,879			5,760,137
MLK Bus Barn	275,000				275,000
Vehicles and equipment	1,258,677	197,817	(\$91,962)	599,185	1,963,717
Infrastructure	8,497,982			673,839	9,171,821
Total	<u>15,744,917</u>	<u>244,696</u>	<u>(91,962)</u>	<u>1,273,024</u>	<u>17,170,675</u>
Less: accumulated depreciation for					
Building and improvements	(2,186,389)	(100,700)		(210)	(2,287,299)
MLK Bus Barn	(65,995)	(5,500)			(71,495)
Vehicles and equipment	(1,025,409)	(102,408)	91,962	210	(1,035,645)
Infrastructure	(4,640,744)	(141,106)			(4,781,850)
	<u>(7,918,537)</u>	<u>(349,714)</u>	<u>91,962</u>		<u>(8,176,289)</u>
Depreciable capital assets, net	<u>7,826,380</u>	<u>(105,018)</u>		<u>1,273,024</u>	<u>8,994,386</u>
Total capital assets, net	<u>\$12,320,432</u>	<u>\$579,874</u>			<u>\$12,900,305</u>

A. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

B. Depreciation Allocation

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

Governmental Activities:	
General government	\$52,040
Police services	124,118
Fire services	191,816
Community development	1,000
Public works	420,622
Recreation	7,209
Internal Service Funds	<u>151,761</u>
Total Governmental Activities	<u>\$948,566</u>
Business-type Activities:	
MLK	\$78,401
Sewer	177,211
Parking	66,512
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$349,714</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to both governmental and business-type activities are summarized below and discussed in detail subsequently.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Current Portion
Governmental Activities						
Department of Boating & Waterways	\$1,200,000	\$810,597		(\$35,679)	\$774,918	\$37,284
California Energy Commission	31,000	9,038		(2,923)	6,115	3,011
General Obligation Bonds:						
2006 Series A	8,205,000	8,040,000		(130,000)	7,910,000	165,000
2006 Series B	7,293,894	8,603,845	\$407,298		9,011,143	
Superior Court Promissory Note	247,673	75,104		(52,583)	22,521	22,516
Fire Truck Lease	434,235	263,078		(61,831)	201,247	64,385
Scanner Lease	54,558	30,310		(10,392)	19,918	10,392
Total Government Activities		<u>\$17,831,972</u>	<u>\$407,298</u>	<u>(\$293,408)</u>	<u>\$17,945,862</u>	<u>\$302,588</u>
Business-type Activities						
Capital Leases						
MLK capital lease	\$3,840,494	\$1,290,697		(\$378,715)	\$911,982	\$406,966
MLK capital improvement lease	1,770,000	895,000		(115,000)	780,000	120,000
MLK discount		(8,986)		1,155	(7,831)	
Old City Hall capital improvement lease (MPA)	1,156,500	322,627		(156,351)	166,276	166,276
Total Business-type Activities		<u>\$2,499,338</u>		<u>(\$648,911)</u>	<u>\$1,850,427</u>	<u>\$693,242</u>

B. Department of Boating and Waterways

Between April 1995 and March 1996, the City borrowed \$1.2 million from the California Department of Boating and Waterways to finance certain improvements. The loan bears interest at 4.5% per annum on the unpaid balance, commencing with the date of each transfer of loan funds to the City. Repayment of the loan commenced August 1995, and is payable in annual installments of \$72,156, including interest, until maturity, August 1, 2025.

C. California Energy Commission

The loan payable bears interest at 3% per annum on the unpaid balance and is payable in semi-annual installments of \$1,586, including interest, until maturity, June 22, 2013. Proceeds from the loan were used to replace non-energy efficient lights at City Hall.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of *ad valorem property taxes*.

E. General Obligation Bond 2006 Series B (Capital Appreciation Bonds)

On November 16, 2006, the City issued General Obligation Bonds Series B in the amount of \$7,293,894. The bond proceeds from this series and the bond proceeds from Series A (see above) were used to finance the demolition and replacement of a police building and fire station. These bonds are repayable from the proceeds of *ad valorem property taxes*.

The Bonds unaccreted discount totaled \$16,603,857 at June 30, 2011. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026. Final repayment will be August 1, 2041.

F. Superior Court Promissory Note

On February 2, 2007, the City signed a promissory note in the amount of \$247,673 to repay the Superior Court of California, County of Marin. The purpose of the note is to repay the Superior Court for over payment of court revenues, generated from traffic violations, made to the City from the period July 1999 through June 2006. The monthly installment payments are deducted from the monthly remittance to the City for its statutory share of current fines and forfeitures until the balance is paid in full. The note bears interest at 3.873% per annum. Principal and interest which are payable monthly commenced in December 2006. Final repayment will be in November 2011.

G. Fire Truck Capital Lease

On February 7, 2007, the City entered into a capital lease agreement in the amount of \$434,235 to purchase a fire truck. Principal and interest payments are due each February 7 and August 7, commencing August 7, 2007, until February 7, 2014. The capital lease bears interest at 4.09% per annum.

H. Scanner Capital Lease

On February 22, 2008, the City entered into a capital lease agreement in the amount of \$54,558 to purchase a scanner. Principal payments are due monthly, commencing March 1, 2008, until May 1, 2013.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

I. MLK Capital Lease (Martin Luther King School Site)

On August 1, 1987, the City entered into a lease agreement with the Sausalito School District to finance the acquisition of the Martin Luther King School site (the “MLK site”), containing approximately 17 acres of land, with improvements. Effective March 26, 1997, the City and the Sausalito School District (the “District”) amended the lease agreement. Under the first amendment, the lease schedule was extended from the year 2007 to the year 2013 and restructured at an interest rate of 7.46%.

The City leases units at the site to tenants. The leases are operating leases with varying terms. Rental income included in the financial statements for the fiscal year ended June 30, 2011 is comprised of the following:

Operating Leases	\$1,023,313
Utility pass through	<u>53,205</u>
	<u>\$1,076,518</u>

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2011 are as follows:

Fiscal Year Ended <u>June 30</u>	Future <u>Minimum Rent</u>
2012	\$1,063,109
2013	<u>701,652</u>
	<u>\$1,764,761</u>

The future minimum rents do not include amounts that may be received from tenants for reimbursement of certain building operating costs or option to renew.

J. MLK Capital Improvement Lease

On September 29, 1999, the City entered into a capital lease agreement with the Sausalito Capital Improvement Authority, a California joint powers authority, to finance capital improvements on the MLK site.

The Sausalito Capital Improvement Authority assigned the lease to WestAmerica Bank, acting as trustee, which provided a bank-qualified loan. Interest is payable semiannually on each January 15 and July 15, commencing January 15, 2000. Principal is payable annually on July 15 until July 15, 2014, when the loan matures.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

K. Old City Hall Capital Improvement Lease

On July 30, 2003, the City entered into a lease agreement with a nonprofit public benefit corporation, to refinance the \$1,600,000 Certificates of Participation issued in April 1992. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. Proceeds of \$1,134,239 from the MPA lease were transferred to a trustee and placed in an irrevocable trust to redeem the 1992 COPs. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 1992 COPs were removed from the balance sheet. Interest and principal payments on the refinanced lease are payable semiannually on each October 1st and April 1st until April 1, 2012.

The Old City Hall is in downtown Sausalito and is a designated historic landmark. This 80-year old un-reinforced masonry building was upgraded for seismic safety purposes and renovated to function as retail commercial space. The City entered into an agreement with a tenant in April 1993 to lease the retail space. The agreement was for ten years.

On December 1, 2004, the City executed an amended lease extending the term of the lease for one additional period of 10 years and 3 months with no option to extend. Minimum monthly rent was established at \$23,750 per month from December 1, 2004 through November 30, 2008, and at \$25,000 per month from December 1, 2008 through February 28, 2014. The City has pledged moneys deposited in the Old City Hall Enterprise Fund, constituting rental income from the Property.

The pledge of future moneys deposited in the Old City Hall Enterprise Fund ends upon repayment of the remaining debt service on the capital lease which is scheduled to occur in 2013. For fiscal year 2009 rental revenues amounted to \$218,685 which represented coverage of 1.26 over the \$174,111 in debt service.

L. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Fiscal Year Ended June 30	Governmental Activities		Business Activities	
	Principal (A)	Interest	Principal	Interest
2012	\$302,588	\$386,102	\$693,242	\$113,667
2013	318,638	372,327	567,327	68,912
2014	350,531	356,734	317,689	26,309
2015	327,548	340,911	280,000	7,351
2016	374,462	326,388		
2017-2021	2,699,186	1,339,618		
2022-2026	4,561,761	585,401		
2027-2031	6,375,000			
2032-2036	8,340,000			
2037-2041	10,900,000			
Total	<u>\$34,549,714</u>	<u>\$3,707,481</u>	1,858,258	<u>\$216,239</u>
Reconciliation of long-term debt: MLK discount			(7,831)	
Net long-term debt			<u>\$1,850,427</u>	

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$16,603,852

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - LONG-TERM DEBT (Continued)

M. *Authorized but Unissued Debt*

On November 13, 2007, the City authorized the issuance of one or more Pension Obligation Bonds, for an unknown amount, to fund the City's unfunded accrued actuarial liability (Pension Obligation) plus an additional amount to pay costs of issuance of the pension obligation bonds. As of June 30, 2011, the City had yet to issue any of the bonds.

NOTE 6 – DEBT WITH NO CITY COMMITMENT

A. *Local Improvement District Debt with No City Commitment*

Local Improvement Districts (LID's) are established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt which is not included in the general debt of the City. The City has no legal or moral liability with respect to the payment of these debts. The Downtown Assessment District 1989-1 was paid in full as of June 30, 2011. The Sunshine Central Assessment District balance at June 30, 2011 is \$35,000.

B. *Rotary Village Senior Housing Project*

On March 1, 2004, the City sponsored the issuance of a \$2,500,000 bond on behalf of the Rotary Housing Corporation, a 501(c)(3) corporation and a California Nonprofit Public Benefit Corporation (the "Corporation"). These bonds were issued to raise loan proceeds to finance the construction of the Rotary Village Senior Housing Project. The bonds are payable solely out of the amounts pledged by the Corporation and is not included in the long-term debt of the City. The City has no legal or moral liability with respect to the payment of this debt. The balance at June 30, 2011 is \$2,140,000.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 7 – UNEARNED REVENUE

During the fiscal year 2011, the City had determined that the bulkhead at the Sausalito Yacht Harbor vicinity had deteriorated such that there was an urgent need for replacement. The City then commenced the Sausalito Yacht Harbor - Bay Street Bulkhead Replacement Project (Project), estimated to cost more than \$5 million. The City's upfront contribution to the project was \$1,000,000 which was deposited in an escrow bank account set up for the project.

To provide remaining funding for the project, on February 1, 2011, the City entered into the first amended lease agreement with Sausalito Yacht Harbor, Inc. (Tenant), for the lease of certain public tides and submerged lands at the Sausalito Yacht Harbor location. The terms of the lease ends on January 31, 2061.

In consideration for the City agreeing to extend the term of the lease for 50 years, the tenant agreed to pay for half of the cost of the project. As of June 30, 2011, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,539,187 as unearned lease revenue to be amortized over 50 years.

In addition, upon the completion of the project, the tenant is also entitled to a rent credit against the rental payments to be made to the City. The total amount of the available rent credit is equal to one half of the project costs less \$1,000,000. Commencing 30 days after project completion date, the rent credit is applied monthly and spread equally over a period of 25 years of rent credit period. Under certain conditions specified in the agreement, the rent credit period shall be extended by a period of time equal to the time that tenant was not required to pay rent. Beginning on the commencement of the rent credit and annually thereafter until the rent credits are exhausted, the rent credits are subject to a cost of living increase of 5% of the then outstanding and unused rent credit. As of June 30, 2011, the City had recorded \$1,539,187 as unearned rent revenue to be amortized over 25 years, commencing 30 days after the project is completed.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (Police and Fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2011, are summarized as follows:

	Police	Fire	Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	50-55
Monthly benefits, as a % of annual salary	2.4% to 3%	2.4% to 3%	2.0% to 2.5%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	32.998%	27.059%	12.744%

Effective July 1, 2003, the City adopted the provisions of Internal Revenue Code Section 414(h)(2) on behalf of its miscellaneous and police safety personnel. Base salaries for these employees are grossed up 8%-9% so that employees may pay their own PERS contribution out of pre-tax compensation. The City continues to pick up the tax deferred contributions on behalf of fire safety personnel.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30 as follows:

	Employer Contribution Amount	Employer Contribution Rate		
		Police	Fire	Miscellaneous
		2009	\$1,794,369	34.67%
2010	1,953,311	33.00%	27.06%	13.76%
2011	1,958,561	33.00%	27.06%	12.74%

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0 %. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS.

The latest available actuarial values of the above State-wide pools (which differs from market value) and funding progress were set forth as follow. The information presented below relates to the State-wide pools as a whole, of which the City is one of the participating employers:

State-wide pool - Safety Police and Fire Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2007	\$1,648,159,522	\$1,422,143,105	\$226,016,417	86.3%	\$200,537,256	112.7%
2008	1,755,559,311	1,517,609,609	237,949,702	86.4%	210,590,567	113.0%
2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	221,600,192	127.6%

State-wide pool - Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2007	\$1,315,454,361	\$1,149,247,298	\$166,207,063	87.4%	\$289,090,187	57.5%
2008	1,537,909,933	1,337,707,835	200,202,098	87.0%	333,307,600	60.1%
2009	1,834,424,640	1,493,430,831	340,993,809	81.4%	355,150,151	96.0%

Audited annual financial statements and ten year statistical comparison are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

B. *Deferred Compensation Plan*

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded from these financial statements.

NOTE 9 – POST EMPLOYMENT BENEFITS

A. *Eligibility and Contribution Requirements*

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans.

Four employee groups were included: police, fire, SEIU Local 1021, and unrepresented employees. Fire employees and retirees are covered under a Marin County medical plan. The other groups are covered under the CalPERS medical program.

