

City of Sausalito, California

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012



Sooner or Later It Always Comes Down to Money

CITY OF SAUSALITO, CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**



**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 2012

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, 2012. 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, 2012.

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.

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.

FAX NUMBERS:

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

Community Development: (415) 339-2256

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

In order to enhance the degree of confidence of intended users of the financial statements, The City provides for an annual financial audit. The purpose of the audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. 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, 2012. The independent auditor’s report is located at the front of the financial section of this report.

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.

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.

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.

Management believes 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. Accordingly, the City Council's Finance committee reviews 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's Finance Committee 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 range of services, including police 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, and by 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.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The City's total Fund Balance in the General Fund is \$8,465,822. Fund Balance is comprised of three components: a non-spendable portion of \$5,781,767; an Assigned for Economic Contingencies portion of \$717,618; and an Unassigned portion (available for spending at the government's discretion) of \$1,966,438. The Unassigned/Assigned portions of fund balance in the general fund totals \$2,684,055; this amount is 19 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. The results of operations for the fiscal year ended are consistent with the fiscal year forecasted in the model; and the model has been calibrated with the results of operations for the fiscal year ended.

MAJOR INITIATIVES DURING THE YEAR

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. The annexation was ordered by LAFCO and the City and the SMFPD completed the transfer of employees, facilities and equipment of June 25, 2012.

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. In September, 2012, the City Council approved the defeasance of a portion of the City's General Obligation Bond, 2006 Series A, by utilizing the excess proceeds. As a result of this defeasance, the City's taxpayers realized property tax relief on their FY 12 property tax bills.

The City has invested over \$25 million in infrastructure during the past three fiscal years. This "Economic Stimulus" jump-started Sausalito's local economy as construction workers consumed local domestic product. A total of 77 jobs were supported as a result Sausalito's capital investment. This investment generated over \$11.8 million in new private sector business revenue and over \$300 thousand in new state and local taxes. This substantial investment in infrastructure will provide Sausalito residents and businesses with significant levels of improved services, the enhanced capability to absorb increasing capacity, and future reduced maintenance costs.

On June 26, 2012 the City Council of the City of Sausalito enacted the FY 2012-2014, two-year budget. This budget highlights the City's long term strategic goal of lowering the cost of labor through comprehensive labor reform consisting of Pension Reform, OPEB reform, Health Care reform and Wage reform. The City anticipates substantially lower future labor costs.

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,

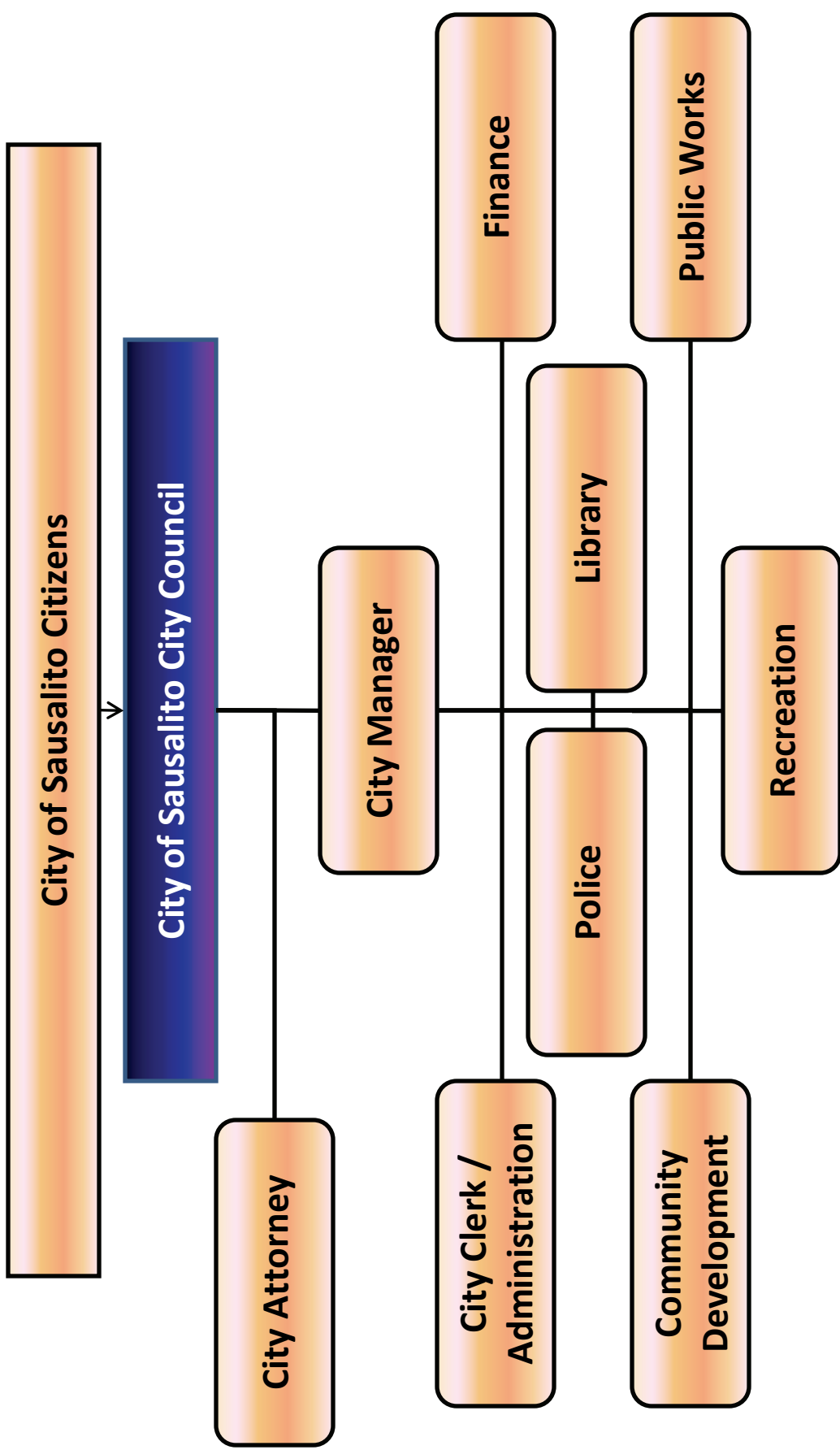


Adam Politzer
City Manager

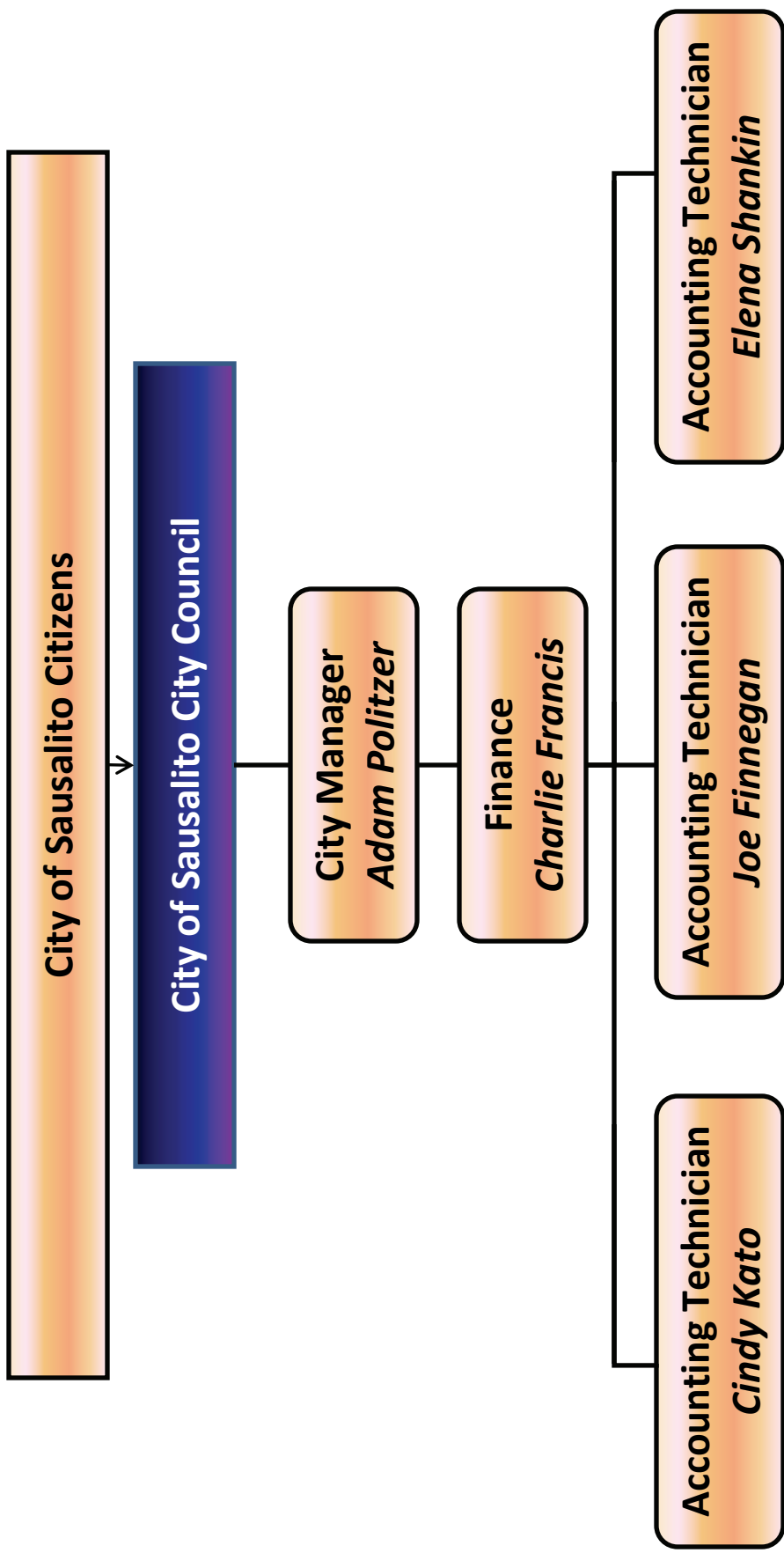


Charles D. Francis
Administrative Services Director/Treasurer

City of Sausalito Organization Chart



City of Sausalito Organization Chart



City of Sausalito
List of Elected and Appointed Officials
June 30, 2012

Elected Officials

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

Appointed Officials

City Manager	Adam Politzer
Administrative Services Director/Treasurer	Charlie Francis
Chief of Police	Jennifer Tejada
City Attorney	Mary Wagner
City Librarian	Abbott Chambers
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 of the
City of Sausalito, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sausalito as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and budgetary comparison information for the General Fund and the Tidelands Special Revenue Fund, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mage + Associates

October 5, 2012

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 2012. 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

- **STATEMENT OF NET ASSETS** The total assets of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$47,078,825 (*total net assets*).
 - Of the total net assets, \$6,743,167 (*unrestricted net assets*) is available and may be used to meet the government's ongoing obligations to citizens and creditors.
 - Unrestricted Net Assets in the amount of \$6,743,167 increased \$176,954 over the prior fiscal year.
 - Another component included in total net assets is the amount of \$38,556,153 representing the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase after depreciation and transfers of assets to the Southern Marin Fire Protection District of \$6,511,922 over the prior fiscal year.
 - Significantly, the amount of total net assets restricted in the prior fiscal year decreased by \$8,153,788 representing that resources formerly unavailable for spending were either converted to capital assets, or were used to reduce the City's long-term liabilities.
- **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of City of Sausalito's assets exceeded its liabilities resulting in an ending Fund Balance of \$8,465,822.
 - Of the ending Fund Balance, \$1,966,438 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors.
 - Unassigned Ending Fund Balance of \$1,966,438 increased \$405,022 over the prior fiscal year.
 - In addition to unassigned Fund Balance, the City of Sausalito has \$717,617 assigned for economic fluctuation reserve. Combined with the unassigned balance of \$1,966,428, the City has \$2,684,046, or 18.8 percent of expenditures available in the General Fund for liquid reserves.
 - Significantly, the amount of Fund Balance in the General Fund that was non-spendable in the prior fiscal year due to advances to the MLK Fund decreased by \$450,340 representing that illiquid resources formerly unavailable for spending were converted to liquid resources.
- **PROPRIETARY FUNDS BALANCE SHEET** The total assets of the Proprietary Funds (MLK, Sewer Fund, Parking Fund and Old City Hall Fund) of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$8,283,308 (*total Proprietary Funds net assets*), and increase of \$234,413.

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 22-25 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 33-66 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 70-71 of this report.

The combining statements referred to earlier in connection with non-major 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 78-98 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets. 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 \$47,078,825 at the close of fiscal year ending 2012. The following chart summarizes the Statement of Net Assets:

City of Sausalito's Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	22,040,604	30,430,929	(3,034,991)	(2,676,570)	19,005,613	27,754,359
Capital assets	43,188,618	36,394,467	12,866,662	12,900,305	56,055,280	49,294,772
Total assets	65,229,222	66,825,396	9,831,671	10,223,735	75,060,893	77,049,131
Long-term liabilities outstanding	23,516,657	17,945,862	691,064	1,850,427	24,207,721	19,796,289
Other liabilities	2,917,048	8,384,692	857,299	324,413	3,774,347	8,709,105
Total liabilities	26,433,705	26,330,554	1,548,363	2,174,840	27,982,068	28,505,394
Net Assets:						
Invested in capital assets, net of related debt	26,947,881	20,994,353	11,608,272	11,049,878	38,556,153	32,044,231
Restricted	1,779,505	9,933,293		-	1,779,505	9,933,293
Unrestricted	10,068,131	9,567,196	(3,324,964)	(3,000,983)	6,743,167	6,566,213
Total net assets	38,795,517	40,494,842	8,283,308	8,048,895	47,078,825	48,543,737

As stated above in the financial highlights section at the beginning of this MD&A, the total assets of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$47,078,825 (*total net assets*).

- Of the total net assets, \$6,743,167 (*unrestricted net assets*) is available and may be used to meet the government's ongoing obligations to citizens and creditors.
- Unrestricted Net Assets in the amount of \$6,743,167 increased \$176,954 over the prior fiscal year.

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- Another component included in total net assets is the amount of \$38,556,153 representing the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase after depreciation and transfers of assets to the Southern Marin Fire Protection District of \$6,511,922 over the prior fiscal year.
 - Significantly, the amount of total net assets restricted in the prior fiscal year decreased by \$8,153,788 to representing that resources formerly unavailable for spending were either converted to capital assets, or were used to reduce the City's long-term liabilities.

Governmental Activities. By far the largest portion of the City of Sausalito's net assets from Governmental activities (69 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.

\$1,779,505 of the City of Sausalito's net assets from Governmental activities (4.5 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 \$10,068,131 (26% compared to the prior year's 24%) 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.

Business-type Activities. The \$(3,324,964) 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.

Statement of Activities. As detailed above, this statement reports the net expense over revenue of each individual function or program operated by the City. The net expense over revenue format reports the relative financial burden of each of the programs on the government's resource providers/taxpayers. The format highlights the extent to which each program directly consumes the government's revenues or is financed by fees, contributions, or other revenues. A summarized version of the statement is as follows:

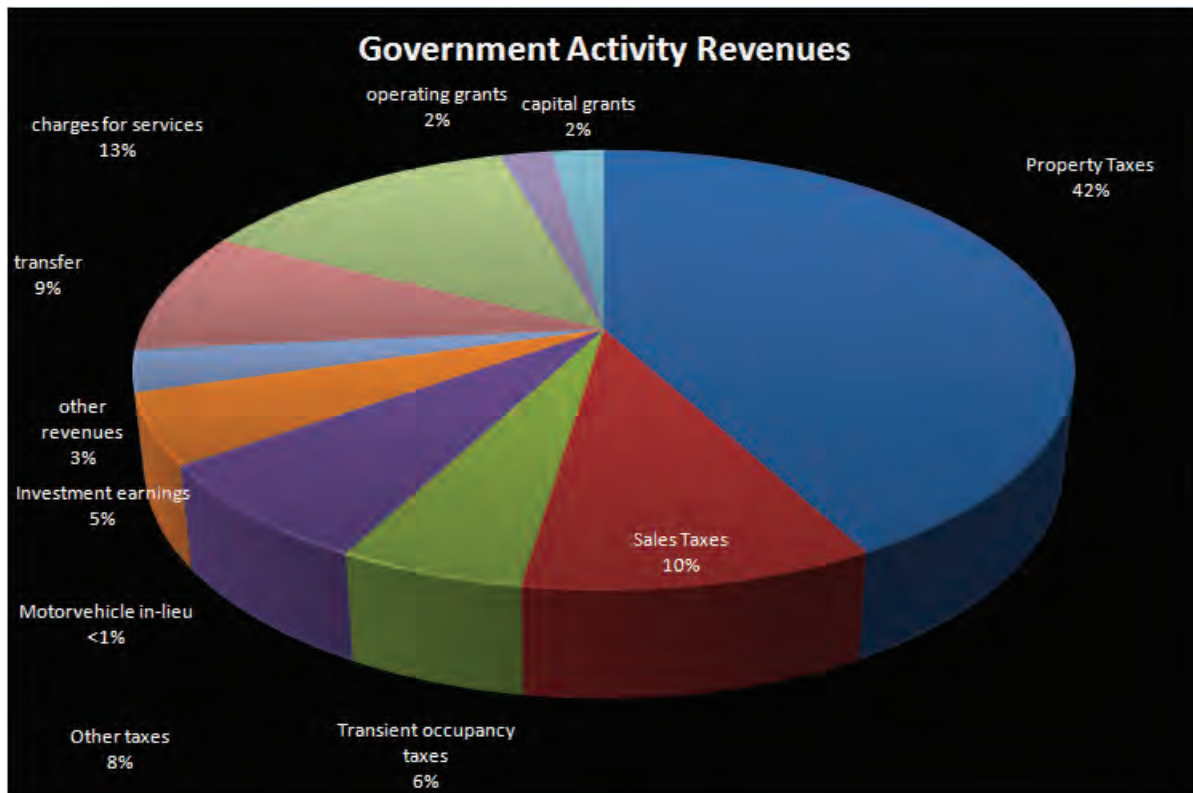
The table below summarizes the operating results of the governmental and business-type activities in a more traditional format.

