

City of Sausalito, California

Comprehensive Annual Financial Report

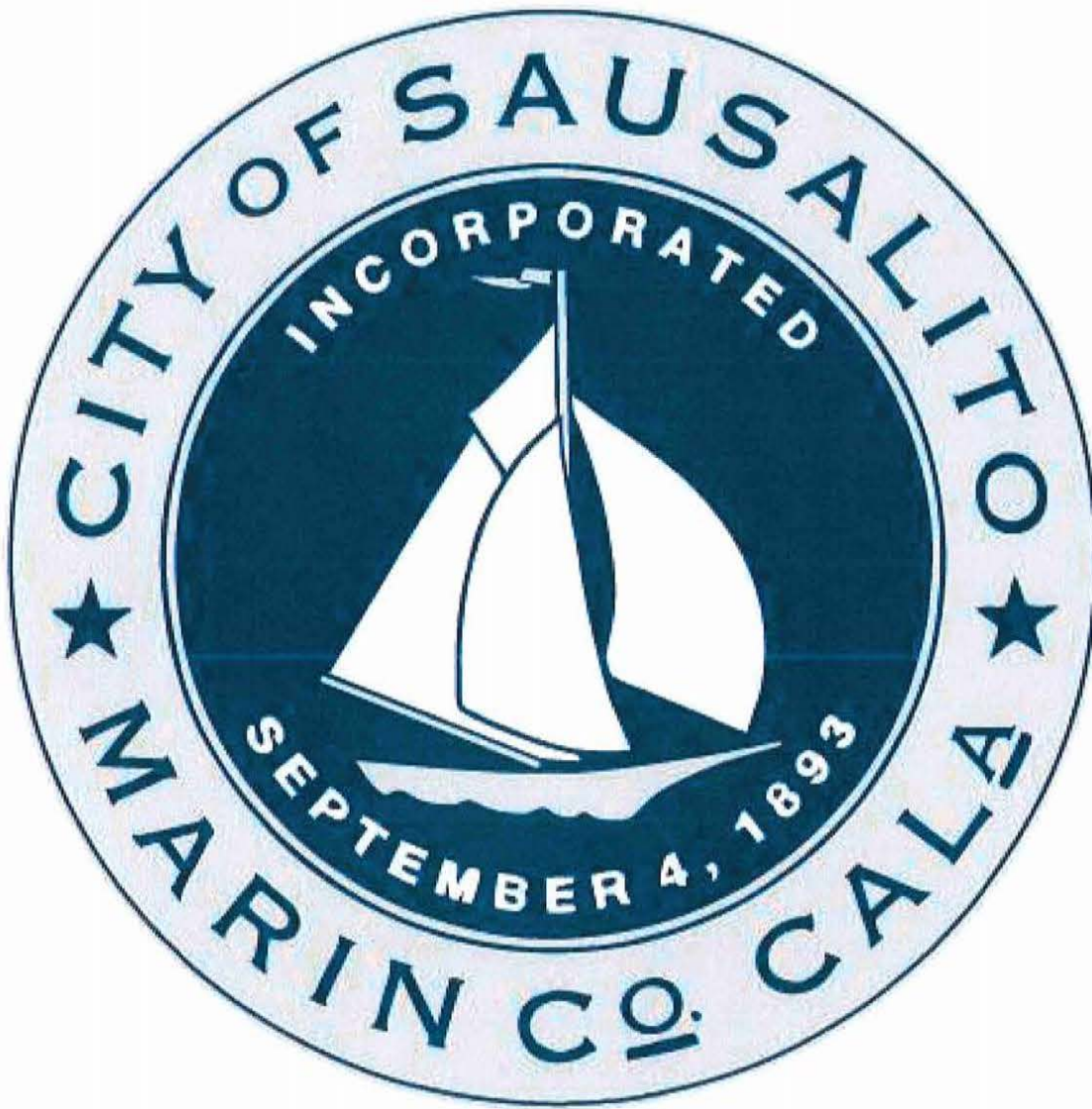


For the Year Ended
June 30, 2017

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

CITY OF SAUSALITO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017



Prepared by:
Finance Department

This Page Left Intentionally Blank



Robin Sweeny Park

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017
Table of Contents

INTRODUCTORY SECTION:

Table of Contents..... i
Letter of Transmittal..... v
Elected Officials and Appointed Officials..... x
Organization Chart xi
Certificate of Award for Excellence in Financial Reporting..... xii

FINANCIAL SECTION:

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

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 18
Statement of Activities..... 19

Fund Financial Statements:

Governmental Funds:

Balance Sheet 22
Reconciliation of the Governmental Funds – Balance Sheet with
the Statement of Net Position 23
Statement of Revenues, Expenditures, and Changes in Fund Balances 24
Reconciliation of the Net Change in Fund Balances – Total Governmental
Funds with the Statement of Activities 25

Proprietary Funds:

Statement of Net Position..... 28
Statement of Revenue, Expenses and Changes in Fund Net Position 29
Statement of Cash Flows..... 30

Fiduciary Fund:

Statement of Net Position..... 31

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017
Table of Contents

FINANCIAL SECTION (Continued):

Statement of Changes in Net Position 32

Notes to Financial Statements 33

Required Supplementary Information:

Schedule of Proportionate Share of the Net Pension Liability 72

Schedule of Contributions as of Measurement Date..... 73

Post-Employment Benefits Plan (OPEB)..... 74

Schedule of Changes in the City’s Net OPEB Liability and Related Ratios..... 75

Schedule of Employer Contributions (OPEB) 76

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

 General Fund..... 78

 Tidelands Special Revenue Fund 79

 Notes to Budget to Actual Schedules..... 80

Supplementary Information:

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

 General Capital Improvement Capital Projects Fund 82

Non-major Governmental Funds:

Combining Balance Sheet..... 84

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances..... 88

Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual 92

Internal Service Funds

Combining Statement of Net Position 98

Combining Statement of Revenues, Expenses and Changes in Fund Net Position 99

Combining Statement of Cash Flows 100

**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* 101**

CITY OF SAUSALITO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2017
Table of Contents

STATISTICAL SECTION:

Financial Trends

Net Positions by Component	104
Changes in Net Position.....	106
Fund Balances of Governmental Funds	110
Changes in Fund Balances of Governmental Funds	112

Revenue Capacity

Assessed Value of Taxable Property	114
Property Tax Rates – All Overlapping Governments	115
Property Tax Levies and Collections.....	117
Historical Sales Tax Amounts by Benchmark Year	118

Debt Capacity

Ratio of Outstanding Debt by Type.....	120
General Bonded Debt Outstanding Per Capita.....	121
Computation of Legal Bonded Debt Margin.....	122

Demographic and Economic Information

Demographic and Economic Statistics.....	123
--	-----

Operating Information

Authorized Full-Time Permanent Staffing City Government Employees by Function	124
Operating Indicators by Function/Program.....	125
Capital Asset Statistics by Function/Program	126

This Page Left Intentionally Blank



CITY OF SAUSALITO

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

Date: May 14, 2018

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, 2017. The purpose of the report is to provide the City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs. State law requires every general-purpose government to publish a complete set of audited financial statements and professional standards encourage this report be published within sufficient time to allow the government to remedy any deficiencies while minimizing negative impacts. This report is published to fulfill that requirement for the fiscal year ended June 30, 2016.

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

STEWARDSHIP

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

In order to enhance the degree of confidence of intended users of the financial statements, the City provides for an annual financial audit. The purpose of the audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. Maze & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

INTERNAL CONTROLS

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

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

FAX NUMBERS:

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

Community Development: (415) 339-2256

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

- Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.
- Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

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

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

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

As the City’s governing board, the City Council is responsible to ensure that the City administration fulfills its responsibilities in the preparation of the financial statements. Accordingly, the City Council’s Finance committee reviews the scope of the City’s audits and the accounting principles applied in the City’s financial reporting.

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

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

PROFILE OF THE GOVERNMENT

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

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

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

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

LOCAL ECONOMY

The City of Sausalito experiences geo-economic benefits from: its unique residential community blended with charm to its commercial and industrial sectors; and world-class scenic tourist base. This yields a more stable tax and revenue base than other California cities.

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

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

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

The local economy is reflecting much of the regional and state challenges of lower than historical growth in sales tax and occupancy tax revenues. With recent changes by CalPERS increasing the contributions required from the City for pension costs, the City is undertaking a comprehensive review of operations and revenues to ensure long-term fiscal resilience.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The City's total Fund Balance in the General Fund is \$9,578,722. The Fund Balance is comprised of three components: a non-spendable portion of \$1,962,157; an Assigned for Economic Contingencies portion of \$717,617; and an Unassigned portion (available for spending at the City's discretion) of \$6,883,839, of which \$733,007 is held in trust for future pension obligations. The Unassigned/Assigned portions of fund balance in the general fund totals \$6,156,941; this amount is 34.9% 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.

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 City utilizes a long range financial planning model to evaluate alternative fiscal policies and their impact on government finance. The results of operations for the fiscal year ended are consistent with the fiscal year forecasted in the model; and the model is calibrated with the results of operations for the fiscal year ended.

MAJOR INITIATIVES DURING THE 2016-17 FISCAL YEAR

Sewer Revenue Bonds

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

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

Measure “O” ½ Cent Local Sales Tax

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

Revenues from this local sales tax are estimated to generate \$1.2 Million per year; FY2015-16 saw just over \$1,000,000 in receipts. This local funding allows the City to begin addressing long-overdue storm drain upgrades and street/sidewalk repairs, which a recent community study cited as residents’ top priorities for the use of Measure O funds. The funds will also enable the City to rebuild concrete streets, improving streets/sidewalks for ADA accessibility, and improve ADA accessibility for public buildings.

Certificates of Participation

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

Fiscal Transparency

The City of Sausalito has deployed a powerful, web-based platform that presents and visualizes the City’s revenues and expenses—from multi-year trends to object-level details. Through this technology, citizens and staff can use the site to enhance access, understanding, and analysis of the City of Sausalito’s historical actual

and budgeted projected financial activities. The open-data platform can be located at www.sausalitoca.opengov.com.

Performance Budget receives Distinguished Budget Award

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

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

Financial Policies

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Adam W. Politzer
City Manager



Melanie D. Purcell, CPFO
Administrative Services Director/Treasurer

City of Sausalito
List of Elected and Appointed Officials
June 30, 2017

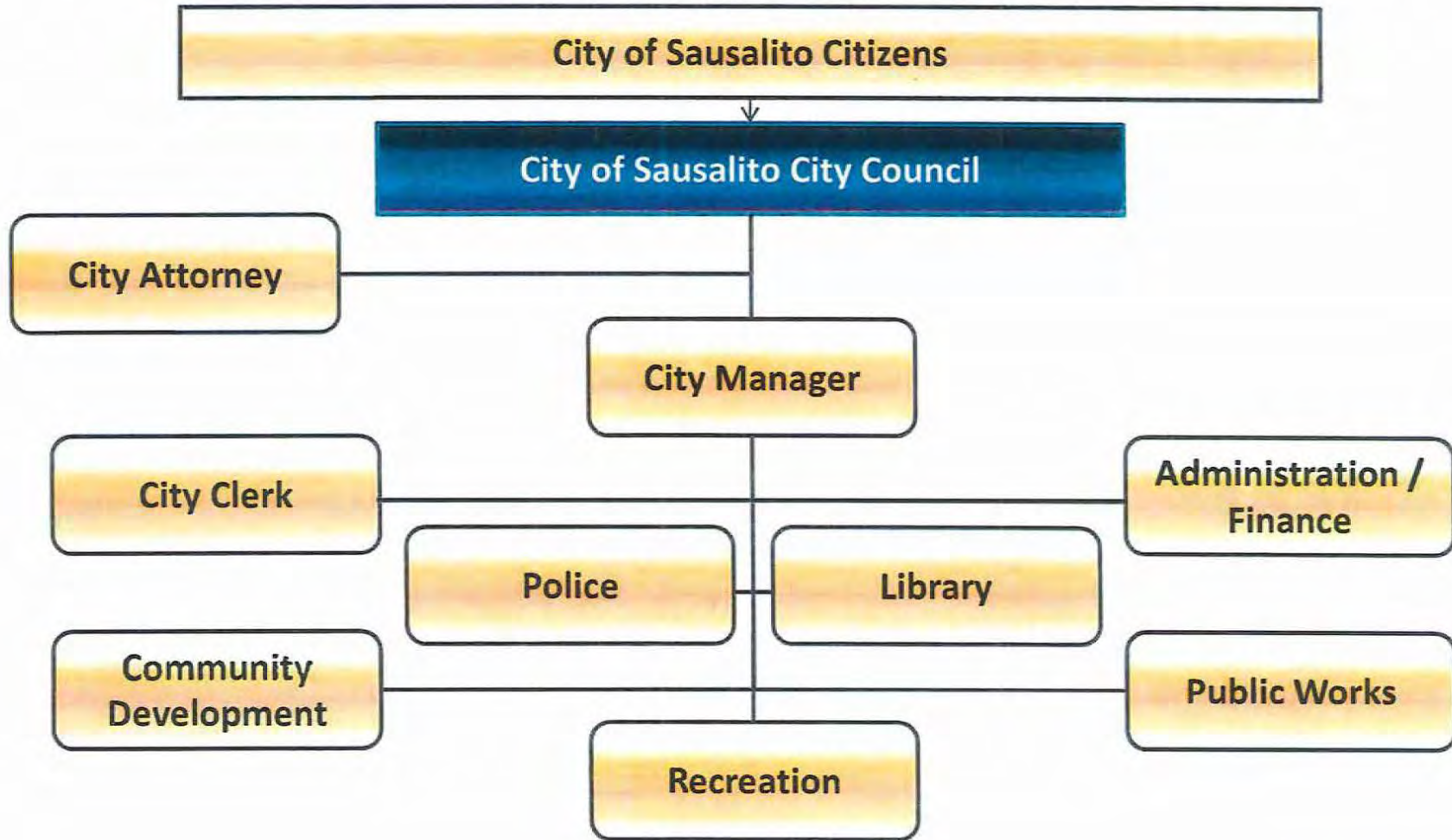
Elected Officials

Mayor	Ray Withy
Vice Mayor	Joan Cox
Council Member	Jill James Hoffman
Council Member	Joseph Burns
Council Member	Herb Weiner

Appointed Officials

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

City of Sausalito Organization Chart





Government Finance Officers Association

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

Presented to

**City of Sausalito
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO



Robin Sweeny Park



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sausalito, California, as of and for the year ended June 30, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2017 as discussed in Note 1P to the financial statements:

Statement No. 74 – *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*

Statement No. 82 – *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2018, 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
May 14, 2018

This Page Left Intentionally Blank

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-ix of this report.

FINANCIAL HIGHLIGHTS

- **STATEMENT OF NET POSITION** The total assets of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$29,882,394 (*total net position*).
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$9,599,711, an increase of \$769,579 over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues and Transfers) totaled \$13,354,239, a decrease of \$ 4,403,954 over the prior fiscal year. Total expenses were \$21,059,255 a decrease of \$3,431,781 from the prior fiscal year. This resulted in an overall Change in Net Position of \$1,894,695.
 - \$40,056,021 represents the City's net investment (after depreciation) in capital assets. This investment in capital assets represents a net decrease of \$3,446,970 over the prior fiscal year, primarily due to a restatement of prior year construction in progress.
 - The City's total net position is \$29,882,394. This amount increased by \$1,894,695 from the prior fiscal year primarily due to increases in capital assets.
 - The amount of \$7,759,139 in total net position that is restricted for designated purposes decreased by \$742,378 representing the use of resources available for spending on capital assets.
- **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of City of Sausalito's assets exceeded its liabilities resulting in an ending Fund Balance of \$9,578,722, an increase of \$1,226,579 over the prior fiscal year.
 - Of the ending Fund Balance, \$6,165,941 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors. This balance increased \$1,337,460 over the prior fiscal year.
 - In addition to unassigned Fund Balance, the City of Sausalito has \$717,617 assigned for economic fluctuation reserve. Combined with the unassigned balance of \$6,165,941, the City has \$6,883,558, or 52 percent of expenditures available in the General Fund for liquid reserves.
- **PROPRIETARY FUNDS STATEMENT OF NET POSITION** The total assets of the Business-Type Activities – Enterprise Funds (MLK, Sewer Fund, Parking Fund and Old City Hall Fund) of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$7,690,093 (*total Proprietary Funds net position*), an increase of \$1,085,770.

-
- **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS** was (\$1,074,553), a Decrease of \$995,818 over the prior fiscal year primarily due to increases in workers compensation claims and reserves.

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 18-19 of this report.

Fund Financial Statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sausalito, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sausalito can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Sausalito maintains 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 22-25 of this report.

Proprietary funds.

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

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

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

Notes to the Financial Statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-69 of this report.

Other information.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund and Tidelands Special Revenue Fund. Required supplementary information can be found on pages 72-76 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 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 \$29,882,394 at the close of fiscal year ending 2017. The following chart summarizes the Statement of Net Position:

	City of Sausalito's Net Position					
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other Assets	21,721,434	23,465,046	7,294,333	7,076,931	29,015,767	30,541,977
Capital Assets	51,182,373	47,800,792	15,490,534	15,435,205	66,672,907	63,235,997
Total Assets	72,903,807	71,265,838	22,784,867	22,512,136	95,688,674	93,777,974
Deferred outflows related to pension	5,689,442	2,536,603	266,278	146,556	5,955,720	2,683,159
Long-term liabilities outstanding	50,702,941	45,038,125	14,194,051	14,610,726	64,896,992	59,648,851
Other liabilities	3,290,766	3,967,404	1,114,704	1,371,805	4,405,470	5,339,209
Total liabilities	53,993,707	49,005,529	15,308,755	15,982,531	69,302,462	64,988,060
Deferred inflows related to pension	2,407,241	3,413,536	52,297	71,838	2,459,538	3,485,374
Net Position:						
Net Investment in Capital Assets	33,842,540	30,733,580	6,213,481	12,769,411	40,056,021	43,502,991
Restricted	7,759,139	8,501,517	-	-	7,759,139	8,501,517
Unrestricted	(19,409,378)	(17,851,721)	1,476,612	(6,165,088)	(17,932,766)	(24,016,809)
Total Net Position	22,192,301	21,383,376	7,690,093	6,604,323	29,882,394	27,987,699

The City implemented GASB Statement 68 in FY2014-15. With the new reporting change, the City is allocated its proportionate share of the California Public Employees' Retirement System's (CalPERS) net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City's management. This resulted in an unrestricted net position of (\$17,932,766).

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.

\$7,759,139 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 (\$19,409,378) compared to the prior year's (\$17,851,721). It should be recognized that the negative unrestricted net position likely did not result from short-term actions of the City. The implementation of GASB Statement No. 68 moved the unfunded pension obligations from the required supplementary information to the face of the financial statements in the entity's annual financial report. It's important to note that the total unfunded pension obligation is an estimated, cumulative future liability, it does not represent a liability due and payable immediately. Nor does it represent a legal debt obligation.

Business-type Activities.

The net investment in capital assets for business-type activities is \$6,213,481. There are \$1,476,612 in unrestricted net assets reported in connection with the City of Sausalito's business-type activities. There are no restricted net position from Business-type activities.

