

City of Sausalito, California

Comprehensive Annual Financial Report



**For the Year Ended
June 30, 2014**

CITY OF SAUSALITO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014



Prepared by:
Finance Department

Sooner or Later it Always Comes Down to Money

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CITY OF SAUSALITO

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CITY OF SAUSALITO

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

Date: 10 November, 2014

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, 2014. The purpose of the report is to provide the City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

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

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

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

STEWARDSHIP

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

In order to enhance the degree of confidence of intended users of the financial statements, The City provides for an annual financial audit. The purpose of the audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. Maze & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2014. 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.
- 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.

FAX NUMBERS:

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

Community Development: (415) 339-2256

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

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, had full and free access to meet with the City Council’s Finance Committee to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City’s financial reporting.

REPORT FORMAT

There are three main sections in this report:

- Section I, the introductory section, contains the table of contents, this transmittal letter, and an overview of the organizational structure of the City.
- Section II, the financial section, is prepared in accordance with GASB Statement No. 34 requirements, including the MD&A, the Basic Financial Statements and supporting notes. The Basic Financial Statements include the government-wide financial statements that present an overview of the City’s entire financial operations and the fund financial statements that present financial information for each of the City’s major funds as well as nonmajor governmental, and internal service funds. Also included in this section is the Independent Auditors’ Report on the basic financial statements. Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.
- Section III, the statistical section, includes tables containing historical financial data, debt statistics, and miscellaneous social and economic data of the City that are of interest to potential investors in our bonds and to other readers. The data includes 10-year revenue and expenditure information, as well as 10 years of net asset information that give a context in which to understand the City’s financial statements.

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

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

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

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 experiencing severe economic stress, structural imbalances, and non-sustainable budget policies.

During the recession the City also undertook two major initiatives to provide structural financial balance: consolidation of fire services; 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 respectively be moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are continuing its modest recovery and may be a leading indicator of an improving gross city product.

However, although the operating budget is structurally balanced, the City did 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 sales tax initiative is being placed on the November 4, 2014 ballot to address the infrastructure funding shortfall.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The City's total Fund Balance in the General Fund is \$9,677,441. Fund Balance is comprised of three components: a non-spendable portion of \$6,368,240; an Assigned for Economic Contingencies portion of \$578,326; and an Unassigned portion (available for spending at the government's discretion) of \$2,730,875. The Unassigned/Assigned portions of fund balance in the general fund totals \$3,309,201; this amount is 29 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 base-line 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 models are calibrated with actual financial results on a monthly, quarterly, year-to-date, prior-year and projected year-end basis in order to more accurately measure financial performance and proactively identify potential future budget challenges and opportunities.

The City has developed a 30 year long range financial planning model that is used for the purpose of evaluating alternative fiscal policies and their impact on government finance. The results of operations for the fiscal year ended are consistent with the fiscal year forecasted in the model; and the model has been calibrated with the results of operations for the fiscal year ended.

MAJOR INITIATIVE DURING THE YEAR

Housing Element

A "Housing Element" is one of seven required "Elements," or chapters, of the city's General Plan, which is the "blueprint" for the community. The Housing Element must establish goals, policies and programs for the preservation, improvement and development of housing. All cities and counties in California are required to have a Housing Element that identifies and analyzes existing and projected housing needs, and identifies sites for housing opportunities. All communities are also required to update their Housing Elements on a state-mandated cycle (every 7 years).

Prior to 2012, Sausalito had last updated the General Plan in 1995. Therefore the City was overdue by two housing cycles—1999-2006 and 2007-2014. In 2009 the City formed a Housing Element Task Force of community leaders and residents with the goal of updating the 1995 Housing Element. From 2009 to 2012 the City held over 50 public meetings and three Community Workshops with the Task Force, Planning Commission and City Council to update the Element. In October of 2012, the City Council adopted the updated Housing Element and the State certified it in November of 2012. The next Housing Element cycle covers the years 2014-2023 and Sausalito is required to update our Housing Element once again by January 31, 2015. In order to be eligible for certification from the State for the 2014-2023 update, the City was obligated to follow through with program amendments which were committed to in the 2012 Housing Element.

Therefore, the City began work on implementing the 2012 Housing Element in January of 2014 which involved a variety of Zoning Ordinance Amendments which were pledged in the 2012 Housing Element. To accomplish this task the City Council appointed a Housing Element Subcommittee to work with Staff and a consultant. The Amendments included:

- A Reasonable Accommodations Ordinance (e.g., allows a ramp in a setback to allow access to an entry door for a wheelchair-bound resident);
- A Transitional and Supportive Housing Ordinance (i.e., regulates transitional and supportive housing as a residential use and allow "single room occupancy" facilities as a commercial use);
- A Density Bonus Ordinance (i.e., all California cities are required to grant density bonuses for new projects of five or more units ranging from 5% to 35% depending on the affordability provided when requested by a project sponsor);

- An Emergency Shelter Ordinance (i.e., all California cities are required by the State to identify a Zoning District where emergency homeless shelters are a use that is permitted by right); and
- An Ordinance encouraging mixed residential use in commercial districts.

To draft and review the Ordinances, the Subcommittee met eight times, the Planning Commission met two times and the City Council met seven times from January through July of 2014. In addition, a Community Workshop on the Ordinances was held in March of 2014. The Ordinances were adopted in July of 2014. The City is now focused on a second task, which involves once again updating the current Housing Element by January 31, 2015. If the Housing Element is adopted and certified by the statutory deadline the City will not have to update the Housing Element until 2023. For more information visit: <http://www.ci.sausalito.ca.us/index.aspx?page=703>

Marinship Specific Plan

On May 7, 2013 the Sausalito City Council formed a Marinship Specific Plan Steering Committee. The purpose of the Steering Committee is to work with staff and a consultant to evaluate the MSP using studies already completed on behalf of the City and any new studies as recommended by the Marinship Specific Plan Steering Committee to determine to what degree that the MSP is adding to the health of the City and to the degree that is necessary to avoid the negative consequences of doing nothing and identify areas of the Marinship where improvements can be made to the MSP to add to the health of the City and to avoid the negative consequences of doing nothing. Placeworks, a Planning and Community Design consultant, was hired by the City to assist the Steering Committee in developing recommendations. The Steering Committee met twelve times at regular public meetings from October of 2013 through July of 2014 and in addition, hosted a “walking tour” of the Marinship in December 2013 and a Community Workshop in April 2014. In July of this year the Steering Committee finalized their Strategic Assessment Report which contains recommended next steps for the City Council’s review and direction, which includes the following recommended components in any update of the Specific Plan: protection for the marine rails, an infrastructure analysis, identification of potential circulation improvements, an economic feasibility study and identification of land uses that should be encouraged or discouraged in the Marinship. For more information visit: <http://www.ci.sausalito.ca.us/Index.aspx?page=2051>

Sewer Infrastructure and Fee Study

The City of Sausalito owns and operates sewers conveying wastewater to the Sausalito Marin-City Sanitary District (SMCSD) for treatment and discharge to the Bay. Sausalito’s 75-year-old sewer system is old and deteriorated and needs upgrades.

The rates previously charged by the City for collection-related service were based on a financial plan prepared in 2009, with rates enacted through 2014. While the current rates have allowed the City to increase the maintenance, evaluation, and repairs of the sewer system, they did not provide the resources necessary to implement critical upgrades to sewer pipes and infrastructure. Many of the 27 miles of sewer pipe were built in the 1930s, are made of clay, and break easily – causing spills of raw sewage in the Bay. Continuous infrastructure investment helps ensure updated pipes and infrastructure to properly and safely transport sewage – keeping the community and environment healthy and safe.

In order to address these urgent sewer needs to protect the environment and the health and safety of Sausalito residents, the City prepared a new Sanitary Sewer Fee Study to identify equitable sewer charges in support of sustainable utility services that address essential sewer upgrade needs. The study took into account the facts that:

- City sewers are operating under a United States Environmental Protection Agency (EPA) Administrative Order due to a history of spills.

- Sewer system management is regulated by State Waste Discharge Requirements (WDRs) mandating pipeline cleaning and repair.
- SMCS D fees are likely to continue to be increased as well.

As a part of this rate study, the City projected revenues and expenditures, developed net revenue requirements, evaluated cost-of-service cost allocations and rate design alternatives. For residential customers, the City implemented a new residential rate structure that includes volumetric charges based on average winter water consumption; for non-residential customers, the volumetric charges are based on average annual consumption. This new rate structure collects 12% of the total revenue requirement from a volumetric charge. The new rates, that generate an increase of 30% in revenues were adopted by the City Council, after the legally required and duly noticed Public Hearing, for fiscal years effective from FY 2015 through FY 2019.

Fiscal Transparency

The City of Sausalito 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.

City also deployed a mobile app for Android devices called “Sausalito Dollars and Cents” and is available through Google Playstore. The app is designed to communicate historic and current financial information by making financial documents, current blogs, important government links and other information available to Sausalito citizens through smart-phone technology.

Performance Budget receives Distinguished Budget Award

The City has historically published a traditional line-item budget. Although easy to use and understandable, line-item budgets focus attention on thought on how many dollars are being spent on services or goods. Although that approach is important, and still necessary as basic budget building, contemporary governmental budgeting wants to present budget documents so that policy makers concentrate on decisions about levels of service, and how community priorities are being addressed. Through the use of department and programmatic descriptions, listing of duties, and presentation of certain performance indicators, this budget document shifts attention from the means of accomplishment to the accomplishment itself.

The budget was submitted to the Government Finance Officers Association of the United States and Canada (GFOA) for consideration to receive the Distinguished Budget Award.

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.

Financial Policies

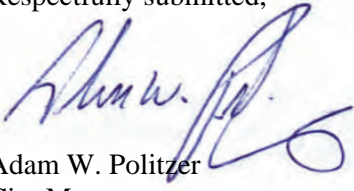
The City has established a financial policy document that contains a comprehensive and consistent set of financial policies to provide a basis for sound financial planning, identify appropriate directions for service-level development, aid budgetary decision-making and serve as an overall framework to guide financial management and operations of the City.

The City's preparation of financial policies also 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 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



Charles D. Francis
Administrative Services Director/Treasurer

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City of Sausalito
List of Elected and Appointed Officials
June 30, 2014

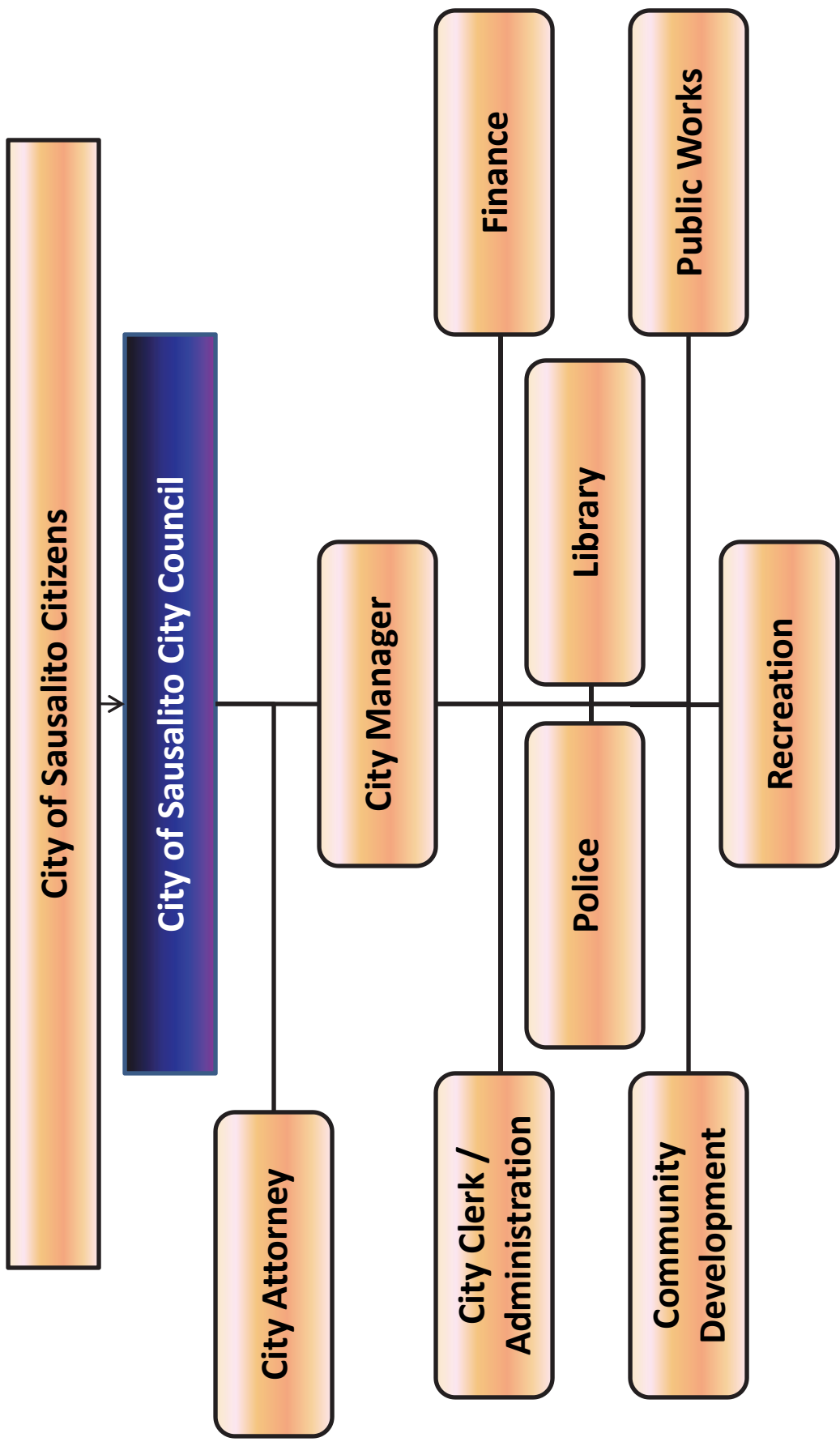
Elected Officials

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

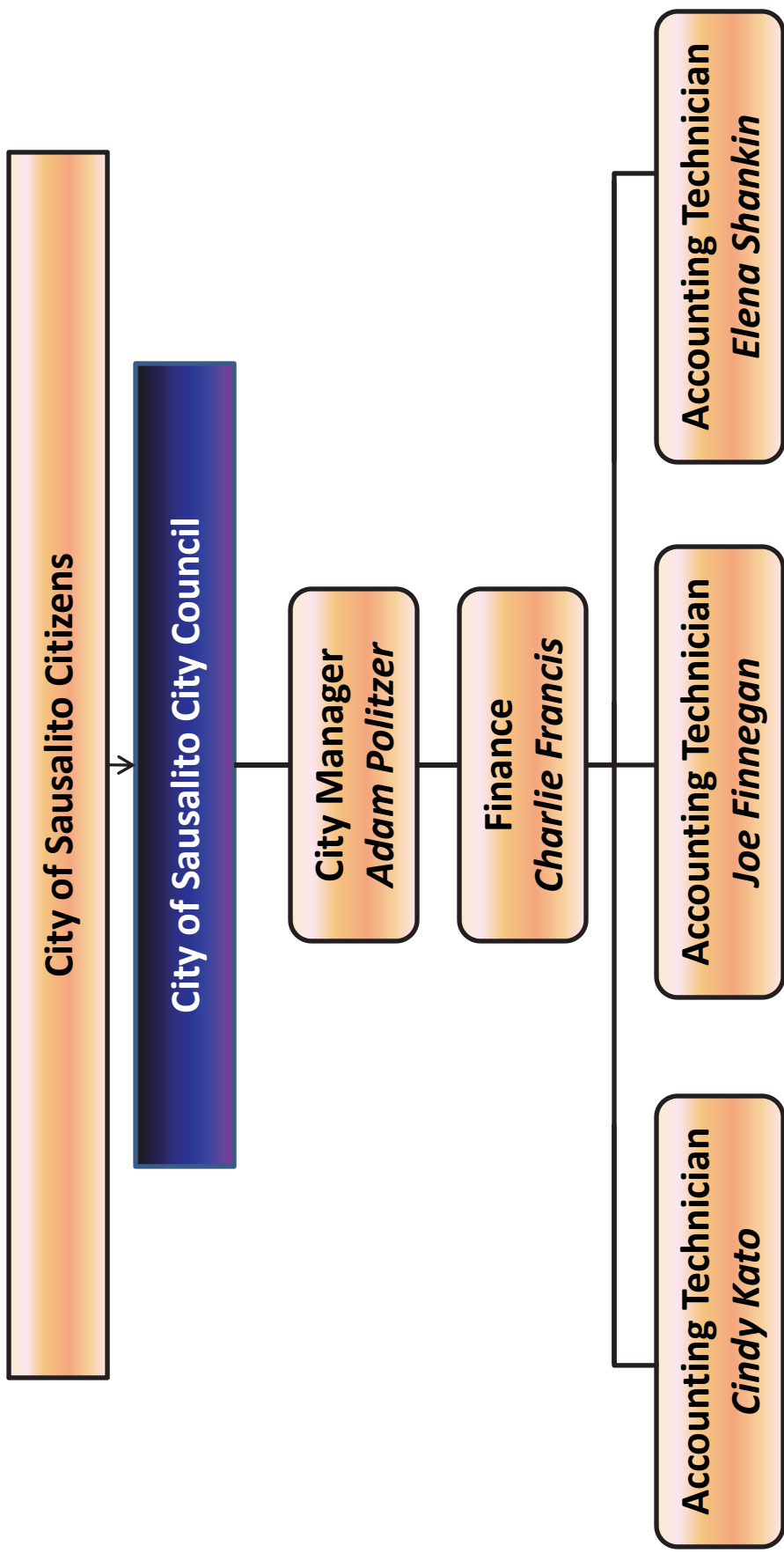
Appointed Officials

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

City of Sausalito Organization Chart



City of Sausalito Organization Chart



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INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, 2014, 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, 2014, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 November 10, 2014, 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
November 10, 2014

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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, 2014. 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 \$44,555,922 (*total net position*).
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$7,953,911, an increase of \$589,880 over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues and Transfers) totaled \$11,420,096, and increase of \$1,348,273 over the prior fiscal year. Total expenses were \$18,302,083 a decrease of \$988,598 from the prior fiscal year. This resulted in an overall Change in Net Position of \$1,071,924, an increase of \$2,926,751 over the prior fiscal year.
 - \$42,541,852 represents the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase of \$2,252,706 (after depreciation) over the prior fiscal year, primarily continuing the City's commitment to invest in infrastructure.
 - Of the total net position, \$918,489 (*unrestricted net position*) is available and may be used to meet the government's ongoing obligations to citizens and creditors. This amount decreased by \$713,042 from the prior fiscal year primarily due to the change in methodology for calculating compensated absences, and an increase in net OPEB obligations.
 - The amount of \$1,095,581 in total net position that is restricted for designated purposes decreased by \$467,740 representing that resources formerly unavailable for spending were either converted to capital assets, or were used to reduce the City's long-term liabilities.
- **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of City of Sausalito's assets exceeded its liabilities resulting in an ending Fund Balance of \$9,677,441, an increase of \$690,529 over the prior fiscal year.
 - Of the ending Fund Balance, \$2,730,875 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors. This balance increased \$535,536 over the prior fiscal year.

-
-
- In addition to unassigned Fund Balance, the City of Sausalito has \$578,326 assigned for economic fluctuation reserve. Combined with the unassigned balance of \$2,730,875, the City has \$3,309,201, or 28.6 percent of expenditures available in the General Fund for liquid reserves.
 - **PROPRIETARY FUNDS BALANCE SHEET** 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 \$8,937,964 (*total Proprietary Funds net position*), an increase of \$506,312.
 - The Net Position of Governmental Activities – Internal Services Funds was \$877,830, an increase of \$535,536 over the prior fiscal year.

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 22-23 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 26-29 of this report.

Proprietary funds.

