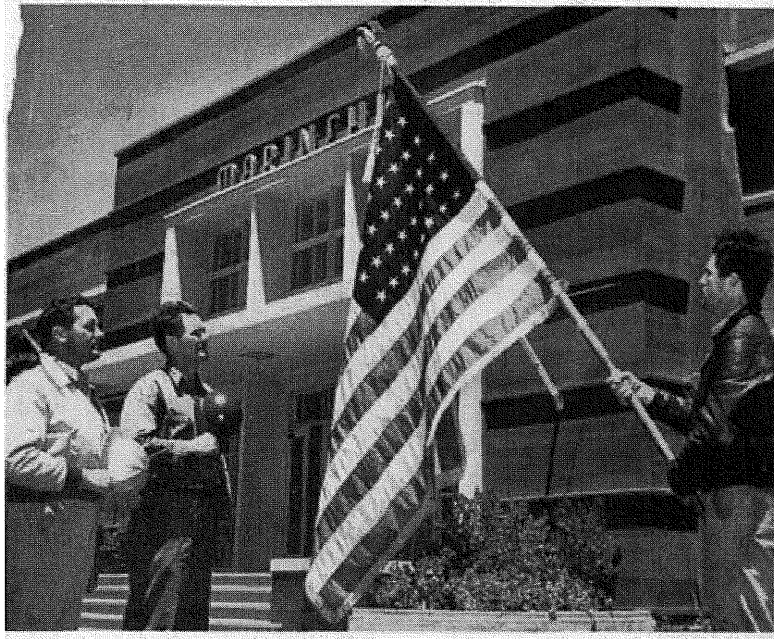


City of Sausalito, California
Comprehensive Annual Financial Report



For the Year Ended
June 30, 2013

Photo contributed by Sausalito Historical Society.

CITY OF SAUSALITO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



Prepared by:
Finance Department

Sooner or Later it Always Comes Down to Money

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CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013
Table of Contents

INTRODUCTORY SECTION:

Table of Contents..... i
Letter of Transmittal..... v
Elected Officials and Appointed Officials..... ix
Organization Chart x

FINANCIAL SECTION:

Independent Auditor’s Report..... 1
Management’s Discussion and Analysis..... 5

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 20
Statement of Activities..... 21

Fund Financial Statements:

Major Governmental Funds:

Balance Sheet 24
Reconciliation of the Governmental Funds – Balance Sheet with
the Statement of Net Position 25
Statement of Revenues, Expenditures, and Changes in Fund Balances 26
Reconciliation of the Net Change in Fund Balances – Total Governmental
Funds with the Statement of Activities 27

Major Proprietary Funds:

Statement of Net Position..... 30
Statement of Revenue, Expenses and Changes in Fund Net Position 31
Statement of Cash Flows..... 32

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013
Table of Contents

FINANCIAL SECTION (Continued):

Fiduciary Funds:

Statement of Fiduciary Net Position.....34

Notes to Financial Statements35

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

General Fund..... 74

Tidelands Special Revenue Fund 75

Notes to Required Supplementary Information 77

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 82

Combining Statements of Revenues, Expenditures, and Changes
in Fund Balances..... 86

Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual 90

Internal Service Funds

Combining Statements of Net Position 96

Combining Statements of Revenues, Expenses and Changes in Fund Net Position..... 97

Combining Statements of Cash Flows..... 98

Agency Funds:

Combining Statement of Changes in Assets and Liabilities..... 100

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013
Table of Contents

STATISTICAL SECTION:

Financial Trends

Net Positions by Component 102

Changes in Net Position..... 104

Fund Balances of Governmental Funds 108

Changes in Fund Balances of Governmental Funds 110

Revenue Capacity

Assessed Value of Taxable Property 112

Property Tax Rates – All Overlapping Governments 113

Principal Property Taxpayers 114

Property Tax Levies and Collections 115

Debt Capacity

Ratio of Outstanding Debt by Type..... 116

Ratio of General Bonded Debt Outstanding 117

Computation of Direct and Overlapping Debt 118

Computation of Legal Bonded Debt Margin..... 119

Demographic and Economic Information

Demographic and Economic Statistics..... 120

Principal Employers..... 121

Operating Information

Authorized Permanent Staffing City Government Employees by Function 122

Operating Indicators by Function/Program 123

Capital Asset Statistics by Function/Program 124

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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, 2013

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, 2013. 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, 2013.

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.

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

FAX NUMBERS:

Administration: (415) 289-4167

Recreation: (415) 289-4189

v

Community Development: (415) 339-2256

Library: (415) 331-7943

Public Works: (415) 289-4138

unqualified (“clean”) opinion on the City of Sausalito’s financial statements for the year ended June 30, 2013. 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 \$8,986,912. Fund Balance is comprised of three components: a non-spendable portion of \$6,073,956; an Assigned for Economic Contingencies portion of \$717,617; and an Unassigned portion (available for spending at the government's discretion) of \$2,195,339. The Unassigned/Assigned portions of fund balance in the general fund totals \$2,912,953; this amount is 23 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 INITIATIVE DURING THE YEAR

On July 1, 2012 the City implemented the previously negotiated and adopted Memorandums of Understanding with its represented and unrepresented labor groups that included substantial reform for pension and other than pension post-employment benefits. The results of operations highlighted a General Fund surplus of \$521,090 during fiscal year ended June 30, 2013 reflecting the City's long term strategic goal of lowering the cost of labor.

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
List of Elected and Appointed Officials
June 30, 2013

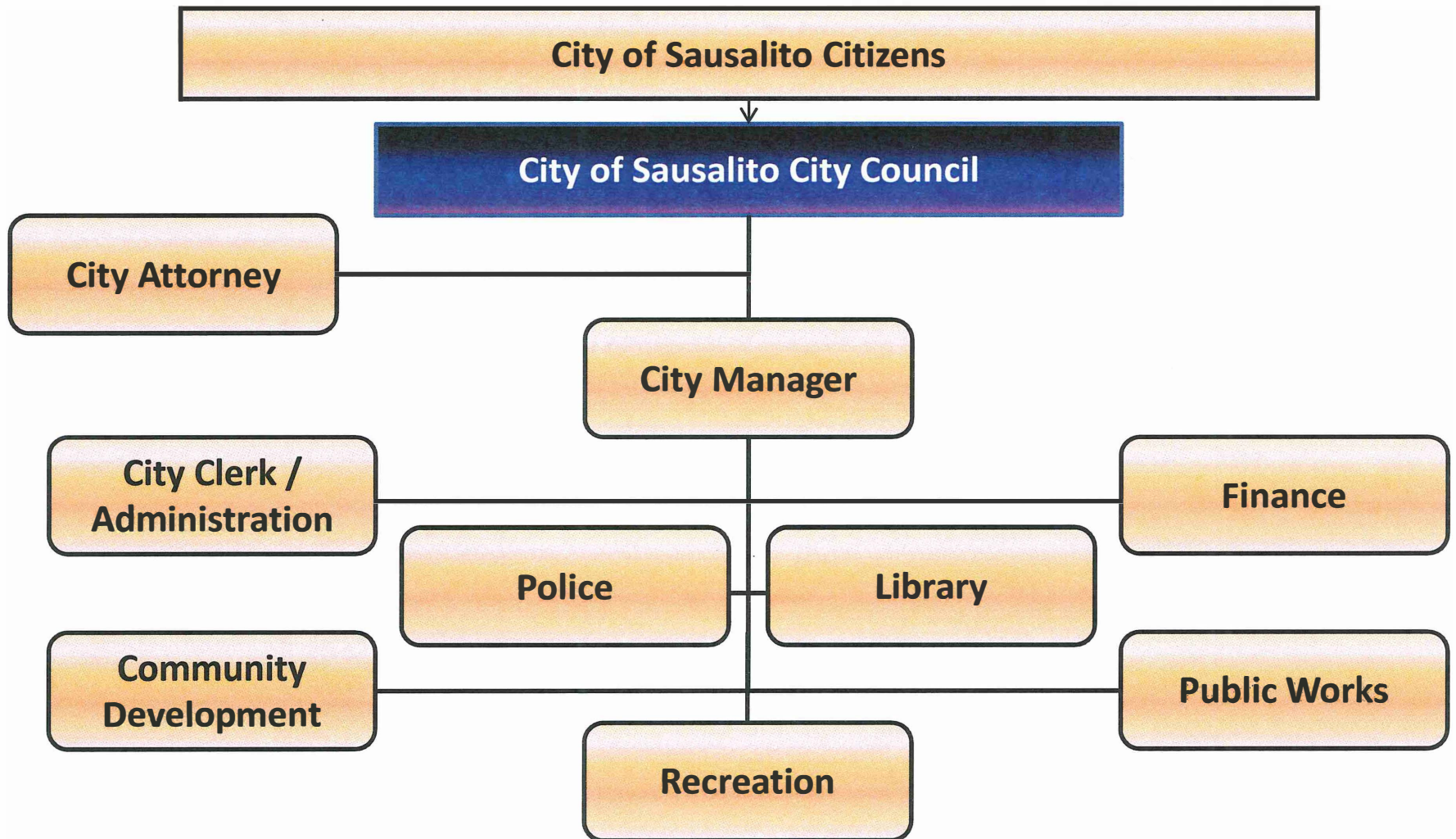
Elected Officials

Mayor	Herb Weiner
Vice Mayor	Jonathan Leone
Council Member	Linda Pfeifer
Council Member	Thomas Theodores
Council Member	Ray Withy

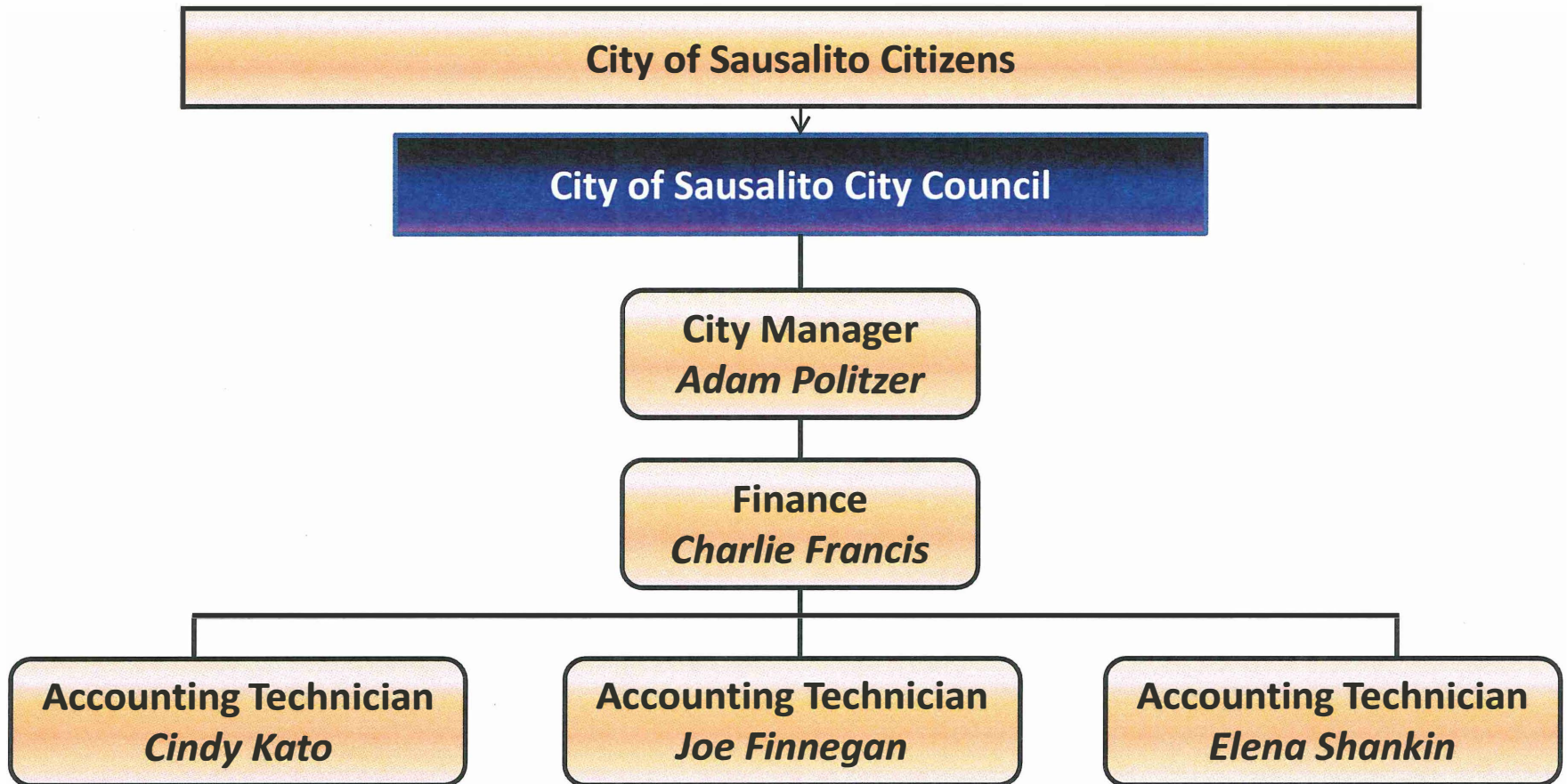
Appointed Officials

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

City of Sausalito Organization Chart



City of Sausalito Organization Chart



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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Net position as of July 1, 2012, was restated as discussed in note 11F.

Management adopted the provisions of the following Governmental Accounting Standards Board Statement during the year ended June 30, 2013, which required a format change in the certain financial statements and certain nomenclature revisions in the footnotes accompanying the financial statements.

Statement 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. See Note 1O to the financial statements for relevant disclosures.

GASB 65 - Items Previously Reported as Assets and Liabilities. See Note 1E to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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.

Maze & Associates

Pleasant Hill, California
November 20, 2013

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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 2013. 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-viii of this report.

FINANCIAL HIGHLIGHTS

- **STATEMENT OF NET POSITION** The total assets of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$43,483,998 (*total net position*).
 - Of the total net position, \$1,631,531 (*unrestricted net position*) is available and may be used to meet the government's ongoing obligations to citizens and creditors. This amount decreased \$3,371,636 from the prior fiscal year due to the City's pay-off of the pension side funds for Miscellaneous and Fire Safety employees; and the following investment in capital assets.
 - \$40,289,146 represents the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase after depreciation of \$1,732,993 over the prior fiscal year.
 - The amount of total net position that are restricted for designated purposes restricted in the prior fiscal year decreased by \$216,184 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 \$8,986,912, an increase of \$521,090 over the prior fiscal year.
 - Of the ending Fund Balance, \$2,195,339 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors. This balance increased \$228,901 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 \$2,195,339, the City has \$2,912,956, or 22.9 percent of expenditures available in the General Fund for liquid reserves.
- **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 8,431,652 (*total Proprietary Funds net position*), an increase of \$148,334.

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 Position* presents information on all of the City of Sausalito's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 20-21 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 24-27 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 30-32 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 34 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 35-69 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 74-75 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 82-93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. As noted earlier, net position 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 \$43,483,998 at the close of fiscal year ending 2013. The following chart summarizes the Statement of Net Position:

City of Sausalito's Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	18,876,863	22,040,604	(3,372,401)	(3,034,991)	15,504,462	19,005,613
Capital assets	44,577,213	43,188,618	12,791,700	12,866,662	57,368,913	56,055,280
Total assets	63,454,076	65,229,222	9,419,299	9,831,671	72,873,375	75,060,893
Long-term liabilities outstanding	25,843,474	25,256,657	691,064	691,064	26,534,538	25,947,721
Other liabilities	2,558,256	2,917,048	296,583	857,299	2,854,839	3,774,347
Total liabilities	28,401,730	28,173,705	987,647	1,548,363	29,389,377	29,722,068
Net Assets:						
Net Investment in Capital Assets	28,195,135	26,947,881	12,094,011	11,608,272	40,289,146	38,556,153
Restricted	1,563,321	1,779,505			1,563,321	1,779,505
Unrestricted	5,293,890	8,328,131	(3,662,359)	(3,324,964)	1,631,531	5,003,167
Total net assets	35,052,346	37,055,517	8,431,652	8,283,308	43,483,998	45,338,825

- Of the total net position, \$1,631,531 (*unrestricted net position*) is available and may be used to meet the government's ongoing obligations to citizens and creditors.
- Another component included in total net position is the amount of \$40,289,146 representing the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase after depreciation of \$1,732,993 over the prior fiscal year.
- The amount of total net position restricted in the prior fiscal year decreased by \$216,184 representing that resources formerly unavailable for spending were either converted to capital assets, or were used to reduce the City's long-term liabilities.
- The City's annexation agreement with the Southern Marin Fire Protection District was completed effective as of June 30, 2012. The City had agreed to pay Southern Marin Fire Protection District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for the City. As a result, the City restated and reduced the Employee Benefits Internal Service Fund beginning net position by \$1,740,000.

Governmental Activities. By far the largest portion of the City of Sausalito's net position from Governmental activities (80 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.

\$1,563,321 of the City of Sausalito's net position 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 position from Governmental activities is \$5,293,890 (15% compared to the prior year's 22%) 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 position related to Governmental activities (net investment in capital assets, restricted and unrestricted net position).

Business-type Activities. The \$(3,662,359) 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. There are no restricted net position from Business-type activities, leaving unrestricted net position negative. The same situation held true for the prior fiscal year.

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:

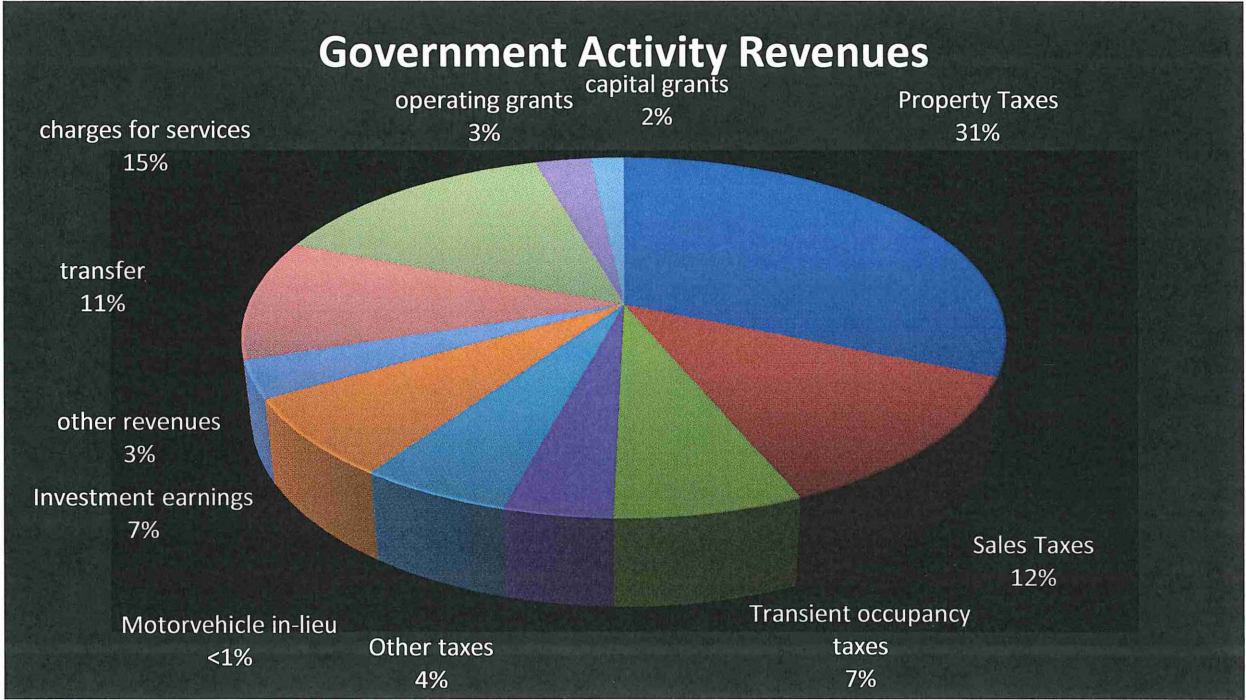
The table below summarizes the operating results of the governmental and business-type activities in a more traditional format.