City of Sausalito's Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	2,374,689	2,029,107	6,634,010	6,334,406	9,008,699	8,363,513
Operating grants and contributions	551,001	414,404			551,001	414,404
Capital grants and contributions	40,011	52,215			40,011	52,215
General revenues:						
Taxes	12,095,518	11,675,848			12,095,518	11,675,848
Investment earnings	810,841	1,147,263	40,992	37,513	851,833	1,184,776
Other revenues	406,319	441,276	569	4,456,293	406,888	4,897,569
Total revenues	16,278,379	15,760,113	6,675,571	10,828,212	22,953,950	26,588,325
Expenses:						
General government	4,635,381	7,876,856			4,635,381	7,876,856
Library	983,416	1,008,411			983,416	1,008,411
Public safety - Police Services	6,176,789	4,980,899			6,176,789	4,980,899
Community development	1,642,782	1,244,302			1,642,782	1,244,302
Public works	2,588,550	3,897,233			2,588,550	3,897,233
Parks & Recreation	800,607	871,295			800,607	871,295
Interest on long-term debt	802,767	766,804			802,767	766,804
MLK			738,169	1,143,365	738,169	1,143,365
Sewer			1,986,711	1,822,399	1,986,711	1,822,399
Parking			675,660	851,065	675,660	851,065
Old City Hall			28,423	28,407	28,423	28,407
Total expenses	17,630,292	20,645,800	3,428,963	3,845,236	21,059,255	24,491,036
Increase in net Position before transfers	(1,351,913)	(4,885,687)	3,246,608	6,982,976	1,894,695	2,097,289
Transfers	2,160,838	9,162,432	(2,160,838)	(9,162,432)	-	-
Extraordinary items						
Increase in net Position	808,925	4,276,745	1,085,770	(2,179,456)	1,894,695	2,097,289
Adjusted Net Position - Beginning	21,383,376	17,106,631	6,604,323	8,783,779	27,987,699	25,890,410
Prior Year Restatements					-	-
Net Position - Ending	22,192,301	21,383,376	7,690,093	6,604,323	29,882,394	27,987,699

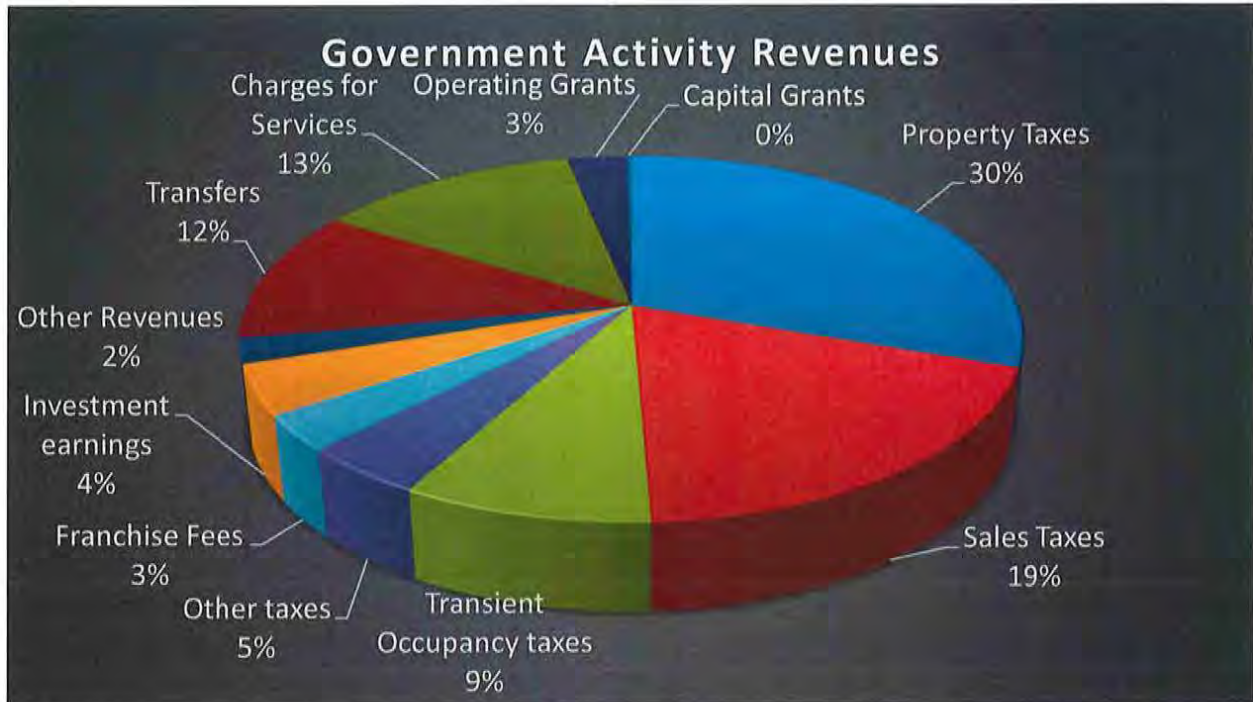
Statement of Activities.

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.

Governmental Activities.

The Governmental activities for the City's resulted in net position increasing by \$808,925 primarily due to increased charges for services, and increased operating contributions.

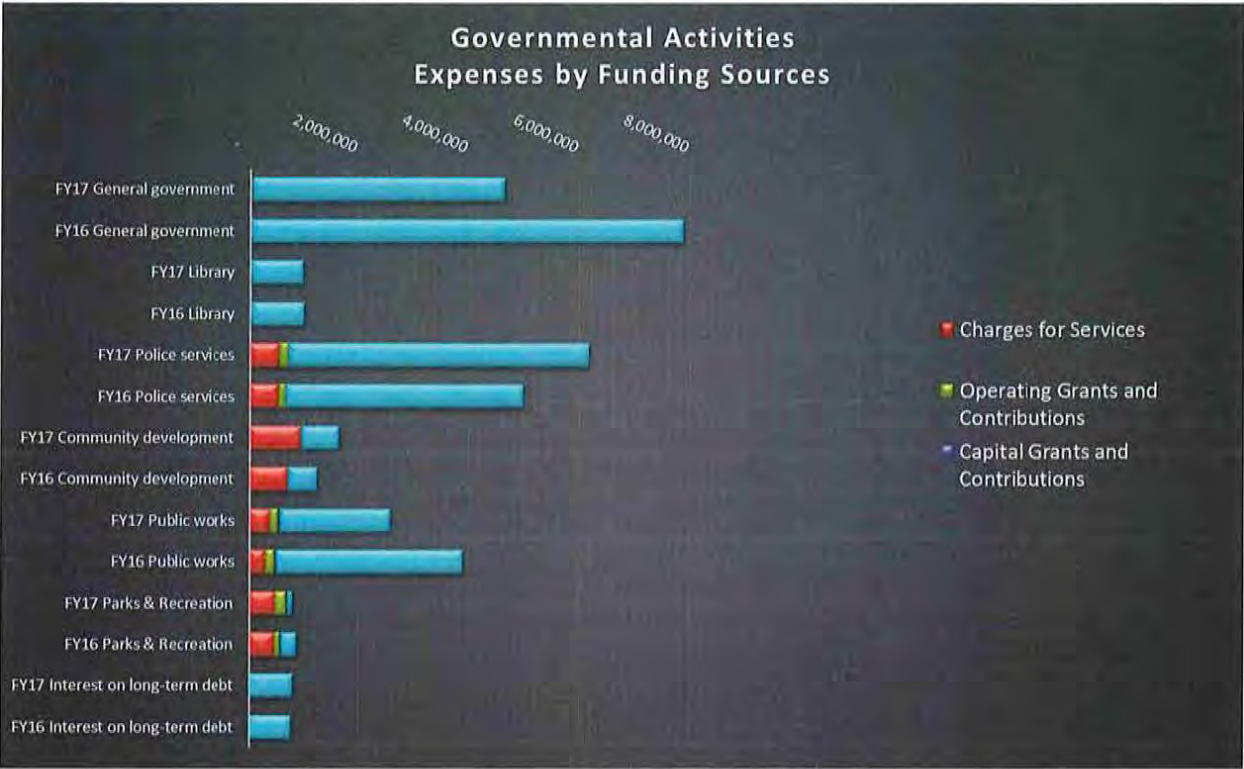
The following chart depicts the allocation of the City's Government-activity revenues by source:



Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$422,403, 8.1% from the prior fiscal year. Property taxes are generally inelastic and provide the City a stable revenue source (30% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service;
- The City's sales tax decreased by \$40,678 primarily due to stagnant retail sales. Sales tax represents 19% of the City's Governmental activities revenues and transfers;
- Transient occupancy taxes increased \$20,666 from the prior fiscal year, an increase of 1.3% Transient Occupancy Taxes are about 9% of total resources available for Governmental Activities;
- Franchise Tax, Business license tax, and other miscellaneous taxes increased marginally by \$17,279;
- Investment earnings decreased from the prior fiscal year by \$336,422 during the fiscal year, due to reduction and restatement of a loan agreement between the General Fund and the MLK Fund;
- Other government activity revenues declined slightly by \$34,957;
- Capital Grants and Contributions decreased \$12,204 due to decreases from capital grants in the Special Revenue Funds;
- Operating grants contributed from Special Revenue Fund increased by \$136,597 from the prior fiscal year.; Charges for Services increased \$345,582 primarily due to increases in Building Inspections and Plan Checks;

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

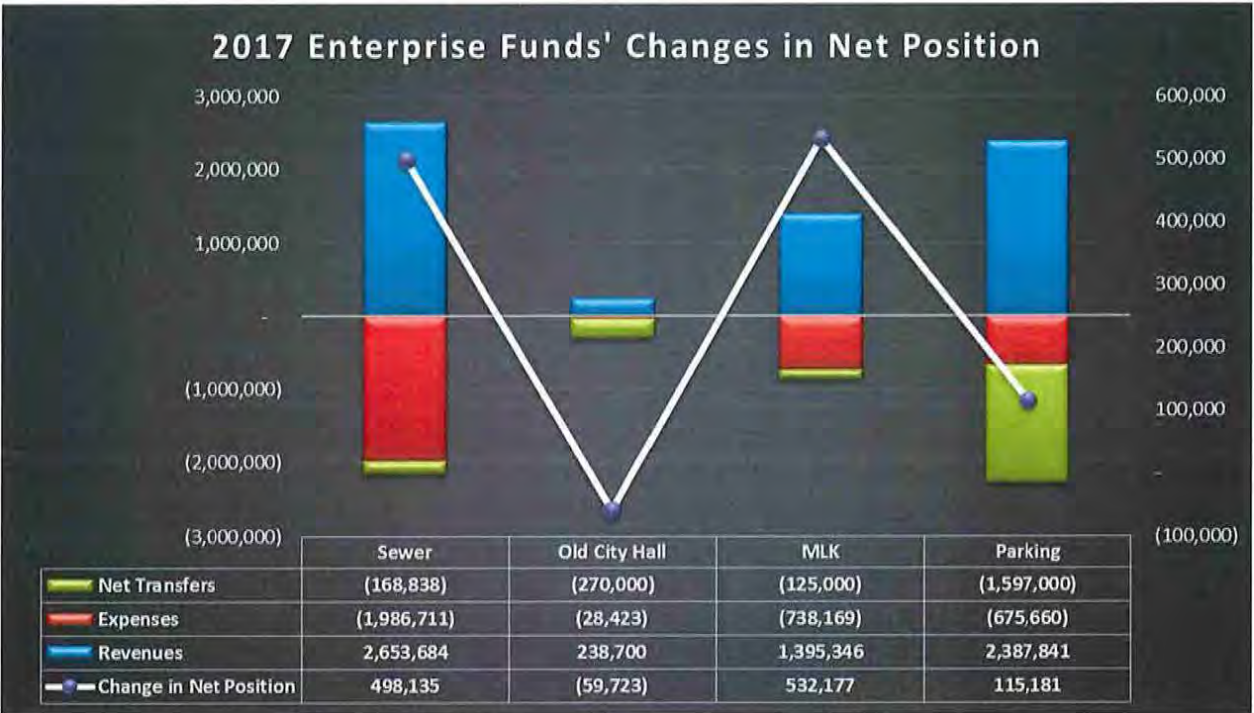


Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were reduced by \$3,015,508 over the prior fiscal year.
 - Library expenses decreased moderately due to labor savings from staff changes;
 - Public Works’ expenses decreased because of labor savings from vacant positions and completion of a major capital improvements project;
 - Community Development’s expenses increased reflecting increasing building inspections and plan checks and enhanced code enforcement activities;
 - Police Department expenses increased reflecting one-time capital charges as well as a fully staffed department operating at a higher level of service than the prior year;
 - Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, Information Technology) decreased due to the one-time recognition of a portion of the General Fund advance to the MLK being forgiven;
 - 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 \$1,085,704. 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 \$532,177 during the year compared to the \$2,404,289 decrease in the previous year. Operating expenses decreased \$258,646 from the prior year, resulting in net operating income (NOI) of \$929,673, compared to the prior year’s NOI of \$1,051,556.
- Sewer Fund increased net position by \$498,135 during the year, compared to the \$478,912 increase in net position the previous fiscal year. Increasing maintenance and capital costs in the Sewer Fund are dependent upon Sanitary Sewer fees. Sanitary Sewer fees were increased in FY 15, effective for FY 15 and for the next five years, to offset maintenance costs and infrastructure investments as a result of EPA compliance requirement.
- Parking Fund increased net position by \$115,181 during the year, compared to the \$200,811 decrease 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 \$59,723 as compared to the prior year’s decrease of \$53,268 due to continuing pressure on rents based on retail sales.

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 \$14,016,618, an increase of \$135,813 in comparison with the prior year. Individual fund analysis follows.

General Fund.

The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year assigned fund balance was \$717,617; and unassigned fund balance was \$6,165,941; for a total of \$6,883,839 that is available for spending at the government's discretion. Total fund balance, including \$1,962,157 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$9,578,722. 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 52.0% of total general fund expenditures, while total fund balance represents 72.4% of that same amount. Fund balance for the City of Sausalito's general fund increased by \$1,226,579 during the fiscal year.

General Fund Budgetary Highlights

The FY2017 adopted/amended budget of the City's General Fund anticipated an \$187,559 decrease in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations for expenses and transfers-out exceeding by revenues and transfers-in \$213,869. The results of operations resulted in a \$1,226,579 increase to Fund Balance due to surplus revenues and savings in operating expenditures. 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 78 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 \$3,196,805, due to the remaining unamortized net unearned revenue in the amount of \$4,188,613 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 \$5,087,443, intended 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, 2017, amounts to \$66,672,907 (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 (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	2,516,992	0	0	0	2,516,992	0
Building and improvements	14,572,756	14,898,254	3,182,502	3,290,487	17,755,258	18,188,741
MLK Bus Barn			170,500	176,000	170,500	176,000
Vehicles and equipment	237,767	168,873	368,953	556,345	606,720	725,218
Machinery and equipment	606,099	245,635			606,099	245,635
Infrastructure	18,234,097	17,473,368	7,972,578	7,616,372	26,206,675	25,089,740
Total	51,182,373	47,800,792	15,490,534	15,435,205	66,672,907	63,235,997

Additional information about the City's capital assets can be found in Note 4 on pages 45-47 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$32,619,807. This is a decrease of \$436,151 over the prior fiscal year.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Short-term debt	436,554	389,463	598,549	587,447	1,035,103	976,910
Long-term Debt	18,286,954	18,185,749	13,297,751	13,896,299	31,584,705	32,082,048
Total	18,723,508	18,575,212	13,896,300	14,483,746	32,619,808	33,058,958

For more detailed information on the City's Long-term debt see Note 5 on pages 48-50 in this report.

ECONOMIC FACTORS AND FUTURE YEARS' BUDGETS

National, State and Local Economic Recoveries

Recent data suggest that the **U.S. economy** is on stable ground. The Federal Reserve hiked interest rates for the first time in nearly a decade on Wednesday, signaling faith that the U.S. economy had largely overcome the wounds of the 2007-2009 financial crisis. The U.S. central bank's policy-setting committee raised the range of its benchmark interest rate by a quarter of a percentage point to between 0.25 percent and 0.50 percent, ending a lengthy debate about whether the economy was strong enough to withstand higher borrowing costs.

Another Solid Year for California

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

Nonfarm employment in California is up a solid 2.9 percent year over year, not far from the state's three-year average of 3.1 percent. The Golden State has added 464,000 net new jobs from October of last year on a non-seasonally adjusted basis. Gains have been broad-based across a majority of industry sectors (Figure 2). California's steady pace of hiring has pulled the state's unemployment rate down below six percent to 5.8 percent in October, its lowest reading since October 2007. On a year-to date basis through October, the largest gains have been seen in the professional & business services sector, which added 130,000 new jobs. This comes as no surprise, as employment in professional & business services includes many of the industry groups from the state's rapidly growing tech and life sciences sectors. Employment in professional, scientific & technical services, which includes software engineering, computer system design and scientific research and development, rose 6.2 percent over the year, an addition of 74,300 jobs. **The bulk of this gain has been in San Francisco, San Diego and Los Angeles.**

The City of Sausalito experiences geo-economic benefits from: its unique residential community blended with "charm" to its commercial and industrial sectors; and world-class scenic tourist base. This yields a more stable tax and revenue base than other California cities experiencing severe economic stress, structural imbalances, and non-sustainable budget policies.

Future Years Budgets

The City closely monitors its tax and revenue base. Sausalito's economy is 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. 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 as sales and transient occupancy taxes are more elastic and dependent on the national, state and local economies. Accordingly the City is forecasting slightly improving revenues from these elastic sources in the near future.