The City of Sausalito maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sausalito uses enterprise funds to account for its Sewer, Old City Hall, MLK, and Parking operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Sausalito's various functions. The City of Sausalito uses internal service funds to account for its fleet of vehicles and parking equipment. The City uses the workers compensation fund to account for outstanding claim liability. The City uses the employee benefits fund to account for compensated absences and other post-employment benefits other than pension. The City uses general liability fund to help finance other liabilities including employment. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, Old City Hall, MLK, and parking operation, all of which are considered to be major funds of the City of Sausalito. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-68 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 72-75 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84-100 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 \$44,555,922 at the close of fiscal year ending 2014. The following chart summarizes the Statement of Net Position:

City of Sausalito's Net Position						
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	18,926,315	18,876,863	(3,449,956)	(3,372,401)	15,476,359	15,504,462
Capital assets	45,597,714	44,577,213	13,953,706	12,791,700	59,551,420	57,368,913
Total assets	64,524,029	63,454,076	10,503,750	9,419,299	75,027,779	72,873,375
Long-term liabilities outstanding	26,541,029	26,029,128	678,912	380,000	27,219,941	26,409,128
Other liabilities	2,365,042	2,372,602	886,874	607,647	3,251,916	2,980,249
Total liabilities	28,906,071	28,401,730	1,565,786	987,647	30,471,857	29,389,377
Net Assets:						
Net Investment in Capital Assets	29,547,058	28,195,135	12,994,794	12,094,011	42,541,852	40,289,146
Restricted	1,095,581	1,563,321			1,095,581	1,563,321
Unrestricted	4,975,319	5,293,890	(4,056,830)	(3,662,359)	918,489	1,631,531
Total net assets	35,617,958	35,052,346	8,937,964	8,431,652	44,555,922	43,483,998

- Of the total net position, \$918,489 (*unrestricted net position*) is available and may be used to meet the government's ongoing obligations to citizens and creditors.
- Another component included in total net position is the amount of \$42,541,852 representing the City's investment in capital assets, net of related debt. This investment in capital assets represents a net increase of \$2,252,706 (after depreciation) over the prior fiscal year.
- The amount of total net position restricted in the prior fiscal year decreased by \$467,740 representing that resources formerly unavailable for spending were either converted to capital assets, or were used to reduce the City's long-term liabilities.

Governmental Activities.

By far the largest portion of the City of Sausalito's net 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.

\$1,095,581 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 \$4,975,319 compared to the prior year's \$5,293,890, and may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Sausalito is able to report positive balances for all three categories of net position related to Governmental activities (net investment in capital assets, restricted and unrestricted net position).

Business-type Activities.

The net investment in capital assets for business-type activities is \$12,994,794. There are \$(4,056,830) in unrestricted net assets 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.

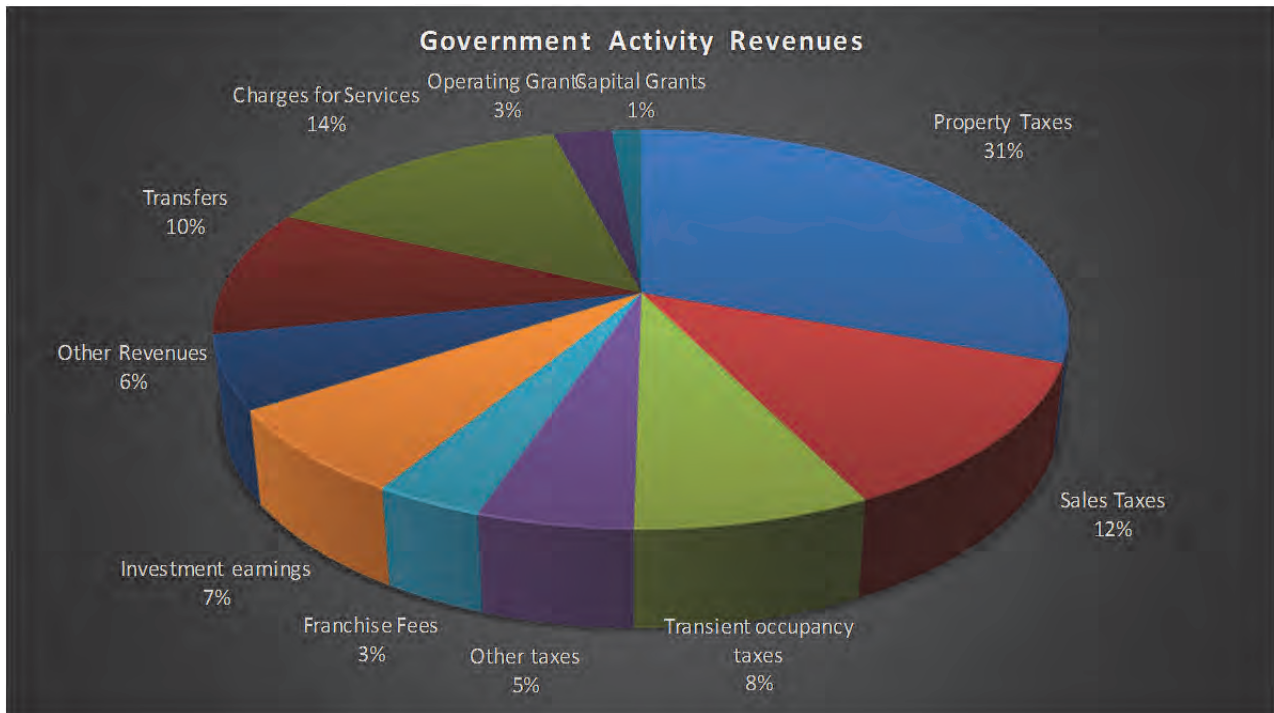
The table below summarizes the operating results of the governmental and business-type activities in a more traditional format.

	City of Sausalito's Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	2,234,431	2,092,791	5,087,295	4,629,561	7,321,726	6,722,352
Operating grants and contributions	416,778	399,125			416,778	399,125
Capital grants and contributions	215,407	242,554			215,407	242,554
General revenues:					-	-
Taxes	9,329,868	8,555,073			9,329,868	8,555,073
Investment earnings	1,121,106	1,012,803	6,571	5,356	1,127,677	1,018,159
Other revenues	944,743	478,203	17,808	20,388	962,551	498,591
Total revenues	14,262,333	12,780,549	5,111,674	4,655,305	19,374,007	17,435,854
Expenses:						
General government	3,472,850	4,775,777			3,472,850	4,775,777
Library	843,657	807,413			843,657	807,413
Public safety - Police Services	5,097,517	5,277,918			5,097,517	5,277,918
Community development	1,327,571	1,229,352			1,327,571	1,229,352
Public works	3,022,208	2,674,528			3,022,208	2,674,528
Parks & Recreation	821,638	846,814			821,638	846,814
Interest on long-term debt	741,938	727,576			741,938	727,576
MLK			851,018	865,521	851,018	865,521
Sewer			1,635,796	1,770,446	1,635,796	1,770,446
Parking			459,575	285,784	459,575	285,784
Old City Hall			28,315	29,552	28,315	29,552
Total expenses	15,327,379	16,339,378	2,974,704	2,951,303	18,302,083	19,290,681
Increase in net assets before transfers	(1,065,046)	(3,558,829)	2,136,970	1,704,002	1,071,924	(1,854,827)
Transfers	1,630,658	1,555,658	(1,630,658)	(1,555,658)	-	-
Increase in net assets	565,612	(2,003,171)	506,312	148,344	1,071,924	(1,854,827)
Net assets - Beginning	35,052,346	37,055,517	8,431,652	8,283,308	43,483,998	45,338,825
Net assets - Ending	35,617,958	35,052,346	8,937,964	8,431,652	44,555,922	43,483,998

Governmental Activities.

The Governmental activities for the City's resulted in net position increasing by \$565,612 primarily due to surplus taxes from an improving and recovering economy, increased charges for services, and increased operating and capital grants and contributions.

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

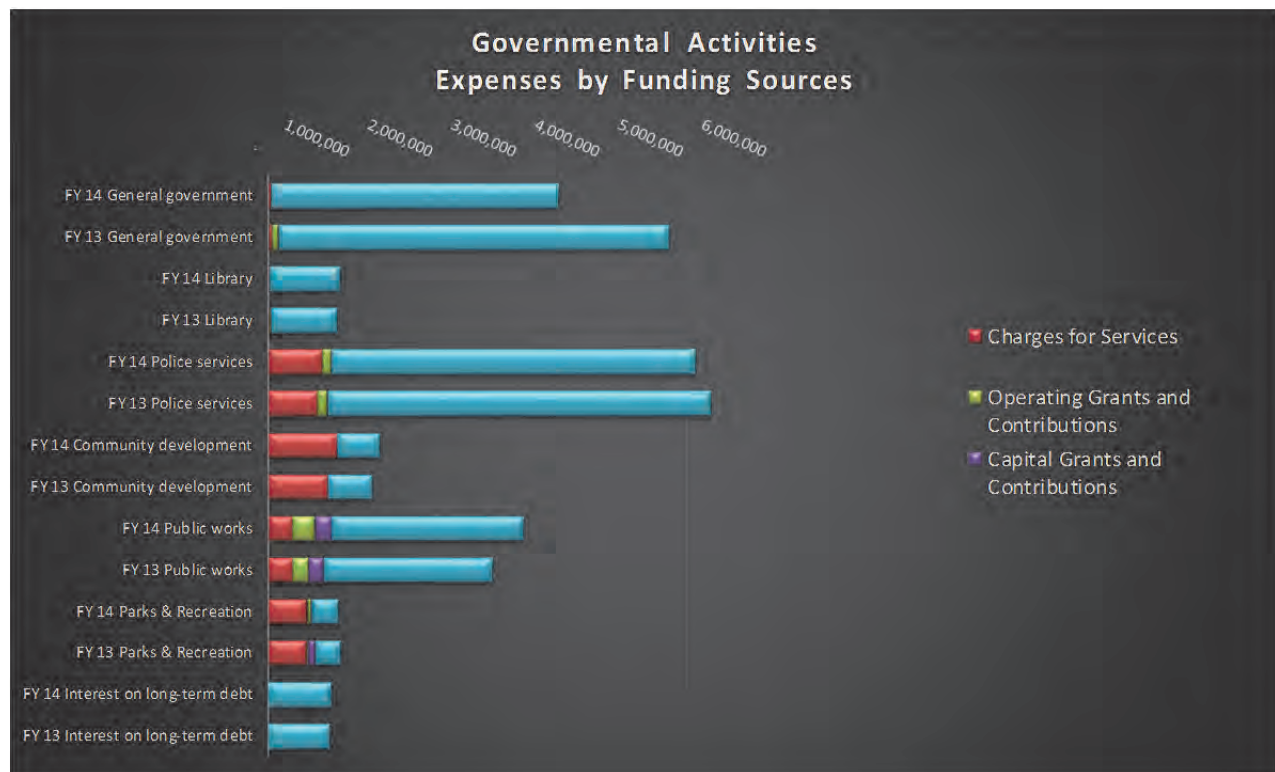


Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$362,458 from the prior fiscal year primarily due to a one-time distribution by the county of excess Educational Revenue Allocation Funds (ERAF). Another contributory factor is that property Assessed Valuations increased slightly over the prior fiscal year. Property taxes are generally inelastic and provide the City a stable revenue source (31% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service.
- The City's sales tax base improved 9% over the previous fiscal year and resulted in a \$161,955 increase. Sales tax revenues are generally elastic and reflective of local economic conditions and represent approximately 12% of the City's Governmental activities revenues and transfers.
- Transient occupancy taxes increased \$235,466 from the prior fiscal year, an increase of 24%, as a result of the improving economy and higher-end hotel product available for occupancy. Transient Occupancy Taxes are about 8% of total resources available for Governmental Activities.
- Franchise Tax, Business license tax, and other miscellaneous taxes increased marginally by \$14,916.
- Investment earnings increased slightly from the prior fiscal year by \$108,303 during the fiscal year due to improved cash holdings and a slightly improving interest rate investment environment.
- Other government activity revenues declined slightly by \$466,540.
- Capital Grants and Contributions decreased \$27,147 due to decreases from capital grants in the Special Revenue Funds.

- Operating grants contributed from Special Revenue Fund increased by \$17,653 from the prior fiscal year.
- Charges for Services increased \$141,640 primarily due to increases in Fines and Forfeitures and increases in Building Inspections and Plan Checks.
- Transfers into government activity funds from Business-type activity funds represent about 8% of the Governmental activity's revenue base. These transfers decreased \$343,000 from the prior fiscal year primarily due to a one-time transfer in the prior fiscal year.

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



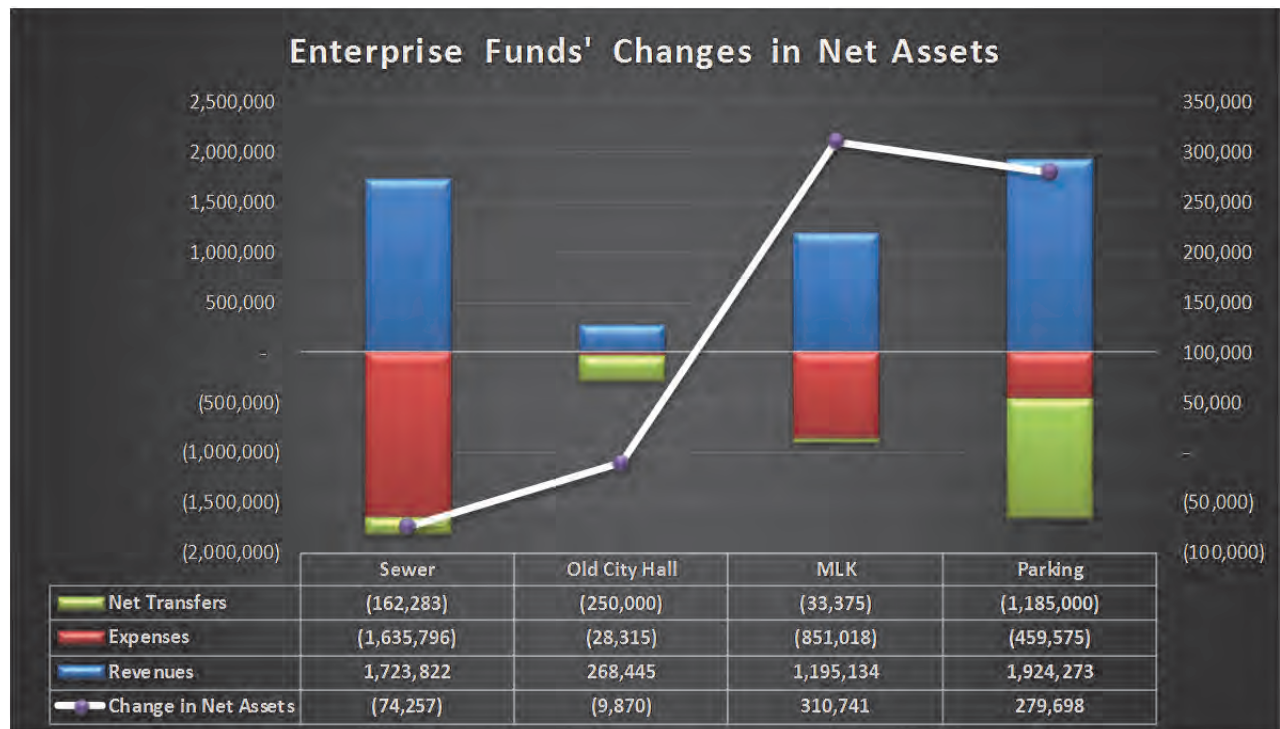
Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were reduced by \$1,429,999 over the prior fiscal year.
 - Library and Recreation, expenses increased moderately due to inflation and negotiated labor costs pay raises.
 - Public Works' expenses increased because of capital improvements projects along with moderate increases due to inflation and negotiated labor costs pay raises;

- Community Development’s expenses increased due to increasing building inspections and plan checks combined with moderate increases due to inflation and negotiated labor costs pay raises.
- Police Department expenses declined because of prior year one-time capital charges, offset by moderate increases due to inflation and negotiated labor costs pay raises.
- Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, Information Technology) all experienced similarly moderate inflation and labor cost increases. However, the bulk of the decrease from the prior year was due to the prior year one-time pay-offs of the CalPERS pension side funds.
- Interest on long-term debt increased slightly in accordance with the debt service schedules.

Business-type activities.

Business-type activities increased the City of Sausalito’s net position by \$506,312. The following chart depicts the operating results of the City’s business-type activities:



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

- MLK Fund increased net position by \$310,741 during the year compared to the \$97,543 increase in the previous year. Rents improved almost 16% due to restructured leases on the property, while operating expenses only experienced moderate inflationary increases, all resulting in net operating income (NOI) of \$662,015, compared to the prior year's NOI of \$468,611. As the outstanding debt on the MLK site nears maturity, interest expense is decreased \$19,720. The MLK facility is experiencing increasing demand for space as the economy improves. New lease negotiations in the prior year resulted in new tenants for FY 14 and for 20 years beyond providing the enterprise with a stable outlook for the future.
- Sewer Fund decreased the net position by \$74,257 during the year, compared to the \$336,502 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 14, 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 increased net position by \$279,698 during the year, compared to the \$321,843 increase from the prior fiscal year reflecting the continued improved value of the upgrades to parking revenue infrastructure.
- The Old City Hall Fund decreased net position by \$9,870 as compared to the prior year's increase of \$65,460 due to a \$75,000 increase from the prior year in transfers to the General Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds:

The focus of the City of Sausalito's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sausalito's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$9,840,616, an increase of \$127,664 in comparison with the prior year. Planned capital expenditures in the amount of \$2,506,713 for the new Bulkhead, and other general infrastructure accounted for the bulk of the accumulated resources expended during the current fiscal year. Individual fund analysis follows.

General Fund.

The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year assigned fund balance was \$578,326; and unassigned fund balance was \$2,730,875; for a total of \$3,309,201 that is available for spending at the government's discretion. Total fund balance, including \$6,368,240 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$9,677,441. 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 29% of total general fund expenditures, while total fund balance represents 84% of that same amount.

Fund balance for the City of Sausalito's general fund increased by \$690,529 during the fiscal year.

General Fund Budgetary Highlights

The FY 14 adopted/amended budget of the City's General Fund anticipated a \$30,350 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 \$30,962. The results of operations resulted in a \$690,529 increase to Fund Balance due to surplus revenues generated by the recovering economy and unexpected and one-time revenues from ERAF property tax. 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 72-75 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 \$3,539,211, due to the remaining unamortized net unearned revenue in the amount of \$4,740,162 from Sausalito Yacht Harbor, a Tideland Fund tenant, Bulkhead Replacement Capital Project. Future years' amortization of the unearned revenues will restore the Tideland Fund's fund balance. Unearned revenue proceeds were transferred to the Capital Improvement Fund in order to account for the construction costs.

The General Capital Improvement Projects Fund

The General Capital Improvement Projects Fund has a total fund balance of \$1,642,736, 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 2014, amounts to \$59,551,420 (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/decrease in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase/decrease in construction-in-progress of the City's bulkhead, as well as major investment in the City's streets.

City of Sausalito's Capital Assets						
<i>(net of depreciation)</i>						
	Governmental activities		Business-type activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</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	561,571	0	412,232	0	973,803
Building and improvements	15,608,118	15,963,050	3,506,452	3,314,849	19,114,570	19,277,899
MLK Bus Barn			187,005	192,505	187,005	192,505
Vehicles and equipment	206,668	121,943	763,299	899,744	969,967	1,021,687
Machinery and equipment	181,634	227,957			181,634	227,957
Infrastructure	14,586,632	12,688,030	5,700,949	4,176,369	20,287,581	16,864,399
Total	45,597,714	44,577,213	13,953,706	12,791,700	59,551,420	57,368,913

Additional information about the City's capital assets can be found in Note 4 on pages 47-49 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$19,198,475. This is an increase of \$375,735 over the prior fiscal year because of additional Sewer Fund loan monies from the State Revolving Fund per the construction schedule, minus regularly scheduled debt service principal payments.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Short-term debt	315,548	353,530	280,000	317,689	595,548	671,219
Notes payable	17,924,015	17,771,520	678,912	100,000	18,602,927	17,871,520
Capital leases	0	0	0	280,000	0	280,000
Total	18,239,563	18,125,050	958,912	697,689	19,198,475	18,822,739

For more detailed information on the City's Long-term debt see Note 5 on pages 50-53 in this report.

ECONOMIC FACTORS AND FUTURE YEARS' BUDGETS

National, State and Local Economic Recoveries

U.S. Growth Rate Revised Upward - Latest estimate shows stronger Q2 business activity

After a bleak start to the year, the U.S. economy grew at a brisk annual rate of 4.2 percent in the April-June quarter, the government said recently, slightly faster than it had first estimated. The upward revision supported expectations that the second half of 2014 will prove far stronger than the first half.