City of Sausalito's Changes in Net Position

City of Sausalito's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	2,092,791	2,200,319	4,629,561	4,416,454	6,722,352	6,616,773
Operating grants and contributions	399,125	348,997			399,125	348,997
Capital grants and contributions	242,554	355,315			242,554	355,315
General revenues:					-	-
Taxes	8,555,073	10,810,216			8,555,073	10,810,216
Investment earnings	1,012,803	862,014	5,356	4,166	1,018,159	866,180
Other revenues	478,203	518,040	20,388	151	498,591	518,191
Total revenues	12,780,549	15,094,901	4,655,305	4,420,771	17,435,854	19,515,672
Expenses:						
General government	4,775,777	3,118,473			4,775,777	3,118,473
Library	807,413	689,413			807,413	689,413
Public safety:					-	-
Police services	5,277,918	4,950,954			5,277,918	4,950,954
Fire services	-	5,292,475			-	5,292,475
Community development	1,229,352	1,370,227			1,229,352	1,370,227
Public works	2,674,528	2,222,144			2,674,528	2,222,144
Parks & Recreation	846,814	737,184			846,814	737,184
Interest on long-term debt	727,576	1,056,346			727,576	1,056,346
Sewer			1,770,446	1,546,806	1,770,446	1,546,806
Old City Hall			29,552	35,369	29,552	35,369
MLK			865,521	752,882	865,521	752,882
Parking			285,784	370,724	285,784	370,724
Total expenses	16,339,378	19,437,216	2,951,303	2,705,781	19,290,681	22,142,997
Increase in net assets before transfers	(3,558,829)	(4,342,315)	1,704,002	1,714,990	(1,854,827)	(2,627,325)
Transfers	1,555,658	1,480,577	(1,555,658)	(1,480,577)	-	-
Extraordinary items		(577,587)			-	(577,587)
Increase in net assets	(2,003,171)	(3,439,325)	148,344	234,413	(1,854,827)	(3,204,912)
Net assets - Beginning, as restated	37,055,517	40,494,842	8,283,308	8,048,895	45,338,825	48,543,737
Prior Year Restatements					-	-
Net assets - Ending	35,052,346	37,055,517	8,431,652	8,283,308	43,483,998	45,338,825

Governmental Activities. The Governmental activities for the City’s resulted in net position decreasing by \$2,003,171 primarily due to several major, but budgeted and expected, one-time expenditures: The balance of the CalPERS Miscellaneous and Fire Side Fund liabilities of \$413,515 and \$1,333,859 were paid off during the fiscal year; and the City reserving \$215,000 for future reduction in the new Fire Side Fund. The remaining factors of the decrease in total net position are factors 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 decreased by \$2,485,100 from the prior fiscal year. Property Assessed Valuations increased slightly over the prior fiscal year, and the City’s share of property taxes, compared equivalently after Fire Annexation, increased about \$200,000 from the previous fiscal year offsetting the transfer of \$2,667,500 of property tax revenues to the fire protection district. Property taxes are generally inelastic and provide the City a stable revenue source (45% of total general revenues) to meet its ongoing levels of service that cannot be funded through transfers, charges, and operating and capital grants.
- The City’s sales tax base improved slightly over the previous fiscal year and resulted in a \$66,994 increase. Sales tax revenues are generally elastic and reflective of local economic conditions and represent approximately 18% of the City’s Governmental activities revenues and transfers.
- Transient occupancy taxes increased \$72,816 during the fiscal year as a result of the improving economy. Transient Occupancy Taxes are about 10%
- Franchise Tax, Business license tax, and other miscellaneous taxes increased by \$86,389.
- Investment earnings increased \$150,789 during the fiscal year
- Other government activity revenues declined slightly by \$36,079.

- Capital Grants and Contributions decreased \$112,761 due to decreases from capital grants in the Special Revenue Funds
- Operating grants contributed from Special Revenue Funds increased by \$50,128 from the prior fiscal year.
- Charges for Services increased \$107,528 primarily due to increases in Fines and Forfeitures credited against Police services expenditures increasing by \$336,460; and \$42,467 increase in Recreation Programs charges; offset by a total of \$122,618 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**:

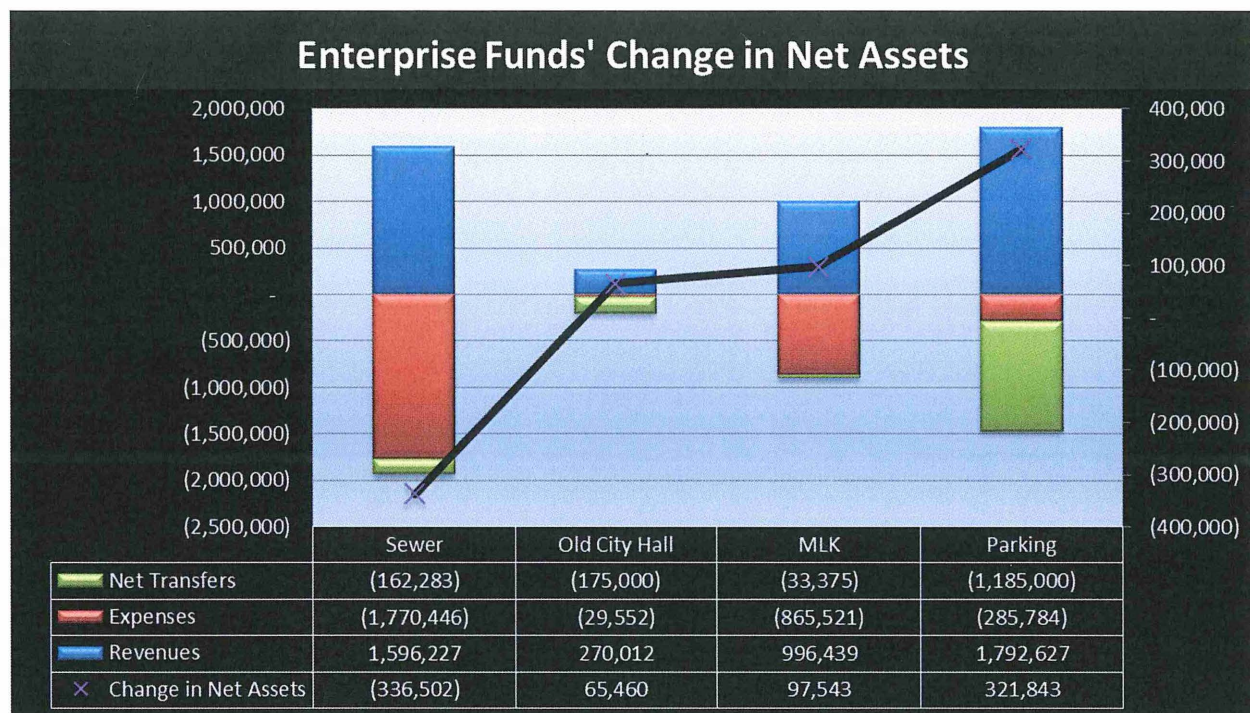


Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were reduced by \$3,097,838,163 over the prior fiscal year.
 - Library, Recreation, and Police Departments' expenses increased moderately due to inflation and negotiated labor costs pay raises.

- Community Development's expenses declined because of prior year one-time professional studies costs, offsetting Community Development's moderate increases due to inflation and negotiated labor costs pay raises.
- Department expenditures for City Council, City Manager, Finance and Administration, Human Resources, Information Technology all experienced similarly moderate inflation and labor cost increases. However, the bulk of the increase over the prior year was due to the one-time pay-offs of the CalPERS pension side funds mentioned above.
- Fire department expenses were eliminated due to the annexation of fire services into the Southern Marin Fire Protection District.
- Interest on long-term debt decreased due to the prior year's defeasance of a strip of General Obligation Bonds.

Business-type activities. Business-type activities increased the City of Sausalito's net position by \$148,344. The following chart depicts the operating results of the City's business-type activities:



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

- MLK Fund increased net position by \$97,543 during the year compared to \$175,111 the previous year. Rents decreased \$35,899 while operating expenses increased \$168,960 due to repairs of facilities, resulting in net operating income of \$461,327, compared to the prior year's NOI of \$594,378. As the outstanding debt on the MLK site nears maturity, interest expense is decreased \$56,321. The MLK facility is experiencing increased demand for space as the economy improves. New lease negotiations in the prior year 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 position by \$336,502 during the year, compared to the \$215,903 decrease in net position 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 position by \$321,843 during the year, compared to the \$163,084 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 position by \$65,460 as compared to the prior year's increase of \$112,121 due to a \$75,000 increase from the prior year in transfers to the General Fund.

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 \$9,712,952, a decrease of \$585,758 in comparison with the prior year. Planned capital expenditures in the amount of \$2,506,712 for the new Bulkhead, and other general infrastructure 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 \$2,195,339; for a total of \$2,912,956 that is available for spending at the government's discretion. Total fund balance, including \$6,073,956 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$8,986,912. 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 23% of total general fund expenditures, while total fund balance represents 71*% of that same amount.

Fund balance for the City of Sausalito's general fund increased by \$521,090 during the fiscal year.

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 \$3,941,975, due to the remaining unamortized net unearned revenue in the amount of \$4,944,295 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 \$2,144,092, 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 13 adopted budget of the City's General Fund anticipated a \$111,767 increase in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations for expenses and transfers exceeding revenues and transfers in by \$208,767. The results of operations resulted in only a \$521,090 increase 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 74 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 2013, amounts to \$57,368,913 (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	
	2013	2012	2013	2012	2013	2012
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	561,571	9,793,525	412,232	279,948	973,803	10,073,473
Building and improvements	15,963,050	14,443,411	3,314,849	3,371,669	19,277,899	17,815,080
MLK Bus Barn			192,505	198,005	192,505	198,005
Vehicles and equipment	121,943	146,662	899,744	972,173	1,021,687	1,118,835
Machinery and equipment	227,957	144,088			227,957	144,088
Infrastructure	12,688,030	3,646,270	4,176,369	4,248,866	16,864,399	7,895,136
Total	44,577,213	43,188,618	12,791,700	12,866,662	57,368,913	56,055,280

Additional information about the City's capital assets can be found in Note 4 on pages 48-50 of this report.

Long-term debt. At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$18,822,740, an increase of \$1,299,452, due to the addition of the contractual arrangement to pay the Southern Marin Fire District 58,000 a year for 30 years; a total of 1,740,000.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Short-term debt	353,531	268,638	317,689	567,326	671,220	835,964
Notes payable	17,771,520	15,926,444			17,771,520	15,926,444
Capital leases	0	69,816	380,000	691,064	380,000	760,880
Total	18,125,051	16,264,898	697,689	1,258,390	18,822,740	17,523,288

For more detailed information on the City's Long-term debt see Note 5 on pages 51-54 in this report.

Economic Factors and Future Years' Budgets

National, State and Local Economic Recoveries

Warmish national economic growth likely to continue through the rest of the year. A stronger-than-expected rise in U.S. economic growth last quarter will likely strengthen the hand of Federal Reserve officials who want to slow the Fed's bond purchases. The economy grew at a 2.5 percent annual rate from April through June, the government estimated recently. That was more than twice the growth rate in the first quarter and far above an initial estimate of a 1.7 percent rate for April through June. Last quarter's faster growth "should give Fed officials more confidence that the recovery is gathering steam," said Paul Ashworth, chief U.S. economist at Capital Economics. Other analysts think the Fed might decide to maintain the pace of its bond buying to help fuel the economy. They think Fed officials may conclude that the still-subpar U.S. economy could falter under the weight of higher interest rates, a slower housing rebound or a messy resolution to a fight over the federal budget. For the second half of the year, analysts generally think the economy will grow at an annual rate of around 2.5 percent, fueled by steady job gains and a diminished impact from federal spending cuts. That growth rate, though, would be too weak to meet the Fed's own forecasts for 2013.

However, national consumer spending slows as income lags. U.S. consumers barely increased their spending in July after their income grew more slowly, held back by steep government spending cuts that reduced federal workers' salaries. The tepid gains suggest economic growth is off to a weak start in the July - September quarter.

The Commerce Department said that consumer spending rose just 0.1 percent in July from the previous month. That's slower than June's 0.6 percent increase. Consumers cut their spending on long-lasting manufactured goods, such as cars and appliances. Spending on services was unchanged. Income rose a slight 0.1 percent in July following a 0.3 percent June gain. Overall wages and salaries tumbled \$21.8 billion from June.

California economy has been uneven. The economic recovery in the Bay Area and California is gaining steam, yet the pace of job growth is being hampered by new technologies that enable employers to limit hiring. Much of the Bay Area, Los Angeles, Orange County and San Diego enjoy robust employment growth, primarily because they benefit from high-tech and biotech employment growth. Yet the East Bay, Central Valley and Inland Empire continue to struggle to add jobs. Economists also believe the trend toward automation helps explain why the overall economic recovery is tepid. "We haven't had a solid jobs rebound, and the increased use of new technologies is one reason why," said Jordan Levine, director of economic research with Beacon Economics. "Companies can do more with less because they can use new technologies -- the Internet, software, new equipment, automated processes. If they need to meet rising demand for their products or services, they can do so without a major expansion of their payrolls." Even when they find employment, some Bay Area workers say the jobs aren't quite what they want. Many available technology openings are contract jobs that don't offer the health benefits and stability of full-time employment.

Despite the slow pace in job growth, California can expect a steadily improving economy as measured by gains in payroll jobs, an improvement in the unemployment rate and a rise in personal income, the UCLA Anderson Forecast found. "We are still seeing job growth, and we also are seeing more positive economic news from China, Japan and Europe," Nickelsburg said.

The forecast predicts that the state's payroll job growth will rise by 1.7 percent in 2013, 1.9 percent in 2014 and 2.2 percent in 2015. It says the jobless rate will average 8.9 percent this year, improve to an average of 7.9 percent in 2014 and drop to 6.9 percent by 2015. "The worst is behind us," said Levine of Beacon Economics.

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 continuing its modest recovery and may be a leading indicator of an improving gross city product.

Future Years Budgets

The city closely monitors its tax and revenue base. Sausalito's economy is very strong, with a projected per capita effective buying income of over 350% of the U.S. and an exceptionally high per capita market value of \$362,159. The city has access to the broad and diverse economy of the San Francisco bay area, and the county's 2012 unemployment rate of 6.3% was well below the national and state levels.

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.

The City aggressively manages its revenue and cost structure. Recently implemented strategies of 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 are improving structural performance and providing operating balance to city revenues and expenses, in order to continue to provide the current excellent level of services and meeting Sausalito's capital infrastructure needs.

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 POSITION
AND STATEMENT OF ACTIVITIES**

The Statement of Net Position 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 Position reports the excess of the City's total assets and deferred outflows of resources over the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position presents information in a way that focuses the reader on the composition of the City's net position, by subtracting total liabilities from total assets.

The Statement of Net Position 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 position. 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 Position is computed and reconciled with the Statement of Net Position.

