

CITY OF SAUSALITO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019



CITY OF SAUSALITO
420 LITHO STREET, SAUSALITO, CA 94965

CITY OF SAUSALITO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



Prepared by:
Finance Department

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CITY OF SAUSALITO

420 Litho Street
Sausalito, CA 94965

December 23, 2019

Honorable Mayor, City Council and Residents 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, 2019. The purpose of the report is to provide the City Council, City Staff, residents, bond holders, and other interested parties 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.

The report is prepared in compliance with California Government sections 25250 and 25253, and in accordance with Generally Accepted Accounting Principles (GAAP) set by the Governmental Accounting Standards Board and standards prescribed by the Government Finance Officers Association of the United States and Canada (GFOA). This report conforms to GASB Statement 34 financial reporting standards, including a dual-perspective financial report showing both an entity-wide view of all governmental and business-type activities and a more detailed focus on the financial position and operating results of the City's major funds.

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, 2019.

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 AND INTERNAL CONTROLS

This report consists of management's representations concerning the finances of the City of Sausalito and promotes accountability. Consequently, responsibility for both the accuracy of the data and the fairness of this presentation, including all disclosures, rests with the City's management. To present a reasonable basis for making these representations, management personnel of the City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP to:

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

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

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgment 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. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to represent fairly the financial position and results of operation of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's elected officials are accountable to the citizens while 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.

State statutes require an annual audit by independent certified public accountants. The City's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. 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. The auditors have issued an unmodified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

The CAFR report is presented in three sections:

- The Introduction section includes this letter of transmittal, the City's organizational chart, and certificates of achievement.
- The Financial section includes the report of the independent auditors; Management's Discussion and Analysis (MD&A); the basic financial statements, including government-wide financial statements; and the accompanying notes. Required supplementary information other than the MD&A is also included in the financial section.
- The Statistical section includes selected financial and demographic information, presented on multi-year basis.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting policies for the City and other necessary disclosure of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

GAAP requires that management provide a narrative of introductions, overview and analysis to accompany the basic financial statement in the form of Management's Discussion and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors in the financial section.

PROFILE OF THE GOVERNMENT

The City of Sausalito, incorporated in 1893, is located in the northern part of the state in 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 approximately 7,000. 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 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 but not limited to police protection, the construction and maintenance of streets and other infrastructure, community development, and 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.

ECONOMIC FACTORS & LOCAL ECONOMY AFFECTING FINANCIAL CONDITION

State Budget and Economic Outlook

The City's local economy is reflecting much of the regional and state economic outlook. The State of California has fully recovered from the past recession and has experienced a great historic economic expansion in recent years.

During Fiscal Year 2018-19, there have been positive trends in state economy led by consumer spending and tourism due to rising wages and lower gasoline prices. However, there are some signs that the pace of growth is slowing as the economy approaches to pre-recession levels of unemployment.

The City's overall economic reliance on sales tax and transient occupancy revenues, as well as property tax revenue which is being controlled by the State, makes local economy and the State of California's budget a significant factor in the City's financial condition. Financial forecast reflects continued improvement in California finances, and the State's budgetary condition continues to be strong. Since the end of the last recession, the State of California has seen a vast improvement in the economy.

According to the U.S. Bureau of Labor Statistics, the total nonfarm payroll employment rose by 244,000 in June, 2019 and the unemployment rate was unchanged at 3.7 percent. Notable job gains occurred in professional and technical services, health care, social assistance, and financial activities. This is consistent with California's 17.5 million jobs, which is an increase of 1.7% from last year.

The unemployment rate in California was in double-digits for an unprecedented forty-three consecutive months (February 2009 to August 2012)—attesting to the severity of the crash and the impact of the housing bust in California. This rate have declined significantly to 4.1% in June 2018 for California. With unemployment rate declining personal income grew much faster than expected in 2018, due to both an increase in jobs and higher wages.

Despite a positive economic environment, fiscal stability from a state balanced budget and a recovering state economy has been a welcome reprieve from the prior decade's budget deficits. Maintaining a balanced budget for the long term will be an ongoing challenge – requiring restraint and prudence. With California's complicated budget, there will continue to be year-to-year fluctuations, risks and cost pressures, including from the federal government and ballot initiatives.

Notwithstanding this positive fiscal outlook, history suggests we are now way past the midpoint of the current economic expansion. The main risks to the state's economy in the next few years are a slowdown in the global economy, stock market correction, and the eventual end of the current expansion. On average, economic expansions continue for approximately five years, meaning it would be a historical anomaly for there not to be a recession by 2020. Even a mild recession for the U.S. would be very difficult for California. While the State forecast assumes all scheduled minimum wage increases through 2023 occur, a recession could result in a pause in scheduled increases. However, if a recession were to occur would likely be accompanied by a large fall in the stock market, strongly affecting all City revenues.

However, according to the California Legislative Analyst's Office (LAO), the state budget has taken steps to be better prepared for the next recession. The state is now looking at revenue volatility as California is heavily dependent on a progressive income tax that makes it highly susceptible to stock market and other economic fluctuations. Additionally, under Proposition 2, the excess funds or spikes related to capital gains will be used to mitigate a next recession and to pay down the state's debts and liabilities. Also, the state continues to monitor and address uncertainties at the federal level which could significantly affect the state budget's bottom line in future years.

On June 27, 2019, Governor Newsom signed a balanced, on-time state budget that builds a strong fiscal foundation and makes significant progress toward combatting the affordability crisis that impacts California. The \$214.8 billion budget, of which \$147.8 billion is General Fund, creates the biggest reserve of \$19.2 billion in state history, of which \$16.5 billion is in the Rainy Day Fund, \$1.4 billion in the Special Fund for Economic Uncertainties, \$900 million in the Safety Net Reserve, and nearly \$400 million in the Public School System Stabilization Account to help protect against future devastating cuts.

The Budget also makes an extra payment of \$9 billion over the next four years to pay down unfunded pension liabilities. This includes \$3 billion to CalPERS and \$2.9 billion to CalSTRS on behalf of the state, and \$3.15 billion to CalSTRS and CalPERS on behalf of schools.

The Budget invests \$4.5 billion to eliminate the Wall of Debt and reverses the decade old deferral undertaken during the last recession. The Budget also prioritizes one-time investments, with 88 percent of new expenditures being temporary rather than ongoing. This addresses the affordability crisis facing Californians while minimizing ongoing commitments to avoid putting the state at fiscal disadvantage in the future.

With these policy changes, the State appears to be more prepared than in the past to face an economic or stock market downturn within the next few years that could quickly result in a return to operating deficits, forcing the State to make difficult choices, such as budgetary cuts and tax increases that may directly and indirectly affect the Bay Area, Marin County and City of Sausalito overall economic condition.

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 many other California cities.

During the last recession, the City undertook two major initiatives to provide long-term structural financial balance: consolidation of fire services with the Southern Marin Fire Protection District and labor concessions 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 past recession was mild and lagged comparing to the state and nation. In a similar fashion, Sausalito's current recovery has been relatively moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are continuing their modest growth.

Employment in the City of Sausalito is concentrated in three major sectors: professional services; scientific and tech Services; and finance/insurance services. The unemployment rate in Marin County remained among the lowest in the San Francisco Bay Area and has dropped to 2.4% as of June, 2018 from 2.7% a year before.

According to the California Employment Development Department, unemployment rates were below 4 percent in all nine Bay Area counties, as of June, 2019. San Mateo County had the lowest unemployment rate at 2.2 percent, followed by San Francisco at 2.3 percent and Marin County at 2.4 percent. Solano County had the highest unemployment rate at 3.9 percent, which is still below the statewide record low rate of 4.1%. City of Sausalito unemployment rate of 2.4% is the third lowest in Marin County after Mill Valley at 1.3% and Fairfax at 1.8%, as of June 2019.

A large driver of the economic growth has continued to be the local real estate market. Sausalito's total assessed value for 2018-19 in Housing prices remained strong. The National Association of Realtors released a report that showed the national median sales price for a home as \$322,500 up 2.2% from the median of \$315,600 same time last year.

With the first 6 months of Sausalito home sales data processed for 2019, single family residential properties are selling for 13.33% more than in the previous calendar year. Prices for the full calendar year 2018 were up 8.33%. The Median Price of all single family homes in 2019 is \$2,210,000 which is \$770,000 higher than the peak price experienced in 2007 at \$1,440,000. The median price reported for the full year last year was \$1,950,000. We expect fewer sales year over year and slightly lower percentage growth between 2018 and 2019. Sale prices in the region as in most of the state have seen a slowing and the number of properties offered for sale have also declined during the past year. In the first 6 months of 2019, sale prices are still posting gains of 4.5% however the number of properties offered for sale are down 6.8%. While the average price of a home has increased over last year, the number of home sales in Sausalito are expected to drop comparing to the prior year, due to low inventory.