U.S. Economy Still Subpar – Fed to keep key interest rate low

The Federal Reserve signaled recently that it plans to keep a key interest rate at a record low because a broad range of US economic measures remain subpar. The Fed said it intends to keep its benchmark rate near zero as long as inflation remains under control, until it sees consistent gains in wage growth, long-term unemployment and other gauges of the job market.

Americans Dumping Their Landlines

More American households are ditching their old telephones: 4 out of 10 only use cellphones, a government survey shows. That's twice the rate from just five years ago, although the pace of dumping landlines seems to have slowed down in recent years.

U.S. Job Engine Hits a Bump in August

A surprising drop in hiring and in the number of people seeking work in August sent a reminder that the U.S. economic recovery is still prone to temporary slowdowns.

Employers added just 142,000 jobs last month, well below the 212,000 average of the previous 12 months. The unemployment rate fell to 6.1 percent from 6.2 percent. But that was because more people without jobs stopped looking for one and were no longer counted as unemployed.

Tech Leads Growth in Pay Nationwide – Region's wages, benefits are rising faster than other major metro areas

Wages and benefits for private industry employees in the San Francisco Bay Area are rising more quickly than in any other major metro region in the country and twice as fast as the national average, a government survey released recently shows. "It's tech. High tech is driving this," said Christopher Thornberg, founding partner with Beacon Economics. "The Bay Area has one of the strongest economies in the nation."

Total compensation—measured as the combination of wages, salaries and benefits—for people working in private industry in the nine-county Bay Area rose 4.6 percent over the 12 months that ended in June, the U.S. Bureau of Labor Statistics reported. During the same one-year period, total compensation rose 2 percent nationwide and by 4.1 percent in the Dallas-Fort Worth metro area, which was the No. 2 region in the country among 15 urban centers surveyed by the agency. The percent increases were not adjusted for inflation. "This reflects the strong job growth in the high-wage industries in the Bay Area," said Jeffrey Michael, director of the Stockton-based Business Forecasting Center at University of the Pacific. "The recovery in the job market is stronger here in the Bay Area than other regions."

Wages and salaries—excluding benefits—rose 4.1 percent in the Bay Area and 1.9 percent nationwide.

As examples of how the technology sector is helping to fuel job growth, Santa Clara County and the **San Francisco-San Mateo-Marín** region remain among the national leaders in employment gains. During the 12 months that ended in June, Santa Clara County posted a 3.5 percent increase in total payroll jobs, the San Francisco metro area was up 3.2 percent and the East Bay showed a 2.7 percent gain. The nationwide leader was Florida's Orlando-Kissimmee metro area, up 3.7 percent.

The upswing in Bay Area labor costs is strong enough to start triggering inflation, warned Scott Anderson, chief economist with San Francisco-based Bank of the West. "You start to worry about a feedback loop between higher wages and rising prices in general," Anderson said.

Already rising wages have pushed up prices for Bay Area homes, economists say. "One reason why home prices are going through the roof is because of these strong wages," Thornberg said. "If you are one of the tech employees, home prices are not too expensive. But for everyone else, housing is too expensive."

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.

During the recession the City also undertook two major initiatives to provide structural financial balance: consolidation of fire services; 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 respectively be moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are continuing its modest recovery and may be a leading indicator of an improving gross city product.

Future Years Budgets

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

Property taxes will remain a stable source of revenue into the coming year. Other City taxes, such sales and transient occupancy taxes are more elastic and dependent on the national, state and local economies. Accordingly the City is forecasting slightly improving revenues from these elastic sources in the near future.

The City aggressively manages its revenue and cost structure. Recently implemented strategies of regionalizing fire services, labor cost restructuring including pension, OPEB, health care and wage reform, long-term financial planning, revenue optimization, expenditure control, and economic development planning are improving structural performance and providing operating balance to city revenues and expenses, in order to continue to provide the current excellent level of services and meeting Sausalito's capital infrastructure needs.

Sales Tax Initiative.

However, although the operating budget is structurally balanced, the City did not have the funds necessary for repairing and maintaining 80-year old local storm drains to protect the Bay or increasing the continuing investment of fixing deteriorating neighborhood streets and local sidewalks. A sales tax initiative is being placed on the November 4, 2014 ballot to address the infrastructure funding shortfall.

REQUESTS FOR INFORMATION

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

**STATEMENT OF NET POSITION
AND STATEMENT OF ACTIVITIES**

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$10,662,447	\$2,803,980	\$13,466,427
Restricted cash (Note 2)	564,907		564,907
Receivables:			
Taxes receivables, net	499,608	14,694	514,302
Accounts receivable, net	831,113	75,571	906,684
Loans receivable	2,715		2,715
Internal balances (Note 3D)	6,348,509	(6,348,509)	
Prepays	17,016	4,308	21,324
Capital assets (Note 4):			
Land and construction in progress	15,014,662	3,796,001	18,810,663
Depreciable, net of accumulated depreciation	30,583,052	10,157,705	40,740,757
Total Assets	64,524,029	10,503,750	75,027,779
LIABILITIES			
Accounts payable	697,472	364,346	1,061,818
Accrued interest payable	128,537	6,738	135,275
Compensated absences (Note 11)			
Due within one year	631,478	17,899	649,377
Due in more than one year	434,034		434,034
Claims payable (Note 10):			
Due within one year	293,835		293,835
Due in more than one year	715,826		715,826
Refundable deposits	298,172	217,891	516,063
Unearned revenue (Note 7)	4,791,593		4,791,593
Net OPEB obligation (Note 9)			
Due in more than one year	2,675,561		2,675,561
Long-term debt (Note 5):			
Due within one year	315,548	280,000	595,548
Due in more than one year	17,924,015	678,912	18,602,927
Total Liabilities	28,906,071	1,565,786	30,471,857
NET POSITION (Note 11):			
Net investment in capital assets	29,547,058	12,994,794	42,541,852
Restricted for:			
Special revenue programs	405,651		405,651
Debt service	588,089		588,089
Capital projects	101,841		101,841
Total Restricted Net Position	1,095,581		1,095,581
Unrestricted	4,975,319	(4,056,830)	918,489
Total Net Position	\$35,617,958	\$8,937,964	\$44,555,922

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	\$3,472,850	\$30,616	\$4,395		(\$3,437,839)		(\$3,437,839)
Library	843,657	11,033	9,388	\$292	(822,944)		(822,944)
Public safety:							
Police services	5,097,517	631,733	102,596		(4,363,188)		(4,363,188)
Fire services							
Community development	1,327,571	823,877			(503,694)		(503,694)
Public works	3,022,208	282,718	262,880	188,536	(2,288,074)		(2,288,074)
Parks & recreation	821,638	454,454	37,519	26,579	(303,086)		(303,086)
Interest on long-term debt	741,938				(741,938)		(741,938)
Total Governmental Activities	15,327,379	2,234,431	416,778	215,407	(12,460,763)		(12,460,763)
Business-type Activities:							
MLK	851,018	1,154,301				\$303,283	303,283
Sewer	1,635,796	1,723,816				88,020	88,020
Parking	482,521	1,941,042				1,458,521	1,458,521
Old City Hall	28,315	268,136				239,821	239,821
Total Business-type Activities	2,997,650	5,087,295				2,089,645	2,089,645
Total	\$18,325,029	\$7,321,726	\$416,778	\$215,407	(12,460,763)	2,089,645	(10,371,118)
General revenues:							
Taxes:							
Property taxes					4,858,913		4,858,913
Sales taxes					1,923,191		1,923,191
Transient occupancy tax					1,202,228		1,202,228
Franchise fees					790,795		790,795
Other taxes					554,741		554,741
Investment earnings					1,121,106	6,571	1,127,677
Other revenues					944,743	40,754	985,497
Transfers (Note 3B)					1,630,658	(1,630,658)	
Total general revenues and transfers					13,026,375	(1,583,333)	11,443,042
Change in Net Position					565,612	506,312	1,071,924
Net Position-Beginning					35,052,346	8,431,652	43,483,998
Net Position-Ending					\$35,617,958	\$8,937,964	\$44,555,922

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 2014. 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, 2014

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$3,192,644	\$1,160,508	\$1,522,926	\$1,442,785	\$7,318,863
Restricted cash (Note 2)				564,907	564,907
Receivables:					
Taxes receivables, net	472,959			26,649	499,608
Accounts receivable, net	347,009	51,626	299,793	131,515	829,943
Loans receivable	2,715				2,715
Due from other funds (Note 3A)	85,686				85,686
Prepays	17,016				17,016
Advances to other funds (Note 3C)	6,348,509				6,348,509
Total Assets	<u>\$10,466,538</u>	<u>\$1,212,134</u>	<u>\$1,822,719</u>	<u>\$2,165,856</u>	<u>\$15,667,247</u>
LIABILITIES					
Accounts payable	\$443,529	\$783	\$179,983	\$20,520	\$644,815
Accrued salaries and benefits	6,365				6,365
Refundable deposits	287,772	10,400			298,172
Due to other funds (Note 3A)				85,686	85,686
Unearned revenue (Note 7)	51,431	4,740,162			4,791,593
Total Liabilities	<u>789,097</u>	<u>4,751,345</u>	<u>179,983</u>	<u>106,206</u>	<u>5,826,631</u>
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	6,368,240				6,368,240
Restricted				1,957,809	1,957,809
Committed			1,642,736	101,841	1,744,577
Assigned	578,326				578,326
Unassigned	2,730,875	(3,539,211)			(808,336)
Total Fund Balances (Deficits)	<u>9,677,441</u>	<u>(3,539,211)</u>	<u>1,642,736</u>	<u>2,059,650</u>	<u>9,840,616</u>
Total Liabilities and Fund Balances	<u>\$10,466,538</u>	<u>\$1,212,134</u>	<u>\$1,822,719</u>	<u>\$2,165,856</u>	<u>\$15,667,247</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, 2014

Total fund balances reported on the governmental funds balance sheet \$9,840,616

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. 45,384,685

ALLOCATION OF INTERNAL SERVICE FUND NET POSITIONS

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

Cash and investments	3,343,584
Accounts receivable, net	1,170
Capital assets, net of depreciation	213,029
Claims payable	(1,009,661)
Long-term debt	(1,624,000)
Accounts payable and accrued interest	(46,292)

LONG TERM LIABILITIES

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

Long-term debt	(16,615,563)
Interest payable	(128,537)
Compensated absences	(1,065,512)
Net OPEB obligation	<u>(2,675,561)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$35,617,958

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, 2014

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$4,347,775			\$511,138	\$4,858,913
Sales tax	1,923,191				1,923,191
Other tax	1,993,023				1,993,023
Licenses and permits	551,518				551,518
Fines and forfeitures	616,789			42,587	659,376
Use of money and property	586,444	\$795,842	\$2,229	6,600	1,391,115
Intergovernmental	15,547		186,307	536,464	738,318
Charges for services	1,343,387			231,668	1,575,055
Other revenues	177,491		214,934	170,569	562,994
	<u>11,555,165</u>	<u>795,842</u>	<u>403,470</u>	<u>1,499,026</u>	<u>14,253,503</u>
Total Revenues					
EXPENDITURES					
Current:					
General government	2,884,875	96,004			2,980,879
Library	787,548				787,548
Public safety:					
Police	4,358,750			102,490	4,461,240
Community development	1,279,765				1,279,765
Public works	1,444,397			131,351	1,575,748
Parks & recreation	811,177				811,177
Capital outlay			2,546,748	178,843	2,725,591
Debt service:					
Principal				225,715	225,715
Interest and other charges				279,816	279,816
	<u>11,566,512</u>	<u>96,004</u>	<u>2,546,748</u>	<u>918,215</u>	<u>15,127,479</u>
Total Expenditures					
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES					
	<u>(11,347)</u>	<u>699,838</u>	<u>(2,143,278)</u>	<u>580,811</u>	<u>(873,976)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	1,850,158		1,641,922	72,155	3,564,235
Transfers (out) (Note 3B)	(1,148,282)	(297,074)		(1,117,239)	(2,562,595)
	<u>701,876</u>	<u>(297,074)</u>	<u>1,641,922</u>	<u>(1,045,084)</u>	<u>1,001,640</u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES					
	690,529	402,764	(501,356)	(464,273)	127,664
BEGINNING FUND BALANCES					
	<u>8,986,912</u>	<u>(3,941,975)</u>	<u>2,144,092</u>	<u>2,523,923</u>	<u>9,712,952</u>
ENDING FUND BALANCES (DEFICITS)					
	<u>\$9,677,441</u>	<u>(\$3,539,211)</u>	<u>\$1,642,736</u>	<u>\$2,059,650</u>	<u>\$9,840,616</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, 2014

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	\$127,664
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance	2,104,439
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Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$84,002 which has already been allocated to serviced funds)	(1,166,178)
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Capital asset retirements are deducted from fund balance

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	225,715
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Change in accrued interest payable	(462,510)
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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	(424,897)
Net OPEB obligation	(362,869)

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	524,248
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$565,612
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See accompanying notes to financial statements

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CITY OF SAUSALITO

MAJOR PROPRIETARY FUNDS

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

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

MLK FUND

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

SEWER FUND

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

PARKING FUND

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

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$160,342	\$165,603	\$2,366,046	\$111,989	\$2,803,980	\$3,343,584
Receivables:						
Accounts receivable, net	61,852	4,786	8,933		75,571	1,170
Taxes receivable		14,694			14,694	
Prepaid assets			4,308		4,308	
Total current assets:	<u>222,194</u>	<u>185,083</u>	<u>2,379,287</u>	<u>111,989</u>	<u>2,898,553</u>	<u>3,344,754</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	<u>3,169,258</u>	<u>6,104,732</u>	<u>359,511</u>	<u>524,204</u>	<u>10,157,705</u>	<u>213,029</u>
Total noncurrent assets	<u>6,955,321</u>	<u>6,104,732</u>	<u>359,511</u>	<u>534,142</u>	<u>13,953,706</u>	<u>213,029</u>
Total Assets	<u>7,177,515</u>	<u>6,289,815</u>	<u>2,738,798</u>	<u>646,131</u>	<u>16,852,259</u>	<u>3,557,783</u>
LIABILITIES						
Current liabilities:						
Accounts payable	26,502	336,660	1,184		364,346	46,292
Accrued interest payable	6,738				6,738	
Compensated absences, due in one year (Note 11)		17,899			17,899	
Refundable deposits	187,485	4,040	26,366		217,891	
Claims payable-due within one year (Note 10)						293,835
Long-term debt, due within one year (Note 5)	<u>280,000</u>				<u>280,000</u>	<u>58,000</u>
Total current liabilities	<u>500,725</u>	<u>358,599</u>	<u>27,550</u>		<u>886,874</u>	<u>398,127</u>
Noncurrent liabilities:						
Advance from other funds (Note 3C)	6,348,509				6,348,509	
Claims payable - due in more than one year (Note 10)						715,826
Long-term debt, due in more than one year (Note 5)		<u>678,912</u>			<u>678,912</u>	<u>1,566,000</u>
Total noncurrent liabilities	<u>6,348,509</u>	<u>678,912</u>			<u>7,027,421</u>	<u>2,281,826</u>
Total Liabilities	<u>6,849,234</u>	<u>1,037,511</u>	<u>27,550</u>		<u>7,914,295</u>	<u>2,679,953</u>
NET POSITION (Note 11)						
Net investment in capital assets	6,675,321	5,425,820	359,511	534,142	12,994,794	213,029
Unrestricted	<u>(6,347,040)</u>	<u>(173,516)</u>	<u>2,351,737</u>	<u>111,989</u>	<u>(4,056,830)</u>	<u>664,801</u>
Total Net Position (Deficits)	<u>\$328,281</u>	<u>\$5,252,304</u>	<u>\$2,711,248</u>	<u>\$646,131</u>	<u>\$8,937,964</u>	<u>\$877,830</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, 2014

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
OPERATING REVENUES						
Building rents	\$1,154,301			\$268,136	\$1,422,437	
Charges for services		\$1,723,816	\$1,941,042		3,664,858	
Other revenue	40,754				40,754	\$242,187
Total Operating Revenues	1,195,055	1,723,816	1,941,042	268,136	5,128,049	242,187
OPERATING EXPENSES						
Other expenses	57,362	94,357	351,097		502,816	269,540
Professional services	24,704	334,754			359,458	
Repairs and maintenance	98,509	38,718	14,847		152,074	1,857
Salaries and benefits	159,939	909,042	55,138		1,124,119	
Utilities	106,631	30,679	1,520	725	139,555	
Depreciation	85,895	228,246	59,919	27,590	401,650	84,002
Total Operating Expenses	533,040	1,635,796	482,521	28,315	2,679,672	355,399
Operating Income (Loss) Before Transfers	662,015	88,020	1,458,521	239,821	2,448,377	(113,212)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	79	6	6,177	309	6,571	\$8,830
Interest (expense)	(317,978)				(317,978)	(388)
Total nonoperating revenue (expenses)	(317,899)	6	6,177	309	(311,407)	8,442
Income (Loss) before transfers	344,116	88,026	1,464,698	240,130	2,136,970	(104,770)
TRANSFERS						
Transfers in (Note 3B)						629,018
Transfers (out) (Note 3B)	(33,375)	(162,283)	(1,185,000)	(250,000)	(1,630,658)	
Net transfers	(33,375)	(162,283)	(1,185,000)	(250,000)	(1,630,658)	629,018
Change in net position	310,741	(74,257)	279,698	(9,870)	506,312	524,248
BEGINNING NET POSITION	17,540	5,326,561	2,431,550	656,001	8,431,652	353,582
ENDING NET POSITION	\$328,281	\$5,252,304	\$2,711,248	\$646,131	\$8,937,964	\$877,830

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,105,274	\$1,722,231	\$1,942,300	\$268,136	\$5,037,941	\$242,187
Payment to employees	(159,939)	(909,042)	(55,138)		(1,124,119)	
Payment to suppliers	(299,363)	(282,133)	(367,464)	(725)	(949,685)	(453,076)
Other receipts (payments)	167,427		19,612		187,039	
Cash Flows from Operating Activities	<u>813,399</u>	<u>531,056</u>	<u>1,539,310</u>	<u>267,411</u>	<u>3,151,176</u>	<u>(210,889)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in						629,018
Transfers (out)	(33,375)	(162,283)	(1,185,000)	(250,000)	(1,630,658)	
Cash Flows from Noncapital Financing Activities	<u>(33,375)</u>	<u>(162,283)</u>	<u>(1,185,000)</u>	<u>(250,000)</u>	<u>(1,630,658)</u>	<u>629,018</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures	(306,033)	(1,280,567)			(1,586,600)	(165,194)
Principal payments on capital debt	(317,689)				(317,689)	(127,816)
Interest payment	(26,309)				(26,309)	(2,149)
Proceeds from issuance of debt		578,912			578,912	
Cash Flows from Capital and Related Financing Activities	<u>(650,031)</u>	<u>(701,655)</u>			<u>(1,351,686)</u>	<u>(295,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	79	6	6,176	308	6,569	8,830
Net Cash Flows	130,072	(332,876)	360,486	17,719	175,401	131,800
Cash and investments at beginning of period	30,270	498,479	2,005,560	94,270	2,628,579	3,211,784
Cash and investments at end of period	<u>\$160,342</u>	<u>\$165,603</u>	<u>\$2,366,046</u>	<u>\$111,989</u>	<u>\$2,803,980</u>	<u>\$3,343,584</u>
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$662,015	\$88,020	\$1,458,521	\$239,821	\$2,448,377	(\$113,212)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	85,895	228,246	59,919	27,590	401,650	84,002
Other revenue			22,946		22,946	
Change in assets and liabilities:						
Accounts receivables	(49,027)	(1,585)	5,566		(45,046)	
Issuance/leasing costs			(4,308)		(4,308)	
Accounts payable and accruals	(12,157)	216,375	(883)		203,335	(21,313)
Accrued compensated absences						
Refundable deposits	126,673		(2,451)		124,222	
Claims payable						(160,366)
Cash Flows from Operating Activities	<u>\$813,399</u>	<u>\$531,056</u>	<u>\$1,539,310</u>	<u>\$267,411</u>	<u>\$3,151,176</u>	<u>(\$210,889)</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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. 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Major Funds

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

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

The major governmental funds of the City are:

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

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. Basis of Accounting

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and goods in connection with a proprietary fund's main operations. The main operating revenues of the MLK Enterprise Fund and the Old City Hall Enterprise Funds are charges to tenants for rental revenues. The main operating revenues of the Parking Enterprise Fund are charges for parking services to 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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, 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, 2014, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Community development	\$25,863
Public works	59,917
Tidelands Special Revenue Fund	575
Gas Tax Special Revenue Fund	15,476
Recreation Grant Special Revenue Fund	8,802

The excess expenditures were funded by available financial resources.

