

City of Sausalito, California

Comprehensive Annual Financial Report



For the Year Ended
June 30, 2016

Thank you to Loren Umbertis, Department of Public Works, for Robin Sweeny Park photos.

CITY OF SAUSALITO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016



Prepared by:
Finance Department

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Robin Sweeny Park

CITY OF SAUSALITO

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CITY OF SAUSALITO

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Telephone: (415) 289-4100
www.ci.sausalito.ca.us

Date: March 28, 2017

Honorable Mayor, 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, 2016. 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 Officers 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 every general-purpose government to publish a complete set of audited financial statements and professional standards encourage this report be published within sufficient time to allow the government to remedy any deficiencies while minimizing negative impacts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

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 a 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 unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

INTERNAL CONTROLS

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

- Safeguard City assets from loss or unauthorized use or disposal.

FAX NUMBERS:

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

Community Development: (415) 339-2256

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

- Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
- 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:

- The cost of a control should not exceed the benefits likely to be derived from that control.
- 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, has 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.

This CAFR includes the results of all the financial activities of the primary government, i.e. all funds, boards and commissions that are controlled by the City Council.

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 property tax is collected by the County of Marin on behalf of the City.

The City of Sausalito has operated under the council-manager form of government since 1955. Policy-making and legislative authority are vested in the City Council (Council) consisting of a mayor and four other members, all elected on a non-partisan, at large basis. The Council appoints the City’s manager, who in turn appoints the heads of the various departments as well as the City Attorney who is retained on a contract basis. Council members serve overlapping four-year terms. The mayor is appointed by the Council annually 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, Community Development, Parks and Recreation, Library, Public Works,

Administration) within the General Fund. Department heads may transfer resources within a department as they see fit. Transfers between departments and funds, however, need special approval from the Council.

LOCAL ECONOMY

The City of Sausalito experiences 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.

During the recession the City undertook two major initiatives to provide structural financial balance: consolidation of fire services with the South Marin Fire Protection District; and, a labor restructuring package that included sweeping pension and post-retirement benefits reforms. These initiatives provided the resources for the City to continue quality levels of service to Sausalito citizens, as well as to provide an economic stimulus to the local economy through an aggressive infrastructure investment program.

Accordingly, Sausalito's economic decline during the recent recession was mild and lagged the state and the nation. In a similar fashion, Sausalito's current recovery will be relatively moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are continuing their modest recovery.

However, although the operating budget is structurally balanced, the City does not have the funds necessary for repairing and maintaining 80-year old local storm drains to protect the Bay; or continuing to fix deteriorating neighborhood streets at the same levels of investment as in recent past years; and overhauling local sidewalks. A ½ cent sales tax initiative lasting 10 years (Measure "O") was adopted by the voters on the November 4, 2014 ballot to address this infrastructure funding shortfall. This sales tax, dedicated to capital improvements, was implemented in April 2015 and FY2015-16 is the first full year of receipts.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The City's total Fund Balance in the General Fund is \$8,352,143. The Fund Balance is comprised of three components: a non-spendable portion of \$2,104,935; an Assigned for Economic Contingencies portion of \$717,617; and an Unassigned portion (available for spending at the City's discretion) of \$4,828,481. The Unassigned/Assigned portions of fund balance in the general fund totals \$5,546,098; this amount is 32.6% percent of total general fund expenditures and exceeds the policy guideline of 15 percent of total general fund expenditures set by the Council for budgetary and planning purposes.

The City of Sausalito utilizes financial models to provide the City Council and Management with the means to create: interactive multi-year financial forecasts, historic trend and statistical analyses; and, monthly budget vs. actual variance analyses. Both the annual forecasting and monthly variance analysis models are 100% Excel-based and are customized to meet the City's particular financial planning, analysis and reporting requirements.

Forecasts are used to: (1) create a strategic context for evaluating the annual budget, (2) to establish a baseline for measuring the long-term effects of decisions, (3) to test the economic effects of best-case and worst-case funding scenarios, and (4) to establish a baseline projection of revenues, expenditures, and future cash flows and fund balances which are key metrics in evaluating the City's financial health.

The City utilizes a long range financial planning model to evaluate 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 is calibrated with the results of operations for the fiscal year ended.

MAJOR INITIATIVES DURING THE 2015-16 FISCAL YEAR

Sewer Revenue Bonds

With the City under a mandate from the Federal Environmental Protection Agency to accelerate collection system facility rehabilitation, the City accepted a Sanitary Sewer Fee Study Report on May 20, 2014 and adopted a new sewer service charge schedule.

The City then issued City of Sausalito 2016 Sewer Revenue Bonds, raising almost \$6 million for the design, permitting, construction and construction management of sewer capital projects over the next three years. The City has completed the initial Emergency Work envisioned under the plan and is revisiting the priority of work as additional projects are identified.

Measure “O” ½ Cent Local Sales Tax

In November 2014, the voters approved Measure “O” which provides revenue from a Local Option ½ cent Sales Tax to the City of Sausalito for a period of 10 years. The local sales tax began on April 1, 2015 and the City received its first revenues from the measure in July 2015. (In California, Sales Tax is collected by the State, and revenue payments lag collections by 3 months). FY2015-16 was the first full year of collections.

Revenues from this local sales tax are estimated to generate \$1 Million per year; FY2015-16 saw just over \$1,000,000 in receipts. This local funding allows the City to begin addressing long-overdue storm drain upgrades and street/sidewalk repairs, which a recent community study cited as residents’ top priorities for the use of Measure O funds. The funds will also enable the City to rebuild concrete streets, improving streets/sidewalks for ADA accessibility, and improve ADA accessibility for public buildings.

Certificates of Participation

Sausalito voters approved Measure “F” in November 2015 allowing the City to issue Certificates of Participation (CoPs) to be repaid from rents on the Martin Luther King, Jr. Complex (MLK). The site is currently home to artists and cottage industries, the Lycée Français of San Francisco School, and the New Village School. The Certificates of Participation were issued for about \$7.2 million and are specifically budgeted to improve three parks and the MLK property. The MLK repairs and renovations are based on a Comprehensive Facility Condition Assessment prepared by Faithful & Gould indicating the initial scope of repairs needed to maintain the property as a significant revenue generating facility. The parks to be improved include Robin Sweeny, Southview, and Dunphy Parks; Robin Sweeny was completed at the end of the fiscal year to great excitement. Southview and Dunphy Parks are slated for design and construction over the next three years. The MLK repairs will also continue over the next three years. In recognition of the debt being paid by MLK on behalf of the City for the parks improvements, the City Council voted to forgive a comparable amount of the MLK Advance (loan from the General Fund to the MLK Fund) and to create a debt service schedule which would retire the advance on a similar timeline as the CoPs, allowing the MLK Fund to be debt free in about 14 years.

Fiscal Transparency

The City of Sausalito has deployed a powerful, web-based platform that presents and visualizes the City’s revenues and expenses—from multi-year trends to object-level details. Through this technology, citizens and staff can use the site to enhance access, understanding, and analysis of the City of Sausalito’s historical actual and budgeted projected financial activities. The open-data platform can be located at www.sausalitoca.opengov.com.

Performance Budget receives Distinguished Budget Award

The City historically published a traditional line-item budget. Line-item budgets focus attention on how many dollars are being spent on services or goods in a purely financial context. The FY2014-16 Resource Allocation Plan, including the FY2015-16 budget, was the first year the City incorporated facets of outcome based or programmatic budgeting. Outcome driven budgets present financial information so that policy makers concentrate on decisions about levels of service, and how community priorities are being addressed. By emphasizing department and programmatic descriptions, listing of duties, and presentation of certain performance indicators, the City's recent budget documents shift attention from the means of accomplishment to the accomplishment itself.

The GFOA presented a Distinguished Budget Presentation Award to City of Sausalito, California for its biennial budget for the biennium beginning July 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of two years only. We believe our future budgets will continue to conform to program requirements, and we will be submitting them to GFOA to determine eligibility for future years' awards. The most recent biennial budget was submitted to the Government Finance Officers Association of the United States and Canada (GFOA) for consideration to receive the Distinguished Budget Award.

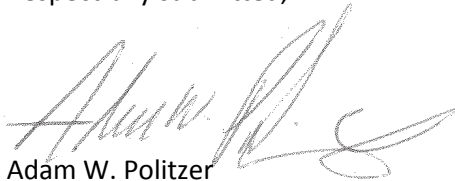
Financial Policies

The City has established financial policies that provide a basis for sound financial planning, identify appropriate directions for service-level development, aid budgetary decision-making and serve as an overall framework to guide financial management and operations of the City. The City's preparation of financial policies promotes public confidence and increases the City's credibility in the eyes of bond rating agencies and potential investors. Such policies also provide the resources to respond to potential financial emergencies in a prudent manner.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Division 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 W. Politzer
City Manager



Melanie D. Purcell, CPFO
Administrative Services Director/Treasurer

City of Sausalito
List of Elected and Appointed Officials
June 30, 2016

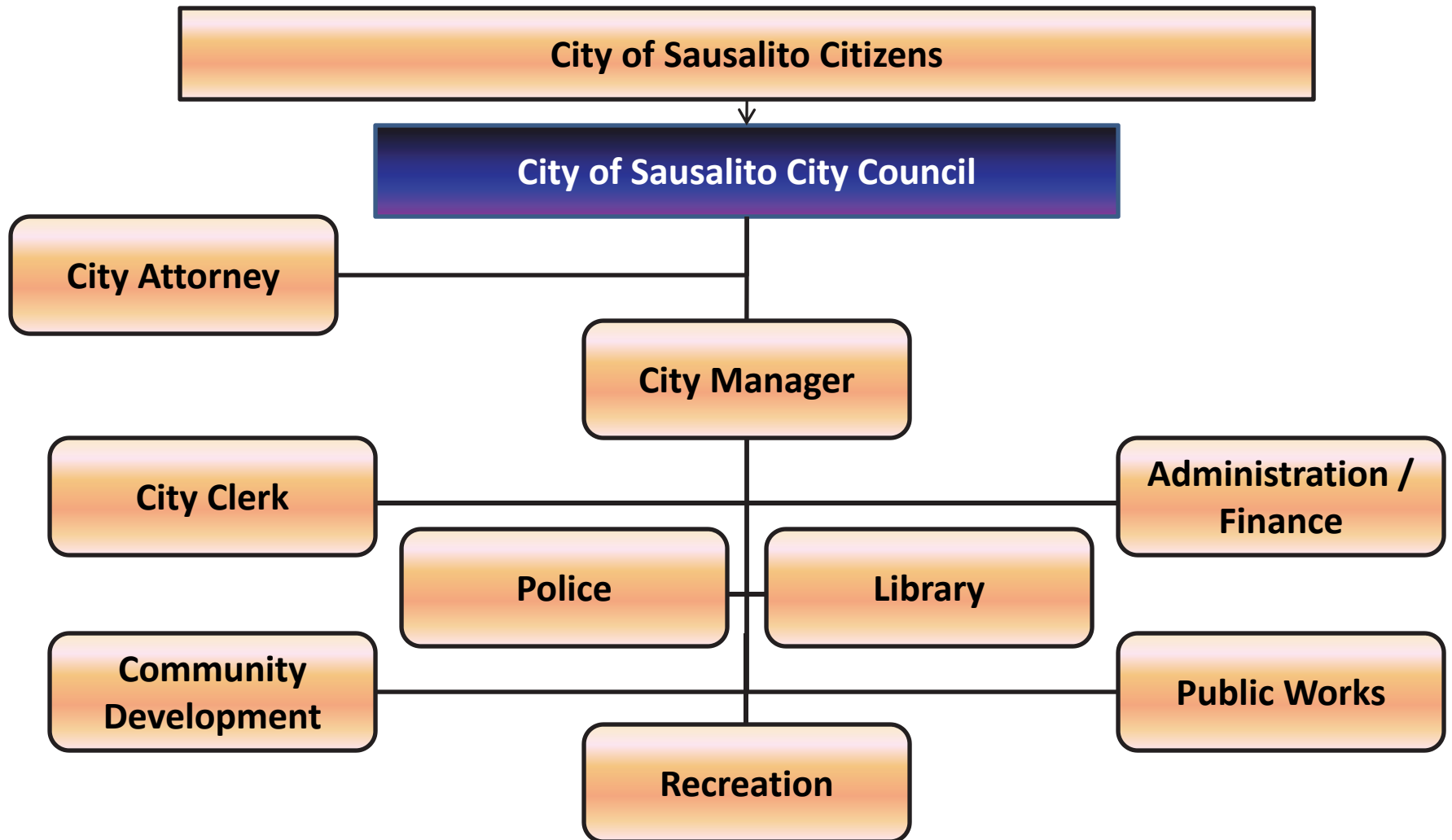
Elected Officials

Mayor	Jill James Hoffman
Vice Mayor	Ray Withy
Council Member	Thomas Theodores
Council Member	Linda Pfeifer
Council Member	Herb Weiner

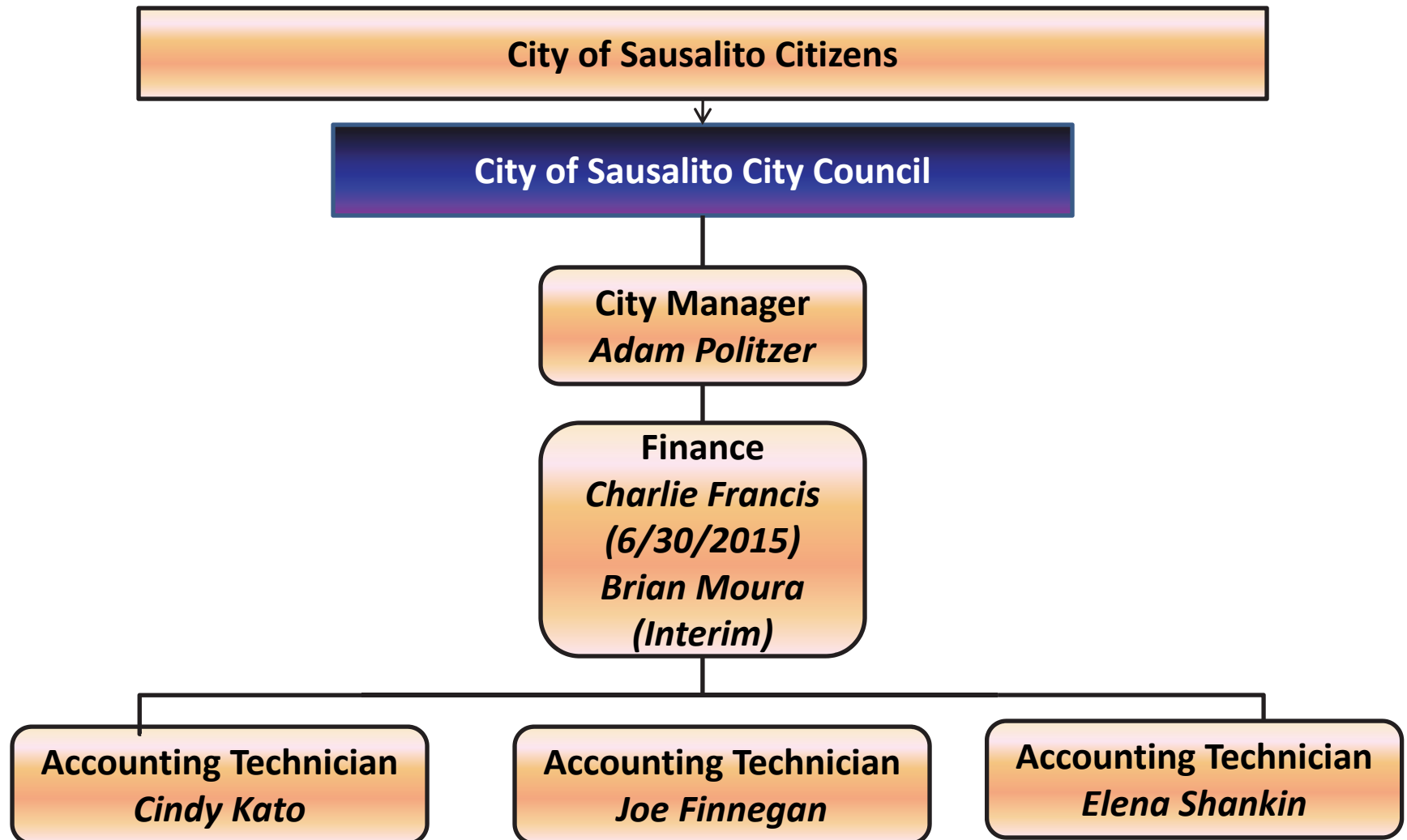
Appointed Officials

City Manager	Adam Politzer
Administrative Services Director/Treasurer	Melanie Purcell
Chief of Police	John Rohrbacher
City Attorney	Mary Wagner
City Librarian	Abbot Chambers
Community Development Director	Danny Castro
Parks & Recreation Director	Mike Langford
Public Work Director	Jonathon Goldman

City of Sausalito Organization Chart



City of Sausalito Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sausalito
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015



Executive Director/CEO

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Robin Sweeny Park



INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Sausalito, California

Report on the 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, California, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provision of the Governmental Accounting Standards Board Statement No. 72 – *Fair Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Notes 1P and 2F to the financial statements:

The City restated its General Fund’s beginning fund balance as of July 1, 2015, as disclosed in Note 11F to the financial statements.

The emphasis of these matters do not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis and other Required Supplementary Information as listed in the table of contents 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. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the 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. Such 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 28, 2017

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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, 2016. 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-xi 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 \$28,113,405 (total net position).
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$8,830,132, an increase of \$223,043 over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues and Transfers) totaled \$17,758,193, an increase of \$5,761,778 from the prior fiscal year. Total expenses were \$24,491,036, an increase of \$6,520,363 from the prior fiscal year. This resulted in an overall Change in Net Position of \$2,097,289, a decrease of \$284,130 from the prior fiscal year.
 - \$43,502,991 represents the City's net investment (after depreciation) in capital assets. This net investment in capital assets represents a net increase of \$1,573,965 over the prior fiscal year, primarily due to investments in streets, sewer, and parks.
 - The City's total net position is \$27,987,699. This amount increased by \$2,097,289 over the prior fiscal year primarily due to the issuance of \$7.2 million in Certificates of Participation to fund improvements at three parks and the Martin Luther King, Jr. Complex (MLK) and supported by rents from the MLK leases.
 - The amount of \$8,501,517 in total net position that is restricted for designated purposes increased by \$7,330,987 including the resources that are dedicated for spending on capital assets.
- **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 \$8,352,143, a decrease of \$2,074,155 over the prior fiscal year.
 - Of the ending Fund Balance, \$4,828,481 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors. This balance increased \$1,496,375 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 \$4,828,481, the City has \$5,546,098 or 32.6 percent of expenditures available in the General Fund for liquid reserves.

- **PROPRIETARY FUNDS STATEMENT OF NET POSITION** The total assets of the Business-Type Activities – Enterprise 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 \$6,604,323 (total Proprietary Funds net position), a decrease of \$1,928,044.
- **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS** was \$(78,735) a decrease of \$179,137 over the prior fiscal year primarily due to increased claims.

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 sixteen 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 General Capital Improvements Capital Projects Fund, both of which are considered to be major funds. The City of Sausalito also elected to include the Tidelands Fund as a major fund. Data from the other thirteen 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 23-27 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 present the same type of information as the government-wide financial statements, only with 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 29-32 of this report.

The City of Sausalito has established two trusts: one to reduce future pension payments and one to set aside funds in anticipation of Other Post Employment Benefit (OPEB) costs. The OPEB trust is reported as a Private Purpose Trust while the pension funds, while housed in a separate trust account at US Bank through PARS, is reported as part of the General Fund assets. In both cases, these funds can only be used to pay costs associated with the City's pension or OPEB obligations.

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 35-71 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 73-87 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 89-106 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 \$27,987,699 at the close of fiscal year ending 2016. The following chart summarizes the Statement of Net Position:

City of Sausalito's Net Position						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	23,465,046	19,701,776	7,076,931	4,233,940	30,541,977	23,935,716
Capital assets	47,800,792	45,491,873	15,435,205	13,901,098	63,235,997	59,392,971
Total assets	71,265,838	65,193,649	22,512,136	18,135,038	93,777,974	83,328,687
Deferred outflows related to pension	2,536,603	2,365,196	146,556	134,093	2,683,159	2,499,289
Long-term liabilities outstanding	45,038,125	43,046,289	14,610,726	8,542,687	59,648,851	51,588,976
Other liabilities	3,967,404	3,050,478	1,371,805	644,096	5,339,209	3,694,574
Total liabilities	49,005,529	46,096,767	15,982,531	9,186,783	64,988,060	55,283,550
Deferred inflows related to pension	3,413,536	4,355,447	71,838	298,569	3,485,374	4,654,016
Net Position:						
Net Investment in Capital Assets	30,733,580	29,250,403	12,769,411	12,678,623	43,502,991	41,929,026
Restricted	8,501,517	1,170,530	-	-	8,501,517	1,170,530
Unrestricted	(17,851,721)	(13,314,302)	(6,165,088)	(3,894,844)	(24,016,809)	(17,209,146)
Total net position	21,383,376	17,106,631	6,604,323	8,783,779	27,987,699	25,890,410

The City implemented GASB Statement 68 last year. With the new reporting change, the City is allocated its proportionate share of the California Public Employees' Retirement System's (CalPERS) net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City's management, but will affect the City's financial position. The restatement of position in 2015 and increases in the total pension liability resulted in negative unrestricted net position of \$(24,016,809).