Unemployment and real estate markets reflect a local economy that remains strong and as such, we expect continued stability in municipal revenues in the upcoming years. City's property tax revenue remained consistent with the FY2017-18 reporting due to relatively low housing inventory availability.

While the local economy continues to be robust, there are a number of economic challenges that could affect local conditions in the future. Some of these challenges include a volatile equities market and uncertainty related to the expectation of increasing interest rates and inflation. Two of the most pressing concerns for the City are its heavy reliance on tourism industry and, as a result, its effect on local sales tax and TOT revenues, as well as steadily rising of labor and pension costs. Staff will continue monitoring these conditions moving forward to ensure the City's stable long-term financial plan.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the City includes cost containment strategies and a comprehensive cost recovery program, both designed to ensure the long-term financial health of the City. The City's long-term financial outlook shows solid stability in General Fund reserves attributable to reduction in debt service, growth in major revenue sources, efficiencies and cost savings achieved in operating costs. To balance these improvements, there are further requirements for staffing and capital funding as well as other impacts from the State and contractual obligations that may not be fully anticipated in the forecast.

The City's total Fund Balance in the General Fund is \$12,571,770. The Fund Balance is comprised of three components; a non-spendable portion of \$1,676,420; an Assigned for Economic Contingencies portion of \$708,315; and an Unassigned portion (available for spending at the City's discretion) of \$8,398,872. The Unassigned/Assigned portions of fund balance in the General Fund totals \$9,107,187; this amount is 60.9% of total general fund expenditures and by far 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 2018-2019 FISCAL YEAR

Highlights of the City's major events and initiatives that were completed or in progress as of June 30, 2019 or soon after the year-end are as follows:

New Taxes

In July, the Sausalito City Council voted unanimously to place **Measures L and M** on the November 2018 ballot. The both measures received a majority vote by the People at the November 6, 2018 election and will help ensure that visitors to Sausalito and entities doing business in our City continue to pay their fair share to support core City services like maintaining streets and roads, providing police protection, improving traffic and congestion, and maintaining storm drains.

Measure L increased the Uniform Transient Occupancy Tax rate from 12% to 14% of the amount paid for lodging and related services, effective January 1, 2019. The tax is collected by hotel operators and remitted to the City.

Measure M is also known as the City of Sausalito Business License Tax Equity Measure. This ordinance reduced the number of business license tax categories from 22 to 4, eliminated the exemptions to the business license tax for subcontractors and commercial property owners, adjusted the business license tax rates and delayed implementation of the new ordinance until July 1, 2019 (new businesses) and January 1, 2020 (existing businesses). The new rates proposed in Measure M would go into effect for newly registered businesses on July 1, 2019, and on January 1, 2020, for existing businesses. Measures L and M are expected to generate an estimated \$1,196,750 annually for community priorities.

Measure "O" ½ Cent Local Sales Tax

In November 2014, the voters approved Measure "O" which provides revenue from Local Options 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 \$1.25 million this year, and FY2018-19 actual receipts are on target at \$1.26 million. This local funding allows the City to begin addressing long-overdue infrastructure needs, including parks improvements, storm drain upgrades and street/sidewalk repairs, which is the 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 rent received 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 FY2016-17. Dunphy Park and MLK Athletics field design and construction is scheduled to be complete in FY 2019-20. The Southview Park design and construction will also continue over the next couple of 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 12 years.

Fiscal Transparency

The City of Sausalito is continuing investing in the web-based fiscal transparency platform that presents and visualizes the City’s revenue 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.

Financial Policies

The City has established financial policies that provide a basis for sound financial planning, identify appropriate directors 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.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sausalito for its comprehensive annual financial report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are pleased to submit it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the Finance Division staff and the entire Administrative Services Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. We also acknowledge our deep appreciation to the City's consulting team from Eide Bailly LLP for their assistance with the year-end closure and preparation for the audit, as well as the audit team members from Maze and Associates for their professional work and ongoing assistance during the audit process and throughout the year. Finally, we would like to express our appreciation to the City Council, the operating departments, and the Council Finance Committee for their interest and unfailing support for maintaining the highest standards of professionalism in the management of the City of Sausalito's finances with emphasis on transparency, ethics and fiscal responsibility.

Respectfully submitted,



Adam Politzer
City Manager



Yulia Carter
Assistant City Manager / Administrative Services Director



CITY OF SAUSALITO

City Council



Mayor
Joe Burns



Vice Mayor
Susan Cleveland-Knowles

Council Members



Joan Cox

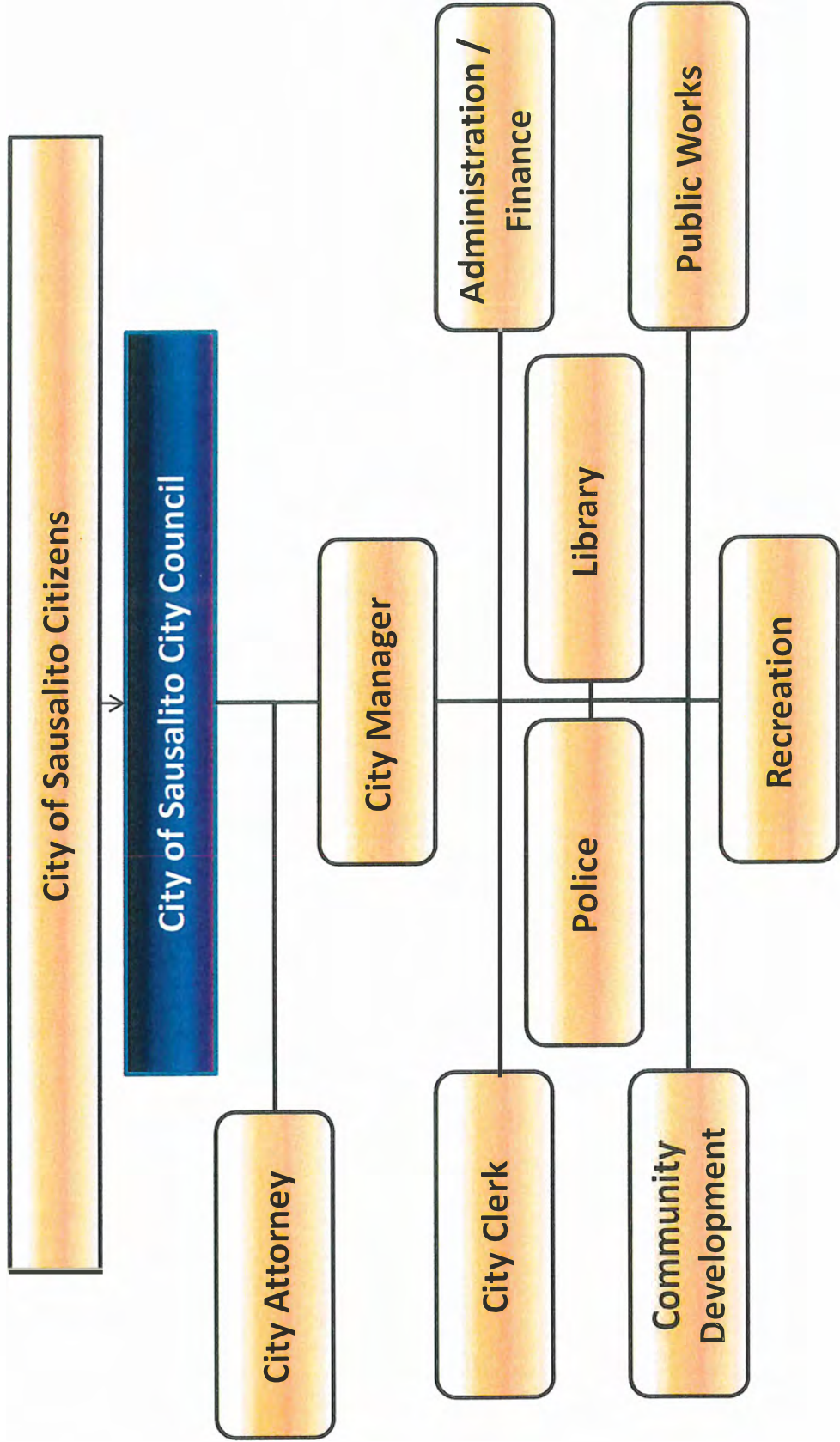


Ray Withy



Jill James Hoffman

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, 2018

Christopher P. Morrill

Executive Director/CEO



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, 2019, 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, 2019, 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 Statement, which became effective during the year ended June 30, 2019:

Governmental Accounting Standards Board Statement 88 – *Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements*. See Note 5 to the financial statement for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

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

The Supplementary 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 Supplementary 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 December 23, 2019, 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
December 23, 2019

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**CITY OF SAUSALITO
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, 2019. 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 to xv of this report.