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

REQUESTS FOR INFORMATION

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

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

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$10,887,068	\$4,510,935	\$15,398,003
Restricted cash and investments (Note 2)	7,529,205	4,619,246	12,148,451
Receivables:			
Taxes receivables, net	871,236	13,841	885,077
Accounts receivable, net	471,768	62,976	534,744
Loans receivable	3,212		3,212
Internal balances (Note 3C)	1,956,249	(1,956,249)	
Prepays	2,696	43,584	46,280
Capital assets (Note 4):			
Land and construction in progress	17,531,654	3,796,001	21,327,655
Depreciable, net of accumulated depreciation	33,650,719	11,694,533	45,345,252
Total Assets	<u>72,903,807</u>	<u>22,784,867</u>	<u>95,688,674</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	5,689,442	266,278	5,955,720
Total Deferred Outflows	<u>5,689,442</u>	<u>266,278</u>	<u>5,955,720</u>
LIABILITIES			
Accounts payable	1,114,271	151,723	1,265,994
Accrued interest payable	136,866	127,789	264,655
Accrued salaries and benefits	322,174	3,752	325,926
Compensated absences (Note 1J):			
Due within one year	487,104	12,740	499,844
Due in more than one year	358,599	22,457	381,056
Claims payable (Note 10):			
Due within one year	419,952		419,952
Due in more than one year	1,228,775		1,228,775
Refundable deposits	373,845	220,152	593,997
Unearned revenue, due in more than one year (Note 7)	4,215,562		4,215,562
Net OPEB obligation (Note 9):			
Due in more than one year	2,717,686		2,717,686
Net pension liability due in more than one year (Note 8B)	23,895,365	873,843	24,769,208
Long-term debt (Note 5):			
Due within one year	436,554	598,548	1,035,102
Due in more than one year	18,286,954	13,297,751	31,584,705
Total Liabilities	<u>53,993,707</u>	<u>15,308,755</u>	<u>69,302,462</u>
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	2,407,241	52,297	2,459,538
Total Deferred Inflows	<u>2,407,241</u>	<u>52,297</u>	<u>2,459,538</u>
NET POSITION (Note 11):			
Net investment in capital assets	33,842,540	6,213,481	40,056,021
Restricted for:			
Special revenue programs	836,878		836,878
Debt service	731,415		731,415
Capital projects	6,190,846		6,190,846
Total Restricted Net Position	<u>7,759,139</u>		<u>7,759,139</u>
Unrestricted	(19,409,378)	1,476,612	(17,932,766)
Total Net Position	<u>\$22,192,301</u>	<u>\$7,690,093</u>	<u>\$29,882,394</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

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	\$4,635,381	\$31,271	\$7,351		(\$4,596,759)		(\$4,596,759)
Library	983,416	6,543	16,910	\$544	(959,419)		(959,419)
Public safety:							
Police services	6,176,789	547,922	160,672		(5,468,195)		(5,468,195)
Community development	1,642,782	935,402	10,859		(696,521)		(696,521)
Public works	2,588,550	383,615	145,121	27,539	(2,032,275)		(2,032,275)
Parks & recreation	800,607	469,936	210,088	11,928	(108,655)		(108,655)
Interest on long-term debt	802,767				(802,767)		(802,767)
Total Governmental Activities	17,630,292	2,374,689	551,001	40,011	(14,664,591)		(14,664,591)
Business-type Activities:							
MLK	738,169	1,389,245				\$651,076	651,076
Sewer	1,986,711	2,633,624				646,913	646,913
Parking	675,660	2,372,766				1,697,106	1,697,106
Old City Hall	28,423	238,375				209,952	209,952
Total Business-type Activities	3,428,963	6,634,010				3,205,047	3,205,047
Total	\$21,059,255	\$9,008,699	\$551,001	\$40,011	(14,664,591)	3,205,047	(11,459,544)
General revenues:							
Taxes:							
Property taxes					5,615,754		5,615,754
Sales taxes					3,480,087		3,480,087
Transient occupancy tax					1,609,865		1,609,865
Franchise fees					822,456		822,456
Other taxes					567,356		567,356
Investment earnings					810,841	40,992	851,833
Other revenues					406,319	569	406,888
Transfers (Note 3B)					2,160,838	(2,160,838)	
Total general revenues and transfers					15,473,516	(2,119,277)	13,354,239
Change in Net Position					808,925	1,085,770	1,894,695
Net Position-Beginning					21,383,376	6,604,323	27,987,699
Net Position-Ending					\$22,192,301	\$7,690,093	\$29,882,394

See accompanying notes to financial statements

This Page Left Intentionally Blank

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 2017. Individual non-major funds may be found in the Supplementary 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, 2017

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$5,967,176	\$876,882	\$155,000	\$1,941,672	\$8,940,730
Restricted cash and investments (Note 2)	733,007		6,087,564	708,634	7,529,205
Receivables:					
Taxes receivables, net	864,485			6,751	871,236
Accounts receivable, net	204,171	147,985	60,322	58,120	470,598
Loans receivable	3,212				3,212
Due from other funds (Note 3A)	971,262				971,262
Prepays	2,696				2,696
Advances to other funds (Note 3C)	1,956,249				1,956,249
Total Assets	\$10,702,258	\$1,024,867	\$6,302,886	\$2,715,177	\$20,745,188
LIABILITIES					
Accounts payable	\$410,968	\$22,659	\$399,706	\$12,394	\$845,727
Accrued salaries and benefits	322,174				322,174
Refundable deposits	363,445	10,400			373,845
Due to other funds (Note 3A)			815,737	155,525	971,262
Unearned revenue (Note 7)	26,949	4,188,613			4,215,562
Total Liabilities	1,123,536	4,221,672	1,215,443	167,919	6,728,570
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	1,962,157				1,962,157
Restricted	733,007		6,087,564	2,546,001	9,366,572
Committed				103,282	103,282
Assigned	717,617				717,617
Unassigned	6,165,941	(3,196,805)	(1,000,121)	(102,025)	1,866,990
Total Fund Balances (Deficits)	9,578,722	(3,196,805)	5,087,443	2,547,258	14,016,618
Total Liabilities and Fund Balances	\$10,702,258	\$1,024,867	\$6,302,886	\$2,715,177	\$20,745,188

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances reported on the governmental funds balance sheet \$14,016,618

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. 50,837,163

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	1,946,338
Accounts receivable, net	1,170
Capital assets, net of depreciation	345,210
Claims payable	(1,648,727)
Long-term debt	(1,450,000)
Accounts payable and accrued interest	(268,544)

DEFERRED INFLOWS AND OUTFLOWS

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

Deferred outflows	5,689,442
Deferred inflows	(2,407,241)

LONG TERM LIABILITIES

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

Long-term debt	(17,273,508)
Interest payable	(136,866)
Compensated absences	(845,703)
Net OPEB obligation	(2,717,686)
Net pension liability	(23,895,365)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$22,192,301

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, 2017

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$5,060,976			\$554,778	\$5,615,754
Sales tax	3,480,087				3,480,087
Other tax	2,432,321				2,432,321
Licenses and permits	564,123				564,123
Fines and forfeitures	532,679			15,811	548,490
Use of money and property	385,217	\$706,807	\$27,540	10,971	1,130,535
Intergovernmental	12,823	10,859		515,880	539,562
Charges for services	1,481,313			362,981	1,844,294
Other revenues	112,081				112,081
Total Revenues	14,061,620	717,666	27,540	1,460,421	16,267,247
EXPENDITURES					
Current:					
General government	3,487,116	314,858			3,801,974
Library	880,082				880,082
Public safety:					
Police	4,773,520			197,300	4,970,820
Community development	1,576,144				1,576,144
Public works	1,797,401			126,558	1,923,959
Parks & recreation	715,871				715,871
Capital outlay			3,806,798	8,396	3,815,194
Debt service:					
Principal				331,463	331,463
Interest and other charges		100		245,046	245,146
Total Expenditures	13,230,134	314,958	3,806,798	908,763	18,260,653
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	831,486	402,708	(3,779,258)	551,658	(1,993,406)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	2,375,838		2,243,500	72,155	4,691,493
Transfers (out) (Note 3B)	(1,980,745)	(517,155)		(336,000)	(2,833,900)
Total Other Financing Sources (Uses)	395,093	(517,155)	2,243,500	(263,845)	1,857,593
NET CHANGE IN FUND BALANCES	1,226,579	(114,447)	(1,535,758)	287,813	(135,813)
BEGINNING FUND BALANCES (DEFICITS)	8,352,143	(3,082,358)	6,623,201	2,259,445	14,152,431
ENDING FUND BALANCES (DEFICITS)	\$9,578,722	(\$3,196,805)	\$5,087,443	\$2,547,258	\$14,016,618

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, 2017

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 (\$135,813)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance 3,815,194

Depreciation expense is deducted from the fund balance (548,804)

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 331,463

Change in accrued interest payable (557,621)

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 (64,336)

Net OPEB obligation (242,161)

Pension expense (793,179)

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 (995,818)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$808,925

See accompanying notes to financial statements

This Page Left Intentionally Blank

CITY OF SAUSALITO

PROPRIETARY FUNDS

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

Major Enterprise Funds

MLK FUND

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

SEWER FUND

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

PARKING FUND

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

Non-Major Enterprise Fund

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$786,593	\$722,254	\$2,953,223	\$48,865	\$4,510,935	\$1,946,338
Restricted cash and investments (Note 2)		4,619,246			4,619,246	
Receivables:						
Accounts receivable, net	7,878	50,012	5,086		62,976	1,170
Taxes receivable		13,841			13,841	
Prepaid assets			43,584		43,584	
Total current assets:	794,471	5,405,353	3,001,893	48,865	9,250,582	1,947,508
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063			9,938	3,796,001	
Depreciable, net of accumulated depreciation	2,911,573	8,197,163	144,363	441,434	11,694,533	345,210
Total noncurrent assets	6,697,636	8,197,163	144,363	451,372	15,490,534	345,210
Total Assets	7,492,107	13,602,516	3,146,256	500,237	24,741,116	2,292,718
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)		266,278			266,278	
Total Deferred Outflows		266,278			266,278	
LIABILITIES						
Current liabilities:						
Accounts payable	20,465	121,408	9,850		151,723	268,544
Accrued interest payable	36,907	90,882			127,789	
Accrued salaries and benefits		3,752			3,752	
Compensated absences, due in one year (Note 1J)		12,740			12,740	
Refundable deposits	192,112	4,040	24,000		220,152	
Claims payable-due within one year (Note 10)						419,952
Long-term debt, due within one year (Note 5)	405,000	193,548			598,548	58,000
Total current liabilities	654,484	426,370	33,850		1,114,704	746,496
Noncurrent liabilities:						
Advance from other funds (Note 3C)	1,956,249				1,956,249	
Compensated absences, due in more than one year (Note 1J)		22,457			22,457	
Claims payable - due in more than one year (Note 10)						1,228,775
Long-term debt, due in more than one year (Note 5)	6,050,000	7,247,751			13,297,751	1,392,000
Net pension liability (Note 8B)		873,843			873,843	
Total noncurrent liabilities	8,006,249	8,144,051			16,150,300	2,620,775
Total Liabilities	8,660,733	8,570,421	33,850		17,265,004	3,367,271
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)		52,297			52,297	
Total Deferred Inflows		52,297			52,297	
NET POSITION (Note 11)						
Net investment in capital assets	242,636	5,375,110	144,363	451,372	6,213,481	345,210
Unrestricted	(1,411,262)	(129,034)	2,968,043	48,865	1,476,612	(1,419,763)
Total Net Position (Deficits)	(\$1,168,626)	\$5,246,076	\$3,112,406	\$500,237	\$7,690,093	(\$1,074,553)

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, 2017

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
OPERATING REVENUES						
Building rents	\$1,389,245			\$238,375	\$1,627,620	
Charges for services		\$2,633,624	\$2,372,766		5,006,390	
Other revenue	69	500			569	\$294,944
Total Operating Revenues	1,389,314	2,634,124	2,372,766	238,375	6,634,579	294,944
OPERATING EXPENSES						
Other expenses	3,044	142,742	138,420		284,206	1,485,588
Professional services	25,890	315,238	336,316		677,444	
Repairs and maintenance	16,666	27,401	364		44,431	6,319
Salaries and benefits	170,297	1,083,562	71,470		1,325,329	
Utilities	157,849	33,802	1,077	833	193,561	
Depreciation	85,895	236,060	128,013	27,590	477,558	113,232
Total Operating Expenses	459,641	1,838,805	675,660	28,423	3,002,529	1,605,139
Operating Income (Loss) Before Transfers	929,673	795,319	1,697,106	209,952	3,632,050	(1,310,195)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	6,032	19,560	15,075	325	40,992	11,132
Interest (expense)	(278,528)	(147,906)			(426,434)	
Total nonoperating revenue (expenses)	(272,496)	(128,346)	15,075	325	(385,442)	11,132
Income (Loss) before transfers	657,177	666,973	1,712,181	210,277	3,246,608	(1,299,063)
Transfers in (Note 3B)		5,000			5,000	303,245
Transfers (out) (Note 3B)	(125,000)	(173,838)	(1,597,000)	(270,000)	(2,165,838)	
Net transfers	(125,000)	(168,838)	(1,597,000)	(270,000)	(2,160,838)	303,245
Change in net position	532,177	498,135	115,181	(59,723)	1,085,770	(995,818)
BEGINNING NET POSITION	(1,700,803)	4,747,941	2,997,225	559,960	6,604,323	(78,735)
ENDING NET POSITION	(\$1,168,626)	\$5,246,076	\$3,112,406	\$500,237	\$7,690,093	(\$1,074,553)

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Non-major Old City Hall		Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,385,744	\$2,622,141	\$2,328,615	\$238,375	\$6,574,875	\$294,944
Payment to employees	(170,297)	(1,038,968)	(72,667)		(1,281,932)	
Payment to suppliers	(196,003)	(622,317)	(476,177)	(833)	(1,295,330)	(886,298)
Other receipts (payments)	519	500	(85,782)		(84,763)	
Cash Flows from Operating Activities	<u>1,019,963</u>	<u>961,356</u>	<u>1,693,989</u>	<u>237,542</u>	<u>3,912,850</u>	<u>(591,354)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		5,000			5,000	303,245
Transfers (out)	(125,000)	(173,838)	(1,597,000)	(270,000)	(2,165,838)	
Cash Flows from Noncapital Financing Activities	<u>(125,000)</u>	<u>(168,838)</u>	<u>(1,597,000)</u>	<u>(270,000)</u>	<u>(2,160,838)</u>	<u>303,245</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets		(532,887)			(532,887)	(228,423)
Principal payments on capital debt	(395,000)	(192,447)			(587,447)	(58,000)
Interest payment	(406,567)	(235,857)			(642,424)	
Cash Flows from Capital and Related Financing Activities	<u>(801,567)</u>	<u>(961,191)</u>			<u>(1,762,758)</u>	<u>(286,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	6,032	19,560	15,075	325	40,992	11,132
Net Cash Flows	99,428	(149,113)	112,064	(32,133)	30,246	(563,400)
Cash and investments at beginning of period	687,165	5,490,613	2,841,159	80,998	9,099,935	2,509,738
Cash and investments at end of period	<u>\$786,593</u>	<u>\$5,341,500</u>	<u>\$2,953,223</u>	<u>\$48,865</u>	<u>\$9,130,181</u>	<u>\$1,946,338</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$929,673	\$795,319	\$1,697,106	\$209,952	\$3,632,050	(\$1,310,195)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	85,895	236,060	128,013	27,590	477,558	113,232
Other revenue						
Change in assets and liabilities:						
Accounts receivables	(3,501)	(11,483)	(652)		(15,636)	
Prepaid items			(43,499)		(43,499)	
Accounts payable and accruals	7,446	(103,134)	(85,634)		(181,322)	34,960
Accrued salaries and benefits		190	(1,197)		(1,007)	
Accrued compensated absences		2,393			2,393	
Refundable deposits	450		(148)		302	
Claims payable						570,649
Deferred outflows		(119,722)			(119,722)	
Deferred inflows		(19,541)			(19,541)	
Net pension liability		181,274			181,274	
Cash Flows from Operating Activities	<u>\$1,019,963</u>	<u>\$961,356</u>	<u>\$1,693,989</u>	<u>\$237,542</u>	<u>\$3,912,850</u>	<u>(\$591,354)</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 FIDUCIARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2017

	Retiree OPEB Benefits Trust Fund
ASSETS	
Restricted cash and investments (Note 2)	\$709,954
Accounts receivable, net	145,015
Total Assets	\$854,969
NET POSITION	
Held in trust for OPEB benefits	\$854,969

See accompanying notes to financial statements

CITY OF SAUSALITO
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	Retiree OPEB Benefits Trust Fund
ADDITIONS	
Investment earnings	\$32,620
Employer Contribution	145,015
Total Additions	\$177,635
DELETIONS	
Administrative expense	\$1,727
Total Deletions	\$1,727
NET POSITION HELD IN TRUST	
Beginning of year	\$679,061
End of year	\$854,969

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

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

B. *Basis of Presentation*

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

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

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

The major governmental funds of the City are:

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Use of Restricted/Unrestricted Net Position

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

F. Budgets and Budgetary Accounting

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

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

G. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2017, the following expenditures exceeded the budgeted expenditures:

	<u>Exceeded Budget</u>
General Fund:	
Non departmental	\$205,729
Community development	338,353
Tidelands Special Revenue Fund:	
General government	90,058

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fair Value Measurements

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

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

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

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

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

I. Prepaid Items

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

J. Compensated Absences

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The changes of the compensated absences were as follows for June 30, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$781,367	\$32,804	\$814,171
Additions	590,141	16,526	606,667
Payments	<u>(525,805)</u>	<u>(14,133)</u>	<u>(539,938)</u>
Ending Balance	<u>\$845,703</u>	<u>\$35,197</u>	<u>\$880,900</u>
Current Portion	<u>\$487,104</u>	<u>\$12,740</u>	<u>\$499,844</u>

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

K. Property Tax Revenues

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. *Unavailable and Unearned Revenues*

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

M. *Statement of Cash Flows*

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

N. *Estimates and Assumption*

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

O. *Deferred Outflows/Inflows of Resources*

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

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

P. *New GASB Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2017.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 74 – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

GASB Statement No. 82 - The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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	\$15,398,003
Restricted cash and investments	12,148,451
Total	\$27,546,454

Fiduciary Fund

Restricted cash and investments	\$709,954
Total Cash and Investments	\$28,256,408

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

C. Authorized Investments by the City and Debt Agreements

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	30%	\$65 million
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	50%	None
Bankers Acceptances	180 days	N/A	10%	5%
Commercial Paper	180 days	A1/P1	15%	5%
Certificate of Time Deposits	360 days	N/A	10% (*)	None
Negotiable Certificates of Deposit	360 days	N/A	10%	5%
Repurchase Agreements	360 days	N/A	5%	5%
Reverse Repurchase Agreement	90 days	N/A	5%	None
Medium Term Notes	5 years	A	5%	None

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

D. Authorized Investments by Debt Agreements

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

E. Interest Rate Risk

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

	12 Months or less	Total
Local Agency Investment Fund	\$9,860,288	\$9,860,288
Money Market Mutual Fund	11,415,444	11,415,444
<i>Held by Trustee:</i>		
PARS Trust - Money Market Mutual Funds	709,954	709,954
 Total Investments	 \$21,985,686	 21,985,686
 Cash in banks		6,268,152
Petty Cash		2,570
 Total City Cash and Investments		 \$28,256,408

Money market mutual funds are available for withdrawal on demand. At June 30, 2017, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 25-50 days.

F. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2017, the City held \$9,860,288 in Local Agency Investment Fund (LAIF), which is an uncategorized input not defined as a Level 1, Level 2 or Level 3 input.