H. Prepaid Items

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

I. Compensated Absences

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

Accrued vacation – The hours earned each month for accrued vacation range from 9.375 hours up to 28 hours. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave – Under the City’s policy for sick leave, an employee does not receive any amount for accumulated sick leave unless he or she retires. Upon retirement the employee is entitled to be paid up to a maximum of 75 days of sick leave for management, 60 days for 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). In fiscal year ending June 30, 2014, the City adjusted its estimation for calculating compensated absences.

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, 2014:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$640,615	\$17,899	\$658,514
Additions	1,057,028		1,057,028
Payments	(632,131)		(632,131)
Ending Balance	<u>\$1,065,512</u>	<u>\$17,899</u>	<u>\$1,083,411</u>
Current Portion	<u>\$631,478</u>	<u>\$17,899</u>	<u>\$649,377</u>

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

J. Property Tax Revenues

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

K. Unavailable and Unearned Revenues

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

L. Statement of Cash Flows

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

M. Estimates and Assumption

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. *Deferred Outflows/Inflows of Resources*

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

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

NOTE 2 - CASH AND INVESTMENTS

A. *Policies*

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

B. *Classifications*

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

Statement of Net Position

Cash and investments	\$13,466,427
Restricted cash	564,907
Total Cash and investments	\$14,031,334

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, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

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

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

D. Authorized Investments by Debt Agreements

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

E. Interest Rate Risk

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

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

Investments	12 Months or less	Total
Local Agency Investment Fund	\$12,653,516	\$12,653,516
Money Market Mutual Fund	564,907	564,907
Total Investments	\$13,218,423	13,218,423
Cash in banks		810,551
Petty Cash		2,360
Total Cash and Investments		\$14,031,334

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2014, for each investment type as provided by Standard & Poor's Investment rating system:

Investment Type	AAAm	Total
Money Market Mutual Fund	\$564,907	\$564,907
Not Rated:		
Local Agency Investment Fund		12,653,516
Cash in banks		810,551
Petty cash		2,360
Total Cash and Investments		\$14,031,334

G. Custodial Credit Risk

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2014, these investments matured in an average of 232 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, 2014 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Non Major Governmental Funds	General Fund	\$85,686
		\$85,686

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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	\$1,850,158	Tideland Special Revenue Fund	(\$219,500) A
		MLK Enterprise Fund	(33,375) A
		Sewer Enterprise Fund	(162,283) A
		Parking Enterprise Fund	(1,185,000) B
		Old City Hall Enterprise Fund	(250,000) B
General Capital Improvement	1,641,922	General Fund	(519,264) C
		Tideland Special Revenue Fund	(5,419) C
		Non-Major Governmental Funds	(1,117,239) C
Non-Major Governmental Funds	72,155	Tideland Special Revenue Fund	(72,155) D
Internal Service Funds	<u>629,018</u>	General Fund	<u>(629,018) E,F,G</u>
Total Interfund Transfers	<u><u>\$4,193,253</u></u>	Total Interfund Transfers	<u><u>(\$4,193,253)</u></u>

The reasons for these transfers are set forth below:

- A To reimburse the General Fund for costs incurred for the benefit of funds making the transfer.
- B To fund the General Fund operation.
- C To fund capital improvement projects.
- D To fund Debt Service
- E To set aside funds for vehicle replacement.
- F To set aside funds for compensated absences and post employment benefits other than pension and general liability.
- G To set aside funds for general liability claims

C. Long-term Interfund Advances

The City had the following interfund advances at June 30:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
MLK Enterprise Fund	General Fund	<u>\$6,348,509</u>
		<u><u>\$6,348,509</u></u>

The City General Fund has loaned monies to the MLK Enterprise Fund to be used for any expenses necessary or incidental to carrying out the administration and maintenance of the property. At June 30, 2014, outstanding loans totaling \$6,348,509 (\$3,398,889 in advances and \$2,949,620 of accrued interest) have been made from the General Fund. Repayments will be made as practical to the City. Simple interest accrues at a rate of 5% per annum on the principal amount of the advance. Unpaid interest becomes part of the principal balance.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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, 2014

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, 2014, comprise:

	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated:					
Land and improvements	\$15,014,662				\$15,014,662
Construction in progress	561,571			(\$561,571)	
	<u>15,576,233</u>			<u>(561,571)</u>	<u>15,014,662</u>
Depreciable capital assets:					
Building and improvements	17,715,683				17,715,683
Vehicles and equipment	350,513		(\$33,911)		316,602
Machinery and equipment	924,011	\$28,953			952,964
Infrastructure	34,257,777	2,075,486		561,571	36,894,834
Total Infrastructure	<u>53,247,984</u>	<u>2,104,439</u>	<u>(33,911)</u>	<u>561,571</u>	<u>55,880,083</u>
Less: accumulated depreciation for					
Building and improvements	(1,752,633)	(354,932)			(2,107,565)
Vehicles and equipment	(350,513)		33,911		(316,602)
Machinery and equipment	(704,900)	(72,791)			(777,691)
Infrastructure	(21,569,747)	(738,455)			(22,308,202)
Total accumulated depreciation	<u>(24,377,793)</u>	<u>(1,166,178)</u>	<u>33,911</u>		<u>(25,510,060)</u>
Depreciable capital assets, net	<u>28,870,191</u>	<u>938,261</u>		<u>561,571</u>	<u>30,370,023</u>
Internal Service Funds					
Depreciable capital assets:					
Vehicles and equipment	545,925	166,242	(32,489)		679,678
Machinery and equipment	17,273				17,273
	<u>563,198</u>	<u>166,242</u>	<u>(32,489)</u>		<u>696,951</u>
Less: accumulated depreciation for					
Vehicles and equipment	(423,982)	(81,517)	32,489		(473,010)
Machinery and equipment	(8,427)	(2,485)			(10,912)
Total accumulated depreciation	<u>(432,409)</u>	<u>(84,002)</u>	<u>32,489</u>		<u>(483,922)</u>
Depreciable capital assets, net	<u>130,789</u>	<u>82,240</u>			<u>213,029</u>
Governmental capital assets, net	<u>\$44,577,213</u>	<u>\$1,020,501</u>			<u>\$45,597,714</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Business-type Activities					
Land and improvements	\$3,796,001				\$3,796,001
Construction in Progress	412,232	\$1,280,568		(\$1,692,800)	
	<u>4,208,233</u>	<u>1,280,568</u>		<u>(1,692,800)</u>	<u>3,796,001</u>
Depreciable capital assets:					
Building and improvements	5,805,391	306,034	(\$10,487)		6,100,938
MLK Bus Barn	275,000				275,000
Vehicles and equipment	2,179,002		(277,954)		1,901,048
Infrastructure	9,241,501			1,692,800	10,934,301
Total	<u>17,500,894</u>	<u>306,034</u>	<u>(288,441)</u>	<u>1,692,800</u>	<u>19,211,287</u>
Less: accumulated depreciation for					
Building and improvements	(2,490,542)	(107,985)	4,041		(2,594,486)
MLK Bus Barn	(82,495)	(5,500)			(87,995)
Vehicles and equipment	(1,279,258)	(119,945)	261,454		(1,137,749)
Infrastructure	(5,065,132)	(168,220)			(5,233,352)
	<u>(8,917,427)</u>	<u>(401,650)</u>	<u>265,495</u>		<u>(9,053,582)</u>
Depreciable capital assets, net	<u>8,583,467</u>	<u>(95,616)</u>	<u>(22,946)</u>	<u>1,692,800</u>	<u>10,157,705</u>
Total capital assets, net	<u>\$12,791,700</u>	<u>\$1,184,952</u>	<u>(\$22,946)</u>		<u>\$13,953,706</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	\$231,212
Police services	298,515
Public works	629,456
Recreation	6,995
Internal Service Funds	<u>84,002</u>
Total Governmental Activities	<u>\$1,250,180</u>
Business-type Activities:	
MLK	\$85,895
Sewer	228,246
Parking	59,919
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$401,650</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Governmental Activities						
Southern Marin Fire Protection District	\$1,740,000	\$1,682,000		(\$58,000)	\$1,624,000	\$58,000
Department of Boating & Waterways	1,200,000	698,671		(40,715)	657,956	42,548
General Obligation Bonds:						
2006 Series A	8,205,000	5,790,000		(185,000)	5,605,000	215,000
2006 Series B	7,293,894	9,884,563	\$468,044		10,352,607	
Fire Truck Lease	434,235	69,816		(69,816)		
Total Government Activities		<u>\$18,125,050</u>	<u>\$468,044</u>	<u>(\$353,531)</u>	<u>\$18,239,563</u>	<u>\$315,548</u>
Business-type Activities						
State Water Resources Board Loan	100,000	\$100,000	\$578,912		\$678,912	
Capital Leases						
MLK capital lease	3,840,494	67,689		(\$67,689)		
MLK capital improvement lease	1,770,000	530,000		(250,000)	280,000	\$280,000
Total Business-type Activities		<u>\$697,689</u>	<u>\$578,912</u>	<u>(\$317,689)</u>	<u>\$958,912</u>	<u>\$280,000</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, 2014

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 \$7,436,050. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$432,975 and \$247,975, 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 \$10,352,607. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$248,376.

The Bonds unaccrued discount and the current year accretion totaled \$15,262,395 and \$468,044, respectively at June 30, 2014. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026. Final repayment will be August 1, 2041.

F. Fire Truck Capital Lease

On February 7, 2007, the City entered into a capital lease agreement in the amount of \$434,235 to purchase a fire truck. Principal and interest payments were due each February 7 and August 7, commencing August 7, 2007, until February 7, 2014. The capital lease bore interest at 4.09% per annum. The capital lease was repaid in full as of June 30, 2014.

G. State Water Resources Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement in the amount of \$1,036,480 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. As of June 30, 2014 the City had drawn down \$678,912 of the total loan amount.

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 2033 and restructured at an interest rate of 7.46%.

CITY OF SAUSALITO Notes to Financial Statements For The Year Ended June 30, 2014

NOTE 5 - LONG-TERM DEBT (Continued)
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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, 2014 is comprised of the following:

Operating Leases	\$1,103,009
Utility pass through	<u>51,292</u>
	<u><u>\$1,154,301</u></u>

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2014 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2015	\$1,220,946
2016	1,259,318
2017	1,297,674
2018	1,337,605
2019	1,377,605
2020-2024	7,315,082
2025-2029	8,233,125
2030-2034	<u>8,727,112</u>
	<u><u>\$30,768,467</u></u>

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

I. MLK Capital Improvement Lease

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 5 - LONG-TERM DEBT (Continued)

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
2015	\$315,548	\$268,551	\$280,000	\$7,351
2016	352,463	262,503	56,355	107,840
2017	389,463	244,136	27,562	56,050
2018	436,554	229,437	28,279	53,568
2019	483,739	212,800	29,014	51,023
2020-2024	3,225,068	740,624	156,784	214,550
2025-2029	5,550,123	86,313	178,253	140,207
2030-2034	7,780,000		202,665	55,674
2035-2039	10,080,000			
2040-2042	4,889,000			
Total	\$33,501,958	\$2,044,362	\$958,912	\$686,263

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$15,262,395

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, 2014 is \$1,990,000.

NOTE 7 – UNEARNED REVENUE

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 7 – UNEARNED REVENUE (Continued)

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, 2014, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,765,332 as unearned lease revenue to be amortized over remaining 49 years.

In addition, upon the completion of the project, the tenant is also entitled to a rent credit against the rental payments to be made to the City. The total amount of the available rent credit is equal to one half of the project costs less \$1,000,000. The project was completed July 2012. Commencing 30 days after project completion date, the rent credit is applied monthly and spread equally over a period of 25 years of rent credit period. Under certain conditions specified in the agreement, the rent credit period shall be extended by a period of time equal to the time that tenant was not required to pay rent. Beginning on the commencement of the rent credit and annually thereafter until the rent credits are exhausted, the rent credits are subject to a cost of living increase of 5% of the outstanding and unused rent credit. As of June 30, 2014, the City had recorded \$1,974,830 as unearned rent revenue.

Combined, the unearned revenue at June 30, 2014 is \$4,740,162.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 8 - EMPLOYEE RETIREMENT PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (Police) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2014, are summarized as follows:

	<u>Police</u>		
	<u>Tier 1 (Closed to new entrants)</u>	<u>Tier 2 (Classic Employee)</u>	<u>Tier 3 (PEPRA)</u>
Hire Date	Before January 1, 2013	After January 1, 2013	After July 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55 and up	50-55 and up	57 and up
Monthly benefits, as a % of salary	2.4%-3.0%	2%-2.7%	2.70%
Normal Cost	15.430%	14.593%	10.750%
FACI	0.883%		
PRSA	1.698%	1.380%	
Class 1 surcharge rate			1.500%
Total Normal Cost	18.011%	15.973%	12.250%
Amortization	5.937%	5.490%	
Side fund	18.057%	0.000%	0.000%
Required employer contribution rates	42.005%	21.463%	12.250%
Required by MOU - Employee cost sharing	0.883%		
Net employer contribution	41.122%	21.463%	12.250%
Required employee contribution rates	9.000%	9.000%	12.250%
Required by MOU - Employee cost sharing	0.883%		
Gross employee contribution	9.88%	9.00%	12.25%
Employee contribution % of Normal Cost	13.51%	12.49%	12.25%
	<u>Miscellaneous</u>		
	<u>Tier 1 (Closed to new entrants)</u>	<u>Tier 2 (Classic Employee)</u>	<u>Tier 3 (PEPRA)</u>
Hire Date	Before January 1, 2013	After January 1, 2013	After July 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55 and up	50-63 and up	62 and up
Monthly benefits, as a % of salary	2% - 2.5%	1.426%-2.418%	2%
Normal Cost	8.896%	7.824%	6.000%
FACI	0.566%	0.000%	0.000%
PRSA	0.900%	0.808%	0.000%
Class 1 surcharge rate	0.000%	0.000%	0.700%
Total Normal Cost	10.362%	8.632%	6.700%
Amortization	6.239%	3.208%	0.000%
Side fund	0.000%	0.000%	0.000%
Required employer contribution rates	16.601%	11.840%	6.700%
Required by MOU - Employee cost sharing	0.566%	0.000%	0.000%
Net employer contribution	16.035%	11.840%	6.700%
Required employee contribution rates	8.000%	7.000%	6.700%
Required by MOU - Employee cost sharing	0.566%	0.000%	0.000%
Gross employee contribution	8.566%	7.000%	6.700%
50 % of Normal Cost Target	9.18%	7.82%	6.70%

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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

FYE	Employee Contribution Amount	Employer Contribution Amount	Total Contribution Amount	Employer Contribution Rates		
				Police	Fire	Misc
2007	\$340,462	\$1,106,294	\$1,446,755	29.05%	23.46%	12.73%
2008	372,230	1,259,865	1,632,095	31.77%	23.72%	12.65%
2009	395,293	1,380,712	1,776,004	34.67%	24.85%	12.50%
2010	448,579	1,506,942	1,955,521	34.28%	26.67%	12.44%
2011	474,974	1,547,290	2,022,264	33.00%	27.06%	12.74%
2012	515,968	1,892,029	2,407,997	38.53%	31.55%	15.60%
2013	508,350	1,376,896	1,885,246	37.89%	31.28%	16.12%
2014	496,465	1,339,935	1,836,400	36.61%	0.00%	14.01%

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation rate at 2.75 %. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The balances of both the Miscellaneous Plan's Side Fund liability of \$413,515 and Fire Safety Plan's Side Fund liability of \$1,333,859 were both paid off during fiscal year ended June 30, 2013.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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

State-wide pool - Safety Police and Fire Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$1,915,095,826	\$1,628,915,283	\$286,180,543	85.1%	\$224,562,008	127.4%
2011	2,061,923,933	1,759,286,797	302,637,136	85.3%	225,026,216	134.5%
2012	2,183,549,942	1,896,139,291	287,410,651	86.8%	232,078,083	123.8%

State-wide pool - Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2010	\$1,972,910,641	\$1,603,482,152	\$369,428,489	81.3%	\$352,637,380	104.8%
2011	2,135,350,204	1,724,200,585	411,149,619	80.7%	350,121,750	117.4%
2012	2,254,622,362	1,837,489,422	417,132,940	81.5%	339,228,272	123.0%

The City's Safety (Police and Fire) Plan represents approximately 1.3%, 1.4% and 1.4% of the State-wide pool for each of the years ended June 30, 2012, 2011 and 2010, based on covered payroll for those years.

The City's Miscellaneous Plan represents approximately 0.9%, 1.0% and 1.0% of the State-wide pool for each of the years ended June 30, 2012, 2011 and 2010, based on covered payroll for those years.

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

B. *Deferred Compensation Plan*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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, 2014, 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.

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, 2014, 35 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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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

B. Funding Policy and Actuarial Assumptions

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

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

This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) investment rate of return on pay as you go basis of 5.0%, (b) 3.25% aggregate payroll increase, and (c) a healthcare trend of declining annual increases ranging from 7.3% in January 2012 to 5.5% starting January 2019. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed thirty-year amortization period.

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

	Governmental Activities
Annual required contribution (ARC)	\$535,701
Interest on net OPEB obligation	112,722
Adjustment to annual required contribution	(115,050)
Annual OPEB cost	533,373
Contributions made:	
City's portion of current year premiums paid	170,504
Change in net OPEB obligation	362,869
Net OPEB obligation June 30, 2013	2,312,692
Net OPEB obligation June 30, 2014	\$2,675,561

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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

The Plan's annual required contributions and actual contributions for the year ended 2014 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	\$712,559	\$157,743	22%	\$1,957,795
6/30/2013	513,953	159,056	31%	2,312,692
6/30/2014	533,373	170,504	32%	2,675,561

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2012 actuarial study is presented below:

Fiscal Year	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)
6/30/2011	\$0	\$6,888,060	(\$6,888,060)	0%
6/30/2012	0	6,646,550	(6,646,550)	0%
6/30/2013	0	6,627,101	(6,627,101)	0%

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;

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

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

- 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;

- Effective with the June 26, 2012 annexation agreement, the Fire employee component of the normal cost and actuarial accrued liability is now a completely closed pool and the normal cost and actuarial accrued liability will be eventually totally eliminated.

- As of June 30, 2014, the City had accumulated approximately \$996,673 in the separate internal services as partial offsets for the remaining Police, SEIU Local 1021 and unrepresented employees actuarial accrued liabilities.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

A. Workers' Compensation Coverage Statistics

The Workers' Compensation Fund is self-insured for the first \$150,000 of loss per occurrence. Excess coverage is provided by an outside insurance carrier up to \$1,000,000 to statutory limits.

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

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

At June 30, 2014, the City's estimated workers' compensation liability for unpaid losses was as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$999,101	\$698,630
Incurred claims and claims adjustment	(177,181)	424,307
Claims paid		<u>(123,836)</u>
Ending balance	<u>\$821,920</u>	<u>\$999,101</u>
Current portion	<u>\$254,383</u>	<u>\$300,995</u>

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

B. General Liability Coverage

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

The BCJPIA provides liability and errors and omissions coverage in excess of the City’s \$50,000 self-insured retention, up to one million through a risk shared self insurance pool. BCJPIA obtains excess coverage through California Affiliated Risk Management Authorities (CARMA) a risk sharing joint powers authority. CARMA provides excess insurance coverage to \$28 million. Employment Risk Management Authority, a risk sharing joint powers authority, arranges for pooled risk sharing related to employment practices liability. Coverage is provided up to \$2 million excess of \$1 million.