City of Sausalito's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	2,200,319	1,944,010	4,416,454	4,270,812	6,616,773	6,214,822
Operating grants and contributions	348,997	358,806			348,997	358,806
Capital grants and contributions	355,315	347,764			355,315	347,764
General revenues:					-	-
Taxes	10,810,216	10,514,244			10,810,216	10,514,244
Investment earnings	862,014	866,032	4,166	8,883	866,180	874,915
Other revenues	518,040	568,659	151		518,191	568,659
Total revenues	15,094,901	14,599,515	4,420,771	4,279,695	19,515,672	18,879,210
Expenses:						
General government	3,118,473	2,880,287			3,118,473	2,880,287
Library	689,413	714,800			689,413	714,800
Public safety:					-	-
Police services	4,950,954	4,486,269			4,950,954	4,486,269
Fire services	3,552,475	3,448,123			3,552,475	3,448,123
Community development	1,370,227	1,125,498			1,370,227	1,125,498
Public works	2,222,144	1,981,354			2,222,144	1,981,354
Parks & Recreation	737,184	672,462			737,184	672,462
Interest on long-term debt	1,056,346	785,825			1,056,346	785,825
Sewer			154,680	1,561,902	1,546,806	1,561,902
Old City Hall			35,369	71,271	35,369	71,271
MLK			752,882	794,100	752,882	794,100
Parking			370,724	359,878	370,724	359,878
Total expenses	17,697,216	16,094,618	2,705,781	2,787,151	20,402,997	18,881,769
Increase in net assets before transfers	(2,602,315)	(1,495,103)	1,714,990	1,492,544	(887,325)	(2,559)
Transfers	1,480,577	1,438,050	(1,480,577)	(1,438,050)	-	-
Extraordinary items	(577,587)				(577,587)	-
Increase in net assets	(1,699,325)	(57,053)	234,413	54,494	(1,464,912)	(2,559)
Net assets - Beginning	40,494,842	40,956,031	8,048,895	7,994,401	48,543,737	48,950,432
Prior Year Restatements		(404,136)			-	(404,136)
Net assets - Ending	38,795,517	40,494,842	8,283,308	8,048,895	47,078,825	48,543,737

Governmental Activities. Although the City’s revenues increased \$495,386 primarily due to greater than before charges for services and elastic tax revenues from the improving economy, the City’s net assets from Governmental activities did decrease from the previous fiscal year in the amount of \$1,699,325. There were two major expected, yet for accounting purposes considered extraordinary, expenses that accounts for the decrease in fixed assets. They were: \$395,570 in accelerated interest expense due to the defeasance of \$1,790,000 of General Obligation, Series A Serial Bonds; and the recognition of the transfer of assets to the Southern Marin Fire Protection District as a result of the LAFCO annexation proceedings (\$577,587). The remaining factors of the decrease in total net assets are a factor of depreciation expenses, annual accruals for OPEB obligations, and for interest expense accretion on the 2006 General Obligation Bonds, Series B Capital Appreciation Bonds.

The following chart depicts the City’s Government-activity revenues:

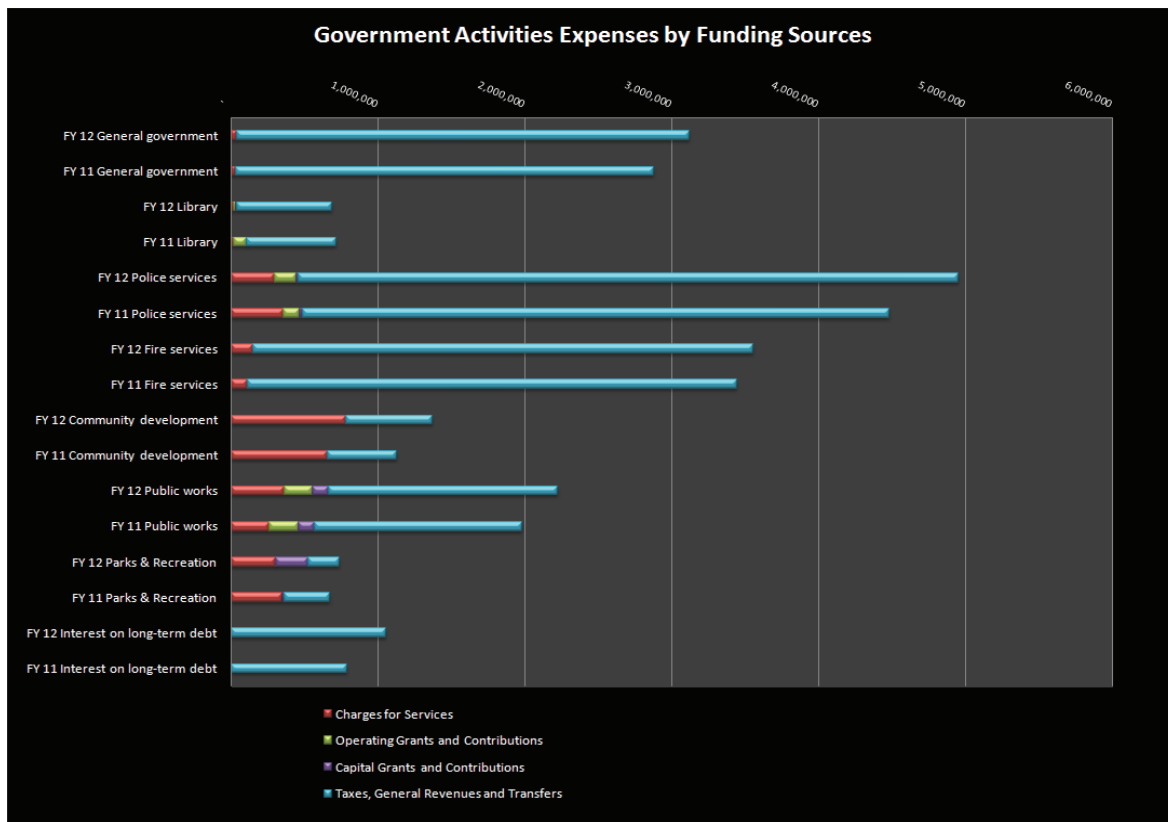


Key observations of Government Activity Revenues are as follows:

- Property taxes remained relatively stable from the previous fiscal year decreasing barely noticeable of \$25,348. Property taxes from assessed values increased marginally over the previous fiscal year, but decreased property taxes from the schools Educational Revenue Allocation Fund negated the increased assessments. Property taxes are 42% 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 experienced minimal growth during the fiscal year and resulted in a \$251,214 increase over the prior fiscal year. Sales tax revenues are generally elastic and reflective of local economic conditions and represent approximately 10% of the City's Governmental activities revenues.
- Transient occupancy taxes increased \$65,127 or almost 8% during the fiscal year as a result of the improving economy. This is the second fiscal year of transient occupancy tax increases since the 2009 recession.
- Investment earnings declined less than 1%, or \$8,735 during the fiscal year as a result of two factors:
- Other government activity revenues declined slightly by \$54,226.
- Capital Grants and Contributions increased \$7551 due to increases from capital grants in the Special Revenue Funds
- Operating grants contributed from Special Revenue Funds decreased by \$9,809 from the prior fiscal year due to fewer private contributions to operating expenses.
- Charges for Services increased \$256,309 primarily due to increases in Fines and Forfeitures credited against Police services expenditures increasing by \$328,664; and \$72,467 increase in Recreation Programs charges; offset by a total of \$144,822 decreases in Planning, Building, Engineering Charges and Miscellaneous Charges for Services.
- Transfers into government activity funds from Business-type activity funds represent over 10% of the Governmental activity's revenue base. These transfers increased \$42,527 from the prior fiscal year.

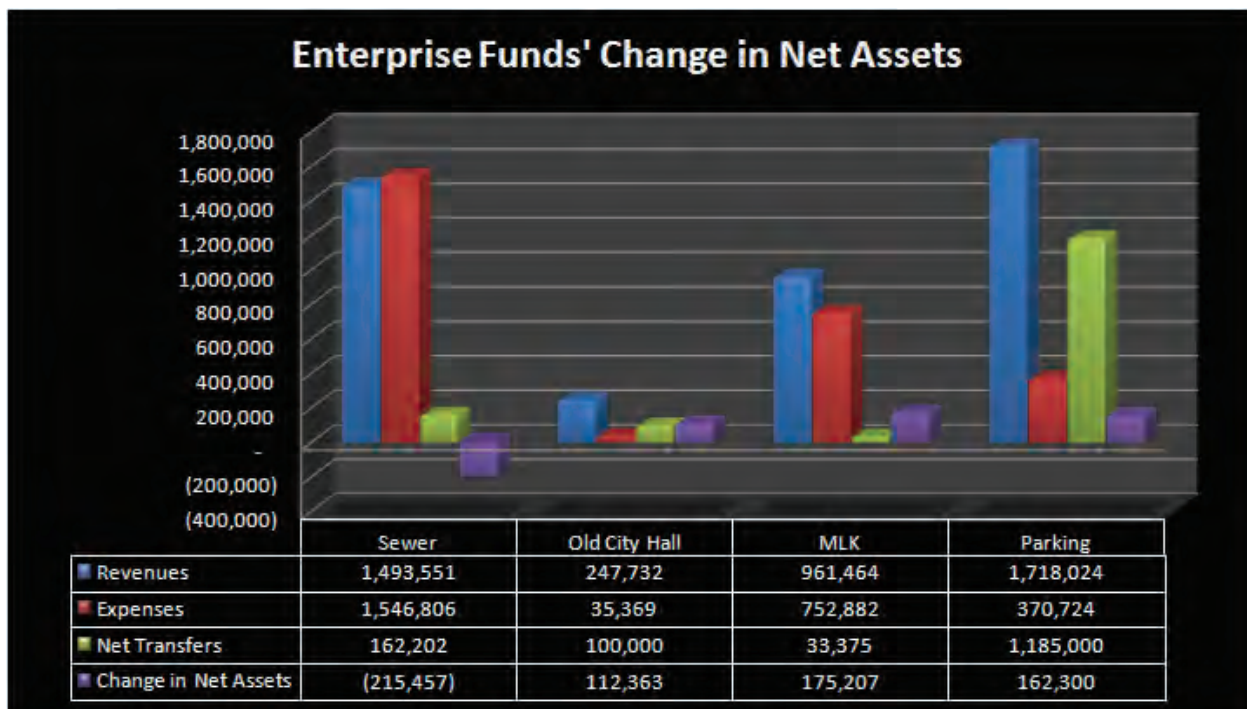
The following chart depicts the City's departmental expenses as each department is funded through **charges for services**, **operating grants**, **capital grants and contributions**, and finally through **general taxes and revenues**:



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

- Total Government Activity Expenses increased by \$1,602,598 over the prior fiscal year primarily due to: the one-time charge of \$395,570 in accelerated interest expense due to the defeasance of \$1,790,000 of General Obligation, Series A Serial Bonds; unexpected overtime charges in the Fire Department resulting from Worker’s Compensation injuries and the delayed annexation of the Fire Department into the Southern Marin Fire Protection District; increased professional services expenditures for the Housing Element; increased Recreation program expenses (offset by corresponding charges for services); and, 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 10% or \$1,348,547 over the prior fiscal year due to the same factors discussed in the bullet point above for Total Government Activity Expenses.

Business-type activities. Business-type activities increased the City of Sausalito’s net assets by \$234,413. The following chart depicts the operating results of the City’s business-type activities:



Key elements of the increase to net assets for business-type activities are as follows:

-
-
- MLK Fund increased net assets by \$175,111 during the year compared to \$302,882 the previous year. Rents decreased \$115,993 and operating expenses increased \$11,084, resulting in net operating income of \$594,378, compared to the prior year's NOI of \$721,455. As the outstanding debt on the MLK site nears maturity, interest expense is decreased \$52,302. The MLK facility is experiencing increased demand for space as the economy improves. Accordingly, the City is sun-setting the previous year's temporary rent reductions. New lease negotiations resulted in new tenants for FY 13 and for 20 years beyond providing the enterprise with a stable outlook for the future.
 - Sewer Fund decreased net assets by \$215,903 during the year, compared to the \$323,436 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 \$163,084 during the year, compared to the \$15,119 increase from the prior fiscal year reflecting the improving value of the recent upgrade of parking revenue infrastructure.
 - The Old City Hall Fund increased net assets by \$112,121 as compared to the prior year's increase of \$59,929.

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 \$10,298,704, a decrease of \$9,372,051 in comparison with the prior year. Planned capital expenditures in the amount of \$8,024,286 for the new Bulkhead, and other general infrastructure combined with the defeasance of \$1,790,000 of the 2006 General Obligation Bonds, Series A, accounted for the bulk of the accumulated resources expended during the current fiscal year. Individual fund analysis follows.

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 \$717,617; and unassigned fund balance was \$1,966,438; for a total of \$2,684,055 that is available for spending at the government's discretion. Total fund balance, including \$5,781,767 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$8,465,822. 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 almost 19% of total general fund expenditures, while total fund balance represents 59% of that same amount.

Fund balance for the City of Sausalito's general fund decreased by \$45,139 during the fiscal year. Revenues and Transfers-in were generally balanced with expenditures and transfers-out.

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 \$3,580,746, due to the cash deposit of net unearned revenue in the amount of \$5,063,373 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.

The General Capital Improvement Projects Fund has a total fund balance of \$3,191,843, of which \$513,570 is restricted for the balance of the Bulkhead Replacement Capital Project mentioned above, and \$2,678,273 is committed for capital improvement projects in the City's five year capital improvement plan.

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 FY 12 adopted budget of the City's General Fund anticipated a \$327 increase in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations exceeding revenues by \$65,789. The results of operations resulted in only a \$45,319 decrease to Fund Balance. 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 71 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 2012, amounts to \$56,055,280 (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 construction-in-progress of the City's bulkhead, as well as major investment in the City's streets.

City of Sausalito's Capital Assets						
<i>(net of depreciation)</i>						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	9,793,525	2,503,643	279,948	109,918	10,073,473	2,613,561
Building and improvements	14,443,411	14,762,434	3,371,669	3,472,838	17,815,080	18,235,272
MLK Bus Barn			198,005	203,505	198,005	203,505
Vehicles and equipment	146,662	251,114	972,173	928,072	1,118,835	1,179,186
Machinery and equipment	144,088	479,105			144,088	479,105
Infrastructure	3,646,270	3,383,509	4,248,866	4,389,971	7,895,136	7,773,480
Total	43,188,618	36,394,467	12,866,662	12,900,305	56,055,280	49,294,772

Additional information about the City's capital assets can be found in Note 4 on pages 46-49` of this report.

Long-term debt. At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$17,523,288, a decrease of \$2,273,001.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Short-term debt	268,638	302,588	567,326	693,242	835,964	995,830
Notes payable	15,926,444	17,496,886			15,926,444	17,496,886
Capital leases	69,816	146,388	691,064	1,157,185	760,880	1,303,573
Total	16,264,898	17,945,862	1,258,390	1,850,427	17,523,288	19,796,289

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

For more detailed information on the City's Long-term debt see Note 5 on pages 49-54 in this report.

Economic Factors and Future Years' Budgets

National, State and Local Economic Recoveries

Tepid Economic growth likely to continue through the rest of the year. The July update of the USA TODAY/IHS Global Insight Economic Outlook Index shows real GDP growth, at a six-month annualized growth rate, slowing to 1.6% in July and then increasing to 2% by year end.

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

Real GDP, six-month percentage change, annual rate



While employment, housing (mostly the multifamily sector) and consumer spending are slowly recovering, concerns about the Eurozone and world growth continue.

The index predicts future real GDP growth (gross domestic product, adjusted for inflation) based on 11 leading economic and financial indicators. Four of the 11 indicators were positive in July, up from three in June. Positive indicators include hours worked, real capital goods orders, the real money supply and light-vehicle sales, all of which increased.

Negative indicators include declines in building permits, stock prices, ISM export orders and the yield curve. Also negative were increases in the AAA corporate bond spread, seasonally adjusted crude oil prices and the real federal funds rate.

California economy will rebound even more slowly than previously anticipated due to the economic slump in China, the recession in Europe and a sluggish upswing in the United States.

Just three months ago, economists predicted the statewide jobless rate would drop to 9.8 percent by the middle of next year. But now, it seems more likely that statewide unemployment will remain at or above 10 percent through mid 2013. California is being affected because the U.S. recovery is going more slowly.

However, because of its booming tech industries, the Bay Area has been the strongest regional economy in California. Two of its three major urban centers, the South Bay and the San Francisco-San Mateo-Marín region in recent months have posted the fastest rate of annual employment growth in the entire country. Tech centers make those areas the healthiest economies in the state. Economists say there are good reasons that regions with a strong technology base are doing much better than other areas. People are spending money on smart phones, on tablets, on iPads, on equipment to interact and communicate with each other.