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

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2017, for each investment type as provided by Standard & Poor's Investment rating system:

<i>Investment Type</i>	AAAm	Total
<i>City Cash and Investments:</i>		
Money Market Mutual Fund	\$11,415,444	\$11,415,444
<i>Not Rated:</i>		
Local Agency Investment Fund		9,860,288
Cash in banks		6,268,152
Petty cash		2,570
Total City Cash and Investments		\$27,546,454
<i>Fiduciary Cash</i>		
<i>Not Rated:</i>		
PARS Trust - Money Market Mutual Funds		\$709,954
Total Cash and Investments		\$28,256,408

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. Custodial Credit Risk

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

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

I. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2017, these investments matured in an average of 194 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, 2017 interfund balances were as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Capital Improvement Capital Projects Fund	General Fund	\$815,737
Non Major Governmental Funds	General Fund	<u>151,685</u>
		<u><u>\$967,422</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

B. Transfers

<u>Fund Receiving Transfers</u>	<u>Amount Transferred In</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred Out</u>
General Fund	\$2,375,838	Tideland Special Revenue Fund	(\$200,000) A
		Non-Major Governmental Funds	(10,000) A
		MLK Enterprise Fund	(125,000) A
		Sewer Enterprise Fund	(173,838) A
		Parking Enterprise Fund	(1,597,000) B
		Old City Hall Enterprise Fund	(270,000) B
General Capital Improvement Capital Projects Fund	2,243,500	General Fund	(1,672,500) C
		Tideland Special Revenue Fund	(245,000) C
		Non-Major Governmental Funds	(326,000) C
Non-Major Governmental Funds	72,155	Tideland Special Revenue Fund	(72,155) D
Sewer Enterprise Fund	5,000	General Fund	(5,000) G
Internal Service Funds	303,245	General Fund	(303,245) E,F
Total Interfund Transfers	<u>\$4,999,738</u>	Total Interfund Transfers	<u>(\$4,999,738)</u>

The reasons for these transfers are set forth below:

- A Transfers to return excess funds to sources
- B To fund the General Fund operation.
- C To fund capital improvement projects.
- D To fund debt service.
- E To set aside funds for future equipment replacement.
- F To set aside funds for compensated absences and post employment benefits other than pension and general liability.
- G To fund administrative services

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	\$1,956,249

As of June 30, 2017, the amount of the interfund advance was \$1,956,249. The remaining balance will be paid off over 13 years, at 3% interest rate ending in fiscal year 2030.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. 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, 2017

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, 2017, comprise:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated:				
Land and improvements	\$15,014,662			\$15,014,662
Construction in progress		\$2,516,992		2,516,992
	<u>15,014,662</u>	<u>2,516,992</u>		<u>17,531,654</u>
Depreciable capital assets:				
Building and improvements	17,715,683	26,419		17,742,102
Vehicles and equipment	272,118			272,118
Machinery and equipment	1,114,972	402,250		1,517,222
Infrastructure	<u>41,877,620</u>	<u>1,988,649</u>		<u>43,866,269</u>
Total Infrastructure	<u>60,980,393</u>	<u>2,417,318</u>		<u>63,397,711</u>
Less: accumulated depreciation for				
Building and improvements	(2,817,429)	(351,917)		(3,169,346)
Vehicles and equipment	(272,118)			(272,118)
Machinery and equipment	(930,483)	(88,083)		(1,018,566)
Infrastructure	<u>(24,404,252)</u>	<u>(1,227,920)</u>		<u>(25,632,172)</u>
Total accumulated depreciation	<u>(28,424,282)</u>	<u>(1,667,920)</u>		<u>(30,092,202)</u>
Depreciable capital assets, net	<u>32,556,111</u>	<u>749,398</u>		<u>33,305,509</u>
Internal Service Funds				
Depreciable capital assets:				
Vehicles and equipment	722,377	166,599	(\$103,311)	785,665
Machinery and equipment	<u>90,073</u>	<u>61,824</u>		<u>151,897</u>
	<u>812,450</u>	<u>228,423</u>	<u>(103,311)</u>	<u>937,562</u>
Less: accumulated depreciation for				
Vehicles and equipment	(553,504)	(97,705)	103,311	(547,898)
Machinery and equipment	<u>(28,927)</u>	<u>(15,527)</u>		<u>(44,454)</u>
Total accumulated depreciation	<u>(582,431)</u>	<u>(113,232)</u>	<u>103,311</u>	<u>(592,352)</u>
Depreciable capital assets, net	<u>230,019</u>	<u>115,191</u>		<u>345,210</u>
Governmental capital assets, net	<u>\$47,800,792</u>	<u>\$3,381,581</u>		<u>\$51,182,373</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Balance June 30, 2017
Business-type Activities			
Land and improvements	\$3,796,001		\$3,796,001
	<u>3,796,001</u>		<u>3,796,001</u>
Depreciable capital assets:			
Building and improvements	6,100,938		6,100,938
MLK Bus Barn	275,000		275,000
Vehicles and equipment	1,630,725		1,630,725
Infrastructure	13,201,584	\$532,887	13,734,471
Total	<u>21,208,247</u>	<u>532,887</u>	<u>21,741,134</u>
Less: accumulated depreciation for			
Building and improvements	(2,810,451)	(107,985)	(2,918,436)
MLK Bus Barn	(99,000)	(5,500)	(104,500)
Vehicles and equipment	(1,074,380)	(187,392)	(1,261,772)
Infrastructure	(5,585,212)	(176,681)	(5,761,893)
	<u>(9,569,043)</u>	<u>(477,558)</u>	<u>(10,046,601)</u>
Depreciable capital assets, net	<u>11,639,204</u>	<u>55,329</u>	<u>11,694,533</u>
Total capital assets, net	<u>\$15,435,205</u>	<u>\$55,329</u>	<u>\$15,490,534</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	\$226,161
Recreation	6,995
Library	16,701
Police services	294,510
Public works	1,123,553
Internal Service Funds	113,232
Total Governmental Activities	<u>\$1,781,152</u>
Business-type Activities:	
MLK	\$85,895
Sewer	236,060
Parking	128,013
Old City Hall	27,590
Total Business-type Activities	<u>\$477,558</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Governmental Activities						
Southern Marin Fire Protection District	\$1,740,000	\$1,508,000		(\$58,000)	\$1,450,000	\$58,000
Department of Boating & Waterways	1,200,000	570,945		(46,463)	524,482	48,554
General Obligation Bonds:						
2006 Series A	8,205,000	5,140,000		(285,000)	4,855,000	330,000
2006 Series B (Capital Appreciation)	7,293,894	11,356,267	\$537,759		11,894,026	
Total Government Activities		<u>\$18,575,212</u>	<u>\$537,759</u>	<u>(\$389,463)</u>	<u>\$18,723,508</u>	<u>\$436,554</u>
Business-type Activities						
2015 Sewer Revenue Bond	6,750,000	\$6,675,000		(\$150,000)	\$6,525,000	\$150,000
State Water Resources Board Loan	100,000	958,746		(42,447)	916,299	43,548
2016 Certificates of Participation	6,940,000	6,850,000		(395,000)	6,455,000	405,000
Total Business-type Activities		<u>\$14,483,746</u>		<u>(\$587,447)</u>	<u>\$13,896,299</u>	<u>\$598,548</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 final 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.

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$5,999,257. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$503,443 and \$554,778, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

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 \$25,615,000. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$554,778.

The Bonds do not require periodic interest payments. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026. Final repayment will be August 1, 2041. The Bonds unaccreted discount and the current year accretion totaled \$13,720,976 and \$537,759, respectively at June 30, 2017.

F. 2015 Sewer Revenue Bonds

In January 2015, the City, via the Sausalito Financing Authority, issued the 2015 Sewer Revenue Bonds in the amount of \$6,750,000. The bond proceeds are being used to finance the acquisition and construction of sewer improvements and facilities; fund a reserve fund for the Bonds; and pay issuance costs. Interest payments are due each February 1 and August 1, and commencing August 1, 2015, principal is due each August 1, until August 1, 2044. The bonds bear interests at rates from 2.0% to 3.5% per annum. These bonds are repayable solely from and secured by a pledge of the Sewer Enterprise Fund's Net Revenues as defined under the indenture. The total principal and interest paid for the current fiscal year and total customer net revenues were \$359,581 and \$2,637,374, respectively.

G. California State Water Resources Control Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement with the State Water Resources Control Board in the amount of \$1,036,480 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. As of June 30, 2017 the City had drawn down \$958,746 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 2013 and restructured at an interest rate of 7.46%.

The City leases units at the site to tenants. The leases are operating leases with varying terms. Rental income included in the financial statements for the fiscal year ended June 30, 2017 is comprised of the following:

Operating Leases	\$1,331,559
Utility pass through	57,686
	\$1,389,245

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 5 - LONG-TERM DEBT (Continued)

Future minimum rents on noncancelable tenant operating leases for fiscal years ending after June 30, 2017 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2018	\$1,359,633
2019	1,401,839
2020	1,445,444
2021	1,505,218
2022	1,550,889
2023 - 2027	8,491,947
2028 - 2032	9,850,444
2033-2036	8,998,520
	<u>\$34,603,934</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. 2016 Certificates of Participation

In January 2016, the City, via the Sausalito Financing Authority, issued the 2016 Certificates of Participation in the amount of \$6,940,000. The bond proceeds are being used to finance capital improvements to the City's MLK campus and Robin Sweeny, Southview and Dunphy Parks and pay costs associated with the issuance of the certificates. Interest payments are due each May 1 and November 1, and commencing May 1, 2016, principal payments are due each May 1, until May 1, 2030. The bonds bear interests at rates from 2.0% to 4.0% per annum. These bonds are repayable solely from certain lease payments to be made by the City to the Authority as outlined in the indenture. The total principal and interest paid for the current fiscal year was \$616,550.

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
2018	\$436,554	\$229,437	\$598,549	\$635,405
2019	483,739	212,800	619,682	645,448
2020	536,022	194,117	635,843	649,562
2021	583,408	173,383	657,035	658,496
2022	640,901	150,492	673,258	662,246
2023 - 2027	4,423,860	308,946	3,735,777	1,391,118
2028 - 2032	7,015,000		3,116,488	751,083
2033 - 2037	9,085,000		1,374,667	537,527
2038 - 2042	9,240,000		1,475,000	306,350
2043 - 2045			1,010,000	53,900
Total	<u>\$32,444,484</u>	<u>\$1,269,175</u>	<u>\$13,896,299</u>	<u>\$6,291,135</u>

(A) Includes General Obligation Bonds 2006 Series B unaccreted discount in the total amount of \$13,720,976

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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, 2017 is \$1,810,000.

NOTE 7 – UNEARNED REVENUE

Tideland Fund Unearned Revenue - During the fiscal year 2011, the City determined that the bulkhead at the Sausalito Yacht Harbor vicinity had deteriorated such that there was an urgent need for replacement. The City commenced the Sausalito Yacht Harbor - Bay Street Bulkhead Replacement Project (Project), estimated to cost more than \$5 million. The City’s upfront contribution to the project was \$1,000,000. To provide the remaining funding for the project, on February 1, 2011, the City entered into the first amended lease agreement with Sausalito Yacht Harbor, Inc. (Tenant), for the lease of certain public tides and submerged lands at the Sausalito Yacht Harbor location. The terms of the lease ends on January 31, 2061. The Tideland Fund unearned revenue at June 30, 2017 is \$4,188,613 consisting of two parts:

A. In consideration for the City agreeing to extend the term of the lease for 50 years, the tenant paid for half of the cost of the project. As of June 30, 2017, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,357,627 as unearned lease revenue to be amortized over the remaining 44 years.

B. In addition, upon the completion of the project, the tenant is also entitled to a rent credit against the rental payments to be made to the City. The total amount of the available rent credit is equal to one half of the project costs less \$1,000,000. The project was completed July 2012. Commencing 30 days after project completion date, the rent credit is applied monthly and spread equally over a period of 25 years of rent credit period. Under certain conditions specified in the agreement, the rent credit period shall be extended by a period of time equal to the time that tenant was not required to pay rent. Beginning on the commencement of the rent credit and annually thereafter until the rent credits are exhausted, the rent credits are subject to a cost of living increase of 5% of the outstanding and unused rent credit. As of June 30, 2017, the City had recorded \$1,830,986 as unearned rent revenue.

Combined, the unearned revenue for all funds as June 30, 2017 is \$4,215,562.

NOTE 8 – PENSION PLAN

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

A. General Information about the Pension Plan

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLANS (Continued)

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Police</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	19.334%	12.821%
	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.0% - 2.5%
Required employee contribution rates	8%	6.500%
Required employer contribution rates	10.808%	6.908%
	<u>Fire</u>	
	<u>Prior to January 1, 2013</u>	
Hire date		
Benefit formula	3% @ 55	
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50	
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	
Required employee contribution rates	0%	
Required employer contribution rates	0.000%	

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability and side fund was \$1,262,975 in fiscal year 2017.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$1,263,277	\$769,773	\$2,033,050

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$15,915,687
Miscellaneous	8,853,521
Total Net Pension Liability	\$24,769,208

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2015	0.33%	0.21%
Proportion - June 30, 2016	0.30%	0.22%
Change - Increase (Decrease)	-0.03%	0.01%

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2017, the City recognized pension expense of \$835,190. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,033,050	
Differences between actual and expected experience	25,164	(\$89,430)
Changes in assumptions		(602,856)
Net differences between projected and actual earnings on plan investments	3,031,255	
Change in proportion and differences between actual contributions and proportionate share of contributions		(844,319)
Change in proportion	866,251	(922,933)
Total	\$5,955,720	(\$2,459,538)

\$2,033,050 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2018	(\$367,022)
2019	(322,114)
2020	1,364,776
2021	787,492

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Then June 30, 2017 total pension liability was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	3.2% - 20% (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS' website.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.65 percent used for the June 30, 2015 measurement date was net of administrative expenses. The discount rate of 7.65 percent used for the June 30, 2016 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2015 measurement date were the same as those used for the June 30, 2016 measurement date.

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

	Discount Rate		
	1% Decrease 6.65%	Current 7.65%	1% Increase 8.65%
Safety	\$23,610,794	\$15,915,687	\$9,598,793
Miscellaneous	24,235,917	8,853,521	5,171,792
Total	<u>\$47,846,711</u>	<u>\$24,769,208</u>	<u>\$14,770,585</u>

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

C. *Deferred Compensation Plan*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

D. Public Agency Retirement System Trust

On March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Pension Benefits Trust Program, an irrevocable trust established to prefund pension obligations. The City did not make any contributions to the trust during fiscal year 2017. As of June 30, 2017, the total amount of \$733,007 in investments are recorded as restricted investments in the City. The Program's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB)

A. Eligibility and Contribution Requirements

By Council resolution and through agreements with its labor units, the city provides certain health care benefits for retired employees under third-party insurance plans. Four employee groups were included: police, fire, SEIU Local 1021, and unrepresented employees. As of June 30, 2017, 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, 2017, 39 of the remaining Police, SEIU Local 1021 and unrepresented employees are eligible for the 20-year service benefit.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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

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

The City also pays for dental benefits for certain unrepresented retirees after retirement. No other future retirees will receive City paid dental benefits.

B. Funding Policy and Actuarial Assumptions

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

Certain plan changes occurred effective for the January 1, 2015 valuation. The City's fire department was annexed to Southern Marin Fire Protection District, and most of the liability for active firefighters was eliminated in the valuation. In addition, other active employees were permitted to opt out of the OPEB plan and elect a defined contribution plan. No future hires would be covered under this OPEB plan.

This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) investment rate of return on pay as you go basis of 4.0%, (b) 3.25% aggregate payroll increase, (c) a healthcare trend of declining annual increases ranging from 8% in January 2016 to 5.5% starting January 2021, and (d) 3.0% general inflation rate. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a closed thirty-year amortization period.

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

Annual required contribution (ARC)	\$446,012
Interest on net OPEB obligation	127,175
Adjustment to annual required contribution	<u>(123,519)</u>
Annual OPEB cost	449,668
Contributions made:	
City's portion of current year premiums paid	<u>207,507</u>
Contributions in excess of the ARC	(242,161)
Net OPEB obligation June 30, 2016	<u>2,475,525</u>
Net OPEB obligation June 30, 2017	<u><u>\$2,717,686</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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

The Plan’s annual required contributions and actual contributions for the year ended 2017 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2015	\$415,406	\$583,547	140%	\$2,507,420
6/30/2016	432,430	464,325	107%	2,475,525
6/30/2017	449,668	207,507	46%	2,717,686

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

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

C. Post-Employment Benefit Reform

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

- In fiscal 2005, the City set-aside \$50,000 in a separate internal services fund to partially offset the UAAL;
- In both fiscal 2006 and fiscal 2007, the City set-aside \$150,000 each year in a separate internal services fund in order to partially offset the UAAL;
- In fiscal 2008, the City Council adopted a policy through budget adoption and implementation to set aside 1% of employees’ salaries in a separate internal services fund in order to continue the practice to partially offset the UAAL;
- In mid fiscal 2008, after accumulating the above noted \$350,000, and adopting the policy to continue the practice of setting aside 1% of salaries into a separate internal service find 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.*

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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

- 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.
- Effective March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Post-Employment Benefits Trust, an irrevocable trust established to prefund post-retirement health care benefits. This Trust is not considered a component unit by the City and has been excluded from these financial statements. The Program's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.
- As of June 30, 2017, the City had accumulated approximately \$397,986 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, 2017

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

D. OPEB Trust Fund

i. Plan Administration

The City is the plan administrator. The Public Agency Retirement Services (PARS) administers the trust for the City’s retiree healthcare benefit plan – a single-employer defined benefit OPEB plan that provides healthcare benefits for eligible general and public safety employees of the City.

	Fiscal Year ended June 30, 2017
Plan Type	Single Employer
OPEB Trust	Yes
Special Funding Situation	No
Nonemployer Contributing Entity	No

ii. Plan Membership

As described in the table above, plan membership varies based on different employee bargaining groups. As of June 30, 2017, membership in the plan consisted of the following:

	Number of Covered Employees
Inactives currently receiving benefits	69
Inactives entitled to but not enrolled for benefits	-
Active employees	39
	108

The City’s Defined Benefit OPEB plan is closed to new entrants; all new employees are enrolled into the City’s Defined Contribution plan.

iii. Contribution Information

PARS established rates for each employer based on an actuarially determined rate for each employer. Plan members are not required to contribute to the plan. For the year ended June 30, 2017, the City did not contribute to the actuarially determined contribution.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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

iv. Investment Policy

PARS offers different investment portfolios as part of the investment vehicle. The City invests in “Capital Appreciation” portfolio; the primary goal of the Capital Appreciation objective is growth of principal. The major portions of the assets are invested in the equity securities and market fluctuations are expected. The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selections and monitoring helps to drive return potential while reducing portfolio risk.

The following is the City adopted asset allocation policy as of June 30, 2017.