The three groups covered under CalPERS who retire at age 50 or over with at least 5 years of service receive benefits at least equal to the CalPERS minimum.

In addition, employees who retire after 20 years of service at or after age 50 for police and fire, and at or after age 55 for other employees, receive total medical benefits up to the Kaiser single retiree premium (including the CalPERS minimum if applicable.)

Spouses of retirees can also be covered, but the retiree is required to pay the spousal premiums. However, upon the death of a retiree covered under CalPERS, a surviving spouse continues to receive the CalPERS minimum at no cost.

The City also pays/will pay for dental benefits for certain unrepresented retirees, and for three current active management employees after retirement. No other future retirees will receive City paid dental benefits.

As of June 30, 2011, 31 participants were eligible to receive retirement health care benefits.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) investment rate of return on pay as you go basis of 5.0%, (b) 3.25% aggregate payroll increase, and (c) a healthcare trend of declining annual increases ranging from 8.5% in January 2009 to 5.5% starting January 2019. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed thirty-year amortization period.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2011, the City contributed \$163,100 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution (ARC)	\$662,629
Interest on net OPEB obligation	44,850
Adjustment to annual required contribution	<u>(41,818)</u>
Annual OPEB cost	665,661
Contributions made:	
City's portion of current year premiums paid	<u>159,678</u>
Change in net OPEB obligation (asset)	505,983
Net OPEB obligation (asset) June 30, 2010	<u>896,996</u>
Net OPEB obligation (asset) June 30, 2011	<u><u>\$1,402,979</u></u>

The Plan's annual required contributions and actual contributions for the year ended 2011 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$617,350	\$163,100	26%	\$896,996
6/30/2011	665,661	159,678	24%	1,402,979

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2008 actuarial study is presented below:

Fiscal Year	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded)	Funded Ratio (A/B)
			Actuarial Accrued Liability (A – B)	
6/30/2010	\$0	\$6,394,206	(\$6,394,206)	0%
6/30/2011	0	6,888,060	(6,888,060)	0%

NOTE 10 – PUBLIC ENTITY RISK POOL

The City is exposed to various risks of loss related to workers' compensation and general liability. The City participates in joint powers agreements. On July 1, 1977, a Joint Powers Agreement (the "Agreement") was entered into between member cities and the Marin County Risk Management Authority for workers' compensation coverage (City of Sausalito joined on October 1, 1982). In July 1978, the Agreement was extended to include coverage for both auto and general liability exposures. On July 1, 1978, a new Joint Powers Agreement was established for the liability coverage, known as the Marin Cities Liability Management Authority (City of Sausalito joined on October 1, 1986). Effective July 1, 1996, the City transferred its excess liability coverage to Bay Cities Joint Powers Insurance Authority (the "Authority"). Effective July 1, 2003, the Marin County Risk Management Authority was dissolved and the City transferred its workers compensation coverage to the Bay Cities Joint Powers Insurance Authority.

The City reports all of the workers' compensation activities in an internal service fund. Claims expenditures and liabilities are reported in the internal service fund when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. All of the City's general and ERMA (Employment Risk Management Authority) liability risk management activities are reported in an internal service fund.

A. Workers' Compensation Coverage Statistics

The Workers' Compensation Fund is self-insured for the first \$150,000 of loss per occurrence. Excess coverage is provided by an outside insurance carrier up to statutory limits.

As defined by Government Accounting Standards Board Statement No. 10 ("GASB -10"), the Bay Cities Joint Powers Insurance Authority is "a claims servicing or account pool." The Authority manages separate accounts for each pool member from which losses and expenses of that member are paid, up to the self-insured retention limit. The Authority purchases commercial excess insurance. The annual assessment of each member includes allocations for loss payments, expenses, and excess insurance premiums.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

The Authority has a policy under which there is an annual evaluation of the assets of each pool member in comparison to future liabilities. The “financial risk position” of each member is determined by subtracting case reserves, incurred but not reported (IBNR) amounts and claim development from the members’ cash balances. If a negative risk position is found, a supplemental element is added to its annual assessment.

At June 30, 2011, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	2011	2010
Beginning balance	\$716,498	\$700,811
Incurred claims and claims adjustment	291,715	243,475
Claims paid	(231,269)	(227,788)
Ending balance	\$776,944	\$716,498
Current portion	\$228,559	\$199,126

Financial statements for the Bay Cities Joint Powers Authority may be obtained from Bickmore & Associates, 6371, Auburn Blvd., Citrus Heights, CA 95621.

B. General Liability Coverage

The City participates with other public entities for the purpose of obtaining general liability coverage in the in the Bay Cities Joint Powers Insurance Authority (BCJPIA) for claims incurred on or after July 1, 1996.

As defined by GASB 10, the BCJPIA is an “account pool.” The BCJPIA manages separate accounts for each pool member from, which losses and expenses are paid, up to the City’s self-insured retention of \$50,000 per occurrence. The BCJPIA has a policy of annual evaluations to determine the “financial risk position” (cash less claim reserves, IBNR and claim development)of each member. If a member has a negative risk position, a supplement element is added to its annual assessment.

As defined by GASB 10, the BCJPIA is a “risk sharing pool.” The BCJPIA provides liability and errors & omissions coverage in excess of the City’s \$50,000 self-insured retention, up to one million through a risk shared self insurance pool. BCJPIA obtains excess coverage through California Affiliated Risk Management Authorities (CARMA) a risk sharing joint powers authority. CARMA provides excess insurance coverage to \$28 million. Employment Risk Management Authority, a risk sharing joint powers authority, arranges for pooled risk sharing related to employment practices liability. Coverage is provided up to \$1 million.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

At June 30, 2011, the City’s estimated general liability for unpaid losses was as follows:

	2011	2010
Beginning balance	\$72,338	\$71,115
Incurred claims and claims adjustment	(28,430)	30,355
Claims paid	50,298	(29,132)
Ending balance	\$94,206	\$72,338
Current portion	\$36,830	\$25,144

NOTE 11 – NET ASSETS AND FUND BALANCES

A. Net Assets

Net Assets is the excess of all the City’s assets over all its liabilities, regardless of fund. Net Assets are divided into three captions, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects and debt service requirements.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities.

The City’s fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the City to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 11 – NET ASSETS AND FUND BALANCE (Continued)

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances; Nonspendables, when it is the City’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the City’s Fund Balances, as of June 30, 2011, are below:

	Major Special Revenue Fund		Major Capital Projects Funds		Other Governmental Funds	Total
	General Fund	Tidelands Fund	Public Safety Buildings	General Capital Improvements		
Fund balances:						
Nonspendable for:						
Loans receivable	\$3,254					\$3,254
Prepays	20,568					20,568
Advances to other funds	6,208,285					6,208,285
Restricted for:						
Tideland fund		1,540,357				1,540,357
Seized assets					\$31,916	31,916
Traffic safety					370,587	370,587
Street construction and maintenance					326,989	326,989
Infrastructure projects					759,187	759,187
Storm drain maintenance					115,168	115,168
Stair improvements					146,102	146,102
Fire department					1,480	1,480
Proposition 1B					408,213	408,213
2006 General Obligations					336,624	336,624
Public safety buildings			\$2,307,835			2,307,835
Bulkhead project				\$4,906,747		4,906,747
Committed to:						
Disasters					957,584	957,584
Library improvements					222,445	222,445
Capital improvements				2,789,279		2,789,279
Assigned:						
Budget stabilization reserve	691,600					691,600
Donation	26,018					26,018
Unassigned:						
Emergency shortfall reserve	1,965,552					1,965,552
Special revenue fund deficit residuals		(\$4,032,274)				(4,032,274)
Other governmental fund deficit residuals					(28,625)	(28,625)
Total fund balances	\$ 8,915,277	\$ (2,491,917)	\$ 2,307,835	\$ 7,696,026	\$ 3,647,670	\$20,074,891

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 11 – NET ASSETS AND FUND BALANCE (Continued)

C. *Budget Stabilization Shortfall Reserve Policy*

Five percent (5%) of the City's annual expenditures shall be set aside annually and assigned by the City Manager as prescribed by Governmental Accounting Standards Board Statement No. 54, to provide for budget shortfalls as a result of 5% economic fluctuations in the City's revenue base.

D. *Emergency Shortfall Reserve Policy*

Ten percent (10%) of the City's annual expenditures shall be set aside annually in unassigned Fund Balance as the City's emergency or "rainy day" fund and is subject to further appropriation by the City Council.

E. *Net Asset and Fund Balance Deficits*

The Martin Luther King ("MLK") Enterprise Fund had a net deficit in the amount of \$255,114 at June 30, 2011. This was mainly a result of MLK generating insufficient revenues to cover its operating expenditures and lease payments since inception. The City's General Fund has provided loans to fund these deficits. As of June 30, 2011, the General Fund had a loan receivable of approximately \$6.0 million (principal in the amount of \$3.4 million and interest in the amount \$2.6 million) from the MLK Enterprise Fund as disclosed in Note 3. Management expects that the MLK Enterprise Fund will become self-sufficient with full occupancy of the building and will eventually begin to repay the advance to the General Fund after the debt service to the School District is paid off in 2014.

The Tidelands Fund had a fund balance deficit in the amount of \$2,491,917 at June 30, 2011. Future revenues are expected to decrease the fund balance deficit.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

The City participates in the joint venture discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, this entity exercises full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. The joint venture is governed by a board consisting of representatives from member municipalities. The board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

A. *Marin Emergency Radio Authority*

The City participates in a joint powers agreement through the Marin Emergency Radio Authority (“MERA”) under an operating agreement dated February 1, 1999. MERA was created July 1, 1997 by an agreement between certain public agencies in Marin County to provide a public safety radio system to its members. The members have agreed to assign a portion of their property tax revenues and make annual payments, on a pro rata basis to cover the costs of debt financing and operating the system.

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City expects such amounts, if any, to be immaterial.

NOTE 14 – SUBSEQUENT EVENTS

A. *Defeasance of a Portion Of The City's General Obligation Bonds, 2006 Series*

In September 2011, the City Council approved the defeasance of a portion of the City's General Obligation Bonds, 2006 Series A, by utilizing \$2,136,308 of remaining proceeds of the 2006 Bonds.

B. *Annexation of the City Of Sausalito to Southern Marin Fire Protection District (SFMPD) for Fire and Emergency Services; Approving the Lease Of Fire Station and Equipment Disposition Agreement; And Approving The Agreement Regarding Certain Financial And Personnel Conditions Of Annexation*

In September 2011, the City Council authorized the City Manager to submit an application to the Marin County Local Agency Formation Commission for the annexation of the City of Sausalito to the Southern Marin Fire Protection District (SMFPD); approved the lease of the fire station located at 333 Johnson Street, and equipment disposition agreement; and approved the agreement regarding certain financial and personnel conditions of annexation.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 14 – SUBSEQUENT EVENTS (Continued)

As part of the agreement, for the firefighters who upon leaving City employment will carry over to SMFPD their accumulated and unused vacation sick leave, the City had agreed to pay SMFPD a certain amount based on the agreement. For six fire fighters' retiree medical cost, the City has agreed to pay SMFPD an amount equal to the lesser of the actual amount paid by SMFPD or the then applicable rate if the City were to be providing the retiree medical benefit. Upon the effective date of the annexation of the City into SMFPD, City will pay SMFPD an amount of \$58,000 annually for 30 years for the retiree medical costs of nine firefighters.

Implementation of the annexation and agreements is conditioned upon a future successful LAFCO administrative protest hearing.

C. *Negotiated Exchange Of Property Tax Revenues Between The City Of Sausalito And The Southern Marin Fire Protection District*

In September 2011, the City Council approved a negotiated exchange of property tax revenues between the City and the Southern Marin Fire Protection District as follows:

- For fiscal year 2012-13, the City shall transfer to the Southern Marin Fire Protection District \$2,667,250 of the City's secured and unsecured property tax revenue and Homeowners Property Tax Relief (HOPTR) subvention revenue, collectively referred to as "Property Tax Revenue".
- For fiscal year 2013-2014, and subsequent fiscal years, the City shall transfer to the Southern Marin Fire Protection District the percentage of the total City Property Tax Revenue in fiscal year 2012-13 that is represented by \$2,667,250.
- If the effective date of the annexation ("Annexation Date") is prior to July 1, 2012, the City shall pay to the Southern Marin Fire Protection District, within 60 days following the Annexation Date, \$7,308 for each day between the Annexation Date and July 1, 2012.

Implementation of the annexation and agreements is conditioned upon a future successful LAFCO administrative protest hearing.

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REQUIRED SUPPLEMENTARY INFORMATION

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**GENERAL FUND AND MAJOR SPECIAL REVENUE FUND
BUDGET-TO-ACTUAL STATEMENTS**

Budget-to-actual information in the required supplementary information should be limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Statements for the General Fund and the Tidelands Special Revenue Fund.