Despite the robust technology economy, the state and nation face serious economic headwinds, analysts said. Europe is in recession, China is slowing, and many parts of Asia are slowing. What happens in China matters to the California economy. During the second quarter of this year, China was California's second biggest export market after Mexico, buying up 8.7 percent of the state's exports. California and the nation also face long-term "structural" job losses in some industries that appear unlikely to reclaim their past pinnacles.

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 will remain a stable source of revenue into the coming year. Other City taxes, such sales and transient occupancy taxes are more elastic and dependent on the national, state and local economies. Accordingly the City is forecasting slightly improving 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. To address these challenges, the City has recently 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: regionalizing fire services, labor cost restructuring including pension, OPEB, health care and wage reform, long-term financial planning, revenue optimization, expenditure control, and economic development planning.

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, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$14,122,493	\$2,635,982	\$16,758,475
Restricted cash (Note 2)	912,886		912,886
Receivables:			
Taxes receivables, net	316,076		316,076
Accounts receivable, net	905,926	81,484	987,410
Loans receivable	8,489		8,489
Internal balances (Note 3D)	5,759,741	(5,759,741)	
Prepays	14,993		14,993
Unamortized issuance costs		7,284	7,284
Capital assets (Note 4):			
Land and construction in progress	24,808,187	4,075,949	28,884,136
Depreciable, net of accumulated depreciation	18,380,431	8,790,713	27,171,144
Total Assets	65,229,222	9,831,671	75,060,893
LIABILITIES			
Accounts payable	1,337,088	82,017	1,419,105
Accrued interest payable	141,012	50,416	191,428
Compensated absences (Note 1H)			
Due within one year	527,587	11,287	538,874
Due in more than one year	82,424		82,424
Claims payable (Note 10):			
Due within one year	266,518		266,518
Due in more than one year	548,853		548,853
Refundable deposits	202,461	146,253	348,714
Unearned revenue (Note 7)	5,105,069		5,105,069
Net OPEB obligation (Note 9)			
Due in more than one year	1,957,795		1,957,795
Long-term debt (Note 5):			
Due within one year	268,638	567,326	835,964
Due in more than one year	15,996,260	691,064	16,687,324
Total Liabilities	26,433,705	1,548,363	27,982,068
NET ASSETS (Note 11):			
Invested in capital assets, net of related debt	26,947,881	11,608,272	38,556,153
Restricted for:			
Special revenue programs	650,344		650,344
Debt service	397,520		397,520
Capital projects	731,641		731,641
Total Restricted Net Assets	1,779,505		1,779,505
Unrestricted	10,068,131	(3,324,964)	6,743,167
Total Net Assets	\$38,795,517	\$8,283,308	\$47,078,825

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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	\$3,118,473	\$35,019			(\$3,083,454)		(\$3,083,454)
Library	689,413	11,735	\$9,925	\$336	(667,417)		(667,417)
Public safety:							
Police services	4,950,954	621,562	107,028	248	(4,222,116)		(4,222,116)
Fire services	3,552,475	131,127			(3,421,348)		(3,421,348)
Community development	1,370,227	742,691			(627,536)		(627,536)
Public works	2,222,144	284,478	222,044	232,049	(1,483,573)		(1,483,573)
Parks & recreation	737,184	373,707	10,000	122,682	(230,795)		(230,795)
Interest on long-term debt	1,056,346				(1,056,346)		(1,056,346)
Total Governmental Activities	17,697,216	2,200,319	348,997	355,315	(14,792,585)		(14,792,585)
Business-type Activities:							
MLK	752,882	960,525				\$207,643	207,643
Sewer	1,546,806	1,492,093				(54,713)	(54,713)
Parking	370,724	1,716,346				1,345,622	1,345,622
Old City Hall	35,369	247,490				212,121	212,121
Total Business-type Activities	2,705,781	4,416,454				1,710,673	1,710,673
Total	\$20,402,997	\$6,616,773	\$348,997	\$355,315	(14,792,585)	1,710,673	(13,081,912)
General revenues:							
Taxes:							
Property taxes					6,981,555		6,981,555
Sales taxes					1,694,242		1,694,242
Transient occupancy tax					893,946		893,946
Other taxes					1,240,473		1,240,473
Motor vehicle in-lieu, unrestricted					3,758		3,758
Investment earnings					862,014	4,166	866,180
Other revenues					514,282	151	514,433
Transfers (Note 3B)					1,480,577	(1,480,577)	
Total general revenues and transfers					13,670,847	(1,476,260)	12,194,587
Extraordinary Item (Note 4C)							
Assets Transferred to the Southern Marin Fire Protection District					(577,587)		(577,587)
Change in Net Assets					(1,699,325)	234,413	(1,464,912)
Net Assets-Beginning, as restated (Note 11F)					40,494,842	8,048,895	48,543,737
Net Assets-Ending					\$38,795,517	\$8,283,308	\$47,078,825

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 2012. 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.

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, 2012

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$2,783,171	\$1,449,756	\$2,546,766	\$1,796,757	\$8,576,450
Restricted cash (Note 2)			513,570	399,316	912,886
Receivables:					
Taxes receivables, net	310,816			5,260	316,076
Accounts receivable, net	517,557	59,200	230,178	97,327	904,262
Loans receivable	8,489				8,489
Due from other funds (Note 3A)	61,755				61,755
Prepays	14,993				14,993
Advances to other funds (Note 3C)	5,758,285				5,758,285
Total Assets	\$9,455,066	\$1,508,956	\$3,290,514	\$2,298,660	\$16,553,196
LIABILITIES					
Accounts payable	\$671,628	\$15,929	\$98,671	\$16,576	\$802,804
Accrued salaries and benefits	83,859				83,859
Refundable deposits	192,061	10,400			202,461
Due to other funds (Note 3A)				60,299	60,299
Unearned revenue (Note 7)	41,696	5,063,373			5,105,069
Total Liabilities	989,244	5,089,702	98,671	76,875	6,254,492
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	5,781,767				5,781,767
Restricted			513,570	2,006,905	2,520,475
Committed			2,678,273	218,071	2,896,344
Assigned	717,617				717,617
Unassigned	1,966,438	(3,580,746)		(3,191)	(1,617,499)
Total Fund Balances (Deficits)	8,465,822	(3,580,746)	3,191,843	2,221,785	10,298,704
Total Liabilities and Fund Balances	\$9,455,066	\$1,508,956	\$3,290,514	\$2,298,660	\$16,553,196

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances reported on the governmental funds balance sheet \$10,298,704

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. 43,027,595

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	5,546,043
Accounts receivable, net	1,664
Capital assets, net of depreciation	161,023
Claims payable	(815,371)
Long-term debt	(136,862)
Accounts payable and accrued interest	(452,633)

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	(16,128,036)
Accrued interest payable	(138,804)
Compensated absences	(610,011)
Net OPEB obligation	<u>(1,957,795)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$38,795,517

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, 2012

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$6,451,912			\$529,643	\$6,981,555
Sales tax	1,694,242				1,694,242
Other tax	1,615,892				1,615,892
Licenses and permits	518,527				518,527
Fines and forfeitures	609,990			35,024	645,014
Use of money and property	484,277	\$530,331	\$1,871	11,587	1,028,066
Intergovernmental	122,682		230,178	493,680	846,540
Charges for services	1,320,267			235,038	1,555,305
Other revenues	102,023				102,023
Total Revenues	12,919,812	530,331	232,049	1,304,972	14,987,164
EXPENDITURES					
Current:					
General government	2,671,723	342,505			3,014,228
Library	699,882				699,882
Public safety:					
Police	4,056,228			104,254	4,160,482
Fire	3,405,220				3,405,220
Community development	1,346,911				1,346,911
Public works	1,374,817			164,717	1,539,534
Parks & recreation	720,113				720,113
Capital outlay			8,024,286	29,140	8,053,426
Debt service:					
Principal				2,032,816	2,032,816
Interest and other charges				673,995	673,995
Total Expenditures	14,274,894	342,505	8,024,286	3,004,922	25,646,607
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,355,082)	187,826	(7,792,237)	(1,699,950)	(10,659,443)
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	99,282				99,282
Transfers in (Note 3B)	1,856,202		3,288,054	2,243,333	7,387,589
Transfers (out) (Note 3B)	(645,721)	(1,276,655)		(4,277,103)	(6,199,479)
Total Other Financing Sources (Uses)	1,309,763	(1,276,655)	3,288,054	(2,033,770)	1,287,392
NET CHANGE IN FUND BALANCES	(45,319)	(1,088,829)	(4,504,183)	(3,733,720)	(9,372,051)
BEGINNING FUND BALANCES, as restated (Note 11F)	8,511,141	(2,491,917)	7,696,026	5,955,505	19,670,755
ENDING FUND BALANCES (DEFICITS)	\$8,465,822	(\$3,580,746)	\$3,191,843	\$2,221,785	\$10,298,704

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, 2012

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 (\$9,372,051)

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 8,071,920

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) (824,616)

Capital asset retirements are deducted from fund balance (1,086)

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 2,043,208

Change in accrued interest payable (388,709)

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 90,223

Net OPEB obligation (554,816)

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, because they service those activities.

Change in Net Assets - All Internal Service Funds (763,398)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (\$1,699,325)

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, 2012

	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)	\$221,447	\$779,083	\$1,635,452		\$2,635,982	\$5,546,043
Receivables:						
Accounts receivable, net	43,779	26,096	8,933	\$2,676	81,484	1,664
Issuance costs, net	7,284				7,284	
Total current assets:	272,510	805,179	1,644,385	2,676	2,724,750	5,547,707
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063	279,948		9,938	4,075,949	
Depreciable, net of accumulated depreciation	2,983,640	4,718,802	508,888	579,383	8,790,713	161,023
Total noncurrent assets	6,769,703	4,998,750	508,888	589,321	12,866,662	161,023
Total Assets	7,042,213	5,803,929	2,153,273	591,997	15,591,412	5,708,730
LIABILITIES						
Current liabilities:						
Accounts payable	45,079	25,539	11,399		82,017	450,425
Accrued interest payable	50,416				50,416	2,208
Due to other funds (Note 3A)				1,456	1,456	
Compensated absences, due in one year (Note 1H)		11,287			11,287	
Refundable deposits	110,046	4,040	32,167		146,253	
Claims payable-due within one year (Note 10)						266,518
Long-term debt, due within one year (Note 5)	567,326				567,326	67,046
Total current liabilities	772,867	40,866	43,566	1,456	858,755	786,197
Noncurrent liabilities:						
Advance from other funds (Note 3C)	5,758,285				5,758,285	
Claims payable - due in more than one year (Note 10)						548,853
Long-term debt, due in more than one year (Note 5)	591,064	100,000			691,064	69,816
Total noncurrent liabilities	6,349,349	100,000			6,449,349	618,669
Total Liabilities	7,122,216	140,866	43,566	1,456	7,308,104	1,404,866
NET ASSETS (Note 11)						
Invested in capital assets, net of related debt	5,611,313	4,898,750	508,888	589,321	11,608,272	24,161
Unrestricted	(5,691,316)	764,313	1,600,819	1,220	(3,324,964)	4,279,703
Total Net Assets (Deficits)	(\$80,003)	\$5,663,063	\$2,109,707	\$590,541	\$8,283,308	\$4,303,864

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, 2012

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
OPERATING REVENUES						
Building rents	\$960,525			\$247,490	\$1,208,015	
Charges for services		\$1,492,093	\$1,716,346		3,208,439	
Other revenue			151		151	\$328,399
Total Operating Revenues	960,525	1,492,093	1,716,497	247,490	4,416,605	328,399
OPERATING EXPENSES						
Other expenses	25,182	100,640	177,435		303,257	659,230
Professional services	13,701	152,818	815		167,334	
Repairs and maintenance	51,060	72,710	348		124,118	3,003
Salaries and benefits	82,816	1,013,837	105,588		1,202,241	
Utilities	110,950	14,715	20,026	596	146,287	
Depreciation	78,870	192,086	66,512	27,590	365,058	146,541
Amortization	3,568			1,947	5,515	
Total Operating Expenses	366,147	1,546,806	370,724	30,133	2,313,810	808,774
Operating Income (Loss) Before Transfers	594,378	(54,713)	1,345,773	217,357	2,102,795	(480,375)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	843	1,012	2,311		4,166	\$8,455
Interest (expense)	(386,735)			(5,236)	(391,971)	(6,358)
Total nonoperating revenue (expenses)	(385,892)	1,012	2,311	(5,236)	(387,805)	2,097
Income (Loss) before transfers	208,486	(53,701)	1,348,084	212,121	1,714,990	(478,278)
TRANSFERS						
Transfers in (Note 3B)		81			81	492,467
Transfers (out) (Note 3B)	(33,375)	(162,283)	(1,185,000)	(100,000)	(1,480,658)	(200,000)
Net transfers	(33,375)	(162,202)	(1,185,000)	(100,000)	(1,480,577)	292,467
Change in net assets before Extraordinary Items	175,111	(215,903)	163,084	112,121	234,413	(185,811)
EXTRAORDINARY ITEMS (Note 4C)						
Assets transferred to the Southern Marin Fire Protection District						(577,587)
Change in net assets	175,111	(215,903)	163,084	112,121	234,413	(763,398)
BEGINNING NET ASSETS (DEFICIT)	(255,114)	5,878,966	1,946,623	478,420	8,048,895	5,067,262
ENDING NET ASSETS (DEFICIT)	(\$80,003)	\$5,663,063	\$2,109,707	\$590,541	\$8,283,308	\$4,303,864

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	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	\$961,116	\$1,494,808	\$1,713,476	\$249,437	\$4,418,837	\$327,905
Payment to employees	(82,816)	(1,019,368)	(105,588)		(1,207,772)	
Payment to suppliers	(165,536)	(387,947)	(198,624)	(596)	(752,703)	(528,995)
Other receipts (payments)	(396)		13,091	(1,947)	10,748	
Cash Flows from Operating Activities	712,368	87,493	1,422,355	246,894	2,469,110	(201,090)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advances from other funds	(450,000)				(450,000)	
Due to other funds				1,456	1,456	
Transfers in		81			81	492,467
Transfers (out)	(33,375)	(162,283)	(1,185,000)	(100,000)	(1,480,658)	(200,000)
Cash Flows from Noncapital Financing Activities	(483,375)	(162,202)	(1,185,000)	(98,544)	(1,929,121)	292,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures		(331,414)	(1)	1	(331,414)	(28,600)
Principal payments on capital debt	(525,761)	100,000		(166,276)	(592,037)	(64,385)
Interest payment	(417,451)			(7,834)	(425,285)	(7,579)
Cash Flows from Capital and Related Financing Activities	(943,212)	(231,414)	(1)	(174,109)	(1,348,736)	(100,564)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	843	1,012	2,311	(1)	4,165	8,616
Net Cash Flows	(713,376)	(305,111)	239,665	(25,760)	(804,582)	(571)
Cash and investments at beginning of period	934,823	1,084,194	1,395,787	25,760	3,440,564	5,546,614
Cash and investments at end of period	<u>\$221,447</u>	<u>\$779,083</u>	<u>\$1,635,452</u>		<u>\$2,635,982</u>	<u>\$5,546,043</u>
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$594,378	(\$54,713)	\$1,345,773	\$217,357	\$2,102,795	(\$480,375)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	78,870	192,086	66,512	27,590	365,058	146,541
Change in assets and liabilities:						
Accounts receivables	(2,976)	2,715	(2,870)		(3,131)	(494)
Issuance/leasing costs	3,567			1,947	5,514	
Accounts payable and accruals	35,357	(47,064)	9,777		(1,930)	189,017
Accrued compensated absences		(5,531)			(5,531)	
Refundable deposits	3,172		3,163		6,335	
Claims payable						(55,779)
Cash Flows from Operating Activities	\$712,368	\$87,493	\$1,422,355	\$246,894	\$2,469,110	(\$201,090)
Supplemental Schedule of Noncash Capital and Financing Activities:						
Assets transferred to the Southern Marin Fire Protection District						(\$577,587)
Accounts payable						243,622

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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	<u>\$38,240</u>
Total Assets	<u><u>\$38,240</u></u>
LIABILITIES	
Due to local Improvement Districts	<u>\$38,240</u>
Total Liabilities	<u><u>\$38,240</u></u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

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
For The Year Ended June 30, 2012

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.

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.

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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
For The Year Ended June 30, 2012

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 Fund are charges for parking services to residences and businesses. The main operating revenues of the Sewer Enterprise Fund are charges for sewer services to residences and businesses. The main operating revenues of the Internal Service Fund 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
For The Year Ended June 30, 2012

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).

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The changes of the compensated absences were as follows for June 30, 2012:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$700,234	\$16,818	\$717,052
Additions	447,051	18,284	465,335
Payments	<u>(537,274)</u>	<u>(23,815)</u>	<u>(561,089)</u>
Ending Balance	<u>\$610,011</u>	<u>\$11,287</u>	<u>621,298</u>
Current Portion	<u>\$527,587</u>	<u>\$11,287</u>	<u>\$538,874</u>

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2012, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Public safety:	
Fire	\$136,908
Community development	263,067
Parks & recreation	35,378
Tidelands Special Revenue Fund:	
General Government	23,541
Traffic Safety Special Revenue Fund	
Capital Outlay	4,685
Gas Tax Special Revenue Fund	
Public Works	34,219
Traffic Congestion Relief	
Public Works	5
Storm Drain Special Revenue Fund	
Public Works	19,302

The excess expenditures were funded by available financial resources.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

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	\$16,758,475
Restricted cash	912,886
Subtotal	<u>17,671,361</u>
<i>Fiduciary Funds</i>	
Cash and investments	<u>38,240</u>
Total Cash and investments	<u><u>\$17,709,601</u></u>

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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
For The Year Ended June 30, 2012

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:

<u>Investments</u>	<u>12 Months or less</u>	<u>Total</u>
Money Market Fund (Escrow Account)	\$513,570	\$513,570
U.S. Treasury Bills	8,997,977	8,997,977
Local Agency Investment Fund	<u>7,052,810</u>	<u>7,052,810</u>
Total Investments	<u>\$16,564,357</u>	16,564,357
Cash in banks		1,141,284
Petty Cash		<u>3,960</u>
Total Cash and Investments		<u>\$17,709,601</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

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, 2012 for each investment type as provided by Standard & Poor's Investment rating system:

Investment Type	AAA	Total
Money Market Fund (Escrow Account)	\$513,570	\$513,570
U.S. Treasury Obligations	8,997,977	8,997,977
Not Rated:		
Local Agency Investment Fund		7,052,810
Cash in banks		1,141,284
Petty cash		3,960
Total Cash and Investments		<u>\$17,709,601</u>

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2012, these investments matured in an average of 268 days and were not rated.