	Target Allocation	Expected Real Rate of Return
Asset Class Component:		
Equity	48.2%	4.8%
REITs	1.8%	3.8%
Fixed Income	45.0%	1.5%
Cash	5.0%	0.1%
	100.0%	
Assumed Long-Term Inflation Rate		5.10%
Discount Rate		5.10%

v. Net OPEB Liability

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

	Fiscal Year Ended June 30, 2017
Measurement Date	
Total OPEB Liability (TOL)	\$5,421,945
Plan Fiduciary Net Position (FNP)	(709,954)
Net OPEB Liability (NOL)(Asset)	\$4,711,991
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13%

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

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

vi. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

In accordance with GASB 74, regarding the disclosure of the sensitivity of the net OPEB liability to changes in the discount rate, the following table presents the net OPEB liability of the Plan as of June 30, 2017, calculated using the discount rate of 5.10%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage point higher than the current rate:

	Discount Rate		
	1% Decrease (4.1%)	Current Rate (5.1%)	1% Increase (6.1%)
Net OPEB Liability	\$5,611,457	\$4,711,991	\$3,990,134

	Healthcare Cost Trend Rate		
	1% Decrease (7.00% decreasing to 3.64%)	Current Rate (8.00% decreasing to 4.64%)	1% Increase (9.00% decreasing to 5.64%)
Net OPEB Liability	\$3,928,004	\$4,711,991	\$5,708,455

vii. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Actuarial Assumption	June 30, 2017 Measurement Date
Actuarial Cost Method	Entry Age Normal, level % of pay
Expected Long Term Return on Trust Assets	5.10%
OPEB Funding Level	Greater than or equal to 100% Actuarially Determined Contribution (ADC)
Amortization basis for determining ADC	28 years, closed, level % of pay to determine payments
Asset Valuation basis for determining ADC	Market value of trust assets
Discount rate	3.00% per year
General inflation rate	5.10%
General wage inflation rate	3.25% per year
Salary increase rate	3.25% per year
Demographic assumptions:	
Termination, Disability & Retirement Rates	Based on CalPERS January 2014 Experience Study report
Mortality	Based on CalPERS January 2014 Experience Study report Full generational mortality improvement based on Scale AA
Healthcare Trend	7.50% for 2017, graded down by 0.5% per year to ultimate rate of 4.50% 0.14% trend adjustment added in 2025 and later years to accommodate expected excise tax on high cost retiree coverage
Dental Increase	4.50% per year
PEMHCA Minimum Increases	4.50% per year

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

A. Workers' Compensation Coverage Statistics

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

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

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, 2017, the City's estimated workers' compensation liability for unpaid losses was as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$925,327	\$887,460
Incurred claims and claims adjustment	643,795	327,296
Claims paid	<u>(294,433)</u>	<u>(289,429)</u>
Ending balance	<u>\$1,274,689</u>	<u>\$925,327</u>
Current portion	<u>\$334,069</u>	<u>\$277,571</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, 2017

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, 2017, the City’s estimated general liability for unpaid losses was as follows:

	2017	2016
Beginning balance	\$152,751	\$115,482
Incurred claims and claims adjustment	317,299	(115,482)
Claims paid	(96,012)	152,751
Ending balance	\$374,038	\$152,751
Current portion	\$85,883	\$37,757

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, 2017

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2017, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$3,212				\$3,212
Prepays	2,696				2,696
Advances to other funds	1,956,249				1,956,249
Subtotal	<u>1,962,157</u>				<u>1,962,157</u>
Restricted for:					
Pension	733,007				733,007
Seized assets				\$34,631	34,631
CoPs projects			\$6,087,564		6,087,564
Street construction and maintenance				139,994	139,994
Infrastructure projects				174,627	174,627
Storm drain maintenance				13,561	13,561
Stair improvements				155,887	155,887
Disasters				977,708	977,708
Grants				318,178	318,178
2006 General Obligations				731,415	731,415
Subtotal	<u>733,007</u>		<u>6,087,564</u>	<u>2,546,001</u>	<u>9,366,572</u>
Committed to:					
Library improvements				103,282	103,282
Subtotal				<u>103,282</u>	<u>103,282</u>
Assigned:					
Budget stabilization reserve	717,617				717,617
Subtotal	<u>717,617</u>				<u>717,617</u>
Unassigned:					
Emergency shortfall reserve	6,165,941				6,165,941
Fund deficit residuals		(\$3,196,805)	(1,000,121)	(102,025)	(4,298,951)
Subtotal	<u>6,165,941</u>	<u>(3,196,805)</u>	<u>(1,000,121)</u>	<u>(102,025)</u>	<u>1,866,990</u>
Total fund balances	<u>\$9,578,722</u>	<u>(\$3,196,805)</u>	<u>\$5,087,443</u>	<u>\$2,547,258</u>	<u>\$14,016,618</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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2017

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

E. Net Position and Fund Balance Deficits

The following funds had net position and fund balance deficits at June 30, 2017 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,196,805
Traffic Safety Special Revenue Fund	25,721
Police Grants Special Revenue Fund	26,518
Measure A Special Revenue Fund	49,786
MLK Enterprise Fund	1,168,626
Workers Compensation Internal Service Fund	752,854
Employee Benefits Internal Service Fund	1,201,078
General Liability Internal Service Fund	328,420

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

A. Marin Emergency Radio Authority

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

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

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

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

This Page Left Intentionally Blank

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date:	Safety		
	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%	0.30%
Plan's proportion share of the Net Pension Liability (Asset)	\$12,520,104	\$12,618,710	\$15,915,687
Plan's Covered Payroll	1,965,044	2,031,497	1,844,449
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	637%	621%	863%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77%	77%	72%
	Miscellaneous		
	6/30/2014	6/30/2015	6/30/2016
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%	0.22%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,221,567	\$7,016,911	\$8,853,521
Plan's Covered Payroll	3,812,428	3,898,870	3,911,846
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137%	180%	226%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83%	78%	73%

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CONTRIBUTIONS

	Safety		
	2015	2016	2017
Actuarially determined contribution	\$760,463	\$1,058,862	\$1,263,277
Contributions in relation to the actuarially determined contributions	(760,463)	(1,058,862)	(1,263,277)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$2,031,497	\$1,844,449	\$2,391,883
Contributions as a percentage of covered payroll	37.43%	57.41%	52.82%
	Miscellaneous		
	2015	2016	2017
Actuarially determined contribution	\$553,613	\$704,178	\$769,773
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)	(769,773)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered-employee payroll	\$3,898,870	\$3,911,846	\$3,869,850
Contributions as a percentage of covered payroll	14.20%	18.00%	19.89%

Notes To Required Supplementary Information

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**OPEB TRUST FUND
SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND
RELATED RATIOS**

Fiscal Year	2017
Measurement period ending:	6/30/2017
Changes in total OPEB Liability	
Service cost	\$150,736
Interest	271,950
Difference between expected and actual experience	13,921
Changes of assumptions	
Changes of benefit terms	
Benefit payments including refunds	(203,921)
Net changes	232,686
Total OPEB liability (beginning)	5,189,259
Total OPEB liability (ending)	\$5,421,945
 Changes in plan fiduciary net position	
Contributions - employer	\$203,921
Contributions - employee	
Net investment income	32,621
Benefit payments including refunds	(203,921)
Administrative expense	(1,727)
Net changes	30,894
Plan fiduciary net position (beginning)	679,060
Plan fiduciary net position (ending)	\$709,954
 Net OPEB liability/(asset) (end of year)	 \$4,711,991
Plan fiduciary net position as a percentage of the total OPEB liability	13.1%
Covered payroll	n/a
Net OPEB liability as a percentage of covered payroll	n/a

REQUIRED SUPPLEMENTARY INFORMATION

**OPEB TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	Fiscal Year 2016/2017
Actuarially determined contributions	<u>\$380,544</u>
Contributions in relation to the actuarially determined contribution	<u>203,921</u>
Contributions deficiency (excess)	\$176,623
Covered payroll	n/a
Contributions as a percentage of covered payroll	n/a

**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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$4,494,000	\$4,494,000	\$5,060,976	\$566,976
Sales tax	3,425,500	3,425,500	3,480,087	54,587
Other tax	2,457,000	2,457,000	2,432,321	(24,679)
Licenses and permits	570,700	570,700	564,123	(6,577)
Fines and forfeitures	570,000	570,000	532,679	(37,321)
Use of money and property	482,940	482,940	385,217	(97,723)
Intergovernmental	34,000	34,000	12,823	(21,177)
Charges for services	1,332,800	1,332,800	1,481,313	148,513
Other revenues	31,353	31,353	112,081	80,729
Total Revenues	<u>13,398,293</u>	<u>13,398,293</u>	<u>14,061,620</u>	<u>663,328</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,650,470	1,650,470	1,534,059	116,411
Information Technology	580,726	580,726	503,056	77,670
Non departmental	1,165,271	1,244,272	1,450,001	(205,729)
Library	895,567	901,567	880,082	21,485
Public safety:				
Police	5,394,596	5,396,482	4,773,520	622,962
Community development	1,237,791	1,237,791	1,576,144	(338,353)
Public works	2,212,359	2,224,182	1,797,401	426,781
Parks & recreation	844,164	771,664	715,871	55,793
Total Expenditures	<u>13,980,944</u>	<u>14,007,154</u>	<u>13,230,134</u>	<u>777,020</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(582,652)</u>	<u>(608,862)</u>	<u>831,486</u>	<u>1,440,348</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,375,838	2,375,838	2,375,838	
Transfers (out)	(1,980,745)	(1,980,745)	(1,980,745)	
Total Other Financing Sources (Uses)	<u>395,093</u>	<u>395,093</u>	<u>395,093</u>	
NET CHANGE IN FUND BALANCE	<u>(\$187,559)</u>	<u>(\$213,769)</u>	1,226,579	<u>\$1,440,348</u>
BEGINNING FUND BALANCE			<u>8,352,143</u>	
ENDING FUND BALANCE			<u>\$9,578,722</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, 2017

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$739,819	\$706,807	(\$33,012)
Intergovernmental	<u>129,800</u>	<u>10,859</u>	<u>(118,941)</u>
Total Revenues	<u>869,619</u>	<u>717,666</u>	<u>(151,953)</u>
EXPENDITURES:			
Current:			
General government	224,800	314,858	(90,058)
Interest and other charges	<u>95,385</u>	<u>100</u>	<u>95,285</u>
Total Expenditures	<u>320,185</u>	<u>314,958</u>	<u>5,227</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>549,434</u>	<u>402,708</u>	<u>(146,726)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(517,155)</u>	<u>(517,155)</u>	
Total Other Financing Sources (Uses)	<u>(517,155)</u>	<u>(517,155)</u>	
NET CHANGE IN FUND BALANCE	<u>\$32,279</u>	(114,447)	<u>(\$146,726)</u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(3,082,358)</u>	
ENDING FUND BALANCE (DEFICIT)		<u>(\$3,196,805)</u>	

NOTES TO BUDGET-TO-ACTUAL SCHEDULES

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

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

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

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

SUPPLEMENTARY INFORMATION

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, 2017

	<u>Final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$704,000		(\$704,000)
Use of money and property	20,000	\$27,540	7,540
Other revenue	55,000		(55,000)
	<u>779,000</u>	<u>27,540</u>	<u>(751,460)</u>
Total Revenues			
EXPENDITURES:			
Current:			
Capital outlay	<u>10,427,743</u>	<u>3,806,798</u>	<u>6,620,945</u>
	<u>10,427,743</u>	<u>3,806,798</u>	<u>6,620,945</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(9,648,743)</u>	<u>(3,779,258)</u>	<u>5,869,485</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>5,648,500</u>	<u>2,243,500</u>	<u>(3,405,000)</u>
	<u>5,648,500</u>	<u>2,243,500</u>	<u>(3,405,000)</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCE			
	<u>(\$4,000,243)</u>	<u>(1,535,758)</u>	<u>\$2,464,485</u>
BEGINNING FUND BALANCE			
		<u>6,623,201</u>	
ENDING FUND BALANCE (DEFICIT)			
		<u>\$5,087,443</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Capital Project Fund

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

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees
ASSETS				
Cash and investments	\$34,631		\$147,665	\$174,627
Restricted cash and investments				
Receivables:				
Taxes receivables, net				
Accounts receivable, net				
Total Assets	\$34,631		\$147,665	\$174,627
LIABILITIES				
Accounts payable		\$4,620	\$7,671	
Due to other funds		21,101		
Total Liabilities		25,721	7,671	
FUND BALANCE				
Restricted	\$34,631		139,994	\$174,627
Committed				
Unassigned		(25,721)		
Total Fund Balances	34,631	(25,721)	139,994	174,627
Total Liabilities and Fund Balances	\$34,631		\$147,665	\$174,627

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
	\$13,143	\$155,887	\$977,708	\$318,281	
	418				
<u>\$58,120</u>					
<u>\$58,120</u>	<u>\$13,561</u>	<u>\$155,887</u>	<u>\$977,708</u>	<u>\$318,281</u>	
				\$103	
<u>\$84,638</u>					<u>\$49,786</u>
<u>84,638</u>				<u>103</u>	<u>49,786</u>
	\$13,561	\$155,887	\$977,708	318,178	
<u>(26,518)</u>					<u>(49,786)</u>
<u>(26,518)</u>	<u>13,561</u>	<u>155,887</u>	<u>977,708</u>	<u>318,178</u>	<u>(49,786)</u>
<u>\$58,120</u>	<u>\$13,561</u>	<u>\$155,887</u>	<u>\$977,708</u>	<u>\$318,281</u>	

(Continued)

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

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Improvement</u>	
ASSETS				
Cash and investments	\$16,448		\$103,282	\$1,941,672
Restricted cash and investments	708,634			708,634
Receivables:				
Taxes receivables, net	6,333			6,751
Accounts receivable, net				58,120
Total Assets	<u>\$731,415</u>		<u>\$103,282</u>	<u>\$2,715,177</u>
LIABILITIES				
Accounts payable				\$12,394
Due to other funds				155,525
Total Liabilities				<u>167,919</u>
FUND BALANCE				
Restricted	\$731,415			2,546,001
Committed			\$103,282	103,282
Unassigned				(102,025)
Total Fund Balances	<u>731,415</u>		<u>103,282</u>	<u>2,547,258</u>
Total Liabilities and Fund Balances	<u>\$731,415</u>		<u>\$103,282</u>	<u>\$2,715,177</u>

This Page Left Intentionally Blank

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Fines and forfeitures		\$15,811		
Use of money and property	\$182	(44)	\$968	\$1,201
Intergovernmental			145,121	
Charges for services				282,627
Total Revenues	182	15,767	146,089	283,828
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		27,136	76,080	
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total Expenditures		27,136	76,080	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	182	(11,369)	70,009	283,828
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)		(10,000)	(65,000)	(165,000)
Total Other Financing Sources (Uses)		(10,000)	(65,000)	(165,000)
NET CHANGE IN FUND BALANCES	182	(21,369)	5,009	118,828
BEGINNING FUND BALANCES (DEFICITS)	34,449	(4,352)	134,985	55,799
ENDING FUND BALANCES (DEFICITS)	\$34,631	(\$25,721)	\$139,994	\$174,627

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
(\$132)	\$148	\$820	\$5,147		
160,672				\$210,087	
	80,354				
160,540	80,502	820	5,147	210,087	
197,300					
	23,342				
				8,396	
197,300	23,342			8,396	
(36,760)	57,160	820	5,147	201,691	
	(46,000)				(\$50,000)
	(46,000)				(50,000)
(36,760)	11,160	820	5,147	201,691	(50,000)
10,242	2,401	155,067	972,561	116,487	214
(\$26,518)	\$13,561	\$155,887	\$977,708	\$318,178	(\$49,786)

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$554,778			\$554,778
Fines and forfeitures				15,811
Use of money and property	2,137		\$544	10,971
Intergovernmental				515,880
Charges for services				362,981
Total Revenues	556,915		544	1,460,421
EXPENDITURES				
Current:				
Public safety:				
Police				197,300
Public works				126,558
Capital outlay				8,396
Debt service:				
Principal	285,000	\$46,463		331,463
Interest and other charges	219,354	25,692		245,046
Total Expenditures	504,354	72,155		908,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,561	(72,155)	544	551,658
OTHER FINANCING SOURCES (USES)				
Transfers in		72,155		72,155
Transfers (out)				(336,000)
Total Other Financing Sources (Uses)		72,155		(263,845)
NET CHANGE IN FUND BALANCES	52,561		544	287,813
BEGINNING FUND BALANCES (DEFICITS)	678,854		102,738	2,259,445
ENDING FUND BALANCES (DEFICITS)	<u>\$731,415</u>		<u>\$103,282</u>	<u>\$2,547,258</u>

This Page Left Intentionally Blank

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2017

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$40,000	\$15,811	(\$24,189)			
Use of money and property		(44)	(44)		\$968	\$968
Intergovernmental				\$168,000	145,121	(22,879)
Charges for services						
Other revenues						
Total Revenues	<u>40,000</u>	<u>15,767</u>	<u>(24,233)</u>	<u>168,000</u>	<u>146,089</u>	<u>(21,911)</u>
EXPENDITURES						
Current:						
Public works	30,000	27,136	2,864	100,000	76,080	23,920
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>30,000</u>	<u>27,136</u>	<u>2,864</u>	<u>100,000</u>	<u>76,080</u>	<u>23,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,000</u>	<u>(11,369)</u>	<u>(21,369)</u>	<u>68,000</u>	<u>70,009</u>	<u>2,009</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(10,000)</u>	<u>(10,000)</u>		<u>(65,000)</u>	<u>(65,000)</u>	
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(10,000)</u>		<u>(65,000)</u>	<u>(65,000)</u>	
NET CHANGES IN FUND BALANCES		<u>(21,369)</u>	<u>(\$21,369)</u>	<u>\$3,000</u>	<u>5,009</u>	<u>\$2,009</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(4,352)</u>			<u>134,985</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$25,721)</u>			<u>\$139,994</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)
	\$1,201	\$1,201		\$148	\$148		\$820	\$820
\$165,000	282,627	117,627	\$74,500	80,354	5,854			
<u>165,000</u>	<u>283,828</u>	<u>118,828</u>	<u>74,500</u>	<u>80,502</u>	<u>6,002</u>		<u>820</u>	<u>820</u>
			28,500	23,342	5,158			
			<u>28,500</u>	<u>23,342</u>	<u>5,158</u>			
<u>165,000</u>	<u>283,828</u>	<u>118,828</u>	<u>46,000</u>	<u>57,160</u>	<u>11,160</u>		<u>820</u>	<u>820</u>
<u>(165,000)</u>	<u>(165,000)</u>		<u>(46,000)</u>	<u>(46,000)</u>				
<u>(165,000)</u>	<u>(165,000)</u>		<u>(46,000)</u>	<u>(46,000)</u>				
	118,828	<u>\$118,828</u>		11,160	<u>\$11,160</u>		820	<u>\$820</u>
	<u>55,799</u>			<u>2,401</u>			<u>155,067</u>	
	<u>\$174,627</u>			<u>\$13,561</u>			<u>\$155,887</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2017

	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						
Intergovernmental	\$55,000	\$210,087	\$155,087	\$50,000		(\$50,000)
Charges for services						
Other revenues						
Total Revenues	<u>55,000</u>	<u>210,087</u>	<u>155,087</u>	<u>50,000</u>		<u>(50,000)</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay	55,000	8,396	46,604			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>55,000</u>	<u>8,396</u>	<u>46,604</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>201,691</u>	<u>201,691</u>	<u>50,000</u>		<u>(50,000)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(50,000)	(\$50,000)	
Total Other Financing Sources (Uses)				<u>(50,000)</u>	<u>(50,000)</u>	
NET CHANGES IN FUND BALANCES		<u>201,691</u>	<u>\$201,691</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(\$50,000)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>116,487</u>			<u>214</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$318,178</u>			<u>(\$49,786)</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$505,043	\$554,778	\$49,735			
	2,137	2,137			
<u>505,043</u>	<u>556,915</u>	<u>51,872</u>			
285,000	285,000		\$46,463	\$46,463	
220,043	219,354	689	25,693	25,692	\$1
<u>505,043</u>	<u>504,354</u>	<u>689</u>	<u>72,156</u>	<u>72,155</u>	<u>1</u>
	52,561	52,561	(72,156)	(72,155)	1
			72,155	72,155	
			<u>72,155</u>	<u>72,155</u>	
	52,561	<u>\$52,561</u>	<u>(\$1)</u>		<u>\$1</u>
	678,854				
	<u>\$731,415</u>				

This Page Left Intentionally Blank

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$864,973	\$628,113	\$397,986	\$55,266	\$1,946,338
Accounts receivable, net	1,170				1,170
Total current assets	866,143	628,113	397,986	55,266	1,947,508
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	345,210				345,210
Total noncurrent assets	345,210				345,210
Total Assets	1,211,353	628,113	397,986	55,266	2,292,718
LIABILITIES					
Current liabilities:					
Accounts payable	3,554	106,278	149,064	9,648	268,544
Claims payable - due within one year		334,069		85,883	419,952
Long-term debt - due within one year			58,000		58,000
Total current liabilities	3,554	440,347	207,064	95,531	746,496
Noncurrent liabilities					
Claims payable, due in more than one year		940,620		288,155	1,228,775
Long-term debt, due in more than one year			1,392,000		1,392,000
Total noncurrent liabilities		940,620	1,392,000	288,155	2,620,775
Total Liabilities	3,554	1,380,967	1,599,064	383,686	3,367,271
NET POSITION					
Net investment in capital assets	345,210				345,210
Unrestricted	862,589	(752,854)	(1,201,078)	(328,420)	(1,419,763)
Total Net Position	\$1,207,799	(\$752,854)	(\$1,201,078)	(\$328,420)	(\$1,074,553)