At June 30, 2014, the City’s estimated general liability for unpaid losses was as follows:

	2014	2013
Beginning balance	\$170,926	\$116,741
Incurred claims and claims adjustment	195,429	139,223
Claims paid	(178,614)	(85,038)
Ending balance	\$187,741	\$170,926
Current portion	\$39,452	\$41,123

NOTE 11 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

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

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

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2014, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$2,715				\$2,715
Prepays	17,016				17,016
Advances to other funds	6,348,509				6,348,509
Subtotal	<u>6,368,240</u>				<u>6,368,240</u>
Restricted for:					
Seized assets				\$34,148	34,148
Traffic safety				18,222	18,222
Street construction and maintenance				37,102	37,102
Infrastructure projects				143,234	143,234
Storm drain maintenance				10,002	10,002
Stair improvements				123,929	123,929
Disasters				964,069	964,069
Grants				37,732	37,732
Measure A				286	286
2006 General Obligations				588,089	588,089
Police grant				996	996
Subtotal				<u>1,957,809</u>	<u>1,957,809</u>
Committed to:					
Library improvements				101,841	101,841
Capital improvements			\$1,642,736		1,642,736
Subtotal			<u>1,642,736</u>	<u>101,841</u>	<u>1,744,577</u>
Assigned:					
Budget stabilization reserve	578,326				578,326
Subtotal	<u>578,326</u>				<u>578,326</u>
Unassigned:					
Emergency shortfall reserve	2,730,875				2,730,875
Fund deficit residuals		(\$3,539,211)		-	(3,539,211)
Subtotal	<u>2,730,875</u>	<u>(3,539,211)</u>		<u>-</u>	<u>(808,336)</u>
 Total fund balances	 <u>\$9,677,441</u>	 <u>(\$3,539,211)</u>	 <u>\$1,642,736</u>	 <u>\$2,059,650</u>	 <u>\$9,840,616</u>

C. Budget Stabilization Shortfall Reserve Policy

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2014

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

D. *Emergency Shortfall Reserve Policy*

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

E. *Net Position and Fund Balance Deficits*

The following funds also had a fund balance deficit at June 30, 2014 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,539,211
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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, 2014

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.

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property tax	\$3,945,000	\$4,077,000	\$4,347,775	\$270,775
Sales tax	1,860,000	1,894,000	1,923,191	29,191
Other tax	1,726,000	1,801,000	1,993,023	192,023
Licenses and permits	516,000	556,000	551,518	(4,482)
Fines and forfeitures	610,000	610,000	616,789	6,789
Use of money and property	565,000	565,000	586,444	21,444
Intergovernmental	47,500	27,000	15,547	(11,453)
Charges for services	1,168,600	1,179,400	1,343,387	163,987
Other revenues	35,188	11,000	177,491	166,491
	<u>10,473,288</u>	<u>10,720,400</u>	<u>11,555,165</u>	<u>834,765</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government:				
Administration	1,411,357	1,433,857	1,351,034	82,823
Information Technology	494,481	514,481	504,889	9,592
Non departmental	1,112,398	1,312,398	1,028,952	283,446
Library	792,340	792,340	787,548	4,792
Public safety:				
Police	4,620,046	4,620,046	4,358,750	261,296
Community development	1,253,902	1,253,902	1,279,765	(25,863)
Public works	1,384,480	1,384,480	1,444,397	(59,917)
Parks & recreation	811,092	815,092	811,177	3,915
	<u>11,880,096</u>	<u>12,126,596</u>	<u>11,566,512</u>	<u>560,084</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,406,808)</u>	<u>(1,406,196)</u>	<u>(11,347)</u>	<u>1,394,849</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,850,158	1,850,158	1,850,158	
Transfers (out)	(413,000)	(413,000)	(1,148,282)	(735,282)
	<u>1,437,158</u>	<u>1,437,158</u>	<u>701,876</u>	<u>(735,282)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE				
	<u>\$30,350</u>	<u>\$30,962</u>	690,529	<u>\$659,567</u>
BEGINNING FUND BALANCE				
			<u>8,986,912</u>	
ENDING FUND BALANCE				
			<u>\$9,677,441</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, 2014

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	<u>\$717,978</u>	<u>\$795,842</u>	<u>\$77,864</u>
Total Revenues	<u>717,978</u>	<u>795,842</u>	<u>77,864</u>
EXPENDITURES:			
Current:			
General government	<u>95,429</u>	<u>96,004</u>	<u>(575)</u>
Total Expenditures	<u>95,429</u>	<u>96,004</u>	<u>(575)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>622,549</u>	<u>699,838</u>	<u>77,289</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(431,655)</u>	<u>(297,074)</u>	<u>134,581</u>
Total Other Financing Sources (Uses)	<u>(431,655)</u>	<u>(297,074)</u>	<u>134,581</u>
NET CHANGE IN FUND BALANCE	<u><u>\$190,894</u></u>	<u>402,764</u>	<u><u>\$211,870</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(3,941,975)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$3,539,211)</u></u>	

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Traffic Congestion Relief, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund, Measure A and Prop 1B Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). 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, 2014

	<u>Final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental		\$186,307	\$186,307
Use of money and property		2,229	2,229
Other revenue	<u>\$3,127,938</u>	<u>214,934</u>	<u>(2,913,004)</u>
Total Revenues	<u>3,127,938</u>	<u>403,470</u>	<u>(2,724,468)</u>
EXPENDITURES:			
Current:			
Capital outlay	<u>6,682,591</u>	<u>2,546,748</u>	<u>4,135,843</u>
Total Expenditures	<u>6,682,591</u>	<u>2,546,748</u>	<u>4,135,843</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,554,653)</u>	<u>(2,143,278)</u>	<u>1,411,375</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,641,043</u>	<u>1,641,922</u>	<u>879</u>
Total Other Financing Sources (Uses)	<u>1,641,043</u>	<u>1,641,922</u>	<u>879</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,913,610)</u>	<u>(501,356)</u>	<u>\$1,412,254</u>
BEGINNING FUND BALANCE		<u>2,144,092</u>	
ENDING FUND BALANCE (DEFICIT)		<u>\$1,642,736</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.

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

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

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

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

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

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

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

Debt Service Fund

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Capital Project Funds

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

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees	Traffic Congestion Relief
ASSETS					
Cash and investments	\$34,148	\$17,081	\$27,311	\$143,234	
Restricted cash and investments					
Receivables:					
Taxes receivables, net			24,351		
Accounts receivable, net		6,585			
Total Assets	\$34,148	\$23,666	\$51,662	\$143,234	
LIABILITIES					
Accounts payable		\$5,444	\$14,560		
Due to other funds					
Total Liabilities		5,444	14,560		
FUND BALANCE					
Restricted	\$34,148	18,222	37,102	\$143,234	
Committed					
Total Fund Balances	34,148	18,222	37,102	143,234	
Total Liabilities and Fund Balances	\$34,148	\$23,666	\$51,662	\$143,234	

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
	\$9,387	\$123,929	\$964,069		\$286
	615				
<u>\$23,777</u>				<u>\$101,153</u>	
<u>\$23,777</u>	<u>\$10,002</u>	<u>\$123,929</u>	<u>\$964,069</u>	<u>\$101,153</u>	<u>\$286</u>
				\$516	
<u>\$22,781</u>				<u>62,905</u>	
<u>22,781</u>				<u>63,421</u>	
996	\$10,002	\$123,929	\$964,069	37,732	\$286
<u>996</u>	<u>10,002</u>	<u>123,929</u>	<u>964,069</u>	<u>37,732</u>	<u>286</u>
<u>\$23,777</u>	<u>\$10,002</u>	<u>\$123,929</u>	<u>\$964,069</u>	<u>\$101,153</u>	<u>\$286</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	<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	\$21,499		\$101,841	\$1,442,785
Restricted cash and investments	564,907			564,907
Receivables:				
Taxes receivables, net	1,683			26,649
Accounts receivable, net				131,515
	<u>588,089</u>		<u>\$101,841</u>	<u>\$2,165,856</u>
Total Assets				
LIABILITIES				
Accounts payable				\$20,520
Due to other funds				85,686
				<u>106,206</u>
Total Liabilities				
FUND BALANCE				
Restricted	\$588,089			1,957,809
Committed			\$101,841	101,841
	<u>588,089</u>		<u>101,841</u>	<u>2,059,650</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$588,089</u>		<u>\$101,841</u>	<u>\$2,165,856</u>

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Fines and forfeitures		\$42,587		
Use of money and property	\$98	30	\$691	\$1,507
Intergovernmental			262,880	
Charges for services				159,975
Other revenues				
Total Revenues	<u>98</u>	<u>42,617</u>	<u>263,571</u>	<u>161,482</u>
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		23,688	93,476	
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total Expenditures		<u>23,688</u>	<u>93,476</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>98</u>	<u>18,929</u>	<u>170,095</u>	<u>161,482</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(277,833)	(430,149)
Total Other Financing Sources (Uses)			<u>(277,833)</u>	<u>(430,149)</u>
NET CHANGE IN FUND BALANCES	98	18,929	(107,738)	(268,667)
BEGINNING FUND BALANCES (DEFICITS)	<u>34,050</u>	<u>(707)</u>	<u>144,840</u>	<u>411,901</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$34,148</u>	<u>\$18,222</u>	<u>\$37,102</u>	<u>\$143,234</u>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
(\$16)	\$228	\$408	\$2,760		\$597
102,596	71,693			\$37,519	133,469
<u>102,580</u>	<u>71,921</u>	<u>408</u>	<u>2,760</u>	<u>37,519</u>	<u>134,066</u>
102,490	14,187				
	3,033			8,802	
<u>102,490</u>	<u>17,220</u>			<u>8,802</u>	
90	54,701	408	2,760	28,717	134,066
	(93,713)	(18,496)			(297,048)
	(93,713)	(18,496)			(297,048)
90	(39,012)	(18,088)	2,760	28,717	(162,982)
906	49,014	142,017	961,309	9,015	163,268
<u>\$996</u>	<u>\$10,002</u>	<u>\$123,929</u>	<u>\$964,069</u>	<u>\$37,732</u>	<u>\$286</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>DEBT SERVICE FUND</u>		<u>CAPITAL PROJECT FUND</u>	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Tideland Loan	Library Capital Improvement	
REVENUES				
Property tax	\$511,138			\$511,138
Fines and forfeitures				42,587
Use of money and property	5		\$292	6,600
Intergovernmental				536,464
Charges for services				231,668
Other revenues	3,561		167,008	170,569
	<u>514,704</u>		<u>167,300</u>	<u>1,499,026</u>
EXPENDITURES				
Current:				
Public safety:				
Police				102,490
Public works				131,351
Capital outlay			167,008	178,843
Debt service:				
Principal	185,000	\$40,715		225,715
Interest and other charges	248,376	31,440		279,816
	<u>433,376</u>	<u>72,155</u>	<u>167,008</u>	<u>918,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>81,328</u>	<u>(72,155)</u>	<u>292</u>	<u>580,811</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		72,155		72,155
Transfers (out)				(1,117,239)
		<u>72,155</u>		<u>(1,045,084)</u>
NET CHANGE IN FUND BALANCES				
	81,328		292	(464,273)
BEGINNING FUND BALANCES (DEFICITS)				
	<u>506,761</u>		<u>101,549</u>	<u>2,523,923</u>
ENDING FUND BALANCES (DEFICITS)				
	<u>\$588,089</u>		<u>\$101,841</u>	<u>\$2,059,650</u>

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CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$35,000	\$42,587	\$7,587			
Use of money and property		30	30		\$691	\$691
Intergovernmental				\$226,154	262,880	36,726
Charges for services						
Other revenues						
Total Revenues	<u>35,000</u>	<u>42,617</u>	<u>7,617</u>	<u>226,154</u>	<u>263,571</u>	<u>37,417</u>
EXPENDITURES						
Current:						
Public works	35,000	23,688	11,312	78,000	93,476	(15,476)
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>35,000</u>	<u>23,688</u>	<u>11,312</u>	<u>78,000</u>	<u>93,476</u>	<u>(15,476)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>18,929</u>	<u>18,929</u>	<u>148,154</u>	<u>170,095</u>	<u>21,941</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(100,500)	(277,833)	(177,333)
Total Other Financing Sources (Uses)				<u>(100,500)</u>	<u>(277,833)</u>	<u>(177,333)</u>
NET CHANGES IN FUND BALANCES		<u>18,929</u>	<u>\$18,929</u>	<u>\$47,654</u>	<u>(107,738)</u>	<u>(\$155,392)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(707)</u>			<u>144,840</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$18,222</u>			<u>\$37,102</u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Storm Drain			Stairs Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,507	\$1,507		\$228	\$228		\$408	\$408
\$150,000	159,975	9,975	\$74,500	71,693	(2,807)			
<u>150,000</u>	<u>161,482</u>	<u>11,482</u>	<u>74,500</u>	<u>71,921</u>	<u>(2,579)</u>		<u>408</u>	<u>408</u>
			29,000	14,187 3,033	14,813 (3,033)			
			<u>29,000</u>	<u>17,220</u>	<u>11,780</u>			
<u>150,000</u>	<u>161,482</u>	<u>11,482</u>	<u>45,500</u>	<u>54,701</u>	<u>9,201</u>		<u>408</u>	<u>408</u>
<u>(180,750)</u>	<u>(430,149)</u>	<u>(249,399)</u>	<u>(10,000)</u>	<u>(93,713)</u>	<u>(83,713)</u>	<u>(\$100,000)</u>	<u>(18,496)</u>	<u>81,504</u>
<u>(180,750)</u>	<u>(430,149)</u>	<u>(249,399)</u>	<u>(10,000)</u>	<u>(93,713)</u>	<u>(83,713)</u>	<u>(100,000)</u>	<u>(18,496)</u>	<u>81,504</u>
<u>(\$30,750)</u>	<u>(268,667)</u>	<u>(\$237,917)</u>	<u>\$35,500</u>	<u>(39,012)</u>	<u>(\$74,512)</u>	<u>(\$100,000)</u>	<u>(18,088)</u>	<u>\$81,912</u>
	<u>411,901</u>			<u>49,014</u>			<u>142,017</u>	
	<u>\$143,234</u>			<u>\$10,002</u>			<u>\$123,929</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2014

	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					\$597	\$597
Intergovernmental		\$37,519	\$37,519	\$130,300	133,469	3,169
Charges for services						
Other revenues						
Total Revenues		<u>37,519</u>	<u>37,519</u>	<u>130,300</u>	<u>134,066</u>	<u>3,766</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay		8,802	(8,802)			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures		<u>8,802</u>	<u>(8,802)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>28,717</u>	<u>28,717</u>	<u>130,300</u>	<u>134,066</u>	<u>3,766</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(129,000)	(297,048)	(168,048)
Total Other Financing Sources (Uses)				<u>(129,000)</u>	<u>(297,048)</u>	<u>(168,048)</u>
NET CHANGES IN FUND BALANCES		<u>28,717</u>	<u>\$28,717</u>	<u>\$1,300</u>	(162,982)	<u>(\$164,282)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>9,015</u>			<u>163,268</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$37,732</u>			<u>\$286</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$512,343	\$511,138	(\$1,205)			
	5	5			
	<u>3,561</u>	<u>3,561</u>			
<u>512,343</u>	<u>514,704</u>	<u>2,361</u>			
165,000	185,000	(20,000)	\$40,715	\$40,715	
344,870	248,376	96,494	31,440	31,440	
<u>509,870</u>	<u>433,376</u>	<u>76,494</u>	<u>72,155</u>	<u>72,155</u>	
<u>2,473</u>	<u>81,328</u>	<u>78,855</u>	<u>(72,155)</u>	<u>(72,155)</u>	
<u>(2,473)</u>		<u>2,473</u>	72,155	72,155	
<u>(2,473)</u>		<u>2,473</u>	<u>72,155</u>	<u>72,155</u>	
	<u>81,328</u>	<u>\$81,328</u>			
	<u>506,761</u>				
	<u>\$588,089</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 STATEMENTS OF NET POSITION
JUNE 30, 2014

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$983,932	\$1,062,669	\$996,673	\$300,310	\$3,343,584
Accounts receivable, net	1,170				1,170
Total current assets	985,102	1,062,669	996,673	300,310	3,344,754
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	213,029				213,029
Total noncurrent assets	213,029				213,029
Total Assets	1,198,131	1,062,669	996,673	300,310	3,557,783
LIABILITIES					
Current liabilities:					
Accounts payable	6,176	3,979	24,000	12,137	46,292
Claims payable - due within one year		254,383		39,452	293,835
Long-term debt - due within one year			58,000		58,000
Total current liabilities	6,176	258,362	82,000	51,589	398,127
Noncurrent liabilities					
Claims payable, due in more than one year		567,537		148,289	715,826
Long-term debt - due in more than one year			1,566,000		1,566,000
Total noncurrent liabilities		567,537	1,566,000	148,289	2,281,826
Total Liabilities	6,176	825,899	1,648,000	199,878	2,679,953
NET POSITION					
Net investment in capital assets	213,029				213,029
Unrestricted	978,926	236,770	(651,327)	100,432	664,801
Total Net Position	\$1,191,955	\$236,770	(\$651,327)	\$100,432	\$877,830

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue	\$3,312	\$238,875			\$242,187
Total Operating Revenues	3,312	238,875			242,187
OPERATING EXPENSES					
Repairs and maintenance	1,857				1,857
Other operating expenses	20,314	11,591	\$59,021	\$178,614	269,540
Depreciation	84,002				84,002
Total Operating Expenses	106,173	11,591	59,021	178,614	355,399
Operating Income (Loss)	(102,861)	227,284	(59,021)	(178,614)	(113,212)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	2,962	2,859	2,517	492	8,830
Interest (expense)	(388)				(388)
Total nonoperating revenue	2,574	2,859	2,517	492	8,442
Income before transfers	(100,287)	230,143	(56,504)	(178,122)	(104,770)
Transfers in	92,863		327,155	209,000	629,018
Transfers, net	92,863		327,155	209,000	629,018
Change in Net Position	(7,424)	230,143	270,651	30,878	524,248
BEGINNING NET POSITION	1,199,379	6,627	(921,978)	69,554	353,582
ENDING NET POSITION	\$1,191,955	\$236,770	(\$651,327)	\$100,432	\$877,830

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$3,312	\$238,875			\$242,187
Payment to suppliers	(22,171)	(203,842)	(\$70,232)	(\$156,831)	(453,076)
Cash Flows from Operating Activities	<u>(18,859)</u>	<u>35,033</u>	<u>(70,232)</u>	<u>(156,831)</u>	<u>(210,889)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	92,863		327,155	209,000	629,018
Cash Flows from Noncapital Financing Activities	<u>92,863</u>		<u>327,155</u>	<u>209,000</u>	<u>629,018</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(165,194)				(165,194)
Interest expense	(2,149)				(2,149)
Payment of long-term debt	(69,816)		(58,000)		(127,816)
Cash Flows from Capital and Related Financing Activities	<u>(237,159)</u>		<u>(58,000)</u>		<u>(295,159)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	2,962	2,859	2,517	492	8,830
Net Cash Flows	(160,193)	37,892	201,440	52,661	131,800
Cash and investments at beginning of period	1,144,125	1,024,777	795,233	247,649	3,211,784
Cash and investments at end of period	<u>\$983,932</u>	<u>\$1,062,669</u>	<u>\$996,673</u>	<u>\$300,310</u>	<u>\$3,343,584</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$102,861)	\$227,284	(\$59,021)	(\$178,614)	(\$113,212)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	84,002				84,002
Change in assets and liabilities:					
Accounts receivable					
Accounts payable		(15,070)	(11,211)	4,968	(21,313)
Claims payable		(177,181)		16,815	(160,366)
Cash Flows from Operating Activities	<u>(18,859)</u>	<u>\$35,033</u>	<u>(70,232)</u>	<u>(156,831)</u>	<u>(210,889)</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, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2014.