NOTE 3 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2012 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Old City Hall Enterprise Fund	General Fund	\$1,456
Non Major Governmental Funds	General Fund	60,299
		\$61,755

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. 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	162,283 A
	Parking Enterprise Fund	1,185,000 C
	Old City Hall Enterprise Fund	100,000 C
	Non-Major Governmental Funds	156,044 C
General Capital Improvement	General Fund	350,000 D
	Tideland Special Revenue Fund	985,000 D
	Non-Major Governmental Funds	1,953,054 D
Non-Major Governmental Funds	General Fund	3,173 I
	Tideland Special Revenue Fund	72,155 I
	Non-Major Governmental Funds	2,168,005 I
Sewer Enterprise Fund	General Fund	81 B
Internal Service Funds	General Fund	292,467 E,F,G
	Internal Service Funds	<u>200,000 H</u>
	Total Interfund Transfers	<u><u>\$7,880,137</u></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 funds for future equipment replacement.
- F To set aside funds for compensated absences and post employment benefits other than pension and general liab
- G To set aside funds for workers compensation claims
- H To set aside funds for general liability claims
- I To fund Debt Service

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

C. Long-term Interfund Advances

The City had the following interfund advances at June 30:

Payable Fund	Receivable Fund	Amount
MLK Enterprise Fund	General Fund	\$5,758,285
		\$5,758,285

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, 2012, outstanding loans totaling \$5,758,285 (\$3,398,889 in advances and \$2,359,396 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.

D. 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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS (Continued)

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.

Changes in fixed assets during the year ended June 30, 2012 comprise:

	Balance June 30, 2011	Additions	Retirements	Transfers	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land and improvements	\$15,014,662				\$15,014,662
Construction in progress	2,503,643	\$7,999,011		(\$709,129)	9,793,525
	<u>17,518,305</u>	<u>7,999,011</u>		<u>(709,129)</u>	<u>24,808,187</u>
Depreciable capital assets:					
Building and improvements	15,839,715				15,839,715
Vehicles and equipment	1,308,968		(\$607,939)	(304,016)	397,013
Machinery and equipment	878,972	72,909		(195,543)	756,338
Infrastructure	23,765,488			709,129	24,474,617
Total Infrastructure	<u>41,793,143</u>	<u>72,909</u>	<u>(607,939)</u>	<u>209,570</u>	<u>41,467,683</u>
Less: accumulated depreciation for					
Building and improvements	(1,077,281)	(319,023)			(1,396,304)
Vehicles and equipment	(1,308,968)		607,939	304,016	(397,013)
Machinery and equipment	(761,843)	(59,225)		194,457	(626,611)
Infrastructure	(20,381,979)	(446,368)			(20,828,347)
Total accumulated depreciation	<u>(23,530,071)</u>	<u>(824,616)</u>	<u>607,939</u>	<u>498,473</u>	<u>(23,248,275)</u>
Depreciable capital assets, net	<u>18,263,072</u>	<u>(751,707)</u>		<u>708,043</u>	<u>18,219,408</u>
Internal Service Funds					
Depreciable capital assets:					
Vehicles and equipment	567,248	28,600		(76,107)	519,741
Machinery and equipment	713,260			(695,987)	17,273
	<u>1,280,508</u>	<u>28,600</u>		<u>(772,094)</u>	<u>537,014</u>
Less: accumulated depreciation for					
Vehicles and equipment	(316,134)	(75,972)		19,027	(373,079)
Machinery and equipment	(351,284)	(70,569)		418,941	(2,912)
Total accumulated depreciation	<u>(667,418)</u>	<u>(146,541)</u>		<u>437,968</u>	<u>(375,991)</u>
Depreciable capital assets, net	<u>613,090</u>	<u>(117,941)</u>		<u>(334,126)</u>	<u>161,023</u>
Governmental capital assets, net	<u>\$36,394,467</u>	<u>\$7,129,363</u>		<u>(\$335,212)</u>	<u>\$43,188,618</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2011	Additions	Balance June 30, 2012
Business-type Activities			
Land and improvements	\$3,796,001		\$3,796,001
Construction in Progress	109,918	\$170,030	279,948
	<u>3,905,919</u>	<u>170,030</u>	<u>4,075,949</u>
Depreciable capital assets:			
Building and improvements	5,760,137		5,760,137
MLK Bus Barn	275,000		275,000
Vehicles and equipment	1,963,717	161,385	2,125,102
Infrastructure	9,171,821		9,171,821
	<u>17,170,675</u>	<u>161,385</u>	<u>17,332,060</u>
Less: accumulated depreciation for			
Building and improvements	(2,287,299)	(101,169)	(2,388,468)
MLK Bus Barn	(71,495)	(5,500)	(76,995)
Vehicles and equipment	(1,035,645)	(117,284)	(1,152,929)
Infrastructure	(4,781,850)	(141,105)	(4,922,955)
	<u>(8,176,289)</u>	<u>(365,058)</u>	<u>(8,541,347)</u>
Depreciable capital assets, net	<u>8,994,386</u>	<u>(203,673)</u>	<u>8,790,713</u>
Total capital assets, net	<u>\$12,900,305</u>	<u>(\$33,643)</u>	<u>\$12,866,662</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	\$65,805
Police services	307,734
Public works	443,869
Recreation	7,208
Internal Service Funds	<u>146,541</u>
Total Governmental Activities	<u>\$971,157</u>
Business-type Activities:	
MLK	\$78,870
Sewer	192,086
Parking	66,512
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$365,058</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS (Continued)

- C. 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.

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.

As of July 30, 2012 the City had completed the annexation of all fire equipment, personnel and costs to the Southern Marin Fire Protection District.

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, 2011	Additions	Retirements	Balance June 30, 2012	Current Portion
Governmental Activities						
Department of Boating & Waterways	\$1,200,000	\$774,918		(\$37,284)	\$737,634	\$38,962
California Energy Commission	31,000	6,115		(3,011)	3,104	3,104
General Obligation Bonds:						
2006 Series A	8,205,000	7,910,000		(1,970,000)	5,940,000	150,000
2006 Series B	7,293,894	9,011,143	\$426,629		9,437,772	
Superior Court Promissory Note	247,673	22,521		(22,521)		
Fire Truck Lease	434,235	201,247		(64,385)	136,862	67,046
Scanner Lease	54,558	19,918		(10,392)	9,526	9,526
Total Government Activities		<u>\$17,945,862</u>	<u>\$426,629</u>	<u>(\$2,107,593)</u>	<u>\$16,264,898</u>	<u>\$268,638</u>
Business-type Activities						
State Water Resources Board Loan	\$100,000		\$100,000		\$100,000	
Capital Leases						
MLK capital lease	3,840,494	\$911,982		(\$406,965)	505,017	\$437,327
MLK capital improvement lease	1,770,000	780,000		(120,000)	660,000	130,000
MLK discount		(7,831)		1,205	(6,626)	
Old City Hall capital improvement lease (MPA)	1,156,500	166,276		(166,276)		
Total Business-type Activities		<u>\$1,850,427</u>	<u>\$100,000</u>	<u>(\$692,036)</u>	<u>\$1,258,391</u>	<u>\$567,327</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 5 - LONG-TERM DEBT (Continued)

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.

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. The total principal and interest remaining to be paid on the Bonds is \$5,940,000. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$2,273,748 and \$529,643, respectively.

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

In September 2011, the City Council approved the early retirement 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.

F. 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 total principal and interest remaining to be paid on the Bonds is \$9,437,772. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$529,643.

The Bonds unaccreted discount and the current year unaccreted discount totaled \$16,177,228 and \$426,629, respectively at June 30, 2012. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 5 - LONG-TERM DEBT (Continued)

G. 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 was in November 2011.

H. 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.

I. 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.

J. State Water Resources Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement in the amount of \$1,100,000 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. As of June 30, 2012 the City had drawn down \$100,000 of the total loan amount.

K. 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, 2012 is comprised of the following:

Operating Leases	\$909,730
Utility pass through	<u>50,795</u>
	<u><u>\$960,525</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 5 - LONG-TERM DEBT (Continued)

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2012 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2013	\$529,323
2014	660,007
2015	694,903
2016	715,750
2017	737,223
2018-2022	3,410,184
2023-2027	3,865,671
2028-2032	4,481,371
2033	978,528
	\$16,072,960

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.

L. *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.

M. *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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 5 - LONG-TERM DEBT (Continued)

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 occurred in 2012. For fiscal year 2012 rental revenues amounted to \$247,490 which represented coverage of 1.42 over the \$174,109 in debt service.

N. 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
2013	\$268,638	\$294,532	\$567,328	\$68,912
2014	295,530	281,564	317,689	26,309
2015	257,548	268,551	280,000	7,351
2016	294,463	257,103		
2017	331,463	244,136		
2018-2022	2,390,624	960,228		
2023-2027	4,133,860	308,946		
2028-2032	6,725,000			
2033-2037	8,795,000		100,000	
2038-2041	8,950,000			
Total	\$32,442,126	\$2,615,058	1,265,017	\$102,572
Reconciliation of long-term debt: MLK discount			(6,626)	
Net long-term debt			\$1,258,391	

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$16,177,228

O. 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, 2012, the City had yet to issue any of the bonds.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

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 was paid in full as of June 30, 2012.

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, 2012 is \$2,095,000.

NOTE 7 – UNEARNED REVENUE

During the fiscal year 2011, the City determined that the bulkhead at the Sausalito Yacht Harbor vicinity had deteriorated such that there was an urgent need for replacement. The City 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 the 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, 2012, the Tideland Fund Special Revenue Fund had recorded the amount of \$3,524,186 as unearned lease revenue to be amortized over 50 years.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 7 – UNEARNED REVENUE (Continued)

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, 2012, 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.

Combined, the unearned revenue at June 30, 2012 is \$5,063,373.

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, 2012, are summarized as follows:

	<u>Police</u>	<u>Fire</u>	<u>Miscellaneous</u>
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	38.533%	31.548%	15.595%

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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
2010	\$1,953,311	33.00%	27.06%	13.76%
2011	1,958,561	33.00%	27.06%	12.74%
2012	2,407,997	38.53%	31.55%	15.60%

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:

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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

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
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%
2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%

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
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%
2010	1,972,910,641	1,603,482,152	369,428,489	81.3%	352,637,380	104.8%

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

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, 2012, 37 participants were eligible to receive retirement health care benefits.

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2011 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 7.6% in January 2012 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. 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)	\$709,715
Interest on net OPEB obligation	70,149
Adjustment to annual required contribution	<u>(67,305)</u>
Annual OPEB cost	712,559
Contributions made:	
City's portion of current year premiums paid	<u>157,743</u>
Change in net OPEB obligation	554,816
Net OPEB obligation June 30, 2011	<u>1,402,979</u>
Net OPEB obligation June 30, 2012	<u><u>\$1,957,795</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

The Plan’s annual required contributions and actual contributions for the year ended 2012 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
6/30/2012	712,559	157,743	22%	1,957,795

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, 2011 actuarial study is presented below:

Fiscal Year	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)
6/30/2010	\$0	\$6,394,206	(\$6,394,206)	0%
6/30/2011	0	6,888,060	(6,888,060)	0%
6/30/2012	0	6,646,550	(6,646,550)	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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

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 \$1,000,000 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.

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, 2012, the City's estimated workers' compensation liability for unpaid losses was as follows:

	2012	2011
Beginning balance	\$776,944	\$716,498
Incurred claims and claims adjustment	256,518	291,715
Claims paid	(334,832)	(231,269)
Ending balance	\$698,630	\$776,944
Current portion	\$221,491	\$228,559

Financial statements for the Bay Cities Join 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

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 \$2 million excess of \$1 million.

At June 30, 2012, the City’s estimated general liability for unpaid losses was as follows:

	2012	2011
Beginning balance	\$94,206	\$72,338
Incurred claims and claims adjustment	(100,195)	(28,430)
Claims paid	122,730	50,298
Ending balance	\$116,741	\$94,206
Current portion	\$45,027	\$36,830

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 11 – NET ASSETS AND FUND BALANCE (Continued)

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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 11 – NET ASSETS AND FUND BALANCE (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2012, are below:

	General Fund	Major Special Revenue Fund	Capital Projects Funds		Total
		Tidelands Fund	General Capital Improvements	Other Governmental Funds	
Fund balances:					
Nonspendable for:					
Loans receivable	\$8,489				\$8,489
Prepays	14,993				14,993
Advances to other funds	5,758,285				5,758,285
	<u>5,781,767</u>				<u>5,781,767</u>
Restricted for:					
Tidelands fund					
Seized assets				\$37,883	37,883
Traffic safety					
Street construction and maintenance				15,213	15,213
Infrastructure projects				365,710	365,710
Storm drain maintenance				34,787	34,787
Stair improvements				145,644	145,644
Disasters				959,041	959,041
Grants				10,000	10,000
Fire department					
I Measure A				41,107	41,107
2006 General Obligations				397,520	397,520
Public safety buildings					
Bulkhead project			\$513,570		513,570
			<u>513,570</u>	<u>2,006,905</u>	<u>2,520,475</u>
Committed to:					
Library improvements				218,071	218,071
Capital improvements			2,678,273		2,678,273
			<u>2,678,273</u>	<u>218,071</u>	<u>2,896,344</u>
Assigned:					
Budget stabilization reserve	691,600				691,600
Donation	26,017				26,017
	<u>717,617</u>				<u>717,617</u>
Unassigned:					
Emergency shortfall reserve	1,966,438				1,966,438
Special revenue fund deficit residuals		(\$3,580,746)			(3,580,746)
Other governmental fund deficit residuals				(3,191)	(3,191)
	<u>1,966,438</u>	<u>(3,580,746)</u>		<u>(3,191)</u>	<u>(1,617,499)</u>
Total fund balances	<u>\$ 8,465,822</u>	<u>\$ (3,580,746)</u>	<u>\$ 3,191,843</u>	<u>\$ 2,221,785</u>	<u>\$ 10,298,704</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

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*

As of June 30, 2012 the following funds had fund deficits, which are expected to be eliminated by future revenues:

The Martin Luther King (“MLK”) Enterprise Fund had a net deficit in the amount of \$80,003 at June 30, 2012. 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, 2012, the General Fund had a loan receivable of approximately \$5.8 million (principal in the amount of \$3.0 million and interest in the amount \$2.8 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 following funds also had a fund balance deficit at June 30, 2012 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,580,746
Traffic Safety Special Revenue Fund	3,171
Traffic Congestion Relief Special Revenue Fund	5
Police Grants Special Revenue Fund	15

F. *Adjustment to Prior Period Fund Balance/Net Assets*

During the current fiscal year, the City made a prior period adjustment to restate the previously issued financial statements. This restatement was made to reflect a payroll accrual not recorded in the prior year. The prior period adjustment was made to the general fund solely.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2012

NOTE 14 – SUBSEQUENT EVENTS

A. *Labor Cost Reform Strategy*

In July, 2012 the City adopted Memorandums of Understanding (MOU) with all employee bargaining units, Service Employees International Union (SEIU), Police and Unrepresented, that resulted in the following pension reforms:

- Current employees start paying a one year average compensation premium for a portion of the Employer Share.
- Future Police employees in new pension tier – 2% at 50 years old, three year average compensation.
- Future non-safety employees in new pension tier – 2% at 55 years old, three year average compensation.
- Implemented a severability clause if State imposes other significant pension reform.

The following other post employment benefits reform:

- Replace defined benefit other post employment benefits for current employees with three years or less service with defined contribution other post employment benefits.
- One time offer to all employees with greater than three years service to opt out of defined benefit other post employment benefits and replace with defined contribution other post employment benefits.
- Eliminate all other post employment benefits for all future employees.

The following health care reform:

- Eliminate health care benefits for City Council members.
- Cap employers share of Medical Health Care premiums at 90% of Kaiser Health Plan for all new employees.
- Inserted a severability clause if Federal Government imposes national health care reform

The following wage reform:

- Lower starting Wages 10% by adding two lower steps to former five step salary range.

B. *CalPERS Side Fund*

In July 2012, the City retired the miscellaneous employees CalPERS side fund in the amount of \$413,515; and thereby lowering the annual employers contribution rate for non-safety employees by 1.297%

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.