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
OPERATING REVENUES					
Operating and other revenue	\$4,784	\$290,160			\$294,944
Total Operating Revenues	<u>4,784</u>	<u>290,160</u>			<u>294,944</u>
OPERATING EXPENSES					
Repairs and maintenance	6,319				6,319
Other operating expenses		946,572	\$169,355	\$369,661	1,485,588
Depreciation	<u>113,232</u>				<u>113,232</u>
Total Operating Expenses	<u>119,551</u>	<u>946,572</u>	<u>169,355</u>	<u>369,661</u>	<u>1,605,139</u>
Operating Income (Loss)	(114,767)	(656,412)	(169,355)	(369,661)	(1,310,195)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	<u>4,662</u>	<u>3,724</u>	<u>2,033</u>	<u>713</u>	<u>11,132</u>
Total nonoperating revenue	<u>4,662</u>	<u>3,724</u>	<u>2,033</u>	<u>713</u>	<u>11,132</u>
Income before transfers	(110,105)	(652,688)	(167,322)	(368,948)	(1,299,063)
Transfers in	<u>100,230</u>		<u>203,015</u>		<u>303,245</u>
Transfers, net	<u>100,230</u>		<u>203,015</u>		<u>303,245</u>
Change in Net Position	(9,875)	(652,688)	35,693	(368,948)	(995,818)
BEGINNING NET POSITION	<u>1,217,674</u>	<u>(100,166)</u>	<u>(1,236,771)</u>	<u>40,528</u>	<u>(78,735)</u>
ENDING NET POSITION	<u>\$1,207,799</u>	<u>(\$752,854)</u>	<u>(\$1,201,078)</u>	<u>(\$328,420)</u>	<u>(\$1,074,553)</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges	\$4,784	\$290,160			\$294,944
Payment to suppliers	(17,417)	(524,077)	(\$129,049)	(\$215,755)	(886,298)
Cash Flows from Operating Activities	(12,633)	(233,917)	(129,049)	(215,755)	(591,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	100,230		203,015		303,245
Cash Flows from Noncapital Financing Activities	100,230		203,015		303,245
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(228,423)				(228,423)
Payment of long-term debt			(58,000)		(58,000)
Cash Flows from Capital and Related Financing Activities	(228,423)		(58,000)		(286,423)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	4,662	3,724	2,033	713	11,132
Net Cash Flows	(136,164)	(230,193)	17,999	(215,042)	(563,400)
Cash and investments at beginning of period	1,001,137	858,306	379,987	270,308	2,509,738
Cash and investments at end of period	\$864,973	\$628,113	\$397,986	\$55,266	\$1,946,338
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$114,767)	(\$656,412)	(\$169,355)	(\$369,661)	(\$1,310,195)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	113,232				113,232
Change in assets and liabilities:					
Accounts payable	(11,098)	73,133	40,306	(67,381)	34,960
Claims payable		349,362		221,287	570,649
Cash Flows from Operating Activities	(\$12,633)	(\$233,917)	(\$129,049)	(\$215,755)	(\$591,354)

**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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

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 May 14, 2018, 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
May 14, 2018



Robin Sweeny Park

STATISTICAL SECTION

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

Financial Trends

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

1. Net Positions by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

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

1. Assessed Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Property Tax Levies and Collections
4. 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. General Bonded Debt Outstanding
3. 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

Operating Information

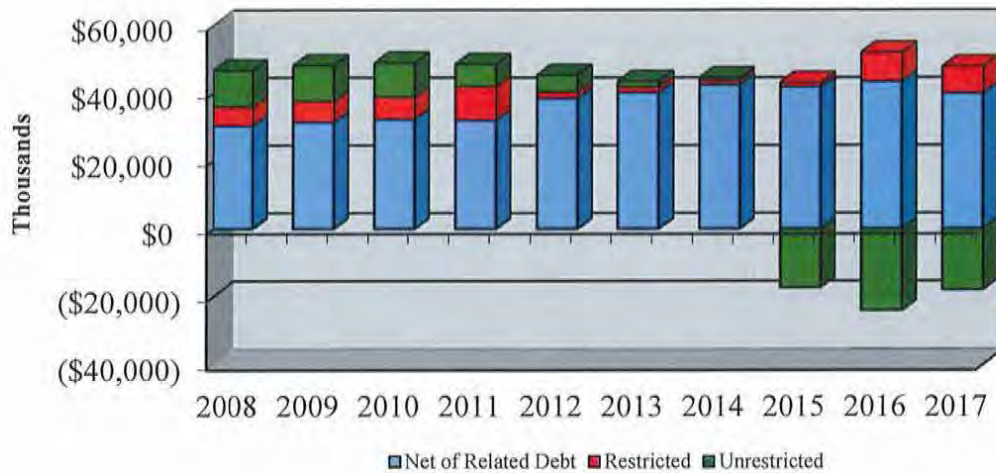
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Authorized Full-Time 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$22,219,842	\$22,780,292	\$22,575,555	\$20,994,353
Restricted	5,500,248	6,042,756	6,377,136	9,933,293
Unrestricted	11,629,163	11,899,892	12,003,340	9,567,196
Total governmental activities net positions	<u>\$39,349,253</u>	<u>\$40,722,940</u>	<u>\$40,956,031</u>	<u>\$40,494,842</u>
<i>Business-type activities</i>				
Net investment for capital assets	\$8,259,934	\$8,752,619	\$9,821,094	\$11,049,878
Restricted for Debt Service				
Unrestricted	(851,378)	(1,270,712)	(1,826,693)	(3,000,983)
Total business-type activities net positions	<u>\$7,408,556</u>	<u>\$7,481,907</u>	<u>\$7,994,401</u>	<u>\$8,048,895</u>
<i>Primary government</i>				
Net investment for capital assets	\$30,479,776	\$31,532,911	\$32,396,649	\$32,044,231
Restricted	5,500,248	6,042,756	6,377,136	9,933,293
Unrestricted	10,777,785	10,629,180	10,176,647	6,566,213
Total primary government net positions	<u>\$46,757,809</u>	<u>\$48,204,847</u>	<u>\$48,950,432</u>	<u>\$48,543,737</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$26,947,881	\$28,195,135	\$29,547,058	\$29,250,403	\$30,733,580	\$33,842,540
1,779,505	1,563,321	1,095,581	1,170,530	8,501,517	7,759,139
8,328,131	5,293,890	4,975,319	(13,314,302)	(17,851,721)	(19,409,378)
<u>\$37,055,517</u>	<u>\$35,052,346</u>	<u>\$35,617,958</u>	<u>\$17,106,631</u>	<u>\$21,383,376</u>	<u>\$22,192,301</u>
\$11,608,272	\$12,094,011	\$12,994,794	\$12,678,623	\$12,769,411	\$6,213,481
(3,324,964)	(3,662,359)	(4,056,830)	(3,894,844)	(6,165,088)	1,476,612
<u>\$8,283,308</u>	<u>\$8,431,652</u>	<u>\$8,937,964</u>	<u>\$8,783,779</u>	<u>\$6,604,323</u>	<u>\$7,690,093</u>
\$38,556,153	\$40,289,146	\$42,541,852	\$41,929,026	\$43,502,991	\$40,056,021
1,779,505	1,563,321	1,095,581	1,170,530	8,501,517	7,759,139
5,003,167	1,631,531	918,489	(17,209,146)	(24,016,809)	(17,932,766)
<u>\$45,338,825</u>	<u>\$43,483,998</u>	<u>\$44,555,922</u>	<u>\$25,890,410</u>	<u>\$27,987,699</u>	<u>\$29,882,394</u>

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

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Expenses				
Governmental Activities:				
General Government	\$2,305,440	\$2,460,907	\$2,501,641	\$2,918,515
Library	608,786	648,827	705,531	736,138
Public Safety:				
Police Services	3,726,214	4,121,184	4,294,928	4,605,286
Fire Services	2,683,513	2,958,736	3,100,259	3,584,319
Community Development	1,047,188	1,065,522	1,174,708	1,162,419
Public Works	1,833,162	2,286,057	2,066,838	2,016,258
Parks & Recreation	487,822	564,938	629,919	689,994
PERS sidefund expense				
Interest on long-term debt	751,082	932,685	771,533	785,825
Total Governmental Activities Expenses	<u>13,443,207</u>	<u>15,038,856</u>	<u>15,245,357</u>	<u>16,498,754</u>
Business-Type Activities:				
MLK	954,757	881,738	796,021	794,100
Sewer	678,833	1,478,463	1,458,226	1,561,902
Parking	191,870	219,374	215,401	359,878
Old City Hall	72,648	65,692	55,779	71,271
Total Business-Type Activities Expenses	<u>1,898,108</u>	<u>2,645,267</u>	<u>2,525,427</u>	<u>2,787,151</u>
Total Primary Government Expenses	<u><u>\$15,341,315</u></u>	<u><u>\$17,684,123</u></u>	<u><u>\$17,770,784</u></u>	<u><u>\$19,285,905</u></u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$32,421	\$33,313	\$29,294	\$40,921
Library	19,407	17,338	16,818	13,812
Public Safety:				
Police Services	365,355	474,668	358,257	292,898
Fire Services	119,737	150,136	111,318	148,672
Community Development	851,233	634,707	653,404	781,973
Public Works	438,593	344,104	261,219	364,494
Parks & recreation	239,466	285,936	348,244	301,240
Operating Grants and Contributions	291,314	347,043	396,210	358,806
Capital Grants and Contributions	857,212	411,134	139,678	347,764
Total Government Activities Program Revenues	<u>3,214,738</u>	<u>2,698,379</u>	<u>2,314,442</u>	<u>2,650,580</u>

2012	2013	2014	2015	2016	2017
\$3,118,473	\$4,775,777	\$3,472,850	\$3,344,618	\$7,876,856	\$4,635,381
689,413	807,413	843,657	762,567	1,008,411	983,416
4,950,954	5,277,918	5,097,517	5,398,539	4,980,899	6,176,789
5,292,475			(354,463)		
1,370,227	1,229,352	1,327,571	1,163,835	1,244,302	1,642,782
2,222,144	2,674,528	3,022,208	2,599,572	3,897,233	2,588,550
737,184	846,814	821,638	784,167	871,295	800,607
1,056,346	727,576	741,938	755,578	766,804	802,767
<u>19,437,216</u>	<u>16,339,378</u>	<u>15,327,379</u>	<u>14,454,413</u>	<u>20,645,800</u>	<u>17,630,292</u>
752,882	865,521	851,018	875,712	1,143,365	738,169
1,546,806	1,770,446	1,635,796	2,191,635	1,822,399	1,986,711
370,724	285,784	482,521	419,621	851,065	675,660
35,369	29,552	28,315	29,292	28,407	28,423
<u>2,705,781</u>	<u>2,951,303</u>	<u>2,997,650</u>	<u>3,516,260</u>	<u>3,845,236</u>	<u>3,428,963</u>
<u>\$22,142,997</u>	<u>\$19,290,681</u>	<u>\$18,325,029</u>	<u>\$17,970,673</u>	<u>\$24,491,036</u>	<u>\$21,059,255</u>
\$35,019	\$38,677	\$30,616	\$38,236	\$29,677	\$31,271
11,735	11,645	11,033	8,053	11,336	6,543
621,562	588,709	631,733	605,659	531,487	547,922
131,127	3,625				
742,691	704,213	823,877	746,175	713,756	935,402
284,478	295,540	282,718	321,591	292,400	383,615
373,707	450,382	454,454	422,234	450,451	469,936
348,997	399,125	416,778	330,104	414,404	551,001
355,315	242,554	215,407	101,210	52,215	40,011
<u>2,904,631</u>	<u>2,734,470</u>	<u>2,866,616</u>	<u>2,573,262</u>	<u>2,495,726</u>	<u>2,965,701</u>

(Continued)

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

	Fiscal Year Ending June 30			
	2008	2009	2010	2011
Business-Type Activities:				
Charges for Services:				
MLK	\$1,033,012	\$1,085,872	\$1,045,428	\$1,076,518
Sewer	951,956	947,717	1,355,961	1,406,892
Parking	1,397,445	1,562,185	1,560,774	1,556,315
Old City Hall	315,026	285,999	218,685	231,087
Total Business-Type Activities Program Revenue	<u>3,697,439</u>	<u>3,881,773</u>	<u>4,180,848</u>	<u>4,270,812</u>
Total Primary Government Program Revenues	<u>\$6,912,177</u>	<u>\$6,580,152</u>	<u>\$6,495,290</u>	<u>\$6,921,392</u>
Net (Expense)/Revenue				
Governmental Activities	(\$10,228,469)	(\$12,340,477)	(\$12,930,915)	(\$13,848,174)
Business-Type Activities	1,799,331	1,236,506	1,655,421	1,483,661
Total Primary Government Net Expense	<u>(\$8,429,138)</u>	<u>(\$11,103,971)</u>	<u>(\$11,275,494)</u>	<u>(\$12,364,513)</u>
General Revenues and Other Changes in Net Positions				
Governmental Activities:				
Taxes				
Property taxes	6,948,365	\$6,950,008	\$7,187,886	\$7,006,903
Sales taxes	1,681,133	1,693,752	1,535,715	1,443,028
Transient occupancy tax	1,005,984	860,117	784,104	828,819
Other taxes	1,259,143	1,249,265	1,105,614	1,200,878
Motor vehicle in-lieu, unrestricted	33,049	25,518	22,139	34,616
Use of Money/Property and interest earnings	1,472,122	1,077,455	883,665	866,032
Other Revenues	802,791	555,674	486,980	568,659
Transfers	1,220,375	1,302,375	1,157,903	1,438,050
Extraordinary items:				
Assets transferred to the Southern Marin Fire Protection District				
Total Government Activities	<u>14,422,962</u>	<u>13,714,164</u>	<u>13,164,006</u>	<u>13,386,985</u>
Business-Type Activities:				
Use of Money/Property and interest earnings	173,837	74,120	14,806	8,883
Transfers	(1,220,375)	(1,302,375)	(1,157,903)	(1,438,050)
Other Revenues	68,879	65,100	170	
Total Business-Type Activities	<u>(977,659)</u>	<u>(1,163,155)</u>	<u>(1,142,927)</u>	<u>(1,429,167)</u>
Total Primary Government	<u>\$13,445,303</u>	<u>\$12,551,009</u>	<u>\$12,021,079</u>	<u>\$11,957,818</u>
Change in Net Positions				
Governmental Activities	\$4,194,493	\$1,373,687	\$233,091	(\$461,189)
Business-Type Activities	821,672	73,351	512,494	54,494
Total Primary Government	<u>\$5,016,165</u>	<u>\$1,447,038</u>	<u>\$745,585</u>	<u>(\$406,695)</u>

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

2012	2013	2014	2015	2016	2017
\$960,525	\$976,046	\$1,154,301	\$1,282,157	\$1,338,116	\$1,389,245
1,492,093	1,595,411	1,723,816	2,409,019	2,458,454	2,633,624
1,716,346	1,788,290	1,941,042	2,071,784	2,288,050	2,372,766
247,490	269,814	268,136	270,867	249,786	238,375
4,416,454	4,629,561	5,087,295	6,033,827	6,334,406	6,634,010
<u>\$7,321,085</u>	<u>\$7,364,031</u>	<u>\$7,953,911</u>	<u>\$8,607,089</u>	<u>\$8,830,132</u>	<u>\$9,599,711</u>
(\$16,532,585)	(\$13,604,908)	(\$12,460,763)	(\$11,881,151)	(\$18,150,074)	(\$14,664,591)
1,710,673	1,678,258	2,089,645	2,517,567	2,489,170	3,205,047
<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>	<u>(\$10,371,118)</u>	<u>(\$9,363,584)</u>	<u>(\$15,660,904)</u>	<u>(\$11,459,544)</u>
\$6,981,555	\$4,496,455	\$4,858,913	\$4,926,278	\$5,193,351	\$5,615,754
1,694,242	1,761,236	1,923,191	2,407,184	3,520,765	3,480,087
893,946	966,762	1,202,228	1,462,774	1,589,199	1,609,865
1,240,473	556,907	554,741	520,268	557,501	567,356
3,758					
	773,713	790,795	795,249	815,032	822,456
862,014	1,012,803	1,121,106	1,113,561	1,147,263	810,841
514,282	478,203	944,743	671,256	441,276	406,319
1,480,577	1,555,658	1,630,658	1,655,658	9,162,432	2,160,838
(577,587)					
<u>13,093,260</u>	<u>11,601,737</u>	<u>13,026,375</u>	<u>13,552,228</u>	<u>22,426,819</u>	<u>15,473,516</u>
4,166	5,356	6,571	17,740	37,513	40,992
(1,480,577)	(1,555,658)	(1,630,658)	(1,655,658)	(9,162,432)	(2,160,838)
151	20,388	40,754	82,105	4,456,293	569
<u>(1,476,260)</u>	<u>(1,529,914)</u>	<u>(1,583,333)</u>	<u>(1,555,813)</u>	<u>(4,668,626)</u>	<u>(2,119,277)</u>
<u>\$11,617,000</u>	<u>\$10,071,823</u>	<u>\$11,443,042</u>	<u>\$11,996,415</u>	<u>\$17,758,193</u>	<u>\$13,354,239</u>
(\$3,439,325)	(\$2,003,171)	\$565,612	\$1,671,077	\$4,276,745	\$808,925
234,413	148,344	506,312	961,754	(2,179,456)	1,085,770
<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>	<u>\$1,071,924</u>	<u>\$2,632,831</u>	<u>\$2,097,289</u>	<u>\$1,894,695</u>

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

	Fiscal Year Ending June 30			
	2008	2009	2010	2011 (b)
General Fund				
Reserved	\$5,733,861	\$5,730,766	\$6,383,498	
Unreserved	1,416,825	2,493,611	2,317,953	
Nonspendable				\$6,232,107
Restricted				717,618
Assigned				717,618
Unassigned				1,561,416
Total General Fund	<u>\$7,150,686</u>	<u>\$8,224,377</u>	<u>\$8,701,451</u>	<u>\$8,511,141</u>
All Other Governmental Funds				
Reserved	\$22,280,358	\$17,962,308	\$11,938,261	
Unreserved, reported in:				
Special revenue funds	364,328	165,190	131,009	
Debt Service funds				
Capital project funds	1,115,694	2,241,043	2,401,799	
Restricted				11,251,205
Committed				3,969,308
Unassigned				(4,060,899)
Total all other governmental funds	<u>\$23,760,380</u>	<u>\$20,368,541</u>	<u>\$14,471,069</u>	<u>\$11,159,614</u>

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

2012	2013	2014	2015	2016	2017
\$5,781,767	\$6,073,956	\$6,368,240	\$6,376,575	\$2,104,935	\$1,962,157
717,617	717,617	578,326	717,617	701,110	733,007
717,617	717,617	578,326	717,617	717,617	717,617
1,966,438	2,195,339	2,730,875	3,332,106	4,828,481	6,165,941
<u>\$9,183,439</u>	<u>\$9,704,529</u>	<u>\$10,255,767</u>	<u>\$11,143,915</u> (a)	<u>\$8,352,143</u> (a)	<u>\$9,578,722</u>
2,930,578	2,423,081	1,957,809	2,036,907	9,371,340	8,633,565
3,865,385	2,245,641	1,744,577	1,547,538	102,738	103,282
(4,963,081)	(3,942,682)	(3,539,211)	(3,196,130)	(3,673,790)	(4,298,951)
<u>\$1,832,882</u>	<u>\$726,040</u>	<u>\$163,175</u>	<u>\$388,315</u>	<u>\$5,800,288</u>	<u>\$4,437,896</u>