Governmental Activities.

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

\$8,501,517 of the City of Sausalito's net position from Governmental activities 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 \$(17,851,721) compared to the prior year's \$(13,314,302). It should be recognized that the negative unrestricted net position likely did not result from short-term actions of the City. The implementation of GASB Statement No. 68 moved the prior years' unfunded pension obligations from the required supplementary information to the face of the financial statements in the entity's annual financial report. It's important to note that the total unfunded pension obligation is an estimated, cumulative future liability that fluctuates with market behavior affecting the CalPERS investment return, it does not represent a liability due and payable immediately. Nor does it represent a legal debt obligation.

Business-type Activities.

The net investment in capital assets for business-type activities is \$12,769,411. There are \$(6,165,088) in unrestricted net position 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.

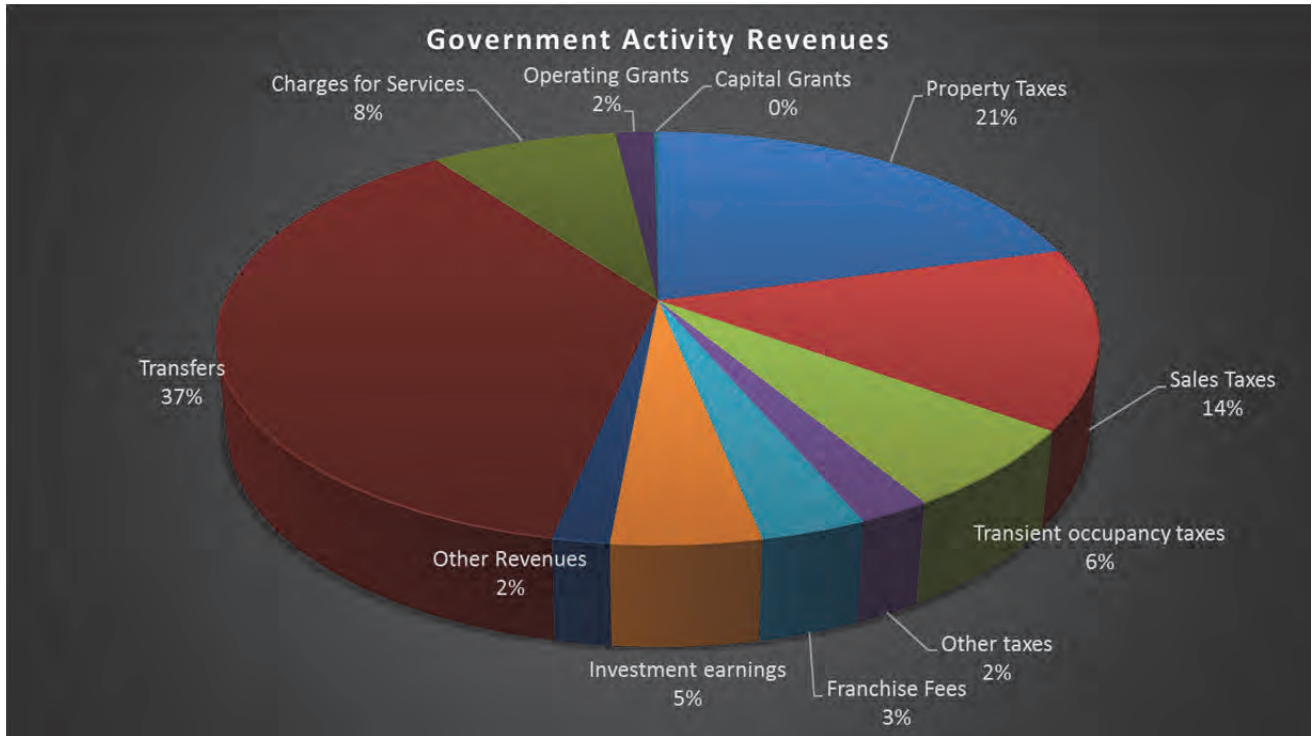
As detailed above, this statement reports the net expense over revenue of each individual function or program operated by the City. The net expense over revenue format reports the relative financial burden of each of the programs on the government's resource providers/taxpayers. The format highlights the extent to which each program directly consumes the government's revenues or is financed by fees, contributions, or other revenues. 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					
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	2,029,107	2,141,948	6,334,406	6,033,827	8,363,513	8,175,775
Operating grants and contributions	414,404	330,104			414,404	330,104
Capital grants and contributions	52,215	101,210			52,215	101,210
General revenues:					-	-
Taxes	11,675,848	10,111,753			11,675,848	10,111,753
Investment earnings	1,147,263	1,113,561	37,513	17,740	1,184,776	1,131,301
Other revenues	441,276	671,256	4,456,293	82,105	4,897,569	753,361
Total revenues	15,760,113	14,469,832	10,828,212	6,133,672	26,588,325	20,603,504
Expenses:						
General government	7,876,856	2,990,155			7,876,856	2,990,155
Library	1,008,411	762,567			1,008,411	762,567
Public safety - Police Services	4,980,899	5,398,539			4,980,899	5,398,539
Community development	1,244,302	1,163,835			1,244,302	1,163,835
Public works	3,897,233	2,599,572			3,897,233	2,599,572
Parks & Recreation	871,295	784,167			871,295	784,167
Interest on long-term debt	766,804	755,578			766,804	755,578
MLK			1,143,365	875,712	1,143,365	875,712
Sewer			1,822,399	2,191,635	1,822,399	2,191,635
Parking			851,065	419,621	851,065	419,621
Old City Hall			28,407	29,292	28,407	29,292
Total expenses	20,645,800	14,454,413	3,845,236	3,516,260	24,491,036	17,970,673
Increase in net position before transfers	(4,885,687)	15,419	6,982,976	2,617,412	2,097,289	2,632,831
Transfers	9,162,432	1,655,658	(9,162,432)	(1,655,658)	-	-
Extraordinary items					-	-
Increase in net position	4,276,745	1,671,077	(2,179,456)	961,754	2,097,289	2,632,831
Adjusted Net position - Beginning	17,106,631	15,435,554	8,783,779	7,822,025	25,890,410	23,257,579
Prior Year Restatements					-	-
Net position - Ending	21,383,376	17,106,631	6,604,323	8,783,779	27,987,699	25,890,410

Governmental Activities.

The Governmental activities for the City's resulted in net position increasing by \$4,276,745 primarily due to moderate increases in tax revenues from an improving and recovering economy, a full year of the increased sales tax approved through Measure O for capital improvements, and issuance of the Certificates of Participation (CoP) to fund upgrades and three parks and the MLK complex.

The following chart depicts the allocation of the City's Government-activity revenues by source:

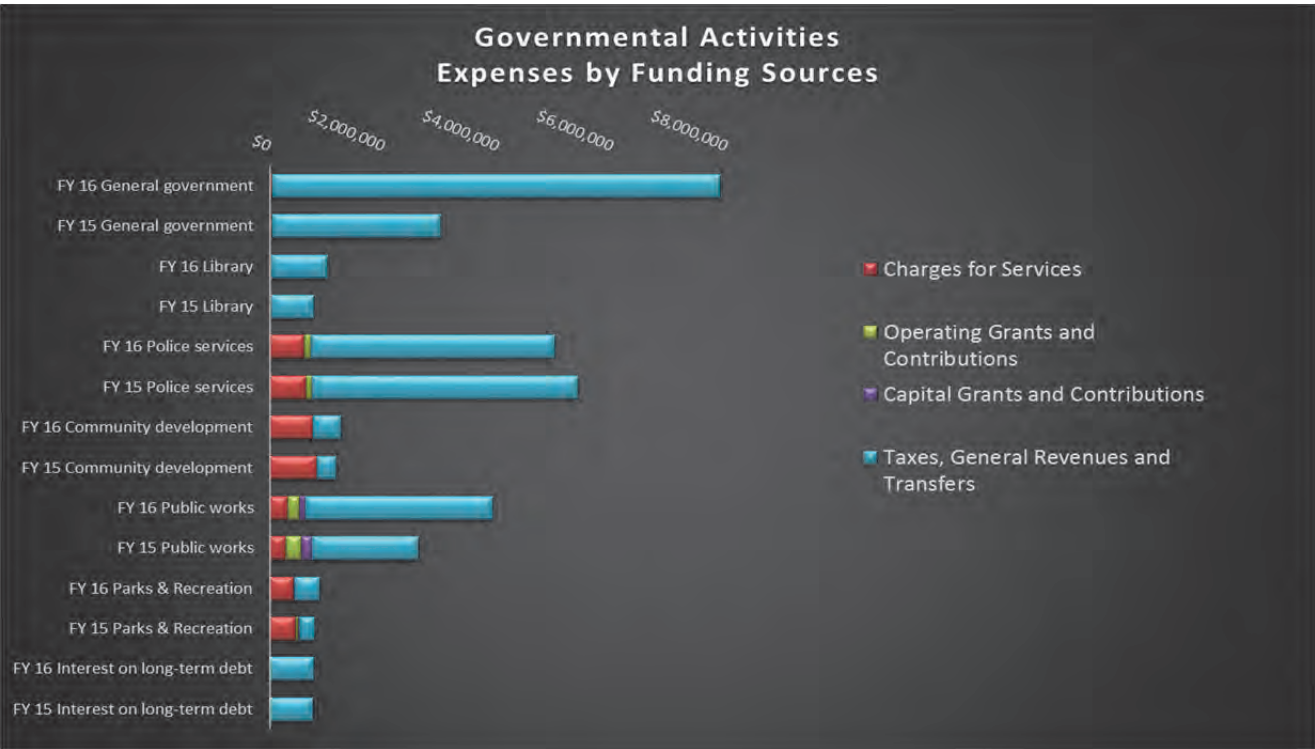


Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$267,073, a 5.4% from the prior fiscal year. Property taxes are generally inelastic and provide the City a stable revenue source (32.9% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service.
- The City's sales tax increased by \$113,581 primarily due to a full year of collections after the passage of the ½¢ sales tax measure. Sales tax 14% of the City's Governmental activities revenues and transfers.
- Transient occupancy taxes increased \$126,425 from the prior fiscal year, an increase of 8.6%, as a result of the improving economy and higher-end hotel product available for occupancy. Transient Occupancy Taxes are about 6% of total resources available for Governmental Activities.
- Franchise Tax, Business license tax, and other miscellaneous taxes increased by \$389,247.
- Investment earnings increased slightly from the prior fiscal year by \$33,702 during the fiscal year.
- Other government activity revenues declined by \$229,980.

- Capital Grants and Contributions decreased \$48,995 due to decreases from capital grants in the Special Revenue Funds.
- Operating grants contributed from Special Revenue Funds increased by \$84,300 from the prior fiscal year.
- Charges for Services decreased \$112,841 primarily due to decreases in Building Inspections and Plan Checks.
- Transfers into government activity funds from Business-type activity funds made up about 40.8% of total revenues in FY2016 primarily due to the transfer of CoP proceeds to the General Capital Fund to fund improvements to three parks and the MLK complex. These transfers increased \$7,506,774 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**:



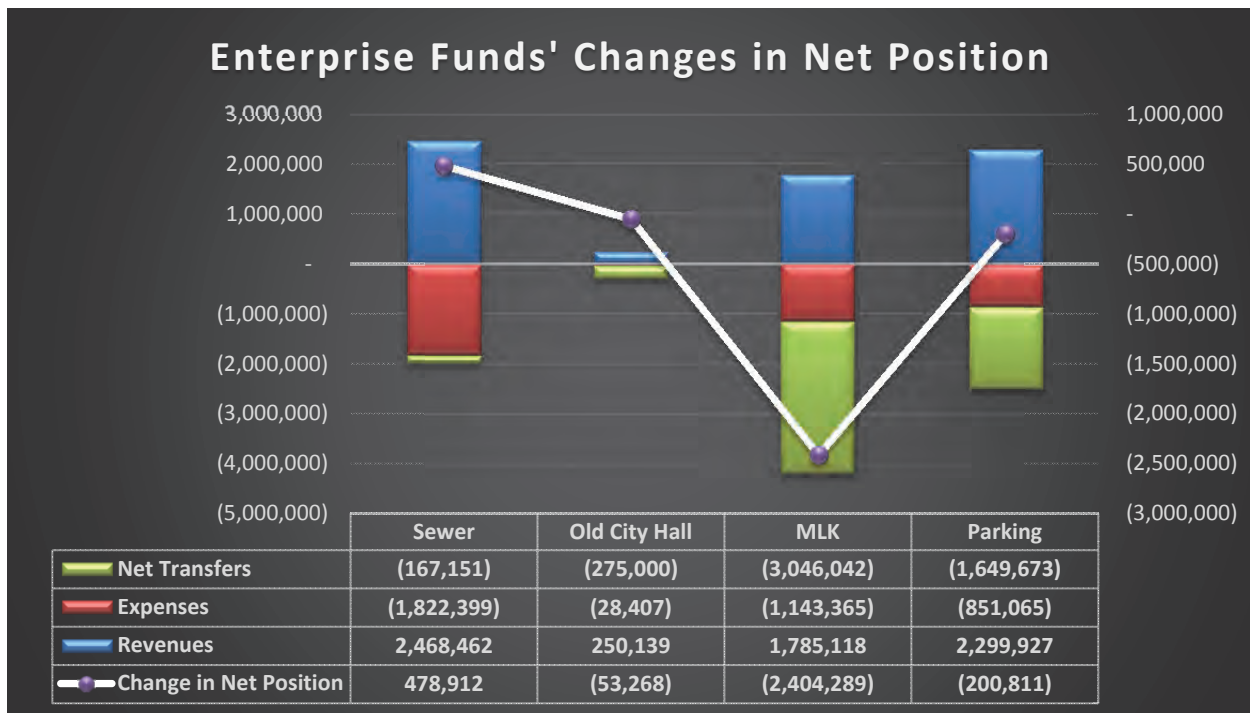
Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were increased by \$6,191,387 over the prior fiscal year.
 - Library and Recreation expenses increased moderately due to being fully staffed and increased part-time activities.
 - Public Works’ expenses increased because of more capital improvements projects;

- Community Development’s expenses increased slightly reflecting increasing building inspections and plan checks combined with moderate increases due to inflation and negotiated labor costs pay raises.
- Police Department expenses decreased reflecting a significant number of vacancies;
- Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, Information Technology and Non-Departmental) increased due to settlement of outstanding cases and forgiveness of a portion of the MLK Advance.
- Interest on long-term debt increased slightly in accordance with the debt service schedules.

Business-type activities.

Business-type activities decreased the City of Sausalito’s net position by \$2,179,456. 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 decreased net position by \$960,392 during the year compared to the \$375,205 increase in the previous year, primarily due to reserves for debt service and increased investments in capital outlay. Rents improved almost 4.4% due to restructured leases on the property, while operating expenses increased by \$230,728 from the prior year, including debt service on the CoPs. A Comprehensive Facility Assessment of the MLK facility disclosed that there are about \$3 million in deferred maintenance, and now that the prior outstanding debt is liquidated, there will be sufficient cash flow to support the CoPs issued in January 2016. The City Council approved forgiveness of \$4.2 million of the General Fund Advance to the MLK Fund in acknowledgement of the portion of the CoPs being used to improve three parks.

- Sewer Fund increased net position by \$478,912 during the year, compared to the \$132,664 decrease in net position the previous fiscal year. Increasing maintenance and capital costs in the Sewer Fund are dependent upon Sanitary Sewer fees. Sanitary Sewer fees were increased in FY 15, effective for FY 15 and for the next five years, to offset maintenance costs and infrastructure investments as a result of EPA compliance requirement.
- Parking Fund decreased net position by \$200,811 during the year, compared to the \$486,788 increase from the prior fiscal year reflecting the continued investment in parking revenue infrastructure and initiation of the bicycle management program.
- The Old City Hall Fund decreased net position by \$53,268 as compared to the prior year's decrease of \$32,903 due to continuing the \$25,000 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.

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$14,152,431, an increase of \$3,337,818 in comparison with the prior 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 \$4,828,481; for a total of \$5,546,098 that is available for spending at the government's discretion. Total fund balance, including \$2,104,935 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$8,352,143. 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 32% of total general fund expenditures, while total fund balance represents 49% of that same amount.

Fund balance for the City of Sausalito's general fund decreased by \$2,074,155 during the fiscal year largely due to the forgiveness of the MLK Advance.

General Fund Budgetary Highlights

The FY2016 adopted budget of the City's General Fund originally anticipated a \$30,207 increase in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations for revenues and transfers-in exceeding expenses and transfers-out by \$57,588. Forgiving \$4.2 million of the MLK Advance as adopted by the City Council on June 28, 2016 resulted in a \$2,074,155 decrease to Fund Balance. The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual for the General Fund detailing the adopted and amended budget with actual results can be found on page 80 of this report.

Tidelands Special Revenue Fund

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 \$3,082,358, due to the remaining unamortized net unearned revenue in the amount of \$4,331,891 from Sausalito Yacht Harbor, a Tideland Fund tenant, financing the 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

The General Capital Improvement Projects Fund has a total fund balance of \$6,623,201, 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.

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 2016, amounts to \$63,235,997 (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 streets and sewers infrastructure investment, and completion of improvements to Robin Sweeny Park.

	City of Sausalito's Capital Assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	0	0	0	114,273	0	114,273
Building and improvements	14,898,254	15,253,186	3,290,487	3,398,472	18,188,741	18,651,658
MLK Bus Barn			176,000	181,500	176,000	181,500
Vehicles and equipment	168,873	140,128	556,345	642,941	725,218	783,069
Machinery and equipment	245,635	261,309			245,635	261,309
Infrastructure	17,473,368	14,822,588	7,616,372	5,767,911	25,089,740	20,590,499
Total	47,800,792	45,491,873	15,435,205	13,901,098	63,235,997	59,392,971

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 \$33,058,958. This is an increase of \$6,894,621 over the prior fiscal year due to the issuance of the CoPs, minus regularly scheduled debt service principal payments.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current portion	389,463	352,463	587,447	116,371	976,910	468,834
Noncurrent portion	18,185,749	18,061,758	13,896,299	7,633,745	32,082,048	25,695,503
Total	18,575,212	18,414,221	14,483,746	7,750,116	33,058,958	26,164,337

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

Recent data suggest that the **U.S. economy** is on stable ground. The Federal Reserve is poised to hike interest rates for the second time in six months this Spring after several years of holding steady, signaling faith that the U.S. economy had largely overcome the wounds of the 2007-2009 financial crisis. Jobless rates continue to drop and the stock market has continued to gain post-Presidential election.

Another Solid Year for California

California's economy continues to grow solidly, with hiring rising at a pace one and half times stronger than the rest of the country. Overall economic conditions, however, encompass a sizable divide between the stronger growing metropolitan areas along the coast and the slower growing inland areas. Every metropolitan area has shown improvement over the past year and gains have been significantly more even than in prior years. The state's economy continues to be driven by information technology, life sciences and tourism, which tend to be focused in and around the larger metropolitan areas along the coast. The state's large agriculture sector once again had to contend with the drought along with the added pressures of weaker global economic growth and a stronger dollar. Despite these challenges, farm income has held up relatively well and the state's farm sector had a fairly good year on an overall basis. With one of the wettest winters in history, 2017 is poised to show marked changes from previous drought starved markets.

Nonfarm employment in California is up a solid 2.0 percent year over year. California's steady pace of hiring has pulled the state's unemployment rate down below six percent to 5.3 percent in October, its lowest reading since October 2007. On a year-to date basis through October, the largest gains have been seen in the education and health services sector.

The City of Sausalito experiences 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.

Future Years Budgets

The City closely monitors its tax and revenue base. Sausalito's economy is strong and flexible, with a projected per capita effective buying income of over 350% of the U.S. and consistently high property market values. The city has access to the broad and diverse economy of the San Francisco Bay Area, and the county's unemployment rate is well below the national and state levels. The City continues to be a highly desirable destination for foreign and domestic visitors.

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 marginally 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.