FINANCIAL HIGHLIGHTS

- **STATEMENT OF NET POSITION** The total assets and deferred outflows of the City of Sausalito exceeded its total liabilities and deferred inflows at the close of the most recent fiscal year by \$30,321,778 (*total net position*).
 - The City's government-wide assets and deferred outflows exceed its liabilities and deferred inflows at June 30, 2019, by \$30,321,778 (net position), which is an increase of 12.4% or \$3,343,159 from the prior year, primarily due to increases in revenues attributed to Property Tax, Transient Occupancy Taxes and Capital Grants.
 - Citywide revenues were \$27,127,551, of which \$21,597,842 were generated by governmental activities that increased by \$3,033,828, and \$5,529,709 were generated by business-type activities, which decreased by \$146,474.
 - Citywide expenses were \$23,784,392, of which \$20,867,253 were incurred by governmental activities that decreased by \$110,734, and \$2,917,139 were incurred by business-type activities, which decreased by \$516,162.
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$11,033,439, an increase of \$1,197,512 or 12.2% over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues and Transfers) totaled \$16,094,112, an increase of \$1,689,842 or 11.7% over the prior fiscal year. Total expenses were \$23,784,392, a decrease of \$626,896 or 2.6% from the prior fiscal year. This resulted in an overall Change in Net Position of \$3,343,159.
 - \$43,095,506 represents the City's net investment (after depreciation) in capital assets. This investment in capital assets represents a net increase of \$2,912,952 over the prior fiscal year, primarily due to additions to infrastructure related to the MLK properties and improvements to City parks.
 - The amount of \$6,920,085 in total net position that is restricted for designated purposes increased by \$597,223, representing the availability of resources available for spending on capital assets.
 - The City's net pension liability decreased \$216,296 to \$27,898,790 due to amortization of deferred outflows of resources and contributions made to the City's Miscellaneous and Safety Plans. See Note 8 of the Notes to Financial Statements for details.
 - Fiscal year ended June 30, 2019 was the second year that the City reported its net OPEB liability per GASB 75. The net OPEB liability was \$6,209,092, an increase of \$209,748. This is a 3.5% increase from the prior year per most recent Actuarial Valuation report.

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- The City’s unrestricted net position was negative \$19,693,813, an increase in the negative balance by \$167,016 due to the increased OPEB liabilities. The negative unrestricted position was a result from the City’s debt service obligations on demolition and construction of Police and Fire stations and implementation of GASB 68 and 75 pronouncements as discussed later in this document.
 - **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of the City of Sausalito’s assets exceeded its liabilities resulting in an ending Fund Balance of \$12,571,770, an increase of \$1,623,884 over the prior fiscal year.
 - Of the ending Fund Balance, \$8,398,872 is unassigned and is available and may be used to meet the government’s ongoing obligations to citizens and creditors. This balance increased \$767,495 or 10.1% over the prior fiscal year.
 - In addition to unassigned Fund Balance, the City of Sausalito has \$708,315 assigned for economic fluctuation reserve. Combined with the unassigned balance of \$8,398,872, the City has \$9,107,187, or 60.9% 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 \$12,652,926 (*total Proprietary Funds net position*), an increase of \$2,612,570 primarily due to positive cash flow in MLK and deferred timing on capital investments in sewer infrastructure.

THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS was \$(45,223), a decrease of \$384,220 from a balance of \$338,997 over the prior fiscal year primarily due to lower than usual General Liability Fund expenses in fiscal year 2018 which were closer to the historical average in fiscal year 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sausalito’s basic financial statements. The City of Sausalito’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sausalito’s finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the City of Sausalito’s assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sausalito is improving or deteriorating.

The *Statement of Activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sausalito that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Sausalito include general government, public safety, public works, community development, parks and recreation, and library. The business-type activities of the City of Sausalito include sewer services, Old City Hall building, Martin Luther King (MLK) property, and parking services.

The government-wide financial statements can be found on pages 22-23 of this report.

Fund Financial Statements

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

Governmental funds

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

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

The City of Sausalito maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the General Capital Improvements Capital Projects Fund, both of which are considered to be major funds. The City of Sausalito also elected to include the Tidelands Fund as a major fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Sausalito adopts an annual appropriated budget for all of its funds. However, a budgetary comparison statement has been provided only for the major funds: the General Fund, General Capital Improvements Capital Projects Fund and Tidelands Fund; to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-72 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund and Tidelands Special Revenue Fund. Required supplementary information can be found on pages 74-81 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 84-102 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 and deferred outflows exceeded liabilities and deferred inflows by \$30,321,778 at the close of the fiscal year ending June 30, 2019.

As of June 30, 2019, the City reported positive balances in all categories of net position for the government as a whole except for unrestricted net position. The negative unrestricted net position was predominantly the result of the implementation of GASB Statements No. 68, 71, and 75. Please refer to the notes to basic financial statements for more information about the impact of the implementation of these statements.

The following chart summarizes the Statement of Net Position:

City of Sausalito's Net Position						
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other Assets	24,482,401	22,625,501	6,497,932	7,454,012	30,980,333	30,079,513
Capital Assets	50,427,575	48,989,225	19,776,614	17,231,051	70,204,189	66,220,276
Total Assets	74,909,976	71,614,726	26,274,546	24,685,063	101,184,522	96,299,789
Deferred outflows related to pension & OPEB	6,555,846	7,672,723	105,224	302,107	6,661,070	7,974,830
Long-term liabilities outstanding	57,667,231	56,923,492	12,468,329	13,709,461	70,135,560	70,632,953
Other liabilities	4,213,238	3,202,907	1,225,570	1,177,292	5,438,808	4,380,199
Total liabilities	61,880,469	60,126,399	13,693,899	14,886,753	75,574,368	75,013,152
Deferred inflows related to pension & OPEB	1,916,501	2,222,787	32,945	60,061	1,949,446	2,282,848
Net Position:						
Net Investment in Capital Assets	32,687,873	31,530,948	10,407,633	8,651,606	43,095,506	40,182,554
Restricted	6,920,085	6,322,862			6,920,085	6,322,862
Unrestricted	(21,939,106)	(20,915,547)	2,245,293	1,388,750	(19,693,813)	(19,526,797)
Total Net Position	17,668,852	16,938,263	12,652,926	10,040,356	30,321,778	26,978,619

During the 2014-15 fiscal year, the City implemented the Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27. With the new reporting change, the City has 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, which resulted in adjustments to pension expenses and reporting the City's long-term net pension liability of \$27,898,790 on the FY 2018-19 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability decreased by \$216,296 from \$28,115,086 recorded last year primarily due to amortization of deferred outflows of resources and contributions made to the City's Miscellaneous and Safety Plans. See Note 8 of the Notes to Financial Statements for details. This is a 0.8% decrease from the prior year which resulted in an unrestricted net position of negative \$19,693,813.

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.

The \$6,920,085 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 (\$21,939,106) compared to the prior year balance of (\$20,915,547) is primarily due to the City's debt service obligations for demolition and replacement of the Police and Fire Stations and implementation of GASB 68 and 75 pronouncements. 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 is important to note that the total unfunded pension obligation is an estimated, cumulative future liability and 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 \$10,407,633. There is \$2,245,293 in unrestricted net position reported in connection with the City of Sausalito's business-type activities. There is no restricted net position from Business-type activities.