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

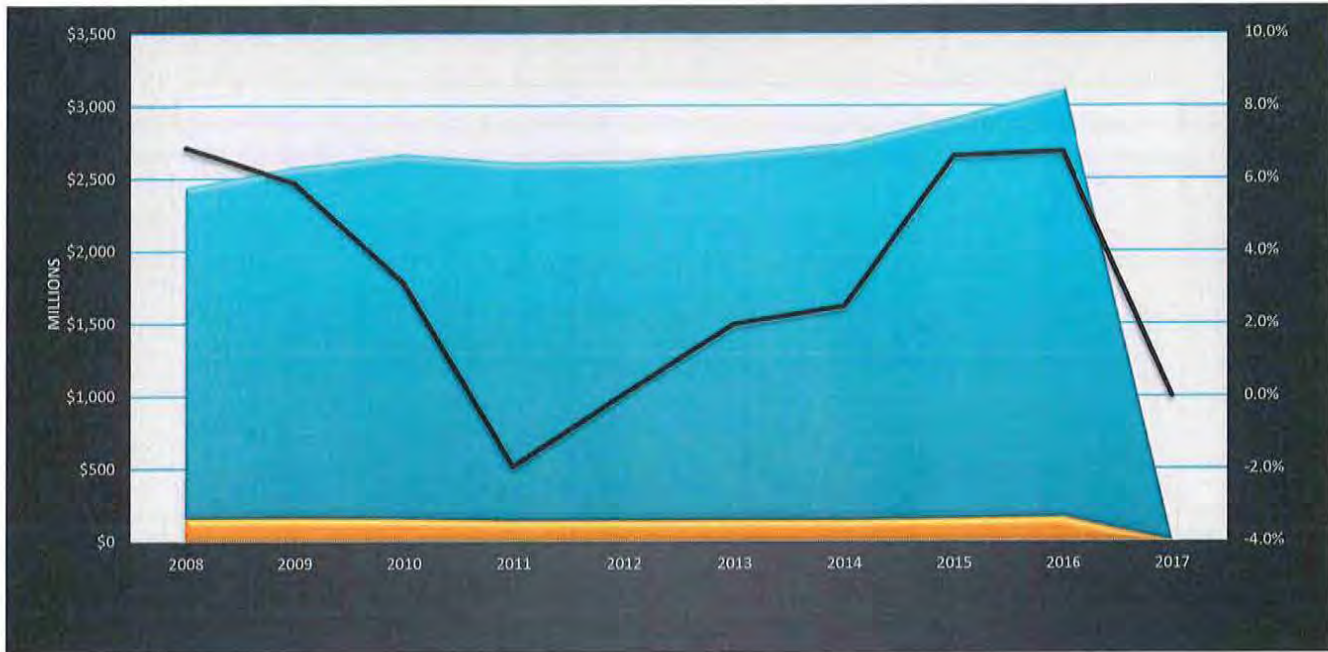
	Fiscal Year Ending June 30				
	2008	2009	2010	2011	2012
Revenues					
Taxes	\$10,390,160	\$10,270,006	\$10,151,744	\$10,004,760	\$10,291,689
Licenses, permits and fees	537,514	483,136	461,575	474,868	518,527
Fines and forfeitures	417,762	503,734	381,604	321,396	645,014
Use of money and property	2,194,162	1,491,637	1,039,837	1,016,098	1,028,066
Intergovernmental revenues	396,174	727,383	642,848	704,981	846,540
Charges for services	1,648,450	1,436,468	1,407,911	1,622,614	1,555,305
Reimbursements					
Special Assessments					
PERS Superfund Credit					
Other	481,122	125,193	218,130	442,684	102,023
Total Revenues	16,065,344	15,037,557	14,303,649	14,587,401	14,987,164
Expenditures					
Current:					
Police	3,589,006	3,894,142	3,985,787	4,124,282	4,160,482
Fire	2,819,882	2,886,438	2,917,299	3,276,774	3,405,220
Public Works	1,354,909	1,356,397	1,334,790	1,417,939	1,539,534
Non-Departmental					
General Government	2,197,536	2,388,116	2,400,164	2,810,563	3,014,228
Community Development	1,049,025	1,057,405	1,165,577	1,152,318	1,346,911
Library	610,525	624,285	701,018	716,291	699,882
Parks & Recreation	489,077	557,792	620,833	680,365	720,113
Capital outlay	1,358,757	4,821,958	7,106,904	4,295,013	8,053,426
Debt service:					
Principal repayment	80,761	149,097	197,960	221,185	227,816
Interest and fiscal charges	413,800	578,176	398,720	391,069	2,478,995
PERS Sidefund Expense					
Total Expenditures	13,963,278	18,313,806	20,829,052	19,085,799	25,646,607
Excess (deficiency) of revenues over (under) expenditures	2,102,066	(3,276,249)	(6,525,403)	(4,498,398)	(10,659,443)
Other Financing Sources (Uses)					
Issuance of long-term debt					
Proceeds from sale of capital assets	175,036		2,070	30	99,282
Contributions/donations returned					
Transfers in	3,412,894	1,861,768	2,414,624	8,650,470	7,387,589
Transfers (out)	(2,853,255)	(903,667)	(1,311,689)	(7,653,867)	(6,199,479)
Total other financing sources (uses)	734,675	958,101	1,105,005 #	996,633	1,287,392
Net Change in fund balances	\$2,836,741	(\$2,318,148)	(\$5,420,398) #	(\$3,501,765)	(\$9,372,051)
Debt service as a percentage of noncapital expenditures					
	1.4%	4.1%	5.7%	4.5%	4.3%

NOTE:

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

2013	2014	2015	2016	2017
\$7,998,166	\$8,775,127	\$9,591,485	\$11,118,347	\$11,528,162
558,387	551,518	517,155	554,556	564,123
608,890	659,376	633,589	557,122	548,490
1,275,722	1,391,115	1,396,558	1,395,293	1,130,535
660,213	738,318	495,752	510,959	539,562
1,483,901	1,575,055	1,508,859	1,471,989	1,844,294
186,011	562,994	311,852	142,318	112,081
12,771,290	14,253,503	14,455,250	15,750,584	16,267,247
4,193,598	4,461,240	4,654,646	4,622,119	4,970,820
1,574,816	1,575,748	1,591,343	1,808,654	1,923,959
4,496,557	2,980,879	3,966,535	7,812,222	3,801,974
1,230,050	1,279,765	1,233,503	1,309,692	1,576,144
774,108	787,548	807,009	899,158	880,082
811,506	811,177	791,703	898,569	715,871
2,642,664	2,725,591	1,424,506	4,002,988	3,815,194
192,064	225,715	257,547	294,462	331,463
289,990	279,816	270,801	259,454	245,146
16,205,353	15,127,479	14,997,593	21,907,318	18,260,653
(3,434,063)	(873,976)	(542,343)	(6,156,734)	(1,993,406)
4,880,980	3,564,235	3,493,573	11,346,669	4,691,493
(2,032,669)	(2,562,595)	(1,977,233)	(2,497,117)	(2,833,900)
2,848,311	1,001,640	1,516,340	8,849,552	1,857,593
(\$585,752)	\$127,664	\$973,997	\$2,692,818	(\$135,813)
18.2%	3.7%	4.2%	4.1%	4.2%

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



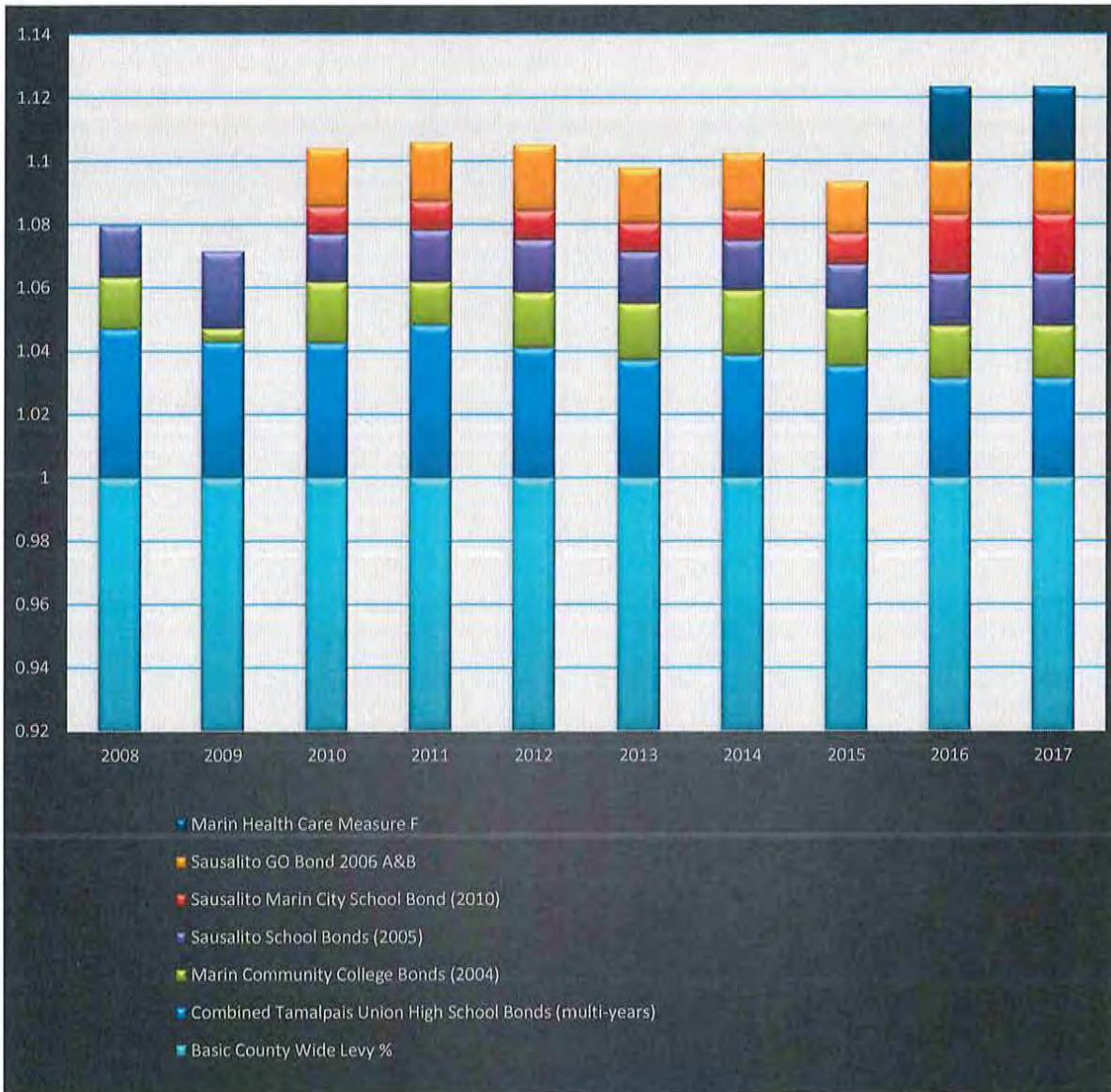
Fiscal Year	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value (TxAV)	Total Direct Tax Rate (b)	TxAV Annual Percent Change
2008	\$2,284,537,862	\$153,191,168	\$2,437,729,030	(\$11,592,774)	\$2,426,136,256	1.0%	6.8%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1.0%	5.9%
2010	2,513,428,982	152,598,806	2,666,027,788	(16,982,585)	2,649,045,203	1.0%	3.1%
2011	2,468,550,019	140,203,752	2,608,753,771	(11,208,945)	2,597,544,826	1.0%	-1.9%
2012	2,476,928,667	140,149,198	2,617,077,865	(18,159,174)	2,598,918,691	1.0%	0.1%
2013	2,529,720,488	142,041,894	2,671,762,382	(21,501,238)	2,650,261,144	1.0%	2.0%
2014	2,595,567,817	141,531,806	2,737,099,623	(21,493,585)	2,715,606,038	1.0%	2.5%
2015	2,765,026,069	151,013,658	2,916,039,727	(20,892,774)	2,895,146,953	1.0%	6.6%
2016	2,946,173,700	164,267,328	3,110,441,028	(20,219,042)	3,090,221,986	1.0%	6.7%
2017	Not available	Not available	Not available	Not available	Not available	Not available	Not available

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

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

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

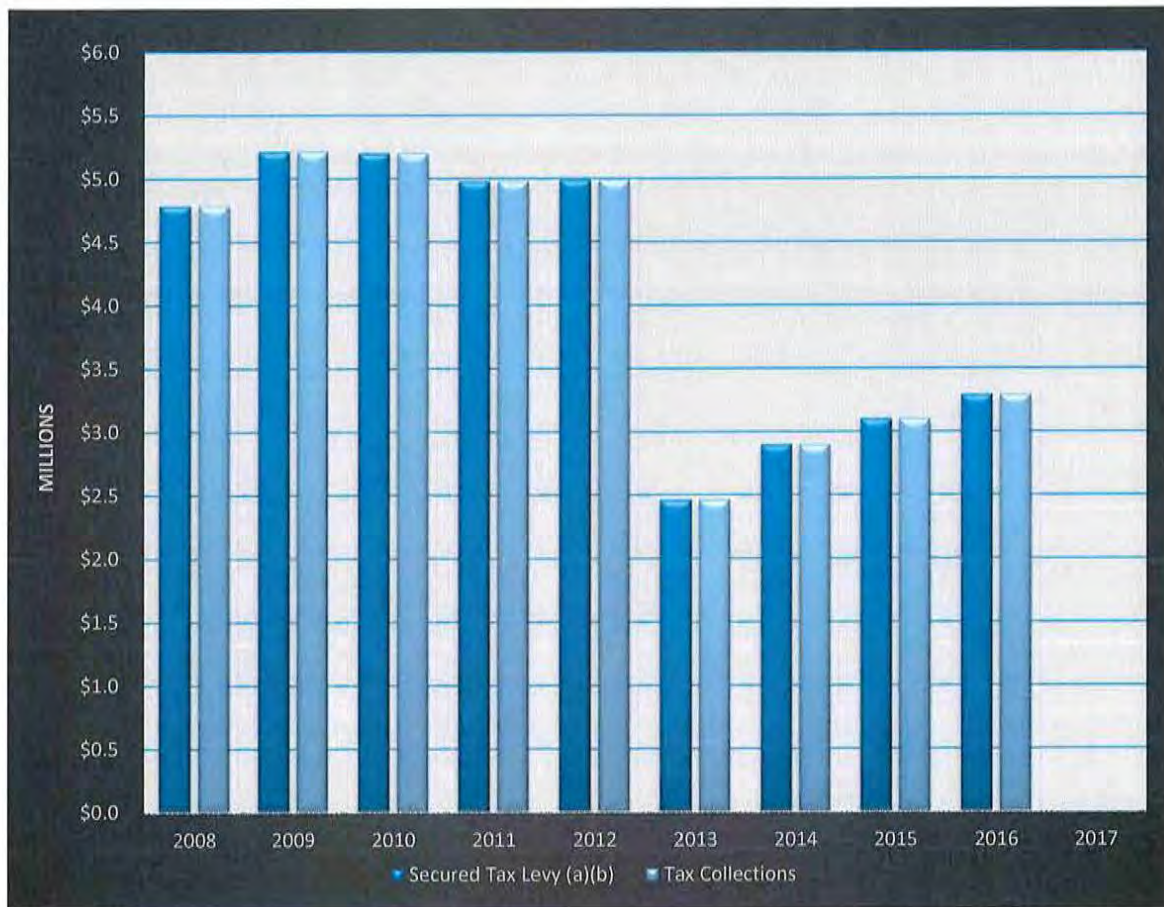
CITY OF SAUSALITO
Property Tax Rates
All Overlapping Governments
Last Ten Fiscal Years



Fiscal Year	Basic County Wide Levy %	Marin Community College Bonds (2004)	Sausalito School Bonds (2005)	Sausalito Marin City School Bond (2010)	Combined Tamalpais Union High School Bonds (multi-years)	Sausalito GO Bond 2006 A&B	Marin Health Care Measure F
2008	1.0000	0.0163	0.0165		0.0469		
2009	1.0000	0.0042	0.0244		0.0429		
2010	1.0000	0.0192	0.0153	0.0085	0.0425	0.0185	
2011	1.0000	0.0136	0.0165	0.0090	0.0482	0.0186	
2012	1.0000	0.0175	0.0167	0.0091	0.0410	0.0208	
2013	1.0000	0.0178	0.0164	0.0090	0.0371	0.0175	
2014	1.0000	0.0204	0.0158	0.0095	0.0386	0.0181	
2015	1.0000	0.0180	0.0142	0.0096	0.0352	0.0164	
2016	1.0000	0.0165	0.0165	0.0188	0.0313	0.0167	0.0235
2017	1.0000	0.0165	0.0165	0.0188	0.0313	0.0167	0.0235

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

CITY OF SAUSALITO
Property Tax Levies and Collections
Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Secured Tax Levy (a)(b)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Rate</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2008	\$4,786,952	\$4,786,952	100%	0%	\$4,786,952	100%
2009	5,214,021	5,214,021	100%	0%	5,214,021	100%
2010	5,201,279	5,201,279	100%	0%	5,201,279	100%
2011	4,980,294	4,980,294	100%	0%	4,980,294	100%
2012	4,990,022	4,990,022	100%	0%	4,990,022	100%
2013	2,462,731	2,462,731	100%	0%	2,462,731	100%
2014	2,896,181	2,896,181	100%	0%	2,896,181	100%
2015	3,101,925	3,101,925	100%	0%	3,101,925	100%
2016	3,289,091	3,289,091	100%	0%	3,289,091	100%
2017	Not available	Not available	-	-	Not available	-

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.

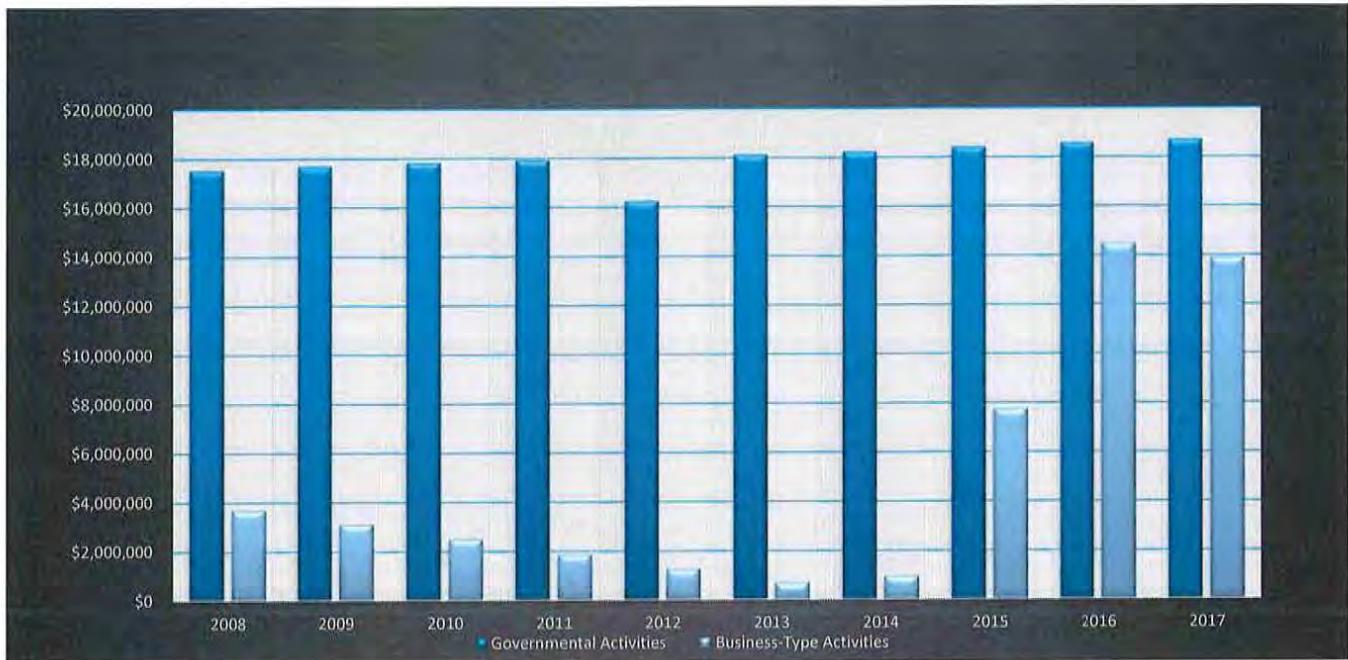
- (a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.
- (b) Beginning in FY 2013, the secured tax levy has been reduced by the amount of property tax allocated to Southern Marin Fire Protection District per the annexation agreement.