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**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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$11,289,255	\$4,131,983	\$15,421,238
Restricted cash (Note 2)	8,566,311	4,967,952	13,534,263
Receivables:			
Taxes receivables, net	924,880	18,089	942,969
Accounts receivable, net	579,665	43,092	622,757
Loans receivable	4,206		4,206
Internal balances (Note 3C)	2,084,270	(2,084,270)	
Prepays	16,459	85	16,544
Capital assets (Note 4):			
Land and construction in progress	15,014,662	3,796,001	18,810,663
Depreciable, net of accumulated depreciation	32,786,130	11,639,204	44,425,334
Total Assets	<u>71,265,838</u>	<u>22,512,136</u>	<u>93,777,974</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	2,536,603	146,556	2,683,159
Total Deferred Outflows	<u>2,536,603</u>	<u>146,556</u>	<u>2,683,159</u>
LIABILITIES			
Accounts payable	2,042,571	333,045	2,375,616
Accrued interest payable	117,004	215,758	332,762
Accrued salaries and benefits	229,940	4,759	234,699
Compensated absences (Note 1J):			
Due within one year	478,095	10,946	489,041
Due in more than one year	303,272	21,858	325,130
Claims payable (Note 10):			
Due within one year	315,328		315,328
Due in more than one year	762,750		762,750
Refundable deposits	395,003	219,850	614,853
Unearned revenue, due in more than one year (Note 7)	4,367,777		4,367,777
Net OPEB obligation (Note 9):			
Due in more than one year	2,475,525		2,475,525
Net pension liability due in more than one year (Note 8B)	18,943,052	692,569	19,635,621
Long-term debt (Note 5):			
Due within one year	389,463	587,447	976,910
Due in more than one year	18,185,749	13,896,299	32,082,048
Total Liabilities	<u>49,005,529</u>	<u>15,982,531</u>	<u>64,988,060</u>
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	3,413,536	71,838	3,485,374
Total Deferred Inflows	<u>3,413,536</u>	<u>71,838</u>	<u>3,485,374</u>
NET POSITION (Note 11):			
Net investment in capital assets	30,733,580	12,769,411	43,502,991
Restricted for:			
Special revenue programs	509,644		509,644
Debt service	678,854		678,854
Capital projects	7,313,019		7,313,019
Total Restricted Net Position	<u>8,501,517</u>		<u>8,501,517</u>
Unrestricted	(17,851,721)	(6,165,088)	(24,016,809)
Total Net Position	<u>\$21,383,376</u>	<u>\$6,604,323</u>	<u>\$27,987,699</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	Business-type Activities	
Governmental Activities:							
General government	\$7,876,856	\$29,677	\$5,466		(\$7,841,713)		(\$7,841,713)
Library	1,008,411	11,336	13,350	\$407	(983,318)		(983,318)
Public safety:							
Police services	4,980,899	531,487	120,878		(4,328,534)		(4,328,534)
Community development	1,244,302	713,756			(530,546)		(530,546)
Public works	3,897,233	292,400	166,668	35,925	(3,402,240)		(3,402,240)
Parks & recreation	871,295	450,451	108,042	15,883	(296,919)		(296,919)
Interest on long-term debt	766,804				(766,804)		(766,804)
Total Governmental Activities	20,645,800	2,029,107	414,404	52,215	(18,150,074)		(18,150,074)
Business-type Activities:							
MLK	1,143,365	1,338,116				\$194,751	194,751
Sewer	1,822,399	2,458,454				636,055	636,055
Parking	851,065	2,288,050				1,436,985	1,436,985
Old City Hall	28,407	249,786				221,379	221,379
Total Business-type Activities	3,845,236	6,334,406				2,489,170	2,489,170
Total	\$24,491,036	\$8,363,513	\$414,404	\$52,215	(18,150,074)	2,489,170	(15,660,904)
General revenues:							
Taxes:							
Property taxes					5,193,351		5,193,351
Sales taxes					3,520,765		3,520,765
Transient occupancy tax					1,589,199		1,589,199
Franchise fees					815,032		815,032
Other taxes					557,501		557,501
Investment earnings					1,147,263	37,513	1,184,776
Other revenues					441,276	4,695,966	5,137,242
Loss on retirement of capital assets						(239,673)	(239,673)
Transfers (Note 3B)					9,162,432	(9,162,432)	
Total general revenues and transfers					22,426,819	(4,668,626)	17,758,193
Change in Net Position					4,276,745	(2,179,456)	2,097,289
Net Position-Beginning					17,106,631	8,783,779	25,890,410
Net Position-Ending					\$21,383,376	\$6,604,323	\$27,987,699

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 2015. 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, 2016

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$5,377,633	\$1,175,533	\$620,078	\$1,606,273	\$8,779,517
Restricted cash (Note 2)	701,110		7,210,281	654,920	8,566,311
Receivables:					
Taxes receivables, net	917,324			7,556	924,880
Accounts receivable, net	431,594	84,565	60,322	2,014	578,495
Loans receivable	4,206				4,206
Due from other funds (Note 3A)	3,839				3,839
Prepays	16,459				16,459
Advances to other funds (Note 3C)	2,084,270				2,084,270
Total Assets	<u>\$9,536,435</u>	<u>\$1,260,098</u>	<u>\$7,890,681</u>	<u>\$2,270,763</u>	<u>\$20,957,977</u>
LIABILITIES					
Accounts payable	\$533,868	\$160	\$1,267,480	\$7,479	\$1,808,987
Accrued salaries and benefits	229,940				229,940
Refundable deposits	384,603	10,400			395,003
Due to other funds (Note 3A)				3,839	3,839
Unearned revenue (Note 7)	35,881	4,331,896			4,367,777
Total Liabilities	<u>1,184,292</u>	<u>4,342,456</u>	<u>1,267,480</u>	<u>11,318</u>	<u>6,805,546</u>
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	2,104,935				2,104,935
Restricted	701,110		7,210,281	2,161,059	10,072,450
Committed				102,738	102,738
Assigned	717,617				717,617
Unassigned	4,828,481	(3,082,358)	(587,080)	(4,352)	1,154,691
Total Fund Balances (Deficits)	<u>8,352,143</u>	<u>(3,082,358)</u>	<u>6,623,201</u>	<u>2,259,445</u>	<u>14,152,431</u>
Total Liabilities and Fund Balances	<u>\$9,536,435</u>	<u>\$1,260,098</u>	<u>\$7,890,681</u>	<u>\$2,270,763</u>	<u>\$20,957,977</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$14,152,431

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. 47,570,773

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	2,509,738
Accounts receivable, net	1,170
Capital assets, net of depreciation	230,019
Claims payable	(1,078,078)
Long-term debt	(1,508,000)
Accounts payable and accrued interest	(233,584)

DEFERRED INFLOWS AND OUTFLOWS

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Funds.

Deferred outflows	2,536,603
Deferred inflows	(3,413,536)

LONG TERM LIABILITIES

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

Long-term debt	(17,067,212)
Interest payable	(117,004)
Compensated absences	(781,367)
Net OPEB obligation	(2,475,525)
Net pension liability	(18,943,052)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$21,383,376

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, 2016

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$4,663,127			\$530,224	\$5,193,351
Sales tax	3,520,765				3,520,765
Other tax	2,404,231				2,404,231
Licenses and permits	554,556				554,556
Fines and forfeitures	524,048			33,074	557,122
Use of money and property	603,334	\$782,902	\$2,206	6,851	1,395,293
Intergovernmental			33,719	477,240	510,959
Charges for services	1,218,967			253,022	1,471,989
Other revenues	92,317			50,001	142,318
	<u>13,581,345</u>	<u>782,902</u>	<u>35,925</u>	<u>1,350,412</u>	<u>15,750,584</u>
Total Revenues					
EXPENDITURES					
Current:					
General government	7,679,747	132,475			7,812,222
Library	899,158				899,158
Public safety:					
Police	4,510,454			111,665	4,622,119
Community development	1,309,692				1,309,692
Public works	1,676,569			132,085	1,808,654
Parks & recreation	898,569				898,569
Capital outlay			3,985,794	17,194	4,002,988
Debt service:					
Principal				294,462	294,462
Interest and other charges				259,454	259,454
	<u>16,974,189</u>	<u>132,475</u>	<u>3,985,794</u>	<u>814,860</u>	<u>21,907,318</u>
Total Expenditures					
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(3,392,844)</u>	<u>650,427</u>	<u>(3,949,869)</u>	<u>535,552</u>	<u>(6,156,734)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	2,146,651		9,127,863	72,155	11,346,669
Transfers (out) (Note 3B)	(1,472,962)	(536,655)		(487,500)	(2,497,117)
	<u>673,689</u>	<u>(536,655)</u>	<u>9,127,863</u>	<u>(415,345)</u>	<u>8,849,552</u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES	(2,719,155)	113,772	5,177,994	120,207	2,692,818
BEGINNING FUND BALANCES (DEFICITS), as restated (Note 11F)	<u>11,071,298</u>	<u>(3,196,130)</u>	<u>1,445,207</u>	<u>2,139,238</u>	<u>11,459,613</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>\$8,352,143</u></u>	<u><u>(\$3,082,358)</u></u>	<u><u>\$6,623,201</u></u>	<u><u>\$2,259,445</u></u>	<u><u>\$14,152,431</u></u>

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, 2016

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 \$2,692,818

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 3,797,812

Depreciation expense is deducted from the fund balance (1,574,908)

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 294,463

Change in accrued interest payable (507,350)

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 51,881

Net OPEB obligation 31,895

Pension expense (330,729)

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 (179,137)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$4,276,745

See accompanying notes to financial statements

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CITY OF SAUSALITO

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.

Major Enterprise 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. Treatment services are provided by 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.

Non-Major Enterprise Fund

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, 2016

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Non-major Old City Hall		Totals
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$687,165	\$522,661	\$2,841,159	\$80,998	\$4,131,983	\$2,509,738
Restricted cash (Note 2)		4,967,952			4,967,952	
Receivables:						
Accounts receivable, net	4,377	34,281	4,434		43,092	1,170
Taxes receivable		18,089			18,089	
Prepaid assets			85		85	
Total current assets:	<u>691,542</u>	<u>5,542,983</u>	<u>2,845,678</u>	<u>80,998</u>	<u>9,161,201</u>	<u>2,510,908</u>
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063			9,938	3,796,001	
Depreciable, net of accumulated depreciation	2,997,468	7,900,336	272,376	469,024	11,639,204	230,019
Total noncurrent assets	<u>6,783,531</u>	<u>7,900,336</u>	<u>272,376</u>	<u>478,962</u>	<u>15,435,205</u>	<u>230,019</u>
Total Assets	<u>7,475,073</u>	<u>13,443,319</u>	<u>3,118,054</u>	<u>559,960</u>	<u>24,596,406</u>	<u>2,740,927</u>
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)		146,556			146,556	
Total Deferred Outflows		<u>146,556</u>			<u>146,556</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	13,019	224,542	95,484		333,045	233,584
Accrued interest payable	36,925	178,833			215,758	
Accrued salaries and benefits		3,562	1,197		4,759	
Compensated absences, due in one year (Note 1I)		10,946			10,946	
Refundable deposits	191,662	4,040	24,148		219,850	
Claims payable-due within one year (Note 10)						315,328
Long-term debt, due within one year (Note 5)	395,000	192,447			587,447	58,000
Total current liabilities	<u>636,606</u>	<u>614,370</u>	<u>120,829</u>		<u>1,371,805</u>	<u>606,912</u>
Noncurrent liabilities:						
Advance from other funds (Note 3C)	2,084,270				2,084,270	
Compensated absences, due in more than one year (Note 1I)		21,858			21,858	
Claims payable - due in more than one year (Note 10)						762,750
Long-term debt, due in more than one year (Note 5)	6,455,000	7,441,299			13,896,299	1,450,000
Net pension liability (Note 8B)		692,569			692,569	
Total noncurrent liabilities	<u>8,539,270</u>	<u>8,155,726</u>			<u>16,694,996</u>	<u>2,212,750</u>
Total Liabilities	<u>9,175,876</u>	<u>8,770,096</u>	<u>120,829</u>		<u>18,066,801</u>	<u>2,819,662</u>
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)		71,838			71,838	
Total Deferred Inflows		<u>71,838</u>			<u>71,838</u>	
NET POSITION (Note 11)						
Net investment in capital assets	6,783,531	5,234,542	272,376	478,962	12,769,411	230,019
Unrestricted	(8,484,334)	(486,601)	2,724,849	80,998	(6,165,088)	(308,754)
Total Net Position (Deficits)	<u>(\$1,700,803)</u>	<u>\$4,747,941</u>	<u>\$2,997,225</u>	<u>\$559,960</u>	<u>\$6,604,323</u>	<u>(\$78,735)</u>

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, 2016

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
OPERATING REVENUES						
Building rents	\$1,338,116			\$249,786	\$1,587,902	
Charges for services		\$2,458,454	\$2,288,050		4,746,504	
Other revenue	431,727				431,727	\$262,006
Total Operating Revenues	1,769,843	2,458,454	2,288,050	249,786	6,766,133	262,006
OPERATING EXPENSES						
Other expenses	198,676	122,527	257,174		578,377	671,782
Professional services	19,429	443,801	399,609		862,839	
Repairs and maintenance	60,784	55,544	1,524		117,852	3,460
Salaries and benefits	201,506	548,158	62,833		812,497	
Utilities	151,997	71,380	1,912	817	226,106	
Depreciation	85,895	251,002	128,013	27,590	492,500	88,310
Total Operating Expenses	718,287	1,492,412	851,065	28,407	3,090,171	763,552
Operating Income (Loss) Before Transfers	1,051,556	966,042	1,436,985	221,379	3,675,962	(501,546)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	15,275	10,008	11,877	353	37,513	\$9,529
Interest (expense)	(425,078)	(329,987)			(755,065)	
Total nonoperating revenue (expenses)	(409,803)	(319,979)	11,877	353	(717,552)	9,529
Income (Loss) before transfers	641,753	646,063	1,448,862	221,732	2,958,410	(492,017)
OTHER FINANCING SOURCES (USES)						
Forgiveness of interfund advance	4,264,239				4,264,239	
Loss on retirement of capital assets			(239,673)		(239,673)	
Transfers in (Note 3B)						312,880
Transfers (out) (Note 3B)	(7,310,281)	(167,151)	(1,410,000)	(275,000)	(9,162,432)	
Net transfers	(3,046,042)	(167,151)	(1,649,673)	(275,000)	(5,137,866)	312,880
Change in net position	(2,404,289)	478,912	(200,811)	(53,268)	(2,179,456)	(179,137)
BEGINNING NET POSITION	703,486	4,269,029	3,198,036	613,228	8,783,779	100,402
ENDING NET POSITION	(\$1,700,803)	\$4,747,941	\$2,997,225	\$559,960	\$6,604,323	(\$78,735)

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,378,544	\$2,423,591	\$2,286,712	\$249,786	\$6,338,633	\$262,006
Payment to employees	(201,506)	(976,589)	(61,636)		(1,239,731)	
Payment to suppliers	(430,697)	(618,639)	(660,219)	(817)	(1,710,372)	(730,753)
Other receipts (payments)	434,616		46,761		481,377	
Cash Flows from Operating Activities	<u>1,180,957</u>	<u>828,363</u>	<u>1,611,618</u>	<u>248,969</u>	<u>3,869,907</u>	<u>(468,747)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in						312,880
Transfers (out)	(7,310,281)	(167,151)	(1,410,000)	(275,000)	(9,162,432)	
Cash Flows from Noncapital Financing Activities	<u>(7,310,281)</u>	<u>(167,151)</u>	<u>(1,410,000)</u>	<u>(275,000)</u>	<u>(9,162,432)</u>	<u>312,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures		(1,925,810)	(340,470)		(2,266,280)	(174,325)
Principal payments on capital debt	(90,000)	(116,370)			(206,370)	(58,000)
Interest payment	(388,153)	(241,206)			(629,359)	
Proceeds from issuance of debt	6,940,000				6,940,000	
Cash Flows from Capital and Related Financing Activities	<u>6,461,847</u>	<u>(2,283,386)</u>	<u>(340,470)</u>		<u>3,837,991</u>	<u>(232,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	15,275	10,008	11,877	353	37,513	9,529
Net Cash Flows	347,798	(1,612,166)	(126,975)	(25,678)	(1,417,021)	(378,663)
Cash and investments at beginning of period	339,367	7,102,779	2,968,134	106,676	10,516,956	2,888,401
Cash and investments at end of period	<u>\$687,165</u>	<u>\$5,490,613</u>	<u>\$2,841,159</u>	<u>\$80,998</u>	<u>\$9,099,935</u>	<u>\$2,509,738</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$1,051,556	\$966,042	\$1,436,985	\$221,379	\$3,675,962	(\$501,546)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	85,895	251,002	128,013	27,590	492,500	88,310
Other revenue						
Change in assets and liabilities:						
Accounts receivables	40,428	(34,863)	(1,253)		4,312	
Prepaid items			(85)		(85)	
Accounts payable and accruals	189	74,613	46,661		121,463	(130,647)
Accrued salaries and benefits		3,562	1,197		4,759	
Accrued compensated absences		2,298			2,298	
Refundable deposits	2,889		100		2,989	
Claims payable						75,136
Deferred outflows		(12,463)			(12,463)	
Deferred inflows		(226,731)			(226,731)	
Net pension liability		(195,097)			(195,097)	
Cash Flows from Operating Activities	<u>\$1,180,957</u>	<u>\$828,363</u>	<u>\$1,611,618</u>	<u>\$248,969</u>	<u>\$3,869,907</u>	<u>(\$468,747)</u>
NONCASH TRANSACTION FROM NONOPERATING ACTIVITIES						
Interfund advance forgiveness	\$4,264,239					
Loss on retirement of capital assets			(\$239,673)		(\$239,673)	

See accompanying notes to financial statements

CITY OF SAUSALITO
PRIVATE PURPOSE TRUST FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Retiree OPEB Benefits Trust Fund</u>
ASSETS	
Restricted cash and investments (Note 2)	<u>\$679,061</u>
Total Assets	<u><u>\$679,061</u></u>
NET POSITION	
Held in trust for OPEB benefits	<u><u>\$679,061</u></u>

See accompanying notes to financial statements

CITY OF SAUSALITO
PRIVATE PURPOSE TRUST FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Retiree OPEB Benefits Trust Fund
ADDITIONS	
Employer contributions (Note 9)	\$263,000
Investment earnings	17,652
Total Additions	\$280,652
DELETIONS	
Administrative expense	\$1,592
Total Deletions	\$1,592
NET POSITION HELD IN TRUST	
Beginning of year	\$400,001
End of year	\$679,061

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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 collection, storm drainage, recreation, library, public works, current and advanced planning, zoning, building inspections and code enforcement, 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. Interfund services provided and used are not eliminated in the process of consolidation. 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, 2016

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.

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.

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 the following enterprise funds as major funds in the accompanying financial statements:

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

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 visitors, 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Budgets and Budgetary Accounting

The City operates under the general law of the State of California, and annually adopts a budget to be effective July 1 for the ensuing fiscal year. The City Manager submits a Preliminary Budget to the City Council on or about June 1 each year. This Preliminary Budget is the fiscal plan for the ensuing twelve months starting July 1, and includes proposals for expenditures for operations and capital improvement, and the resources to meet them. City Council conducts public hearings at Council Chambers before adopting the budget. The Council approves total appropriations at the department level in the General Fund, and at the fund level in other funds. The Budget is adopted by City resolution prior to June 30. The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue and Capital Projects. 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, Measure A Special Revenue Fund and General Improvement Capital Projects Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

G. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2016, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Administration	\$4,225,245
Library	36,627
Community development	333,752
Parks & recreation	2,302
Tidelands Special Revenue Fund	30,675
2006 General Obligation Bond Debt Service Fund	751

The excess expenditures were funded by available financial resources. The increase in Administration included \$4.2 million forgiveness of the MLK Advance.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

I. 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.

J. 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. 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. Any vacation time in excess of the maximum is paid to the employee on the June 30th payroll, unless he or she is a management or confidential employee, in which case there is no payout. Upon termination of an employee's service with the City, the employee is paid a lump sum for all accrued vacation that has been earned at that time.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The changes of the compensated absences were as follows for June 30, 2016:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$833,248	\$30,506	\$863,754
Additions	615,483	16,515	631,998
Payments	(667,364)	(14,217)	(681,581)
Ending Balance	<u>\$781,367</u>	<u>\$32,804</u>	<u>\$814,171</u>
Current Portion	<u>\$478,095</u>	<u>\$10,946</u>	<u>\$489,041</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.

K. Property Tax Revenues

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. *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).

M. *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.

N. *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.

O. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet reports 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 reports 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. *New GASB Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2016.

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Establishment of new funds

In fiscal year 2016, the City established the Fiduciary Private Purpose Trust Fund to record the contributions made related to Other Post-Employment Benefits (OPEB). Contributions and investments are held in Public Agency Retirement System (PARS) Post-Employment Benefits Trust. See Footnote 9C.