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property tax	\$6,758,350	\$6,581,350	\$6,522,465	(\$58,885)
Sales tax	1,520,500	1,520,500	1,443,028	(77,472)
Other tax	1,903,500	2,015,500	1,554,829	(460,671)
Licenses and permits	485,000	485,000	474,868	(10,132)
Fines and forfeitures	450,000	455,000	273,530	(181,470)
Use of money and property	465,000	475,000	434,855	(40,145)
Intergovernmental			93,798	93,798
Charges for services	1,044,800	1,000,800	1,323,997	323,197
Other revenues	62,000	85,500	415,038	329,538
	<u>12,689,150</u>	<u>12,618,650</u>	<u>12,536,408</u>	<u>(82,242)</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government:				
Administration	1,173,580	1,173,580	1,109,009	64,571
Information Technology	518,615	541,573	475,775	65,798
Non departmental	891,369	866,639	828,138	38,501
Library	707,632	707,632	694,953	12,679
Public safety:				
Police	4,060,427	4,060,427	3,874,004	186,423
Fire	3,003,565	3,103,565	3,140,578	(37,013)
Community development	986,675	1,016,675	1,115,397	(98,722)
Public works	1,476,249	1,476,249	1,246,192	230,057
Parks & recreation	686,566	686,566	662,833	23,733
	<u>13,504,678</u>	<u>13,632,906</u>	<u>13,146,879</u>	<u>486,027</u>
Total Expenditures				
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>(815,528)</u>	<u>(1,014,256)</u>	<u>(610,471)</u>	<u>403,785</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets			30	30
Transfers in	1,700,158	1,800,158	1,709,681	(90,477)
Transfers (out)	(754,037)	(904,037)	(885,414)	18,623
	<u>946,121</u>	<u>896,121</u>	<u>824,297</u>	<u>(71,824)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE				
	<u>\$130,593</u>	<u>(\$118,135)</u>	213,826	<u>\$331,961</u>
BEGINNING FUND BALANCE				
			<u>8,701,451</u>	
ENDING FUND BALANCE				
			<u>\$8,915,277</u>	

CITY OF SAUSALITO
TIDELANDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$696,856	\$553,102	(\$143,754)
Other revenues	<u>2,550,000</u>	<u> </u>	<u>(2,550,000)</u>
Total Revenues	<u>3,246,856</u>	<u>553,102</u>	<u>(2,693,754)</u>
EXPENDITURES:			
Current:			
General government	<u>107,009</u>	<u>359,413</u>	<u>(252,404)</u>
Total Expenditures	<u>107,009</u>	<u>359,413</u>	<u>(252,404)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,139,847</u>	<u>193,689</u>	<u>(2,946,158)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(5,471,655)</u>	<u>(5,370,028)</u>	<u>101,627</u>
Total Other Financing Sources (Uses)	<u>(5,471,655)</u>	<u>(5,370,028)</u>	<u>101,627</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$2,331,808)</u></u>	<u>(5,176,339)</u>	<u><u>(\$2,844,531)</u></u>
BEGINNING FUND BALANCE		<u>2,684,422</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$2,491,917)</u></u>	

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year.

The City Manager submits a Preliminary Budget to the City Council on or about June 1 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30.

The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the year. During the year, several supplementary appropriations were necessary.

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Traffic Congestion Relief, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund, Measure A and Prop 1B Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year end and are rebudgeted for the coming year. Capital Project Funds are budgeted on a project length basis.

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Seized Assets – to account for properties seized by Police Department during the normal course of police operation.

Traffic Safety – To account for projects related to traffic safety. Financing is provided primarily by vehicle code fines.

Gas Tax Fund – To account for the construction and maintenance of the street system in Sausalito. Financing is provided by the City's share of state gasoline taxes.

Construction Impact Fees - to account for costs recovered from applicants for accelerated wear and tear to the City's road as a result of construction projects.

Traffic Congestion Relief - to account for fund received from Proposition 42 for transportation congestion relief program.

Police Grants – To account for costs related to the police department. Financing provided primarily by state grants.

Storm Drain – To account for the maintenance of the City's storm drains. Financing provided primarily by property drainage tax and subsidies from the general fund.

Stairs Fund – To account for the 167 Cazneau legal settlement received. Monies are to be used for improvements to Stairs as defined in the legal settlement.

Disaster Assistance – To account for the costs related to disasters. Financing is provided primarily by federal and state grants.

Recreation Grant - to account for per capita park grant funds for improvements to City public park lands.

Fire Grant – To account for costs related to the fire department. Financing is provided primarily by state grants.

Measure A – To account for the half-cent County sales tax revenue restricted for local transportation improvement projects.

Prop 1B – To account for Proposition 1B revenue.

Debt Service Fund

2006 General Obligation Bonds – To account for the accumulation of resources to pay general obligation bonds principal and interest.

Energy Loan – To account for transfers of funds from the general fund to pay capital energy loan principal and interest.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Tideland Loan – To account for transfers of funds from the Tidelands Fund to pay California Department of Boating & Waterways loan principal and interest.

Vehicle Code Fine Overpayment – To account for transfer from traffic safety fund to pay Marin County Superior Court loan principal and interest.

Capital Project Funds

Library Capital Improvement – To account for capital projects related to the library. Financing provided primarily by the general fund and state grants.

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

SPECIAL REVENUE FUNDS

	<u>Seized Assets</u>	<u>Traffic Safety</u>	<u>Gas Tax</u>	<u>Construction Traffic Fees</u>	<u>Traffic Relief</u>
ASSETS					
Cash and investments	\$31,916	\$368,372	\$334,686	\$760,955	\$1,994
Restricted cash and investments					
Receivables:					
Taxes receivables, net					
Accounts receivable, net					
Total Assets	<u>\$31,916</u>	<u>\$368,372</u>	<u>\$334,686</u>	<u>\$760,955</u>	<u>\$1,994</u>
LIABILITIES					
Accounts payable		(\$2,215)	\$7,697	\$1,768	\$1,994
Due to other funds					
Total Liabilities		<u>(2,215)</u>	<u>7,697</u>	<u>1,768</u>	<u>1,994</u>
FUND BALANCE					
Restricted	\$31,916	370,587	326,989	759,187	
Committed					
Assigned					
Unassigned					
Total Fund Balances	<u>31,916</u>	<u>370,587</u>	<u>326,989</u>	<u>759,187</u>	
Total Liabilities and Fund Balances	<u>\$31,916</u>	<u>\$368,372</u>	<u>\$334,686</u>	<u>\$760,955</u>	<u>\$1,994</u>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
	\$137,120	\$146,102	\$957,584		\$1,480	
\$46,353	1,696			\$127,451		
\$46,353	\$138,816	\$146,102	\$957,584	\$127,451	\$1,480	
\$29 46,353	\$23,648			\$127,451		\$19,502
46,382	23,648			127,451		19,502
	115,168	\$146,102	\$957,584		\$1,480	
(29)						(19,502)
(29)	115,168	146,102	957,584		1,480	(19,502)
\$46,353	\$138,816	\$146,102	\$957,584	\$127,451	\$1,480	

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2011

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Overpayment
ASSETS					
Cash and investments	\$408,213				
Restricted cash and investments		\$335,254			
Receivables:					
Taxes receivables, net		2,170			
Accounts receivable, net					
Total Assets	<u>\$408,213</u>	<u>\$337,424</u>			
LIABILITIES					
Accounts payable		\$800			\$9,094
Due to other funds					
Total Liabilities		<u>800</u>			<u>9,094</u>
FUND BALANCE					
Restricted	\$408,213	336,624			
Committed					
Assigned					
Unassigned					(9,094)
Total Fund Balances	<u>408,213</u>	<u>336,624</u>			<u>(9,094)</u>
Total Liabilities and Fund Balances	<u>\$408,213</u>	<u>\$337,424</u>			

<u>CAPITAL PROJECTS FUND</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Library Improvement</u>	
\$222,445	\$3,370,867 335,254
	3,866 <u>173,804</u>
<u>\$222,445</u>	<u>\$3,883,791</u>
	\$42,815 <u>193,306</u>
	<u>236,121</u>
\$222,445	2,496,266 1,180,029
	<u>(28,625)</u>
<u>222,445</u>	<u>3,647,670</u>
<u>\$222,445</u>	<u>\$3,883,791</u>

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees	Traffic Congestion Relief
REVENUES					
Property tax					
Fines and forfeitures		\$47,866			
Use of money and property	\$75	929	\$1,336	\$2,458	\$41
Intergovernmental			187,422		
Charges for services				238,414	
Other revenues			4,990		
Total Revenues	75	48,795	193,748	240,872	41
EXPENDITURES					
Current:					
Public safety:					
Police					
Public works		28,574	95,231		(2,129)
Capital outlay		5,550			
Debt service:					
Principal					
Interest and other charges					
Total Expenditures		34,124	95,231		(2,129)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	75	14,671	98,517	240,872	2,170
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)		(63,825)	(414,678)	(512,215)	
Total Other Financing Sources (Uses)		(63,825)	(414,678)	(512,215)	
NET CHANGE IN FUND BALANCES	75	(49,154)	(316,161)	(271,343)	2,170
BEGINNING FUND BALANCES	31,841	419,741	643,150	1,030,530	(2,170)
ENDING FUND BALANCES	\$31,916	\$370,587	\$326,989	\$759,187	

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
(\$16)	\$300	\$345	\$2,259		\$3	\$363
150,293	60,203			\$127,451		59,150
<u>150,277</u>	<u>60,503</u>	<u>345</u>	<u>2,259</u>	<u>127,451</u>	<u>3</u>	<u>59,513</u>
131,261						
12,380	15,167					
	44,465					
<u>143,641</u>	<u>59,632</u>					
6,636	871	345	2,259	127,451	3	59,513
(17,120)	(8,683)			(127,451)		(254,403)
(17,120)	(8,683)			(127,451)		(254,403)
(10,484)	(7,812)	345	2,259		3	(194,890)
10,455	122,980	145,757	955,325		1,477	175,388
<u>(\$29)</u>	<u>\$115,168</u>	<u>\$146,102</u>	<u>\$957,584</u>		<u>\$1,480</u>	<u>(\$19,502)</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUND	DEBT SERVICE FUND			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
REVENUES					
Property tax		\$484,438			
Fines and forfeitures					
Use of money and property	\$963	2			
Intergovernmental					
Charges for services					
Other revenues					
Total Revenues	963	484,440			
EXPENDITURES					
Current:					
Public safety:					
Police					
Public works					
Capital outlay					
Debt service:					
Principal		130,000	\$2,923	\$35,679	\$52,583
Interest and other charges		351,444	250	36,476	1,982
Total Expenditures		481,444	3,173	72,155	54,565
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	963	2,996	(3,173)	(72,155)	(54,565)
OTHER FINANCING SOURCES (USES)					
Transfers in			3,173	72,155	45,471
Transfers (out)					
Total Other Financing Sources (Uses)			3,173	72,155	45,471
NET CHANGE IN FUND BALANCES	963	2,996			(9,094)
BEGINNING FUND BALANCES	407,250	333,628			
ENDING FUND BALANCES	\$408,213	\$336,624			(\$9,094)

CAPITAL PROJECTS FUND	
Library Capital Improvement	Total Nonmajor Governmental Funds
	\$484,438
	47,866
\$522	9,580
2,598	526,914
	298,617
	4,990
<u>3,120</u>	<u>1,372,405</u>
	131,261
	136,843
	62,395
	221,185
	<u>390,152</u>
	941,836
<u>3,120</u>	<u>430,569</u>
	120,799
<u>(50)</u>	<u>(1,398,425)</u>
<u>(50)</u>	<u>(1,277,626)</u>
3,070	(847,057)
<u>219,375</u>	<u>4,494,727</u>
<u>\$222,445</u>	<u>\$3,647,670</u>

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2011

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$40,000	\$47,866	\$7,866			
Use of money and property	6,000	929	(5,071)	\$500	\$1,336	\$836
Intergovernmental				131,500	187,422	55,922
Charges for services					4,990	4,990
Other revenues						
Total Revenues	<u>46,000</u>	<u>48,795</u>	<u>2,795</u>	<u>132,000</u>	<u>193,748</u>	<u>61,748</u>
EXPENDITURES						
Current:						
Public works	45,000	28,574	16,426	83,000	95,231	(12,231)
Capital outlay		5,550	(5,550)			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>45,000</u>	<u>34,124</u>	<u>10,876</u>	<u>83,000</u>	<u>95,231</u>	<u>(12,231)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,000</u>	<u>14,671</u>	<u>13,671</u>	<u>49,000</u>	<u>98,517</u>	<u>49,517</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(386,269)</u>	<u>(63,825)</u>	<u>322,444</u>	<u>(551,609)</u>	<u>(414,678)</u>	<u>136,931</u>
Total Other Financing Sources (Uses)	<u>(386,269)</u>	<u>(63,825)</u>	<u>322,444</u>	<u>(551,609)</u>	<u>(414,678)</u>	<u>136,931</u>
NET CHANGES IN FUND BALANCES		(49,154)			(316,161)	
BEGINNING FUND BALANCES		<u>419,741</u>			<u>643,150</u>	
ENDING FUND BALANCES		<u><u>\$370,587</u></u>			<u><u>\$326,989</u></u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Traffic Congestion Relief			Storm Drain		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$2,458	\$2,458		\$41	\$41	\$1,500	\$300	(\$1,200)
\$100,000	238,414	138,414	\$72,000		(72,000)	69,500	60,203	(9,297)
<u>100,000</u>	<u>240,872</u>	<u>140,872</u>	<u>72,000</u>	<u>41</u>	<u>(71,959)</u>	<u>71,000</u>	<u>60,503</u>	<u>(10,497)</u>
				(2,129)	2,129	19,800	15,167	4,633
						19,508	44,465	(24,957)
				(2,129)	2,129	39,308	59,632	(20,324)
<u>100,000</u>	<u>240,872</u>	<u>140,872</u>		<u>2,170</u>	<u>2,170</u>	<u>31,692</u>	<u>871</u>	<u>(30,821)</u>
<u>(547,400)</u>	<u>(512,215)</u>	<u>\$35,185</u>	<u>(174,100)</u>		<u>174,100</u>	<u>(4,262,752)</u>	<u>(8,683)</u>	<u>4,254,069</u>
<u>(547,400)</u>	<u>(512,215)</u>	<u>35,185</u>	<u>(174,100)</u>		<u>174,100</u>	<u>(4,262,752)</u>	<u>(8,683)</u>	<u>4,254,069</u>
	(271,343)			2,170			(7,812)	
	<u>1,030,530</u>			<u>(2,170)</u>			<u>122,980</u>	
	<u>\$759,187</u>						<u>\$115,168</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2011

SPECIAL REVENUE FUNDS

	Stairs Fund		Recreation Grant		Variance Positive (Negative)
	Budget	Actual	Budget	Actual	
REVENUES					
Property taxes					
Fines and forfeitures					
Use of money and property		\$345			\$345
Intergovernmental			\$25,000	\$127,451	\$102,451
Charges for services					
Other revenues					
Total Revenues		345	25,000	127,451	102,451
EXPENDITURES					
Current:					
Public works					
Capital outlay					
Debt service:					
Principal					
Interest and other charges					
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		345	25,000	127,451	102,451
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(\$145,000)		(145,000)	(127,451)	17,549
Total Other Financing Sources (Uses)	(145,000)		(145,000)	(127,451)	17,549
NET CHANGES IN FUND BALANCES		345			
BEGINNING FUND BALANCES		145,757			
ENDING FUND BALANCES		<u>\$146,102</u>			