CITY OF SAUSALITO
Historical Sales Tax Amounts by Benchmark Year

	2008 Q1	2009 Q1	2010 Q1	2011 Q1	2012 Q1
Eating & Drinking Pl	\$499,723	\$510,661	\$487,865	\$485,201	\$551,602
Other Retail Stores	271,596	259,964	252,918	232,029	255,641
All Other Outlets	339,259	325,512	244,463	276,362	299,922
Apparel Stores	107,394	91,866	83,449	77,267	76,940
Food Stores	86,012	82,218	76,045	70,875	80,546
Service Station	67,341	60,240	51,770	58,837	70,370
Home Furnishings & A	31,529	45,969	16,339	34,015	52,331
Packaged Liquor Stor	11,440	10,410	8,884	9,206	9,613
Bldg. Matrl. & Farm	17,023	6,292	5,665	5,683	7,252
Drug Stores	2,302	2,092	3,386	7,183	3,258
Auto Dealers & Auto	4,143	2,938	1,837	910	653
General Merchandise	0	23	0	0	28
TOTAL	\$1,437,762	\$1,398,185	\$1,232,621	\$1,257,568	\$1,408,156

2013 Q1	2014 Q1	2015 Q1	2016 Q1	2017
\$601,427	\$689,256	\$755,769	\$787,071	Not available
309,294	353,456	419,914	343,411	Not available
288,356	279,794	298,313	318,469	Not available
78,570	89,371	112,866	93,192	Not available
110,355	103,237	98,925	99,898	Not available
69,822	59,650	53,650	43,761	Not available
47,486	24,475	32,648	128,373	Not available
12,239	12,344	14,481	14,582	Not available
7,649	6,394	7,067	6,534	Not available
3,939	3,793	4,510	3,855	Not available
856	1,528	741	2,074	Not available
0	0	1	0	Not available
\$1,529,993	\$1,623,298	\$1,798,885	\$1,841,220	Not available

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



Governmental Activities

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Other Long Term Debt	Total Government
2008	\$430,570	\$1,066,401	\$16,048,693		\$17,545,664
2009	363,157	982,307	16,354,939		17,700,403
2010	293,388	894,739	16,643,845		17,831,972
2011	221,165	803,554	16,921,143		17,945,862
2012	146,388	740,738	15,377,772		16,264,898
2013	69,816	698,671	15,674,563	\$1,682,000	18,125,050
2014		657,956	15,957,607	1,624,000	18,239,563
2015		615,408	16,232,813	1,566,000	18,414,221
2016		570,945	16,496,267	1,508,000	18,575,212
2017		524,482	16,749,026	1,450,000	18,723,508

Business-Type Activities

Fiscal Year	MLK Capital Lease	MLK Capital Improvement Lease	2003 Certificates of Participation	SWCRB Revolving Fund Loan	2015 Sewer Revenue Bond	2016 Certificates of Participation	Total Business	Total Primary Government	Percent of Taxable Assessed Value (a)	Per Capita (a)
2008	\$1,989,688	\$1,090,000	\$607,891				\$3,687,579	\$21,233,243	0.88%	2,830
2009	1,643,119	1,005,000	469,647				3,117,766	20,818,169	0.81%	2,764
2010	1,290,697	895,000	322,627				2,508,324	20,340,296	0.77%	2,678
2011	911,981	780,000	166,276				1,858,257	19,804,119	0.76%	2,783
2012	505,015	660,000		\$100,000			1,265,015	17,529,913	0.67%	2,456
2013	67,689	530,000		100,000			697,689	18,822,739	0.71%	2,645
2014		280,000		678,912			958,912	19,198,475	0.71%	2,676
2015				1,000,116	\$6,750,000		7,750,116	26,164,337	0.90%	3,584
2016				958,746	6,675,000	\$6,850,000	14,483,746	33,058,958	1.07%	4,581
2017				916,299	6,525,000	\$6,455,000	13,896,299	32,619,807	(b)	(b)

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.

(b) Information for 2017 is not available

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

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

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Percent Of Taxable Assessed Value</u>	<u>Per Capita</u>
2008	\$16,048,693	\$16,048,693	0.66%	2,139
2009	16,354,939	16,354,939	0.64%	2,171
2010	16,643,845	16,643,845	0.63%	2,191
2011	16,921,143	16,921,143	0.65%	2,378
2012	15,377,772	15,377,772	0.59%	2,154
2013	15,674,563	15,674,563	0.59%	2,203
2014	15,957,607	15,957,607	0.59%	2,224
2015	16,232,813	16,232,813	0.56%	2,224
2016	16,496,267	16,496,267	0.53%	2,286
2017	16,749,026	16,749,026	Not available	Not available

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

Source: City of Sausalito

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (2)	Legal Debt Margin	Total Net Debt Applicable To Limit As A Percentage Of Debt Limit
2008	\$91,414,839	\$16,048,693	\$75,366,146	17.6%
2009	96,753,287	16,354,939	80,398,348	16.9%
2010	99,339,195	16,643,845	82,695,350	16.8%
2011	97,828,266	16,921,143	80,907,123	17.3%
2012	98,140,420	15,377,772	82,762,648	15.7%
2013	100,191,089	15,674,563	84,516,526	15.6%
2014	102,641,236	15,957,607	86,683,629	15.5%
2015	109,351,490	16,232,813	93,118,677	14.8%
2016	116,641,539	16,496,267	100,145,272	14.1%
2017	Not available	Not available	Not available	-

2015-16 Legal Debt Margin Information (1)

Assessed Valuation	Not available
Conversion Percentage	25%
Adjusted Assessed Valuation	-
Debt Limit Percentage	15%
Debt Limit	-
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$16,749,026
Legal Debt Margin	Not available
Total Debt Applicable to the Limit as a percentage of the Limit	Not available

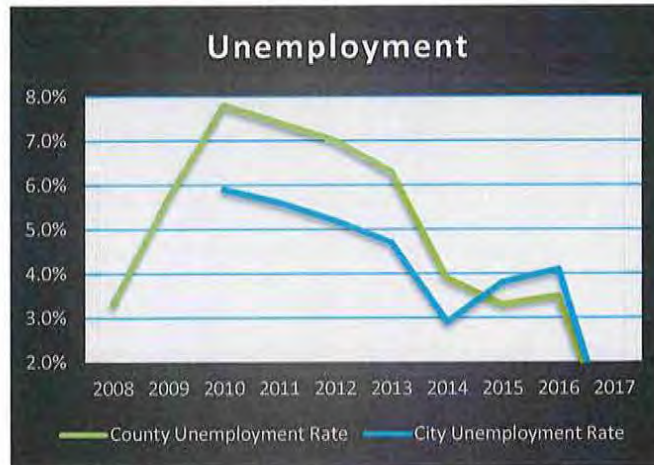
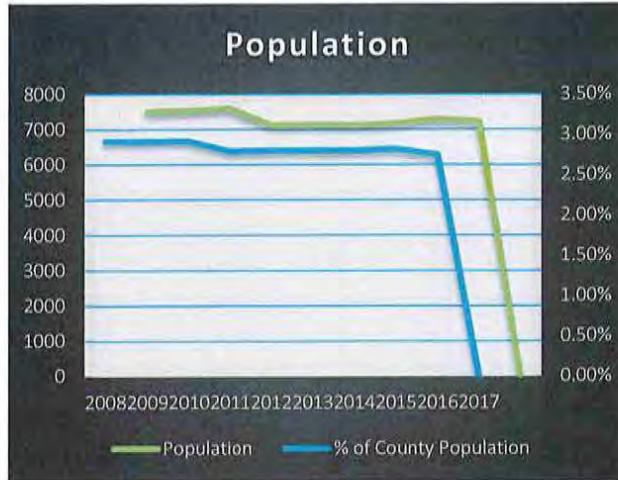
Note:

(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

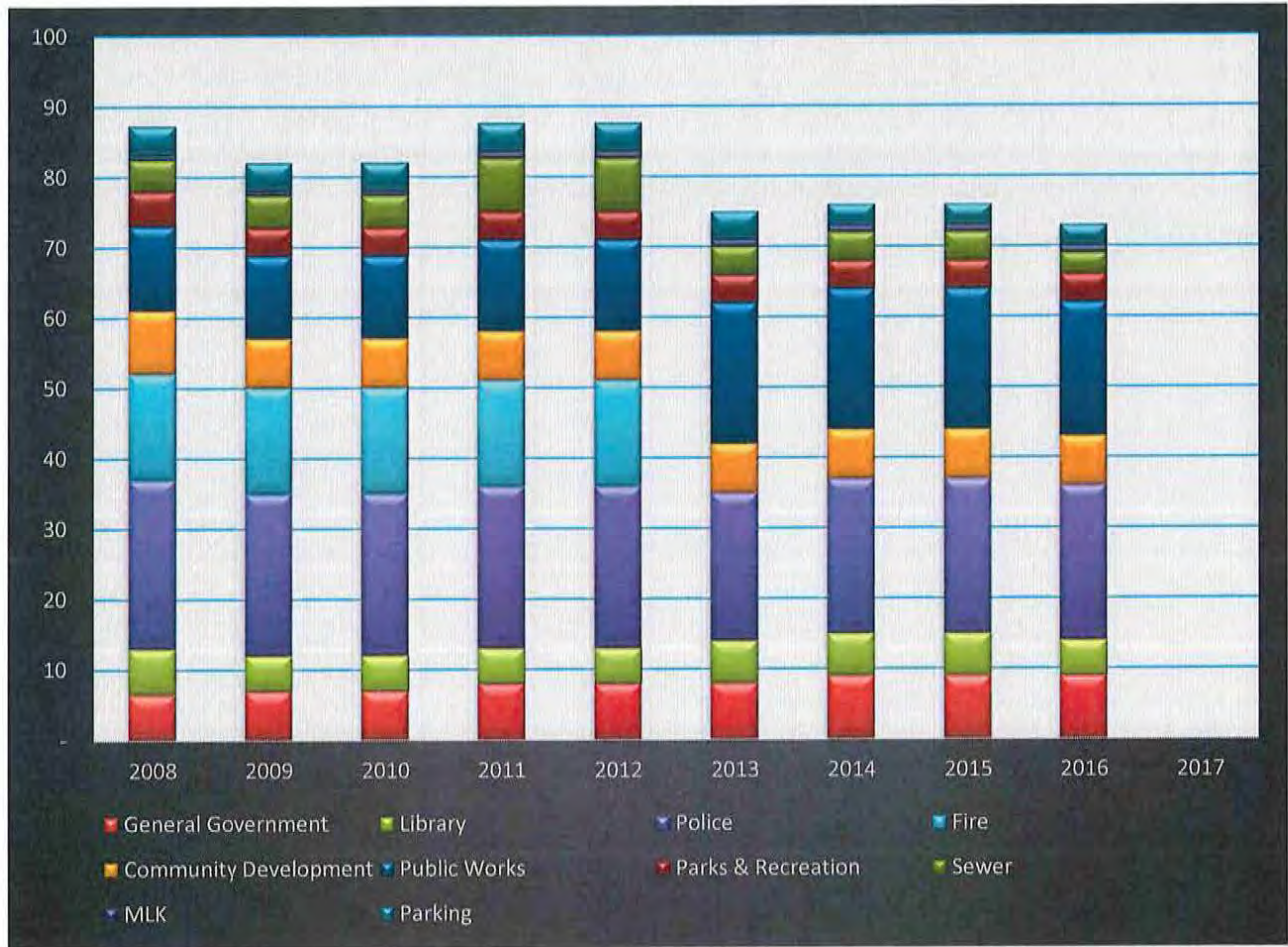


Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	County Unemployment Rate (%)	City Unemployment Rate (%)	Marin County Population	City Population % of County
2008	7,503	\$2,426,136,256	\$323,355	3.3%		\$257,406	2.91%
2009	7,532	2,568,684,785	341,036	5.7%		258,618	2.91%
2010	7,596	2,649,045,203	348,742	7.8%	5.9%	260,651	2.91%
2011	7,116	2,597,544,826	365,029	7.4%	5.6%	254,692	2.79%
2012	7,138	2,598,918,691	364,096	7.0%	5.2%	254,790	2.80%
2013	7,116	2,650,261,144	372,437	6.3%	4.7%	254,007	2.80%
2014	7,175	2,715,606,038	378,482	3.9%	2.9%	255,846	2.80%
2015	7,300	2,895,146,953	396,595	3.3%	3.8%	258,972	2.82%
2016	7,217	3,090,221,986	428,187	3.5%	4.1%	262,274	2.75%
2017	Not available	Not available	-	Not available	Not available	Not available	Not available

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



Adopted for Fiscal Year Ended June 30,

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	7	7	7	8	8	8	9	9	9	(a)
Library	7	5	5	5	5	6	6	6	5	(a)
Police	24	23	23	23	23	21	22	22	22	(a)
Fire	15	15	15	15	15	-	-	-	-	(a)
Community Development	9	7	7	7	7	7	7	7	7	(a)
Public Works	12	12	12	13	13	20	20	20	19	(a)
Parks & Recreation	5	4	4	4	4	4	4	4	4	(a)
Sewer	5	5	5	8	8	4	4	4	3	(a)
MLK	1	1	1	1	1	1	1	1	1	(a)
Parking	4	4	4	4	4	4	3	3	3	(a)
Total	87	82	82	88	88	75	76	76	73	(a)

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

(a) 2017 information is not available

Source: City of Sausalito Budget Documents

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police:										
Communication Center calls answered:										
Police calls for Service	12,845	12,857	12,398	13,259	11,718	13,745	15,306	15,908	14,515	-
Law violations:										
Part I and Part II crimes	1,109	1,715	868	1,317	1,254	1,381	1,315	995	1,167	-
Physical arrests (adult and juvenile)	485	327	295	327	343	286	276	234	245	-
Traffic violations	2,279	2,490	1,792	1,823	837	812	1,127	1,076	1,230	-
Parking violations	10,034	11,183	8,810	8,919	15,955	15,499	13,304	14,249	11,431	-
Traffic collisions	100	134	112	99	153	125	119	104	108	-
Public Works:										
Street resurfaced (square feet)	140,000	0	0	196,846	72,958	0	38,650	0	39,000	-
Potholes repaired (square feet)	1,500	2,000	500	19,305	26,287	1,000	2,400	1,400	1,500	-
Street sealed (Slurry Seal, square feet)							38,940	0	0	-
Street sealed (Cape Seal, square feet)							138,870	0	0	-
Trees trimmed	2,100	1,800	2,200	1,900	1,700	2,000	1,000	1,000	500	-
Culture and Recreation:										
Community Services:										
Recreation class participants	1,543	3,040	3,716	4,618	12,258	20,634	14,856	15,061	N/A	N/A
Special Event Permits issued	8	13	8	24	61	64	62	51	N/A	N/A
Sponsored events	16	27	22	33	23	24	25	27	N/A	N/A
Facility, Park & Field rentals	76	118	837	948	983	983	1,202	1,246	N/A	N/A
Library:										
Volumes in Collection										
Books	60,653	58,137	57,692	58,243	52,379	50,101	46,029	45,034	45,360	-
Audio-Visual materials	3,319	5,090	4,131	4,432	5,173	5,623	6,407	6,479	6,125	-
Circulation *	82,286	88,681	93,953	88,219	111,491	127,468	145,384	144,978	137,117	-
E-book and E-media usage					1,711	4,474	6,468	8,166	8,367	-
Internet Station usage **	14,986	17,746	20,640	19,991	17,993	13,677	13,071	12,695	14,196	-
Library program attendance				2,229	3,037	4,042	5,432	10,315	10,658	-
Community Development:										
Applications processed:										
Discretionary	54	50	84	100	88	80	145	72	N/A	N/A
Ministerial	139	71	211	300	256	171	193	286	N/A	N/A
Encroachments	159	143	142	179	162	189	237	213	N/A	N/A
Building Permits issued	737	660	664	743	608	666	688	699	N/A	N/A
Administration:										
Parking Permits issued	2,176	2,539	1,778	1,766	1,934	1,882	2,212	2,034	2,129	-
Business Licenses issued	1,768	2,336	1,848	2,099	1,758	1,633	1,628	1,555	1,940	-

* Beginning in 2012, circulation has been counted as the number of times Sausalito items are checked out or renewed. This is the conventional measure of a library's circulation. Previously the number had indicated items checked out at the Library's circulation desks.

** Internet Station stats do not reflect usage of the Library's 3 stand-up internet stations, deployed in 2013.

Note: Information for 2017 is not available.

Source: City of Sausalito

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Fire stations	1	1	1	1	1	1	1	1	1	-
Fire trucks	3	3	3	3	3	0	0	0	0	-
Fire boats	1	1	1	1	1	0	0	0	0	-
Police stations	1	1	1	1	1	1	1	1	1	-
Police patrol units	6	6	6	6	6	6	6	6	6	-
Public Works:										
Miles of streets	27	27	27	27	27	27	27	27	27	-
Streetlights	664	664	664	664	664	664	664	664	664	-
Traffic Signals	9	9	9	9	9	9	9	9	9	-
Culture and Recreation:										
Community Services:										
City parks	19	19	19	19	19	19	19	19	19	-
City parks acreage	78	78	78	78	78	78	78	78	78	-
Beaches	3	3	3	3	3	3	3	3	3	-
Playgrounds	3	3	3	3	3	3	3	3	3	-
Roadway landscaping acreage	3	3	3	3	3	3	3	3	3	-
Recreation classrooms	3	3	3	3	3	3	3	3	3	-
Sports centers	1	1	1	1	1	1	1	1	1	-
Tennis courts	9	9	9	9	9	9	9	9	9	-
Basketball courts	3	3	3	3	3	3	3	3	3	-
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2	-
Soccer/Football fields	1	1	1	1	1	1	1	1	1	-
Bocce Courts					2	2	2	2	2	-
Library:										
City library	1	1	1	1	1	1	1	1	1	-
Wastewater:										
Miles of sanitary sewers	26	26	26	26	26	26	26	26	26	-
Miles of storm sewers	15	15	15	15	15	15	15	15	15	-

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

Note: Information for 2017 is not available.

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