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:

<i>Statement of Net Position</i>	
Cash and investments	\$15,421,238
Restricted cash and investments	13,534,263
Total	<u>\$28,955,501</u>
<i>Private-Purpose Trust Fund</i>	
Restricted cash and investments	<u>\$679,061</u>
Total Cash and Investments	<u><u>\$29,634,562</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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	30%	\$65 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 is limited to \$96,000

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>12 Months or less</u>	<u>Total</u>
Local Agency Investment Fund	\$9,774,185	\$9,774,185
PARS Trust - Pension	701,110	701,110
PARS Trust - OPEB	679,061	679,061
Money Market Mutual Fund	12,833,153	12,833,153
Total Investments	<u>\$23,987,509</u>	23,987,509
Cash in banks		5,644,283
Petty Cash		<u>2,770</u>
Total City Cash and Investments		<u>\$29,634,562</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

Money market mutual funds are available for withdrawal on demand. At June 30, 2016, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 26-42 days.

F. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

<i>Investments by Fair Value Level:</i>	Level 2	Total
Local Agency Investment Fund	\$9,774,185	\$9,774,185
Total Investments	\$9,774,185	9,774,185
 <i>Investments Measured at Amortized Cost:</i>		
Money Market Mutual Funds		12,833,153
 <i>City Cash:</i>		
Cash in banks and on hand		5,647,053
PARS Trust - Pension - Money Market Fund - at amortized cost		701,110
Total City Cash and Investments		\$28,955,501
 <i>Fiduciary Cash:</i>		
PARS Trust - OPEB - Money Market Fund - at amortized cost		\$679,061
Total Cash and Investments		\$29,634,562

The California Local Agency Investment Fund (LAIF) classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. These prices are obtained from various pricing sources by the custodian bank.

Money market funds are exempt from fair value measurement and are reported at amortized cost.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

G. 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, 2016, for each investment type as provided by Standard & Poor's Investment rating system:

<i>Investment Type</i>	AAAm	Total
<i>City Cash and Investments:</i>		
Money Market Mutual Fund	<u>\$12,833,153</u>	\$12,833,153
<i>Not Rated:</i>		
Local Agency Investment Fund		9,774,185
PARS Trust - Pension		701,110
Cash in banks		5,644,283
Petty cash		<u>2,770</u>
Total City Cash and Investments		<u>\$28,955,501</u>
<i>Fiduciary Cash</i>		
<i>Not Rated:</i>		
PARS Trust - OPEB		<u>\$679,061</u>
Total Cash and Investments		<u>\$29,634,562</u>

H. 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, 2016

NOTE 2 - CASH AND INVESTMENTS (Continued)

I. 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, which is the same as the value of the pool share. 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, 2016, these investments matured in an average of 167 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, 2016 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Non Major Governmental Funds	General Fund	\$3,839

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. Transfers

<u>Fund Receiving Transfers</u>	<u>Amount Transferred In</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred Out</u>
General Fund	\$2,146,651	Tideland Special Revenue Fund	(\$219,500) A
		MLK Enterprise Fund	(100,000) A
		Sewer Enterprise Fund	(167,151) A
		Parking Enterprise Fund	(1,385,000) B
		Old City Hall Enterprise Fund	(275,000) B
General Capital Improvement	9,127,863	General Fund	(1,160,082) C
Capital Projects Fund		Tideland Special Revenue Fund	(245,000) C
		Non-Major Governmental Funds	(487,500) C
		MLK Enterprise Fund	(7,210,281) C
		Parking Enterprise Fund	(25,000) C
Non-Major Governmental Funds	72,155	Tideland Special Revenue Fund	(72,155) D
Internal Service Funds	<u>312,880</u>	General Fund	<u>(312,880) E,F</u>
Total Interfund Transfers	<u>\$11,659,549</u>	Total Interfund Transfers	<u>(\$11,659,549)</u>

The reasons for these transfers are set forth below:

- A Transfers to return excess funds to sources
- B To fund the General Fund operation.
- C To fund capital improvement projects.
- D To fund debt service.
- 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.

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	\$2,084,270

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. In June 2016, the City Council, via Council Resolution, forgave \$4,264,236 of the interfund advance.

As of June 30, 2016, the amount of the interfund advance was \$2,084,270. The remaining balance will be paid off over 14 years, at 3% interest rate ending in fiscal year 2030.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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, 2016

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, 2016, comprise:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated:				
Land and improvements	\$15,014,662			\$15,014,662
	<u>15,014,662</u>			<u>15,014,662</u>
Depreciable capital assets:				
Building and improvements	17,715,683			17,715,683
Vehicles and equipment	316,602		(\$44,484)	272,118
Machinery and equipment	947,964			947,964
Infrastructure	38,079,808	\$3,797,812		41,877,620
Furniture and fixtures	167,008			167,008
Total Infrastructure	<u>57,227,065</u>	<u>3,797,812</u>	<u>(44,484)</u>	<u>60,980,393</u>
Less: accumulated depreciation for				
Building and improvements	(2,462,497)	(354,932)		(2,817,429)
Vehicles and equipment	(316,602)		44,484	(272,118)
Machinery and equipment	(857,539)	(72,944)		(930,483)
Infrastructure	<u>(23,257,220)</u>	<u>(1,147,032)</u>		<u>(24,404,252)</u>
Total accumulated depreciation	<u>(26,893,858)</u>	<u>(1,574,908)</u>	<u>44,484</u>	<u>(28,424,282)</u>
Depreciable capital assets, net	<u>30,333,207</u>	<u>2,222,904</u>		<u>32,556,111</u>
Internal Service Funds				
Depreciable capital assets:				
Vehicles and equipment	679,678	101,525	(58,826)	722,377
Machinery and equipment	17,273	72,800		90,073
	<u>696,951</u>	<u>174,325</u>	<u>(58,826)</u>	<u>812,450</u>
Less: accumulated depreciation for				
Vehicles and equipment	(539,550)	(72,780)	58,826	(553,504)
Machinery and equipment	<u>(13,397)</u>	<u>(15,530)</u>		<u>(28,927)</u>
Total accumulated depreciation	<u>(552,947)</u>	<u>(88,310)</u>	<u>58,826</u>	<u>(582,431)</u>
Depreciable capital assets, net	<u>144,004</u>	<u>86,015</u>		<u>230,019</u>
Governmental capital assets, net	<u>\$45,491,873</u>	<u>\$2,308,919</u>		<u>\$47,800,792</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Business-type Activities					
Land and improvements	\$3,796,001				\$3,796,001
Construction in Progress	114,273			(\$114,273)	
	<u>3,910,274</u>			<u>(114,273)</u>	<u>3,796,001</u>
Depreciable capital assets:					
Building and improvements	6,100,938				6,100,938
MLK Bus Barn	275,000				275,000
Vehicles and equipment	1,889,440	\$340,470	(\$599,185)		1,630,725
Infrastructure	11,161,501	1,925,810		114,273	13,201,584
Total	<u>19,426,879</u>	<u>2,266,280</u>	<u>(599,185)</u>	<u>114,273</u>	<u>21,208,247</u>
Less: accumulated depreciation for					
Building and improvements	(2,702,466)	(107,985)			(2,810,451)
MLK Bus Barn	(93,500)	(5,500)			(99,000)
Vehicles and equipment	(1,246,499)	(187,393)	359,512		(1,074,380)
Infrastructure	(5,393,590)	(191,622)			(5,585,212)
	<u>(9,436,055)</u>	<u>(492,500)</u>	<u>359,512</u>		<u>(9,569,043)</u>
Depreciable capital assets, net	<u>9,990,824</u>	<u>1,773,780</u>	<u>(239,673)</u>	<u>114,273</u>	<u>11,639,204</u>
Total capital assets, net	<u>\$13,901,098</u>	<u>\$1,773,780</u>	<u>(\$239,673)</u>		<u>\$15,435,205</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	\$208,679
Recreation	6,995
Library	16,701
Police services	298,515
Public works	1,044,018
Internal Service Funds	<u>88,310</u>
Total Governmental Activities	<u>\$1,663,218</u>
Business-type Activities:	
MLK	\$85,895
Sewer	251,002
Parking	128,013
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$492,500</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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, 2015	Additions	Retirements	Balance June 30, 2016	Current Portion
Governmental Activities						
Southern Marin Fire Protection	\$1,740,000	\$1,566,000		(\$58,000)	\$1,508,000	\$58,000
Department of Boating & General Obligation Bonds:	1,200,000	615,408		(44,463)	570,945	46,463
2006 Series A	8,205,000	5,390,000		(250,000)	5,140,000	285,000
2006 Series B (Capital)	7,293,894	10,842,813	\$513,454		11,356,267	
Total Government Activities		<u>\$18,414,221</u>	<u>\$513,454</u>	<u>(\$352,463)</u>	<u>\$18,575,212</u>	<u>\$389,463</u>
Business-type Activities						
2015 Sewer Revenue Bond	6,750,000	\$6,750,000		(\$75,000)	\$6,675,000	\$150,000
State Water Resources Board Loan	100,000	1,000,116		(41,370)	958,746	42,447
2016 Certificates of Participation	6,940,000		\$6,940,000	(90,000)	6,850,000	395,000
Total Business-type Activities		<u>\$7,750,116</u>	<u>\$6,940,000</u>	<u>(\$206,370)</u>	<u>\$14,483,746</u>	<u>\$587,447</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, 2016

NOTE 5 - LONG-TERM DEBT (Continued)

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$6,502,700. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$479,410 and \$530,224, respectively.

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

On November 16, 2006, the City issued General Obligation Bonds Series B in the amount of \$7,293,894. The bond proceeds from this series and the bond proceeds from Series A (see above) were used to finance the demolition and replacement of a police building and fire station. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$11,356,267. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$530,224.

The Bonds do not require periodic interest payments. 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. The Bonds unaccreted discount and the current year accretion totaled \$14,258,735 and \$513,454, respectively at June 30, 2016.

F. 2015 Sewer Revenue Bonds

In January 2015, the City, via the Sausalito Financing Authority, issued the 2015 Sewer Revenue Bonds in the amount of \$6,750,000. The bond proceeds are being used to finance the acquisition and construction of sewer improvements and facilities; fund a reserve fund for the Bonds; and pay issuance costs. Interest payments are due each February 1 and August 1, and commencing August 1, 2015, principal is due each August 1, until August 1, 2044. The bonds bear interests at rates from 2.0% to 3.5% per annum. These bonds are repayable solely from and secured by a pledge of the Sewer Enterprise Fund's Net Revenues as defined under the indenture. The total principal and interest paid for the current fiscal year and total customer net revenues were \$288,603 and \$2,458,454, respectively.

G. California State Water Resources Control Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement with the State Water Resources Control Board 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, 2016 the City had drawn down \$1,000,116 of the total loan amount.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 5 - LONG-TERM DEBT (Continued)

H. 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 2013 and restructured at an interest rate of 7.46%.

The City leases units at the site to tenants. The leases are operating leases with varying terms. Rental income included in the financial statements for the fiscal year ended June 30, 2016 is comprised of the following:

Operating Leases	\$1,283,662
Utility pass through	54,454
	\$1,338,116

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2016 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2017	\$1,318,871
2018	1,359,633
2019	1,401,839
2020	1,445,444
2021	1,505,218
2022-2026	8,153,996
2027-2031	8,914,634
2032-2035	7,458,020
	\$31,557,655

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, 2016

NOTE 5 - LONG-TERM DEBT (Continued)

I. 2016 Certificates of Participation

In January 2016, the City, via the Sausalito Financing Authority, issued the 2016 Certificates of Participation in the amount of \$6,940,000. The bond proceeds are being used to finance capital improvements to the City’s MLK campus and Robin Sweeny, Southview and Dunphy Parks and pay costs associated with the issuance of the certificates. Interest payments are due each May 1 and November 1, and commencing May 1, 2016, principal payments are due each May 1, until May 1, 2030. The bonds bear interests at rates from 2.0% to 4% per annum. These bonds are repayable solely from certain lease payments to be made by the City to the Authority as outlined in the Indenture.

J. 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
2017	\$389,463	\$244,136	\$587,447	\$629,509
2018	436,554	229,437	598,549	635,405
2019	483,739	212,800	619,682	645,448
2020	536,022	194,117	635,843	649,562
2021	583,408	173,383	657,035	658,496
2022-2026	3,861,761	459,438	3,609,168	3,425,102
2027-2031	6,665,000		3,628,975	3,245,246
2032-2036	8,630,000		1,397,047	581,628
2037-2041	11,190,000		1,425,000	355,485
2042-2046	58,000		1,325,000	94,763
Total	<u>\$32,833,947</u>	<u>\$1,513,311</u>	<u>\$14,483,746</u>	<u>\$10,920,644</u>

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, 2016 is \$1,930,000.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 7 – UNEARNED REVENUE

Tideland Fund 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. The Tideland Fund unearned revenue at June 30, 2016 is \$4,331,896 consisting of two parts:

A. 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, 2016, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,450,550 as unearned lease revenue to be amortized over the remaining 46 years.

B. 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, 2016, the City had recorded \$1,881,346 as unearned rent revenue.

Combined, the unearned revenue for all funds as June 30, 2016 is \$4,367,777.

NOTE 8 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Rate Plans. The City’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLANS (Continued)

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	18.191%	11.923%
	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8%	6.500%
Required employer contribution rates	10.612%	6.730%
	Fire	
	Prior to January 1, 2013	
Hire date		
Benefit formula	3% @ 55	
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50	
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	
Required employee contribution rates	9%	
Required employer contribution rates	18.191%	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,056,044 in fiscal year 2016.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions to the Plan were as follows:

	<u>Safety</u>	<u>Miscellaneous</u>	<u>Total</u>
Contributions - employer	\$1,058,862	\$704,178	\$1,763,040

B. *Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2016, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety	\$12,618,710
Miscellaneous	7,016,911
Total Net Pension Liability	<u>\$19,635,621</u>

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Proportion - June 30, 2014	0.33%	0.21%
Proportion - June 30, 2015	<u>0.31%</u>	<u>0.26%</u>
Change - Increase (Decrease)	-0.02%	0.05%

CITY OF SAUSALITO Notes to Financial Statements For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)
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For the year ended June 30, 2016, the City recognized pension expense of \$1,659,478. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,763,040	
Differences between actual and expected experience	35,771	(\$107,263)
Changes in assumptions		(831,765)
Net differences between projected and actual earnings on plan investments		(419,685)
Change in proportion and differences between actual contributions and proportionate share of contributions		(690,987)
Change in proportion	884,348	(1,435,674)
Total	\$2,683,159	(\$3,485,374)

\$1,763,040 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$1,018,624)
2018	(1,053,422)
2019	(1,016,995)
2020	523,786
2021	
Thereafter	

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2015, the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Then June 30, 2016 total pension liability was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return ¹	7.50%
Mortality Rate Table ²	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

- (1) Net pension plan investment expenses, includes inflation
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50 percent used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Market Value (\$ Billion)	Policy Target Allocation
Global Equity	158.2	50.0%
Private Equity	31.5	14.0%
Global Fixed Income	58.8	17.0%
Liquidity	9.0	4.0%
Real Assets	29.6	11.0%
Inflation Sensitive Assets	9.9	4.0%
Absolute Return Strategy (ARS)	4.5	0.0%
Total	301.5	100.0%

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.65%	Current 7.65%	1% Increase 8.65%
Safety	\$20,168,723	\$12,618,710	\$6,427,838
Miscellaneous	11,344,094	7,016,911	3,444,320
Total	\$31,512,817	\$19,635,621	\$9,872,158

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 8 – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. *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.

D. *Public Agency Retirement System Trust*

On March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Pension Benefits Trust Program, an irrevocable trust established to prefund pension obligations. During fiscal year 2016, the City contributed \$38,886 to the Trust. As of June 30, 2016, the total amount of \$701,110 in investments are recorded as restricted investments in the City. The Program’s trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

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, 2015, 39 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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

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. As of June 30, 2015, 39 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 for dental benefits for certain unrepresented retirees after retirement. No other future retirees will receive City paid dental benefits.

B. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined using the entry age normal actuarial cost method.

Certain plan changes occurred effective for the January 1, 2015 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 4.0%, (b) 3.25% aggregate payroll increase, (c) a healthcare trend of declining annual increases ranging from 8% in January 2016 to 5.5% starting January 2021, and (d) 3.0% general inflation rate. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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

The City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Governmental Activities
Annual required contribution (ARC)	\$428,391
Interest on net OPEB obligation	116,868
Adjustment to annual required contribution	(112,829)
Annual OPEB cost	432,430
Contributions made:	
City's portion of current year premiums paid	201,325
Contribution to Trust	263,000
Total Contributions	464,325
Contributions in excess of the ARC	31,895
Net OPEB obligation June 30, 2015	2,507,420
Net OPEB obligation June 30, 2016	\$2,475,525

The Plan's annual required contributions and actual contributions for the year ended 2016 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2014	\$533,373	\$170,504	32%	\$2,675,561
6/30/2015	415,406	583,547	140%	2,507,420
6/30/2016	432,430	464,325	107%	2,475,525

The funded status of the Plan as of January 1, 2015, the Plan's most recent actuarial valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Overfunded (Underfunded) Actuarial Accrued Liability (a – b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2015	\$0	\$5,730,670	(\$5,730,670)	0%	\$5,688,941	-100.7%

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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
 - 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;

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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

- 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.
- Effective March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Post-Employment Benefits Trust, an irrevocable trust established to prefund post-retirement health care benefits. This Trust is not considered a component unit by the City and has been excluded from these financial statements. The Program’s trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.
- As of June 30, 2016, the City had accumulated approximately \$397,987 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

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.

CITY OF SAUSALITO Notes to Financial Statements For The Year Ended June 30, 2016

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)
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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, 2016, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	2016	2015
Beginning balance	\$887,460	\$821,920
Incurred claims and claims adjustment	327,296	(171,127)
Claims paid	(289,429)	236,667
Ending balance	\$925,327	\$887,460
Current portion	\$277,571	\$269,805

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

B. General Liability Coverage

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

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, 2016, the City’s estimated general liability for unpaid losses was as follows:

	2016	2015
Beginning balance	\$115,482	\$187,741
Incurred claims and claims adjustment	(115,482)	41,759
Claims paid	152,751	(114,018)
Ending balance	\$152,751	\$115,482
Current portion	\$37,757	\$30,056

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

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.

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 (by resolution) of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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 the City Manager and may be changed at the discretion of the City Council or the City Manager. This category includes encumbrances; Nonspendables, when it is the City’s intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

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

Detailed classifications of the City’s Fund Balances, as of June 30, 2016, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$4,206				\$4,206
Prepays	16,459				16,459
Advances to other funds	2,084,270				2,084,270
Subtotal	<u>2,104,935</u>				<u>2,104,935</u>
Restricted for:					
Pension	701,110				701,110
Seized assets				\$34,449	34,449
CoPs projects			\$7,210,281		7,210,281
Street construction and maintenance				134,985	134,985
Infrastructure projects				55,799	55,799
Storm drain maintenance				2,401	2,401
Stair improvements				155,067	155,067
Disasters				972,561	972,561
Grants				116,487	116,487
Measure A				214	214
2006 General Obligations				678,854	678,854
Police grant				10,242	10,242
Subtotal	<u>701,110</u>		<u>7,210,281</u>	<u>2,161,059</u>	<u>10,072,450</u>
Committed to:					
Library improvements				102,738	102,738
Subtotal				<u>102,738</u>	<u>102,738</u>
Assigned:					
Budget stabilization reserve	717,617				717,617
Subtotal	<u>717,617</u>				<u>717,617</u>
Unassigned:					
Emergency shortfall reserve	4,828,481				4,828,481
Fund deficit residuals		(\$3,082,358)	(\$587,080)	(4,352)	(3,673,790)
Subtotal	<u>4,828,481</u>	<u>(3,082,358)</u>	<u>(587,080)</u>	<u>(4,352)</u>	<u>1,154,691</u>
 Total fund balances	 <u>\$8,352,143</u>	 <u>(\$3,082,358)</u>	 <u>\$6,623,201</u>	 <u>\$2,259,445</u>	 <u>\$14,152,431</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2016

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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.

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, 2016 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,082,358
Traffic Safety Special Revenue Fund	4,352
Workers Compensation Internal Service Fund	100,166
Employee Benefits Internal Service Fund	1,236,771

F. *Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 Restatement*

During the current fiscal year end June 30, 2016, the City determined that \$645,000 that was contributed to PARS Trust fund in fiscal 2015 towards the City’s Cost-Sharing Pension Plan liability should have been recorded as restricted investments. Accordingly, General Fund’s fund balance at July 1, 2015 was increased by \$645,000.