SPECIAL REVENUE FUNDS						DEBT SERVICE FUND		
Measure A			Prop 1B			2006 General Obligation Bond		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$484,718	\$484,438	(\$280)
\$500	\$363	(\$137)		\$963	\$963		2	2
65,000	59,150	(5,850)						
<u>65,500</u>	<u>59,513</u>	<u>(5,987)</u>		<u>963</u>	<u>963</u>	<u>484,718</u>	<u>484,440</u>	<u>(278)</u>
						130,000	130,000	
						350,645	351,444	799
						480,645	481,444	799
<u>65,500</u>	<u>59,513</u>	<u>(5,987)</u>		<u>963</u>	<u>963</u>	<u>4,073</u>	<u>2,996</u>	<u>(1,077)</u>
<u>(238,179)</u>	<u>(254,403)</u>	<u>(16,224)</u>	<u>(\$406,000)</u>		<u>406,000</u>			
<u>(238,179)</u>	<u>(254,403)</u>	<u>(16,224)</u>	<u>(406,000)</u>		<u>406,000</u>			
	(194,890)			963			2,996	
	<u>175,388</u>			<u>407,250</u>			<u>333,628</u>	
	<u>(\$19,502)</u>			<u>\$408,213</u>			<u>\$336,624</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2011

DEBT SERVICE FUNDS

	Energy Loan		Variance Positive (Negative)	Tideland Loan		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
	REVENUES					
Fines and forfeitures						
Fines and forfeitures						
Use of money and property						
Intergovernmental						
Charges for services						
Other revenues						
Total Revenues						
EXPENDITURES						
Current:						
Public works						
Capital outlay						
Debt service:						
Principal	\$2,923	\$2,923		\$35,679	\$35,679	
Interest and other charges	250	250		36,477	36,476	
Total Expenditures	3,173	3,173		72,156	72,155	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,173)	(3,173)		(72,156)	(72,155)	1
OTHER FINANCING SOURCES (USES)						
Transfers in	3,173	3,173		72,155	72,155	
Transfers (out)						
Total Other Financing Sources (Uses)	3,173	3,173		72,155	72,155	
NET CHANGES IN FUND BALANCES						
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

DEBT SERVICE FUND

Vehicle Code Fine Overpayment		
Budget	Actual	Variance Positive (Negative)
\$52,583	\$52,583	
1,982	1,982	
54,565	54,565	
(54,565)	(54,565)	
54,565	45,471	(9,094)
54,565	45,471	(9,094)
	(9,094)	
	(9,094)	
	(9,094)	

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INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues and expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets. However, internal service funds are still presented separately in the Fund Financial Statements.

Vehicle Replacement Fund – Established to finance the replacement of equipment used by the City General Fund departments.

Workers' Compensation Fund – Used to account for outstanding claim liabilities.

Employee Benefits Fund – To help finance the liability for compensated absences and other post employment benefits for City General Fund departments.

General Liability Fund – To help finance other liabilities including employment liabilities.

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2011

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$2,550,513	\$1,736,928	\$1,076,899	\$182,274	\$5,546,614
Accounts receivable, net	1,170				1,170
Total current assets	2,551,683	1,736,928	1,076,899	182,274	5,547,784
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	613,090				613,090
Total noncurrent assets	613,090				613,090
Total Assets	3,164,773	1,736,928	1,076,899	182,274	6,160,874
LIABILITIES					
Current liabilities:					
Accounts payable		17,786			17,786
Accrued interest payable	3,429				3,429
Claims payable - due within one year		228,559		\$36,830	265,389
Long-term debt - due within one year	64,385				64,385
Total current liabilities	\$67,814	\$246,345		\$36,830	\$350,989
Noncurrent liabilities					
Claims payable, due in more than one year		548,385		57,376	605,761
Long-term debt - due in more than one year	136,862				136,862
Total noncurrent liabilities	136,862	548,385		57,376	742,623
Total Liabilities	204,676	794,730		94,206	1,093,612
NET ASSETS					
Invested in capital assets, net of related debt	411,843				411,843
Unrestricted	2,548,254	942,198	1,076,899	88,068	4,655,419
Total Net Assets	\$2,960,097	\$942,198	\$1,076,899	\$88,068	\$5,067,262

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue	\$17,377	\$320,015			\$337,392
Total Operating Revenues	17,377	320,015			337,392
OPERATING EXPENSES					
Repairs and maintenance	3,118				3,118
Other operating expenses		265,386		\$21,868	287,254
Depreciation	151,761				151,761
Total Operating Expenses	154,879	265,386		21,868	442,133
Operating Income (Loss)	(137,502)	54,629		(21,868)	(104,741)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	5,882	3,978	\$2,224	430	12,514
Interest expense	(8,346)				(8,346)
Total nonoperating revenue	(2,464)	3,978	2,224	430	4,168
Income before transfers	(139,966)	58,607	2,224	(21,438)	(100,573)
Transfers in	228,541		212,906		441,447
Transfers, net	228,541		212,906		441,447
Change in Net Assets	88,575	58,607	215,130	(21,438)	340,874
BEGINNING NET ASSETS	2,871,522	883,591	861,769	109,506	4,726,388
ENDING NET ASSETS	<u>\$2,960,097</u>	<u>\$942,198</u>	<u>\$1,076,899</u>	<u>\$88,068</u>	<u>\$5,067,262</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$16,207	\$320,015			\$336,222
Payment to suppliers	<u>(5,288)</u>	<u>(207,268)</u>			<u>(212,556)</u>
Cash Flows from Operating Activities	<u>10,919</u>	<u>112,747</u>			<u>123,666</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	<u>228,541</u>		<u>\$212,906</u>		<u>441,447</u>
Cash Flows from Noncapital Financing Activities	<u>228,541</u>		<u>212,906</u>		<u>441,447</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(62,813)				(62,813)
Interest expense	(10,134)				(10,134)
Payment of long-term debt	<u>(61,831)</u>				<u>(61,831)</u>
Cash Flows from Capital and Related Financing Activities	<u>(134,778)</u>				<u>(134,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	<u>5,882</u>	<u>3,978</u>	<u>2,224</u>	<u>\$430</u>	<u>12,514</u>
Net Cash Flows	110,564	116,725	215,130	430	442,849
Cash and investments at beginning of period	<u>2,439,949</u>	<u>1,620,203</u>	<u>861,769</u>	<u>181,844</u>	<u>5,103,765</u>
Cash and investments at end of period	<u><u>\$2,550,513</u></u>	<u><u>\$1,736,928</u></u>	<u><u>\$1,076,899</u></u>	<u><u>\$182,274</u></u>	<u><u>\$5,546,614</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$137,502)	\$54,629		(\$21,868)	(\$104,741)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	151,761				151,761
Change in assets and liabilities:					
Accounts receivable	(1,170)				(1,170)
Accounts payable	(2,170)	(2,328)			(4,498)
Claims payable		<u>60,446</u>		<u>21,868</u>	<u>82,314</u>
Cash Flows from Operating Activities	<u><u>\$10,919</u></u>	<u><u>\$112,747</u></u>			<u><u>\$123,666</u></u>

AGENCY FUNDS

All Agency Funds, representing all fiduciary funds of the City, are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Governmental and Fund Financial Statements.

CITY OF SAUSALITO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 JUNE 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Third Street Underground Assessment District</u>				
Assets:				
Cash and investments	\$4,417	\$8	\$4,425	
Total Assets	\$4,417	\$8	\$4,425	
Liabilities:				
Due to Assessment District	\$4,417	\$8	\$4,425	
Total Liabilities	\$4,417	\$8	\$4,425	
<u>Downtown 1989-1 Assessment District</u>				
Assets:				
Cash and investments	\$83,038	\$28,732	\$63,349	\$48,421
Total Assets	\$83,038	\$28,732	\$63,349	\$48,421
Liabilities:				
Due to Assessment District	\$83,038	\$28,732	\$63,349	\$48,421
Total Liabilities	\$83,038	\$28,732	\$63,349	\$48,421
<u>Sunshine Central Assessment District</u>				
Assets:				
Cash and investments	\$73,700	\$25,846	\$19,827	\$79,719
Assessments receivable	405			405
Total Assets	\$74,105	\$25,846	\$19,827	\$80,124
Liabilities:				
Due to Assessment District	\$74,105	\$25,846	\$19,827	\$80,124
Total Liabilities	\$74,105	\$25,846	\$19,827	\$80,124

CITY OF SAUSALITO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 JUNE 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<u>Bulkley Underground Assessment District</u>				
Assets:				
Cash and investments	\$9,454	\$17	\$9,471	
Total Assets	<u>\$9,454</u>	<u>\$17</u>	<u>\$9,471</u>	
Liabilities:				
Due to Assessment District	\$9,454	\$17	\$9,471	
Total Liabilities	<u>\$9,454</u>	<u>\$17</u>	<u>\$9,471</u>	
<u>Downtown Assessment District - Reserve Fund</u>				
Assets:				
Cash and investments	\$28,611		\$28,611	
Total Assets	<u>\$28,611</u>		<u>\$28,611</u>	
Liabilities:				
Due to Assessment District	\$28,611		28,611	
Total Liabilities	<u>\$28,611</u>		<u>\$28,611</u>	
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$199,220	\$54,603	\$125,683	\$128,140
Assessments receivable	405			405
Total Assets	<u>\$199,625</u>	<u>\$54,603</u>	<u>\$125,683</u>	<u>\$128,545</u>
Liabilities:				
Due to Assessment District	\$199,625	\$54,603	\$125,683	\$128,545
Total Liabilities	<u>\$199,625</u>	<u>\$54,603</u>	<u>\$125,683</u>	<u>\$128,545</u>

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

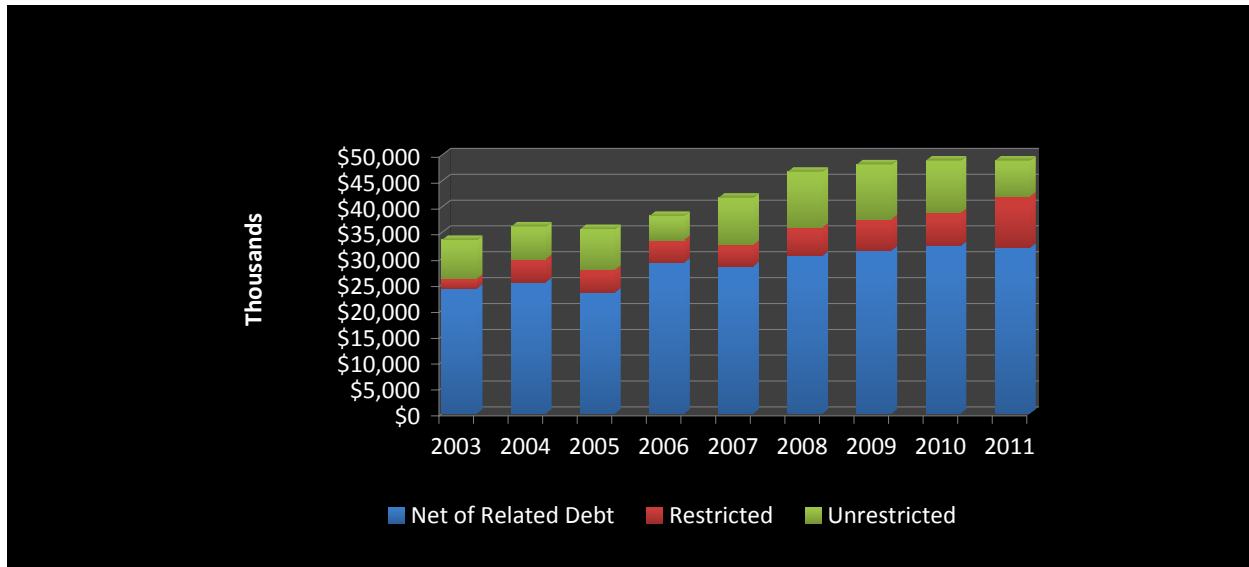
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the City of Sausalito for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

CITY OF SAUSALITO
Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>Governmental activities</i>					
Invested in capital assets, net of related debt	\$21,678,253	\$23,456,664	\$21,390,365	\$21,354,986	\$20,560,479
Restricted	1,691,910	4,440,011	4,379,746	4,356,609	4,077,211
Unrestricted	5,383,484	3,366,219	4,656,090	6,749,085	10,517,070
Total governmental activities net assets	<u>\$28,753,647</u>	<u>\$31,262,894</u>	<u>\$30,426,201</u>	<u>\$32,460,680</u>	<u>\$35,154,760</u>
<i>Business-type activities</i>					
Invested in capital assets, net of related debt	2,541,936	1,984,007	2,037,356	7,841,055	7,982,033
Restricted for Debt Service	160,767				
Unrestricted	2,132,951	2,942,531	3,261,325	(2,043,830)	(1,395,149)
Total business-type activities net assets	<u>\$4,835,654</u>	<u>\$4,926,538</u>	<u>\$5,298,681</u>	<u>\$5,797,225</u>	<u>\$6,586,884</u>
<i>Primary government</i>					
Invested in capital assets, net of related debt	\$24,220,189	\$25,440,671	\$23,427,721	\$29,196,041	\$28,542,512
Restricted	1,852,677	4,440,011	4,379,746	4,356,609	4,077,211
Unrestricted	7,516,435	6,308,750	7,917,415	4,705,255	9,121,921
Total primary government net assets	<u>\$33,589,301</u>	<u>\$36,189,432</u>	<u>\$35,724,882</u>	<u>\$38,257,905</u>	<u>\$41,741,644</u>