Statement of Activities

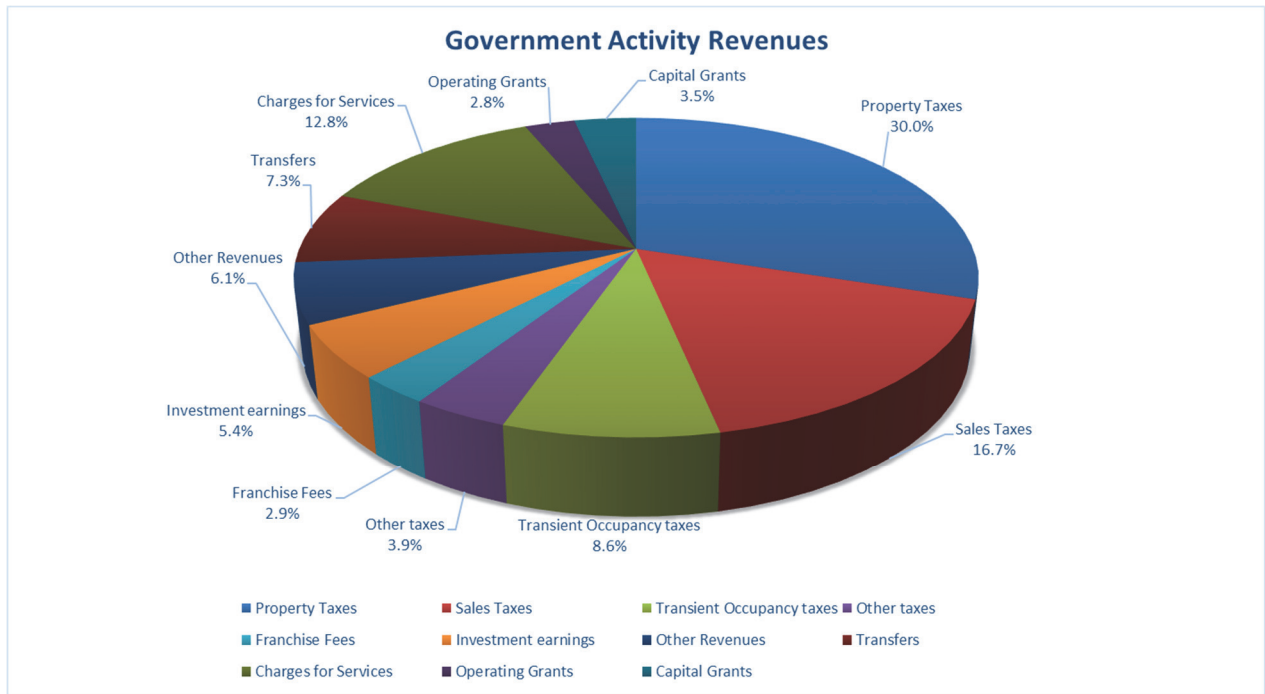
As detailed above, this statement reports the net expense over revenue of each individual function or program operated by the City. The net expense over revenue format reports the relative financial burden of each of the programs on the government's resource providers/taxpayers. The format highlights the extent to which each program directly consumes the government's revenues or is financed by fees, contributions, or other revenues. The table below summarizes the operating results of the governmental and business-type activities in a more traditional format.

City of Sausalito's Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	2,759,619	2,480,176	6,917,777	6,841,556	9,677,396	9,321,732
Operating grants and contributions	606,316	447,326			606,316	447,326
Capital grants and contributions	749,727	66,869			749,727	66,869
General revenues:						
Taxes	13,416,529	12,506,409			13,416,529	12,506,409
Investment earnings	1,163,195	1,011,880	187,289	101,533	1,350,484	1,113,413
Other revenues	1,325,704	784,448	1,395		1,327,099	784,448
Total revenues	20,021,090	17,297,108	7,106,461	6,943,089	27,127,551	24,240,197
Expenses:						
General government	5,115,143	4,974,527			5,115,143	4,974,527
Library	1,010,913	1,066,138			1,010,913	1,066,138
Public safety - Police Services	6,961,641	5,972,175			6,961,641	5,972,175
Community development	2,197,519	1,780,240			2,197,519	1,780,240
Public works	3,881,788	5,501,532			3,881,788	5,501,532
Parks & Recreation	906,354	899,114			906,354	899,114
Interest on long-term debt	793,895	784,261			793,895	784,261
MLK			720,921	862,957	720,921	862,957
Sewer			1,612,469	2,035,682	1,612,469	2,035,682
Parking			555,293	506,223	555,293	506,223
Old City Hall			28,456	28,439	28,456	28,439
Total expenses	20,867,253	20,977,987	2,917,139	3,433,301	23,784,392	24,411,288
Increase in net Position before transfers	(846,163)	(3,680,879)	4,189,322	3,509,788	3,343,159	(171,091)
Transfers	1,576,752	1,266,906	(1,576,752)	(1,266,906)	-	-
Extraordinary items						
Change in net Position	730,589	(2,413,973)	2,612,570	2,242,882	3,343,159	(171,091)
Adjusted Net Position - Beginning	16,938,263	22,192,301	10,040,356	7,690,093	26,978,619	29,882,394
Prior Year Restatements	-	(2,840,065)	-	107,381	-	(2,732,684)
Net Position - Ending	17,668,852	16,938,263	12,652,926	10,040,356	30,321,778	26,978,619

Governmental Activities

The Governmental activities for the City resulted in net position increasing by \$730,589, primarily due to increased revenues for Property Tax and Transient Occupancy Tax as discussed in details below.

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



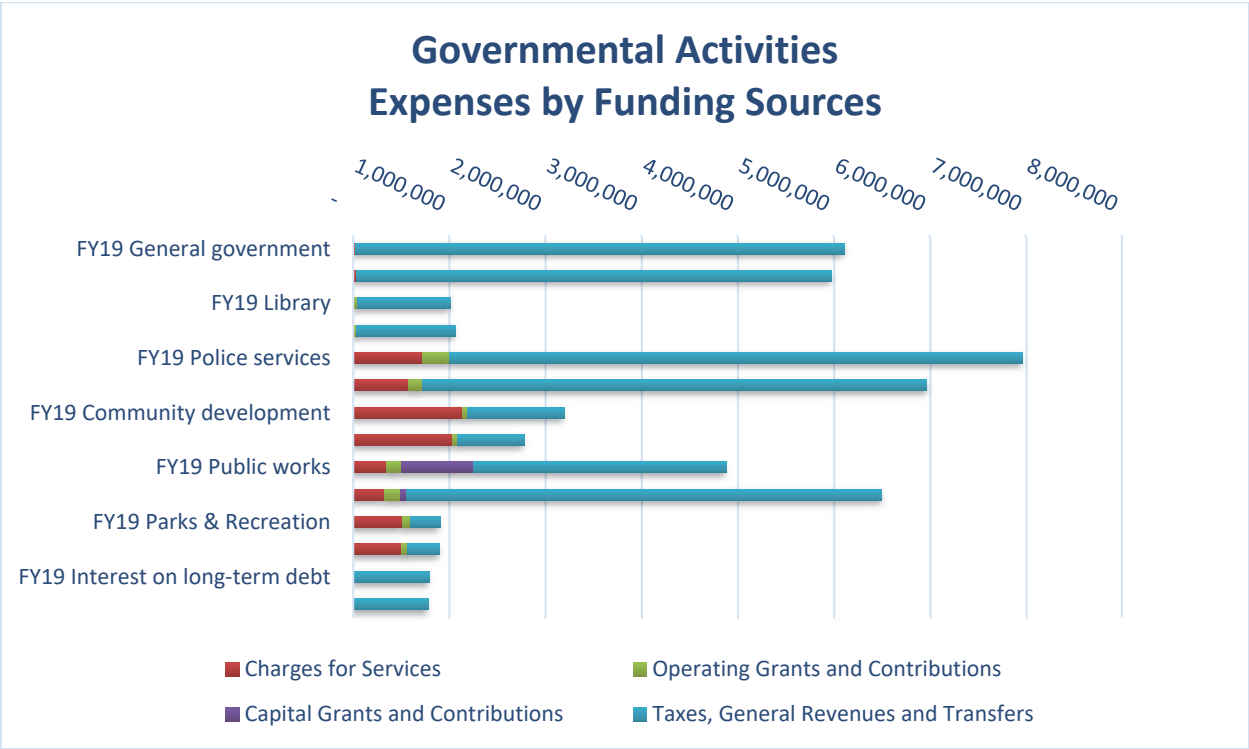
Total Government Activity Revenues were increased by \$2,723,982, excluding transfers, over the prior fiscal year.

Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$591,955 or 10.1% over the prior fiscal year due to the increase in the assessed value for properties from transfers of ownership, and the sale of properties. Property taxes are generally inelastic and provide the City a stable revenue source (30.0% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service;
- The City’s sales tax remained stable and showed a very moderate increase of \$7,763 or 0.2%. Although local economic conditions remain strong, retail sales have not increased at an accelerated pace. Sales tax represents 16.7% of the City’s Governmental activities revenues and transfers;
- Transient Occupancy taxes increased by \$332,374 or 21.7% from the prior fiscal year primarily due to the re-opening of the Inn Above the Tide Hotel, which was temporarily closed for renovations in the prior fiscal year, which resulted in lower revenue in FY 2017-18. Transient Occupancy Taxes are about 8.6% of total resources available for Governmental Activities;
- Franchise Tax, Business license tax, and other miscellaneous taxes decreased by \$21,972 or 1.5% over the prior year, primarily due to slight decrease in solid waste & electric utility fees;
- Investment earnings increased from the prior fiscal year by \$151,315 or 15% during the fiscal year, due to the prior year adjustments made on a loan agreement;
- Transfers increased from the prior year by \$309,846 or 24.5% during the fiscal year, due to increases in transfers to fund capital projects;

- Other government activity revenues increased by \$541,256 or 69.0% primarily due to increase in Building Permits and Building Plan Checks activity and one-time adjustments;
- Capital Grants and Contributions increased by \$682,858 due to accrual of the \$750,000 Cal Recycling Grant to fund Dunphy Park project in the Capital Improvement Projects Fund;
- Operating grants contributed from Special Revenue Fund increased by \$158,990 or 35.5% from the prior fiscal year due to higher allocation of the County Measure A transportation grant;
- Charges for Services increased by \$279,443 or 11.3% primarily due to increases in Building Inspections and Plan Checks activities;

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**:



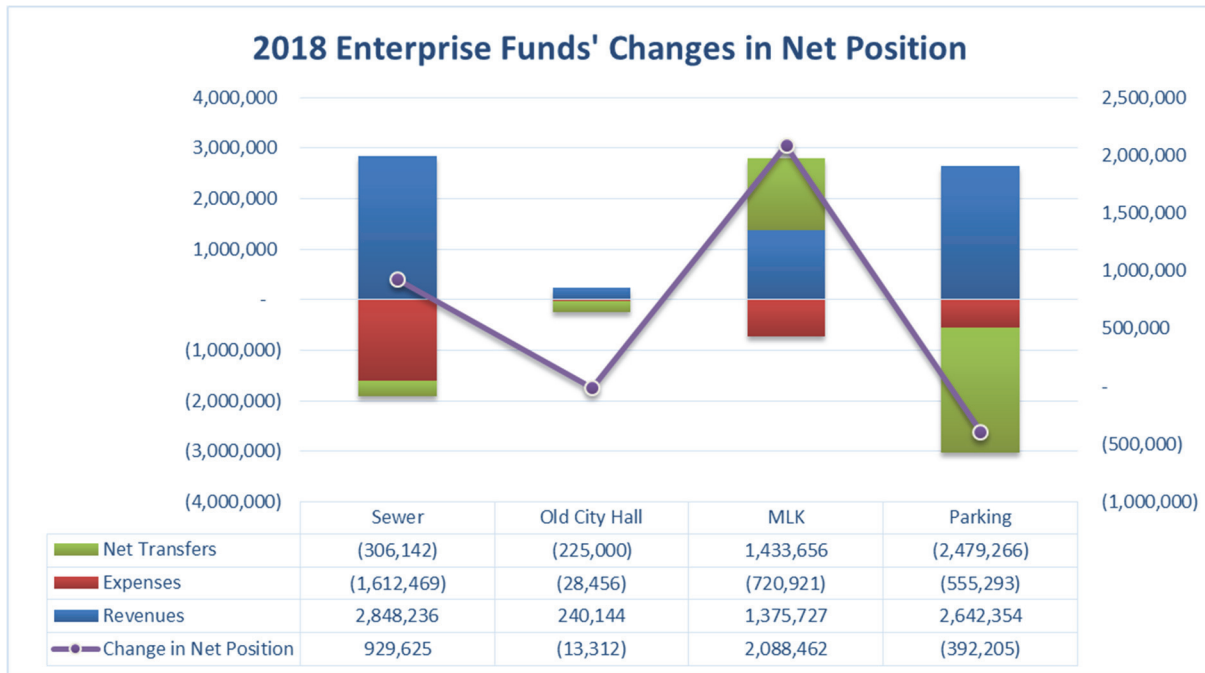
Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were decreased by \$110,734 over the prior fiscal year.
 - Public Works’ expenses decreased by \$1,619,744 or 29.4% primarily due to reduced spending in the Capital Improvement Projects fund as some projects were pushed out to FY 2019-20 or deferred;
 - Police Department expenses increased by \$989,466 or 16.6% due to a one-time capital adjustments made in FY 2017-18, making that year an anomaly for the purpose of comparison. The FY 2018-19 reported expense is more in line with the historical data;
 - Community Development’s expenses increased by \$417,279 or 23.4% primarily due to increasing building inspections, plan checks and enhanced code enforcement activities. The expenses were offset by increase in revenues related to these activities;

- Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, Information Technology) increased by \$140,616 or 2.8% due to an increase in service level costs and filling of vacancies;
- Library expenses decreased by \$55,225 or 5.2% primarily due to a one-time expense related to special events in the prior fiscal year;
- Interest on long-term debt increased by \$9,634 or 1.23% in accordance with the debt service schedules.

Business-type activities

Business-type activities increased the City of Sausalito’s net position by \$2,612,570. 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 \$2,088,462 during the year compared to the \$1,600,792 increase in the previous year. This was primarily due to increased expenditures, funded by the 2016 COP on construction in progress which is capitalized to non-depreciable capital assets until completed. Operating expenses decreased by \$120,276 from the prior year, resulting in net operating income (NOI) of \$900,463, compared to the prior year’s NOI of \$839,882.
- Sewer Fund increased net position by \$929,625 during the year, compared to the \$419,648 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 2014-15, to offset maintenance costs and infrastructure investments as a result of EPA compliance requirements.
- Parking Fund decreased net position by \$392,205 during the year, compared to the \$242,488 increase from the prior fiscal year, reflecting additional budgeted transfers made to the Capital Improvement Project fund as well as the General Fund in FY 2018-19.

- The Old City Hall Fund decreased its negative net position by \$13,312 as compared to the prior year's decrease of \$20,046. Although, the Old City Hall fund balance was not significantly affected, the reason for a negative net position was due to budgeted transfers to General Fund being higher than actual revenues received from rent for the past few years, which will be adjusted during the new budget process.

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 Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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, the *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. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The following is a schedule of revenues, expenditures, and changes in fund balances for each of the major governmental and aggregate non-major governmental funds recorded on the modified accrual basis of account:

City of Sausalito Bay Governmental Funds Statement of Revenues, Expenditures and Fund Balance			
Statement of Revenues, Expenditures and Fund Balance	2019	2018	Variance
Revenues	\$ 19,999,620	\$ 17,281,258	15.7%
Expenditures	19,509,743	18,061,596	8.0%
Transfers (net)	539,329	952,665	-43.4%
Net Change in Fund Balances	\$ 1,029,206	\$ 172,327	497.2%
Fund balances at beginning of year	15,502,296	15,329,969	1.1%
Fund balances at end of year	\$ 16,531,502	\$ 15,502,296	6.6%
Non-spendable	1,676,420	1,855,928	-9.7%
Restricted	9,605,054	7,958,050	20.7%
Committed	105,924	104,286	1.6%
Assigned	708,315	708,315	0.0%
Unassigned	4,435,789	4,875,717	-9.0%
Total fund balances	\$ 16,531,502	\$ 15,502,296	6.6%
Major Governmental Funds:			
General Fund	12,571,770	10,947,886	14.8%
Tidelands Fund	(2,641,513)	(2,769,559)	-4.6%
General Capital Improvements	3,290,037	4,445,556	-26.0%
Other Governmental Funds	3,311,208	2,878,413	15.0%
Total fund balances	\$ 16,531,502	\$ 15,502,296	6.6%

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$16,531,502 an increase of \$1,029,206 in comparison with the prior year, which is primarily due to increase in revenues and slight reduction in governmental expenditures. The governmental funds expenditures were \$19,509,743 in fiscal year 2018-19, an increase of \$1,448,147 over the prior year.

The governmental funds' fund balance is comprised of the following:

- Restricted is \$9,605,054 or 58.1% of the total balance, which can only be spent for specific purposes, set by external resource providers or enabling legislation. The balance is primarily for restricted street funds, development fees, and reserved required by debt covenants.
- Committed balance is \$105,924 or 0.6% of the total balance, which can only be spent for specific purposes as determined by formal action of the City Council.
- Assigned balance is \$708,315 or 4.3% of the total balance, which indicates City Council's intent to use these funds toward economic contingencies.
- Unassigned is \$4,435,789 or 26.8% of the total balance, which is essentially available for any use in the City.