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CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax	\$6,585,000	\$6,505,000	\$6,451,912	(\$53,088)
Sales tax	2,431,105	2,511,105	1,694,242	(816,863)
Other tax	730,000	755,000	1,615,892	860,892
Licenses and permits	490,000	490,000	518,527	28,527
Fines and forfeitures	459,243	559,243	609,990	50,747
Use of money and property	350,000	350,000	484,277	134,277
Intergovernmental	77,500	47,500	122,682	75,182
Charges for services	893,300	1,004,300	1,320,267	315,967
Other revenues	443,350	504,375	102,023	(402,352)
Total Revenues	12,459,498	12,726,523	12,919,812	193,289
EXPENDITURES:				
Current:				
General government:				
Administration	1,228,374	1,228,374	1,155,959	72,415
Information Technology	557,275	557,275	536,937	20,338
Non departmental	930,015	930,015	978,827	(48,812)
Library	743,972	746,997	699,882	47,115
Public safety:				
Police	4,347,067	4,247,067	4,056,228	190,839
Fire	3,268,312	3,568,312	3,405,220	163,092
Community development	1,083,844	1,192,634	1,346,911	(154,277)
Public works	1,434,206	1,434,206	1,374,817	59,389
Parks & recreation	663,735	684,735	720,113	(35,378)
Total Expenditures	14,256,800	14,589,615	14,274,894	314,721
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,797,302)	(1,863,092)	(1,355,082)	508,010
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets			99,282	99,282
Transfers in	2,152,631	2,152,631	1,856,202	(296,429)
Transfers (out)	(355,000)	(355,000)	(645,721)	(290,721)
Total Other Financing Sources (Uses)	1,797,631	1,797,631	1,309,763	(487,868)
NET CHANGE IN FUND BALANCE	\$329	(\$65,461)	(45,319)	\$20,142
BEGINNING FUND BALANCE, AS RESTATED			8,511,141	
ENDING FUND BALANCE			\$8,465,822	

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, 2012

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	<u>\$719,366</u>	<u>\$530,331</u>	<u>(\$189,035)</u>
Total Revenues	<u>719,366</u>	<u>530,331</u>	<u>(189,035)</u>
EXPENDITURES:			
Current:			
General government	<u>318,964</u>	<u>342,505</u>	<u>(23,541)</u>
Total Expenditures	<u>318,964</u>	<u>342,505</u>	<u>(23,541)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>400,402</u>	<u>187,826</u>	<u>(212,576)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(366,655)</u>	<u>(1,276,655)</u>	<u>(910,000)</u>
Total Other Financing Sources (Uses)	<u>(366,655)</u>	<u>(1,276,655)</u>	<u>(910,000)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$33,747</u></u>	<u>(1,088,829)</u>	<u><u>(\$1,122,576)</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(2,491,917)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$3,580,746)</u></u>	

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 Traffic 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 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.

Public Safety Buildings Capital Projects Fund - To account for contributions and expenditures related to the design and construction of two new public safety buildings.

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

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	\$37,883		\$26,870	\$365,717	
Restricted cash and investments					
Receivables:					
Taxes receivables, net					
Accounts receivable, net		\$3,327			
Total Assets	<u>\$37,883</u>	<u>\$3,327</u>	<u>\$26,870</u>	<u>\$365,717</u>	
LIABILITIES					
Accounts payable		\$4,912	\$11,657	\$7	
Due to other funds		1,586			\$5
Total Liabilities		<u>6,498</u>	<u>11,657</u>	<u>7</u>	<u>5</u>
FUND BALANCE					
Restricted	\$37,883		15,213	365,710	
Committed					
Assigned					
Unassigned		(3,171)			(5)
Total Fund Balances	<u>37,883</u>	<u>(3,171)</u>	<u>15,213</u>	<u>365,710</u>	<u>(5)</u>
Total Liabilities and Fund Balances	<u>\$37,883</u>	<u>\$3,327</u>	<u>\$26,870</u>	<u>\$365,717</u>	

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
	\$33,531	\$145,644	\$959,041	\$10,000		
	1,256					\$94,000
	<u>\$34,787</u>	<u>\$145,644</u>	<u>\$959,041</u>	<u>\$10,000</u>		<u>\$94,000</u>
\$15						\$52,893
15						52,893
	\$34,787	\$145,644	\$959,041	\$10,000		41,107
(15)						
(15)	34,787	145,644	959,041	10,000		41,107
	<u>\$34,787</u>	<u>\$145,644</u>	<u>\$959,041</u>	<u>\$10,000</u>		<u>\$94,000</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2012

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Overpayment
ASSETS					
Cash and investments					
Restricted cash and investments		\$399,316			
Receivables:					
Taxes receivables, net		4,004			
Accounts receivable, net					
Total Assets		<u>\$403,320</u>			
LIABILITIES					
Accounts payable					
Due to other funds		\$5,800			
Total Liabilities		<u>5,800</u>			
FUND BALANCE					
Restricted		397,520			
Committed					
Assigned					
Unassigned					
Total Fund Balances		<u>397,520</u>			
Total Liabilities and Fund Balances		<u>\$403,320</u>			

<u>CAPITAL PROJECT FUNDS</u>		
<u>Library Improvement</u>	<u>Public Safety Buildings</u>	<u>Total Nonmajor Governmental Funds</u>
\$218,071		\$1,796,757 399,316
		5,260 97,327
<u>\$218,071</u>		<u>\$2,298,660</u>
		\$16,576 60,299
		76,875
\$218,071		2,006,905 218,071
		(3,191)
<u>218,071</u>		<u>2,221,785</u>
<u>\$218,071</u>		<u>\$2,298,660</u>

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees	Traffic Congestion Relief
REVENUES					
Property tax					
Fines and forfeitures		\$35,024			
Use of money and property	\$5,967	526	\$652	\$1,333	
Intergovernmental			222,044		
Charges for services				163,398	
Total Revenues	5,967	35,550	222,696	164,731	
EXPENDITURES					
Current:					
Public safety:					
Police					
Public works		28,191	117,219		5
Capital outlay		4,685			
Debt service:					
Principal					
Interest and other charges					
Total Expenditures		32,876	117,219		5
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	5,967	2,674	105,477	164,731	(5)
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)		(376,432)	(417,253)	(558,208)	
Total Other Financing Sources (Uses)		(376,432)	(417,253)	(558,208)	
NET CHANGE IN FUND BALANCES					
	5,967	(373,758)	(311,776)	(393,477)	(5)
BEGINNING FUND BALANCES (DEFICITS)					
	31,916	370,587	326,989	759,187	
ENDING FUND BALANCES (DEFICITS)					
	\$37,883	(\$3,171)	\$15,213	\$365,710	(\$5)

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Fire Grant</u>	<u>Measure A</u>
\$15	\$206	\$222	\$1,457		\$3	\$1
107,028	71,640			\$10,000		154,608
<u>107,043</u>	<u>71,846</u>	<u>222</u>	<u>1,457</u>	<u>10,000</u>	<u>3</u>	<u>154,609</u>
104,254						
2,775	19,302					
	3,448					
<u>107,029</u>	<u>22,750</u>					
14	49,096	222	1,457	10,000	3	154,609
	(129,477)	(680)			(1,483)	(94,000)
	(129,477)	(680)			(1,483)	(94,000)
14	(80,381)	(458)	1,457	10,000	(1,480)	60,609
(29)	115,168	146,102	957,584		1,480	(19,502)
<u>(\$15)</u>	<u>\$34,787</u>	<u>\$145,644</u>	<u>\$959,041</u>	<u>\$10,000</u>		<u>\$41,107</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, 2012

	SPECIAL REVENUE FUND	DEBT SERVICE FUND			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
REVENUES					
Property tax		\$529,643			
Fines and forfeitures					
Use of money and property	\$621				
Intergovernmental					
Charges for services					
Total Revenues	621	529,643			
EXPENDITURES					
Current:					
Public safety:					
Police					
Public works					
Capital outlay					
Debt service:					
Principal		1,970,000	\$3,011	\$37,284	\$22,521
Interest and other charges		634,922	162	34,871	215
Total Expenditures		2,604,922	3,173	72,155	22,736
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	621	(2,075,279)	(3,173)	(72,155)	(22,736)
OTHER FINANCING SOURCES (USES)					
Transfers in		2,136,175	3,173	72,155	31,830
Transfers (out)	(408,834)				
Total Other Financing Sources (Uses)	(408,834)	2,136,175	3,173	72,155	31,830
NET CHANGE IN FUND BALANCES	(408,213)	60,896			9,094
BEGINNING FUND BALANCES (DEFICITS)	408,213	336,624			(9,094)
ENDING FUND BALANCES (DEFICITS)		\$397,520			

CAPITAL PROJECT FUNDS

<u>Library Capital Improvement</u>	<u>Public Safety Buildings</u>	<u>Total Nonmajor Governmental Funds</u>
		\$529,643
		35,024
\$336	\$248	11,587
		493,680
		235,038
<u>336</u>	<u>248</u>	<u>1,304,972</u>
		104,254
		164,717
4,710	13,522	29,140
		2,032,816
	3,825	673,995
<u>4,710</u>	<u>17,347</u>	<u>3,004,922</u>
<u>(4,374)</u>	<u>(17,099)</u>	<u>(1,699,950)</u>
		2,243,333
	(2,290,736)	(4,277,103)
	(2,290,736)	(2,033,770)
(4,374)	(2,307,835)	(3,733,720)
<u>222,445</u>	<u>2,307,835</u>	<u>5,955,505</u>
<u>\$218,071</u>	<u></u>	<u>\$2,221,785</u>

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2012

	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	\$35,024	(\$4,976)	\$500	\$652	\$152
Use of money and property	6,000	526	(5,474)	131,500	222,044	90,544
Intergovernmental						
Charges for services						
Other revenues						
Total Revenues	<u>46,000</u>	<u>35,550</u>	<u>(10,450)</u>	<u>132,000</u>	<u>222,696</u>	<u>90,696</u>
EXPENDITURES						
Current:						
Public works	45,000	28,191	16,809	83,000	117,219	(34,219)
Capital outlay		4,685	(4,685)			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>45,000</u>	<u>32,876</u>	<u>12,124</u>	<u>83,000</u>	<u>117,219</u>	<u>(34,219)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,000</u>	<u>2,674</u>	<u>1,674</u>	<u>49,000</u>	<u>105,477</u>	<u>56,477</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(22,735)</u>	<u>(376,432)</u>	<u>(353,697)</u>	<u>(109,250)</u>	<u>(417,253)</u>	<u>(308,003)</u>
Total Other Financing Sources (Uses)	<u>(22,735)</u>	<u>(376,432)</u>	<u>(353,697)</u>	<u>(109,250)</u>	<u>(417,253)</u>	<u>(308,003)</u>
NET CHANGES IN FUND BALANCES		(373,758)			(311,776)	
BEGINNING FUND BALANCES (DEFICITS)		<u>370,587</u>			<u>326,989</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>(\$3,171)</u></u>			<u><u>\$15,213</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)
	\$1,333	\$1,333				\$1,500	\$206	(\$1,294)
\$150,000	163,398	13,398	\$72,000		(\$72,000)	69,500	71,640	2,140
<u>150,000</u>	<u>164,731</u>	<u>14,731</u>	<u>72,000</u>		<u>(72,000)</u>	<u>71,000</u>	<u>71,846</u>	<u>846</u>
				\$5	(5)		19,302	(19,302)
						19,800	3,448	16,352
				5	(5)	19,800	22,750	(2,950)
<u>150,000</u>	<u>164,731</u>	<u>14,731</u>		<u>(5)</u>	<u>(5)</u>	<u>51,200</u>	<u>49,096</u>	<u>(2,104)</u>
<u>(615,327)</u>	<u>(558,208)</u>	<u>\$57,119</u>	<u>(77,000)</u>		<u>77,000</u>	<u>(30,000)</u>	<u>(129,477)</u>	<u>(99,477)</u>
<u>(615,327)</u>	<u>(558,208)</u>	<u>57,119</u>	<u>(77,000)</u>		<u>77,000</u>	<u>(30,000)</u>	<u>(129,477)</u>	<u>(99,477)</u>
	(393,477)			(5)			(80,381)	
	<u>759,187</u>						<u>115,168</u>	
	<u>\$365,710</u>			<u>(\$5)</u>			<u>\$34,787</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2012

SPECIAL REVENUE FUNDS

	Stairs Fund		Recreation Grant			
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures						
Use of money and property		\$222	\$222			
Intergovernmental				\$15,000	\$10,000	(\$5,000)
Charges for services						
Other revenues						
Total Revenues		<u>222</u>	<u>222</u>	<u>15,000</u>	<u>10,000</u>	<u>(5,000)</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>222</u>	<u>222</u>	<u>15,000</u>	<u>10,000</u>	<u>(5,000)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)		(680)	(680)	(15,000)		15,000
Total Other Financing Sources (Uses)		<u>(680)</u>	<u>(680)</u>	<u>(15,000)</u>		<u>15,000</u>
NET CHANGES IN FUND BALANCES		(458)			10,000	
BEGINNING FUND BALANCES (DEFICITS)		<u>146,102</u>				
ENDING FUND BALANCES (DEFICITS)		<u>\$145,644</u>			<u>\$10,000</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)
						\$512,343	\$529,643	\$17,300
\$500	\$1	(\$499)		\$621	\$621			
60,608	154,608	94,000						
<u>61,108</u>	<u>154,609</u>	<u>93,501</u>		<u>621</u>	<u>621</u>	<u>512,343</u>	<u>529,643</u>	<u>17,300</u>
						165,000	1,970,000	1,805,000
						344,870	634,922	290,052
						509,870	2,604,922	2,095,052
<u>61,108</u>	<u>154,609</u>	<u>93,501</u>		<u>621</u>	<u>621</u>	<u>2,473</u>	<u>(2,075,279)</u>	<u>(2,077,752)</u>
<u>(74,508)</u>	<u>(94,000)</u>	<u>(19,492)</u>		<u>(408,834)</u>	<u>(408,834)</u>	<u>(2,473)</u>	<u>2,136,175</u>	<u>2,136,175</u>
<u>(74,508)</u>	<u>(94,000)</u>	<u>(19,492)</u>		<u>(408,834)</u>	<u>(408,834)</u>	<u>(2,473)</u>	<u>2,136,175</u>	<u>2,138,648</u>
	60,609			(408,213)			60,896	
	<u>(19,502)</u>			<u>408,213</u>			<u>336,624</u>	
	<u>\$41,107</u>						<u>\$397,520</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2012

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	\$3,011	\$3,011		\$37,284	\$37,284	
Interest and other charges	162	162		34,871	34,871	
Total Expenditures	3,173	3,173		72,155	72,155	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,173)	(3,173)		(72,155)	(72,155)	
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 (DEFICITS)						
ENDING FUND BALANCES (DEFICITS)						

DEBT SERVICE FUND

Vehicle Code Fine Overpayment

Budget	Actual	Variance Positive (Negative)
\$22,521	\$22,521	
215	215	
22,736	22,736	
(22,736)	(22,736)	
22,735	31,830	9,095
22,735	31,830	9,095
	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, 2012

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$2,691,869	\$1,460,697	\$1,106,445	\$287,032	\$5,546,043
Accounts receivable, net	1,664				1,664
Total current assets	2,693,533	1,460,697	1,106,445	287,032	5,547,707
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	161,023				161,023
Total noncurrent assets	161,023				161,023
Total Assets	2,854,556	1,460,697	1,106,445	287,032	5,708,730
LIABILITIES					
Current liabilities:					
Accounts payable	243,622	49,393	157,410		450,425
Accrued interest payable	2,208				2,208
Claims payable - due within one year		221,491		45,027	266,518
Long-term debt - due within one year	67,046				67,046
Total current liabilities	312,876	270,884	157,410	45,027	786,197
Noncurrent liabilities					
Claims payable, due in more than one year		477,139		71,714	548,853
Long-term debt - due in more than one year	69,816				69,816
Total noncurrent liabilities	69,816	477,139		71,714	618,669
Total Liabilities	382,692	748,023	157,410	116,741	1,404,866
NET ASSETS					
Invested in capital assets, net of related debt	24,161				24,161
Unrestricted	2,447,703	712,674	949,035	170,291	4,279,703
Total Net Assets	\$2,471,864	\$712,674	\$949,035	\$170,291	\$4,303,864

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue	\$39,924	\$288,475			\$328,399
Total Operating Revenues	39,924	288,475			328,399
OPERATING EXPENSES					
Repairs and maintenance	3,003				3,003
Other operating expenses	26,189	320,500	\$194,493	\$118,048	659,230
Depreciation	146,541				146,541
Total Operating Expenses	175,733	320,500	194,493	118,048	808,774
Operating Income (Loss)	(135,809)	(32,025)	(194,493)	(118,048)	(480,375)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	4,018	2,501	\$1,665	271	8,455
Interest (expense)	(6,358)				(6,358)
Total nonoperating revenue	(2,340)	2,501	1,665	271	2,097
Income before transfers	(138,149)	(29,524)	(192,828)	(117,777)	(478,278)
Transfers in	227,503		64,964	200,000	492,467
Transfers (out)		(200,000)			(200,000)
Transfers, net	227,503	(200,000)	64,964	200,000	292,467
Change in Net Assets Before Extraordinary Items	89,354	(229,524)	(127,864)	82,223	(185,811)
EXTRAORDINARY ITEMS					
Assets transferred to the Southern Marin Fire Protection District	(577,587)				(577,587)
Change in Net Assets	(488,233)	(229,524)	(127,864)	82,223	(763,398)
BEGINNING NET ASSETS	2,960,097	942,198	1,076,899	88,068	5,067,262
ENDING NET ASSETS	\$2,471,864	\$712,674	\$949,035	\$170,291	\$4,303,864