Note: The City of Sausalito implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$22,219,842	\$22,780,292	\$22,575,555	\$20,994,353
5,500,248	6,042,756	6,377,136	9,933,293
11,629,163	11,899,892	12,003,340	9,971,332
<u>\$39,349,253</u>	<u>\$40,722,940</u>	<u>\$40,956,031</u>	<u>\$40,898,978</u>
8,259,934	8,752,619	9,821,094	11,049,878
(851,378)	(1,270,712)	(1,826,693)	(3,000,983)
<u>\$7,408,556</u>	<u>\$7,481,907</u>	<u>\$7,994,401</u>	<u>\$8,048,895</u>
\$30,479,776	\$31,532,911	\$32,396,649	\$32,044,231
5,500,248	6,042,756	6,377,136	9,933,293
10,777,785	10,629,180	10,176,647	6,970,349
<u>\$46,757,809</u>	<u>\$48,204,847</u>	<u>\$48,950,432</u>	<u>\$48,947,873</u>

CITY OF SAUSALITO
Changes in Net Assets
Last Nine Fiscal Years
(Accrual Basis of Accounting)

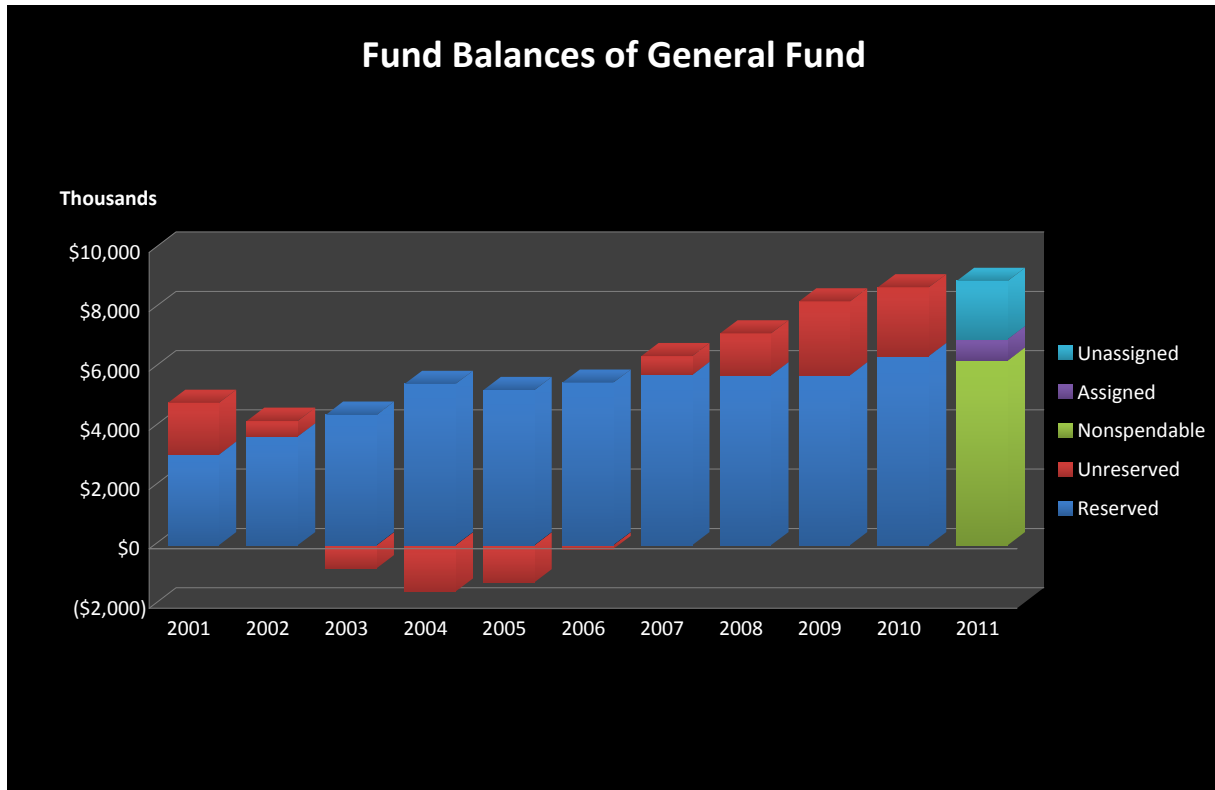
	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental Activities:									
General Government	\$2,387,468	\$1,672,262	\$1,858,807	\$1,975,355	\$2,108,977	\$2,305,440	\$2,460,907	\$2,501,641	\$2,880,287
Library	559,529	514,032	563,306	556,820	585,356	608,786	648,827	705,531	714,800
Public Safety:									
Police Services	3,107,334	3,227,089	3,381,396	3,241,413	3,666,529	3,726,214	4,121,184	4,294,928	4,486,269
Fire Services	2,121,670	2,318,546	2,255,289	2,425,603	2,504,788	2,683,513	2,958,736	3,100,259	3,448,123
Community Development	958,260	1,012,057	853,183	983,680	943,705	1,047,188	1,065,522	1,174,708	1,125,498
Public Works	2,228,302	1,901,528	1,846,822	2,170,131	1,816,865	1,833,162	2,286,057	2,066,838	1,981,354
Parks & Recreation	555,263	597,230	591,248	580,431	474,709	487,822	564,938	629,919	672,462
PERS sidefund expense	-	-	391,230						
Interest on long-term debt	46,032	22,502	23,391	38,730	248,461	751,082	932,685	771,533	785,825
Total Governmental Activities Expenses	<u>11,963,858</u>	<u>11,265,246</u>	<u>11,764,672</u>	<u>11,972,163</u>	<u>12,349,390</u>	<u>13,443,207</u>	<u>15,038,856</u>	<u>15,245,357</u>	<u>16,094,618</u>
Business-Type Activities:									
MLK	1,037,483	925,605	768,866	796,391	688,495	954,757	881,738	796,021	794,100
Sewer	756,182	621,682	650,313	664,139	670,158	678,833	1,478,463	1,458,226	1,561,902
Parking	388,699	295,693	335,191	323,647	271,123	191,870	219,374	215,401	359,878
Old City Hall	141,065	119,474	95,779	88,485	80,153	72,648	65,692	55,779	71,271
Total Business-Type Activities Expenses	<u>2,323,429</u>	<u>1,962,454</u>	<u>1,850,149</u>	<u>1,872,662</u>	<u>1,709,929</u>	<u>1,898,108</u>	<u>2,645,267</u>	<u>2,525,427</u>	<u>2,787,151</u>
Total Primary Government Expenses	<u>\$14,287,287</u>	<u>\$13,227,700</u>	<u>\$13,614,821</u>	<u>\$13,844,825</u>	<u>\$14,059,319</u>	<u>\$15,341,315</u>	<u>\$17,684,123</u>	<u>\$17,770,784</u>	<u>\$18,881,769</u>
Program Revenues									
Governmental Activities:									
Charges for Services:									
General Government	\$5,924	\$4,318	\$35,591	\$30,684	\$26,533	\$32,421	\$33,313	\$29,294	\$40,921
Library	16,314	16,997	17,438	20,346	19,333	19,407	17,338	16,818	13,812
Public Safety:									
Police Services	312,094	429,926	469,648	366,439	396,462	365,355	474,668	358,257	292,898
Fire Services	207	526	110,888	105,208	98,510	119,737	150,136	111,318	148,672
Community Development	559,729	774,246	488,616	553,550	748,002	851,233	634,707	653,404	781,973
Public Works	168,327	163,009	1,120	406,325	313,757	438,593	344,104	261,219	364,494
Parks & recreation	299,760	324,756	395,895	330,412	292,731	239,466	285,936	348,244	301,240
Operating Grants and Contributions	95,150	100,000	452,832	432,030	321,122	291,314	347,043	396,210	358,806
Capital Grants and Contributions	997,210	1,934,377	416,309	175,951	508,426	857,212	411,134	139,678	347,764
Total Government Activities Program Revenues	<u>2,454,715</u>	<u>3,748,155</u>	<u>2,388,337</u>	<u>2,420,945</u>	<u>2,724,876</u>	<u>3,214,738</u>	<u>2,698,379</u>	<u>2,314,442</u>	<u>2,650,580</u>

CITY OF SAUSALITO
Changes in Net Assets
(continued)
Last Nine Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-Type Activities:									
Charges for Services:									
MLK	\$857,173	\$827,298	\$817,599	\$970,548	\$983,803	\$1,033,012	\$1,085,872	\$1,045,428	\$1,076,518
Sewer	516,362	677,753	777,871	789,274	755,547	951,956	947,717	1,355,961	\$1,406,892
Parking	1,181,244	1,350,157	1,406,066	1,347,932	1,297,275	1,397,445	1,562,185	1,560,774	\$1,556,315
Old City Hall	376,525	312,096	299,940	338,327	306,263	315,026	285,999	218,685	\$231,087
Total Business-Type Activities Program Revenue	2,931,304	3,167,304	3,301,476	3,446,081	3,342,888	3,697,439	3,881,773	4,180,848	4,270,812
Total Primary Government Program Revenues	\$5,386,019	\$6,915,459	\$5,689,813	\$5,867,026	\$6,067,764	\$6,912,177	\$6,580,152	\$6,495,290	\$6,921,392
Net (Expense)/Revenue									
Governmental Activities	(\$9,509,143)	(\$7,517,091)	(\$9,376,335)	(\$9,551,218)	(\$9,624,514)	(\$10,228,469)	(\$12,340,477)	(\$12,930,915)	(\$13,444,038)
Business-Type Activities	607,875	1,204,850	1,451,327	1,573,419	1,632,959	1,799,331	1,236,506	1,655,421	1,483,661
Total Primary Government Net Expense	(\$8,901,268)	(\$6,312,241)	(\$7,925,008)	(\$7,977,799)	(\$7,991,555)	(\$8,429,138)	(\$11,103,971)	(\$11,275,494)	(\$11,960,377)
General Revenues and Other Changes in Net Assets									
Governmental Activities:									
Taxes	\$6,843,694	\$7,057,832	\$8,598,378	\$9,279,774	\$9,763,577				
Property taxes						6,948,365	\$6,950,008	\$7,187,886	\$7,006,903
Sales taxes						1,681,133	1,693,752	1,535,715	\$1,443,028
Transient occupancy tax						1,005,984	860,117	784,104	\$828,819
Other taxes						1,259,143	1,249,265	1,105,614	\$1,200,878
Motor vehicle in-lieu, unrestricted						33,049	25,518	22,139	\$34,616
Use of Money/Property and interest earnings	802,647	883,506	959,988	1,005,955	1,260,532	1,472,122	1,077,455	883,665	\$866,032
Intergovernmental revenues	870,035	722,079	-						
Other Revenues	220,510	198,521	70,602	225,093	274,313	802,791	555,674	486,980	568,659
Transfers	1,246,111	1,164,400	1,108,373	1,074,875	1,020,172	1,220,375	1,302,375	1,157,903	1,438,050
Total Government Activities	9,982,997	10,026,338	10,737,341	11,585,697	12,318,594	14,422,962	13,714,164	13,164,006	13,386,985
Business-Type Activities:									
Use of Money/Property and interest earnings	38,268	49,431	100,191		175,687	173,837	74,120	14,806	8,883
Transfers	(1,246,111)	(1,164,400)	(1,235,375)	(1,074,875)	(1,020,172)	(1,220,375)	(1,302,375)	(1,157,903)	(1,438,050)
Other Revenues	75	1,003	56,000		1,185	68,879	65,100	170	
Total Business-Type Activities	(1,207,768)	(1,113,966)	(1,079,184)	(1,074,875)	(843,300)	(977,659)	(1,163,155)	(1,142,927)	(1,429,167)
Total Primary Government	\$8,775,229	\$8,912,372	\$9,658,157	\$10,510,822	\$11,475,294	\$13,445,303	\$12,551,009	\$12,021,079	\$11,957,818
Change in Net Assets									
Governmental Activities	\$473,854	\$2,509,247	\$1,361,006	\$2,034,479	\$2,694,080	\$4,194,493	\$1,373,687	\$233,091	(\$57,053)
Business-Type Activities	(599,893)	90,884	372,143	498,544	789,659	821,672	73,351	512,494	54,494
Total Primary Government	(\$126,039)	\$2,600,131	\$1,733,149	\$2,533,023	\$3,483,739	\$5,016,165	\$1,447,038	\$745,585	(\$2,559)

Note: The City of Sausalito implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF SAUSALITO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ended June 30,						
	2001	2002	2003	2004	2005	2006	2007
General Fund							
Reserved	\$3,057,532	\$3,672,239	\$4,399,411	\$5,437,966	\$5,238,531	\$5,488,760	\$5,745,083
Unreserved	1,748,126	521,305	(779,880)	(1,561,820)	(1,246,604)	(131,095)	638,186
Nonspendable							
Assigned							
Unassigned							
Total General Fund	\$4,805,658	\$4,193,544	\$3,619,531	\$3,876,146	\$3,991,927	\$5,357,665	\$6,383,269
All Other Governmental Funds							
Reserved	\$2,831,277	\$3,571,494	\$1,691,910	\$2,080,493	\$2,635,159	\$2,324,457	\$20,811,534
Unreserved, reported in:							
Special revenue funds	2,741,915	-	(12,046)	37,388	72,315	903,306	348,915
Debt Service funds	4,862	5,022					
Capital project funds	296,502	385,534	996,628	924,250	1,448,767	1,128,846	530,607
Restricted							
Committed							
Unassigned							
Total all other governmental funds	\$5,874,556	\$3,962,050	\$2,676,492	\$3,042,131	\$4,156,241	\$4,356,609	\$21,691,056

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis:
(b) The City implemented Governmental Accounting Standards Board Statement Number 54 in fiscal 2011.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
			(b)
\$5,733,861	\$5,730,766	\$6,383,498	
1,416,825	2,493,611	2,317,953	
			6,232,107
			717,618
			1,965,552
<u>\$7,150,686</u>	<u>\$8,224,377</u>	<u>\$8,701,451</u>	<u>\$8,915,277</u> (a)
\$22,280,358	\$17,962,308	\$11,938,261	
364,328	165,190	131,009	
1,115,694	2,241,043	2,401,799	
			\$11,251,205
			3,969,308
			(4,060,899)
<u>\$23,760,380</u>	<u>\$20,368,541</u>	<u>\$14,471,069</u>	<u>\$11,159,614</u>