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$11,333,298	\$2,628,579	\$13,961,877
Restricted cash (Note 2)	486,951		486,951
Receivables:			
Taxes receivables, net	457,403	17,645	475,048
Accounts receivable, net	525,255	27,574	552,829
Loans receivable	5,183		5,183
Internal balances (Note 3D)	6,046,199	(6,046,199)	
Prepays	22,574		22,574
Capital assets (Note 4):			
Land and construction in progress	15,576,233	4,208,233	19,784,466
Depreciable, net of accumulated depreciation	29,000,980	8,583,467	37,584,447
Total Assets	63,454,076	9,419,299	72,873,375
LIABILITIES			
Accounts payable	831,130	161,011	992,141
Accrued interest payable	135,831	17,379	153,210
Compensated absences (Note 1I)			
Due within one year	510,940	17,899	528,839
Due in more than one year	129,675		129,675
Claims payable (Note 10):			
Due within one year	342,118		342,118
Due in more than one year	827,909		827,909
Refundable deposits	199,052	93,669	292,721
Unearned revenue (Note 7)	4,987,332		4,987,332
Net OPEB obligation (Note 9)			
Due in more than one year	2,312,692		2,312,692
Long-term debt (Note 5):			
Due within one year	353,531	317,689	671,220
Due in more than one year	17,771,520	380,000	18,151,520
Total Liabilities	28,401,730	987,647	29,389,377
NET POSITION (Note 11):			
Net investment in capital assets	28,195,135	12,094,011	40,289,146
Restricted for:			
Special revenue programs	955,011		955,011
Debt service	506,761		506,761
Capital projects	101,549		101,549
Total Restricted Net Position	1,563,321		1,563,321
Unrestricted	5,293,890	(3,662,359)	1,631,531
Total Net Position	\$35,052,346	\$8,431,652	\$43,483,998

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
General government	\$4,775,777	\$42,302	\$72,386		(\$4,661,089)	(\$4,661,089)
Library	807,413	11,645	9,250	\$321	(786,197)	(786,197)
Public safety:						
Police services	5,277,918	588,709	109,879		(4,579,330)	(4,579,330)
Fire services						
Community development	1,229,352	704,213			(525,139)	(525,139)
Public works	2,674,528	295,540	187,640	164,452	(2,026,896)	(2,026,896)
Parks & recreation	846,814	450,382	19,970	77,781	(298,681)	(298,681)
Interest on long-term debt	727,576				(727,576)	(727,576)
Total Governmental Activities	16,339,378	2,092,791	399,125	242,554	(13,604,908)	(13,604,908)
Business-type Activities:						
MLK	865,521	976,046			\$110,525	110,525
Sewer	1,770,446	1,595,411			(175,035)	(175,035)
Parking	285,784	1,788,290			1,502,506	1,502,506
Old City Hall	29,552	269,814			240,262	240,262
Total Business-type Activities	2,951,303	4,629,561			1,678,258	1,678,258
Total	\$19,290,681	\$6,722,352	\$399,125	\$242,554	(13,604,908)	1,678,258
General revenues:						
Taxes:						
Property taxes					4,496,455	4,496,455
Sales taxes					1,761,236	1,761,236
Transient occupancy tax					966,762	966,762
Franchise fees					773,713	773,713
Other taxes					556,907	556,907
Investment earnings					1,012,803	5,356
Other revenues					478,203	20,388
Transfers (Note 3B)					1,555,658	(1,555,658)
Total general revenues and transfers					11,601,737	(1,529,914)
Change in Net Position					(2,003,171)	148,344
Net Position-Beginning, as restated (Note 11D)					37,055,517	8,283,308
Net Position-Ending					\$35,052,346	\$8,431,652

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 2013. 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, 2013

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$2,994,524	\$955,831	\$2,130,976	\$2,040,183	\$8,121,514
Restricted cash (Note 2)				486,951	486,951
Receivables:					
Taxes receivables, net	455,125			2,278	457,403
Accounts receivable, net	195,676	57,479	135,532	135,398	524,085
Loans receivable	5,183				5,183
Due from other funds (Note 3A)	121,355				121,355
Prepays	22,574				22,574
Advances to other funds (Note 3C)	6,046,199				6,046,199
Total Assets	\$9,840,636	\$1,013,310	\$2,266,508	\$2,664,810	\$15,785,264
LIABILITIES					
Accounts payable	\$550,994	\$590	\$122,416	\$19,532	\$693,532
Accrued salaries and benefits	71,041				71,041
Refundable deposits	188,652	10,400			199,052
Due to other funds (Note 3A)				121,355	121,355
Unearned revenue (Note 7)	43,037	4,944,295			4,987,332
Total Liabilities	853,724	4,955,285	122,416	140,887	6,072,312
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	6,073,956				6,073,956
Restricted				2,423,081	2,423,081
Committed			2,144,092	101,549	2,245,641
Assigned	717,617				717,617
Unassigned	2,195,339	(3,941,975)		(707)	(1,747,343)
Total Fund Balances (Deficits)	8,986,912	(3,941,975)	2,144,092	2,523,923	9,712,952
Total Liabilities and Fund Balances	\$9,840,636	\$1,013,310	\$2,266,508	\$2,664,810	\$15,785,264

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances reported on the governmental funds balance sheet \$9,712,952

Amounts reported for Governmental Activities in the Statement of Net Position 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. 44,446,424

ALLOCATION OF INTERNAL SERVICE FUND NET POSITIONS

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 position of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	3,211,784
Accounts receivable, net	1,170
Capital assets, net of depreciation	130,789
Claims payable	(1,170,027)
Long-term debt	(1,751,816)
Accounts payable and accrued interest	(68,318)

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	(16,373,235)
Accrued interest payable	(134,070)
Compensated absences	(640,615)
Net OPEB obligation	<u>(2,312,692)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$35,052,346

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, 2013

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$4,005,003			\$491,452	\$4,496,455
Sales tax	1,761,236				1,761,236
Other tax	1,740,475				1,740,475
Licenses and permits	558,387				558,387
Fines and forfeitures	566,684			42,206	608,890
Use of money and property	562,302	\$704,756	\$3,687	4,977	1,275,722
Intergovernmental			144,765	515,448	660,213
Charges for services	1,241,094			242,807	1,483,901
Other revenues	125,109		27,365	33,537	186,011
Total Revenues	10,560,290	704,756	175,817	1,330,427	12,771,290
EXPENDITURES					
Current:					
General government	4,335,846	160,711			4,496,557
Library	774,108				774,108
Public safety:					
Police	4,087,038			106,560	4,193,598
Community development	1,230,050				1,230,050
Public works	1,464,672			110,144	1,574,816
Parks & recreation	811,506				811,506
Capital outlay			2,506,712	135,952	2,642,664
Debt service:					
Principal				192,064	192,064
Interest and other charges				289,990	289,990
Total Expenditures	12,703,220	160,711	2,506,712	834,710	16,205,353
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(2,142,930)	544,045	(2,330,895)	495,717	(3,434,063)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	3,522,532		1,283,144	75,304	4,880,980
Transfers (out) (Note 3B)	(858,512)	(905,274)		(268,883)	(2,032,669)
Total Other Financing Sources (Uses)	2,664,020	(905,274)	1,283,144	(193,579)	2,848,311
NET CHANGE IN FUND BALANCES	521,090	(361,229)	(1,047,751)	302,138	(585,752)
BEGINNING FUND BALANCES	8,465,822	(3,580,746)	3,191,843	2,221,785	10,298,704
ENDING FUND BALANCES (DEFICITS)	\$8,986,912	(\$3,941,975)	\$2,144,092	\$2,523,923	\$9,712,952

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, 2013

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 Position 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 (\$585,752)

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 2,594,847

Depreciation expense is deducted from the fund balance
(Depreciation expense is net of internal service fund depreciation
of \$56,418 which has already been allocated to serviced funds) (1,176,018)

Capital asset retirements are deducted from fund balance

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 192,064

Change in accrued interest payable (432,529)

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 (30,604)

Net OPEB obligation (354,897)

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 Position - All Internal Service Funds (2,210,282)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$2,003,171)

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 POSITION
 JUNE 30, 2013

	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)	\$30,270	\$498,479	\$2,005,560	\$94,270	\$2,628,579	\$3,211,784
Receivables:						
Accounts receivable, net	12,825	250	14,499		27,574	1,170
Taxes receivable		17,645			17,645	
Issuance costs, net						
Total current assets:	43,095	516,374	2,020,059	94,270	2,673,798	3,212,954
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063	412,232		9,938	4,208,233	
Depreciable, net of accumulated depreciation	2,949,120	4,640,179	442,375	551,793	8,583,467	130,789
Total noncurrent assets	6,735,183	5,052,411	442,375	561,731	12,791,700	130,789
Total Assets	6,778,278	5,568,785	2,462,434	656,001	15,465,498	3,343,743
LIABILITIES						
Current liabilities:						
Accounts payable	38,659	120,285	2,067		161,011	66,557
Accrued interest payable	17,379				17,379	1,761
Compensated absences, due in one year (Note 11)		17,899			17,899	
Refundable deposits	60,812	4,040	28,817		93,669	
Claims payable-due within one year (Note 10)						342,118
Long-term debt, due within one year (Note 5)	317,689				317,689	127,816
Total current liabilities	434,539	142,224	30,884		607,647	538,252
Noncurrent liabilities:						
Advance from other funds (Note 3C)	6,046,199				6,046,199	
Claims payable - due in more than one year (Note 10)						827,909
Long-term debt, due in more than one year (Note 5)	280,000	100,000			380,000	1,624,000
Total noncurrent liabilities	6,326,199	100,000			6,426,199	2,451,909
Total Liabilities	6,760,738	242,224	30,884		7,033,846	2,990,161
NET POSITION (Note 11)						
Net investment in capital assets	6,137,494	4,952,411	442,375	561,731	12,094,011	60,973
Unrestricted	(6,119,954)	374,150	1,989,175	94,270	(3,662,359)	292,609
Total Net Position (Deficits)	\$17,540	\$5,326,561	\$2,431,550	\$656,001	\$8,431,652	\$353,582

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
OPERATING REVENUES						
Building rents	\$976,046			\$269,814	\$1,245,860	
Charges for services		\$1,595,411	\$1,788,290		3,383,701	
Other revenue	20,388				20,388	\$216,457
Total Operating Revenues	996,434	1,595,411	1,788,290	269,814	4,649,949	216,457
OPERATING EXPENSES						
Other expenses	53,693	83,780	135,245	36	272,754	1,077,724
Professional services	39,204	258,300	8,002	1,277	306,783	
Repairs and maintenance	127,227	210,690	326		338,243	4,732
Salaries and benefits	117,890	996,998	74,200		1,189,088	
Utilities	110,034	18,475	1,499	649	130,657	
Depreciation	79,775	202,203	66,512	27,590	376,080	56,418
Total Operating Expenses	527,823	1,770,446	285,784	29,552	2,613,605	1,138,874
Operating Income (Loss) Before Transfers	468,611	(175,035)	1,502,506	240,262	2,036,344	(922,417)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	5	816	4,337	198	5,356	\$9,259
Interest (expense)	(337,698)				(337,698)	(4,471)
Total nonoperating revenue (expenses)	(337,693)	816	4,337	198	(332,342)	4,788
Income (Loss) before transfers	130,918	(174,219)	1,506,843	240,460	1,704,002	(917,629)
TRANSFERS						
Transfers in (Note 3B)						554,721
Transfers (out) (Note 3B)	(33,375)	(162,283)	(1,185,000)	(175,000)	(1,555,658)	(1,847,374)
Net transfers	(33,375)	(162,283)	(1,185,000)	(175,000)	(1,555,658)	(1,292,653)
Change in net position	97,543	(336,502)	321,843	65,460	148,344	(2,210,282)
BEGINNING NET POSITION (DEFICIT), as restated (Note 11D)	(80,003)	5,663,063	2,109,707	590,541	8,283,308	2,563,864
ENDING NET POSITION	\$17,540	\$5,326,561	\$2,431,550	\$656,001	\$8,431,652	\$353,582

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,014,284	\$1,603,612	\$1,782,724	\$272,490	\$4,673,110	\$216,951
Payment to employees	(117,890)	(990,386)	(74,200)		(1,182,476)	
Payment to suppliers	(336,578)	(476,499)	(145,072)	(1,962)	(960,111)	(873,174)
Other receipts (payments)	(28,846)		(12,682)		(41,528)	
Cash Flows from Operating Activities	<u>530,970</u>	<u>136,727</u>	<u>1,550,770</u>	<u>270,528</u>	<u>2,488,995</u>	<u>(656,223)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due to other funds				(1,456)	(1,456)	
Transfers in						554,721
Transfers (out)	(33,375)	(162,283)	(1,185,000)	(175,000)	(1,555,658)	(1,847,374)
Cash Flows from Noncapital Financing Activities	<u>(33,375)</u>	<u>(162,283)</u>	<u>(1,185,000)</u>	<u>(176,456)</u>	<u>(1,557,114)</u>	<u>(1,292,653)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures	(45,255)	(255,864)			(301,119)	(264,678)
Principal payments on capital debt	(560,701)				(560,701)	(125,046)
Interest payment	(82,821)				(82,821)	(4,918)
Cash Flows from Capital and Related Financing Activities	<u>(688,777)</u>	<u>(255,864)</u>			<u>(944,641)</u>	<u>(394,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	5	816	4,338	198	5,357	9,259
Net Cash Flows	(191,177)	(280,604)	370,108	94,270	(7,403)	(2,334,259)
Cash and investments at beginning of period	221,447	779,083	1,635,452		2,635,982	5,546,043
Cash and investments at end of period	<u>\$30,270</u>	<u>\$498,479</u>	<u>\$2,005,560</u>	<u>\$94,270</u>	<u>\$2,628,579</u>	<u>\$3,211,784</u>
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$468,611	(\$175,035)	\$1,502,506	\$240,262	\$2,036,344	(\$922,417)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	79,775	202,203	66,512	27,590	376,080	56,418
Change in assets and liabilities:						
Accounts receivables	30,954	8,201	(5,566)	2,676	36,265	494
Issuance/leasing costs	7,284				7,284	
Accounts payable and accruals	(6,420)	94,746	(9,332)		78,994	(145,374)
Accrued compensated absences		6,612			6,612	
Refundable deposits	(49,234)		(3,350)		(52,584)	
Long-term debt and claims payable						354,656
Cash Flows from Operating Activities	<u>\$530,970</u>	<u>\$136,727</u>	<u>\$1,550,770</u>	<u>\$270,528</u>	<u>\$2,488,995</u>	<u>(\$656,223)</u>

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 POSITION
JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	_____
Total Assets	=====
LIABILITIES	
Due to local Improvement Districts	_____
Total Liabilities	=====

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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 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 Basic Financial Statements are 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 Position 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, 2013

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, 2013

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 Fund – The Agency Fund is used to account for assets held by the City as an agent for the Sunshine Central Assessment District. The financial activities of this fund are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements. The Sunshine Central Assessment District Agency Fund was closed as of June 30, 2013.

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, 2013

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

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

E. Early Implementation of Government Accounting Standards Board (GASB) Statement 65

GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities", which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. This Statement is effective for fiscal periods beginning after December 15, 2012. The City has elected to early implement this Statement to be effective this fiscal year ending June 30, 2013, with no material effect on the financial statements.

F. Use of Restricted/Unrestricted Net Position

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the City's policy is to apply restricted net position first.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *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.

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund and Measure A 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.

H. *Prepaid Items*

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.

I. *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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The changes of the compensated absences were as follows for June 30, 2013:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$610,011	\$11,287	\$621,298
Additions	504,015	16,297	520,312
Payments	<u>(473,411)</u>	<u>(9,685)</u>	<u>(483,096)</u>
Ending Balance	<u>\$640,615</u>	<u>\$17,899</u>	<u>658,514</u>
Current Portion	<u>\$510,940</u>	<u>\$17,899</u>	<u>\$528,839</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.

J. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

K. Unavailable and Unearned Revenues

Unavailable 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).

L. 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.

M. 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, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2013, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Community development	\$128,002
Parks & recreation	65,664
Tidelands Special Revenue Fund	36,100
Traffic Safety Special Revenue Fund	9,756
Recreation Grant Special Revenue Fund	985

The excess expenditures were funded by available financial resources.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

P. Closed Funds in the Fiscal Year

For the year ended June 30, 2013 the City closed the Traffic Congestion Relief Special Revenue Fund.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

B. Classifications

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

Statement of Net Position

Cash and investments	\$13,961,877
Restricted cash	<u>486,951</u>
Total Cash and investments	<u><u>\$14,448,828</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:

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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>
Local Agency Investment Fund	\$12,563,995	\$12,563,995
Money Market Mutual Fund	466,251	466,251
 Total Investments	 <u>\$13,030,246</u>	 13,030,246
Cash in banks		1,414,722
Petty Cash		<u>3,860</u>
 Total Cash and Investments		 <u>\$14,448,828</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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, 2013, for each investment type as provided by Standard & Poor's Investment rating system:

Investment Type	AAAm	Total
Money Market Mutual Fund	\$466,251	\$466,251
Not Rated:		
Local Agency Investment Fund		12,563,995
Cash in banks		1,414,722
Petty cash		3,860
Total Cash and Investments		\$14,448,828

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, 2013

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, 2013, these investments matured in an average of 278 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, 2013 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Non Major Governmental Funds	General Fund	\$121,355
		\$121,355

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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 B
	Old City Hall Enterprise Fund	175,000 B
	Internal Service Funds	1,747,374 C
General Capital Improvement	General Fund	400,642 D
	Tideland Special Revenue Fund	613,619 D
	Non-Major Governmental Funds	268,883 D
Non-Major Governmental Funds	General Fund	3,149 I
	Tideland Special Revenue Fund	72,155 I
Internal Service Funds	General Fund	454,721 E,F,G
	Internal Service Funds	<u>100,000 H</u>
Total Interfund Transfers		<u>\$5,435,701</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 fund the General Fund operation.
- C To reimburse the General Fund for costs incurred with funds set-aside within internal service funds specifically for that purpose.
- 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 liability.
- G To set aside funds for workers compensation claims
- H To set aside funds for general liability claims
- I To fund Debt Service

C. Long-term Interfund Advances

The City had the following interfund advances at June 30:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
MLK Enterprise Fund	General Fund	<u>\$6,046,199</u>
		<u>\$6,046,199</u>

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, 2013, outstanding loans totaling \$6,046,199 (\$3,398,889 in advances and \$2,647,310 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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, 2013

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, 2013, comprise:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental Activities					
Capital assets not being depreciated:					
Land and improvements	\$15,014,662				\$15,014,662
Construction in progress	9,793,525	\$2,588,777	(\$17,855)	(\$11,802,876)	561,571
	<u>24,808,187</u>	<u>2,588,777</u>	<u>(17,855)</u>	<u>(11,802,876)</u>	<u>15,576,233</u>
Depreciable capital assets:					
Building and improvements	15,839,715			1,875,968	17,715,683
Vehicles and equipment	397,013		(46,500)		350,513
Machinery and equipment	756,338			167,673	924,011
Infrastructure	24,474,617	23,925		9,759,235	34,257,777
Total Infrastructure	<u>41,467,683</u>	<u>23,925</u>	<u>(46,500)</u>	<u>11,802,876</u>	<u>53,247,984</u>
Less: accumulated depreciation for					
Building and improvements	(1,396,304)	(356,329)			(1,752,633)
Vehicles and equipment	(397,013)		46,500		(350,513)
Machinery and equipment	(626,611)	(78,289)			(704,900)
Infrastructure	(20,828,347)	(741,400)			(21,569,747)
Total accumulated depreciation	<u>(23,248,275)</u>	<u>(1,176,018)</u>	<u>46,500</u>		<u>(24,377,793)</u>
Depreciable capital assets, net	<u>18,219,408</u>	<u>(1,152,093)</u>		<u>11,802,876</u>	<u>28,870,191</u>
Internal Service Funds					
Depreciable capital assets:					
Vehicles and equipment	519,741	26,184			545,925
Machinery and equipment	17,273				17,273
	<u>537,014</u>	<u>26,184</u>			<u>563,198</u>
Less: accumulated depreciation for					
Vehicles and equipment	(373,079)	(53,933)		3,030	(423,982)
Machinery and equipment	(2,912)	(2,485)		(3,030)	(8,427)
Total accumulated depreciation	<u>(375,991)</u>	<u>(56,418)</u>			<u>(432,409)</u>
Depreciable capital assets, net	<u>161,023</u>	<u>(30,234)</u>			<u>130,789</u>
Governmental capital assets, net	<u>\$43,188,618</u>	<u>\$1,406,450</u>	<u>(\$17,855)</u>		<u>\$44,577,213</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
Business-type Activities				
Land and improvements	\$3,796,001			\$3,796,001
Construction in Progress	279,948	\$201,964	(\$69,680)	412,232
	<u>4,075,949</u>	<u>201,964</u>	<u>(69,680)</u>	<u>4,208,233</u>
Depreciable capital assets:				
Building and improvements	5,760,137	45,254		5,805,391
MLK Bus Barn	275,000			275,000
Vehicles and equipment	2,125,102	53,900		2,179,002
Infrastructure	9,171,821		69,680	9,241,501
Total	<u>17,332,060</u>	<u>99,154</u>	<u>69,680</u>	<u>17,500,894</u>
Less: accumulated depreciation for				
Building and improvements	(2,388,468)	(102,074)		(2,490,542)
MLK Bus Barn	(76,995)	(5,500)		(82,495)
Vehicles and equipment	(1,152,929)	(126,329)		(1,279,258)
Infrastructure	(4,922,955)	(142,177)		(5,065,132)
	<u>(8,541,347)</u>	<u>(376,080)</u>		<u>(8,917,427)</u>
Depreciable capital assets, net	<u>8,790,713</u>	<u>(276,926)</u>		<u>8,583,467</u>
Total capital assets, net	<u>\$12,866,662</u>	<u>(\$74,962)</u>		<u>\$12,791,700</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	\$236,710
Police services	6,995
Public works	299,912
Recreation	632,401
Internal Service Funds	<u>56,418</u>
Total Governmental Activities	<u>\$1,232,436</u>
Business-type Activities:	
MLK	\$79,775
Sewer	202,203
Parking	66,512
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$376,080</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
Governmental Activities						
Southern Marin Fire Protection	\$1,740,000		\$1,740,000	(\$58,000)	\$1,682,000	\$58,000
Department of Boating & Waterways	1,200,000	\$737,634		(38,962)	698,672	40,715
California Energy Commission	31,000	3,104		(3,104)		
General Obligation Bonds:						
2006 Series A	8,205,000	5,940,000		(150,000)	5,790,000	185,000
2006 Series B	7,293,894	9,437,772	446,791		9,884,563	
Fire Truck Lease	434,235	136,862		(67,046)	69,816	69,816
Scanner Lease	54,558	9,526		(9,526)		
Total Government Activities		<u>\$16,264,898</u>	<u>\$2,186,791</u>	<u>(\$326,638)</u>	<u>\$18,125,051</u>	<u>\$353,531</u>
Business-type Activities						
State Water Resources Board Loan	\$100,000	\$100,000			\$100,000	
Capital Leases						
MLK capital lease	3,840,494	505,017		(\$437,328)	67,689	\$67,689
MLK capital improvement lease	1,770,000	660,000		(130,000)	530,000	250,000
MLK discount		(6,626)		6,626		
Total Business-type Activities		<u>\$1,258,391</u>		<u>(\$560,702)</u>	<u>\$697,689</u>	<u>\$317,689</u>

B. Southern Marin Fire Protection District Annexation Agreement

In September 2011, the City entered into annexation agreement with the Southern Marin Fire Protection District. The City agreed to pay Southern Marin Fire Protection District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for City. The City made the first payment during fiscal year 2013. The last payment is due in fiscal year 2042.

C. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 5 - LONG-TERM DEBT (Continued)

D. 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. The loan was repaid in full as of June 30, 2013.

E. 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 \$7,869,025. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$406,350 and \$256,750, respectively.

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 \$9,884,563. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$256,750.

The Bonds unaccreted discount and the current year accretion totaled \$15,730,438 and \$446,791, respectively at June 30, 2013. 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.

G. Fire Truck Capital Lease

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

H. Scanner Capital Lease

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 5 - LONG-TERM DEBT (Continued)

I. State Water Resources Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement in the amount of \$1,036,480 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. As of June 30, 2013 the City had drawn down \$100,000 of the total loan amount.

J. 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 to the year 2033 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, 2013 is comprised of the following:

Operating Leases	\$925,358
Utility pass through	<u>50,688</u>
	<u><u>\$976,046</u></u>

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2013 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2014	\$659,894
2015	744,541
2016	766,572
2017	789,475
2018	813,159
2019-2023	3,371,649
2024-2028	3,908,665
2029-2033	<u>4,531,214</u>
	<u><u>\$15,585,169</u></u>

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 5 - LONG-TERM DEBT (Continued)

K. 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.

L. Debt Service Requirements

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

Fiscal Year Ended June 30	Governmental Activities		Business Activities	
	Principal (A)	Interest	Principal	Interest
2014	\$353,531	\$281,564	\$317,689	\$26,309
2015	315,548	268,551	280,000	7,351
2016	352,463	257,103		
2017	389,463	244,136		
2018	436,554	229,437		
2019-2023	2,942,577	856,025		
2024-2028	4,988,353	183,712		
2029-2033	7,385,000			
2034-2038	9,570,000		100,000	
2039-2042	7,122,000			
Total	<u>\$33,855,489</u>	<u>\$2,320,526</u>	<u>\$697,689</u>	<u>\$33,660</u>

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$15,730,438

M. Authorized but Unissued Debt

On November 13, 2007, the City authorized the issuance of one or more Pension Obligation Bonds, for an unknown amount, to fund the City's unfunded accrued actuarial liability (Pension Obligation) plus an additional amount to pay costs of issuance of the pension obligation bonds. As of June 30, 2013, the City had yet to issue any of the bonds.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 6 – DEBT WITH NO CITY COMMITMENT

A. *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, 2013 is \$2,050,000.

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.

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 paid for half of the cost of the project. As of June 30, 2013, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,926,106 as unearned lease revenue to be amortized over remaining 49 years.

In addition, upon the completion of the project, the tenant is also entitled to a rent credit against the rental payments to be made to the City. The total amount of the available rent credit is equal to one half of the project costs less \$1,000,000. The project was completed July 2012. 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 outstanding and unused rent credit. As of June 30, 2013, the City had recorded \$2,018,189 as unearned rent revenue.

Combined, the unearned revenue at June 30, 2013 is \$4,944,295.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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, 2013, are summarized as follows:

	Police		Fire	
	Before January 1, 2013	After January 1, 2013	Before January 1, 2013	After January 1, 2013
Hire Date				
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life		monthly for life	
Retirement age	50-55	57	50-55	57
Monthly benefits, as a % of annual salary	2.4-3.0%	2.7%	2.4-3.0%	2.7%
Required employee contribution rates	9%	12.25%	9%	12.25%
Required employer contribution rates	37.891%	12.25%	31.279%	12.25%
			Miscellaneous	
Hire Date			Before January 1, 2013	After January 1, 2013
Benefit vesting schedule			5 years service	5 years service
Benefit payments			monthly for life	
Retirement age			50-55	62
Monthly benefits, as a % of annual salary			2.0-2.5%	2.0%
Required employee contribution rates			8%	6.50%
Required employer contribution rates			16.119%	6.70%

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, 2013

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
2011	\$1,958,561	33.00%	27.06%	12.74%
2012	2,407,997	38.53%	31.55%	15.60%
2013	1,885,718	37.89%	31.28%	16.12%

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation rate at 2.75 %. 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 City satisfied its Miscellaneous and Safety Plans unfunded liabilities by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Miscellaneous Plan's Side Fund liability of \$413,515 and the balance of the Fire Safety Plan's Side Fund liability of \$1,333,859 was paid off during fiscal year ended June 30, 2013.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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

State-wide pool - Safety Police and Fire Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
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%
2011	2,061,923,933	1,759,286,797	302,637,136	85.3%	225,026,216	134.5%

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
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%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%

The City's Safety (Police and Fire) Plan represents approximately 1.4%, 1.4% and 1.4% of the State-wide pool for each of the years ended June 30, 2011, 2010 and 2009, based on covered payroll for those years.

The City's Miscellaneous Plan represents approximately 1.0%, 1.0% and 0.9% of the State-wide pool for each of the years ended June 30, 2011, 2010 and 2009, based on covered payroll for those years.

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

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB)

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. As of June 30, 2013, 36 retired participants were receiving post employment health care benefits.

Effective July 1, 2012, fire employees were transferred by annexation agreements to the Southern Marin Fire Protection District (SMFPD). Except for five specific fire Department employees, all post employment benefit obligations for the remaining fire employees were transferred to the SMFPD. For the remaining five fire employees, and for the existing fire retirees, they are covered under a Marin County medical plan. The specific five fire employees, now working for the SMFPD who retire after 20 years of service at or after the age 50 are eligible to receive total medical benefits up to the Kaiser single retiree premium.

Police, SEIU Local 1021 and unrepresented employees are covered under the CalPERS medical program. These 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. Spouses of retirees can also be covered, but the retiree is required to pay the spousal premiums. However, upon death of a retiree covered under CalPERS, a surviving spouse continues to receive the CalPERS minimum at no cost.

Effective July 1, 2012, only existing Police, SEIU Local 1021 and unrepresented employees with three or more years of service as of June 30, 2012 who retire after 20 years of service at or after age 50 for police, and at or after age 55 for other employees, were eligible to receive total medical benefits up to the Kaiser single retiree premium (including the CalPERS minimum if applicable).

Effective July 1, 2012, employees with less than 3 years of service forfeited the defined post employment benefits in exchange for an annual defined contribution. Further, effective July 1, 2012, the City offered all employees with more than 3 years of service to exchange the defined benefit post employment benefit for annual defined contribution. Thirty-one out of 72 eligible employees that had 3 or more years of service chose to opt out of the defined benefit post employment plan in exchange for the defined contribution. During the year, two of those employees left City employment. As of June 30, 2013, only 41 of the remaining Police, SEIU Local 1021 and unrepresented employees are eligible for the 20 year service benefit.

Effective July 1, 2012, all new Police, SEIU Local 1021 and unrepresented employees, covered under the CalPERS medical program, who retire at age 50 or over with at least 5 years of service receive only benefits at least equal to the CalPERS minimum program.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB) (Continued)

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2012 actuarial valuation using the entry age normal actuarial cost method.

Certain plan changes occurred effective for the July 1, 2012 valuation. The City's fire department was annexed to Southern Marin Fire Protection District, and most of the liability for active firefighters was eliminated in the valuation. In addition, other active employees were permitted to opt out of the OPEB plan and elect a defined contribution plan. No future hires would be covered under this OPEB plan.

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 7.3% 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.

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)	\$512,848
Interest on net OPEB obligation	97,190
Adjustment to annual required contribution	<u>(96,085)</u>
Annual OPEB cost	513,953
Contributions made:	
City's portion of current year premiums paid	<u>159,056</u>
Change in net OPEB obligation	354,897
Net OPEB obligation June 30, 2012	<u>1,957,795</u>
Net OPEB obligation June 30, 2013	<u><u>\$2,312,692</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the year ended 2013 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2011	\$665,661	\$159,678	24%	\$1,402,979
6/30/2012	712,559	157,743	22%	1,957,795
6/30/2013	513,953	159,056	31%	2,312,692

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 July 1, 2012 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)
6/30/2011	\$0	\$6,888,060	(\$6,888,060)	0%
6/30/2012	0	6,646,550	(6,646,550)	0%
6/30/2013	0	6,627,101	(6,627,101)	0%

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB) (Continued)

C. Post Employment Benefit Reform

The City of Sausalito, has long recognized the importance of funding OPEB annual required contributions (ARC) and unfunded accrued actuarial liabilities (UAAL). Specifically:

- In fiscal 2005, the City set-aside \$50,000 in a separate internal services fund to partially offset the UAAL;
- In both fiscal 2006 and fiscal 2007, the City set-aside \$150,000 each year in a separate internal services fund in order to partially offset the UAAL;
- In fiscal 2008, the City Council adopted a policy through budget adoption and implementation to set aside 1% of employees' salaries in a separate internal services fund in order to continue the practice to partially offset the UAAL;
- In mid fiscal 2008, after accumulating the above noted \$350,000, and adopting the policy to continue the practice of setting aside 1% of salaries into a separate internal service fund to partially offset the UAAL, the City Council's Finance Committee deliberated on the choices of (a) pre-funding OPEB liabilities in an irrevocable trust or (b) continue to set-aside monies internally. *Although, current accounting and actuarial standards do not permit monies not in an irrevocable trust as credits against UAAL, the City decided not to invest monies in an irrevocable trust with an investment strategy to achieve the 5% actuarial discount rate due to foreseen economic market weakness. In retrospect, the decision to not place the monies into an irrevocable trust was momentarily fortuitous as the equity markets plunged late 2008 and early 2009 – the City would have lost about 50% of the money it had set-aside.*
- In fiscal 2009, besides setting aside funds in a separate internal service fund, the City began exploring all other options for reducing OPEB ARC and UAAL including investigating feasibility of working with other cities to find solutions, implementing a two-tier benefits system for future new hires, a dollar cap on benefits, and converting the current defined benefits plan into a defined contribution plan. Accordingly, and in order to provide structural balance to the City's financial position, a two-tier planning effort was initiated in 2010 that manifested a comprehensive strategy to lower the cost of labor. The strategy was implemented on July 1, 2012. The OPEB reform accomplished the following:
 - Replaced Defined Benefit (DB)-OPEB for current employees with 3 years or less service with Defined Contribution (DC)-OPEB
 - Offered a one-time option to all employees with more than 3 years of service to opt out of DB-OPEB and replace with DC-OPEB
 - Eliminated all OPEB for all future employees
 - The impacts from the City's OPEB reform included:
 - Eliminated DB-OPEB for 14 employees with less than 3 years of service
 - Eliminated DB-OPEB for 17 employees with more than 3 years of service

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB) (Continued)

- Created a closed pool of full medical retiree health care benefits for the Police, SEIU Local 1021 and unrepresented employees and accordingly justified to continue with a Pay-As-You-Go approach for OPEB funding. Specifically:
 - Reduced the actuarially liability by \$1,000,000
 - Reduced the annual OPEB normal cost by \$350,000;
- Effective with the June 26, 2012 annexation agreement, the Fire employee component of the normal cost and actuarial accrued liability is now a completely closed pool and the normal cost and actuarial accrued liability will be eventually totally eliminated.
- As of June 30, 2013, the City had accumulated approximately \$579,851 in the separate internal services as partial offsets for the remaining Police, SEIU Local 1021 and unrepresented employees actuarial accrued liabilities.

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, 2013

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, 2013, the City's estimated workers' compensation liability for unpaid losses was as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$698,630	\$776,944
Incurred claims and claims adjustment	424,307	256,518
Claims paid	<u>(123,836)</u>	<u>(334,832)</u>
Ending balance	<u>\$999,101</u>	<u>\$698,630</u>
Current portion	<u>\$300,995</u>	<u>\$221,491</u>

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

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.

The BCJPIA provides liability and errors and 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, 2013, the City’s estimated general liability for unpaid losses was as follows:

	2013	2012
Beginning balance	\$116,741	\$94,206
Incurred claims and claims adjustment	64,793	36,237
Claims paid	(11,238)	(13,702)
Ending balance	\$170,296	\$116,741
Current portion	\$41,123	\$45,027

NOTE 11 – NET POSITION AND FUND BALANCES

A. Net Position

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

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the City’s capital assets, net of related debt.

Restricted describes the portion of Net Position 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 Position which is not restricted to use.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

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

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

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

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, 2013

NOTE 11 – NET POSITION AND FUND BALANCE (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2013, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable for:					
Loans receivable	\$5,183				\$5,183
Prepays	22,574				22,574
Advances to other funds	6,046,199				6,046,199
Subtotal	<u>6,073,956</u>				<u>6,073,956</u>
Restricted for:					
Seized assets				\$34,050	34,050
Street construction and maintenance				144,840	144,840
Infrastructure projects				411,901	411,901
Storm drain maintenance				49,014	49,014
Stair improvements				142,017	142,017
Disasters				961,309	961,309
Grants				9,015	9,015
Measure A				163,268	163,268
2006 General Obligations				506,761	506,761
Police grant				906	906
Subtotal				<u>2,423,081</u>	<u>2,423,081</u>
Committed to:					
Library improvements				101,549	101,549
Capital improvements			\$2,144,092		2,144,092
Subtotal			<u>2,144,092</u>	<u>101,549</u>	<u>2,245,641</u>
Assigned:					
Budget stabilization reserve	691,600				691,600
Donation	26,017				26,017
Subtotal	<u>717,617</u>				<u>717,617</u>
Unassigned:					
Emergency shortfall reserve	2,195,339				2,195,339
Fund deficit residuals		(\$3,941,975)		(707)	(3,942,682)
Subtotal	<u>2,195,339</u>	<u>(3,941,975)</u>		<u>(707)</u>	<u>(1,747,343)</u>
Total fund balances	<u>\$8,986,912</u>	<u>(\$3,941,975)</u>	<u>\$2,144,092</u>	<u>\$2,523,923</u>	<u>\$9,712,952</u>

C. Budget Stabilization Shortfall Reserve Policy

Five percent (5%) of the City’s annual expenditures are 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

NOTE 11 – NET POSITION AND FUND BALANCE (Continued)

D. *Emergency Shortfall Reserve Policy*

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

E. *Net Position and Fund Balance Deficits*

The following funds also had a fund balance deficit at June 30, 2013 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,941,975
Traffic Safety Special Revenue Fund	707

F. *Beginning Net Position Restatement*

The City’s annexation agreement with the Southern Marin Fire Protection District was completed effective as of June 30, 2012. The City had agreed to pay Southern Marin Fire Protection District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for City. As a result, the City restated and reduced the Employee Benefits Internal Service Fund beginning net position by \$1,740,000.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2013

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$3,917,750	\$3,917,750	\$4,005,003	\$87,253
Sales tax	1,760,000	1,842,000	1,761,236	(80,764)
Other tax	1,648,000	1,698,000	1,740,475	42,475
Licenses and permits	490,000	490,000	558,387	68,387
Fines and forfeitures	550,000	550,000	566,684	16,684
Use of money and property	350,000	350,000	562,302	212,302
Intergovernmental	47,500	47,500		(47,500)
Charges for services	1,023,050	1,023,050	1,241,094	218,044
Other revenues	388,436	388,436	125,109	(263,327)
Total Revenues	<u>10,174,736</u>	<u>10,306,736</u>	<u>10,560,290</u>	<u>253,554</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,263,500	1,263,500	1,205,117	58,383
Information Technology	585,628	620,628	448,166	172,462
Non departmental	2,937,594	2,937,594	2,682,563	255,031
Library	789,335	789,335	774,108	15,227
Public safety:				
Police	4,420,640	4,420,640	4,087,038	333,602
Community development	1,102,048	1,102,048	1,230,050	(128,002)
Public works	1,480,540	1,480,540	1,464,672	15,868
Parks & recreation	745,842	745,842	811,506	(65,664)
Total Expenditures	<u>13,325,127</u>	<u>13,360,127</u>	<u>12,703,220</u>	<u>656,907</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,150,391)</u>	<u>(3,053,391)</u>	<u>(2,142,930)</u>	<u>910,461</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,575,158	3,575,158	3,522,532	(52,626)
Transfers (out)	(313,000)	(313,000)	(858,512)	(545,512)
Total Other Financing Sources (Uses)	<u>3,262,158</u>	<u>3,262,158</u>	<u>2,664,020</u>	<u>(598,138)</u>
NET CHANGE IN FUND BALANCE	<u>\$111,767</u>	<u>\$208,767</u>	521,090	<u>\$312,323</u>
BEGINNING FUND BALANCE			<u>8,465,822</u>	
ENDING FUND BALANCE			<u>\$8,986,912</u>	

CITY OF SAUSALITO
TIDELANDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<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>\$717,258</u>	<u>\$704,756</u>	<u>(\$12,502)</u>
Total Revenues	<u>717,258</u>	<u>704,756</u>	<u>(12,502)</u>
EXPENDITURES:			
Current:			
General government	<u>124,611</u>	<u>160,711</u>	<u>(36,100)</u>
Total Expenditures	<u>124,611</u>	<u>160,711</u>	<u>(36,100)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>592,647</u>	<u>544,045</u>	<u>(48,602)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(481,655)</u>	<u>(905,274)</u>	<u>(423,619)</u>
Total Other Financing Sources (Uses)	<u>(481,655)</u>	<u>(905,274)</u>	<u>(423,619)</u>
NET CHANGE IN FUND BALANCE	<u>\$110,992</u>	<u>(361,229)</u>	<u>(\$472,221)</u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(3,580,746)</u>	
ENDING FUND BALANCE (DEFICIT)		<u>(\$3,941,975)</u>	

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

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

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

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

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

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

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

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

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.