Individual fund analyses follow.

General Fund

The general fund is the chief operating fund of the City of Sausalito. All unrestricted revenues such as general taxes, fees and other revenues that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. The General Fund provides for the cost of the operating City government and includes the services of the City Attorney, City Clerk, City Council, City Manager, City-wide costs (such as debt service), Finance and Risk Management, Human Resources and Information Technology, Recreation, Library, Community Development, Public Works and Public Safety. In addition, the General Fund expenditures include transfers to fund capital projects and reserve funding.

As of June 30, 2019, the total General Fund balance was \$12,571,770, which includes an unassigned portion of \$8,398,872.

The General Fund balance increased \$1,623,884 for the fiscal year ended June 30, 2019.

The following table compares General Fund revenues and expenditures by category:

General Fund Revenues, Expenditures and Fund Balance			
General Fund Revenues, Expenditures and Fund Balance	2019	2018	Variance
Revenues			
Property Tax	\$ 5,704,360	\$ 5,295,149	7.7%
Sales Tax	3,607,786	3,600,023	0.2%
Other Tax	2,699,645	2,378,416	13.5%
Licenses and Permits	631,060	641,887	-1.7%
Fines and Forfeitures	676,406	558,573	21.1%
Use of Money and Property	522,884	392,971	33.1%
Intergovernmental	12,823	12,923	-0.8%
Charges for Services	1,757,075	1,630,106	7.8%
Other Revenue	1,092,407	216,536	404.5%
Total	\$ 16,704,446	\$ 14,726,584	13.4%
Expenditures			
General government	4,021,872	3,864,252	4.1%
Library	913,151	888,923	2.7%
Public safety: Police	5,242,137	5,225,737	0.3%
Community Development	1,923,504	1,643,279	17.1%
Public works	1,967,910	1,764,648	11.5%
Parks & Recreation	824,193	779,468	5.7%
Capital Outlay	58,000	58,000	0.0%
Total	\$ 14,950,767	\$ 14,224,307	5.1%
Net Transfers	(129,795)	866,887	-115.0%
Net Change in Fund Balances	\$ 1,623,884	\$ 1,369,164	18.6%
Fund Balances at beginning of year	10,947,886	9,578,722	14.3%
Fund Balances at end of year	\$ 12,571,770	\$ 10,947,886	14.8%
Unspendable	1,676,420	1,855,928	-9.7%
Restricted	1,788,163	752,266	137.7%
Assigned	708,315	708,315	0.0%
Unassigned	8,398,872	7,631,377	10.1%
Total Fund Balances	\$ 12,571,770	\$ 10,947,886	14.8%

General Fund Budgetary Highlights

The FY 2018-19 revised budget of the City's General Fund anticipated a \$1,625,346 decrease in Fund Balance. The actual results of operations resulted in a \$1,623,884 increase to Fund Balance due to surplus revenues mainly related to Property Tax and Transient Occupancy Tax, and reduction in operating expenditures compared to budgeted expenditures due to vacancies and operating savings.

The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual for the General Fund detailing the adopted and amended budget with actual results can be found on page 80 of this report.

Tidelands Special Revenue Fund

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a negative total fund balance of (\$2,641,513), due to the remaining unamortized net unearned revenue in the amount of \$3,597,339 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 \$3,290,037, intended for capital improvement projects in the City's five year capital improvement plan. This is a decrease of fund balance by \$1,155,519 from the prior year primarily due to the usage of available funds for a number of multi-year facility and park improvements capital projects.

Proprietary funds

The City of Sausalito maintains two types of proprietary funds: Internal Service funds and Enterprise funds. The City 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, 2019, amounts to \$70,204,189 (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, as well as investment in the City's streets.

City of Sausalito's Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	3,280,742	1,004,647	4,998,077	1,912,540	8,278,819	2,917,187
Building and improvements	13,940,618	14,292,102	2,966,532	3,074,517	16,907,150	17,366,619
MLK Bus Barn			159,500	165,000	159,500	165,000
Vehicles and equipment	134,112	206,902	218,561	318,644	352,673	525,546
Machinery and equipment	362,935	490,348			362,935	490,348
Infrastructure	17,694,506	17,980,564	7,637,943	7,964,349	25,332,449	25,944,913
Total	50,427,575	48,989,225	19,776,614	17,231,051	70,204,189	66,220,276

Additional information about the City's capital assets can be found in Note 4 on pages 50-52 of this report.

Long-term debt

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$31,634,631. This is a decrease of \$513,397 from the prior fiscal year.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Short-term debt	536,022	483,739	635,843	619,682	1,171,865	1,103,421
Long-term Debt	18,420,540	18,366,538	12,042,226	12,678,069	30,462,766	31,044,607
Total	18,956,562	18,850,277	12,678,069	13,297,751	31,634,631	32,148,028

For more detailed information on the City's Long-term debt see Note 5 on pages 53-56 in this report.

Future Years Budgets

The City closely monitors its tax and revenue base. Sausalito's economy remains strong, with an average income of over 310% of the U.S. and an exceptionally high per capita market value. The city benefits from access to the broad and diverse economy of the San Francisco Bay Area, and Marin County's unemployment rate is well below the national and state levels being in third place in the Bay Area after San Mateo and San Francisco.

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. In November, 2018, Sausalito residents voted on Measure L and M related to Transient Occupancy and Business License tax respectively. The Transient Occupancy Tax increased from 12% to 14% effective July, 2019, and the revised Business License Tax structure reduced the number of business license tax categories from 22 to 4, eliminated the exemptions to the business license tax for subcontractors and commercial property owners. The new tax went into effect July 1, 2019 for new, and January 1, 2020 for existing businesses. Measures L and M expect to generate an estimated \$1,196,750 annually for community priorities in the future years.

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 our residents, taxpayers, customers, investors and creditors with a general overview of the City of Sausalito's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Sausalito
Administrative Services Department
420 Litho Street
Sausalito, CA 94965

An electronic version of the report is available at the City's website, found at www.sausalito.gov

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

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$12,280,092	\$4,405,059	\$16,685,151
Restricted cash and investments (Note 2)	7,683,047	3,725,705	11,408,752
Receivables:			
Taxes receivables, net	1,213,482	13,651	1,227,133
Accounts receivable, net	1,538,292	101,029	1,639,321
Loans receivable	4,308		4,308
Internal balances (Note 3D)	1,762,142	(1,762,142)	
Prepays	1,038	14,630	15,668
Capital assets (Note 4):			
Land and construction in progress	18,295,404	8,794,078	27,089,482
Depreciable, net of accumulated depreciation	32,132,171	10,982,536	43,114,707
Total Assets	<u>74,909,976</u>	<u>26,274,546</u>	<u>101,184,522</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	6,489,909	105,224	6,595,133
Deferred outflows related to OPEB (Note 9E)	65,937		65,937
Total Deferred Outflows	<u>6,555,846</u>	<u>105,224</u>	<u>6,661,070</u>
LIABILITIES			
Accounts payable	2,079,385	258,693	2,338,078
Accrued interest payable	117,140	114,996	232,136
Accrued salaries and benefits	220,451		220,451
Compensated absences (Note 1J):			
Due within one year	586,783	10,789	597,572
Due in more than one year	328,618	23,712	352,330
Claims payable (Note 10):			
Due within one year	333,598		333,598
Due in more than one year	859,795		859,795
Refundable deposits	339,859	205,249	545,108
Unearned revenue	4,352,787		4,352,787
Net OPEB liability (Note 9):			
Due in more than one year	6,209,092		6,209,092
Net pension liability, due in more than one year (Note 8B)	27,496,399	402,391	27,898,790
Long-term debt (Note 5):			
Due within one year	536,022	635,843	1,171,865
Due in more than one year	18,420,540	12,042,226	30,462,766
Total Liabilities	<u>61,880,469</u>	<u>13,693,899</u>	<u>75,574,368</u>
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	1,870,917	32,945	1,903,862
Deferred inflows related to OPEB (Note 9E)	45,584		45,584
Total Deferred Inflows	<u>1,916,501</u>	<u>32,945</u>	<u>1,949,446</u>
NET POSITION (Note 11):			
Net investment in capital assets	32,687,873	10,407,633	43,095,506
Restricted for:			
Special revenue programs	1,335,997		1,335,997
Debt service	1,017,894		1,017,894
Capital projects	4,566,194		4,566,194
Total Restricted Net Position	<u>6,920,085</u>		<u>6,920,085</u>
Unrestricted	(21,939,106)	2,245,293	(19,693,813)
Total Net Position	<u>\$17,668,852</u>	<u>\$12,652,926</u>	<u>\$30,321,778</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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	\$5,115,143	\$26,785			(\$5,088,358)		(\$5,088,358)
Library	1,010,913	7,753	\$34,439	\$1,638	(967,083)		(967,083)
Public safety:							
Police services	6,961,641	724,010	280,402		(5,957,229)		(5,957,229)
Community development	2,197,519	1,141,542	49,077		(1,006,900)		(1,006,900)
Public works	3,881,788	351,036	155,507	743,089	(2,632,156)		(2,632,156)
Parks & recreation	906,354	508,493	86,891	5,000	(305,970)		(305,970)
Interest on long-term debt	793,895				(793,895)		(793,895)
Total Governmental Activities	20,867,253	2,759,619	606,316	749,727	(16,751,591)		(16,751,591)
Business-type Activities:							
MLK	720,921	1,369,411				\$648,490	648,490
Sewer	1,612,469	2,741,947				1,129,478	1,129,478
Parking	555,293	2,569,475				2,014,182	2,014,182
Old City Hall	28,456	236,944				208,488	208,488
Total Business-type Activities	2,917,139	6,917,777				4,000,638	4,000,638
Total	\$23,784,392	\$9,677,396	\$606,316	\$749,727	(16,751,591)	4,000,638	(12,750,953)
General revenues:							
Taxes:							
Property taxes					6,478,038		6,478,038
Sales taxes					3,607,786		3,607,786
Transient occupancy tax					1,862,675		1,862,675
Franchise fees					836,970		836,970
Other taxes					631,060		631,060
Investment earnings					1,163,195	187,289	1,350,484
Other revenues					1,325,704	1,395	1,327,099
Transfers (Note 3B)					1,576,752	(1,576,752)	
Total general revenues and transfers					17,482,180	(1,388,068)	16,094,112
Change in Net Position					730,589	2,612,570	3,343,159
Net Position-Beginning					16,938,263	10,040,356	26,978,619
Net Position-Ending					\$17,668,852	\$12,652,926	\$30,321,778