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, 2016

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

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

NOTE 14 – SUBSEQUENT EVENT

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Pension Plan
Last 10 Years*

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date:	Safety	
	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%
Plan's proportion share of the Net Pension Liability (Asset)	\$12,520,104	\$12,618,710
Plan's Covered Employee Payroll	1,965,044	2,031,497
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	637%	621%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77%	77%
	Miscellaneous	
	6/30/2014	6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,221,567	\$7,016,911
Plan's Covered Employee Payroll	3,812,428	3,898,870
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	137%	180%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83%	78%

REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

Last 10 Fiscal Years*

SCHEDULE OF CONTRIBUTIONS

	Safety	
	2015	2016
Actuarially determined contribution	\$760,463	\$1,058,862
Contributions in relation to the actuarially determined contributions	(760,463)	(1,058,862)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$2,031,497	\$1,844,449
Contributions as a percentage of covered-employee payroll	37.43%	57.41%
	Miscellaneous	
	2015	2016
Actuarially determined contribution	\$553,613	\$704,178
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$3,898,870	\$3,911,846
Contributions as a percentage of covered-employee payroll	14.20%	18.00%

Notes To Required Supplementary Information

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

**POST EMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF FUNDING PROGRESS
PAY-AS-YOU-GO BASIS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (b)	Overfunded (Underfunded) Actuarial Accrued Liability (a – b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$0	\$5,926,348	(\$5,926,348)	0%	Not provided	Not provided
7/1/2012	0	6,627,101	(6,627,101)	0%	Not provided	Not provided
1/1/2015	0	5,730,670	(5,730,670)	0%	\$5,688,941	-100.7%

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

Budget-to-actual information in the required supplementary information are limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Schedules 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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$4,350,000	\$4,350,000	\$4,663,127	\$313,127
Sales tax	3,260,000	3,375,000	3,520,765	145,765
Other tax	2,405,000	2,405,000	2,404,231	(769)
Licenses and permits	564,000	569,000	554,556	(14,444)
Fines and forfeitures	610,000	565,000	524,048	(40,952)
Use of money and property	599,000	624,000	603,334	(20,666)
Intergovernmental	53,500	55,500	55,500	(55,500)
Charges for services	973,800	1,367,747	1,218,967	(148,780)
Other revenues	18,350	39,659	92,317	52,658
	<u>12,833,650</u>	<u>13,350,906</u>	<u>13,581,345</u>	<u>230,439</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government:				
Administration	1,543,902	1,567,774	5,793,019	(4,225,245)
Information Technology	776,127	608,018	588,122	19,896
Non departmental	1,271,015	1,381,857	1,298,606	83,251
Library	857,419	862,531	899,158	(36,627)
Public safety:				
Police	4,747,369	4,690,110	4,510,454	179,656
Community development	1,102,127	975,940	1,309,692	(333,752)
Public works	1,675,339	1,951,597	1,676,569	275,028
Parks & recreation	883,295	896,267	898,569	(2,302)
	<u>12,856,593</u>	<u>12,934,094</u>	<u>16,974,189</u>	<u>(4,040,095)</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(22,943)</u>	<u>416,812</u>	<u>(3,392,844)</u>	<u>(3,809,656)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,080,026	2,146,651	2,146,651	
Transfers (out)	<u>(2,026,876)</u>	<u>(2,505,876)</u>	<u>(1,472,962)</u>	<u>1,032,914</u>
	<u>53,150</u>	<u>(359,225)</u>	<u>673,689</u>	<u>1,032,914</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE				
	<u>\$30,207</u>	<u>\$57,587</u>	<u>(2,719,155)</u>	<u>(\$2,776,742)</u>
BEGINNING FUND BALANCE, as restated			<u>11,071,298</u>	
ENDING FUND BALANCE			<u>\$8,352,143</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, 2016

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	<u>\$719,350</u>	<u>\$782,902</u>	<u>\$63,552</u>
Total Revenues	<u>719,350</u>	<u>782,902</u>	<u>63,552</u>
EXPENDITURES:			
Current:			
General government	<u>101,800</u>	<u>132,475</u>	<u>(30,675)</u>
Total Expenditures	<u>101,800</u>	<u>132,475</u>	<u>(30,675)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>617,550</u>	<u>650,427</u>	<u>32,877</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(536,655)</u>	<u>(536,655)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(536,655)</u>	<u>(536,655)</u>	<u> </u>
NET CHANGE IN FUND BALANCE	<u><u>\$80,895</u></u>	<u>113,772</u>	<u><u>\$32,877</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(3,196,130)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$3,082,358)</u></u>	

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NOTES TO BUDGET-TO-ACTUAL SCHEDULES

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). Appropriations lapse at fiscal year-end and are rebudgeted for the coming year.

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SUPPLEMENTARY INFORMATION

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CITY OF SAUSALITO
GENERAL CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$11,888	\$33,719	\$21,831
Use of money and property	1,650	2,206	556
Other revenue	<u>129,000</u>	<u> </u>	<u>(129,000)</u>
Total Revenues	<u>142,538</u>	<u>35,925</u>	<u>(106,613)</u>
EXPENDITURES:			
Current:			
Capital outlay	<u>8,824,438</u>	<u>3,985,794</u>	<u>4,838,644</u>
Total Expenditures	<u>8,824,438</u>	<u>3,985,794</u>	<u>4,838,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(8,681,900)</u>	<u>(3,949,869)</u>	<u>4,732,031</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>7,243,000</u>	<u>9,127,863</u>	<u>1,884,863</u>
Total Other Financing Sources (Uses)	<u>7,243,000</u>	<u>9,127,863</u>	<u>1,884,863</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,438,900)</u>	5,177,994	<u>\$6,616,894</u>
BEGINNING FUND BALANCE		<u>1,445,207</u>	
ENDING FUND BALANCE (DEFICIT)		<u>\$6,623,201</u>	

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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.

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.

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

Capital Project Funds

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

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees
ASSETS				
Cash and investments	\$34,449		\$140,704	\$55,799
Restricted cash and investments				
Receivables:				
Taxes receivables, net				
Accounts receivable, net		\$1,247		
Total Assets	\$34,449	\$1,247	\$140,704	\$55,799
LIABILITIES				
Accounts payable		\$1,760	\$5,719	
Due to other funds		3,839		
Total Liabilities		5,599	5,719	
FUND BALANCE				
Restricted	\$34,449		134,985	\$55,799
Committed				
Unassigned		(4,352)		
Total Fund Balances	34,449	(4,352)	134,985	55,799
Total Liabilities and Fund Balances	\$34,449	\$1,247	\$140,704	\$55,799

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$9,475	\$1,880	\$155,067	\$972,561	\$116,487	\$214
	521				
767					
<u>\$10,242</u>	<u>\$2,401</u>	<u>\$155,067</u>	<u>\$972,561</u>	<u>\$116,487</u>	<u>\$214</u>
\$10,242	\$2,401	\$155,067	\$972,561	\$116,487	\$214
<u>10,242</u>	<u>2,401</u>	<u>155,067</u>	<u>972,561</u>	<u>116,487</u>	<u>214</u>
<u>\$10,242</u>	<u>\$2,401</u>	<u>\$155,067</u>	<u>\$972,561</u>	<u>\$116,487</u>	<u>\$214</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>	Total Nonmajor Governmental Funds
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Improvement</u>	
ASSETS				
Cash and investments	\$16,899		\$102,738	\$1,606,273
Restricted cash and investments	654,920			654,920
Receivables:				
Taxes receivables, net	7,035			7,556
Accounts receivable, net				2,014
				<u>2,014</u>
Total Assets	<u>\$678,854</u>		<u>\$102,738</u>	<u>\$2,270,763</u>
LIABILITIES				
Accounts payable				\$7,479
Due to other funds				3,839
				<u>3,839</u>
Total Liabilities				<u>11,318</u>
FUND BALANCE				
Restricted	\$678,854			2,161,059
Committed			\$102,738	102,738
				<u>(4,352)</u>
Total Fund Balances	<u>678,854</u>		<u>102,738</u>	<u>2,259,445</u>
Total Liabilities and Fund Balances	<u>\$678,854</u>		<u>\$102,738</u>	<u>\$2,270,763</u>

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Fines and forfeitures		\$33,074		
Use of money and property	\$137		\$583	\$736
Intergovernmental			166,667	
Charges for services				176,498
Other revenues				
Total Revenues	137	33,074	167,250	177,234
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		37,675	73,001	
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total Expenditures		37,675	73,001	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	137	(4,601)	94,249	177,234
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(40,000)	(200,000)
			(40,000)	(200,000)
Total Other Financing Sources (Uses)			(40,000)	(200,000)
NET CHANGE IN FUND BALANCES	137	(4,601)	54,249	(22,766)
BEGINNING FUND BALANCES (DEFICITS)	34,312	249	80,736	78,565
ENDING FUND BALANCES (DEFICITS)	\$34,449	(\$4,352)	\$134,985	\$55,799

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$48	\$16	\$542	\$3,853		\$445
120,879	76,524			\$108,043	81,651
		50,000			
120,927	76,540	50,542	3,853	108,043	82,096
111,665	21,409				
	718			16,476	
111,665	22,127			16,476	
9,262	54,413	50,542	3,853	91,567	82,096
	(53,000)	(20,000)			(174,500)
	(53,000)	(20,000)			(174,500)
9,262	1,413	30,542	3,853	91,567	(92,404)
980	988	124,525	968,708	24,920	92,618
\$10,242	\$2,401	\$155,067	\$972,561	\$116,487	\$214

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	DEBT SERVICE FUND		CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Tideland Loan	Library Capital Improvement	
REVENUES				
Property tax	\$530,224			\$530,224
Fines and forfeitures				33,074
Use of money and property	84		\$407	6,851
Intergovernmental				477,240
Charges for services				253,022
Other revenues	1			50,001
	<u>530,309</u>		<u>407</u>	<u>1,350,412</u>
Total Revenues				
EXPENDITURES				
Current:				
Public safety:				
Police				111,665
Public works				132,085
Capital outlay				17,194
Debt service:				
Principal	250,000	\$44,462		294,462
Interest and other charges	231,761	27,693		259,454
	<u>481,761</u>	<u>72,155</u>		<u>814,860</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>48,548</u>	<u>(72,155)</u>	<u>407</u>	<u>535,552</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		72,155		72,155
Transfers (out)				(487,500)
		<u>72,155</u>		<u>(415,345)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	48,548		407	120,207
BEGINNING FUND BALANCES (DEFICITS)	<u>630,306</u>		<u>102,331</u>	<u>2,139,238</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$678,854</u>		<u>\$102,738</u>	<u>\$2,259,445</u>

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CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016

	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	\$33,074	(\$6,926)			
Use of money and property					\$583	\$583
Intergovernmental				\$168,000	166,667	(1,333)
Charges for services						
Other revenues						
Total Revenues	<u>40,000</u>	<u>33,074</u>	<u>(6,926)</u>	<u>168,000</u>	<u>167,250</u>	<u>(750)</u>
EXPENDITURES						
Current:						
Public works	40,000	37,675	2,325	122,000	73,001	48,999
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>40,000</u>	<u>37,675</u>	<u>2,325</u>	<u>122,000</u>	<u>73,001</u>	<u>48,999</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(4,601)</u>	<u>(4,601)</u>	<u>46,000</u>	<u>94,249</u>	<u>48,249</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(40,000)	(40,000)	
Total Other Financing Sources (Uses)				<u>(40,000)</u>	<u>(40,000)</u>	
NET CHANGES IN FUND BALANCES		<u>(4,601)</u>	<u>(\$4,601)</u>	<u>\$6,000</u>	54,249	<u>\$48,249</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>249</u>			<u>80,736</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$4,352)</u>			<u>\$134,985</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)
	\$736	\$736		\$16	\$16		\$542	\$542
\$150,000	176,498	26,498	\$74,500	76,524	2,024		50,000	50,000
150,000	177,234	27,234	74,500	76,540	2,040		50,542	50,542
			28,500	21,409 718	7,091 (718)			
			28,500	22,127	6,373			
150,000	177,234	27,234	46,000	54,413	8,413		50,542	50,542
(150,000)	(200,000)	(50,000)	(80,000)	(53,000)	27,000	(\$20,000)	(20,000)	
(150,000)	(200,000)	(50,000)	(80,000)	(53,000)	27,000	(20,000)	(20,000)	
	(22,766)	(\$22,766)	(\$34,000)	1,413	\$35,413	(\$20,000)	30,542	\$50,542
	78,565			988			124,525	
	\$55,799			\$2,401			\$155,067	

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CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2016

	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					\$445	\$445
Intergovernmental	\$55,000	\$108,043	\$53,043	\$120,000	81,651	(38,349)
Charges for services						
Other revenues						
Total Revenues	<u>55,000</u>	<u>108,043</u>	<u>53,043</u>	<u>120,000</u>	<u>82,096</u>	<u>(37,904)</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay	55,000	16,476	38,524			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>55,000</u>	<u>16,476</u>	<u>38,524</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>91,567</u>	<u>91,567</u>	<u>120,000</u>	<u>82,096</u>	<u>(37,904)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(240,000)	(174,500)	65,500
Total Other Financing Sources (Uses)				<u>(240,000)</u>	<u>(174,500)</u>	<u>65,500</u>
NET CHANGES IN FUND BALANCES		<u>91,567</u>	<u>\$91,567</u>	<u>(\$120,000)</u>	<u>(92,404)</u>	<u>\$27,596</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>24,920</u>			<u>92,618</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$116,487</u>			<u>\$214</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$505,061	\$530,224	\$25,163			
	84	84			
	1	1			
<u>505,061</u>	<u>530,309</u>	<u>25,248</u>			
250,000	250,000		\$44,462	\$44,462	
231,010	231,761	(751)	27,693	27,693	
<u>481,010</u>	<u>481,761</u>	<u>(751)</u>	<u>72,155</u>	<u>72,155</u>	
<u>24,051</u>	<u>48,548</u>	<u>24,497</u>	<u>(72,155)</u>	<u>(72,155)</u>	
			72,155	72,155	
			<u>72,155</u>	<u>72,155</u>	
<u>\$24,051</u>	48,548	<u>\$24,497</u>			
	<u>630,306</u>				
	<u>\$678,854</u>				

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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 STATEMENT OF NET POSITION
JUNE 30, 2016

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$1,001,137	\$858,306	\$379,987	\$270,308	\$2,509,738
Accounts receivable, net	1,170				1,170
Total current assets	<u>1,002,307</u>	<u>858,306</u>	<u>379,987</u>	<u>270,308</u>	<u>2,510,908</u>
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	<u>230,019</u>				<u>230,019</u>
Total noncurrent assets	<u>230,019</u>				<u>230,019</u>
Total Assets	<u>1,232,326</u>	<u>858,306</u>	<u>379,987</u>	<u>270,308</u>	<u>2,740,927</u>
LIABILITIES					
Current liabilities:					
Accounts payable	14,652	33,145	108,758	77,029	233,584
Claims payable - due within one year		277,571		37,757	315,328
Long-term debt - due within one year			58,000		58,000
Total current liabilities	<u>14,652</u>	<u>310,716</u>	<u>166,758</u>	<u>114,786</u>	<u>606,912</u>
Noncurrent liabilities					
Claims payable, due in more than one year		647,756		114,994	762,750
Long-term debt, due in more than one year			1,450,000		1,450,000
Total noncurrent liabilities		<u>647,756</u>	<u>1,450,000</u>	<u>114,994</u>	<u>2,212,750</u>
Total Liabilities	<u>14,652</u>	<u>958,472</u>	<u>1,616,758</u>	<u>229,780</u>	<u>2,819,662</u>
NET POSITION					
Net investment in capital assets	230,019				230,019
Unrestricted	<u>987,655</u>	<u>(100,166)</u>	<u>(1,236,771)</u>	<u>40,528</u>	<u>(308,754)</u>
Total Net Position	<u>\$1,217,674</u>	<u>(\$100,166)</u>	<u>(\$1,236,771)</u>	<u>\$40,528</u>	<u>(\$78,735)</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue	\$3,006	\$259,000			\$262,006
Total Operating Revenues	3,006	259,000			262,006
OPERATING EXPENSES					
Repairs and maintenance	3,460				3,460
Other operating expenses	20,914	445,135	\$62,466	\$143,267	671,782
Depreciation	88,310				88,310
Total Operating Expenses	112,684	445,135	62,466	143,267	763,552
Operating Income (Loss)	(109,678)	(186,135)	(62,466)	(143,267)	(501,546)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	4,090	3,362	987	1,090	9,529
Total nonoperating revenue	4,090	3,362	987	1,090	9,529
Income before transfers	(105,588)	(182,773)	(61,479)	(142,177)	(492,017)
Transfers in	100,228		212,652		312,880
Transfers, net	100,228		212,652		312,880
Change in Net Position	(5,360)	(182,773)	151,173	(142,177)	(179,137)
BEGINNING NET POSITION	1,223,034	82,607	(1,387,944)	182,705	100,402
ENDING NET POSITION	<u>\$1,217,674</u>	<u>(\$100,166)</u>	<u>(\$1,236,771)</u>	<u>\$40,528</u>	<u>(\$78,735)</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$3,006	\$259,000			\$262,006
Payment to suppliers	(9,722)	(431,873)	\$27,292	(\$316,450)	(730,753)
Cash Flows from Operating Activities	<u>(6,716)</u>	<u>(172,873)</u>	<u>27,292</u>	<u>(316,450)</u>	<u>(468,747)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	100,228		212,652		312,880
Cash Flows from Noncapital Financing Activities	<u>100,228</u>		<u>212,652</u>		<u>312,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(174,325)				(174,325)
Payment of long-term debt			(58,000)		(58,000)
Cash Flows from Capital and Related Financing Activities	<u>(174,325)</u>		<u>(58,000)</u>		<u>(232,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	4,090	3,362	987	1,090	9,529
Net Cash Flows	(76,723)	(169,511)	182,931	(315,360)	(378,663)
Cash and investments at beginning of period	1,077,860	1,027,817	197,056	585,668	2,888,401
Cash and investments at end of period	<u>\$1,001,137</u>	<u>\$858,306</u>	<u>\$379,987</u>	<u>\$270,308</u>	<u>\$2,509,738</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$109,678)	(\$186,135)	(\$62,466)	(\$143,267)	(\$501,546)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	88,310				88,310
Change in assets and liabilities:					
Accounts payable	14,652	(24,605)	89,758	(210,452)	(130,647)
Claims payable		37,867		37,269	75,136
Cash Flows from Operating Activities	<u>(\$6,716)</u>	<u>(\$172,873)</u>	<u>\$27,292</u>	<u>(\$316,450)</u>	<u>(\$468,747)</u>

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council
City of Sausalito, California

We have audited, in accordance with the 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, the basic financial statements of the City of Sausalito, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated March 28, 2017 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
March 28, 2017



Robin Sweeny Park

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. Changes in Fund Balances 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
5. Principal Sales Tax Producers
6. Historical Sales Tax Amounts by Benchmark Years