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital Project Funds

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

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees	Traffic Congestion Relief
ASSETS					
Cash and investments	\$34,050	\$4,722	\$153,286	\$411,901	
Restricted cash and investments					
Receivables:					
Taxes receivables, net					
Accounts receivable, net		\$2,476			
Total Assets	\$34,050	\$7,198	\$153,286	\$411,901	
LIABILITIES					
Accounts payable		\$7,905	\$8,446		
Due to other funds					
Total Liabilities		7,905	8,446		
FUND BALANCE					
Restricted	\$34,050		144,840	\$411,901	
Committed					
Unassigned		(707)			
Total Fund Balances	34,050	(707)	144,840	411,901	
Total Liabilities and Fund Balances	\$34,050	\$7,198	\$153,286	\$411,901	

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
	\$48,207	\$142,017	\$961,309		\$163,268
	807				
<u>\$36,769</u>				<u>\$96,153</u>	
<u>\$36,769</u>	<u>\$49,014</u>	<u>\$142,017</u>	<u>\$961,309</u>	<u>\$96,153</u>	<u>\$163,268</u>
\$661				\$985	
<u>35,202</u>				<u>86,153</u>	
<u>35,863</u>				<u>87,138</u>	
906	\$49,014	\$142,017	\$961,309	\$9,015	\$163,268
<u>906</u>	<u>49,014</u>	<u>142,017</u>	<u>961,309</u>	<u>9,015</u>	<u>163,268</u>
<u>\$36,769</u>	<u>\$49,014</u>	<u>\$142,017</u>	<u>\$961,309</u>	<u>\$96,153</u>	<u>\$163,268</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2013

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Energy Loan	Tideland Loan	Library Improvement	
ASSETS					
Cash and investments	\$18,339			\$103,084	\$2,040,183
Restricted cash and investments	486,951				486,951
Receivables:					
Taxes receivables, net	1,471				2,278
Accounts receivable, net					135,398
Total Assets	\$506,761			\$103,084	\$2,664,810
LIABILITIES					
Accounts payable				\$1,535	\$19,532
Due to other funds					121,355
Total Liabilities				1,535	140,887
FUND BALANCE					
Restricted	\$506,761				2,423,081
Committed				101,549	101,549
Unassigned					(707)
Total Fund Balances	506,761			101,549	2,523,923
Total Liabilities and Fund Balances	\$506,761			\$103,084	\$2,664,810

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees	Traffic Congestion Relief
REVENUES					
Property tax					
Fines and forfeitures		\$42,206			
Use of money and property	\$80	14	\$228	\$1,106	\$10
Intergovernmental			187,640		
Charges for services				171,127	
Other revenues					
Total Revenues	<u>80</u>	<u>42,220</u>	<u>187,868</u>	<u>172,233</u>	<u>10</u>
EXPENDITURES					
Current:					
Public safety:					
Police					
Public works		39,756	56,235		5
Capital outlay	3,913				
Debt service:					
Principal					
Interest and other charges					
Total Expenditures	<u>3,913</u>	<u>39,756</u>	<u>56,235</u>		<u>5</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,833)</u>	<u>2,464</u>	<u>131,633</u>	<u>172,233</u>	<u>5</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)			(2,006)	(126,042)	
Total Other Financing Sources (Uses)			<u>(2,006)</u>	<u>(126,042)</u>	
NET CHANGE IN FUND BALANCES	(3,833)	2,464	129,627	46,191	5
BEGINNING FUND BALANCES (DEFICITS)	<u>37,883</u>	<u>(3,171)</u>	<u>15,213</u>	<u>365,710</u>	<u>(5)</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$34,050</u>	<u>(\$707)</u>	<u>\$144,840</u>	<u>\$411,901</u>	

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$95	\$128	\$342	\$2,268		\$385
109,879	71,680			\$96,153	121,776
<u>109,974</u>	<u>71,808</u>	<u>342</u>	<u>2,268</u>	<u>96,153</u>	<u>122,161</u>
106,560					
2,493	14,148			985	
	2,720				
<u>109,053</u>	<u>16,868</u>			<u>985</u>	
921	54,940	342	2,268	95,168	122,161
	(40,713)	(3,969)		(96,153)	
	(40,713)	(3,969)		(96,153)	
921	14,227	(3,627)	2,268	(985)	122,161
(15)	34,787	145,644	959,041	10,000	41,107
<u>\$906</u>	<u>\$49,014</u>	<u>\$142,017</u>	<u>\$961,309</u>	<u>\$9,015</u>	<u>\$163,268</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, 2013

	DEBT SERVICE FUND			CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Energy Loan	Tideland Loan	Library Capital Improvement	
REVENUES					
Property tax	\$491,452				\$491,452
Fines and forfeitures					42,206
Use of money and property				\$321	4,977
Intergovernmental					515,448
Charges for services					242,807
Other revenues	24,539			8,998	33,537
Total Revenues	515,991			9,319	1,330,427
EXPENDITURES					
Current:					
Public safety:					
Police					106,560
Public works					110,144
Capital outlay				125,841	135,952
Debt service:					
Principal	150,000	\$3,102	\$38,962		192,064
Interest and other charges	256,750	47	33,193		289,990
Total Expenditures	406,750	3,149	72,155	125,841	834,710
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	109,241	(3,149)	(72,155)	(116,522)	495,717
OTHER FINANCING SOURCES (USES)					
Transfers in		3,149	72,155		75,304
Transfers (out)					(268,883)
Total Other Financing Sources (Uses)		3,149	72,155		(193,579)
NET CHANGE IN FUND BALANCES	109,241			(116,522)	302,138
BEGINNING FUND BALANCES (DEFICITS)	397,520			218,071	2,221,785
ENDING FUND BALANCES (DEFICITS)	\$506,761			\$101,549	\$2,523,923

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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, 2013

	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	\$42,206	\$2,206			
Use of money and property	6,000	14	(5,986)	\$500	\$228	(\$272)
Intergovernmental				231,500	187,640	(43,860)
Charges for services						
Other revenues						
Total Revenues	<u>46,000</u>	<u>42,220</u>	<u>(3,780)</u>	<u>232,000</u>	<u>187,868</u>	<u>(44,132)</u>
EXPENDITURES						
Current:						
Public works	30,000	39,756	(9,756)	83,000	56,235	26,765
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>30,000</u>	<u>39,756</u>	<u>(9,756)</u>	<u>83,000</u>	<u>56,235</u>	<u>26,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>16,000</u>	<u>2,464</u>	<u>(13,536)</u>	<u>149,000</u>	<u>131,633</u>	<u>(17,367)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(10,000)</u>		<u>10,000</u>	<u>(249,556)</u>	<u>(2,006)</u>	<u>247,550</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>		<u>10,000</u>	<u>(249,556)</u>	<u>(2,006)</u>	<u>247,550</u>
NET CHANGES IN FUND BALANCES	<u>\$6,000</u>	<u>2,464</u>	<u>(\$3,536)</u>	<u>(\$100,556)</u>	<u>129,627</u>	<u>\$230,183</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(3,171)</u>			<u>15,213</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$707)</u>			<u>\$144,840</u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Storm Drain			Stairs Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,106	\$1,106		\$128	\$128		\$342	\$342
\$150,000	171,127	21,127	\$74,500	71,680	(2,820)			
<u>150,000</u>	<u>172,233</u>	<u>22,233</u>	<u>74,500</u>	<u>71,808</u>	<u>(2,692)</u>		<u>342</u>	<u>342</u>
			25,300	14,148 2,720	11,152 (2,720)			
			<u>25,300</u>	<u>16,868</u>	<u>8,432</u>			
<u>150,000</u>	<u>172,233</u>	<u>22,233</u>	<u>49,200</u>	<u>54,940</u>	<u>5,740</u>		<u>342</u>	<u>342</u>
<u>(306,854)</u>	<u>(126,042)</u>	<u>180,812</u>	<u>(40,000)</u>	<u>(40,713)</u>	<u>(713)</u>	<u>(\$10,000)</u>	<u>(3,969)</u>	<u>6,031</u>
<u>(306,854)</u>	<u>(126,042)</u>	<u>180,812</u>	<u>(40,000)</u>	<u>(40,713)</u>	<u>(713)</u>	<u>(10,000)</u>	<u>(3,969)</u>	<u>6,031</u>
<u>(\$156,854)</u>	46,191	<u>\$203,045</u>	<u>\$9,200</u>	14,227	<u>\$5,027</u>	<u>(\$10,000)</u>	(3,627)	<u>\$6,373</u>
	<u>365,710</u>			<u>34,787</u>			<u>145,644</u>	
	<u>\$411,901</u>			<u>\$49,014</u>			<u>\$142,017</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, 2013

	SPECIAL REVENUE FUNDS					
	Recreation Grant			Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures						
Use of money and property					\$385	\$385
Intergovernmental	\$48,287	\$96,153	\$47,866	\$69,000	121,776	52,776
Charges for services						
Other revenues						
Total Revenues	<u>48,287</u>	<u>96,153</u>	<u>47,866</u>	<u>69,000</u>	<u>122,161</u>	<u>53,161</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay		985	(985)			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures		<u>985</u>	<u>(985)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>48,287</u>	<u>95,168</u>	<u>46,881</u>	<u>69,000</u>	<u>122,161</u>	<u>53,161</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(96,783)	(96,153)	630	(69,000)		69,000
Total Other Financing Sources (Uses)	<u>(96,783)</u>	<u>(96,153)</u>	<u>630</u>	<u>(69,000)</u>		<u>69,000</u>
NET CHANGES IN FUND BALANCES	<u>(\$48,496)</u>	<u>(985)</u>	<u>\$47,511</u>	<u>122,161</u>	<u>\$122,161</u>	
BEGINNING FUND BALANCES (DEFICITS)		<u>10,000</u>			<u>41,107</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$9,015</u>			<u>\$163,268</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Energy Loan			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$512,343	\$491,452	(\$20,891)						
	24,539	24,539						
512,343	515,991	3,648						
165,000	150,000	15,000	\$3,102	\$3,102		\$38,962	\$38,962	
344,870	256,750	88,120	70	47	\$23	33,193	33,193	
509,870	406,750	103,120	3,172	3,149	23	72,155	72,155	
2,473	109,241	106,768	(3,172)	(3,149)	23	(72,155)	(72,155)	
(2,473)		2,473	3,173	3,149	(\$24)	72,155	72,155	
(2,473)		2,473	3,173	3,149	(24)	72,155	72,155	
	109,241	\$109,241	\$1		(\$1)			
	397,520							
	\$506,761							

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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 Position. 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 STATEMENTS OF NET POSITION
JUNE 30, 2013

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$1,144,125	\$1,024,777	\$795,233	\$247,649	\$3,211,784
Accounts receivable, net	1,170				1,170
Total current assets	1,145,295	1,024,777	795,233	247,649	3,212,954
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	130,789				130,789
Total noncurrent assets	130,789				130,789
Total Assets	1,276,084	1,024,777	795,233	247,649	3,343,743
LIABILITIES					
Current liabilities:					
Accounts payable	5,128	19,049	35,211	7,169	66,557
Accrued interest payable	1,761				1,761
Claims payable - due within one year		300,995		41,123	342,118
Long-term debt - due within one year	69,816		58,000		127,816
Total current liabilities	76,705	320,044	93,211	48,292	538,252
Noncurrent liabilities					
Claims payable, due in more than one year		698,106		129,803	827,909
Long-term debt - due in more than one year			1,624,000		1,624,000
Total noncurrent liabilities		698,106	1,624,000	129,803	2,451,909
Total Liabilities	76,705	1,018,150	1,717,211	178,095	2,990,161
NET POSITION					
Net investment in capital assets	60,973				60,973
Unrestricted	1,138,406	6,627	(921,978)	69,554	292,609
Total Net Position	\$1,199,379	\$6,627	(\$921,978)	\$69,554	\$353,582

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue	\$4,807	\$211,650			\$216,457
Total Operating Revenues	4,807	211,650			216,457
OPERATING EXPENSES					
Repairs and maintenance	4,732				4,732
Other operating expenses	12,110	820,155	\$44,312	\$201,147	1,077,724
Depreciation	56,418				56,418
Total Operating Expenses	73,260	820,155	44,312	201,147	1,138,874
Operating Income (Loss)	(68,453)	(608,505)	(44,312)	(201,147)	(922,417)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	4,954	2,458	1,437	410	9,259
Interest (expense)	(4,471)				(4,471)
Total nonoperating revenue	483	2,458	1,437	410	4,788
Income before transfers	(67,970)	(606,047)	(42,875)	(200,737)	(917,629)
Transfers in	129,344		325,377	100,000	554,721
Transfers (out)	(1,333,859)	(100,000)	(413,515)		(1,847,374)
Transfers, net	(1,204,515)	(100,000)	(88,138)	100,000	(1,292,653)
Change in Net Position	(1,272,485)	(706,047)	(131,013)	(100,737)	(2,210,282)
BEGINNING NET POSITION, as restated	2,471,864	712,674	(790,965)	170,291	2,563,864
ENDING NET POSITION	<u>\$1,199,379</u>	<u>\$6,627</u>	<u>(\$921,978)</u>	<u>\$69,554</u>	<u>\$353,582</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$5,301	\$211,650			\$216,951
Payment to suppliers	<u>(16,842)</u>	<u>(550,028)</u>	<u>(\$166,511)</u>	<u>(\$139,793)</u>	<u>(873,174)</u>
Cash Flows from Operating Activities	<u>(11,541)</u>	<u>(338,378)</u>	<u>(166,511)</u>	<u>(139,793)</u>	<u>(656,223)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	129,344		325,377	100,000	554,721
Transfers out	<u>(1,333,859)</u>	<u>(100,000)</u>	<u>(413,515)</u>		<u>(1,847,374)</u>
Cash Flows from Noncapital Financing Activities	<u>(1,204,515)</u>	<u>(100,000)</u>	<u>(88,138)</u>	<u>100,000</u>	<u>(1,292,653)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(264,678)				(264,678)
Interest expense	(4,918)				(4,918)
Payment of long-term debt	<u>(67,046)</u>		<u>(58,000)</u>		<u>(125,046)</u>
Cash Flows from Capital and Related Financing Activities	<u>(336,642)</u>		<u>(58,000)</u>		<u>(394,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	<u>4,954</u>	<u>2,458</u>	<u>1,437</u>	<u>410</u>	<u>9,259</u>
Net Cash Flows	(1,547,744)	(435,920)	(311,212)	(39,383)	(2,334,259)
Cash and investments at beginning of period	<u>2,691,869</u>	<u>1,460,697</u>	<u>1,106,445</u>	<u>287,032</u>	<u>5,546,043</u>
Cash and investments at end of period	<u>\$1,144,125</u>	<u>\$1,024,777</u>	<u>\$795,233</u>	<u>\$247,649</u>	<u>\$3,211,784</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$68,453)	(\$608,505)	(\$44,312)	(\$201,147)	(\$922,417)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	56,418				56,418
Change in assets and liabilities:					
Accounts receivable	494				494
Accounts payable		(30,344)	(122,199)	7,169	(145,374)
Long-term debt					
Claims payable		<u>300,471</u>		<u>54,185</u>	<u>354,656</u>
Cash Flows from Operating Activities	<u>(\$11,541)</u>	<u>(\$338,378)</u>	<u>(\$166,511)</u>	<u>(\$139,793)</u>	<u>(\$656,223)</u>

AGENCY FUNDS

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

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

CITY OF SAUSALITO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<hr/>				
Sunshine Central Assessment District				
Assets:				
Cash and investments	<u>\$38,240</u>	<u>\$66</u>	<u>\$38,306</u>	
Total Assets	<u><u>\$38,240</u></u>	<u><u>\$66</u></u>	<u><u>\$38,306</u></u>	
Liabilities:				
Due to Assessment District	<u>\$38,240</u>	<u>\$66</u>	<u>\$38,306</u>	
Total Liabilities	<u><u>\$38,240</u></u>	<u><u>\$66</u></u>	<u><u>\$38,306</u></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 Positions by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. 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 General 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

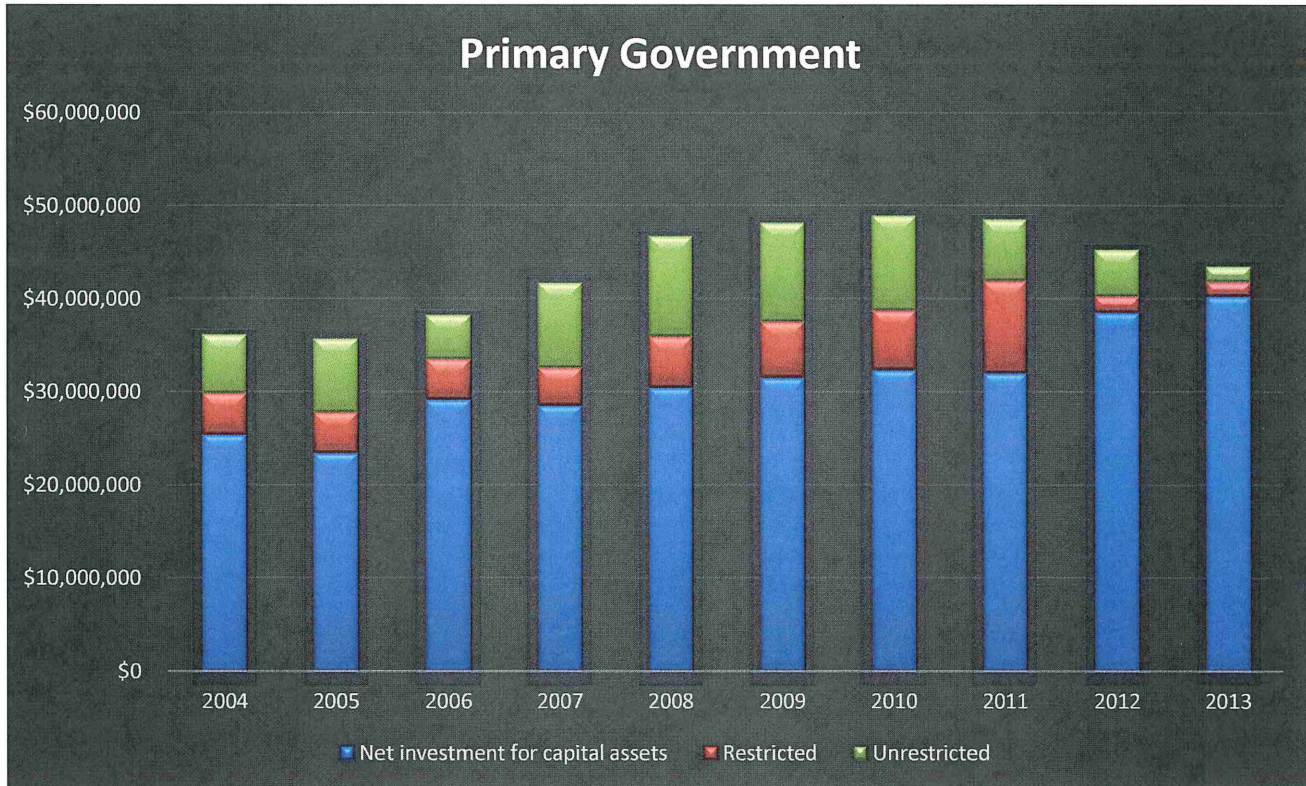
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Authorized Permanent Staffing City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