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 November 10, 2014 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
November 10, 2014



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

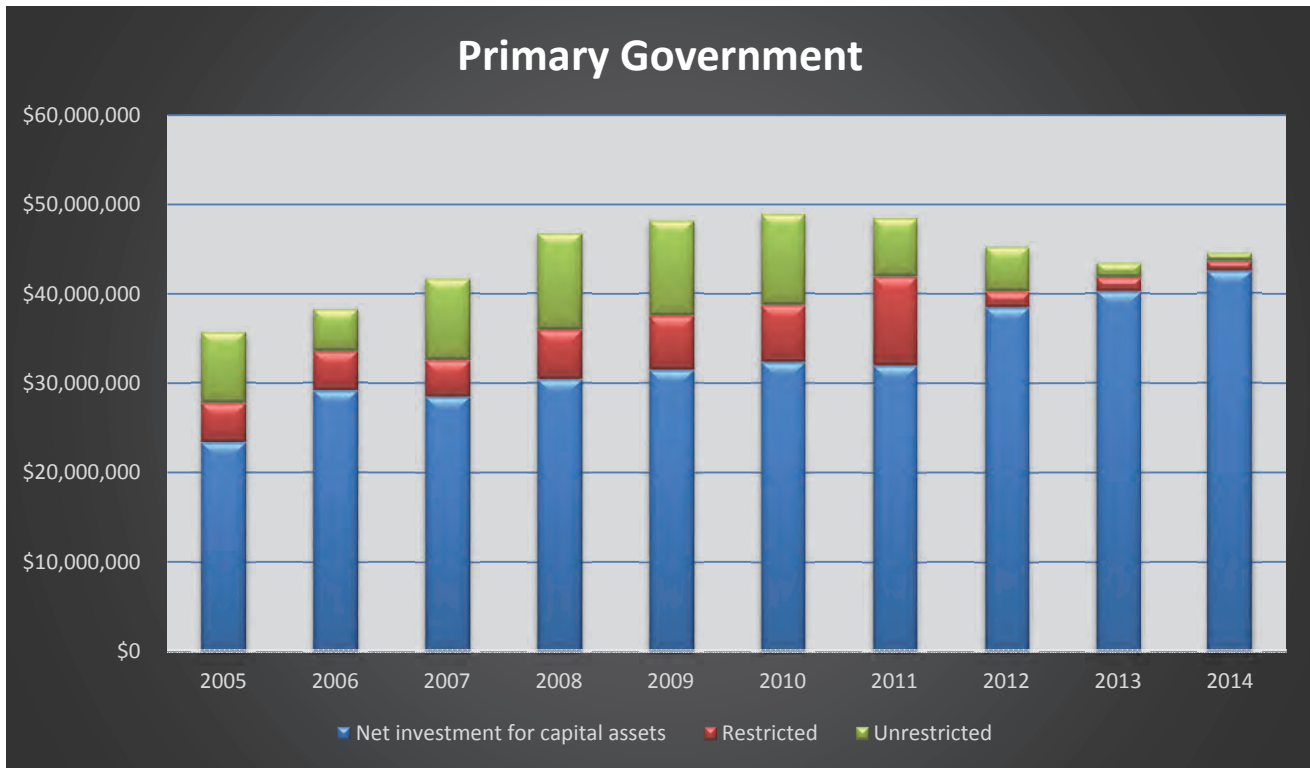
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$21,390,365	\$21,354,986	\$20,560,479	\$22,219,842
Restricted	4,379,746	4,356,609	4,077,211	5,500,248
Unrestricted	4,656,090	6,749,085	10,517,070	11,629,163
Total governmental activities net positions	<u>\$30,426,201</u>	<u>\$32,460,680</u>	<u>\$35,154,760</u>	<u>\$39,349,253</u>
<i>Business-type activities</i>				
Net investment for capital assets	2,037,356	7,841,055	7,982,033	8,259,934
Restricted for Debt Service				
Unrestricted	3,261,325	(2,043,830)	(1,395,149)	(851,378)
Total business-type activities net positions	<u>\$5,298,681</u>	<u>\$5,797,225</u>	<u>\$6,586,884</u>	<u>\$7,408,556</u>
<i>Primary government</i>				
Net investment for capital assets	\$23,427,721	\$29,196,041	\$28,542,512	\$30,479,776
Restricted	4,379,746	4,356,609	4,077,211	5,500,248
Unrestricted	7,917,415	4,705,255	9,121,921	10,777,785
Total primary government net positions	<u>\$35,724,882</u>	<u>\$38,257,905</u>	<u>\$41,741,644</u>	<u>\$46,757,809</u>

Governmental Activities



Business Type Activities



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$22,780,292	\$22,575,555	\$20,994,353	26,947,881	\$28,195,135	\$29,547,058
6,042,756	6,377,136	9,933,293	1,779,505	1,563,321	1,095,581
<u>11,899,892</u>	<u>12,003,340</u>	<u>9,567,196</u>	<u>8,328,131</u>	<u>5,293,890</u>	<u>4,975,319</u>
<u><u>\$40,722,940</u></u>	<u><u>\$40,956,031</u></u>	<u><u>\$40,494,842</u></u>	<u><u>\$37,055,517</u></u>	<u><u>\$35,052,346</u></u>	<u><u>\$35,617,958</u></u>
8,752,619	9,821,094	11,049,878	11,608,272	12,094,011	12,994,794
<u>(1,270,712)</u>	<u>(1,826,693)</u>	<u>(3,000,983)</u>	<u>(3,324,964)</u>	<u>(3,662,359)</u>	<u>(4,056,830)</u>
<u><u>\$7,481,907</u></u>	<u><u>\$7,994,401</u></u>	<u><u>\$8,048,895</u></u>	<u><u>\$8,283,308</u></u>	<u><u>\$8,431,652</u></u>	<u><u>\$8,937,964</u></u>
\$31,532,911	\$32,396,649	\$32,044,231	\$38,556,153	\$40,289,146	\$42,541,852
6,042,756	6,377,136	9,933,293	1,779,505	1,563,321	1,095,581
<u>10,629,180</u>	<u>10,176,647</u>	<u>6,566,213</u>	<u>5,003,167</u>	<u>1,631,531</u>	<u>918,489</u>
<u><u>\$48,204,847</u></u>	<u><u>\$48,950,432</u></u>	<u><u>\$48,543,737</u></u>	<u><u>\$45,338,825</u></u>	<u><u>\$43,483,998</u></u>	<u><u>\$44,555,922</u></u>

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

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Expenses				
Governmental Activities:				
General Government	\$1,858,807	\$1,975,355	\$2,108,977	\$2,305,440
Library	563,306	556,820	585,356	608,786
Public Safety:				
Police Services	3,381,396	3,241,413	3,666,529	3,726,214
Fire Services	2,255,289	2,425,603	2,504,788	2,683,513
Community Development	853,183	983,680	943,705	1,047,188
Public Works	1,846,822	2,170,131	1,816,865	1,833,162
Parks & Recreation	591,248	580,431	474,709	487,822
PERS sidefund expense	391,230			
Interest on long-term debt	23,391	38,730	248,461	751,082
Total Governmental Activities Expenses	<u>11,764,672</u>	<u>11,972,163</u>	<u>12,349,390</u>	<u>13,443,207</u>
Business-Type Activities:				
MLK	768,866	796,391	688,495	954,757
Sewer	650,313	664,139	670,158	678,833
Parking	335,191	323,647	271,123	191,870
Old City Hall	95,779	88,485	80,153	72,648
Total Business-Type Activities Expenses	<u>1,850,149</u>	<u>1,872,662</u>	<u>1,709,929</u>	<u>1,898,108</u>
Total Primary Government Expenses	<u>\$13,614,821</u>	<u>\$13,844,825</u>	<u>\$14,059,319</u>	<u>\$15,341,315</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$35,591	\$30,684	\$26,533	\$32,421
Library	17,438	20,346	19,333	19,407
Public Safety:				
Police Services	469,648	366,439	396,462	365,355
Fire Services	110,888	105,208	98,510	119,737
Community Development	488,616	553,550	748,002	851,233
Public Works	1,120	406,325	313,757	438,593
Parks & recreation	395,895	330,412	292,731	239,466
Operating Grants and Contributions	452,832	432,030	321,122	291,314
Capital Grants and Contributions	416,309	175,951	508,426	857,212
Total Government Activities Program Revenues	<u>2,388,337</u>	<u>2,420,945</u>	<u>2,724,876</u>	<u>3,214,738</u>

Fiscal Year End June 30,					
2009	2010	2011	2012	2013	2014
\$2,460,907	\$2,501,641	\$2,918,515	\$3,118,473	\$4,775,777	\$3,472,850
648,827	705,531	736,138	689,413	807,413	843,657
4,121,184	4,294,928	4,605,286	4,950,954	5,277,918	5,097,517
2,958,736	3,100,259	3,584,319	5,292,475	0	
1,065,522	1,174,708	1,162,419	1,370,227	1,229,352	1,327,571
2,286,057	2,066,838	2,016,258	2,222,144	2,674,528	3,022,208
564,938	629,919	689,994	737,184	846,814	821,638
932,685	771,533	785,825	1,056,346	727,576	741,938
<u>15,038,856</u>	<u>15,245,357</u>	<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>	<u>15,327,379</u>
881,738	796,021	794,100	752,882	865,521	851,018
1,478,463	1,458,226	1,561,902	1,546,806	1,770,446	1,635,796
219,374	215,401	359,878	370,724	285,784	482,521
65,692	55,779	71,271	35,369	29,552	28,315
<u>2,645,267</u>	<u>2,525,427</u>	<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>	<u>2,997,650</u>
<u>\$17,684,123</u>	<u>\$17,770,784</u>	<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,290,681</u>	<u>\$18,325,029</u>
\$33,313	\$29,294	\$40,921	\$35,019	\$38,677	\$30,616
17,338	16,818	13,812	11,735	11,645	11,033
474,668	358,257	292,898	621,562	588,709	631,733
150,136	111,318	148,672	131,127	3,625	0
634,707	653,404	781,973	742,691	704,213	823,877
344,104	261,219	364,494	284,478	295,540	282,718
285,936	348,244	301,240	373,707	450,382	454,454
347,043	396,210	358,806	348,997	399,125	416,778
411,134	139,678	347,764	355,315	242,554	215,407
<u>2,698,379</u>	<u>2,314,442</u>	<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>	<u>2,866,616</u>

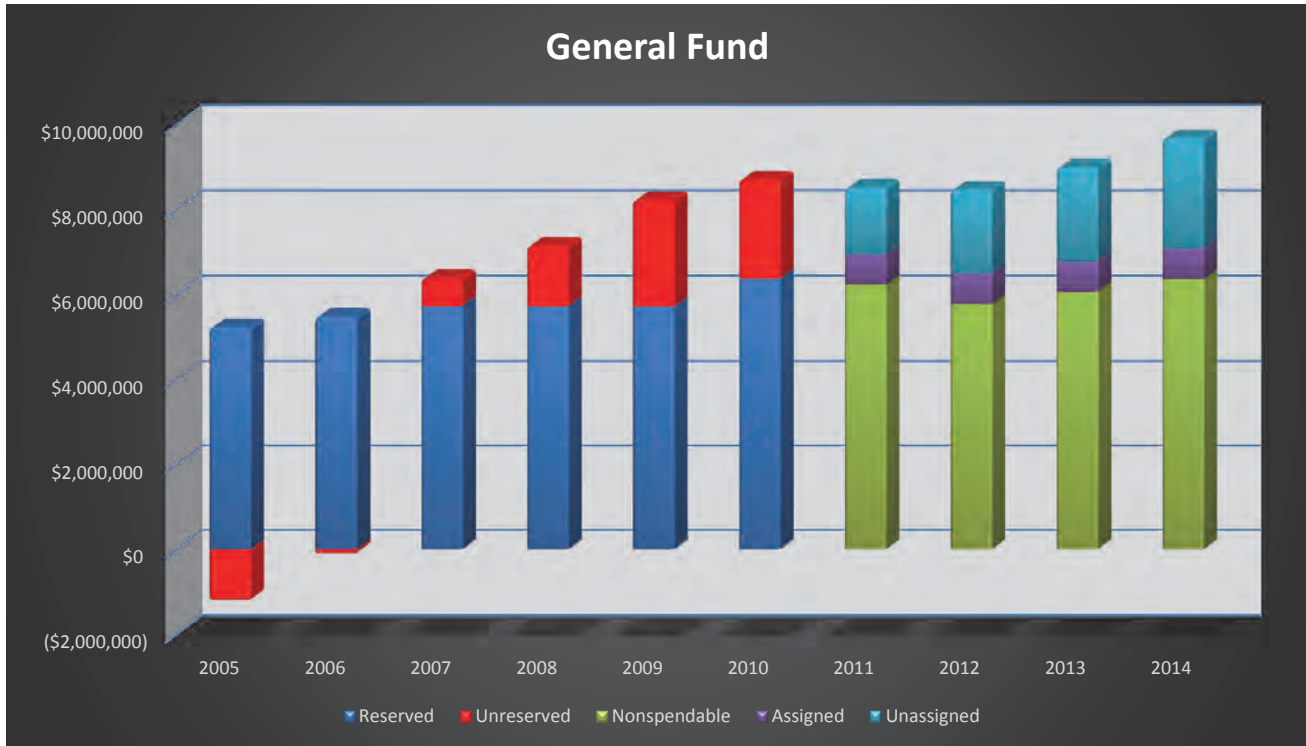
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CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2005	2006	2007	2008
Business-Type Activities:				
Charges for Services:				
MLK	\$817,599	\$970,548	\$983,803	\$1,033,012
Sewer	777,871	789,274	755,547	951,956
Parking	1,406,066	1,347,932	1,297,275	1,397,445
Old City Hall	299,940	338,327	306,263	315,026
Total Business-Type Activities Program Revenue	<u>3,301,476</u>	<u>3,446,081</u>	<u>3,342,888</u>	<u>3,697,439</u>
Total Primary Government Program Revenues	<u>\$5,689,813</u>	<u>\$5,867,026</u>	<u>\$6,067,764</u>	<u>\$6,912,177</u>
Net (Expense)/Revenue				
Governmental Activities	(\$9,376,335)	(\$9,551,218)	(\$9,624,514)	(\$10,228,469)
Business-Type Activities	<u>1,451,327</u>	<u>1,573,419</u>	<u>1,632,959</u>	<u>1,799,331</u>
Total Primary Government Net Expense	<u>(\$7,925,008)</u>	<u>(\$7,977,799)</u>	<u>(\$7,991,555)</u>	<u>(\$8,429,138)</u>
General Revenues and Other Changes in Net Positions				
Governmental Activities:				
Taxes	\$8,598,378	\$9,279,774	\$9,763,577	
Property taxes				6,948,365
Sales taxes				1,681,133
Transient occupancy tax				1,005,984
Other taxes				1,259,143
Motor vehicle in-lieu, unrestricted				33,049
Use of Money/Property and interest earnings	959,988	1,005,955	1,260,532	1,472,122
Intergovernmental revenues	-			
Other Revenues	70,602	225,093	274,313	802,791
Transfers	1,108,373	1,074,875	1,020,172	1,220,375
Extraordinary items:				
Assets transferred to the Southern Marin Fire Protection District				
Total Government Activities	<u>10,737,341</u>	<u>11,585,697</u>	<u>12,318,594</u>	<u>14,422,962</u>
Business-Type Activities:				
Use of Money/Property and interest earnings	100,191	0	175,687	173,837
Transfers	(1,235,375)	(1,074,875)	(1,020,172)	(1,220,375)
Other Revenues	<u>56,000</u>	<u>0</u>	<u>1,185</u>	<u>68,879</u>
Total Business-Type Activities	<u>(1,079,184)</u>	<u>(1,074,875)</u>	<u>(843,300)</u>	<u>(977,659)</u>
Total Primary Government	<u>\$9,658,157</u>	<u>\$10,510,822</u>	<u>\$11,475,294</u>	<u>\$13,445,303</u>
Change in Net Positions				
Governmental Activities	\$1,361,006	\$2,034,479	\$2,694,080	\$4,194,493
Business-Type Activities	<u>372,143</u>	<u>498,544</u>	<u>789,659</u>	<u>821,672</u>
Total Primary Government	<u>\$1,733,149</u>	<u>\$2,533,023</u>	<u>\$3,483,739</u>	<u>\$5,016,165</u>

Fiscal Year Ended June 30,					
2009	2010	2011	2012	2013	2014
\$1,085,872	\$1,045,428	\$1,076,518	\$960,525	\$976,046	\$1,154,301
947,717	1,355,961	1,406,892	1,492,093	1,595,411	1,723,816
1,562,185	1,560,774	1,556,315	1,716,346	1,788,290	1,941,042
285,999	218,685	231,087	247,490	269,814	268,136
<u>3,881,773</u>	<u>4,180,848</u>	<u>4,270,812</u>	<u>4,416,454</u>	<u>4,629,561</u>	<u>5,087,295</u>
<u>\$6,580,152</u>	<u>\$6,495,290</u>	<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>	<u>\$7,953,911</u>
(\$12,340,477)	(\$12,930,915)	(\$13,848,174)	(\$16,532,585)	(\$13,604,908)	(\$12,460,763)
1,236,506	1,655,421	1,483,661	1,710,673	1,678,258	\$2,089,645
<u>(\$11,103,971)</u>	<u>(\$11,275,494)</u>	<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>	<u>(\$10,371,118)</u>
\$6,950,008	\$7,187,886	\$7,006,903	\$6,981,555	\$4,496,455	\$4,858,913
1,693,752	1,535,715	1,443,028	1,694,242	1,761,236	1,923,191
860,117	784,104	828,819	893,946	966,762	1,202,228
1,249,265	1,105,614	1,200,878	1,240,473	556,907	554,741
25,518	22,139	34,616	3,758		
				773,713	790,795
1,077,455	883,665	866,032	862,014	1,012,803	1,121,106
555,674	486,980	568,659	514,282	478,203	944,743
1,302,375	1,157,903	1,438,050	1,480,577	1,555,658	1,630,658
			-577,587		
<u>13,714,164</u>	<u>13,164,006</u>	<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>	<u>13,026,375</u>
74,120	14,806	8,883	4,166	5,356	6,571
(1,302,375)	(1,157,903)	(1,438,050)	(1,480,577)	(1,555,658)	(1,630,658)
65,100	170		151	20,388	40,754
<u>(1,163,155)</u>	<u>(1,142,927)</u>	<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>	<u>(1,583,333)</u>
<u>\$12,551,009</u>	<u>\$12,021,079</u>	<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>	<u>\$11,443,042</u>
\$1,373,687	\$233,091	(\$461,189)	(\$3,439,325)	(\$2,003,171)	\$565,612
73,351	512,494	54,494	234,413	148,344	506,312
<u>\$1,447,038</u>	<u>\$745,585</u>	<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>	<u>\$1,071,924</u>

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



	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$5,238,531	\$5,488,760	\$5,745,083	\$5,733,861	\$5,730,766
Unreserved	(1,246,604)	(131,095)	638,186	1,416,825	2,493,611
Nonspendable					
Assigned					
Unassigned					
Total General Fund	<u><u>\$3,991,927</u></u>	<u><u>\$5,357,665</u></u>	<u><u>\$6,383,269</u></u>	<u><u>\$7,150,686</u></u>	<u><u>\$8,224,377</u></u>
All Other Governmental Funds					
Reserved	\$2,635,159	\$2,324,457	\$20,811,534	\$22,280,358	\$17,962,308
Unreserved, reported in:					
Special revenue funds	72,315	903,306	348,915	364,328	165,190
Debt Service funds					
Capital project funds	1,448,767	1,128,846	530,607	1,115,694	2,241,043
Restricted					
Committed					
Unassigned					
Total all other governmental funds	<u><u>\$4,156,241</u></u>	<u><u>\$4,356,609</u></u>	<u><u>\$21,691,056</u></u>	<u><u>\$23,760,380</u></u>	<u><u>\$20,368,541</u></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