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

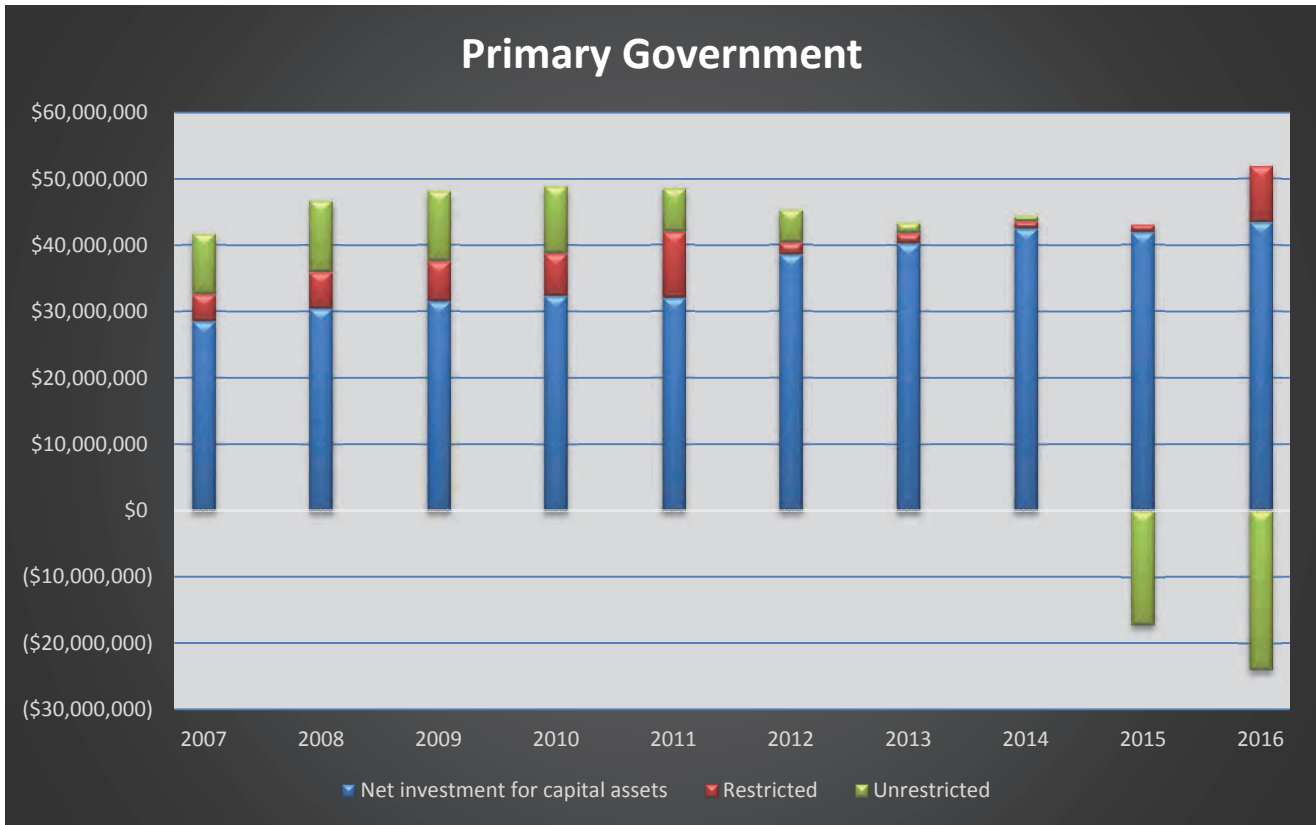
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$20,560,479	\$22,219,842	\$22,780,292	\$22,575,555
Restricted	4,077,211	5,500,248	6,042,756	6,377,136
Unrestricted	10,517,070	11,629,163	11,899,892	12,003,340
Total governmental activities net positions	<u><u>\$35,154,760</u></u>	<u><u>\$39,349,253</u></u>	<u><u>\$40,722,940</u></u>	<u><u>\$40,956,031</u></u>
<i>Business-type activities</i>				
Net investment for capital assets	7,982,033	8,259,934	8,752,619	9,821,094
Unrestricted	(1,395,149)	(851,378)	(1,270,712)	(1,826,693)
Total business-type activities net positions	<u><u>\$6,586,884</u></u>	<u><u>\$7,408,556</u></u>	<u><u>\$7,481,907</u></u>	<u><u>\$7,994,401</u></u>
<i>Primary government</i>				
Net investment for capital assets	\$28,542,512	\$30,479,776	\$31,532,911	\$32,396,649
Restricted	4,077,211	5,500,248	6,042,756	6,377,136
Unrestricted	9,121,921	10,777,785	10,629,180	10,176,647
Total primary government net positions	<u><u>\$41,741,644</u></u>	<u><u>\$46,757,809</u></u>	<u><u>\$48,204,847</u></u>	<u><u>\$48,950,432</u></u>

Governmental Activities



Business Type Activities



	2011	2012	2013	2014	2015	2016
	\$20,994,353	26,947,881	\$28,195,135	\$29,547,058	\$29,250,403	\$30,733,580
	9,933,293	1,779,505	1,563,321	1,095,581	1,170,530	8,501,517
	9,567,196	8,328,131	5,293,890	4,975,319	(13,314,302)	(17,851,721)
	<u>\$40,494,842</u>	<u>\$37,055,517</u>	<u>\$35,052,346</u>	<u>\$35,617,958</u>	<u>\$17,106,631</u>	<u>\$21,383,376</u>
	11,049,878	11,608,272	12,094,011	12,994,794	12,678,623	12,769,411
	(3,000,983)	(3,324,964)	(3,662,359)	(4,056,830)	(3,894,844)	(6,165,088)
	<u>\$8,048,895</u>	<u>\$8,283,308</u>	<u>\$8,431,652</u>	<u>\$8,937,964</u>	<u>\$8,783,779</u>	<u>\$6,604,323</u>
	\$32,044,231	\$38,556,153	\$40,289,146	\$42,541,852	\$41,929,026	\$43,502,991
	9,933,293	1,779,505	1,563,321	1,095,581	1,170,530	8,501,517
	6,566,213	5,003,167	1,631,531	918,489	(17,209,146)	(24,016,809)
	<u>\$48,543,737</u>	<u>\$45,338,825</u>	<u>\$43,483,998</u>	<u>\$44,555,922</u>	<u>\$25,890,410</u>	<u>\$27,987,699</u>

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

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Expenses				
Governmental Activities:				
General Government	\$2,108,977	\$2,305,440	\$2,460,907	\$2,501,641
Library	585,356	608,786	648,827	705,531
Public Safety:				
Police Services	3,666,529	3,726,214	4,121,184	4,294,928
Fire Services	2,504,788	2,683,513	2,958,736	3,100,259
Community Development	943,705	1,047,188	1,065,522	1,174,708
Public Works	1,816,865	1,833,162	2,286,057	2,066,838
Parks & Recreation	474,709	487,822	564,938	629,919
PERS sidefund expense				
Interest on long-term debt	248,461	751,082	932,685	771,533
Total Governmental Activities Expenses	12,349,390	13,443,207	15,038,856	15,245,357
Business-Type Activities:				
MLK	688,495	954,757	881,738	796,021
Sewer	670,158	678,833	1,478,463	1,458,226
Parking	271,123	191,870	219,374	215,401
Old City Hall	80,153	72,648	65,692	55,779
Total Business-Type Activities Expenses	1,709,929	1,898,108	2,645,267	2,525,427
Total Primary Government Expenses	\$14,059,319	\$15,341,315	\$17,684,123	\$17,770,784
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$26,533	\$32,421	\$33,313	\$29,294
Library	19,333	19,407	17,338	16,818
Public Safety:				
Police Services	396,462	365,355	474,668	358,257
Fire Services	98,510	119,737	150,136	111,318
Community Development	748,002	851,233	634,707	653,404
Public Works	313,757	438,593	344,104	261,219
Parks & recreation	292,731	239,466	285,936	348,244
Operating Grants and Contributions	321,122	291,314	347,043	396,210
Capital Grants and Contributions	508,426	857,212	411,134	139,678
Total Government Activities Program Revenues	2,724,876	3,214,738	2,698,379	2,314,442

Fiscal Year End June 30,					
2011	2012	2013	2014	2015	2016
\$2,918,515	\$3,118,473	\$4,775,777	\$3,472,850	\$3,344,618	\$7,876,856
736,138	689,413	807,413	843,657	762,567	1,008,411
4,605,286	4,950,954	5,277,918	5,097,517	5,398,539	4,980,899
3,584,319	5,292,475			(354,463)	
1,162,419	1,370,227	1,229,352	1,327,571	1,163,835	1,244,302
2,016,258	2,222,144	2,674,528	3,022,208	2,599,572	3,897,233
689,994	737,184	846,814	821,638	784,167	871,295
785,825	1,056,346	727,576	741,938	755,578	766,804
<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>	<u>15,327,379</u>	<u>14,454,413</u>	<u>20,645,800</u>
794,100	752,882	865,521	851,018	875,712	1,143,365
1,561,902	1,546,806	1,770,446	1,635,796	2,191,635	1,822,399
359,878	370,724	285,784	482,521	419,621	851,065
71,271	35,369	29,552	28,315	29,292	28,407
<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>	<u>2,997,650</u>	<u>3,516,260</u>	<u>3,845,236</u>
<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,290,681</u>	<u>\$18,325,029</u>	<u>\$17,970,673</u>	<u>\$24,491,036</u>
\$40,921	\$35,019	\$38,677	\$30,616	\$38,236	\$29,677
13,812	11,735	11,645	11,033	8,053	11,336
292,898	621,562	588,709	631,733	605,659	531,487
148,672	131,127	3,625			
781,973	742,691	704,213	823,877	746,175	713,756
364,494	284,478	295,540	282,718	321,591	292,400
301,240	373,707	450,382	454,454	422,234	450,451
358,806	348,997	399,125	416,778	330,104	414,404
347,764	355,315	242,554	215,407	101,210	52,215
<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>	<u>2,866,616</u>	<u>2,573,262</u>	<u>2,495,726</u>

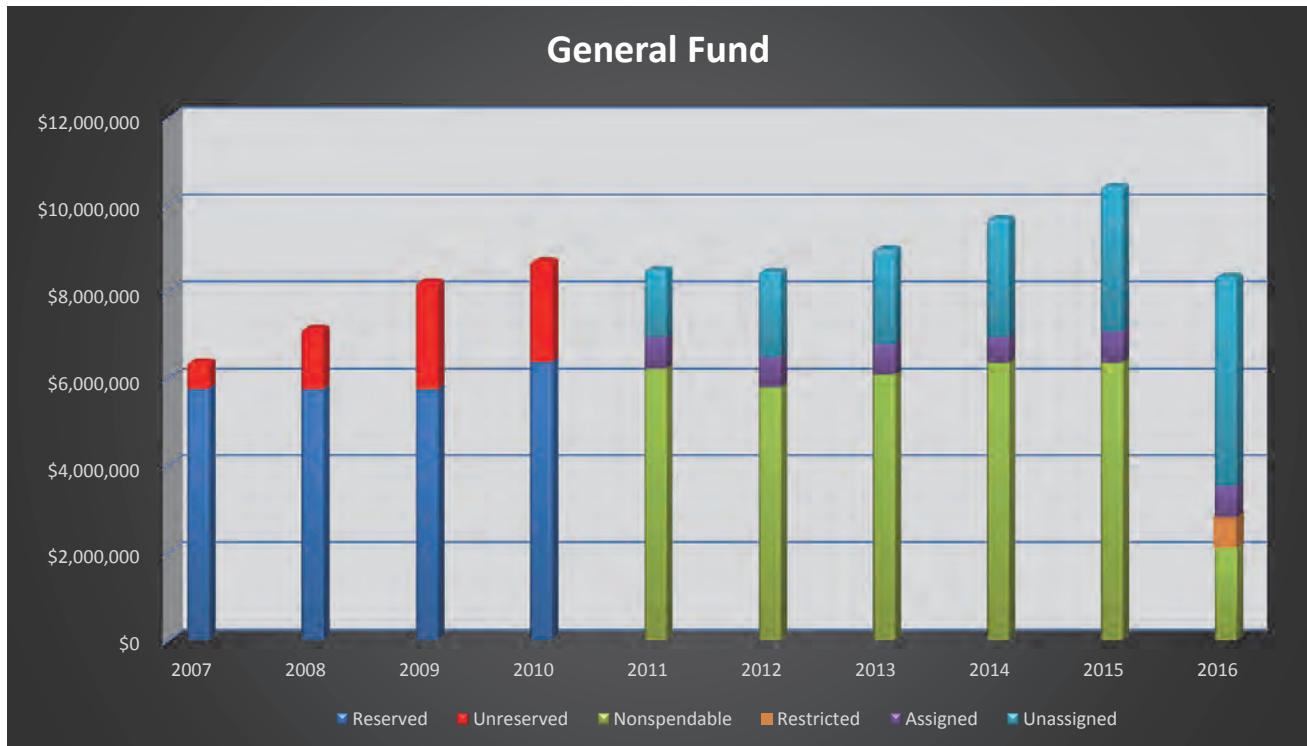
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CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Business-Type Activities:				
Charges for Services:				
MLK	\$983,803	\$1,033,012	\$1,085,872	\$1,045,428
Sewer	755,547	951,956	947,717	1,355,961
Parking	1,297,275	1,397,445	1,562,185	1,560,774
Old City Hall	306,263	315,026	285,999	218,685
Total Business-Type Activities Program Revenue	<u>3,342,888</u>	<u>3,697,439</u>	<u>3,881,773</u>	<u>4,180,848</u>
Total Primary Government Program Revenues	<u>\$6,067,764</u>	<u>\$6,912,177</u>	<u>\$6,580,152</u>	<u>\$6,495,290</u>
Net (Expense)/Revenue				
Governmental Activities	(\$9,624,514)	(\$10,228,469)	(\$12,340,477)	(\$12,930,915)
Business-Type Activities	<u>1,632,959</u>	<u>1,799,331</u>	<u>1,236,506</u>	<u>1,655,421</u>
Total Primary Government Net Expense	<u>(\$7,991,555)</u>	<u>(\$8,429,138)</u>	<u>(\$11,103,971)</u>	<u>(\$11,275,494)</u>
General Revenues and Other Changes in Net Positions				
Governmental Activities:				
Taxes	\$9,763,577			
Property taxes		6,948,365	\$6,950,008	\$7,187,886
Sales taxes		1,681,133	1,693,752	1,535,715
Transient occupancy tax		1,005,984	860,117	784,104
Other taxes		1,259,143	1,249,265	1,105,614
Motor vehicle in-lieu, unrestricted		33,049	25,518	22,139
Franchise Fees				
Use of Money/Property and interest earnings	1,260,532	1,472,122	1,077,455	883,665
Intergovernmental revenues				
Other Revenues	274,313	802,791	555,674	486,980
Transfers	1,020,172	1,220,375	1,302,375	1,157,903
Extraordinary items:				
Assets transferred to the Southern Marin Fire Protection District				
Total Government Activities	<u>12,318,594</u>	<u>14,422,962</u>	<u>13,714,164</u>	<u>13,164,006</u>
Business-Type Activities:				
Use of Money/Property and interest earnings	175,687	173,837	74,120	14,806
Transfers	(1,020,172)	(1,220,375)	(1,302,375)	(1,157,903)
Other Revenues	<u>1,185</u>	<u>68,879</u>	<u>65,100</u>	<u>170</u>
Total Business-Type Activities	<u>(843,300)</u>	<u>(977,659)</u>	<u>(1,163,155)</u>	<u>(1,142,927)</u>
Total Primary Government	<u>\$11,475,294</u>	<u>\$13,445,303</u>	<u>\$12,551,009</u>	<u>\$12,021,079</u>
Change in Net Positions				
Governmental Activities	\$2,694,080	\$4,194,493	\$1,373,687	\$233,091
Business-Type Activities	<u>789,659</u>	<u>821,672</u>	<u>73,351</u>	<u>512,494</u>
Total Primary Government	<u>\$3,483,739</u>	<u>\$5,016,165</u>	<u>\$1,447,038</u>	<u>\$745,585</u>

Fiscal Year Ended June 30,					
2011	2012	2013	2014	2015	2016
\$1,076,518	\$960,525	\$976,046	\$1,154,301	\$1,282,157	\$1,338,116
1,406,892	1,492,093	1,595,411	1,723,816	2,409,019	2,458,454
1,556,315	1,716,346	1,788,290	1,941,042	2,071,784	2,288,050
231,087	247,490	269,814	268,136	270,867	249,786
<u>4,270,812</u>	<u>4,416,454</u>	<u>4,629,561</u>	<u>5,087,295</u>	<u>6,033,827</u>	<u>6,334,406</u>
<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>	<u>\$7,953,911</u>	<u>\$8,607,089</u>	<u>\$8,830,132</u>
(\$13,848,174)	(\$16,532,585)	(\$13,604,908)	(\$12,460,763)	(\$11,881,151)	(\$18,150,074)
1,483,661	1,710,673	1,678,258	2,089,645	2,517,567	2,489,170
<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>	<u>(\$10,371,118)</u>	<u>(\$9,363,584)</u>	<u>(\$15,660,904)</u>
\$7,006,903	\$6,981,555	\$4,496,455	\$4,858,913	\$4,926,278	\$5,193,351
1,443,028	1,694,242	1,761,236	1,923,191	2,407,184	3,520,765
828,819	893,946	966,762	1,202,228	1,462,774	1,589,199
1,200,878	1,240,473	556,907	554,741	520,268	557,501
34,616	3,758				
		773,713	790,795	795,249	815,032
866,032	862,014	1,012,803	1,121,106	1,113,561	1,147,263
568,659	514,282	478,203	944,743	671,256	441,276
1,438,050	1,480,577	1,555,658	1,630,658	1,655,658	9,162,432
	(577,587)				
<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>	<u>13,026,375</u>	<u>13,552,228</u>	<u>22,426,819</u>
8,883	4,166	5,356	6,571	17,740	37,513
(1,438,050)	(1,480,577)	(1,555,658)	(1,630,658)	(1,655,658)	(9,162,432)
	151	20,388	40,754	82,105	4,456,293
<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>	<u>(1,583,333)</u>	<u>(1,555,813)</u>	<u>(4,668,626)</u>
<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>	<u>\$11,443,042</u>	<u>\$11,996,415</u>	<u>\$17,758,193</u>
(\$461,189)	(\$3,439,325)	(\$2,003,171)	\$565,612	\$1,671,077	\$4,276,745
54,494	234,413	148,344	506,312	961,754	(2,179,456)
<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>	<u>\$1,071,924</u>	<u>\$2,632,831</u>	<u>\$2,097,289</u>

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



	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund					(b)
Reserved	\$5,745,083	\$5,733,861	\$5,730,766	\$6,383,498	
Unreserved	638,186	1,416,825	2,493,611	2,317,953	
Nonspendable					\$6,232,107
Restricted					
Assigned					717,618
Unassigned					1,561,416
Total General Fund	<u>\$6,383,269</u>	<u>\$7,150,686</u>	<u>\$8,224,377</u>	<u>\$8,701,451</u>	<u>\$8,511,141</u>
All Other Governmental Funds					
Reserved	\$20,811,534	\$22,280,358	\$17,962,308	\$11,938,261	
Unreserved, reported in:					
Special revenue funds	348,915	364,328	165,190	131,009	
Capital project funds	530,607	1,115,694	2,241,043	2,401,793	
Restricted					\$11,251,205
Committed					3,969,308
Unassigned					(4,060,899)
Total all other governmental funds	<u>\$21,691,056</u>	<u>\$23,760,380</u>	<u>\$20,368,541</u>	<u>\$14,471,069</u>	<u>\$11,159,614</u>

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

All Other Governmental Funds



2012	2013	2014	2015	2016
\$5,781,767	\$6,073,956	\$6,368,240	\$6,376,575	\$2,104,935
				701,110
717,617	717,617	578,326	717,617	717,617
1,966,438	2,195,339	2,730,875	3,332,106	4,828,481
<u>\$8,465,822</u>	<u>\$8,986,912</u>	<u>\$9,677,441</u>	<u>\$10,426,298</u>	<u>\$8,352,143</u> (a)

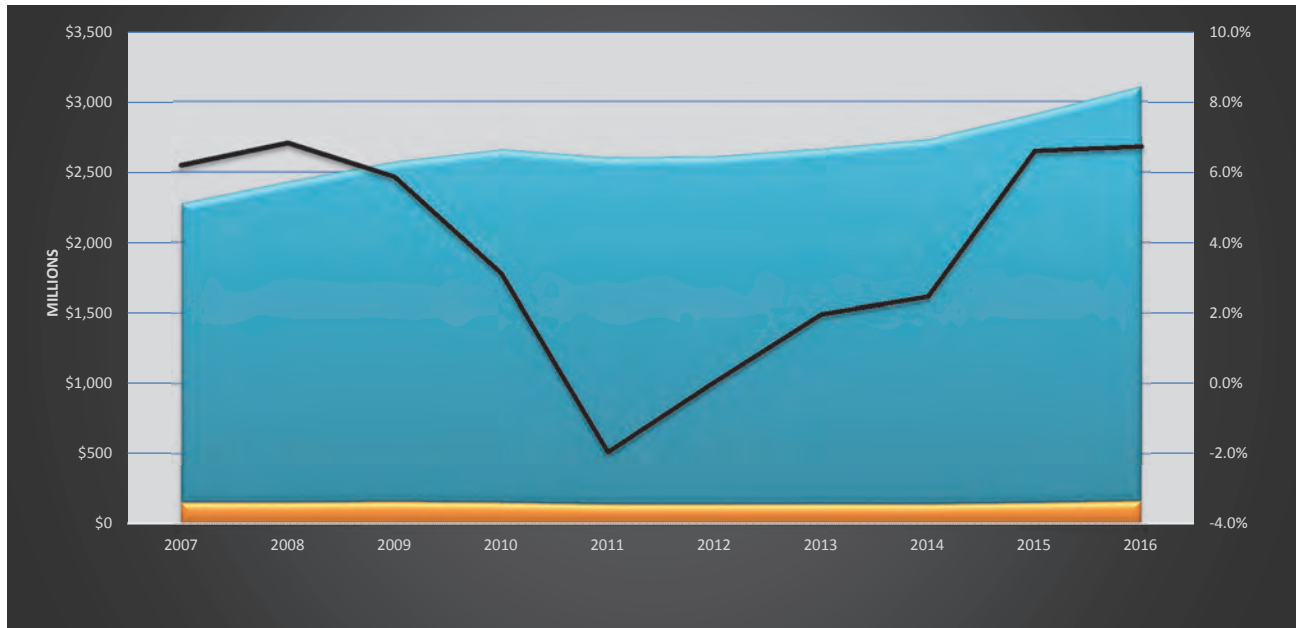
\$2,930,578	\$2,423,081	\$1,957,809	\$2,036,907	\$9,371,340
3,865,385	2,245,641	1,744,577	1,547,538	102,738
(4,963,081)	(3,942,682)	(3,539,211)	(3,196,130)	(3,673,790)
<u>\$1,832,882</u>	<u>\$726,040</u>	<u>\$163,175</u>	<u>\$388,315</u>	<u>\$5,800,288</u>