CITY OF SAUSALITO
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$6,394,366	\$6,843,694	\$7,057,832	\$8,598,378	\$8,747,139
Licenses, permits and fees	843,886	630,064	830,093	737,914	532,635
Fines and forfeitures	326,495	388,746	484,426	502,540	415,643
Use of money and property	721,471	780,282	854,201	933,447	1,129,124
Intergovernmental revenues	767,624	1,962,395	2,756,456	298,057	354,548
Charges for services	842,578	343,546	399,259	582,329	1,397,321
Reimbursements	116,411	-	-	-	-
Special Assessments	109,043	-	-	-	-
PERS Superfund Credit	-	153,504	237,734	-	-
Other	70,556	66,057	(10,434)	240,422	355,357
Total Revenues	10,192,430	11,168,288	12,609,567	11,893,087	12,931,767
Expenditures					
Current:					
Police	2,660,558	2,959,822	3,106,757	3,461,904	3,218,507
Fire	2,114,574	2,018,255	2,245,455	2,317,331	2,441,656
Public Works	1,966,348	1,540,882	1,290,358	1,229,704	1,598,070
Non-Departmental	681,088	-	-	-	-
General Government	2,104,822	2,133,739	1,462,190	1,804,390	2,049,278
Community Development	1,025,474	930,604	1,040,149	845,722	820,015
Library	522,228	541,340	521,133	538,141	556,081
Parks & Recreation	588,090	539,750	580,801	553,372	583,719
Capital outlay	-	1,031,069	2,595,014	234,772	779,899
Debt service:					
Principal repayment	45,000	25,089	26,218	27,398	31,149
Interest and fiscal charges	46,222	47,067	45,938	44,758	44,179
PERS Sidefund Expense	-	-	-	391,230	-
Total Expenditures	11,754,404	11,767,617	12,914,013	11,448,722	12,122,553
Excess (deficiency) of revenues over (under) expenditures	(1,561,974)	(599,329)	(304,446)	444,365	809,214
Other Financing Sources (Uses)					
Issuance of long-term debt					
Proceeds from sale of capital assets					
Contributions/donations returned	(1,796,900)	-	-	-	-
Transfers in	1,160,794	1,376,111	1,764,400	2,582,531	1,459,727
Transfers (out)	(310,904)	(351,700)	(837,700)	(1,781,857)	(702,835)
Total other financing sources (uses)	(947,010)	1,024,411	926,700	800,674	756,892
Net Change in fund balances	(\$2,508,984)	\$425,082	\$622,254	\$1,245,039	\$1,566,106
Debt service as a percentage of noncapital expenditures	(a)	(a)	0.7%	0.7%	0.7%

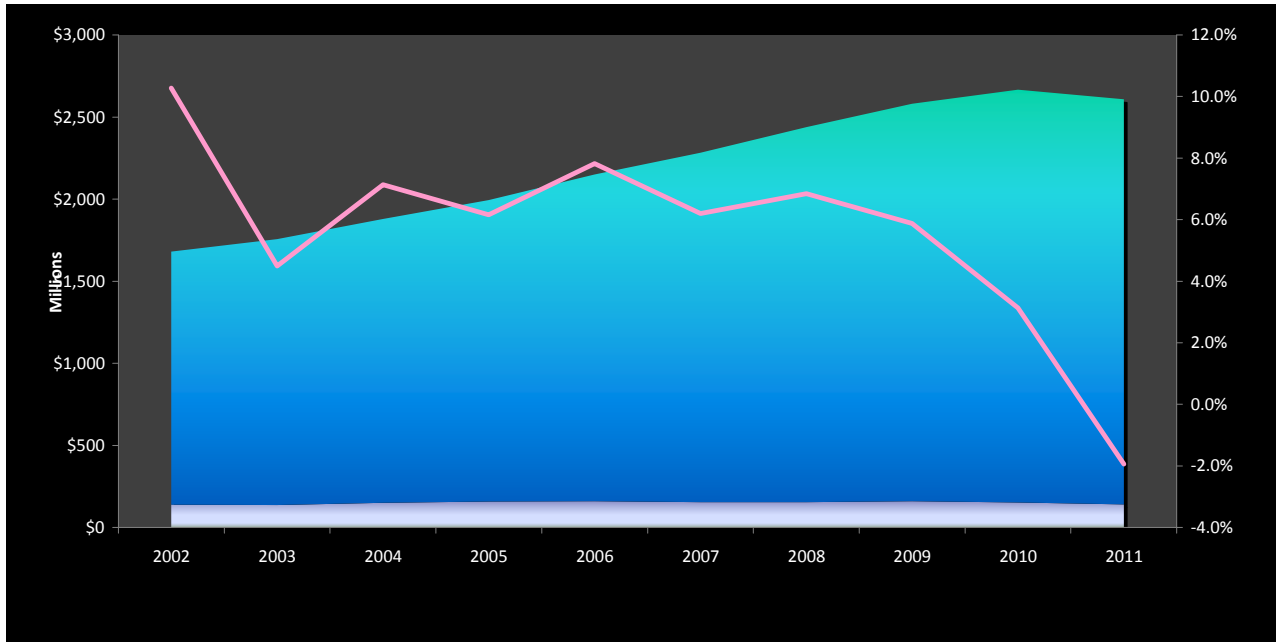
NOTE:

(a) The City implemented GASB Statement 34 in fiscal year 2003. Therefore this calculation is included only for fiscal years subsequent to that date.

Fiscal Year Ended June 30,

2007	2008	2009	2010	2011
\$9,231,669	\$10,390,160	\$10,270,006	\$10,151,744	\$10,004,760
531,908	537,514	483,136	461,575	474,868
466,804	417,762	503,734	381,604	321,396
1,679,124	2,194,162	1,491,637	1,039,837	1,016,098
328,187	396,174	727,383	642,848	704,981
1,437,061	1,648,450	1,436,468	1,407,911	1,622,614
<u>118,309</u>	<u>481,122</u>	<u>125,193</u>	<u>218,130</u>	<u>442,684</u>
<u>13,793,062</u>	<u>16,065,344</u>	<u>15,037,557</u>	<u>14,303,649</u>	<u>14,587,401</u>
3,491,289	3,589,006	3,894,142	3,985,787	4,005,265
2,558,799	2,819,882	2,886,438	2,917,299	3,140,578
1,276,236	1,354,909	1,356,397	1,334,790	1,383,035
2,081,499	2,197,536	2,388,116	2,400,164	2,772,335
962,469	1,049,025	1,057,405	1,165,577	1,115,397
582,394	610,525	624,285	701,018	694,953
473,093	489,077	557,792	620,833	662,833
421,648	1,358,757	4,821,958	7,106,904	4,295,013
59,003	80,761	149,097	197,960	221,185
106,203	413,800	578,176	398,720	391,069
<u>12,012,633</u>	<u>13,963,278</u>	<u>18,313,806</u>	<u>20,829,052</u>	<u>18,681,663</u>
<u>1,780,429</u>	<u>2,102,066</u>	<u>(3,276,249)</u>	<u>(6,525,403)</u>	<u>(4,094,262)</u>
15,982,967	175,036		2,070	30
1,801,793	3,412,894	1,861,768	2,414,624	8,650,470
<u>(1,205,138)</u>	<u>(2,853,255)</u>	<u>(903,667)</u>	<u>(1,311,689)</u>	<u>(7,653,867)</u>
<u>16,579,622</u>	<u>734,675</u>	<u>958,101</u>	<u>1,105,005</u>	<u>996,633</u>
<u>\$18,360,051</u>	<u>\$2,836,741</u>	<u>(\$2,318,148)</u>	<u>(\$5,420,398)</u>	<u>(\$3,097,629)</u>
0.7%	1.4%	4.1%	5.3%	5.3%

**CITY OF SAUSALITO
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



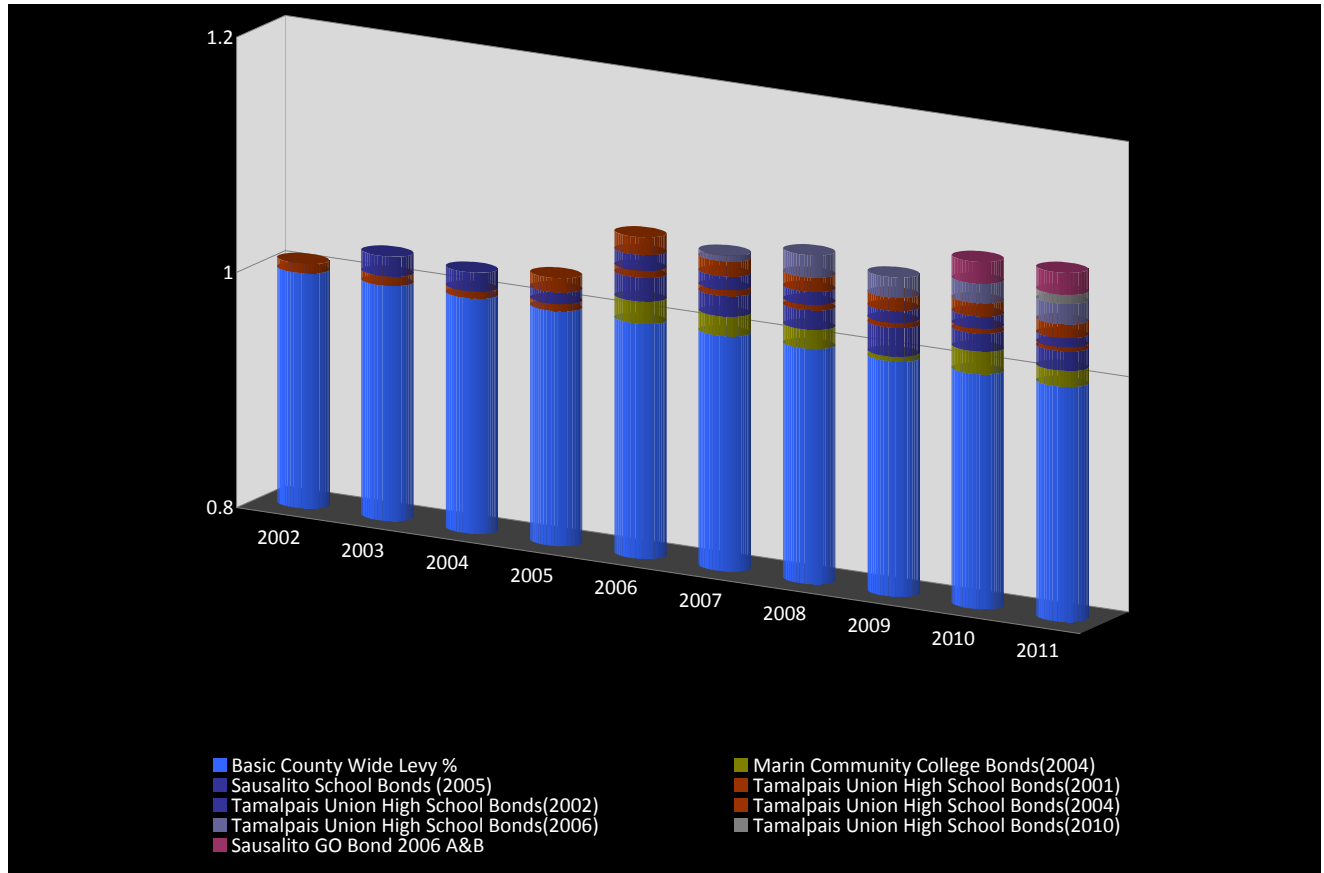
Fiscal Year	Secured Property	Unsecured Property	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate (b)	Percentage Growth Change
2002	\$1,541,431,279	\$139,151,844	\$1,680,583,123	(\$11,714,302)	\$1,668,868,821	1%	10.3%
2003	1,618,842,563	136,698,533	1,755,541,096	(11,762,638)	1,743,778,458	1%	4.5%
2004	1,730,893,690	149,147,611	1,880,041,301	(11,910,864)	1,868,130,437	1%	7.1%
2005	1,837,392,573	157,555,642	1,994,948,215	(11,794,115)	1,983,154,100	1%	6.2%
2006	1,989,344,963	160,379,976	2,149,724,939	(11,538,801)	2,138,186,138	1%	7.8%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1%	6.2%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1%	6.8%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1%	5.9%
2010	2,513,428,982	152,598,806	2,666,027,788	(16,982,585)	2,649,045,203	1%	3.1%
2011	2,468,550,019	140,203,752	2,608,753,771	(11,208,945)	2,597,544,826	1%	-1.9%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Sausalito encompasses 11 tax rate areas.

Source: Marin County Auditor-Controller's Office, California Municipal Statistics, Inc. and MuniServices, Inc.

**CITY OF SAUSALITO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Basic County Wide Levy %</u>	<u>Marin Community College Bonds(2004)</u>	<u>Sausalito School Bonds (2005)</u>	<u>Tamalpais Union High School Bonds(2001)</u>	<u>Tamalpais Union High School Bonds(2002)</u>	<u>Tamalpais Union High School Bonds(2004)</u>	<u>Tamalpais Union High School Bonds(2006)</u>	<u>Tamalpais Union High School Bonds(2010)</u>	<u>Sausalito GO Bond 2006 A&B</u>
2002	1.0000			0.0080					
2003	1.0000			0.0080	0.0170				
2004	1.0000			0.0060	0.0160				
2005	1.0000			0.0060	0.0100	0.0120			
2006	1.0000	0.0188	0.0203	0.0060	0.0133	0.0151			
2007	1.0000	0.0168	0.0174	0.0051	0.0116	0.0129	0.0048		
2008	1.0000	0.0163	0.0165	0.0048	0.0110	0.0122	0.0189		
2009	1.0000	0.0042	0.0244	0.0044	0.0101	0.0112	0.0172		
2010	1.0000	0.0192	0.0153	0.0043	0.0102	0.0112	0.0168		0.0185
2011	1.0000	0.0136	0.0165	0.0035	0.0078	0.0117	0.0174	0.0078	0.0186

Source: Marin County Auditor-Controller's Office and MuniServices, Inc.