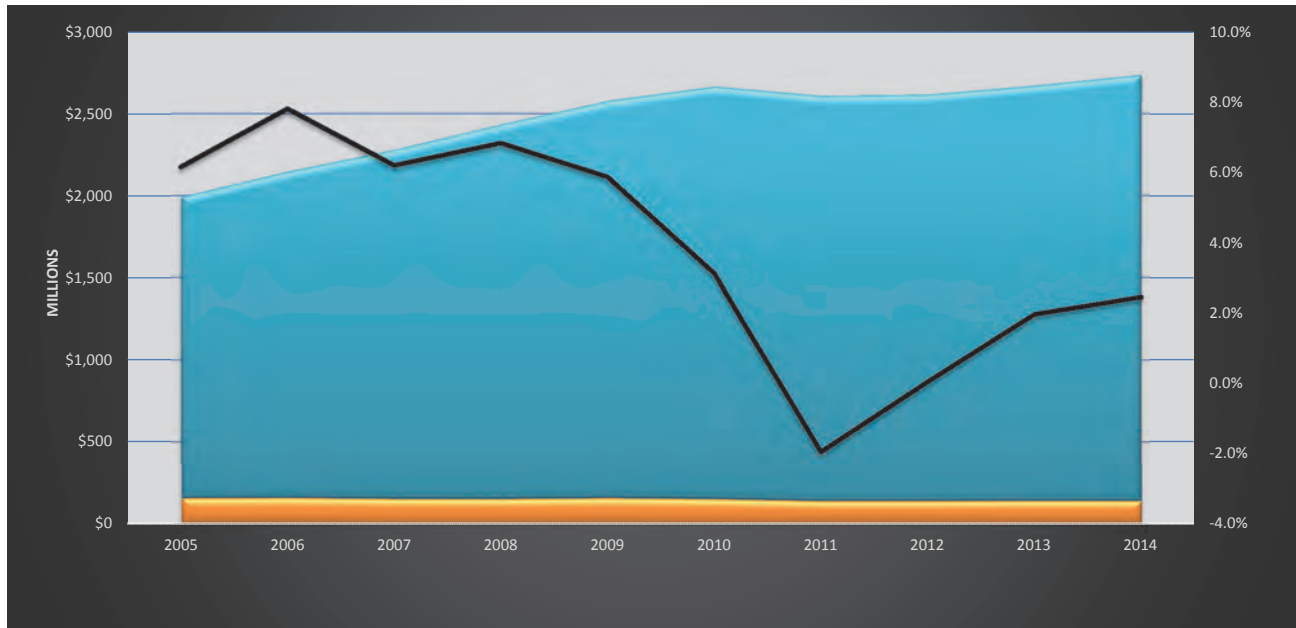
2010	2011	2012	2013	2014
	(b)			
\$6,383,498				
2,317,953				
	\$6,232,107	\$5,781,767	\$6,073,956	6,368,240
	717,618	717,617	717,617	578,326
	1,561,416	1,966,438	2,195,339	2,730,875
\$8,701,451	\$8,511,141	\$8,465,822	\$8,986,912	\$9,677,441 (a)
\$11,938,261				
131,009				
2,401,799				
	\$11,251,205	\$2,930,578	\$2,423,081	1,957,809
	3,969,308	3,865,385	2,245,641	1,744,577
	(4,060,899)	(4,963,081)	(3,942,682)	(3,539,211)
\$14,471,069	\$11,159,614	\$1,832,882	\$726,040	\$163,175

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

	Fiscal Year Ended June 30,				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$8,598,378	\$8,747,139	\$9,231,669	\$10,390,160	\$10,270,006
Licenses, permits and fees	737,914	532,635	531,908	537,514	483,136
Fines and forfeitures	502,540	415,643	466,804	417,762	503,734
Use of money and property	933,447	1,129,124	1,679,124	2,194,162	1,491,637
Intergovernmental revenues	298,057	354,548	328,187	396,174	727,383
Charges for services	582,329	1,397,321	1,437,061	1,648,450	1,436,468
Reimbursements					
Special Assessments					
PERS Superfund Credit					
Other	240,422	355,357	118,309	481,122	125,193
Total Revenues	11,893,087	12,931,767	13,793,062	16,065,344	15,037,557
Expenditures					
Current:					
Police	3,461,904	3,218,507	3,491,289	3,589,006	3,894,142
Fire	2,317,331	2,441,656	2,558,799	2,819,882	2,886,438
Public Works	1,229,704	1,598,070	1,276,236	1,354,909	1,356,397
Non-Departmental					
General Government	1,804,390	2,049,278	2,081,499	2,197,536	2,388,116
Community Development	845,722	820,015	962,469	1,049,025	1,057,405
Library	538,141	556,081	582,394	610,525	624,285
Parks & Recreation	553,372	583,719	473,093	489,077	557,792
Capital outlay	234,772	779,899	421,648	1,358,757	4,821,958
Debt service:					
Principal repayment	27,398	31,149	59,003	80,761	149,097
Interest and fiscal charges	44,758	44,179	106,203	413,800	578,176
PERS Sidefund Expense	391,230				
Total Expenditures	11,448,722	12,122,553	12,012,633	13,963,278	18,313,806
Excess (deficiency) of revenues over (under) expenditures	444,365	809,214	1,780,429	2,102,066	(3,276,249)
Other Financing Sources (Uses)					
Issuance of long-term debt			15,982,967		
Proceeds from sale of capital assets				175,036	
Contributions/donations returned					
Transfers in	2,582,531	1,459,727	1,801,793	3,412,894	1,861,768
Transfers (out)	(1,781,857)	(702,835)	(1,205,138)	(2,853,255)	(903,667)
Total other financing sources (uses)	800,674	756,892	16,579,622	734,675	958,101
Net Change in fund balances	\$1,245,039	\$1,566,106	\$18,360,051	\$2,836,741	(\$2,318,148)
Debt service as a percentage of noncapital expenditures	4.3%	0.7%	1.4%	4.1%	5.7%

2010	2011	2012	2013	2014
\$10,151,744	\$10,004,760	\$10,291,689	\$7,998,166	\$8,775,127
461,575	474,868	518,527	558,387	551,518
381,604	321,396	645,014	608,890	659,376
1,039,837	1,016,098	1,028,066	1,275,722	1,391,115
642,848	704,981	846,540	660,213	738,318
1,407,911	1,622,614	1,555,305	1,483,901	1,575,055
<u>218,130</u>	<u>442,684</u>	<u>102,023</u>	<u>186,011</u>	<u>562,994</u>
<u>14,303,649</u>	<u>14,587,401</u>	<u>14,987,164</u>	<u>12,771,290</u>	<u>14,253,503</u>
3,985,787	4,124,282	4,160,482	4,193,598	4,461,240
2,917,299	3,276,774	3,405,220		
1,334,790	1,417,939	1,539,534	1,574,816	1,575,748
2,400,164	2,810,563	3,014,228	4,496,557	2,980,879
1,165,577	1,152,318	1,346,911	1,230,050	1,279,765
701,018	716,291	699,882	774,108	787,548
620,833	680,365	720,113	811,506	811,177
7,106,904	4,295,013	8,053,426	2,642,664	2,725,591
197,960	221,185	227,816	192,064	225,715
398,720	391,069	2,478,995	289,990	279,816
<u>20,829,052</u>	<u>19,085,799</u>	<u>25,646,607</u>	<u>16,205,353</u>	<u>15,127,479</u>
<u>(6,525,403)</u>	<u>(4,498,398)</u>	<u>(10,659,443)</u>	<u>(3,434,063)</u>	<u>(873,976)</u>
2,070	30	99,282		
2,414,624	8,650,470	7,387,589	4,880,980	3,564,235
<u>(1,311,689)</u>	<u>(7,653,867)</u>	<u>(6,199,479)</u>	<u>(2,032,669)</u>	<u>(2,562,595)</u>
<u>1,105,005</u>	<u>996,633</u>	<u>1,287,392</u>	<u>2,848,311</u>	<u>1,001,640</u>
<u>(\$5,420,398)</u>	<u>(\$3,501,765)</u>	<u>(\$9,372,051)</u>	<u>(\$585,752)</u>	<u>\$127,664</u>
4.5%	4.3%	18.2%	3.7%	3.9%

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



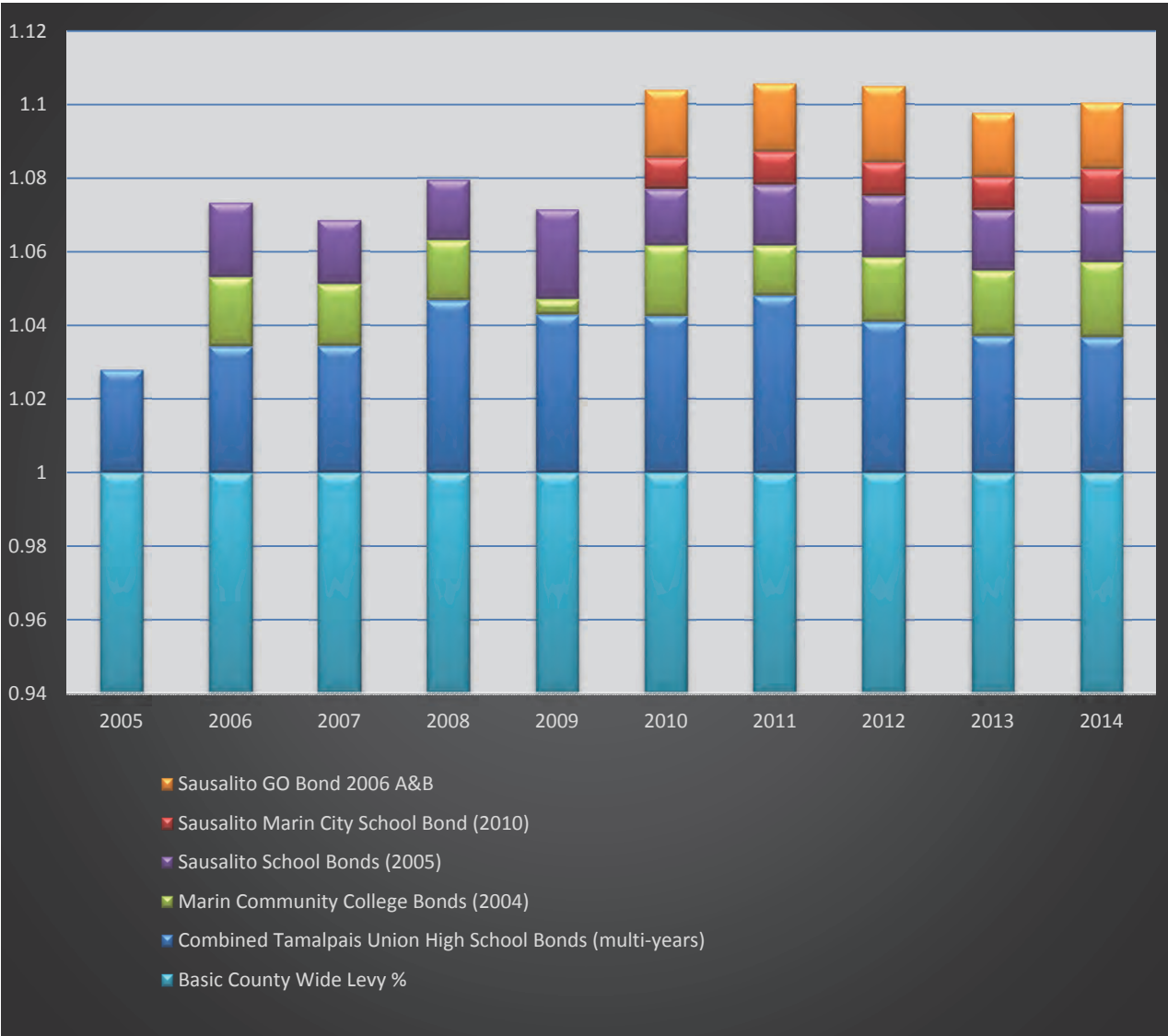
<u>Fiscal Year</u>	<u>Secured Property Assessed Value</u>	<u>Unsecured Property Assessed Value</u>	<u>Total Assessed Value (a)</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value</u>	<u>Total Direct Tax Rate (b)</u>	<u>Percentage Growth Change</u>
2005	1,837,392,573	157,555,642	1,994,948,215	(11,794,115)	1,983,154,100	1.0%	6.2%
2006	1,989,344,963	160,379,976	2,149,724,939	(11,538,801)	2,138,186,138	1.0%	7.8%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1.0%	6.2%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1.0%	6.8%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1.0%	5.9%
2010	2,513,428,982	152,598,806	2,666,027,788	(16,982,585)	2,649,045,203	1.0%	3.1%
2011	2,468,550,019	140,203,752	2,608,753,771	(11,208,945)	2,597,544,826	1.0%	-1.9%
2012	2,476,928,667	140,149,198	2,617,077,865	(18,159,174)	2,598,918,691	1.0%	0.1%
2013	2,529,720,488	142,041,894	2,671,762,382	(21,501,238)	2,650,261,144	1.0%	2.0%
2014	2,595,567,817	141,531,806	2,737,099,623	(21,493,585)	2,715,606,038	1.0%	2.5%

(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
2005	1.0000				0.0280	
2006	1.0000	0.0188	0.0203		0.0344	
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	0.0368	0.0181

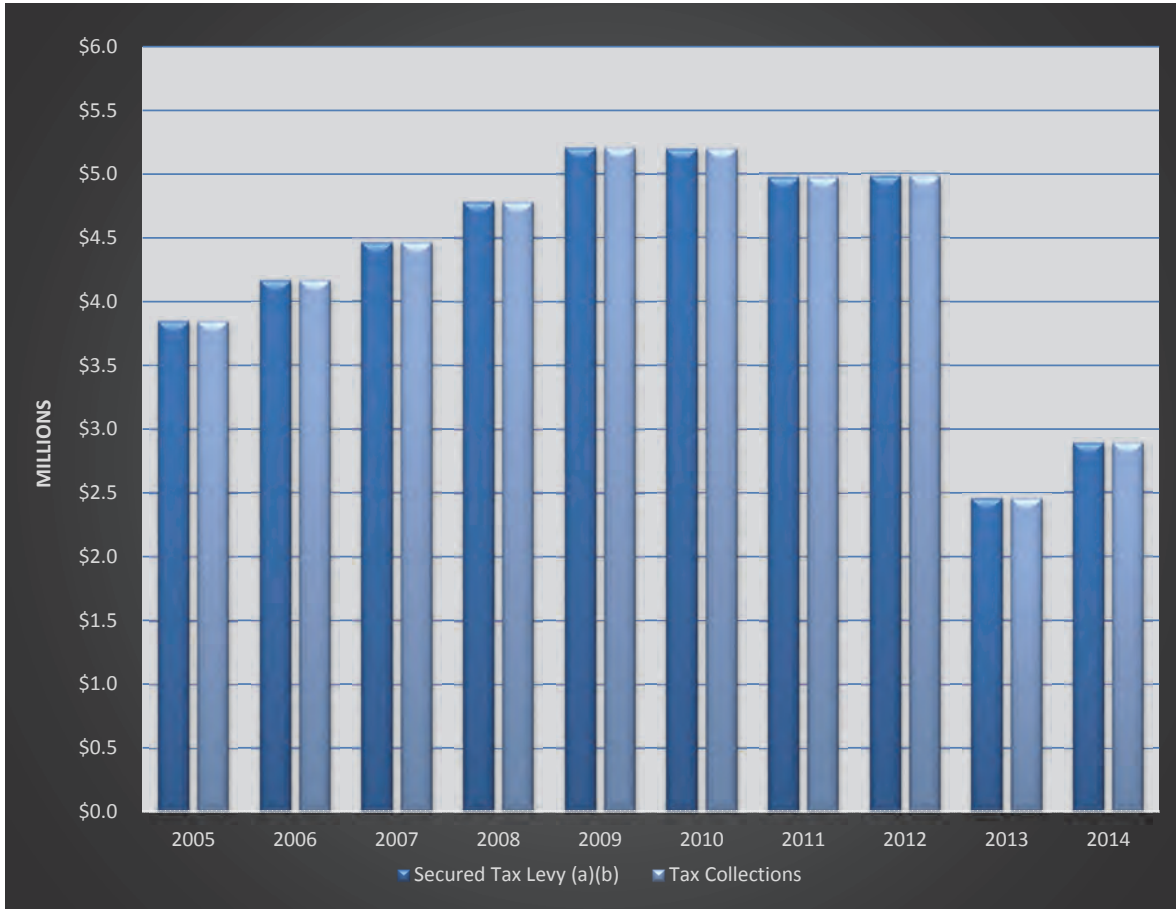
Source: Marin County Auditor-Controller's Office and MuniServices, Inc.

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

Taxpayer	Fiscal Year 2013-14		Fiscal Year 2004-05*	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Ca-One & Three Harbor Drive Office	30,351,892	1.12%		
Westcore Marin LLC	22,871,410	0.84%		
MCSSM LLC	17,897,646	0.66%	19,636,547	1.08%
Tottenham Investment	15,984,400	0.59%		
Crump Walter G IV	15,699,730	0.58%		
Harrison Holdings LLC	13,552,178	0.50%		
Casa Madrona Hotel & Spa LLC	13,009,979	0.48%		
ICB Associates LLC	8,911,349	0.33%	7,718,339	0.42%
Marterie Anthony J	8,405,739	0.31%	6,141,501	0.34%
Winblad Associates LP	7,966,547	0.29%		
Clipper Yacht Co LLC	7,675,466	0.28%	5,839,902	0.32%
Matschullat Robert W	7,241,633	0.27%		
Burge Richard G	7,052,691	0.26%	5,829,933	0.32%
Sausalito Alta Mira LLC	6,927,296	0.26%	6,272,234	0.34%
Sausalito Shipyard Marina LLC	6,805,180	0.25%		
Leana Investments LTD	6,561,582	0.24%	5,671,390	0.31%
Petri Family LLC	6,381,351	0.23%		
Brucia Joseph B Frances M 2001	6,340,300	0.23%	13,380,488	0.73%
4000 Bridgeway LLC	6,050,000	0.22%		
Sunbow Properties LLC	6,003,358	0.22%		
Eze Holdings LLC	5,930,000	0.22%		
Lincoln Michael P Revoc Trust	5,638,518	0.21%		
Mitobe Harold Janet Living Tru	5,331,045	0.20%		
Bridgeway 558 Real Property LLC	5,260,171	0.19%	5,093,349	0.28%
Corker Sherri G	5,236,855	0.19%	4,534,831	0.25%
Oly Casa Madrona LLC			21,568,369	1.18%
Kutsko, Moran Mullin			20,835,213	1.14%
Hendricks Sidney J Tr			16,202,432	0.89%
PSH LLC			11,557,087	0.63%
University Hills LLC			6,413,544	0.35%
Loron Inv			5,518,362	0.30%
Abbassi Michael E Tr			5,335,114	0.29%
Lemon Family LLC			5,043,746	0.28%
Marin Freeholders			4,810,496	0.26%
Kunst J & E 1987 Trust			4,739,162	0.26%
Fremonte Bank			4,617,380	0.25%
Sausalito Investments			4,244,268	0.23%
Collins Ruth M Tr			4,099,461	0.22%
Faidi Hameed S Tr & Faidi Inam			3,792,496	0.21%
SWA Group			3,672,184	0.20%
Total Top 25 Taxpayers	249,086,316	9.17%	202,567,828	11.10%
Total Taxable Value	2,715,606,038	100.00%	1,824,576,953	100.00%

Source: Marin County Assessor data, MuniServices, LLC
*2004-05 Top Property Tax Payers values are Secured only

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
2005	3,851,909	3,851,909	100%	0%	3,851,909	100%
2006	4,169,392	4,169,392	100%	0%	4,169,392	100%
2007	4,467,599	4,467,599	100%	0%	4,467,599	100%
2008	4,786,952	4,786,952	100%	0%	4,786,952	100%
2009	5,214,021	5,214,021	100%	0%	5,214,021	100%
2010	5,201,279	5,201,279	100%	0%	5,201,279	100%
2011	4,980,294	4,980,294	100%	0%	4,980,294	100%
2012	4,990,022	4,990,022	100%	0%	4,990,022	100%
2013	2,462,731	2,462,731	100%	0%	2,462,731	100%
2014	2,896,181	2,896,181	100%	0%	2,896,181	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>2013-14</u>		<u>2004-05</u>	
Taxpayer	Business Type	Taxpayer	Business Type
Angelino Restaurant	Restaurants	A Bicycle Odyssey	Recreation Products
Bridgeway Bight	Restaurants	Angelino Restaurant	Restaurants
Bridgeway Gas Service Stations	Service Stations	Bridgeway Gas	Service Stations
Caruso's Restaurant	Restaurants	Café Trieste	Restaurants
Copita	Restaurants	Caruso's Restaurant	Restaurants
Dvorson's Food Service Equip	Food Processing Equip	Clipper Yacht Company	Leasing
Fast Food Francias	Restaurants	Dvorson's Food Service Equip	Food Processing Equip
Gene Hiller	Apparel Stores	Fedex Office	Miscellaneous Retail
Heath Ceramics	Miscellaneous Retail	Feng Nian Restaurant	Restaurants
Horizon's Restaurant	Restaurants	Freems	Restaurants
Key Information Systems	Office Equipment	Gene Hiller	Apparel Stores
Le Garage	Restaurants	Health 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 & Govt	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	Sausalito Automotive Inc	Service Stations
Serena & Lily	Miscellaneous Retail	Saylor's Landing Restaurants	Restaurants
Shell Service Stations	Service Stations	Scoma's Restaurant	Restaurants
Sushi Ran Restaurant	Restaurants	Sushi Ran Restaurant	Restaurants
The Spinnaker Restaurant	Restaurants	The Spinnaker Restaurant	Restaurants
West Marine Products	Misc. Vehicle Sales	Tommy's Wok Chinese Cuisine	Restaurants
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.