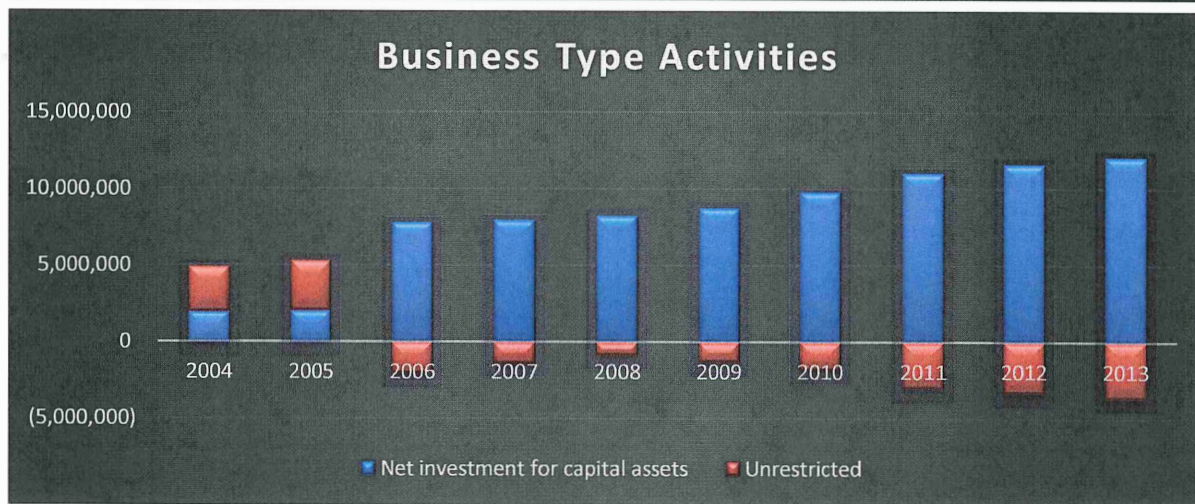
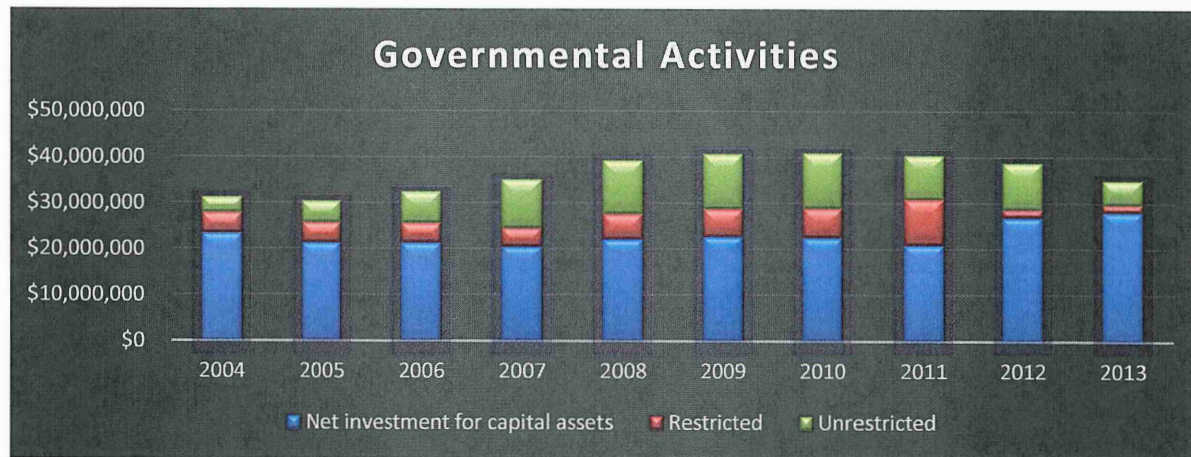
Sources

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 Positions by Component
Last Ten Fiscal Years
(accrual basis of accounting)



	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$23,456,664	\$21,390,365	\$21,354,986	\$20,560,479
Restricted	4,440,011	4,379,746	4,356,609	4,077,211
Unrestricted	3,366,219	4,656,090	6,749,085	10,517,070
Total governmental activities net positions	<u>\$31,262,894</u>	<u>\$30,426,201</u>	<u>\$32,460,680</u>	<u>\$35,154,760</u>
<i>Business-type activities</i>				
Net investment for capital assets	1,984,007	2,037,356	7,841,055	7,982,033
Restricted for Debt Service				
Unrestricted	2,942,531	3,261,325	(2,043,830)	(1,395,149)
Total business-type activities net positions	<u>\$4,926,538</u>	<u>\$5,298,681</u>	<u>\$5,797,225</u>	<u>\$6,586,884</u>
<i>Primary government</i>				
Net investment for capital assets	\$25,440,671	\$23,427,721	\$29,196,041	\$28,542,512
Restricted	4,440,011	4,379,746	4,356,609	4,077,211
Unrestricted	6,308,750	7,917,415	4,705,255	9,121,921
Total primary government net positions	<u>\$36,189,432</u>	<u>\$35,724,882</u>	<u>\$38,257,905</u>	<u>\$41,741,644</u>



2008	2009	2010	2011	2012	2013
\$22,219,842	\$22,780,292	\$22,575,555	\$20,994,353	26,947,881	\$28,195,135
5,500,248	6,042,756	6,377,136	9,933,293	1,779,505	1,563,321
11,629,163	11,899,892	12,003,340	9,567,196	8,328,131	5,293,890
<u>\$39,349,253</u>	<u>\$40,722,940</u>	<u>\$40,956,031</u>	<u>\$40,494,842</u>	<u>\$37,055,517</u>	<u>\$35,052,346</u>
8,259,934	8,752,619	9,821,094	11,049,878	11,608,272	12,094,011
(851,378)	(1,270,712)	(1,826,693)	(3,000,983)	(3,324,964)	(3,662,359)
<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>	<u>\$8,431,652</u>
\$30,479,776	\$31,532,911	\$32,396,649	\$32,044,231	\$38,556,153	\$40,289,146
5,500,248	6,042,756	6,377,136	9,933,293	1,779,505	1,563,321
10,777,785	10,629,180	10,176,647	6,566,213	5,003,167	1,631,531
<u>\$46,757,809</u>	<u>\$48,204,847</u>	<u>\$48,950,432</u>	<u>\$48,543,737</u>	<u>\$45,338,825</u>	<u>\$43,483,998</u>

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

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Expenses				
Governmental Activities:				
General Government	\$1,672,262	\$1,858,807	\$1,975,355	\$2,108,977
Library	514,032	563,306	556,820	585,356
Public Safety:				
Police Services	3,227,089	3,381,396	3,241,413	3,666,529
Fire Services	2,318,546	2,255,289	2,425,603	2,504,788
Community Development	1,012,057	853,183	983,680	943,705
Public Works	1,901,528	1,846,822	2,170,131	1,816,865
Parks & Recreation	597,230	591,248	580,431	474,709
PERS sidefund expense	-	391,230		
Interest on long-term debt	22,502	23,391	38,730	248,461
Total Governmental Activities Expenses	<u>11,265,246</u>	<u>11,764,672</u>	<u>11,972,163</u>	<u>12,349,390</u>
Business-Type Activities:				
MLK	925,605	768,866	796,391	688,495
Sewer	621,682	650,313	664,139	670,158
Parking	295,693	335,191	323,647	271,123
Old City Hall	119,474	95,779	88,485	80,153
Total Business-Type Activities Expenses	<u>1,962,454</u>	<u>1,850,149</u>	<u>1,872,662</u>	<u>1,709,929</u>
Total Primary Government Expenses	<u><u>\$13,227,700</u></u>	<u><u>\$13,614,821</u></u>	<u><u>\$13,844,825</u></u>	<u><u>\$14,059,319</u></u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$4,318	\$35,591	\$30,684	\$26,533
Library	16,997	17,438	20,346	19,333
Public Safety:				
Police Services	429,926	469,648	366,439	396,462
Fire Services	526	110,888	105,208	98,510
Community Development	774,246	488,616	553,550	748,002
Public Works	163,009	1,120	406,325	313,757
Parks & recreation	324,756	395,895	330,412	292,731
Operating Grants and Contributions	100,000	452,832	432,030	321,122
Capital Grants and Contributions	1,934,377	416,309	175,951	508,426
Total Government Activities Program Revenues	<u>3,748,155</u>	<u>2,388,337</u>	<u>2,420,945</u>	<u>2,724,876</u>

Fiscal Year End June 30,					
2008	2009	2010	2011	2012	2013
\$2,305,440	\$2,460,907	\$2,501,641	\$2,918,515	\$3,118,473	\$4,775,777
608,786	648,827	705,531	736,138	689,413	807,413
3,726,214	4,121,184	4,294,928	4,605,286	4,950,954	5,277,918
2,683,513	2,958,736	3,100,259	3,584,319	5,292,475	0
1,047,188	1,065,522	1,174,708	1,162,419	1,370,227	1,229,352
1,833,162	2,286,057	2,066,838	2,016,258	2,222,144	2,674,528
487,822	564,938	629,919	689,994	737,184	846,814
751,082	932,685	771,533	785,825	1,056,346	727,576
<u>13,443,207</u>	<u>15,038,856</u>	<u>15,245,357</u>	<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>
954,757	881,738	796,021	794,100	752,882	865,521
678,833	1,478,463	1,458,226	1,561,902	1,546,806	1,770,446
191,870	219,374	215,401	359,878	370,724	285,784
72,648	65,692	55,779	71,271	35,369	29,552
<u>1,898,108</u>	<u>2,645,267</u>	<u>2,525,427</u>	<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>
<u>\$15,341,315</u>	<u>\$17,684,123</u>	<u>\$17,770,784</u>	<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,329,542</u>
\$32,421	\$33,313	\$29,294	\$40,921	\$35,019	\$38,677
19,407	17,338	16,818	13,812	11,735	11,645
365,355	474,668	358,257	292,898	621,562	588,709
119,737	150,136	111,318	148,672	131,127	3,625
851,233	634,707	653,404	781,973	742,691	704,213
438,593	344,104	261,219	364,494	284,478	295,540
239,466	285,936	348,244	301,240	373,707	450,382
291,314	347,043	396,210	358,806	348,997	399,125
857,212	411,134	139,678	347,764	355,315	242,554
<u>3,214,738</u>	<u>2,698,379</u>	<u>2,314,442</u>	<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>

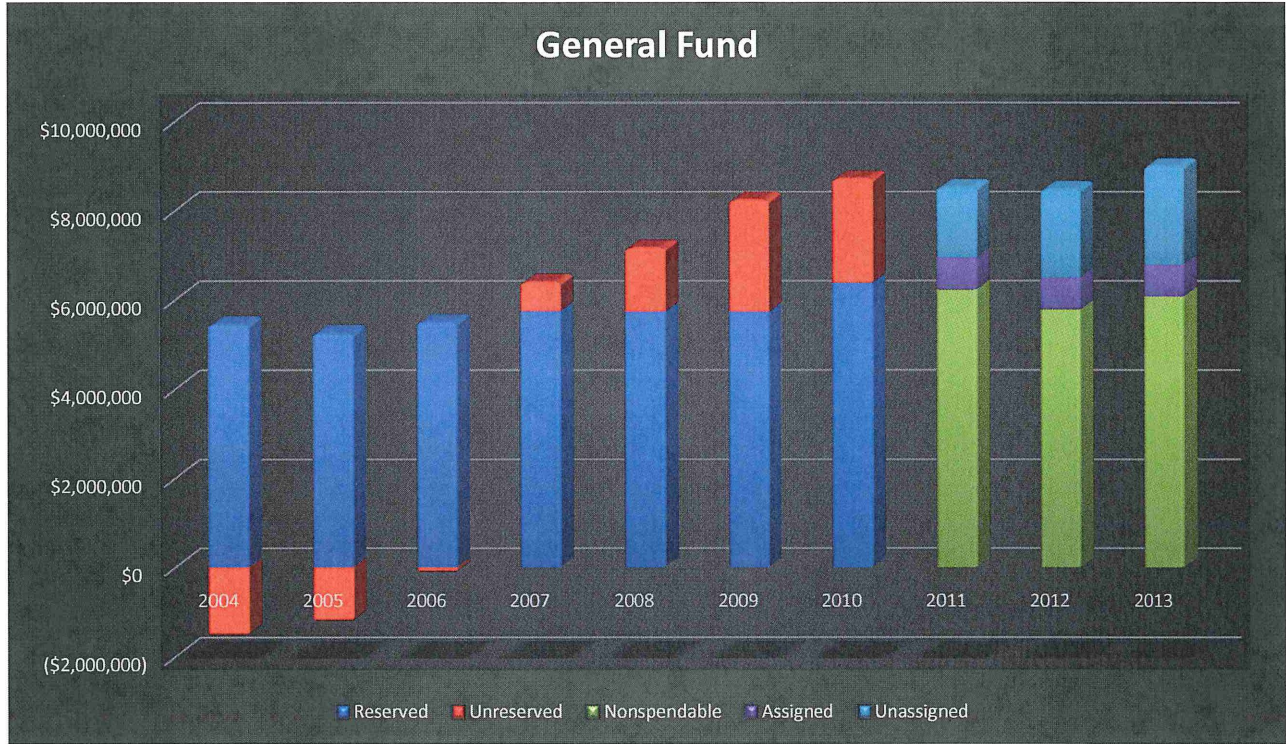
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CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2004	2005	2006	2007
Business-Type Activities:				
Charges for Services:				
MLK	\$827,298	\$817,599	\$970,548	\$983,803
Sewer	677,753	777,871	789,274	755,547
Parking	1,350,157	1,406,066	1,347,932	1,297,275
Old City Hall	312,096	299,940	338,327	306,263
Total Business-Type Activities Program Revenue	<u>3,167,304</u>	<u>3,301,476</u>	<u>3,446,081</u>	<u>3,342,888</u>
Total Primary Government Program Revenues	<u>\$6,915,459</u>	<u>\$5,689,813</u>	<u>\$5,867,026</u>	<u>\$6,067,764</u>
Net (Expense)/Revenue				
Governmental Activities	(\$7,517,091)	(\$9,376,335)	(\$9,551,218)	(\$9,624,514)
Business-Type Activities	<u>1,204,850</u>	<u>1,451,327</u>	<u>1,573,419</u>	<u>1,632,959</u>
Total Primary Government Net Expense	<u>(\$6,312,241)</u>	<u>(\$7,925,008)</u>	<u>(\$7,977,799)</u>	<u>(\$7,991,555)</u>
General Revenues and Other Changes in Net Positions				
Governmental Activities:				
Taxes	\$7,057,832	\$8,598,378	\$9,279,774	\$9,763,577
Property taxes				
Sales taxes				
Transient occupancy tax				
Other taxes				
Motor vehicle in-lieu, unrestricted				
Use of Money/Property and interest earnings	883,506	959,988	1,005,955	1,260,532
Intergovernmental revenues	722,079	-		
Other Revenues	198,521	70,602	225,093	274,313
Transfers	1,164,400	1,108,373	1,074,875	1,020,172
Extraordinary items:				
Assets transferred to the Southern Marin Fire Protection District				
Total Government Activities	<u>10,026,338</u>	<u>10,737,341</u>	<u>11,585,697</u>	<u>12,318,594</u>
Business-Type Activities:				
Use of Money/Property and interest earnings	49,431	100,191	0	175,687
Transfers	(1,164,400)	(1,235,375)	(1,074,875)	(1,020,172)
Other Revenues	1,003	56,000	0	1,185
Total Business-Type Activities	<u>(1,113,966)</u>	<u>(1,079,184)</u>	<u>(1,074,875)</u>	<u>(843,300)</u>
Total Primary Government	<u>\$8,912,372</u>	<u>\$9,658,157</u>	<u>\$10,510,822</u>	<u>\$11,475,294</u>
Change in Net Positions				
Governmental Activities	\$2,509,247	\$1,361,006	\$2,034,479	\$2,694,080
Business-Type Activities	<u>90,884</u>	<u>372,143</u>	<u>498,544</u>	<u>789,659</u>
Total Primary Government	<u>\$2,600,131</u>	<u>\$1,733,149</u>	<u>\$2,533,023</u>	<u>\$3,483,739</u>