**CITY OF SAUSALITO
Principal Property Taxpayers
Current Year (A)**

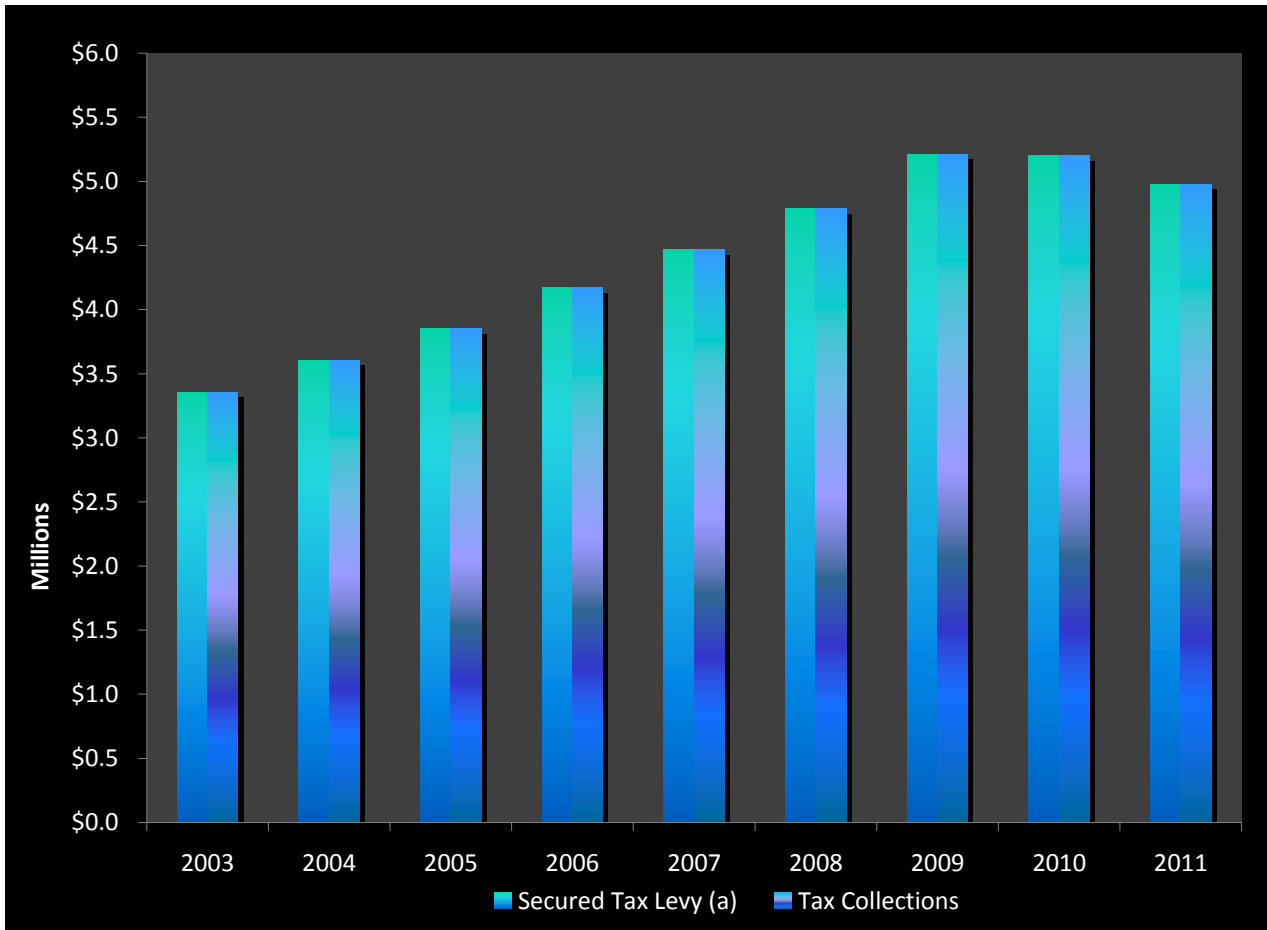
Taxpayer	2010-11		Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	
Ca 0Ne Three Harbor Drive Of	\$37,160,522	1	1.4%
Westcore Marin Llc	26,080,000	2	1.0%
MCSSM Llc	22,333,034	3	0.9%
Crump Walter G IV	17,060,567	4	0.7%
MHG Casa Madrona Hotel Llc	16,525,020	5	0.6%
PSH Llc	12,928,722	6	0.5%
ICB Assoc Llc	8,501,359	7	0.3%
Thomason Scott	8,160,000	8	0.3%
Burge Richard G	7,325,238	9	0.3%
Clipper Yacht Co Llc	7,135,886	10	0.3%
	<u>\$163,210,348</u>		<u>6.3%</u>

Total Taxable Assessed Valuation:
Fiscal Year 2010-11 \$2,597,544,826

Source: MuniServices, Inc.

Note: (A) The City of Sausalito has elected to show only current year data for this schedule.
Data for nine years ago is not available.

**CITY OF SAUSALITO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST NINE FISCAL YEARS**



Fiscal Year	Secured Tax Levy (a)	Current Tax Collections	Percent of Levy Collected	Delinquent Rate	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2003	\$3,353,939	\$3,353,939	100%	0%	\$3,353,939	100%
2004	3,604,699	3,604,699	100%	0%	3,604,699	100%
2005	3,851,909	3,851,909	100%	0%	3,851,909	100%
2006	4,169,392	4,169,392	100%	0%	4,169,392	100%
2007	4,467,599	4,467,599	100%	0%	4,467,599	100%
2008	4,786,952	4,786,952	100%	0%	4,786,952	100%
2009	5,214,021	5,214,021	100%	0%	5,214,021	100%
2010	5,201,279	5,201,279	100%	0%	5,201,279	100%
2011	4,980,294	4,980,294	100%	0%	4,980,294	100%

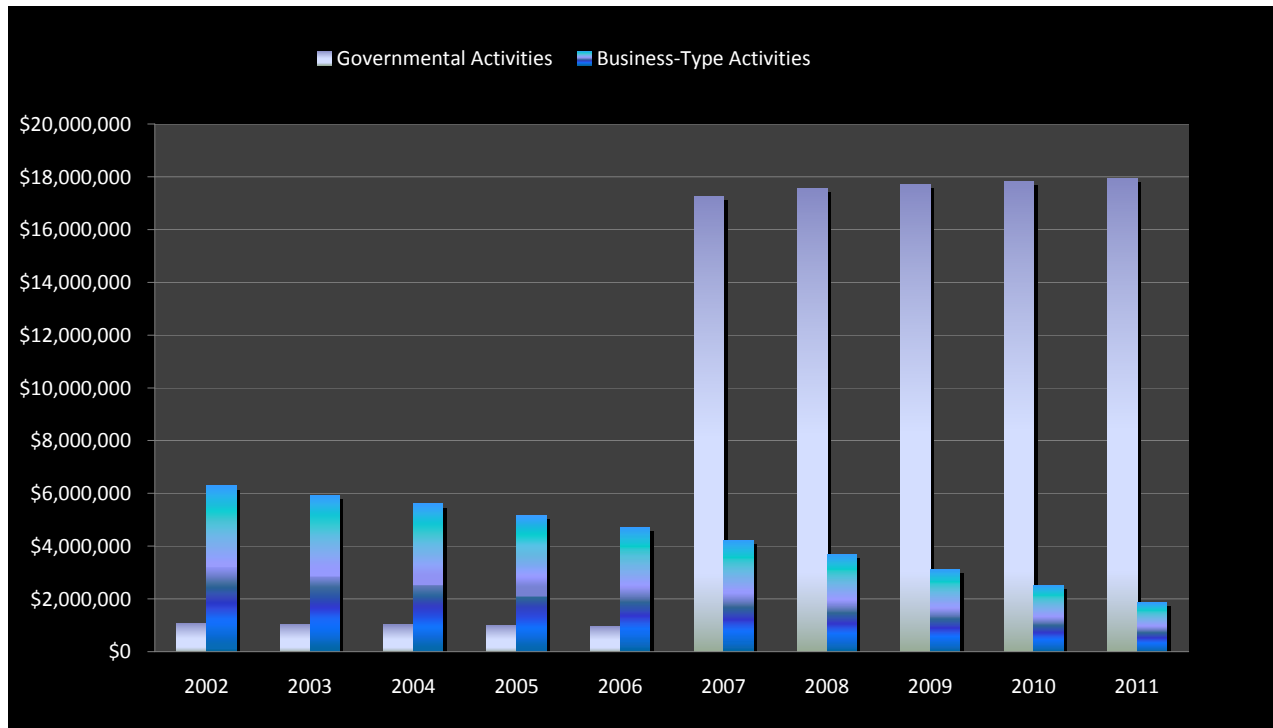
The City of Sausalito has elected to show nine years of data for this schedule.

Source: Marin County Auditor-Controller's Office and MuniServices, Inc.

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

(a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

CITY OF SAUSALITO
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years



Governmental Activities

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Total
2002		\$1,075,379		\$1,075,379
2003		1,048,072		1,048,072
2004		1,019,484		1,019,484
2005		989,641		989,641
2006		958,492		958,492
2007	\$434,235	1,147,162	\$15,694,220	17,275,617
2008	430,570	1,066,401	16,048,693	17,545,664
2009	363,157	982,307	16,354,939	17,700,403
2010	293,388	894,739	16,643,845	17,831,972
2011	221,165	803,554	16,921,143	17,945,862

Business-Type Activities

Fiscal Year	Capital Lease	Capital Improvement Lease	Certificates of Participation	Total	Total Primary Government	Percentage of Taxable Assessed Value (a)	Per Capita (a)
2002	\$3,530,100	\$1,590,000	\$1,160,000	\$6,280,100	\$7,355,479	0.44%	\$996
2003	3,368,444	1,460,000	1,085,000	5,913,444	6,961,516	0.40%	944
2004	3,174,730	1,345,000	1,083,131	5,602,861	6,622,345	0.35%	899
2005	2,931,565	1,265,000	975,054	5,171,619	6,161,260	0.31%	838
2006	2,635,260	1,215,000	860,116	4,710,376	5,668,868	0.27%	767
2007	2,316,851	1,165,000	737,883	4,219,734	21,495,351	0.95%	2,884
2008	1,989,688	1,090,000	607,891	3,687,579	21,233,243	0.88%	2,830
2009	1,643,119	1,005,000	469,647	3,117,766	20,818,169	0.81%	2,764
2010	1,290,697	895,000	322,627	2,508,324	20,340,296	0.77%	2,678
2011	911,981	780,000	166,276	1,858,257	19,804,119	0.76%	2,783

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

(a) See Demographic and Economic Statistics Schedule for taxable assessed value and population data.

Sources: City of Sausalito, State of California Dept of Finance (population), Marin County Auditor-Controller's Office and MuniServices, Inc

CITY OF SAUSALITO
Ratio of General Bonded Debt Outstanding
Last Five Fiscal Years

Fiscal Year	General Bonded Debt Outstanding		Percentage of Taxable Assessed Value	Per Capita
	General Obligation Bonds	Total		
2007	\$15,694,220	\$15,694,220	0.69%	\$2,105
2008	16,048,693	16,048,693	0.66%	2,139
2009	16,354,939	16,354,939	0.64%	2,171
2010	16,643,845	16,643,845	0.63%	2,191
2011	16,921,143	16,921,143	0.65%	2,378

Note: FY 2007 is the first year the City has general bonded debt outstanding.

Source: City of Sausalito

**CITY OF SAUSALITO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2011**

2010-11 Total Assessed Valuation \$2,608,753,771

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt <u>6/30/2011</u>	% <u>Applicable (1)</u>	City's Share of <u>Debt 6/30/2011</u>
Marin Community College District	\$180,400,000	5.031%	\$9,075,924
Tamalpais Union High School District	167,530,000	8.206%	13,747,512
Sausalito Marin City School District	14,659,924	90.547%	13,274,121
Marin Municipal Water District Wolfbackridge Assessment District	540,000	100.000%	540,000
City of Sausalito (2)	16,921,143	100.000%	16,921,143
City of Sausalito 1915 Act Bonds	35,000	100.000%	35,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$53,593,700
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$79,984,112	5.022%	\$4,016,802
Marin County Pension Obligations	111,480,000	5.022%	5,598,526
Marin County Transit District General Fund Obligations	219,185	5.022%	11,007
Marin Municipal Water District General Fund Obligations	178,320	6.420%	11,448
Marin Community College District General Fund Obligations	2,855,834	5.031%	143,677
Sausalito Marin City School District General Fund Obligations	2,235,000	90.547%	2,023,725
City of Sausalito General Fund Obligations (3)	525,672	100.000%	525,672
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$12,330,858
 TOTAL DIRECT DEBT			 \$17,446,815
TOTAL OVERLAPPING DEBT			\$48,477,743
 COMBINED TOTAL DEBT (4)			 \$65,924,558

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Includes accreted value.

(3) Share of Marin Emergency Radio Authority obligations.

(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

RATIOS TO 2010-11 ASSESSED VALUATION:

Direct Debt (\$16,921,143)	0.65%
Total Direct Debt (\$17,446,815)	0.67%
Total Direct and Overlapping Tax and Assessment Debt	2.05%
Combined Total Debt	2.53%

State School Building Aid Repayable As Of 6/30/2011: \$0

Source: MuniServices, Inc.