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$39,430	\$288,475			\$327,905
Payment to suppliers	(29,192)	(367,207)	(\$37,083)	(\$95,513)	(\$528,995)
Cash Flows from Operating Activities	10,238	(78,732)	(37,083)	(95,513)	(201,090)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	227,503		64,964	200,000	492,467
Transfers out		(200,000)			(200,000)
Cash Flows from Noncapital Financing Activities	227,503	(200,000)	64,964	200,000	292,467
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(28,600)				(28,600)
Assets transferred to the Southern Marin Fire Protection District					
Interest expense	(7,579)				(7,579)
Payment of long-term debt	(64,385)				(64,385)
Cash Flows from Capital and Related Financing Activities	(100,564)				(100,564)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	4,179	2,501	1,665	271	8,616
Net Cash Flows	141,356	(276,231)	29,546	104,758	(571)
Cash and investments at beginning of period	2,550,513	1,736,928	1,076,899	182,274	5,546,614
Cash and investments at end of period	\$2,691,869	\$1,460,697	\$1,106,445	\$287,032	\$5,546,043
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$135,809)	(\$32,025)	(\$194,493)	(\$118,048)	(\$480,375)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	146,541				146,541
Change in assets and liabilities:					
Accounts receivable	(494)				(494)
Accounts payable		31,607	157,410		189,017
Claims payable		(78,314)		22,535	(55,779)
Cash Flows from Operating Activities	\$10,238	(78,732)	(37,083)	(95,513)	(201,090)
Supplemental Schedule of Noncash Capital and Financing Activities:					
Assets transferred to the Southern Marin Fire Protection District	(\$577,587)				(\$577,587)
Accounts payable	243,622				243,622

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
 FOR THE YEAR ENDED JUNE 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Downtown 1989-1 Assessment District</u>				
Assets:				
Cash and investments	\$48,421		\$48,421	
Total Assets	<u>\$48,421</u>		<u>\$48,421</u>	
Liabilities:				
Due to Assessment District	\$48,421		\$48,421	
Total Liabilities	<u>\$48,421</u>		<u>\$48,421</u>	
<u>Sunshine Central Assessment District</u>				
Assets:				
Cash and investments	\$79,719	\$60	\$41,539	\$38,240
Assessments receivable	405		405	
Total Assets	<u>\$80,124</u>	<u>\$60</u>	<u>\$41,944</u>	<u>\$38,240</u>
Liabilities:				
Due to Assessment District	\$80,124	\$60	\$41,944	\$38,240
Total Liabilities	<u>\$80,124</u>	<u>\$60</u>	<u>\$41,944</u>	<u>\$38,240</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$128,140	\$60	\$89,960	\$38,240
Assessments receivable	405		405	
Total Assets	<u>\$128,545</u>	<u>\$60</u>	<u>\$90,365</u>	<u>\$38,240</u>
Liabilities:				
Due to Assessment District	\$128,545	\$60	\$90,365	\$38,240
Total Liabilities	<u>\$128,545</u>	<u>\$60</u>	<u>\$90,365</u>	<u>\$38,240</u>

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

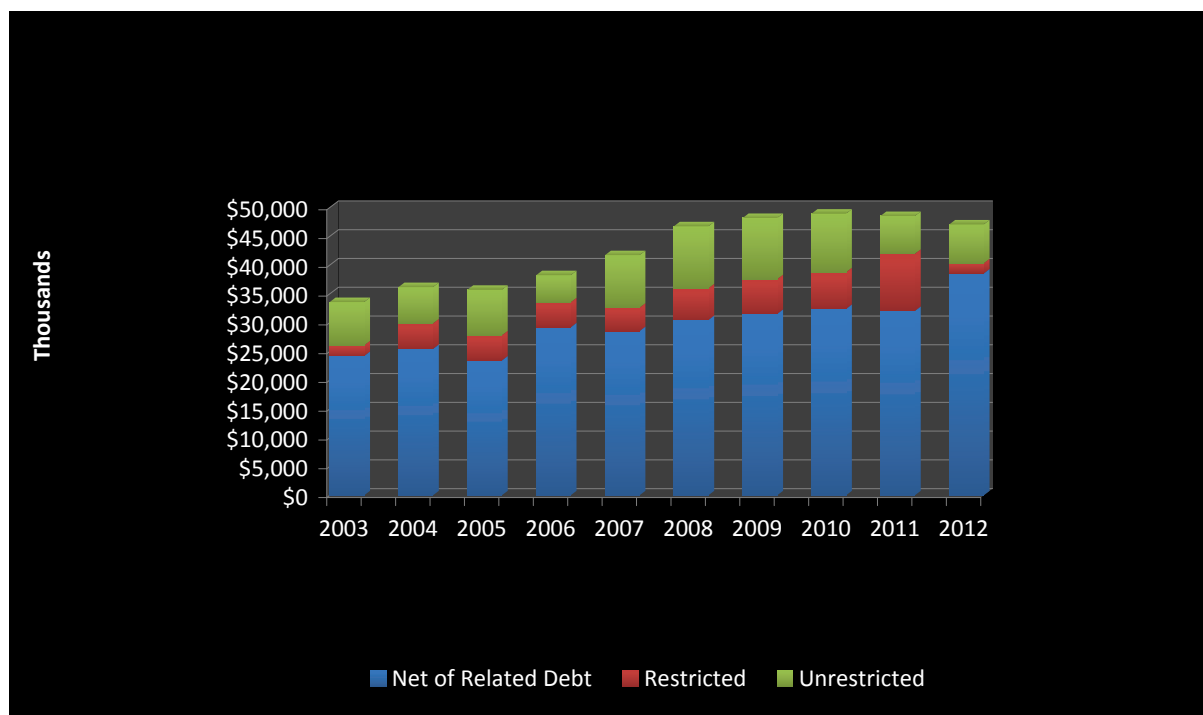
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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 Ten Fiscal Years
(accrual basis of accounting)



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
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>
Business-type activities					
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>
Primary government					
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>	<u>2012</u>
\$22,219,842	\$22,780,292	\$22,575,555	\$20,994,353	\$26,947,881
5,500,248	6,042,756	6,377,136	9,933,293	1,779,505
11,629,163	11,899,892	12,003,340	9,567,196	10,068,131
<u>\$39,349,253</u>	<u>\$40,722,940</u>	<u>\$40,956,031</u>	<u>\$40,494,842</u>	<u>\$38,795,517</u>
8,259,934	8,752,619	9,821,094	11,049,878	11,608,272
(851,378)	(1,270,712)	(1,826,693)	(3,000,983)	(3,324,964)
<u>\$7,408,556</u>	<u>\$7,481,907</u>	<u>\$7,994,401</u>	<u>\$8,048,895</u>	<u>\$8,283,308</u>
\$30,479,776	\$31,532,911	\$32,396,649	\$32,044,231	\$38,556,153
5,500,248	6,042,756	6,377,136	9,933,293	1,779,505
10,777,785	10,629,180	10,176,647	6,566,213	6,743,167
<u>\$46,757,809</u>	<u>\$48,204,847</u>	<u>\$48,950,432</u>	<u>\$48,543,737</u>	<u>\$47,078,825</u>

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

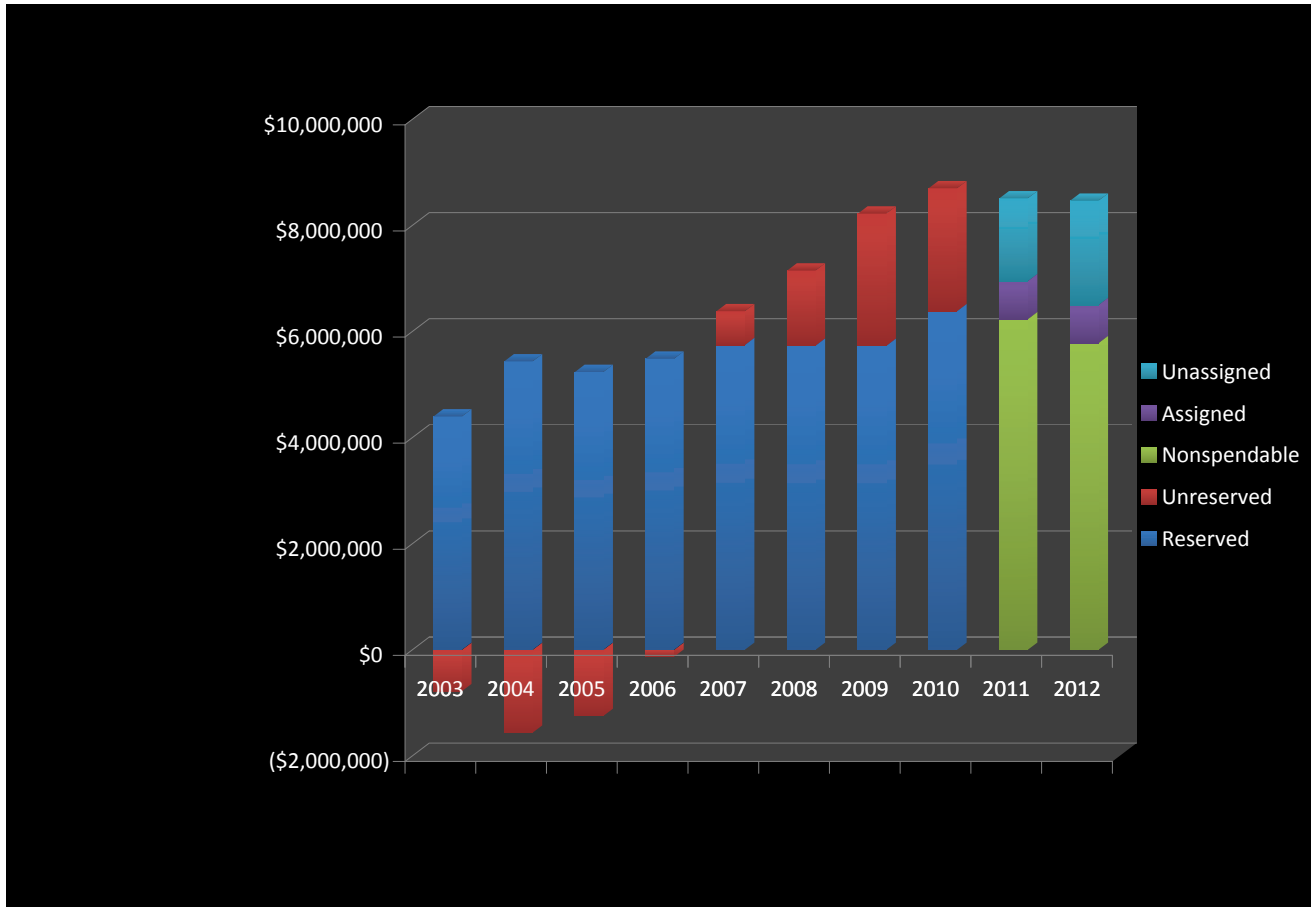
	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$2,387,468	\$1,672,262	\$1,858,807	\$1,975,355	\$2,108,977	\$2,305,440	\$2,460,907	\$2,501,641	\$2,918,515	\$3,118,473
Library	559,529	514,032	563,306	556,820	585,356	608,786	648,827	705,531	736,138	689,413
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	4,605,286	4,950,954
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	3,584,319	3,552,475
Community Development	958,260	1,012,057	853,183	983,680	943,705	1,047,188	1,065,522	1,174,708	1,162,419	1,370,227
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	2,016,258	2,222,144
Parks & Recreation	555,263	597,230	591,248	580,431	474,709	487,822	564,938	629,919	689,994	737,184
PERS sidetfund 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	1,056,346
Total Governmental Activities Expenses	11,963,858	11,265,246	11,764,672	11,972,163	12,349,390	13,443,207	15,038,856	15,245,357	16,498,754	17,697,216
Business-Type Activities:										
MLK	1,037,483	925,605	768,866	796,391	688,495	954,757	881,738	796,021	794,100	752,882
Sewer	756,182	621,682	650,313	664,139	670,158	678,833	1,478,463	1,458,226	1,561,902	1,546,806
Parking	388,699	295,693	335,191	323,647	271,123	191,870	219,374	215,401	359,878	370,724
Old City Hall	141,065	119,474	95,779	88,485	80,153	72,648	65,692	55,779	71,271	35,369
Total Business-Type Activities Expenses	2,323,429	1,962,454	1,850,149	1,872,662	1,709,929	1,898,108	2,645,267	2,525,427	2,787,151	2,705,781
Total Primary Government Expenses	\$14,287,287	\$13,227,700	\$13,614,821	\$13,844,825	\$14,059,319	\$15,341,315	\$17,684,123	\$17,770,784	\$19,285,905	\$20,402,997
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	\$35,019
Library	16,314	16,997	17,438	20,346	19,333	19,407	17,338	16,818	13,812	11,735
Public Safety:										
Police Services	312,094	429,926	469,648	366,439	396,462	365,355	474,668	358,257	292,898	621,562
Fire Services	207	526	110,888	105,208	98,510	119,737	150,136	111,318	148,672	131,127
Community Development	559,729	774,246	488,616	553,550	748,002	851,233	634,707	653,404	781,973	742,691
Public Works	168,327	163,009	1,120	406,325	313,757	438,593	344,104	261,219	364,494	284,478
Parks & recreation	299,760	324,756	395,895	330,412	292,731	239,466	285,936	348,244	301,240	373,707
Operating Grants and Contributions	95,150	100,000	452,832	432,030	291,314	291,314	347,043	396,210	358,806	348,997
Capital Grants and Contributions	997,210	1,934,377	416,309	175,951	508,426	857,212	411,134	139,678	347,764	355,315
Total Government Activities Program Revenues	2,454,715	3,748,155	2,388,337	2,420,945	2,724,876	3,214,738	2,698,379	2,314,442	2,650,580	2,904,631

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

	Fiscal Year Ended June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$960,525
Sewer	516,362	677,753	777,871	789,274	755,547	951,956	947,717	1,355,961	1,406,892	1,492,093
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	1,716,346
Old City Hall	376,525	312,096	299,940	338,327	306,263	315,026	285,999	218,685	231,087	247,490
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	4,416,454
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	\$7,321,085
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)	(\$13,848,174)	(\$14,792,585)
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	1,710,673
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)	(\$12,364,513)	(\$13,081,912)
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	6,948,365	\$6,950,008	\$7,187,886	\$7,006,903	\$6,981,555
Property taxes						1,681,133	1,693,752	1,535,715	1,443,028	1,694,242
Sales taxes						1,005,984	860,117	784,104	828,819	893,946
Transient occupancy tax						1,259,143	1,249,265	1,105,614	1,200,878	1,240,473
Other taxes						33,049	25,518	22,139	34,616	3,758
Motor vehicle in-lieu, unrestricted	802,647	883,506	959,988	1,005,955	1,260,532	1,472,122	1,077,455	883,665	866,032	862,014
Use of Money/Property and interest earnings	870,035	722,079	-	225,093	274,313	802,791	555,674	486,980	568,659	514,282
Intergovernmental revenues	220,510	198,521	70,602	1,020,172	1,020,172	1,220,375	1,302,375	1,157,903	1,438,050	1,480,577
Other Revenues	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	1,480,577
Transfers										
Extraordinary items:										
Assets transferred to the Southern Marin Fire Protection District										
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	13,093,260
Business-Type Activities:										
Use of Money/Property and interest earnings	38,268	49,431	100,191	0	175,687	173,837	74,120	14,806	8,883	4,166
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)	(1,480,577)
Other Revenues	75	1,003	56,000	0	1,185	68,879	65,100	170	151	151
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)	(1,476,260)
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	\$11,617,000
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	(\$461,189)	(\$1,699,325)
Business-Type Activities	(599,893)	90,884	372,143	498,544	789,659	821,672	73,351	512,494	54,494	234,413
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	(\$406,695)	(\$1,464,912)

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)



	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$4,399,411	\$5,437,966	\$5,238,531	\$5,488,760	\$5,745,083	\$5,733,861
Unreserved	(779,880)	(1,561,820)	(1,246,604)	(131,095)	638,186	1,416,825
Nonspendable						
Assigned						
Unassigned						
Total General Fund	<u>\$3,619,531</u>	<u>\$3,876,146</u>	<u>\$3,991,927</u>	<u>\$5,357,665</u>	<u>\$6,383,269</u>	<u>\$7,150,686</u>
All Other Governmental Funds						
Reserved	\$1,691,910	\$2,080,493	\$2,635,159	\$2,324,457	\$20,811,534	\$22,280,358
Unreserved, reported in:						
Special revenue funds	(12,046)	37,388	72,315	903,306	348,915	364,328
Debt Service funds						
Capital project funds	996,628	924,250	1,448,767	1,128,846	530,607	1,115,694
Restricted						
Committed						
Unassigned						
Total all other governmental funds	<u>\$2,676,492</u>	<u>\$3,042,131</u>	<u>\$4,156,241</u>	<u>\$4,356,609</u>	<u>\$21,691,056</u>	<u>\$23,760,380</u>

- (a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.
(b) In Fiscal 2011, the City implemented Governmental Accounting Standard Board number 54.