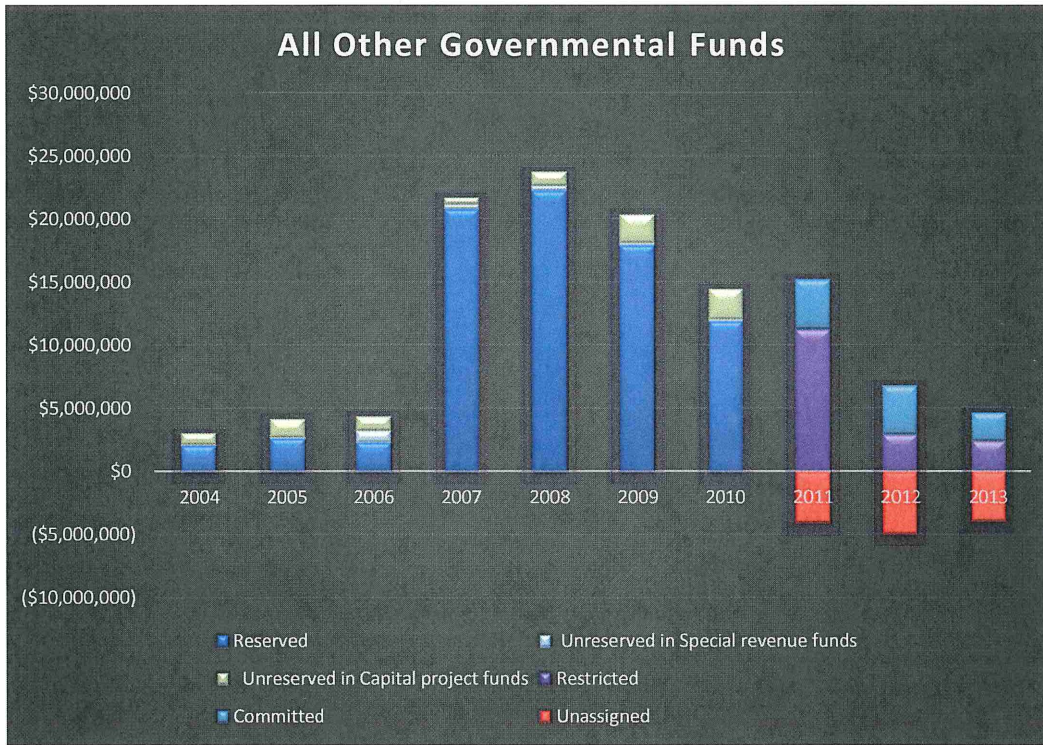
Fiscal Year Ended June 30,					
2008	2009	2010	2011	2012	2013
\$1,033,012	\$1,085,872	\$1,045,428	\$1,076,518	\$960,525	\$976,046
951,956	947,717	1,355,961	1,406,892	1,492,093	1,595,411
1,397,445	1,562,185	1,560,774	1,556,315	1,716,346	1,788,290
315,026	285,999	218,685	231,087	247,490	269,814
3,697,439	3,881,773	4,180,848	4,270,812	4,416,454	4,629,561
<u>\$6,912,177</u>	<u>\$6,580,152</u>	<u>\$6,495,290</u>	<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>
(\$10,228,469)	(\$12,340,477)	(\$12,930,915)	(\$13,848,174)	(\$16,532,585)	(\$13,604,908)
1,799,331	1,236,506	1,655,421	1,483,661	1,710,673	1,678,258
<u>(\$8,429,138)</u>	<u>(\$11,103,971)</u>	<u>(\$11,275,494)</u>	<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,965,511)</u>
6,948,365	\$6,950,008	\$7,187,886	\$7,006,903	\$6,981,555	\$4,496,455
1,681,133	1,693,752	1,535,715	1,443,028	1,694,242	1,761,236
1,005,984	860,117	784,104	828,819	893,946	966,762
1,259,143	1,249,265	1,105,614	1,200,878	1,240,473	556,907
33,049	25,518	22,139	34,616	3,758	
					773,713
1,472,122	1,077,455	883,665	866,032	862,014	1,012,803
802,791	555,674	486,980	568,659	514,282	478,203
1,220,375	1,302,375	1,157,903	1,438,050	1,480,577	1,555,658
				-577,587	
<u>14,422,962</u>	<u>13,714,164</u>	<u>13,164,006</u>	<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>
173,837	74,120	14,806	8,883	4,166	5,356
(1,220,375)	(1,302,375)	(1,157,903)	(1,438,050)	(1,480,577)	(1,555,658)
68,879	65,100	170		151	20,388
<u>(977,659)</u>	<u>(1,163,155)</u>	<u>(1,142,927)</u>	<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>
<u>\$13,445,303</u>	<u>\$12,551,009</u>	<u>\$12,021,079</u>	<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>
\$4,194,493	\$1,373,687	\$233,091	(\$461,189)	(\$3,439,325)	(\$2,003,171)
821,672	73,351	512,494	54,494	234,413	148,344
<u>\$5,016,165</u>	<u>\$1,447,038</u>	<u>\$745,585</u>	<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>

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



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

- (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.



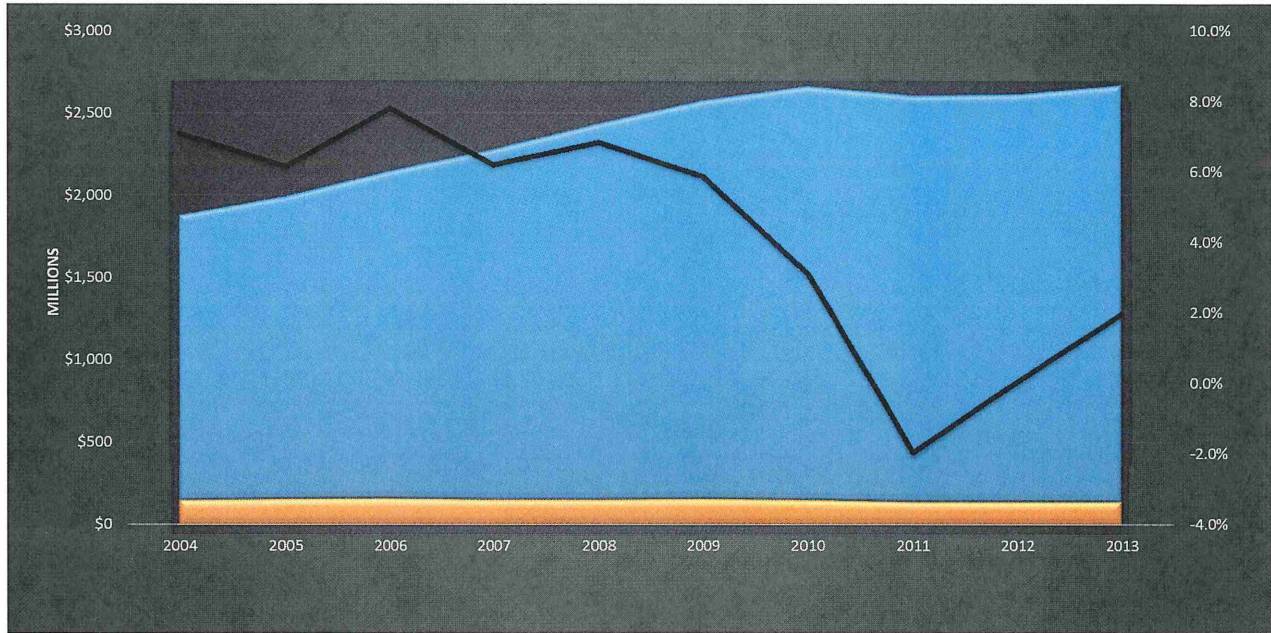
2009	2010	2011	2012	2013
		(b)		
\$5,730,766	\$6,383,498			
2,493,611	2,317,953			
		\$6,232,107	\$5,781,767	\$6,073,956
		717,618	717,617	717,617
		1,561,416	1,966,438	2,195,339
\$8,224,377	\$8,701,451	\$8,511,141	\$8,465,822	\$8,986,912 (a)
\$17,962,308	\$11,938,261			
165,190	131,009			
2,241,043	2,401,799			
		\$11,251,205	\$2,930,578	\$2,423,081
		3,969,308	3,865,385	2,245,641
		(4,060,899)	(4,963,081)	(3,942,682)
\$20,368,541	\$14,471,069	\$11,159,614	\$1,832,882	\$726,040

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

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Revenues					
Taxes	\$7,057,832	\$8,598,378	\$8,747,139	\$9,231,669	\$10,390,160
Licenses, permits and fees	830,093	737,914	532,635	531,908	537,514
Fines and forfeitures	484,426	502,540	415,643	466,804	417,762
Use of money and property	854,201	933,447	1,129,124	1,679,124	2,194,162
Intergovernmental revenues	2,756,456	298,057	354,548	328,187	396,174
Charges for services	399,259	582,329	1,397,321	1,437,061	1,648,450
Reimbursements					
Special Assessments					
PERS Superfund Credit	237,734				
Other	(10,434)	240,422	355,357	118,309	481,122
Total Revenues	12,609,567	11,893,087	12,931,767	13,793,062	16,065,344
Expenditures					
Current:					
Police	3,106,757	3,461,904	3,218,507	3,491,289	3,589,006
Fire	2,245,455	2,317,331	2,441,656	2,558,799	2,819,882
Public Works	1,290,358	1,229,704	1,598,070	1,276,236	1,354,909
Non-Departmental					
General Government	1,462,190	1,804,390	2,049,278	2,081,499	2,197,536
Community Development	1,040,149	845,722	820,015	962,469	1,049,025
Library	521,133	538,141	556,081	582,394	610,525
Parks & Recreation	580,801	553,372	583,719	473,093	489,077
Capital outlay	2,595,014	234,772	779,899	421,648	1,358,757
Debt service:					
Principal repayment	26,218	27,398	31,149	59,003	80,761
Interest and fiscal charges	45,938	44,758	44,179	106,203	413,800
PERS Sidefund Expense		391,230			
Total Expenditures	12,914,013	11,448,722	12,122,553	12,012,633	13,963,278
Excess (deficiency) of revenues over (under) expenditures	(304,446)	444,365	809,214	1,780,429	2,102,066
Other Financing Sources (Uses)					
Issuance of long-term debt				15,982,967	
Proceeds from sale of capital assets					175,036
Contributions/donations returned					
Transfers in	1,764,400	2,582,531	1,459,727	1,801,793	3,412,894
Transfers (out)	(837,700)	(1,781,857)	(702,835)	(1,205,138)	(2,853,255)
Total other financing sources (uses)	926,700	800,674	756,892	16,579,622	734,675
Net Change in fund balances	\$622,254	\$1,245,039	\$1,566,106	\$18,360,051	\$2,836,741
Debt service as a percentage of noncapital expenditures	0.7%	0.7%	0.7%	0.7%	1.4%

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$10,270,006	\$10,151,744	\$10,004,760	\$10,291,689	\$7,998,166
483,136	461,575	474,868	518,527	558,387
503,734	381,604	321,396	645,014	608,890
1,491,637	1,039,837	1,016,098	1,028,066	1,275,722
727,383	642,848	704,981	846,540	660,213
1,436,468	1,407,911	1,622,614	1,555,305	1,483,901
<u>125,193</u>	<u>218,130</u>	<u>442,684</u>	<u>102,023</u>	<u>186,011</u>
<u>15,037,557</u>	<u>14,303,649</u>	<u>14,587,401</u>	<u>14,987,164</u>	<u>12,771,290</u>
3,894,142	3,985,787	4,124,282	4,160,482	4,193,598
2,886,438	2,917,299	3,276,774	3,405,220	
1,356,397	1,334,790	1,417,939	1,539,534	1,574,816
2,388,116	2,400,164	2,810,563	3,014,228	4,496,557
1,057,405	1,165,577	1,152,318	1,346,911	1,230,050
624,285	701,018	716,291	699,882	774,108
557,792	620,833	680,365	720,113	811,506
4,821,958	7,106,904	4,295,013	8,053,426	2,642,664
149,097	197,960	221,185	227,816	192,064
578,176	398,720	391,069	2,478,995	289,990
<u>18,313,806</u>	<u>20,829,052</u>	<u>19,085,799</u>	<u>25,646,607</u>	<u>16,205,353</u>
<u>(3,276,249)</u>	<u>(6,525,403)</u>	<u>(4,498,398)</u>	<u>(10,659,443)</u>	<u>(3,434,063)</u>
	2,070	30	99,282	
1,861,768	2,414,624	8,650,470	7,387,589	4,880,980
<u>(903,667)</u>	<u>(1,311,689)</u>	<u>(7,653,867)</u>	<u>(6,199,479)</u>	<u>(2,032,669)</u>
<u>958,101</u>	<u>1,105,005</u>	<u>996,633</u>	<u>1,287,392</u>	<u>2,848,311</u>
<u><u>(\$2,318,148)</u></u>	<u><u>(\$5,420,398)</u></u>	<u><u>(\$3,501,765)</u></u>	<u><u>(\$9,372,051)</u></u>	<u><u>(\$585,752)</u></u>
4.1%	5.3%	5.3%	18.2%	3.7%

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



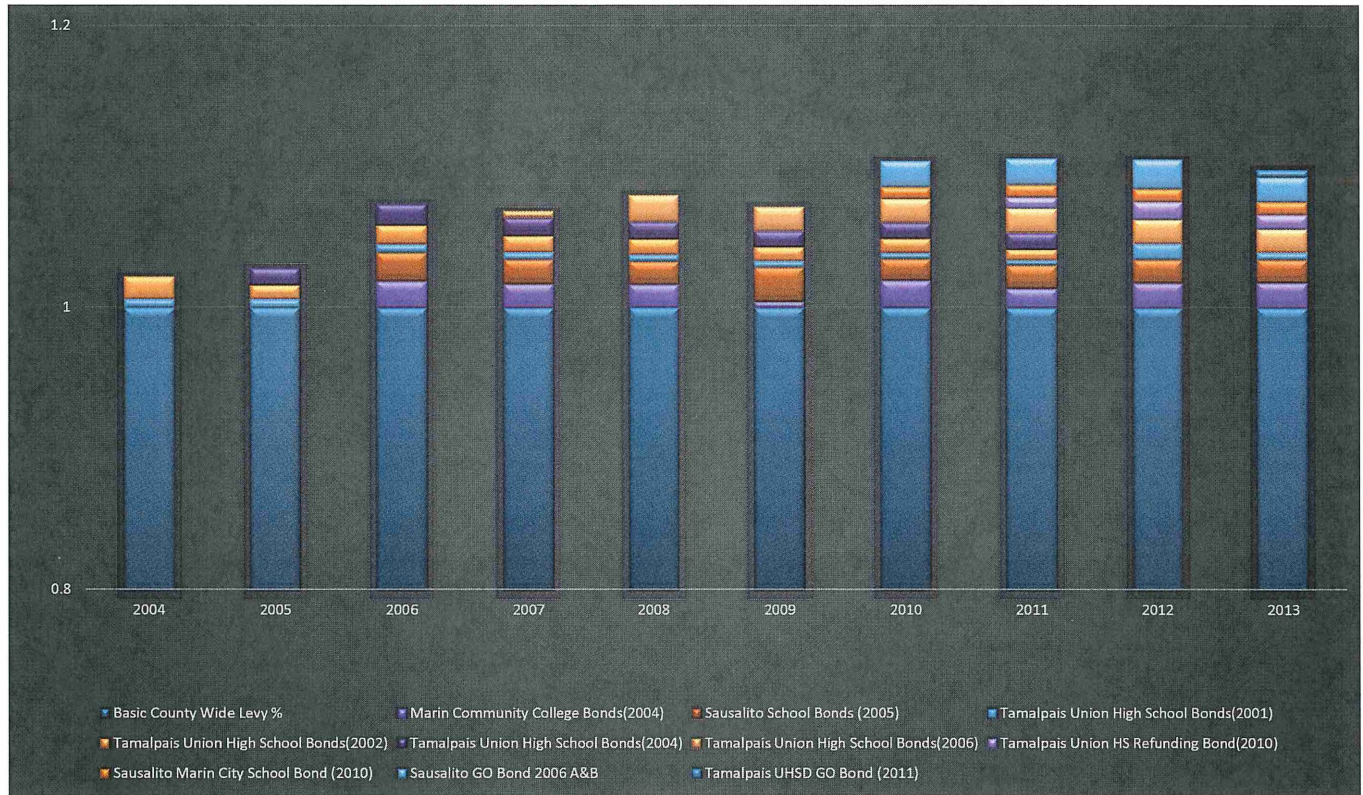
Fiscal Year	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate (b)	Percentage Growth Change
2004	1,730,893,690	149,147,611	1,880,041,301	(11,910,864)	1,868,130,437	1.0%	7.1%
2005	1,837,392,573	157,555,642	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%
2013	2,529,720,488	142,041,894	2,671,762,382	(21,501,238)	2,650,261,144	1.0%	2.0%

(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

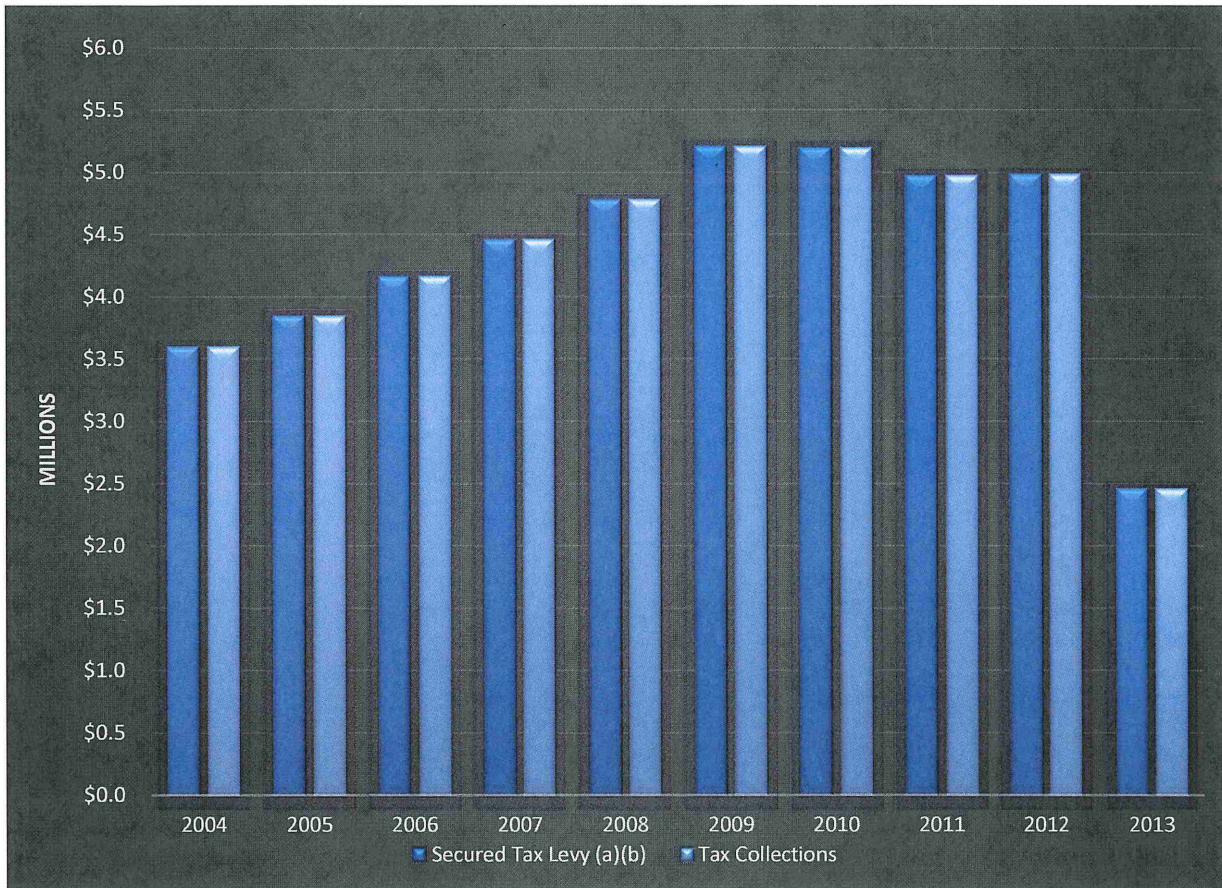
**CITY OF SAUSALITO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy %	Marin Community College Bonds(2004)	Sausalito School Bonds (2005)	Tamalpais Union High School Bonds(2001)	Tamalpais Union High School Bonds(2002)	Tamalpais Union High School Bonds(2004)	Tamalpais Union High School Bonds(2006)	Tamalpais Union HS Refunding Bond(2010)	Sausalito Marin City School Bond (2010)	Sausalito GO Bond 2006 A&B	Tamalpais UHSD GO Bond (2011)
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	0.0090	0.0186	
2012	1.0000	0.0175	0.0167	0.0113	0.0000	0.0000	0.0171	0.0126	0.0091	0.0208	
2013	1.0000	0.0178	0.0164	0.0051	0.0000	0.0000	0.0167	0.0102	0.0090	0.0175	0.0051