**CITY OF SAUSALITO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
LAST TEN FISCAL YEARS**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2002	\$63,021,867	\$0	\$63,021,867	0.0%
2003	65,832,791	0	65,832,791	0.0%
2004	70,501,549	0	70,501,549	0.0%
2005	74,810,558	0	74,810,558	0.0%
2006	80,614,685	0	80,614,685	0.0%
2007	85,590,797	15,694,220	69,896,577	18.3%
2008	91,414,839	16,048,693 (2)	75,366,146	17.6%
2009	96,753,287	16,354,939 (2)	80,398,348	16.9%
2010	99,339,195	16,643,845 (2)	82,695,350	16.8%
2011	97,828,266	16,921,143 (2)	80,907,123	17.3%

2010-11 Legal Debt Margin Information (1)

Assessed Valuation	\$2,608,753,771
Conversion Percentage	25%
Adjusted Assessed Valuation	\$652,188,443
Debt Limit Percentage	15%
Debt Limit	\$97,828,266
Total Net Debt Applicable to Limit	
General Obligation Bonds (2)	\$16,921,143
Legal Debt Margin	\$80,907,123
Total Debt Applicable to the Limit as a percentage of the limit	17.3%

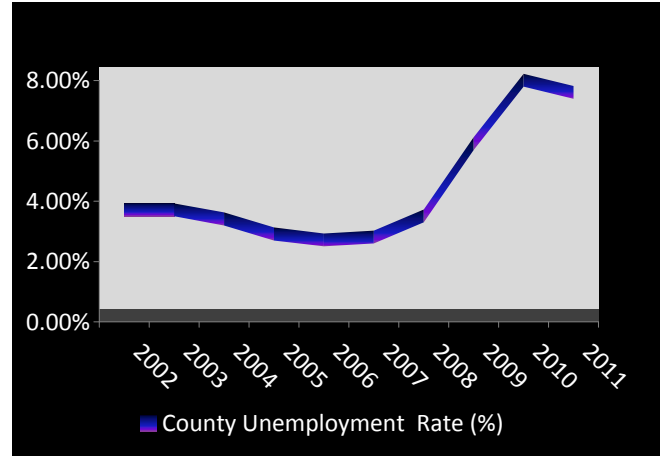
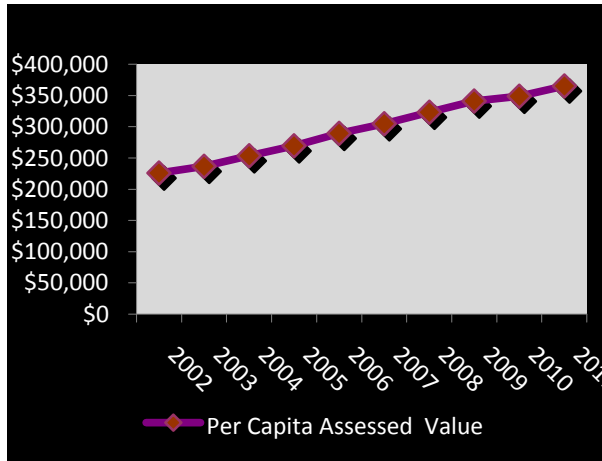
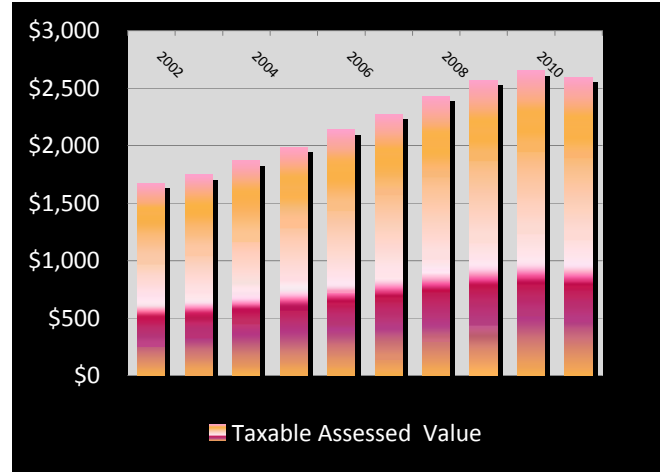
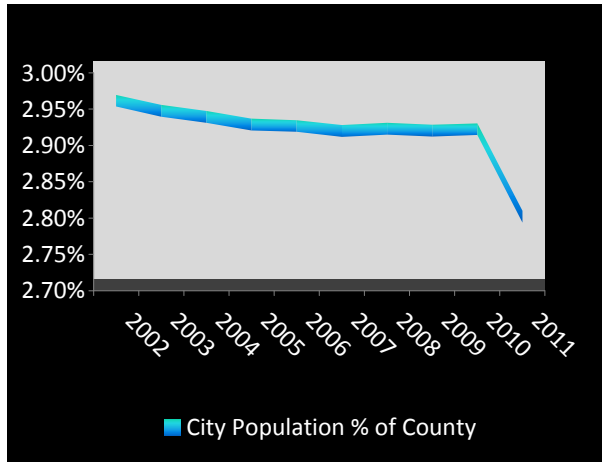
Note:

(1) The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

(2) Includes accreted value.

Sources: California Municipal Statistics, Inc. and MuniServices, Inc.

CITY OF SAUSALITO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	County Unemployment Rate (%)	Marin County Population	City Population % of County
2002	7,387	\$1,668,868,821	\$225,920	3.5%	250,105	2.95%
2003	7,373	1,743,778,458	236,509	3.5%	250,823	2.94%
2004	7,363	1,868,130,437	253,719	3.2%	251,190	2.93%
2005	7,355	1,983,154,100	269,633	2.7%	251,820	2.92%
2006	7,394	2,138,186,138	289,179	2.5%	253,341	2.92%
2007	7,454	2,270,825,332	304,645	2.6%	255,982	2.91%
2008	7,503	2,426,136,256	323,355	3.3%	257,406	2.91%
2009	7,532	2,568,684,785	341,036	5.7%	258,618	2.91%
2010	7,596	2,649,045,203	348,742	7.8%	260,651	2.91%
2011	7,116	2,597,544,826	365,029	7.4%	254,692	2.79%

Note: Information for total personal income is not available

Source: California Municipal Statistics, Inc. and MuniServices, Inc.

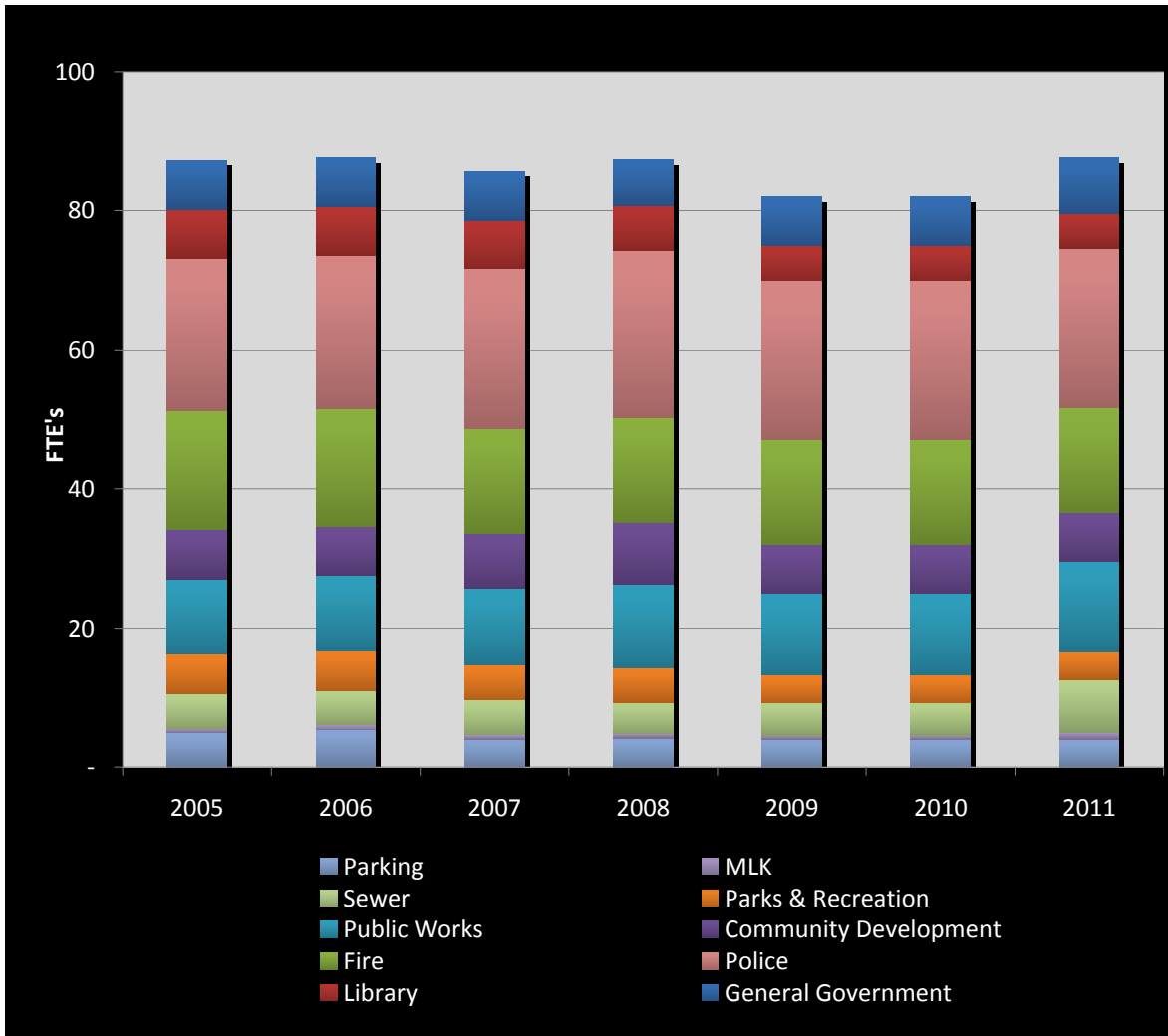
City of Sausalito

Principal Employers

Business Name	2010-11	
	Number of Employees	Percent of Total Employment (%)
Butler Shine Stern Partners Llc	172	3.25%
Horizons Restaurant	100	1.89%
City of Sausalito	88	1.65%
Poggio Lp	75	1.42%
The Spinnaker	75	1.42%
Human Concepts	65	1.23%
Mollie Stone's Market	65	1.23%
C P Shades	52	0.98%
Scoma's Sausalito	45	0.85%
Fish Restaurant	45	0.85%
Total Top 10 Employers	782	14.75%
Total City Labor Force	5,300	

Source: MuniServices, LLC

CITY OF SAUSALITO
Authorized Permanent Staffing City Government Employees by Function
Last Seven Fiscal Years



Adopted for Fiscal Year Ended June 30,

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function							
General Government	7	7	7	7	7	7	8
Library	7	7	7	7	5	5	5
Police	22	22	23	24	23	23	23
Fire	17	17	15	15	15	15	15
Community Development	7	7	8	9	7	7	7
Public Works	11	11	11	12	12	12	13
Parks & Recreation	6	6	5	5	4	4	4
Sewer	5	5	5	5	5	5	8
MLK	1	1	1	1	1	1	1
Parking	5	5	4	4	4	4	4
Total	<u><u>87</u></u>	<u><u>88</u></u>	<u><u>86</u></u>	<u><u>87</u></u>	<u><u>82</u></u>	<u><u>82</u></u>	<u><u>88</u></u>

The City of Sausalito has elected to show seven years of data for this schedule.

Source: City of Sausalito Budget Documents

CITY OF SAUSALITO
Operating Indicators by Function/Program
Last Five Fiscal Years

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety:					
Fire:					
Fire calls for service	872	837	881	778	916
Primary fire inspections conducted	134	145	155	76	358
Police:					
Communication Center calls answered:					
Police calls for Service	11,900	12,845	12,857	12,398	13,259
Law violations:					
Part I and Part II crimes	544	1,109	1,715	868	1,317
Physical arrests (adult and juvenile)	263	485	327	295	327
Traffic violations	2,236	2,279	2,490	1,792	1,823
Parking violations	10,210	10,034	11,183	8,810	8,919
Traffic collisions	114	100	134	112	99
Public Works:					
Street resurfaced (square feet)	6,858	140,000	0	0	196,846
Potholes repaired (square feet)	3,000	1,500	2,000	500	19,305
Trees trimmed	2,000	2,100	1,800	2,200	1,900
Culture and Recreation:					
Community Services:					
Recreation class participants	1,765	1,543	3,040	3,716	4,618
Special Event Permits issued	19	8	13	8	24
Sponsored events	29	16	27	22	33
Facility, Park & Field rentals	0	76	118	837	948
Library:					
Volumes in Collection					
Books	60,995	60,653	58,137	57,692	58,243
Audio-Visual materials	3,660	3,319	5,090	4,131	4,432
Total volumes borrowed	78,225	82,286	88,681	93,953	88,219
Visitation	111,862	119,094	122,958	120,032	114,175
Internet Station usage	13,265	14,986	17,746	20,640	19,991
Passport applications processed	48	43	8	0	0
Tests proctored	6	10	18	15	20
Notary Service	0	127	95	67	63
Community Development:					
Applications processed:					
Discretionary	73	54	50	84	100
Ministerial	43	139	71	211	300
Encroachments	191	159	143	142	179
Building Permits issued	822	737	660	664	743
Administration:					
Parking Permits issued	2,122	2,176	2,539	1,778	1,766
Business Licenses issued	1,586	1,768	2,336	1,848	2,099

The City of Sausalito has elected to show five years of data for this schedule.

Source: City of Sausalito

CITY OF SAUSALITO
Capital Asset Statistics by Function/Program
Last Five Fiscal Years

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety:					
Fire stations	2	1	1	1	1
Fire trucks	3	3	3	3	3
Fire boats	1	1	1	1	1
Police stations	1	1	1	1	1
Police patrol units	6	6	6	6	6
Public Works:					
Miles of streets	27	27	27	27	27
Streetlights	664	664	664	664	664
Traffic Signals	9	9	9	9	9
Culture and Recreation:					
Community Services:					
City parks	19	19	19	19	19
City parks acreage	78	78	78	78	78
Beaches	3	3	3	3	3
Playgrounds	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3
Recreation classrooms	3	3	3	3	3
Sports centers	1	1	1	1	1
Tennis courts	9	9	9	9	9
Basketball courts	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1
Library:					
City Library	1	1	1	1	1
Wastewater:					
Miles of sanitary sewers	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15

Source: City of Sausalito and Republic Electric, Inc.