2009	2010	2011	2012	
		(b)		
\$5,730,766	\$6,383,498			
2,493,611	2,317,953			
		\$6,232,107	\$5,781,767	
		717,618	717,617	
		1,561,416	1,966,438	
<u>\$8,224,377</u>	<u>\$8,701,451</u>	<u>\$8,511,141</u>	<u>\$8,465,822</u>	(a)
\$17,962,308	\$11,938,261			
165,190	131,009			
2,241,043	2,401,799			
		\$11,251,205	\$2,930,578	
		3,969,308	3,865,385	
		(4,060,899)	(4,963,081)	
<u>\$20,368,541</u>	<u>\$14,471,069</u>	<u>\$11,159,614</u>	<u>\$1,832,882</u>	

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

	Fiscal Year Ended June 30,				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$6,843,694	\$7,057,832	\$8,598,378	\$8,747,139	\$9,231,669
Licenses, permits and fees	630,064	830,093	737,914	532,635	531,908
Fines and forfeitures	388,746	484,426	502,540	415,643	466,804
Use of money and property	780,282	854,201	933,447	1,129,124	1,679,124
Intergovernmental revenues	1,962,395	2,756,456	298,057	354,548	328,187
Charges for services	343,546	399,259	582,329	1,397,321	1,437,061
Reimbursements					
Special Assessments					
PERS Superfund Credit	153,504	237,734			
Other	66,057	(10,434)	240,422	355,357	118,309
Total Revenues	11,168,288	12,609,567	11,893,087	12,931,767	13,793,062
Expenditures					
Current:					
Police	2,959,822	3,106,757	3,461,904	3,218,507	3,491,289
Fire	2,018,255	2,245,455	2,317,331	2,441,656	2,558,799
Public Works	1,540,882	1,290,358	1,229,704	1,598,070	1,276,236
Non-Departmental					
General Government	2,133,739	1,462,190	1,804,390	2,049,278	2,081,499
Community Development	930,604	1,040,149	845,722	820,015	962,469
Library	541,340	521,133	538,141	556,081	582,394
Parks & Recreation	539,750	580,801	553,372	583,719	473,093
Capital outlay	1,031,069	2,595,014	234,772	779,899	421,648
Debt service:					
Principal repayment	25,089	26,218	27,398	31,149	59,003
Interest and fiscal charges	47,067	45,938	44,758	44,179	106,203
PERS Sidefund Expense			391,230		
Total Expenditures	11,767,617	12,914,013	11,448,722	12,122,553	12,012,633
Excess (deficiency) of revenues over (under) expenditures	(599,329)	(304,446)	444,365	809,214	1,780,429
Other Financing Sources (Uses)					
Issuance of long-term debt					15,982,967
Proceeds from sale of capital assets					
Contributions/donations returned					
Transfers in	1,376,111	1,764,400	2,582,531	1,459,727	1,801,793
Transfers (out)	(351,700)	(837,700)	(1,781,857)	(702,835)	(1,205,138)
Total other financing sources (uses)	1,024,411	926,700	800,674	756,892	16,579,622
Net Change in fund balances	\$425,082	\$622,254	\$1,245,039	\$1,566,106	\$18,360,051
Debt service as a percentage of noncapital expenditures					
	(a)	0.7%	0.7%	0.7%	0.7%

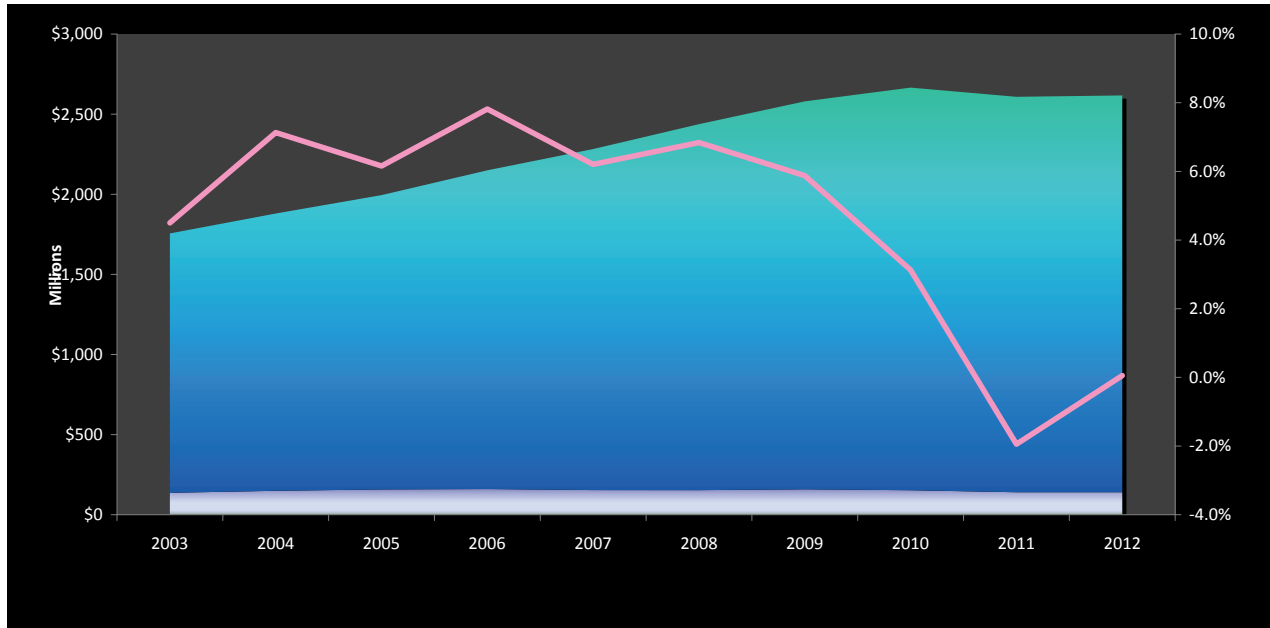
NOTE:

(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,

2008	2009	2010	2011	2012
\$10,390,160	\$10,270,006	\$10,151,744	\$10,004,760	\$10,291,689
537,514	483,136	461,575	474,868	518,527
417,762	503,734	381,604	321,396	645,014
2,194,162	1,491,637	1,039,837	1,016,098	1,028,066
396,174	727,383	642,848	704,981	846,540
1,648,450	1,436,468	1,407,911	1,622,614	1,555,305
<u>481,122</u>	<u>125,193</u>	<u>218,130</u>	<u>442,684</u>	<u>102,023</u>
<u>16,065,344</u>	<u>15,037,557</u>	<u>14,303,649</u>	<u>14,587,401</u>	<u>14,987,164</u>
3,589,006	3,894,142	3,985,787	4,124,282	4,160,482
2,819,882	2,886,438	2,917,299	3,276,774	3,405,220
1,354,909	1,356,397	1,334,790	1,417,939	1,539,534
2,197,536	2,388,116	2,400,164	2,810,563	3,014,228
1,049,025	1,057,405	1,165,577	1,152,318	1,346,911
610,525	624,285	701,018	716,291	699,882
489,077	557,792	620,833	680,365	720,113
1,358,757	4,821,958	7,106,904	4,295,013	8,053,426
80,761	149,097	197,960	221,185	227,816
413,800	578,176	398,720	391,069	2,478,995
<u>13,963,278</u>	<u>18,313,806</u>	<u>20,829,052</u>	<u>19,085,799</u>	<u>25,646,607</u>
<u>2,102,066</u>	<u>(3,276,249)</u>	<u>(6,525,403)</u>	<u>(4,498,398)</u>	<u>(10,659,443)</u>
175,036		2,070	30	99,282
3,412,894	1,861,768	2,414,624	8,650,470	7,387,589
<u>(2,853,255)</u>	<u>(903,667)</u>	<u>(1,311,689)</u>	<u>(7,653,867)</u>	<u>(6,199,479)</u>
<u>734,675</u>	<u>958,101</u>	<u>1,105,005</u>	<u>996,633</u>	<u>1,287,392</u>
<u>\$2,836,741</u>	<u>(\$2,318,148)</u>	<u>(\$5,420,398)</u>	<u>(\$3,501,765)</u>	<u>(\$9,372,051)</u>
1.4%	4.1%	5.3%	5.3%	18.2%

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



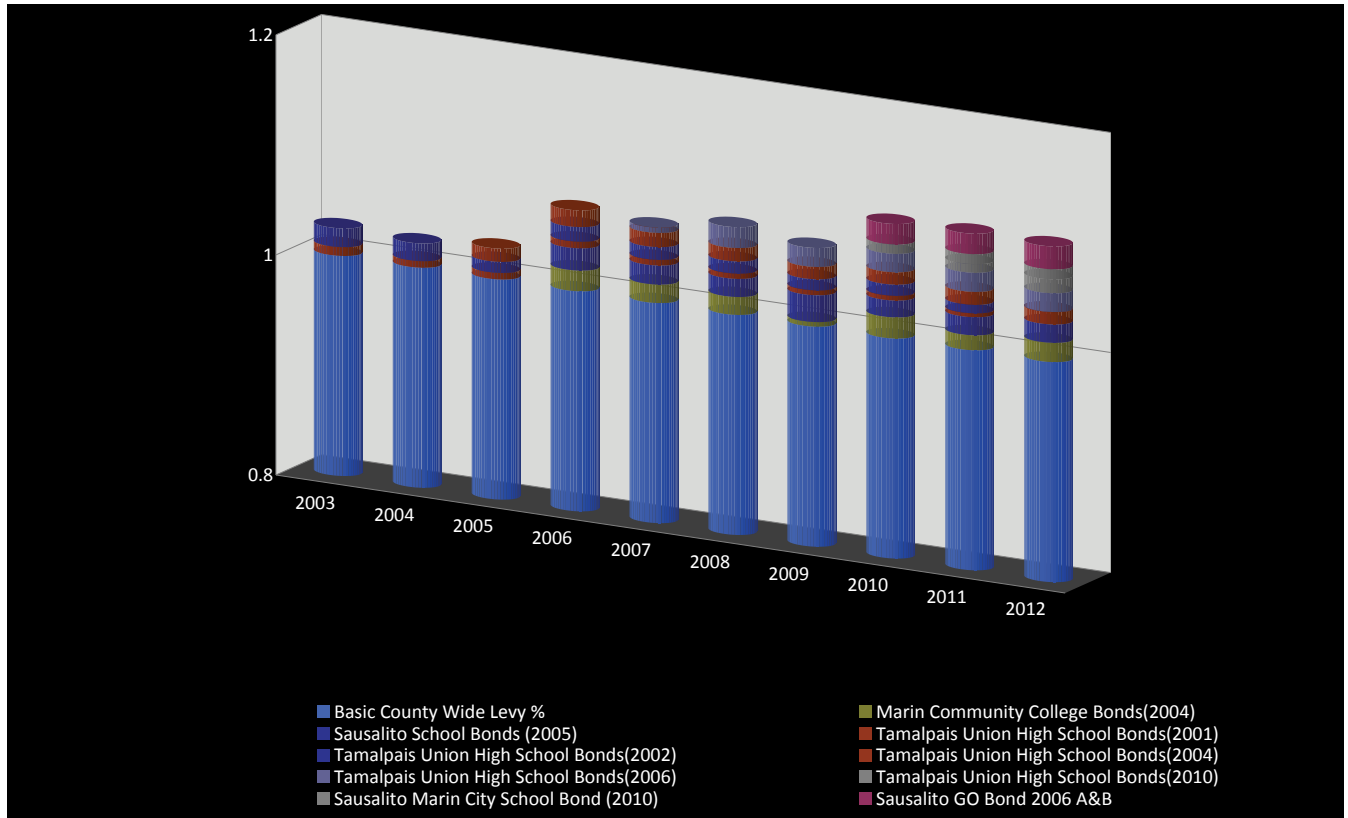
Fiscal Year	Secured Property	Unsecured Property	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate (b)	Percentage Growth Change
2003	1,618,842,563	136,698,533	1,755,541,096	(11,762,638)	1,743,778,458	1.0%	4.5%
2004	1,730,893,690	149,147,611	1,880,041,301	(11,910,864)	1,868,130,437	1.0%	7.1%
2005	1,837,392,573	157,555,642	1,994,948,215	(11,794,115)	1,983,154,100	1.0%	6.2%
2006	1,989,344,963	160,379,976	2,149,724,939	(11,538,801)	2,138,186,138	1.0%	7.8%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1.0%	6.2%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1.0%	6.8%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1.0%	5.9%
2010	2,513,428,982	152,598,806	2,666,027,788	(16,982,585)	2,649,045,203	1.0%	3.1%
2011	2,468,550,019	140,203,752	2,608,753,771	(11,208,945)	2,597,544,826	1.0%	-1.9%
2012	2,476,928,667	140,149,198	2,617,077,865	(18,159,174)	2,598,918,691	1.0%	0.1%

(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, LLC

**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 Marin City School Bond (2010)</u>	<u>Sausalito GO Bond 2006 A&B</u>
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		0.0085	0.0185
2011	1.0000	0.0136	0.0165	0.0035	0.0078	0.0117	0.0174	0.0078	0.009	0.0186
2012	1.0000	0.0175	0.0167	0.0113	0.0000	0.0000	0.0171	0.0126	0.0091	0.0208

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

CITY OF SAUSALITO
Principal Property Taxpayers
Current Year (a)

<u>Taxpayer</u>	<u>2011-12</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Ca-One & Three Harbor Drive Of	\$28,335,000	1	1.1%
Westcore Marin LLC	20,000,000	2	0.8%
Crump Walter G IV	17,188,969	3	0.7%
MCSSM LLC	15,012,555	4	0.6%
PSH LLC	13,025,986	5	0.5%
Casa Madrona Hotel & Spa LLC	11,457,676	6	0.4%
ICB Associates LLC	8,565,339	7	0.3%
Winblad Associates LP	7,657,227	8	0.3%
Clipper Yacht Co LLC	7,178,888	9	0.3%
Matschullat Robert W	6,960,460	10	0.3%
	<u>\$135,382,100</u>		<u>5.2%</u>

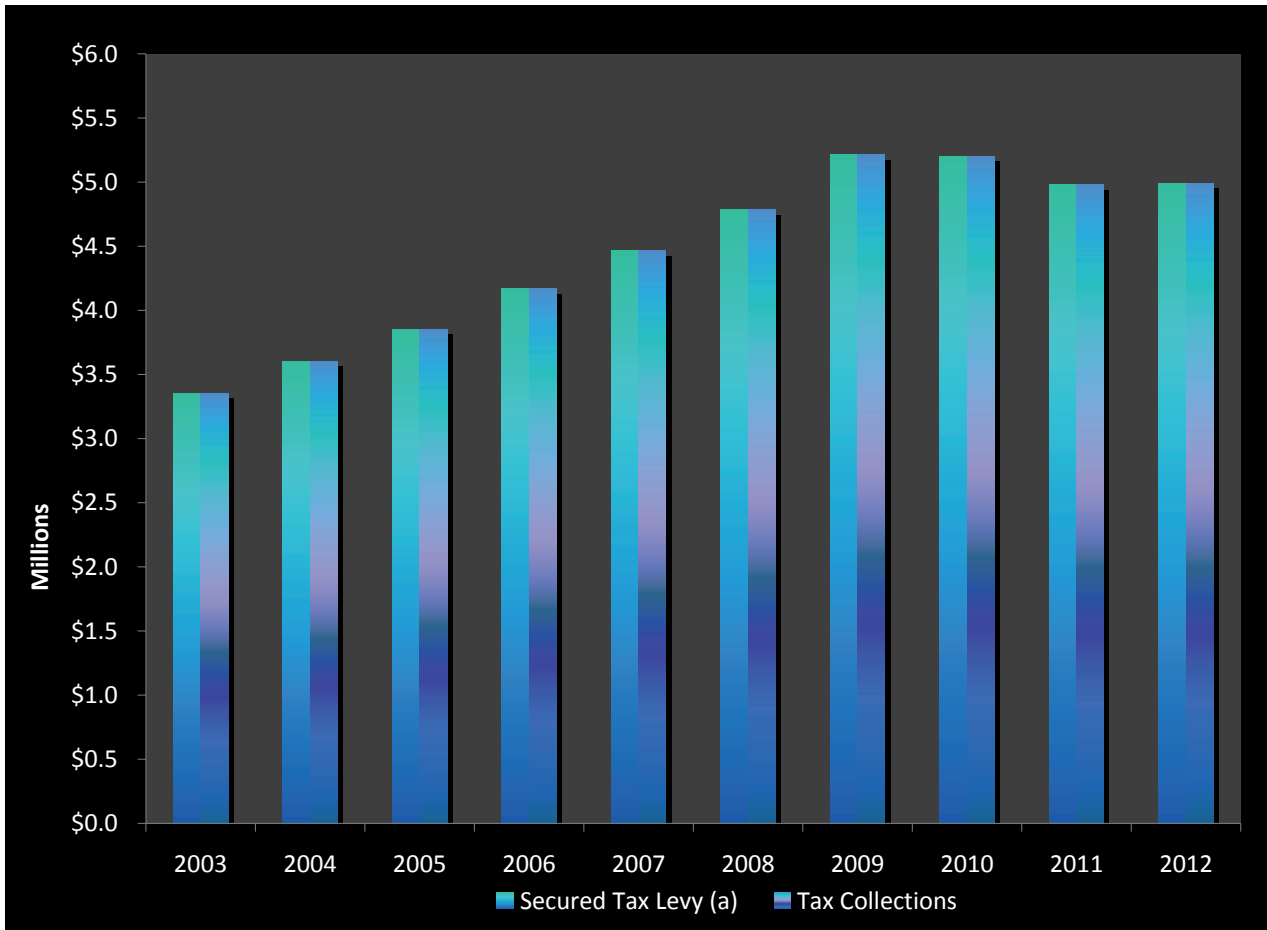
Total City Taxable Assessed Value:
 Fiscal Year 2011-12

\$2,598,918,691

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

Source: MuniServices, LLC

**CITY OF SAUSALITO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN 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%
2012	4,990,022	4,990,022	100%	0%	4,990,022	100%