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

	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Revenues					
Taxes	\$9,231,669	\$10,390,160	\$10,270,006	\$10,151,744	\$10,004,760
Licenses, permits and fees	531,908	537,514	483,136	461,575	474,868
Fines and forfeitures	466,804	417,762	503,734	381,604	321,396
Use of money and property	1,679,124	2,194,162	1,491,637	1,039,837	1,016,098
Intergovernmental revenues	328,187	396,174	727,383	642,848	704,981
Charges for services	1,437,061	1,648,450	1,436,468	1,407,911	1,622,614
Other	118,309	481,122	125,193	218,130	442,684
Total Revenues	13,793,062	16,065,344	15,037,557	14,303,649	14,587,401
Expenditures					
Current:					
Police	3,491,289	3,589,006	3,894,142	3,985,787	4,124,282
Fire	2,558,799	2,819,882	2,886,438	2,917,299	3,276,774
Public Works	1,276,236	1,354,909	1,356,397	1,334,790	1,417,939
General Government	2,081,499	2,197,536	2,388,116	2,400,164	2,810,563
Community Development	962,469	1,049,025	1,057,405	1,165,577	1,152,318
Library	582,394	610,525	624,285	701,018	716,291
Parks & Recreation	473,093	489,077	557,792	620,833	680,365
Capital outlay	421,648	1,358,757	4,821,958	7,106,904	4,295,013
Debt service:					
Principal repayment	59,003	80,761	149,097	197,960	221,185
Interest and fiscal charges	106,203	413,800	578,176	398,720	391,069
Total Expenditures	12,012,633	13,963,278	18,313,806	20,829,052	19,085,799
Excess (deficiency) of revenues over (under) expenditures	1,780,429	2,102,066	(3,276,249)	(6,525,403)	(4,498,398)
Other Financing Sources (Uses)					
Issuance of long-term debt	15,982,967				
Proceeds from sale of capital assets		175,036		2,070	30
Transfers in	1,801,793	3,412,894	1,861,768	2,414,624	8,650,470
Transfers (out)	(1,205,138)	(2,853,255)	(903,667)	(1,311,689)	(7,653,867)
Total other financing sources (uses)	16,579,622	734,675	958,101	1,105,005	996,633
Net Change in fund balances	\$18,360,051	\$2,836,741	(\$2,318,148)	(\$5,420,398)	(\$3,501,765)
Debt service as a percentage of noncapital expenditures	1.4%	3.9%	5.4%	4.3%	4.1%

2012	2013	2014	2015	2016
\$10,291,689	\$7,998,166	\$8,775,127	\$9,591,485	\$11,118,347
518,527	558,387	551,518	517,155	554,556
645,014	608,890	659,376	633,589	557,122
1,028,066	1,275,722	1,391,115	1,396,558	1,395,293
846,540	660,213	738,318	495,752	510,959
1,555,305	1,483,901	1,575,055	1,508,859	1,471,989
102,023	186,011	562,994	311,852	142,318
<u>14,987,164</u>	<u>12,771,290</u>	<u>14,253,503</u>	<u>14,455,250</u>	<u>15,750,584</u>
4,160,482	4,193,598	4,461,240	4,654,646	4,622,119
3,405,220				
1,539,534	1,574,816	1,575,748	1,591,343	1,808,654
3,014,228	4,496,557	2,980,879	3,966,535	7,812,222
1,346,911	1,230,050	1,279,765	1,233,503	1,309,692
699,882	774,108	787,548	807,009	899,158
720,113	811,506	811,177	791,703	898,569
8,053,426	2,642,664	2,725,591	1,424,506	4,002,988
227,816	192,064	225,715	257,547	294,462
2,478,995	289,990	279,816	270,801	259,454
<u>25,646,607</u>	<u>16,205,353</u>	<u>15,127,479</u>	<u>14,997,593</u>	<u>21,907,318</u>
<u>(10,659,443)</u>	<u>(3,434,063)</u>	<u>(873,976)</u>	<u>(542,343)</u>	<u>(6,156,734)</u>
99,282				
7,387,589	4,880,980	3,564,235	3,493,573	11,346,669
(6,199,479)	(2,032,669)	(2,562,595)	(1,977,233)	(2,497,117)
<u>1,287,392</u>	<u>2,848,311</u>	<u>1,001,640</u>	<u>1,516,340</u>	<u>8,849,552</u>
<u>(\$9,372,051)</u>	<u>(\$585,752)</u>	<u>\$127,664</u>	<u>\$973,997</u>	<u>\$2,692,818</u>
15.4%	3.6%	4.1%	3.9%	3.1%

CITY OF SAUSALITO
Assessed Value of Taxable Property
Last Ten Fiscal Years



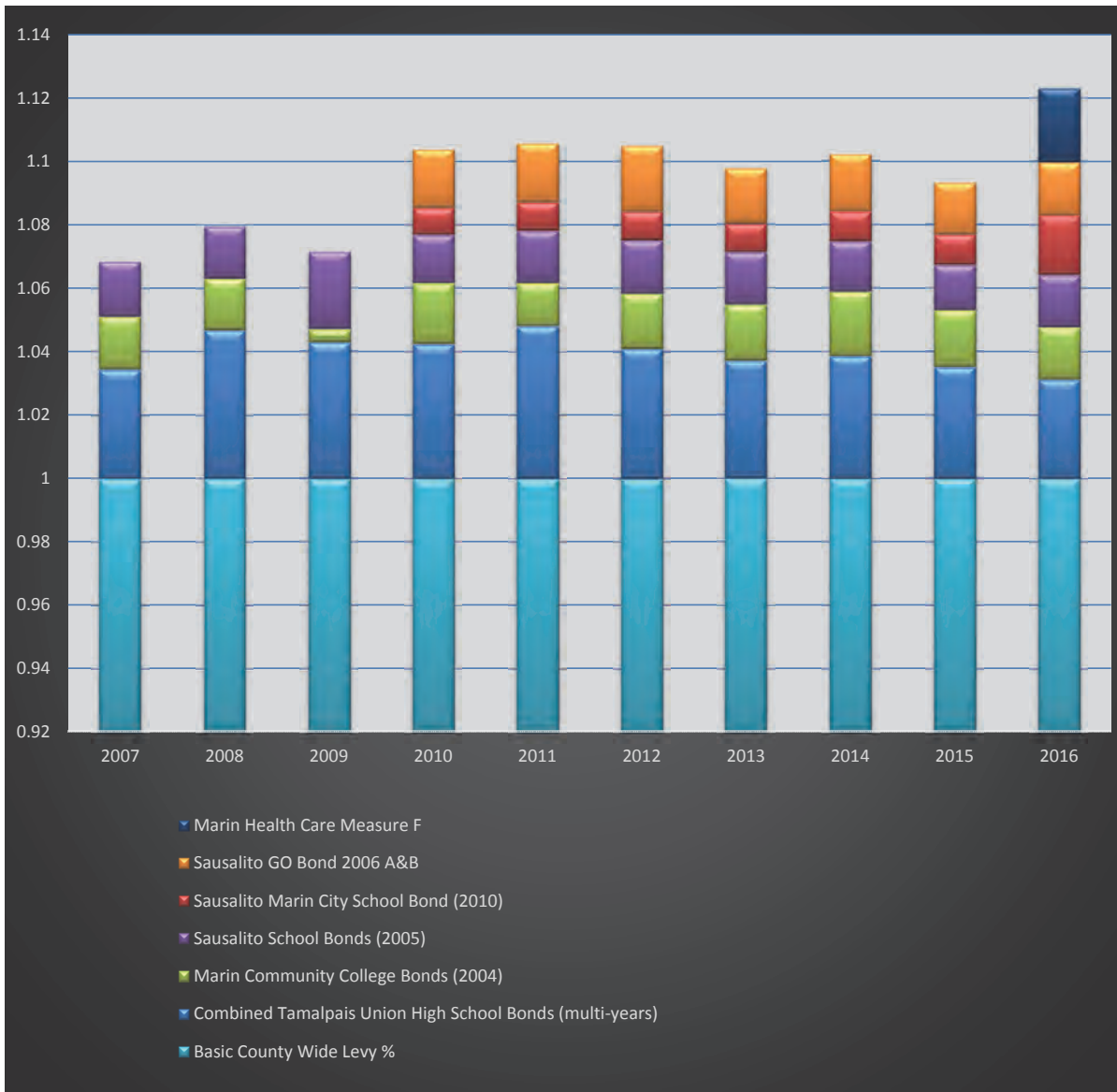
Fiscal Year	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value (TxAV)	Total Direct Tax Rate (b)	TxAV Annual Percent Change
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1.0%	6.2%
2008	2,284,537,862	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%
2014	2,595,567,817	141,531,806	2,737,099,623	(21,493,585)	2,715,606,038	1.0%	2.5%
2015	2,765,026,069	151,013,658	2,916,039,727	(20,892,774)	2,895,146,953	1.0%	6.6%
2016	2,946,173,700	164,267,328	3,110,441,028	(20,219,042)	3,090,221,986	1.0%	6.7%

(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)	Sausalito Marin City School Bond (2010)	Combined Tamalpais Union High School Bonds (multi-years)	Sausalito GO Bond 2006 A&B	Marin Health Care Measure F
2007	1.0000	0.0168	0.0174		0.0344		
2008	1.0000	0.0163	0.0165		0.0469		
2009	1.0000	0.0042	0.0244		0.0429		
2010	1.0000	0.0192	0.0153	0.0085	0.0425	0.0185	
2011	1.0000	0.0136	0.0165	0.0090	0.0482	0.0186	
2012	1.0000	0.0175	0.0167	0.0091	0.0410	0.0208	
2013	1.0000	0.0178	0.0164	0.0090	0.0371	0.0175	
2014	1.0000	0.0204	0.0158	0.0095	0.0386	0.0181	
2015	1.0000	0.0180	0.0142	0.0096	0.0352	0.0164	
2016	1.0000	0.0165	0.0165	0.0188	0.0313	0.0167	0.0235

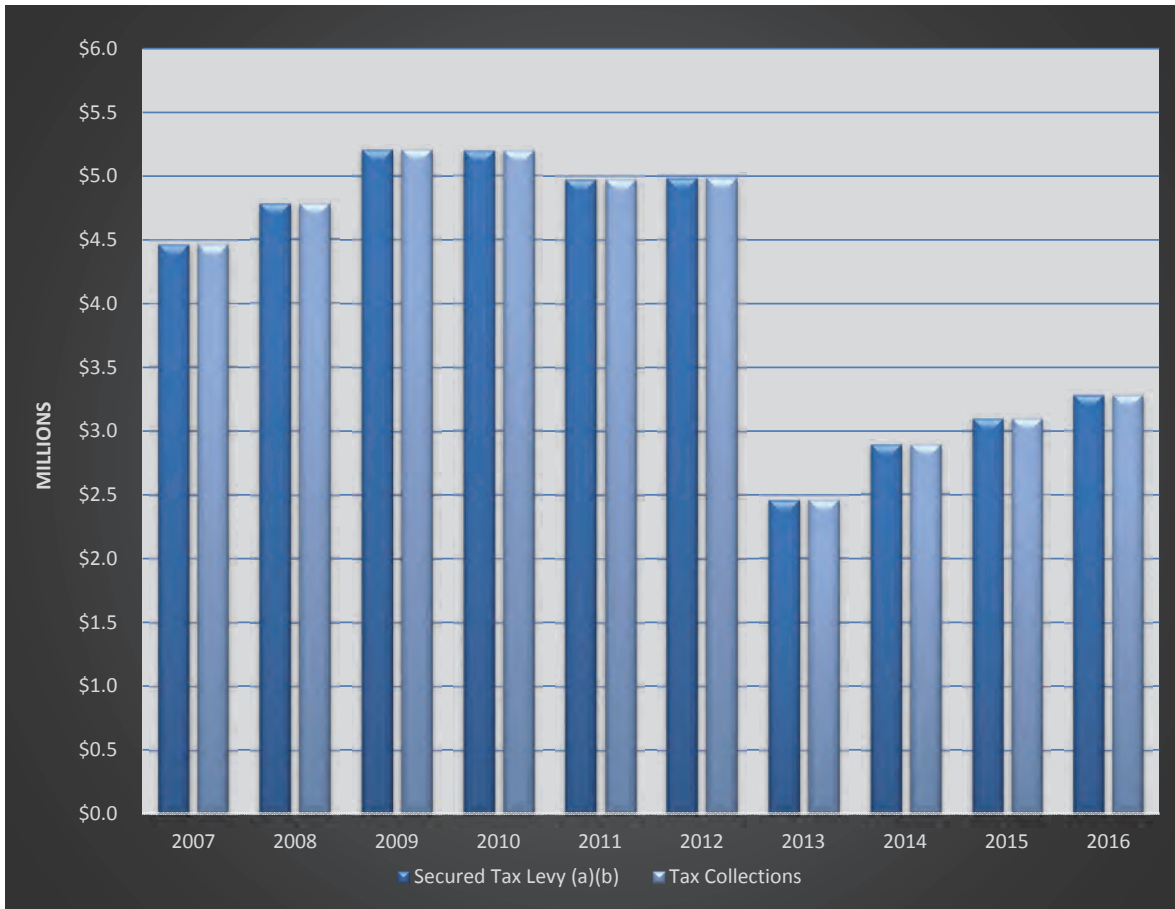
Source: Marin County Auditor-Controller's Office and MuniServices, Inc.

CITY OF SAUSALITO
Principal Property Taxpayers
Last Fiscal Year and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2006-07*</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Ca-One Three Harbor Drive Office	38,850,000	1.26%	0	0.00%
Casa Madrona Hotel Spa LLC	24,567,931	0.80%	0	0.00%
Mcssm LLC	22,400,311	0.72%	20,846,483	0.92%
Crump, Walter G. IV	17,662,674	0.57%	0	0.00%
Tottenham Investments Inc.	16,377,776	0.53%	0	0.00%
Mariners Landing LLC	15,605,693	0.51%	0	0.00%
Harrison Holdings LLC	13,885,562	0.45%	0	0.00%
Seagate Bridgeway Associates LP	12,426,916	0.40%	0	0.00%
Icb Assoc LLC	9,130,589	0.30%	8,030,119	0.35%
Winblad Assoc LP	8,162,475	0.26%	0	0.00%
Clipper Yacht Company LLC	7,617,259	0.25%	6,197,197	0.27%
Matschullat, Robert W.	7,419,734	0.24%	0	0.00%
Professional Financial Investo	7,369,355	0.24%	0	0.00%
Marterie Family Trust	7,265,187	0.24%	0	0.00%
Burge Richard G Family Trust E	7,236,652	0.23%	6,065,411	0.27%
Sausalito Alta Mira LLC	7,097,760	0.23%	6,243,400	0.27%
Sausalito Shipyard Marina LLC	6,806,216	0.22%	0	0.00%
Mulberry Tree LP	6,745,772	0.22%	0	0.00%
Leana Investments Ltd..	6,723,027	0.22%	5,900,481	0.26%
4000 Bridgeway LLC	6,688,438	0.22%	0	0.00%
Soofam	6,529,583	0.21%	0	0.00%
Henry William G Wynona L Trust	6,223,854	0.20%	0	0.00%
Eze Holdings LLC	6,075,937	0.20%	0	0.00%
Bridgeway 558 Real Property LLC	6,025,200	0.19%	5,299,100	0.23%
Scampa Arthur	6,010,411	0.19%	0	0.00%
Mullin Ronald J Etal	0	0.00%	26,925,863	1.19%
Hendricks Sidney J Trust	0	0.00%	16,114,978	0.71%
Oly Casa Madrona LLC	0	0.00%	15,679,034	0.69%
PSH LLC	0	0.00%	12,212,115	0.54%
Brucia Joseph B Frances M 2001	0	0.00%	12,065,262	0.53%
Mollie Stones Markets	0	0.00%	9,269,608	0.41%
Lemon Family LLC	0	0.00%	7,109,281	0.31%
University Hills LLC	0	0.00%	6,838,268	0.30%
Marterie, Anthony J.	0	0.00%	6,389,611	0.28%
Loron Inv	0	0.00%	5,741,231	0.25%
Abbassi Michael E Trust	0	0.00%	5,550,884	0.24%
Kunst J & E 1987 Trust	0	0.00%	5,316,443	0.23%
Marin Freeholders	0	0.00%	5,004,814	0.22%
Mitobe, Janet	0	0.00%	4,803,915	0.21%
Corker, Thomas A Corker	0	0.00%	4,718,309	0.21%
Sausalito Investments	0	0.00%	4,470,593	0.20%
Collins Ruth M Trust	0	0.00%	4,265,336	0.19%
Mc Devitt Enterprises	0	0.00%	4,075,984	0.18%
Top 25 Taxpayers Assessed Value	\$280,904,312	9.09%	\$215,133,720	9.47%
Total City Taxable Assessed Value	\$3,090,221,986	100.00%	\$2,270,825,332	100.00%

Source: Marin County Assessor data, MuniServices, LLC

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
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%
2014	2,896,181	2,896,181	100%	0%	2,896,181	100%
2015	3,101,925	3,101,925	100%	0%	3,101,925	100%
2016	3,289,091	3,289,091	100%	0%	3,289,091	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
Principal Sales Tax Producers
Last Fiscal Year and Nine Years Ago

<u>2015-16</u>		<u>2006-07</u>	
Taxpayer	Business Type	Taxpayer	Business Type
Angelino Restaurant	Restaurants	A Bicycle Odyssey	Recreation Products
Bar Bocce	Restaurants	Angelino Restaurant	Restaurants
Barrel House	Restaurants	Bridgeway Gas Service Stations	Service Stations
Caruso's Restaurant	Restaurants	Caffe Trieste	Restaurants
Copita	Restaurants	Caruso's Restaurant	Restaurants
Dvorson's Food Service Equip	Food Processing Eqp	Clipper Yacht Company	Leasing
Gene Hiller	Apparel Stores	Dvorson's Food Service Equip	Food Processing Eqp
Heath Ceramics	Miscellaneous Retail	Fedex Office	Miscellaneous Retail
Horizons Restaurant	Restaurants	Fingerhut Gallery	Miscellaneous Retail
Key Information Systems	Office Equipment	Gene Hiller	Apparel Stores
Le Garage Bistro	Restaurants	Heath Ceramics	Miscellaneous Retail
Mollie Stone's Market	Food Markets	Horizons Restaurant	Restaurants
Poggio Restaurant	Restaurants	Il Fornaio Restaurant	Restaurants
Pogni Dynamics	Miscellaneous Retail	Key Information Systems	Office Equipment
Q Surgical	Health & Government	Mollie Stone'S Market	Food Markets
Salito's Crab House	Restaurants	Paradise Bay Restaurant	Restaurants
Sausalito Usa	Apparel Stores	Poggio Restaurant	Restaurants
Scoma's Restaurant	Restaurants	Roost	Furniture/Appliance
Seafood Peddler Restaurant	Restaurants	Saylor's Landing Restaurant	Restaurants
Serena & Lily	Furniture/Appliance	Scoma's Restaurant	Restaurants
Shell Service Stations	Service Stations	Shell Service Stations	Service Stations
Silver Seas Yachts	Misc. Vehicle Sales	Sushi Ran Restaurant	Restaurants
Sushi Ran Restaurant	Restaurants	The Spinnaker Restaurant	Restaurants
The Spinnaker Restaurant	Restaurants	Trek Equipment	Electronic Equipment
Winship's Restaurant	Restaurants	West Marine Products	Misc. Vehicle Sales

Source: Q114 and Q105 data, MuniServices, LLC.
Top Sales Tax Producers listed in alphabetical order.