See accompanying notes to financial statements

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CITY OF SAUSALITO

FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2019. 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, 2019

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$8,041,542	\$688,539	\$26,712	\$2,248,664	\$11,005,457
Restricted cash and investments (Note 2)	1,788,163		4,460,270	1,434,614	7,683,047
Receivables:					
Taxes receivables, net	1,208,178			5,304	1,213,482
Accounts receivable, net	211,060	289,597	774,567	256,529	1,531,753
Loans receivable	4,308				4,308
Due from other funds (Note 3A)	878,748				878,748
Prepays	1,038				1,038
Advances to other funds (Note 3C)	1,671,074				1,671,074
Total Assets	\$13,804,111	\$978,136	\$5,261,549	\$3,945,111	\$23,988,907
LIABILITIES					
Accounts payable	\$676,983	\$11,910	\$1,221,512	\$5,349	\$1,915,754
Accrued salaries and benefits	220,451				220,451
Refundable deposits	329,459	10,400			339,859
Due to other funds (Note 3A)				628,554	628,554
Unearned revenue	5,448	3,597,339	750,000		4,352,787
Total Liabilities	1,232,341	3,619,649	1,971,512	633,903	7,457,405
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	1,676,420				1,676,420
Restricted	1,788,163		4,460,270	3,356,621	9,605,054
Committed				105,924	105,924
Assigned	708,315				708,315
Unassigned	8,398,872	(2,641,513)	(1,170,233)	(151,337)	4,435,789
Total Fund Balances (Deficits)	12,571,770	(2,641,513)	3,290,037	3,311,208	16,531,502
Total Liabilities and Fund Balances	\$13,804,111	\$978,136	\$5,261,549	\$3,945,111	\$23,988,907

See accompanying notes to financial statements

CITY OF SAUSALITO
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances reported on the governmental funds balance sheet \$16,531,502

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. 50,237,822

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	1,274,635
Accounts receivable, net	6,539
Capital assets, net of depreciation	189,753
Claims payable	(1,193,393)
Accounts payable	(163,631)
Interfund liability	(159,126)

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	6,555,846
Deferred inflows	(1,916,501)

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	(18,956,562)
Interest payable	(117,140)
Compensated absences	(915,401)
Net OPEB liability	(6,209,092)
Net pension liability	(27,496,399)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$17,668,852

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, 2019

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$5,704,360			\$773,678	\$6,478,038
Sales tax	3,607,786				3,607,786
Other tax	2,699,645				2,699,645
Licenses and permits	631,060				631,060
Fines and forfeitures	676,406				676,406
Use of money and property	522,884	\$805,936	\$89,182	57,977	1,475,979
Intergovernmental	12,823	49,077	118,020	951,540	1,131,460
Charges for services	1,757,075			336,551	2,093,626
Other revenues	1,092,407		113,213		1,205,620
Total Revenues	16,704,446	855,013	320,415	2,119,746	19,999,620
EXPENDITURES					
Current:					
General government	4,021,872	269,312			4,291,184
Library	913,151				913,151
Public safety:					
Police	5,242,137			162,520	5,404,657
Community development	1,923,504				1,923,504
Public works	1,967,910			150,920	2,118,830
Parks & recreation	824,193				824,193
Capital outlay			3,336,236		3,336,236
Debt service:					
Principal	58,000			425,739	483,739
Interest and other charges		500		213,749	214,249
Total Expenditures	14,950,767	269,812	3,336,236	952,928	19,509,743
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	1,753,679	585,201	(3,015,821)	1,166,818	489,877
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	2,821,266		3,436,578	72,155	6,329,999
Transfers (out) (Note 3B)	(2,951,061)	(457,155)	(1,576,276)	(806,178)	(5,790,670)
Total Other Financing Sources (Uses)	(129,795)	(457,155)	1,860,302	(734,023)	539,329
NET CHANGE IN FUND BALANCES	1,623,884	128,046	(1,155,519)	432,795	1,029,206
BEGINNING FUND BALANCES (DEFICITS)	10,947,886	(2,769,559)	4,445,556	2,878,413	15,502,296
ENDING FUND BALANCES (DEFICITS)	\$12,571,770	(\$2,641,513)	\$3,290,037	\$3,311,208	\$16,531,502

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, 2019

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 \$1,029,206

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	3,336,236
Non-capitalized expenditures are deducted from the fund balance	(182,827)
Adjustment of capital assets is deducted from the fund balance	(30,960)
Depreciation expense is deducted from the fund balance	(1,577,966)
(Depreciation expense is net of internal service fund depreciation of \$106,134 which has already been allocated to serviced funds)	

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	483,739
Change in accrued interest payable	(579,646)

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	46,995
Net OPEB liability, and related deferred outflow and inflow of resources	(154,966)
Net pension liability and related deferred outflow and inflow of resources	(1,255,002)

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	<u>(384,220)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$730,589</u></u>
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See accompanying notes to financial statements