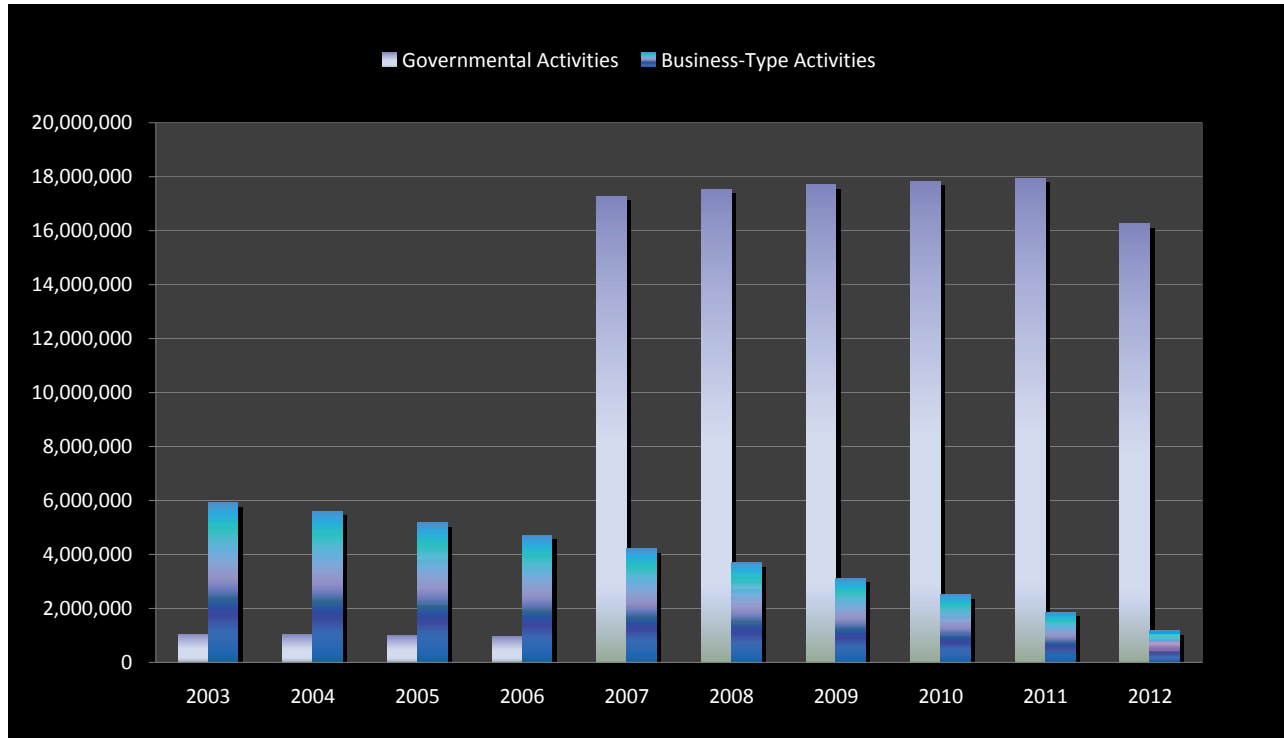
The City of Sausalito has elected to show ten years of data for this schedule.

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

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
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
2012	146,388	740,738	15,377,772	16,264,898

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)
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
2012	505,015	660,000		1,165,015	17,429,913	0.67%	2,442

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, LLC

CITY OF SAUSALITO
Ratio of General Bonded Debt Outstanding
Last Six 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
2012	15,377,772	15,377,772	0.59%	2,154

Note: FY2007 was the first year the City had general bonded debt outstanding.

Source: City of Sausalito

**CITY OF SAUSALITO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2012**

2011-12 Total Assessed Valuation \$2,617,077,865

	Total Debt 6/30/2012	% Applicable (1)	City's Share of Debt 6/30/2012
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Marin Community College District	\$178,950,000	4.982%	\$8,915,289
Tamalpais Union High School District	158,100,000	8.092%	12,793,452
Sausalito Marin City School District	14,354,924	90.567%	13,000,824
Marin Municipal Water District Wolfbackridge Assessment District	520,000	100.000%	520,000
City of Sausalito (2)	15,377,772	100.000%	15,377,772
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$50,607,337
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$77,042,312	4.973%	\$3,831,314
Marin County Pension Obligations	110,185,000	4.973%	5,479,500
Marin County Transit District General Fund Obligations	205,025	4.973%	10,196
Marin Municipal Water District General Fund Obligations	166,800	6.333%	10,563
Marin Community College District General Fund Obligations	2,800,834	4.982%	139,538
Sausalito Marin City School District General Fund Obligations	1,820,000	90.567%	1,648,319
City of Sausalito General Fund Obligations (3)	491,712	100.000%	491,712
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$11,611,143
TOTAL DIRECT DEBT			\$15,869,484
TOTAL OVERLAPPING DEBT			\$46,348,996
COMBINED TOTAL DEBT (4)			\$62,218,480

(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 2011-12 TOTAL ASSESSED VALUATION:

Direct Debt (\$15,377,772)	0.59%
Total Direct Debt (\$15,869,484)	0.61%
Total Direct and Overlapping Tax and Assessment Debt	1.93%
Combined Total Debt	2.38%

State School Building Aid Repayable As Of 6/30/2012: \$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
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%
2011	98,140,420	15,377,772 (2)	82,762,648	15.7%

2011-12 Legal Debt Margin Information (1)

Assessed Valuation	\$2,617,077,865
Conversion Percentage	25%
Adjusted Assessed Valuation	\$654,269,466
Debt Limit Percentage	15%
Debt Limit	\$98,140,420
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$15,377,772
Legal Debt Margin	\$82,762,648
Total Debt Applicable to the Limit as a percentage of the Limit	15.7%

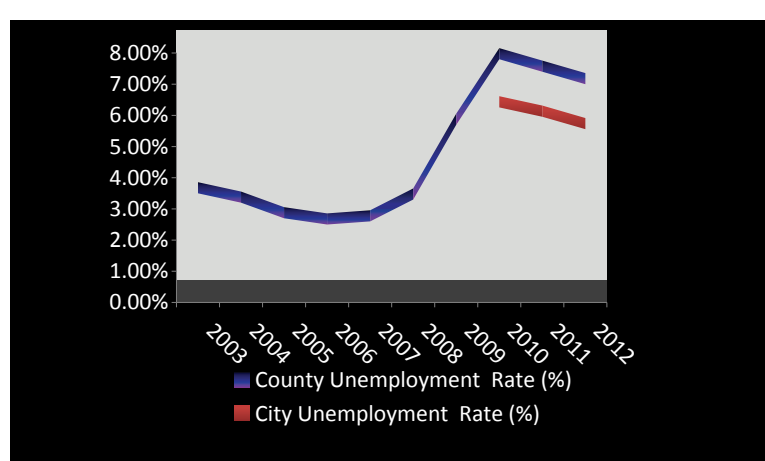
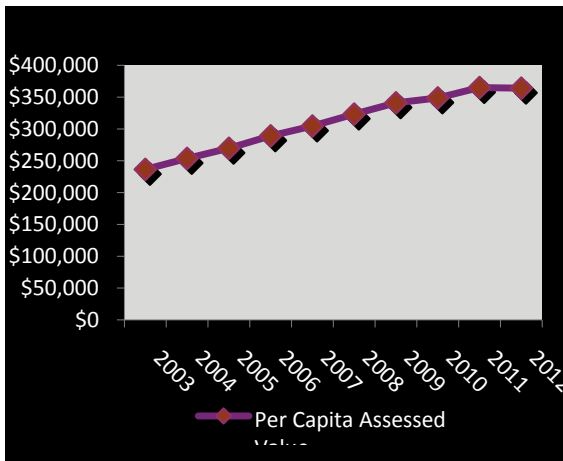
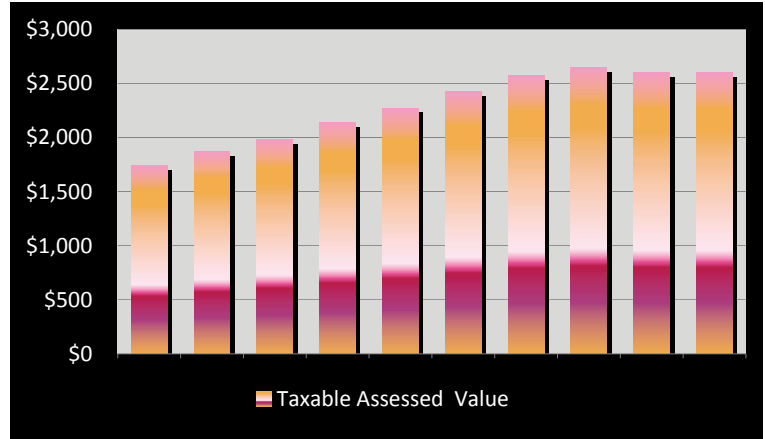
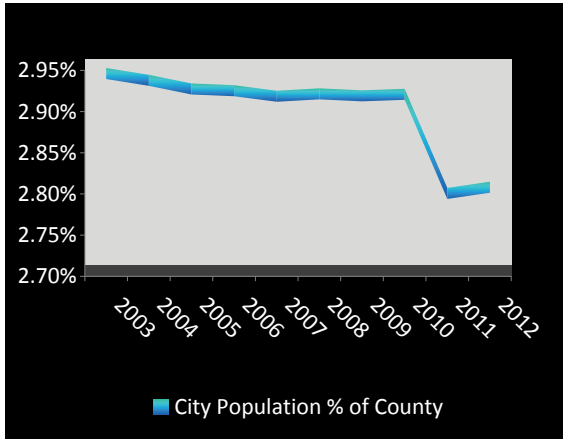
Note:

(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 (%)	City Unemployment Rate (%)	Marin County Population	City Population % of County
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%	5.9%	260,651	2.91%
2011	7,116	2,597,544,826	365,029	7.4%	5.6%	254,692	2.79%
2012	7,138	2,598,918,691	364,096	7.0%	5.2%	254,790	2.80%

Note: Information for total personal income is not available

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

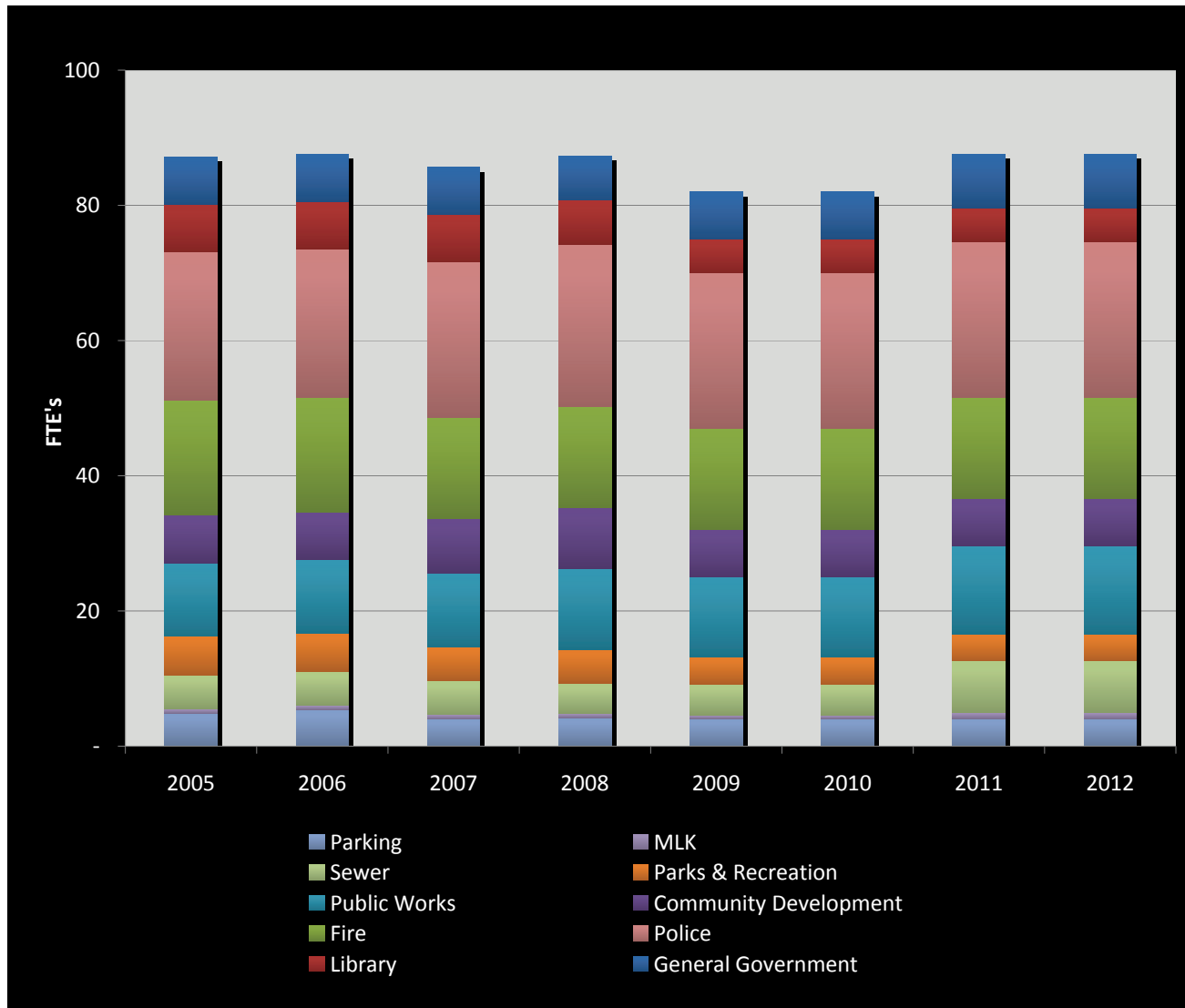
City of Sausalito

Principal Employers

	2011-12	
Business Name	Number of Employees	Percent of Total Employment (%)
Butler Shine Stern Partners Llc	170	3.09%
Horizons Restaurant	100	1.82%
City of Sausalito	87	1.58%
The Spinnaker	75	1.36%
Poggio LP	65	1.18%
Scoma's Sausalito	65	1.18%
C P Shades	61	1.11%
Altamira Hotel	55	1.00%
Mollie Stone's Market	54	0.98%
Fish Restaurant	45	0.82%
Total Top 10 Employers	777	14.13%
Total City Labor Force	5,500	

Source: MuniServices, LLC

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



Function	Adopted for Fiscal Year Ended June 30,							
	2005	2006	2007	2008	2009	2010	2011	2012
General Government	7	7	7	7	7	7	8	8
Library	7	7	7	7	5	5	5	5
Police	22	22	23	24	23	23	23	23
Fire	17	17	15	15	15	15	15	15
Community Development	7	7	8	9	7	7	7	7
Public Works	11	11	11	12	12	12	13	13
Parks & Recreation	6	6	5	5	4	4	4	4
Sewer	5	5	5	5	5	5	8	8
MLK	1	1	1	1	1	1	1	1
Parking	5	5	4	4	4	4	4	4
Total	87	88	86	87	82	82	88	88

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

Source: City of Sausalito Budget Documents

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

Function/Program	2007	2008	2009	2010	2011	2012
Public Safety:						
Police:						
Communication Center calls answered:						
Police calls for Service	11,900	12,845	12,857	12,398	13,259	11,718
Law violations:						
Part I and Part II crimes	544	1,109	1,715	868	1,317	1,254
Physical arrests (adult and juvenile)	263	485	327	295	327	343
Traffic violations	2,236	2,279	2,490	1,792	1,823	837
Parking violations	10,210	10,034	11,183	8,810	8,919	15,955
Traffic collisions	114	100	134	112	99	153
Public Works:						
Street resurfaced (square feet)	6,858	140,000	0	0	196,846	72,958
Potholes repaired (square feet)	3,000	1,500	2,000	500	19,305	26,287
Trees trimmed	2,000	2,100	1,800	2,200	1,900	1,700
Culture and Recreation:						
Community Services:						
Recreation class participants	1,765	1,543	3,040	3,716	4,618	12,258
Special Event Permits issued	19	8	13	8	24	61
Sponsored events	29	16	27	22	33	23
Facility, Park & Field rentals	0	76	118	837	948	983
Library:						
Volumes in Collection						
Books	60,995	60,653	58,137	57,692	58,243	52,379
Audio-Visual materials	3,660	3,319	5,090	4,131	4,432	5,173
Total volumes borrowed	78,225	82,286	88,681	93,953	88,219	113,202
Visitation	111,862	119,094	122,958	120,032	114,175	113,918
Internet Station usage	13,265	14,986	17,746	20,640	19,991	17,993
Passport applications processed	48	43	8	0	0	0
Tests proctored	6	10	18	15	20	0
Notary Service	0	127	95	67	63	0
Community Development:						
Applications processed:						
Discretionary	73	54	50	84	100	88
Ministerial	43	139	71	211	300	256
Encroachments	191	159	143	142	179	162
Building Permits issued	822	737	660	664	743	608
Administration:						
Parking Permits issued	2,122	2,176	2,539	1,778	1,766	1,934
Business Licenses issued	1,586	1,768	2,336	1,848	2,099	1,758

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

Source: City of Sausalito

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety:						
Fire stations	2	1	1	1	1	1
Fire trucks	3	3	3	3	3	3
Fire boats	1	1	1	1	1	1
Police stations	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6
Public Works:						
Miles of streets	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664
Traffic Signals	9	9	9	9	9	9
Culture and Recreation:						
Community Services:						
City parks	19	19	19	19	19	19
City parks acreage	78	78	78	78	78	78
Beaches	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1
Library:						
City Library	1	1	1	1	1	1
Wastewater:						
Miles of sanitary sewers	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15

Source: City of Sausalito and Republic Electric, Inc.

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