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

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



Fiscal Year	Secured Tax Levy (a)(b)	Current Tax Collections	Percent of Levy Collected	Delinquent Rate	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2013	2,462,731	2,462,731	100%	0%	2,462,731	100%

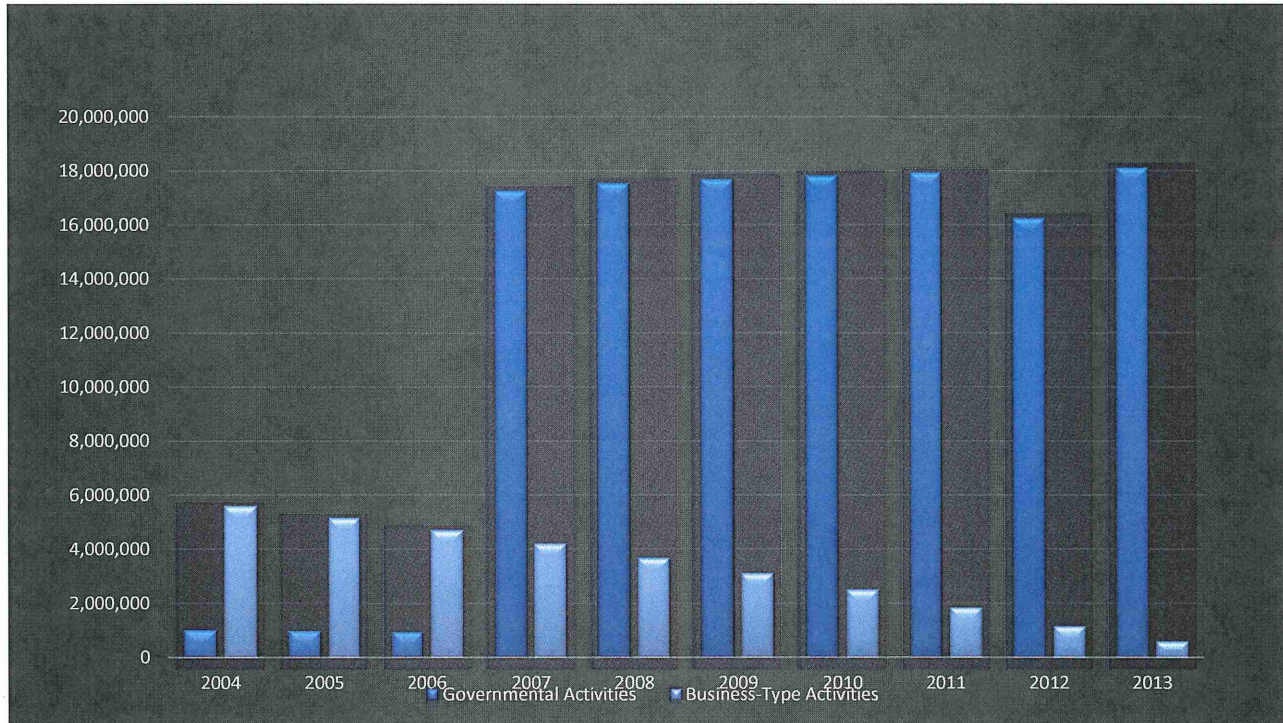
The City of Sausalito has elected to show ten years of data for this schedule.

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.
- (b) Beginning in FY 2013, the secured tax levy has been reduced by the amount of property tax allocated to Southern Marin Fire Protection District per the annexation agreement.

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



Governmental Activities

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Other Long Term Debt	Total
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
2013	69,816	698,671	15,674,563	1,682,000	18,125,050

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)
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
2013	67,689	530,000		597,689	18,722,739	0.71%	2,631

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, California Dept of Finance (population), Marin County Auditor-Controller's Office and MuniServices, LLC

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

General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Total	Percentage of Taxable Assessed Value	Per Capita
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
2013	15,674,563	15,674,563	0.59%	2,203

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, 2013**

2012-13 Total Assessed Valuation \$2,671,762,382

	Total Debt 6/30/2013	% Applicable (1)	City's Share of Debt 6/30/2013
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Marin Community College District	\$223,440,000	4.697%	\$10,494,977
Tamalpais Union High School District	151,215,000	8.049%	12,171,295
Sausalito Marin City School District	14,029,924	86.960%	12,200,422
Marin Municipal Water District Wolfbackridge Assessment District	500,000	100.000%	500,000
City of Sausalito (2)	15,674,563	100.000%	15,674,563
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$51,041,257
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$74,396,820	4.689%	\$3,488,467
Marin County Pension Obligations	108,400,000	4.689%	5,082,876
Marin County Transit District General Fund Obligations	187,384	4.689%	8,786
Marin Municipal Water District General Fund Obligations	152,448	6.029%	9,191
Marin Community College District General Fund Obligations	2,740,834	4.697%	128,737
Sausalito Marin City School District General Fund Obligations	5,055,000	86.960%	4,395,828
City of Sausalito General Fund Obligations (3)	449,404	100.000%	449,404
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$13,563,289
TOTAL DIRECT DEBT			\$16,123,967
TOTAL OVERLAPPING DEBT			\$48,480,579
COMBINED TOTAL DEBT (4)			\$64,604,546

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

(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 2012-13 TOTAL ASSESSED VALUATION:

Direct Debt (\$15,674,563)	0.59%
Total Direct Debt (\$16,123,967)	0.60%
Total Direct and Overlapping Tax and Assessment Debt	1.91%
Combined Total Debt	2.42%

Source: MuniServices, LLC

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (2)	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
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	75,366,146	17.6%
2009	96,753,287	16,354,939	80,398,348	16.9%
2010	99,339,195	16,643,845	82,695,350	16.8%
2011	97,828,266	16,921,143	80,907,123	17.3%
2012	98,140,420	15,377,772	82,762,648	15.7%
2013	100,191,089	15,674,563	84,516,526	15.6%

2012-13 Legal Debt Margin Information (1)

Assessed Valuation	\$2,671,762,382
Conversion Percentage	25%
Adjusted Assessed Valuation	\$667,940,596
Debt Limit Percentage	15%
Debt Limit	\$100,191,089
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$15,674,563
Legal Debt Margin	\$84,516,526
Total Debt Applicable to the Limit as a percentage of the Limit	15.6%

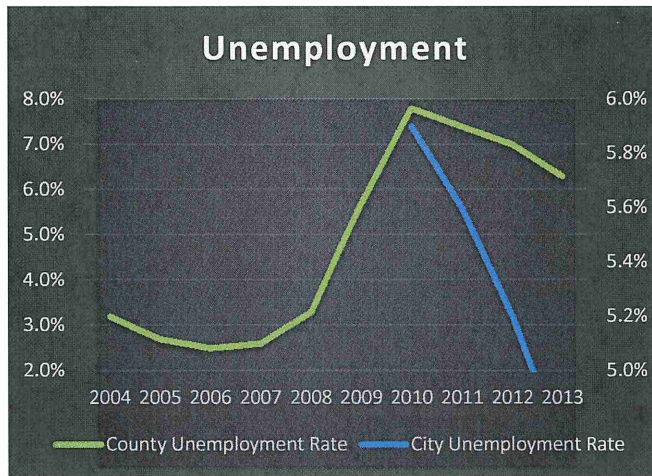
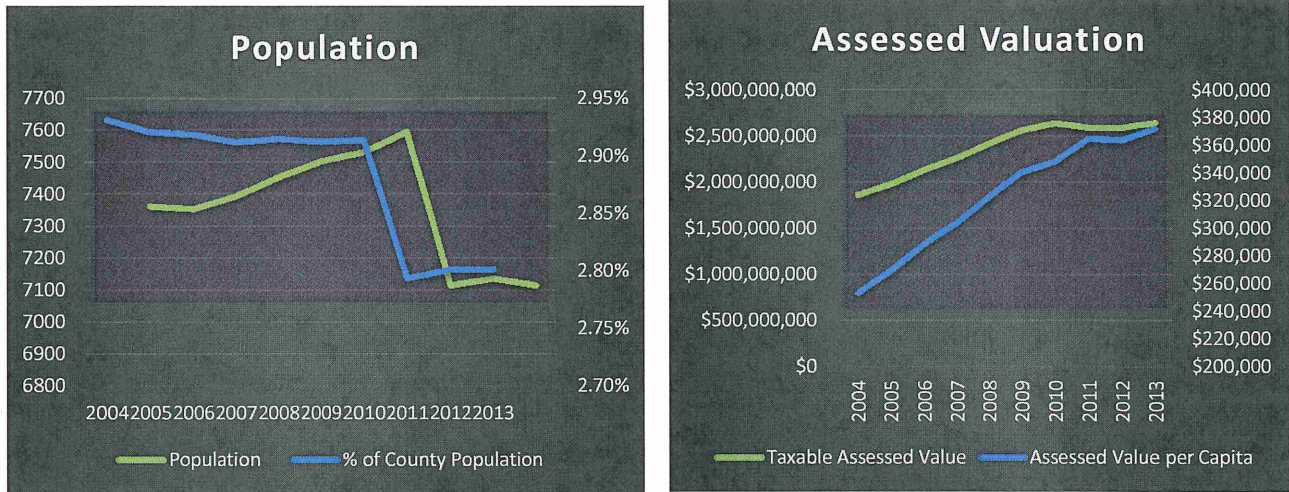
Note:

(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, LLC

**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
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%
2013	7,116	2,650,261,144	372,437	6.3%	4.7%	254,007	2.80%

Note: Information for total personal income is not available

Source: California Municipal Statistics, Inc., MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey
Population Projections are provided by the California Department Of Finance Projections.
Employment, Unemployment and Labor Force Data are provided by the EDD's Bureau Of Labor Statistics.

City of Sausalito

Principal Employers

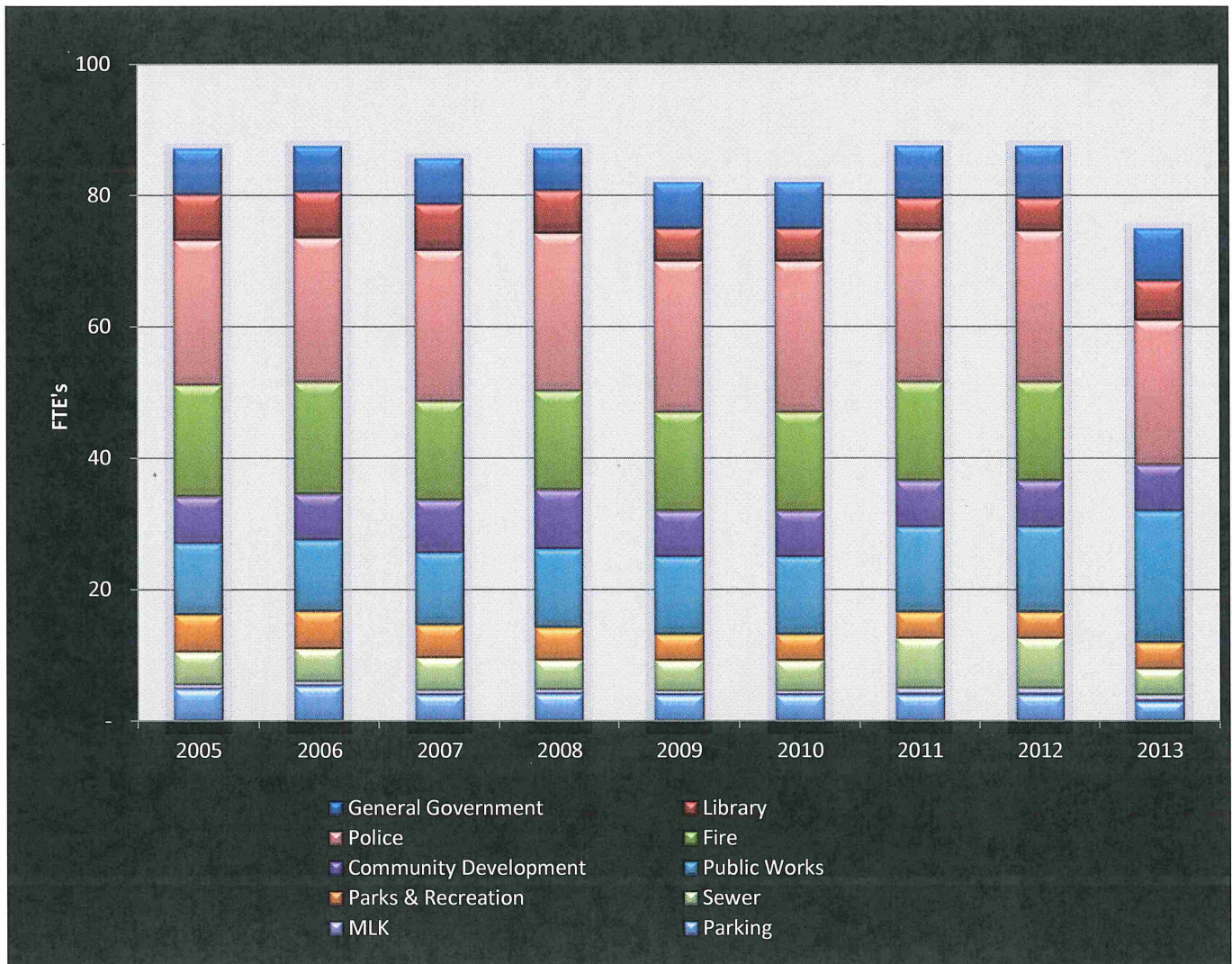
Business Name	Fiscal Year 2012-13	
	Number of Employees	Percent of Total City Labor Force
Butler Shine Stern Partners Llc	156	2.79%
Poggio LP	97	1.73%
Horizons Restaurant	90	1.61%
CP Shades	85	1.52%
The Spinnaker	75	1.34%
City of Sausalito	75	1.34%
Mollie Stone's Market	62	1.11%
Scoma's Sausalito	45	0.80%
Sausalito-Marin City School District	36	0.64%
Fish Restaurant	30	0.54%
Total Top 10 Employers	751	13.41%
Total City Labor Force (1)	5,600	

Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

(1) Provided by EDD Labor Force Data.

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



Function	Adopted for Fiscal Year Ended June 30,								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	7	7	7	7	7	7	8	8	8
Library	7	7	7	7	5	5	5	5	6
Police	22	22	23	24	23	23	23	23	22
Fire	17	17	15	15	15	15	15	15	-
Community Development	7	7	8	9	7	7	7	7	7
Public Works	11	11	11	12	12	12	13	13	20
Parks & Recreation	6	6	5	5	4	4	4	4	4
Sewer	5	5	5	5	5	5	8	8	4
MLK	1	1	1	1	1	1	1	1	1
Parking	5	5	4	4	4	4	4	4	3
Total	87	88	86	87	82	82	88	88	75

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

Source: City of Sausalito Budget Documents

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

Function/Program	2007	2008	2009	2010	2011	2012	2013
Public Safety:							
Police:							
Communication Center calls answered:							
Police calls for Service	11,900	12,845	12,857	12,398	13,259	11,718	13,745
Law violations:							
Part I and Part II crimes	544	1,109	1,715	868	1,317	1,254	1,381
Physical arrests (adult and juvenile)	263	485	327	295	327	343	286
Traffic violations	2,236	2,279	2,490	1,792	1,823	837	812
Parking violations	10,210	10,034	11,183	8,810	8,919	15,955	15,499
Traffic collisions	114	100	134	112	99	153	125
Public Works:							
Street resurfaced (square feet)	6,858	140,000	0	0	196,846	72,958	0
Potholes repaired (square feet)	3,000	1,500	2,000	500	19,305	26,287	1,000
Trees trimmed	2,000	2,100	1,800	2,200	1,900	1,700	2,000
Culture and Recreation:							
Community Services:							
Recreation class participants	1,765	1,543	3,040	3,716	4,618	12,258	20,634
Special Event Permits issued	19	8	13	8	24	61	64
Sponsored events	29	16	27	22	33	23	24
Facility, Park & Field rentals	0	76	118	837	948	983	983
Library:							
Volumes in Collection							
Books	60,995	60,653	58,137	57,692	58,243	52,379	50,101
Audio-Visual materials	3,660	3,319	5,090	4,131	4,432	5,173	5,623
Total volumes borrowed	78,225	82,286	88,681	93,953	88,219	113,202	131,942
Visitation	111,862	119,094	122,958	120,032	114,175	113,918	n/a
Internet Station usage	13,265	14,986	17,746	20,640	19,991	17,993	13,677
Library program attendance					2,229	3,037	4,042
An accurate figure for visitation in FY 2013 was not available due to the Library construction project							
Community Development:							
Applications processed:							
Discretionary	73	54	50	84	100	88	80
Ministerial	43	139	71	211	300	256	171
Encroachments	191	159	143	142	179	162	189
Building Permits issued	822	737	660	664	743	608	666
Administration:							
Parking Permits issued	2,122	2,176	2,539	1,778	1,766	1,934	1,882
Business Licenses issued	1,586	1,768	2,336	1,848	2,099	1,758	1,633

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

Source: City of Sausalito

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety:							
Fire stations	2	1	1	1	1	1	1
Fire trucks	3	3	3	3	3	3	0
Fire boats	1	1	1	1	1	1	0
Police stations	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6
Public Works:							
Miles of streets	27	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664	664
Traffic Signals	9	9	9	9	9	9	9
Culture and Recreation:							
Community Services:							
City parks	19	19	19	19	19	19	19
City parks acreage	78	78	78	78	78	78	78
Beaches	3	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1
Library:							
City Library	1	1	1	1	1	1	1
Wastewater:							
Miles of sanitary sewers	26	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15	15

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

Source: City of Sausalito and Republic Electric, Inc.