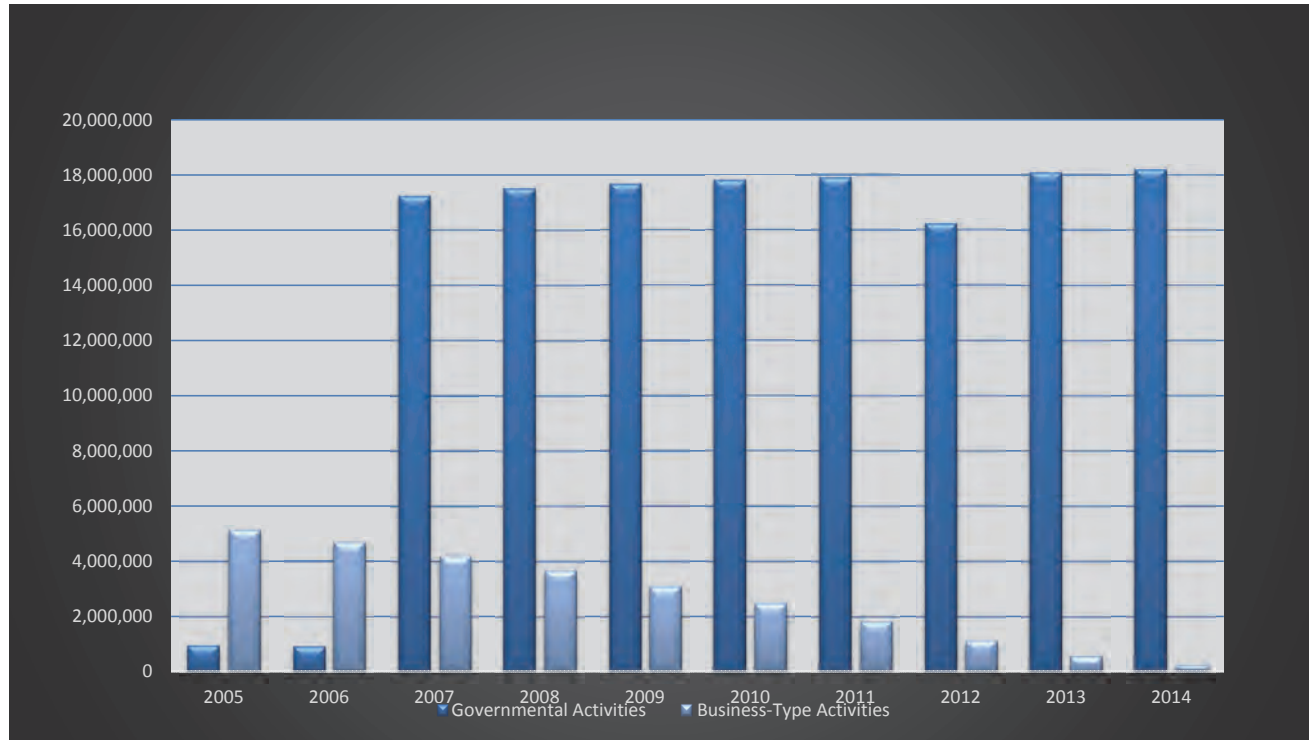
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CITY OF SAUSALITO
Historical Sales Tax Amounts by Benchmark Year

	2005 Q1	2006 Q1	2007 Q1	2008 Q1
Eating & Drinking Place	449,878	464,092	497,026	499,723
Other Retail Stores	246,445	260,710	279,768	271,596
All Other Outlets	300,437	314,725	323,629	339,259
Apparel Stores	95,269	104,269	107,167	107,394
Food Stores	81,701	81,865	81,684	86,012
Service Station	64,690	58,913	65,107	67,341
Home Furnishings & Appliance	13,094	30,436	37,300	31,529
Packaged Liquor Store	8,438	8,823	11,243	11,440
Bldg. Matrl. & Farm	5,727	5,980	18,433	17,023
Drug Stores	1,975	1,955	2,153	2,302
Auto Dealers & Auto	1,636	2,041	2,953	4,143
General Merchandise	0	0	0	0
TOTAL	1,269,290	1,333,809	1,426,463	1,437,762

2009 Q1	2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q1
510,661	487,865	485,201	551,602	601,427	689,256
259,964	252,918	232,029	255,641	309,294	353,456
325,512	244,463	276,362	299,922	288,356	279,794
91,866	83,449	77,267	76,940	78,570	89,371
82,218	76,045	70,875	80,546	110,355	103,237
60,240	51,770	58,837	70,370	69,822	59,650
45,969	16,339	34,015	52,331	47,486	24,475
10,410	8,884	9,206	9,613	12,239	12,344
6,292	5,665	5,683	7,252	7,649	6,394
2,092	3,386	7,183	3,258	3,939	3,793
2,938	1,837	910	653	856	1,528
23	0	0	28	0	0
1,398,185	1,232,621	1,257,568	1,408,156	1,529,993	1,623,298

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
2005		989,641			989,641
2006		958,492			958,492
2007	434,235	1,147,162	15,694,220		17,275,617
2008	430,570	1,066,401	16,048,693		17,545,664
2009	363,157	982,307	16,354,939		17,700,403
2010	293,388	894,739	16,643,845		17,831,972
2011	221,165	803,554	16,921,143		17,945,862
2012	146,388	740,738	15,377,772		16,264,898
2013	69,816	698,671	15,674,563	1,682,000	18,125,050
2014		657,956	15,957,607	1,624,000	18,239,563

Business-Type Activities

Fiscal Year	Capital Lease	Capital Improvement Lease	Certificates of Participation	Total	Total Primary Government	Percentage of Taxable Assessed Value (a)	Per Capita (a)
2005	2,931,565	1,265,000	975,054	5,171,619	6,161,260	0.31%	838
2006	2,635,260	1,215,000	860,116	4,710,376	5,668,868	0.27%	767
2007	2,316,851	1,165,000	737,883	4,219,734	21,495,351	0.95%	2,884
2008	1,989,688	1,090,000	607,891	3,687,579	21,233,243	0.88%	2,830
2009	1,643,119	1,005,000	469,647	3,117,766	20,818,169	0.81%	2,764
2010	1,290,697	895,000	322,627	2,508,324	20,340,296	0.77%	2,678
2011	911,981	780,000	166,276	1,858,257	19,804,119	0.76%	2,783
2012	505,015	660,000		1,165,015	17,429,913	0.67%	2,442
2013	67,689	530,000		597,689	18,722,739	0.71%	2,631
2014		280,000		280,000	18,519,563	0.68%	2,581

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
Ratio of General Bonded Debt Outstanding
Last Eight Fiscal Years

General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Total	Percentage of Taxable Assessed Value	Per Capita
2007	15,694,220	15,694,220	0.69%	2,105
2008	16,048,693	16,048,693	0.66%	2,139
2009	16,354,939	16,354,939	0.64%	2,171
2010	16,643,845	16,643,845	0.63%	2,191
2011	16,921,143	16,921,143	0.65%	2,378
2012	15,377,772	15,377,772	0.59%	2,154
2013	15,674,563	15,674,563	0.59%	2,203
2014	15,957,607	15,957,607	0.59%	2,224

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, 2014

2013-14 Total Assessed Valuation \$2,737,099,623

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> 6/30/2014	<u>%</u> <u>Applicable (1)</u>	<u>City's Share of</u> <u>Debt 6/30/2014</u>
Marin Community College District	\$220,770,000	4.642%	\$10,248,143
Tamalpais Union High School District	143,535,000	7.945%	11,403,856
Sausalito Marin City School District	13,679,924	86.802%	11,874,448
Marin Municipal Water District Wolfbackridge Assessment District	345,000	100.000%	345,000
City of Sausalito (2)	12,898,894	100.000%	12,898,894
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$46,770,341
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$71,687,267	4.635%	\$3,322,705
Marin County Pension Obligations	\$106,085,000	4.635%	4,917,040
Marin County Transit District General Fund Obligations	169,271	4.635%	7,846
Marin Municipal Water District General Fund Obligations	137,712	5.957%	8,204
Marin Community College District General Fund Obligations	2,675,834	4.642%	124,212
Sausalito Marin City School District General Fund Obligations	4,675,000	86.802%	4,057,994
Southern Marin Fire Protection District General Fund Obligations	238,127	34.763%	82,780
City of Sausalito General Fund Obligations (3)	405,963	100.000%	405,963
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$12,926,743
TOTAL DIRECT DEBT			\$13,304,857 (2)
TOTAL OVERLAPPING DEBT			\$46,392,226
COMBINED TOTAL DEBT (4)			\$59,697,083 (3)

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

(2) Includes accreted value.

(3) Share of Marin Emergency Radio Authority obligations.

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

RATIOS TO 2013-14 TOTAL ASSESSED VALUATION:

Direct Debt (\$12,898,894)	0.47%
Total Direct Debt (\$13,304,857)	0.49%
Total Direct and Overlapping Tax and Assessment	1.71%
Combined Total Debt	2.18%

Source: MuniServices, LLC

CITY OF SAUSALITO
Computation of Legal Bonded Debt Margin
Last Ten Fiscal Years

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (2)	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2005	74,810,558	0	74,810,558	0.0%
2006	80,614,685	0	80,614,685	0.0%
2007	85,590,797	15,694,220	69,896,577	18.3%
2008	91,414,839	16,048,693	75,366,146	17.6%
2009	96,753,287	16,354,939	80,398,348	16.9%
2010	99,339,195	16,643,845	82,695,350	16.8%
2011	97,828,266	16,921,143	80,907,123	17.3%
2012	98,140,420	15,377,772	82,762,648	15.7%
2013	100,191,089	15,674,563	84,516,526	15.6%
2014	102,641,236	15,957,607	86,683,629	15.5%

2013-14 Legal Debt Margin Information (1)

Assessed Valuation	\$2,737,099,623
Conversion Percentage	25%
Adjusted Assessed Valuation	\$684,274,906
Debt Limit Percentage	15%
Debt Limit	\$102,641,236
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$15,957,607
Legal Debt Margin	\$86,683,629
Total Debt Applicable to the Limit as a percentage of the Limit	15.5%

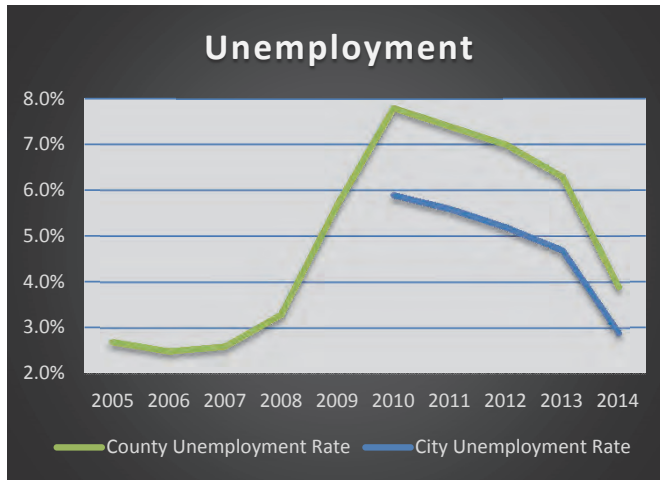
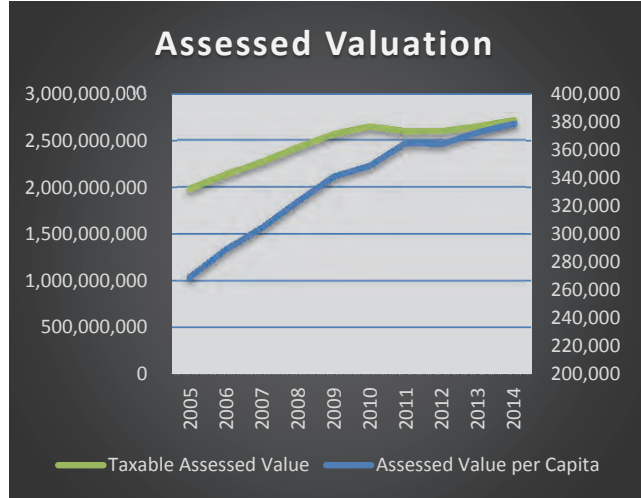
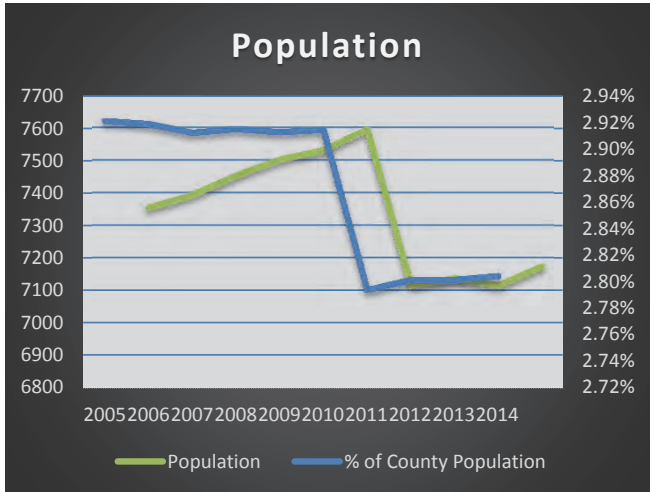
Note:

(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
2005	7,355	1,983,154,100	269,633	2.7%		251,820	2.92%
2006	7,394	2,138,186,138	289,179	2.5%		253,341	2.92%
2007	7,454	2,270,825,332	304,645	2.6%		255,982	2.91%
2008	7,503	2,426,136,256	323,355	3.3%		257,406	2.91%
2009	7,532	2,568,684,785	341,036	5.7%		258,618	2.91%
2010	7,596	2,649,045,203	348,742	7.8%	5.9%	260,651	2.91%
2011	7,116	2,597,544,826	365,029	7.4%	5.6%	254,692	2.79%
2012	7,138	2,598,918,691	364,096	7.0%	5.2%	254,790	2.80%
2013	7,116	2,650,261,144	372,437	6.3%	4.7%	254,007	2.80%
2014	7,175	2,715,606,038	378,482	3.9%	2.9%	255,846	2.80%

Note: Information for total personal income is not available

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

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

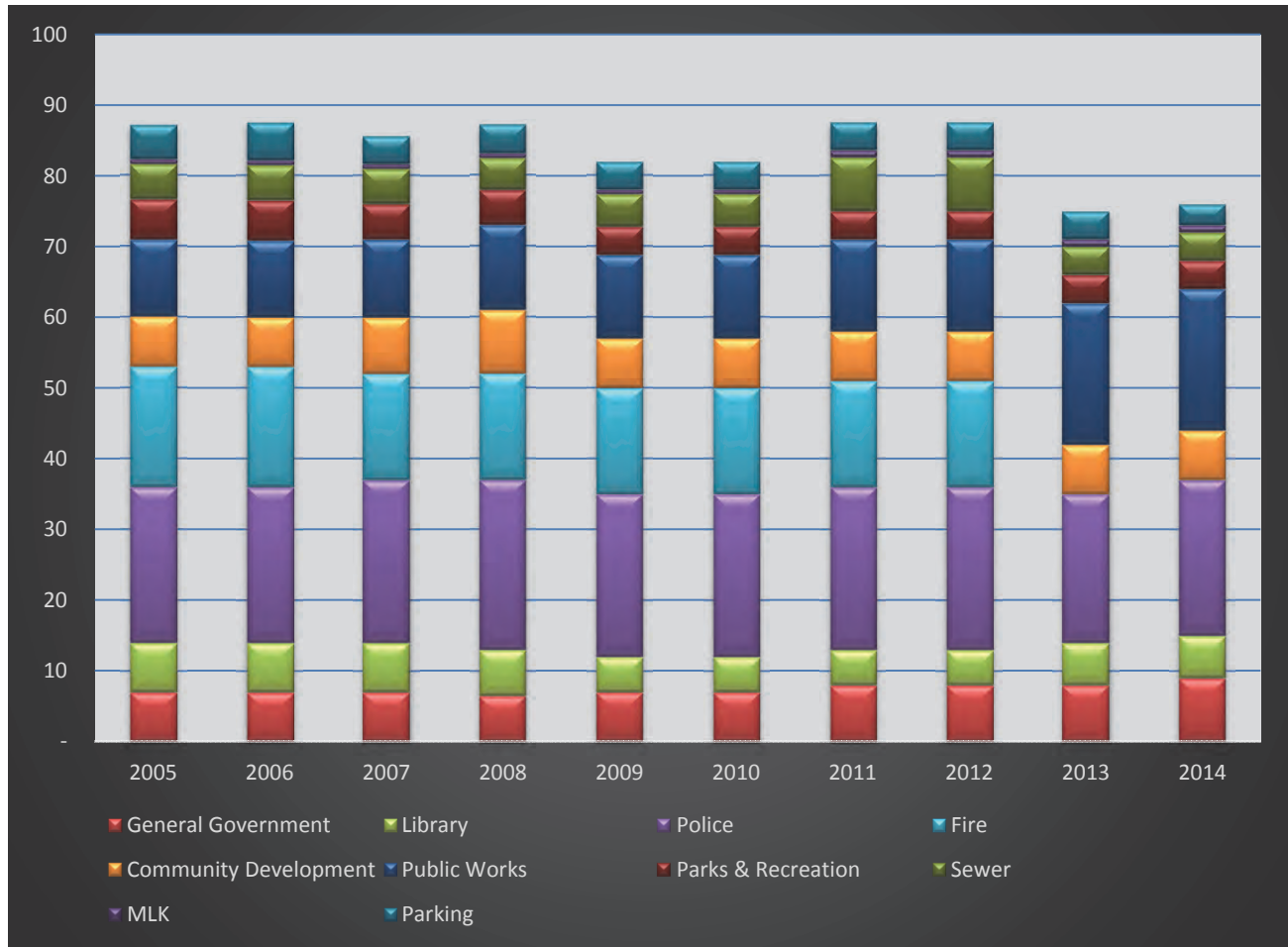
Business Name	<u>Fiscal Year 2013-14</u>		<u>Fiscal Year 2006-07</u>	
	Number of Employees	Percent of Total City Labor Force	Number of Employees	Percent of Total City Labor Force
Butler Shine Stern Partners LLC	147	2.58%	78	1.37%
The Trident	95	1.67%	0	0.00%
C P Shades	98	1.72%	0	0.00%
The Spinnaker	75	1.32%	70	1.23%
City Of Sausalito	74	1.30%	110	1.93%
Mollie Stone's Market	78	1.37%	75	1.32%
Poggio LP	65	1.14%	60	1.05%
Scoma's Sausalito	63	1.11%	0	0.00%
Backen, Gillam & Kroeger Architects	60	1.05%	0	0.00%
Fish Restaurant	49	0.86%	0	0.00%
Pacific Laser Systems LLC	0	0.00%	85	1.49%
Casa Madrona	0	0.00%	51	0.89%
Sausalito-Marin City school District	0	0.00%	50	0.88%
Human Concepts LLC	0	0.00%	48	0.84%
Heath Ceramics	0	0.00%	46	0.81%
	804	14.11%	673	6.89%
Total City Labor Force	5,700			

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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	7	7	7	7	7	7	8	8	8	9
Library	7	7	7	7	5	5	5	5	6	6
Police	22	22	23	24	23	23	23	23	21	22
Fire	17	17	15	15	15	15	15	15	-	-
Community Development	7	7	8	9	7	7	7	7	7	7
Public Works	11	11	11	12	12	12	13	13	20	20
Parks & Recreation	6	6	5	5	4	4	4	4	4	4
Sewer	5	5	5	5	5	5	8	8	4	4
MLK	1	1	1	1	1	1	1	1	1	1
Parking	5	5	4	4	4	4	4	4	4	3
Total	87	88	86	87	82	82	88	88	75	76

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 Eight Fiscal Years

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

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

Source: City of Sausalito

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:								
Fire stations	2	1	1	1	1	1	1	1
Fire trucks	3	3	3	3	3	3	0	0
Fire boats	1	1	1	1	1	1	0	0
Police stations	1	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6	6
Public Works:								
Miles of streets	27	27	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664	664	664
Traffic Signals	9	9	9	9	9	9	9	9
Culture and Recreation:								
Community Services:								
City parks	19	19	19	19	19	19	19	19
City parks acreage	78	78	78	78	78	78	78	78
Beaches	3	3	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1
Library:								
City library	1	1	1	1	1	1	1	1
Wastewater:								
Miles of sanitary sewers	26	26	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15	15	15

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

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