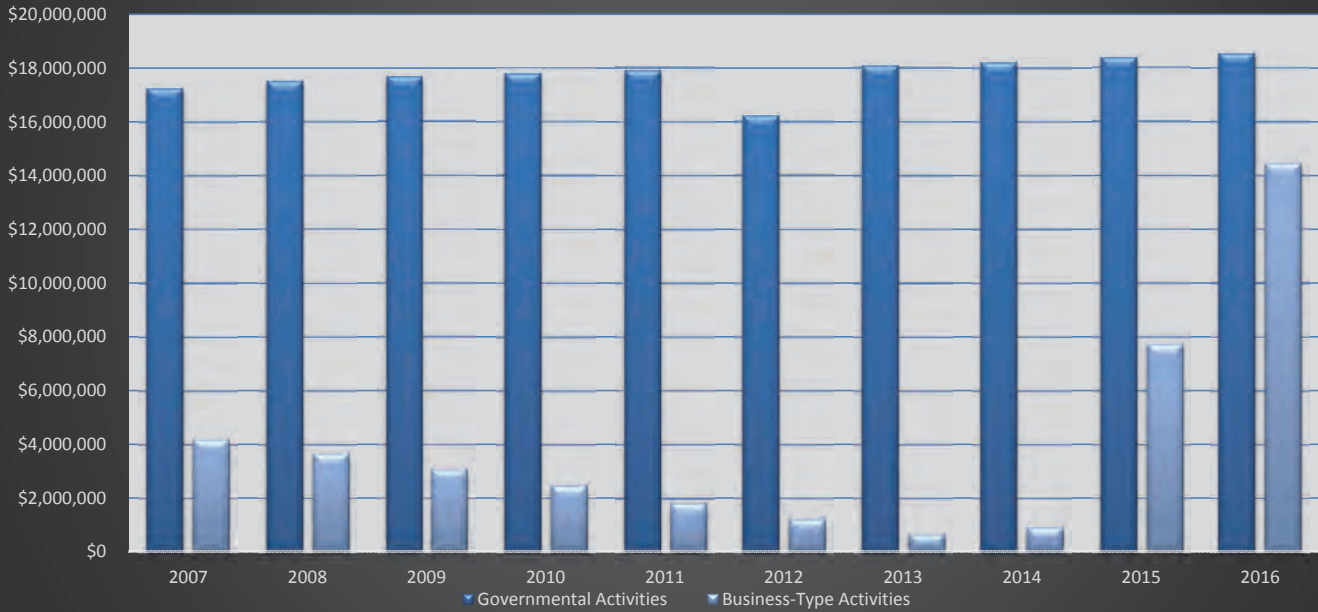
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CITY OF SAUSALITO
Historical Sales Tax Amounts by Benchmark Year

	2007 Q1	2008 Q1	2009 Q1	2010 Q1	2011 Q1
Eating & Drinking Pl	\$497,026	\$499,723	\$510,661	\$487,865	\$485,201
Other Retail Stores	279,768	271,596	259,964	252,918	232,029
All Other Outlets	323,629	339,259	325,512	244,463	276,362
Apparel Stores	107,167	107,394	91,866	83,449	77,267
Food Stores	81,684	86,012	82,218	76,045	70,875
Service Station	65,107	67,341	60,240	51,770	58,837
Home Furnishings & A	37,300	31,529	45,969	16,339	34,015
Packaged Liquor Stor	11,243	11,440	10,410	8,884	9,206
Bldg. Matr. & Farm	18,433	17,023	6,292	5,665	5,683
Drug Stores	2,153	2,302	2,092	3,386	7,183
Auto Dealers & Auto	2,953	4,143	2,938	1,837	910
General Merchandise	0	0	23	0	0
TOTAL	\$1,426,463	\$1,437,762	\$1,398,185	\$1,232,621	\$1,257,568

2012 Q1	2013 Q1	2014 Q1	2015 Q1	2016 Q1
\$551,602	\$601,427	\$689,256	\$755,769	\$787,071
255,641	309,294	353,456	419,914	343,411
299,922	288,356	279,794	298,313	318,469
76,940	78,570	89,371	112,866	93,192
80,546	110,355	103,237	98,925	99,898
70,370	69,822	59,650	53,650	43,761
52,331	47,486	24,475	32,648	128,373
9,613	12,239	12,344	14,481	14,582
7,252	7,649	6,394	7,067	6,534
3,258	3,939	3,793	4,510	3,855
653	856	1,528	741	2,074
28	0	0	1	0
\$1,408,156	\$1,529,993	\$1,623,298	\$1,798,885	\$1,841,220

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 Government
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
2014		657,956	15,957,607	1,624,000	18,239,563
2015		615,408	16,232,813	1,566,000	18,414,221
2016		570,945	16,496,267	1,508,000	18,575,212

Business-Type Activities

Fiscal Year	MLK Capital Lease	MLK Capital Improvement Lease	2003 Certificates of Participation	SWCRB Revolving Fund Loan	2015 Sewer Revenue Bond	2016 Certificates of Participation	Total Business	Total Primary Government	Percent of Taxable Assessed Value (a)	Per Capita (a)
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		\$100,000			1,265,015	17,529,913	0.67%	2,456
2013	67,689	530,000		100,000			697,689	18,822,739	0.71%	2,645
2014		280,000		678,912			958,912	19,198,475	0.71%	2,676
2015				1,000,116	\$6,750,000		7,750,116	26,164,337	0.90%	3,584
2016				958,746	6,675,000	\$6,850,000	14,483,746	33,058,958	1.07%	4,581

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
General Bonded Debt Outstanding Per Capita
And As Percent Of Taxable Assessed Value
Last Ten Fiscal Years

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Percent Of Taxable Assessed Value</u>	<u>Per Capita</u>
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
2014	15,957,607	15,957,607	0.59%	2,224
2015	16,232,813	16,232,813	0.56%	2,224
2016	16,496,267	16,496,267	0.53%	2,286

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, 2016

2015-16 Total Assessed Valuation \$3,110,441,028

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/2016
Marin Community College District	\$218,950,000	4.612%	\$10,097,974
Tamalpais Union High School District	124,435,000	7.805%	9,712,152
Sausalito Marin City School District	16,155,000	87.190%	14,085,545
Marin Healthcare District	170,000,000	5.560%	9,452,000
Marin Emergency Radio Authority Parcel Tax Obligations	33,000,000	4.604%	1,519,320
Marin Municipal Water District Wolfbackridge Assessment District	155,000	100.000%	155,000
City of Sausalito (2)	18,575,212	100.000%	18,575,212
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$63,597,202
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$92,087,468	4.604%	\$4,239,707
Marin County Pension Obligation Bonds	99,675,000	4.604%	4,589,037
Marin County Transit District General Fund Obligations	131,511	4.604%	6,055
Marin Municipal Water District General Fund Obligations	106,992	5.890%	6,302
Marin Community College District General Fund Obligations	2,515,834	4.612%	116,030
Sausalito Marin City School District General Fund Obligations	4,485,000	87.190%	3,910,472
Southern Marin Fire Protection District General Fund Obligations	185,007	33.942%	62,795
Share of Marin Emergency Radio Authority Obligations.	315,404	100.000%	315,404
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$13,245,801
TOTAL DIRECT DEBT			\$18,575,213
TOTAL OVERLAPPING DEBT			\$57,952,388
COMBINED TOTAL DEBT (3)			\$76,527,601

(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) 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 2015-16 TOTAL ASSESSED VALUATION:

Direct Debt (\$18,575,213)	0.60%
Total Direct Debt (\$18,890,617)	0.60%
Total Direct and Overlapping Tax and Assessment	2.04%
Combined Total Debt	2.46%

Source: MuniServices, LLC and City of Sausalito

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 Limit As A Percentage Of Debt Limit
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%
2014	102,641,236	15,957,607	86,683,629	15.5%
2015	109,351,490	16,232,813	93,118,677	14.8%
2016	116,641,539	16,496,267	100,145,272	14.1%

2015-16 Legal Debt Margin Information (1)

Assessed Valuation	\$3,110,441,028
Conversion Percentage	25%
Adjusted Assessed Valuation	\$777,610,257
Debt Limit Percentage	15%
Debt Limit	\$116,641,539
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$16,496,267
Legal Debt Margin	\$100,145,272
Total Debt Applicable to the Limit as a percentage of the Limit	14.1%

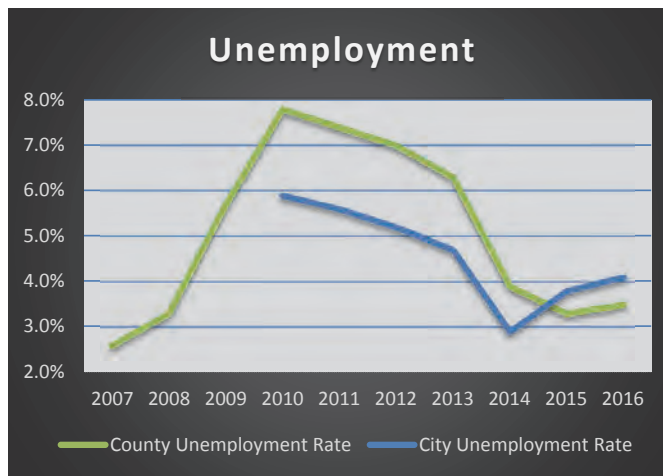
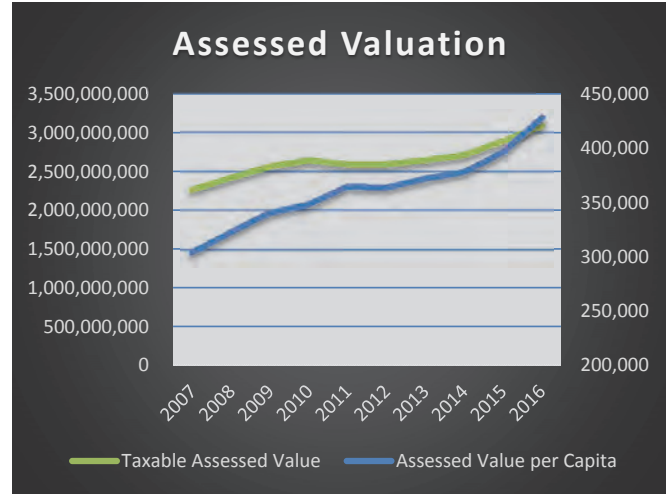
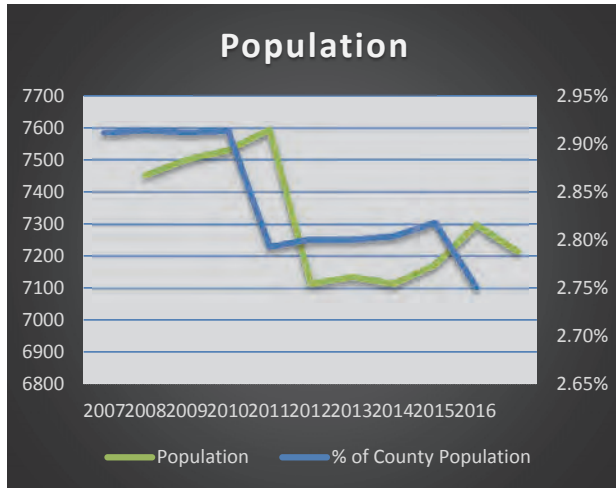
Note:

(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
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%
2014	7,175	2,715,606,038	378,482	3.9%	2.9%	255,846	2.80%
2015	7,300	2,895,146,953	396,595	3.3%	3.8%	258,972	2.82%
2016	7,217	3,090,221,986	428,187	3.5%	4.1%	262,274	2.75%

Note: Information for total personal income is not available

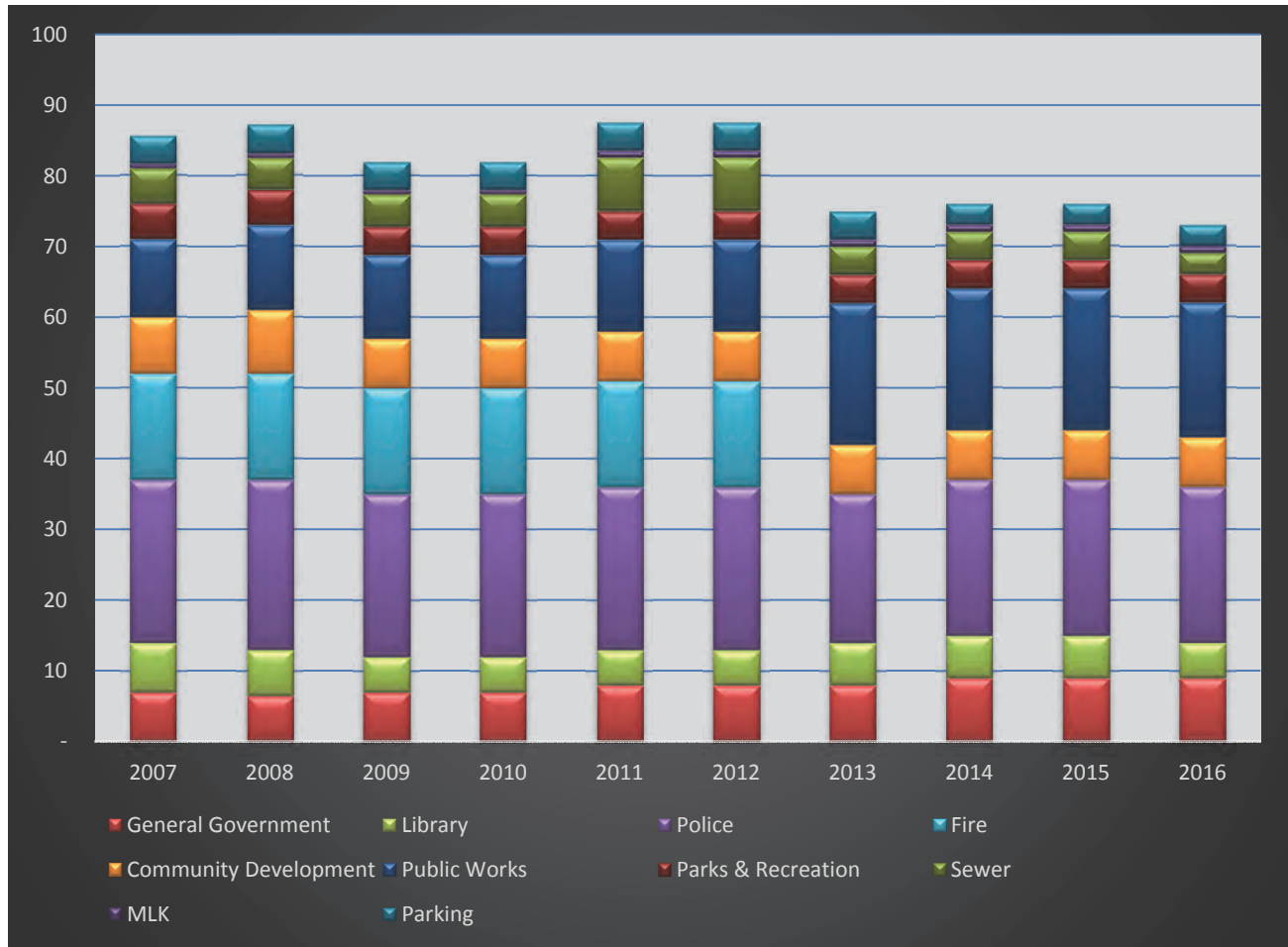
Source: California Municipal Statistics, Inc., MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey
 Population Projections are provided by the California Department Of Finance Projections.
 Employment, Unemployment and Labor Force Data are provided by the EDD's Bureau Of Labor Statistics.

CITY OF SAUSALITO
Principal Employers
Last Fiscal Year and Six Fiscal Years Ago

<u>Business Name</u>	<u>Fiscal Year 2015-16</u>		<u>Fiscal Year 2009-10</u>	
	Number of Employees	Percent of Total City Labor Force	Number of Employees	Percent of Total City Labor Force
Butler Shine Stern Partners LLC	100	1.96%	163	3.13%
The Trident	90	1.76%	100	1.92%
C P Shades	79	1.55%		
The Spinnaker	75	1.47%	75	1.44%
City Of Sausalito	75	1.47%	124	2.38%
Backen, Gillam & Kroeger Architects	72	1.41%		
Poggio LP	65	1.27%	75	1.44%
Mollie Stone's Market	63	1.24%	55	1.06%
Sushi Ran	62	1.22%		
SWA Group	60	1.18%		
Human Concepts LLC			63	1.21%
Sausalito-Marin City school District			63	1.21%
Casa Madrona			32	0.62%
West Marine Products			18	0.35%
Total Top 10 Employers	741	14.53%	768	14.77%
Total City Labor Force (1)	5,100		5,200	

Source: MuniServices, LLC
Results based on direct correspondence with city's local businesses.
(1) Total City Labor Force provided by EDD Labor Force Data.

CITY OF SAUSALITO
Authorized Full-Time Permanent Staffing City Government Employees by Function
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	7	7	7	7	8	8	8	9	9	9
Library	7	7	5	5	5	5	6	6	6	5
Police	23	24	23	23	23	23	21	22	22	22
Fire	15	15	15	15	15	15	-	-	-	-
Community Development	8	9	7	7	7	7	7	7	7	7
Public Works	11	12	12	12	13	13	20	20	20	19
Parks & Recreation	5	5	4	4	4	4	4	4	4	4
Sewer	5	5	5	5	8	8	4	4	4	3
MLK	1	1	1	1	1	1	1	1	1	1
Parking	4	4	4	4	4	4	4	3	3	3
Total	86	87	82	82	88	88	75	76	76	73

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 Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	15,306	15,908	14,515
Law violations:										
Part I and Part II crimes	544	1,109	1,715	868	1,317	1,254	1,381	1,315	995	1,167
Physical arrests (adult and juvenile)	263	485	327	295	327	343	286	276	234	245
Traffic violations	2,236	2,279	2,490	1,792	1,823	837	812	1,127	1,076	1,230
Parking violations	10,210	10,034	11,183	8,810	8,919	15,955	15,499	13,304	14,249	11,431
Traffic collisions	114	100	134	112	99	153	125	119	104	108
Public Works:										
Street resurfaced (square feet)	6,858	140,000	0	0	196,846	72,958	0	38,650	0	39,000
Potholes repaired (square feet)	3,000	1,500	2,000	500	19,305	26,287	1,000	2,400	1,400	1,500
Street sealed (Slurry Seal, square feet)								38,940	0	0
Street sealed (Cape Seal, square feet)								138,870	0	0
Trees trimmed	2,000	2,100	1,800	2,200	1,900	1,700	2,000	1,000	1,000	500
Culture and Recreation:										
Community Services:										
Recreation class participants	1,765	1,543	3,040	3,716	4,618	12,258	20,634	14,856	15,061	N/A
Special Event Permits issued	19	8	13	8	24	61	64	62	51	N/A
Sponsored events	29	16	27	22	33	23	24	25	27	N/A
Facility, Park & Field rentals	0	76	118	837	948	983	983	1,202	1,246	N/A
Library:										
Volumes in Collection										
Books	60,995	60,653	58,137	57,692	58,243	52,379	50,101	46,029	45,034	45,360
Audio-Visual materials	3,660	3,319	5,090	4,131	4,432	5,173	5,623	6,407	6,479	6,125
Circulation *	78,225	82,286	88,681	93,953	88,219	111,491	127,468	145,384	144,978	137,117
E-book and E-media usage						1,711	4,474	6,468	8,166	8,367
Internet Station usage **	13,265	14,986	17,746	20,640	19,991	17,993	13,677	13,071	12,695	14,196
Library program attendance					2,229	3,037	4,042	5,432	10,315	10,658
* Beginning in 2012, circulation has been counted as the number of times Sausalito items are checked out or renewed. This is the conventional measure of a library's circulation. Previously the number had indicated items checked out at the Library's circulation desks.										
** Internet Station stats do not reflect usage of the Library's 3 stand-up internet stations, deployed in 2013.										
Community Development:										
Applications processed:										
Discretionary	73	54	50	84	100	88	80	145	72	N/A
Ministerial	43	139	71	211	300	256	171	193	286	N/A
Encroachments	191	159	143	142	179	162	189	237	213	N/A
Building Permits issued	822	737	660	664	743	608	666	688	699	N/A
Administration:										
Parking Permits issued	2,122	2,176	2,539	1,778	1,766	1,934	1,882	2,212	2,034	2,129
Business Licenses issued	1,586	1,768	2,336	1,848	2,099	1,758	1,633	1,628	1,555	1,940

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

Source: City of Sausalito

CITY OF SAUSALITO
Capital Asset Statistics by Function/Program
Last Ten 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>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety:										
Fire stations	2	1	1	1	1	1	1	1	1	1
Fire trucks	3	3	3	3	3	3	0	0	0	0
Fire boats	1	1	1	1	1	1	0	0	0	0
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6	6	6	6
Public Works:										
Miles of streets	27	27	27	27	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664	664	664	664	664
Traffic Signals	9	9	9	9	9	9	9	9	9	9
Culture and Recreation:										
Community Services:										
City parks	19	19	19	19	19	19	19	19	19	19
City parks acreage	78	78	78	78	78	78	78	78	78	78
Beaches	3	3	3	3	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1	1
Bocce Courts						2	2	2	2	2
Library:										
City library	1	1	1	1	1	1	1	1	1	1
Wastewater:										
Miles of sanitary sewers	26	26	26	26	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15	15	15	15	15

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

Sources: City of Sausalito, Republic Electric, Inc. and Siemens Industry, Inc.