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CITY OF SAUSALITO

PROPRIETARY FUNDS

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

Major Enterprise Funds

MLK FUND

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

SEWER FUND

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

PARKING FUND

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

Non-Major Enterprise Fund

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Non-major Old City Hall		Totals
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$698	\$1,384,303	\$2,950,520	\$69,538	\$4,405,059	\$1,274,635
Restricted cash and investments (Note 2)	416,617	3,309,088			3,725,705	
Receivables:						
Accounts receivable, net	17,118	56,605	26,158	\$1,148	101,029	6,539
Taxes receivable		13,651			13,651	
Prepaid assets			14,630		14,630	
Total current assets:	<u>434,433</u>	<u>4,763,647</u>	<u>2,991,308</u>	<u>70,686</u>	<u>8,260,074</u>	<u>1,281,174</u>
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	6,954,191	1,829,949		9,938	8,794,078	
Depreciable, net of accumulated depreciation	2,739,782	7,783,285	73,214	386,255	10,982,536	189,753
Total noncurrent assets	<u>9,693,973</u>	<u>9,613,234</u>	<u>73,214</u>	<u>396,193</u>	<u>19,776,614</u>	<u>189,753</u>
Total Assets	<u>10,128,406</u>	<u>14,376,881</u>	<u>3,064,522</u>	<u>466,879</u>	<u>28,036,688</u>	<u>1,470,927</u>
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)		105,224			105,224	
Total Deferred Outflows		<u>105,224</u>			<u>105,224</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	6,944	233,835	17,914		258,693	163,631
Accrued interest payable	31,483	83,513			114,996	
Accrued salaries and benefits						
Due to other funds (Note 3A)	91,068				91,068	159,126
Compensated absences, due in one year (Note 1J)		10,789			10,789	
Refundable deposits	177,209	4,040	24,000		205,249	
Claims payable-due within one year (Note 10)						333,598
Long-term debt, due within one year (Note 5)	430,000	205,843			635,843	
Total current liabilities	<u>736,704</u>	<u>538,020</u>	<u>41,914</u>		<u>1,316,638</u>	<u>656,355</u>
Noncurrent liabilities:						
Advance from other funds (Note 3C)	1,671,074				1,671,074	
Compensated absences, due in more than one year (Note 1J)		23,712			23,712	
Claims payable - due in more than one year (Note 10)						859,795
Long-term debt, due in more than one year (Note 5)	5,200,000	6,842,226			12,042,226	
Net pension liability (Note 8B)		402,391			402,391	
Total noncurrent liabilities	<u>6,871,074</u>	<u>7,268,329</u>			<u>14,139,403</u>	<u>859,795</u>
Total Liabilities	<u>7,607,778</u>	<u>7,806,349</u>	<u>41,914</u>		<u>15,456,041</u>	<u>1,516,150</u>
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)		32,945			32,945	
Total Deferred Inflows		<u>32,945</u>			<u>32,945</u>	
NET POSITION (Note 11)						
Net investment in capital assets	4,063,973	5,874,253	73,214	396,193	10,407,633	189,753
Unrestricted	(1,543,345)	768,558	2,949,394	70,686	2,245,293	(234,976)
Total Net Position (Deficits)	<u>\$2,520,628</u>	<u>\$6,642,811</u>	<u>\$3,022,608</u>	<u>\$466,879</u>	<u>\$12,652,926</u>	<u>(\$45,223)</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
OPERATING REVENUES						
Building rents	\$1,369,411			\$236,944	\$1,606,355	
Charges for services		\$2,741,947	\$2,569,475		5,311,422	
Other revenue	1,395				1,395	\$88,293
Total Operating Revenues	1,370,806	2,741,947	2,569,475	236,944	6,919,172	88,293
OPERATING EXPENSES						
Other expenses	12,564	172,992	66,545		252,101	1,421,924
Professional services	15,946	427,364	343,396		786,706	
Repairs and maintenance	81,019	220,019	3,506		304,544	3,348
Salaries and benefits	136,210	296,388	71,112		503,710	
Utilities	138,709	44,414	933	866	184,922	
Depreciation	85,895	228,756	69,801	27,590	412,042	106,134
Total Operating Expenses	470,343	1,389,933	555,293	28,456	2,444,025	1,531,406
Operating Income (Loss) Before Transfers	900,463	1,352,014	2,014,182	208,488	4,475,147	(1,443,113)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	4,921	106,289	72,879	3,200	187,289	21,470
Interest (expense)	(250,578)	(222,536)			(473,114)	
Total nonoperating revenue (expenses)	(245,657)	(116,247)	72,879	3,200	(285,825)	21,470
Income (Loss) before transfers	654,806	1,235,767	2,087,061	211,688	4,189,322	(1,421,643)
Transfers in (Note 3B)	1,576,276	5,000			1,581,276	1,037,423
Transfers (out) (Note 3B)	(142,620)	(311,142)	(2,479,266)	(225,000)	(3,158,028)	
Net transfers	1,433,656	(306,142)	(2,479,266)	(225,000)	(1,576,752)	1,037,423
Change in net position	2,088,462	929,625	(392,205)	(13,312)	2,612,570	(384,220)
BEGINNING NET POSITION	432,166	5,713,186	3,414,813	480,191	10,040,356	338,997
ENDING NET POSITION	\$2,520,628	\$6,642,811	\$3,022,608	\$466,879	\$12,652,926	(\$45,223)

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2019

	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	\$1,361,650	\$2,733,532	\$2,563,006	\$235,796	\$6,893,984	
Receipts from (refunds to) interdepartmental charges						\$82,924
Payment to employees	(136,210)	(734,718)	(71,112)		(942,040)	
Payment to suppliers	(262,767)	(763,269)	(414,380)	(866)	(1,441,282)	(1,806,181)
Other receipts (payments)	(12,294)		(25,566)		(37,860)	
Cash Flows from Operating Activities	950,379	1,235,545	2,051,948	234,930	4,472,802	(1,723,257)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfunds receipts	91,068				91,068	117,309
Transfers in	1,576,276	5,000			1,581,276	1,037,423
Transfers (out)	(142,620)	(311,142)	(2,479,266)	(225,000)	(3,158,028)	
Cash Flows from Noncapital Financing Activities	1,524,724	(306,142)	(2,479,266)	(225,000)	(1,485,684)	1,154,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(1,576,275)	(1,381,327)	(2)	(1)	(2,957,605)	
Principal payments on capital debt	(420,000)	(199,682)			(619,682)	
Interest payment	(409,333)	(229,905)			(639,238)	
Cash Flows from Capital and Related Financing Activities	(2,405,608)	(1,810,914)	(2)	(1)	(4,216,525)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	4,921	106,289	72,879	3,200	187,289	21,470
Net Cash Flows	74,416	(775,222)	(354,441)	13,129	(1,042,118)	(547,055)
Cash and investments at beginning of period	342,899	5,468,613	3,304,961	56,409	9,172,882	1,821,690
Cash and investments at end of period	\$417,315	\$4,693,391	\$2,950,520	\$69,538	\$8,130,764	\$1,274,635
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$900,463	\$1,352,014	\$2,014,182	\$208,488	\$4,475,147	(\$1,443,113)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	85,895	228,756	69,801	27,590	412,042	106,134
Other revenue						
Other expenditures						
Change in assets and liabilities:						
Accounts receivables	(7,761)	(8,415)	(21,099)	(1,148)	(38,423)	(5,369)
Prepaid items			14,630		14,630	
Accounts payable and accruals	(14,529)	101,520	(25,566)		61,425	39,710
Accrued salaries and benefits						
Accrued compensated absences		(2,172)			(2,172)	
Refundable deposits	(13,689)				(13,689)	
Claims payable						(420,619)
Deferred outflows		196,883			196,883	
Deferred inflows		(27,116)			(27,116)	
Net pension liability		(605,925)			(605,925)	
Cash Flows from Operating Activities	\$950,379	\$1,235,545	\$2,051,948	\$234,930	\$4,472,802	(\$1,723,257)

See accompanying notes to financial statements

CITY OF SAUSALITO
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Retiree OPEB Benefits Trust Fund</u>
ASSETS	
Restricted cash and investments (Note 2)	<u>\$1,087,830</u>
NET POSITION	
Restricted for OPEB	<u>\$1,087,830</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2019

	Retiree OPEB Benefits Trust Fund
ADDITIONS	
Investment earnings	\$58,553
Other revenues	156,002
Total Additions	214,555
DELETIONS	
Administrative expense	2,217
Total Deletions	2,217
NET POSITION HELD IN TRUST	
Beginning of year	875,492
End of year	\$1,087,830

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019

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, 2019

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, 2019

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, Tidelands Special Revenue Fund, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Traffic Impact Fees 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 Capital 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, 2019, the following Fund had expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
General Government:	
Public works	\$72,496
Traffic Safety Special Revenue Fund	20,126

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019

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, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$962,396	\$36,673	\$999,069
Additions	550,989	15,038	566,027
Payments	<u>(597,984)</u>	<u>(17,210)</u>	<u>(615,194)</u>
Ending Balance	<u>\$915,401</u>	<u>\$34,501</u>	<u>\$949,902</u>
Current Portion	<u>\$586,783</u>	<u>\$10,789</u>	<u>\$597,572</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, 2019

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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019.

The GASB issued Statement No. 83 “Certain Asset Retirement Obligations.” This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The GASB issued Statement No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.” The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The City implemented this statement in fiscal year 2018-19. See additional information in Note 5.

NOTE 2 – CASH AND INVESTMENTS

A. *Policies*

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Classifications

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

<i>Statement of Net Position</i>	
Cash and investments	\$16,685,151
Restricted cash and investments	11,408,752
Total	28,093,903
<i>Fiduciary Fund</i>	
Restricted cash and investments	1,087,830
Total Cash and Investments	\$29,181,733

C. Authorized Investments by the City and Debt Agreements

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	30%	\$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 \$99,000

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

D. Authorized Investments by Debt Agreements

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

E. Interest Rate Risk

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

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

	12 Months or less	Total
Local Agency Investment Fund	\$10,197,317	\$10,197,317
Money Market Mutual Fund	9,620,589	9,620,589
Held by Trustee:		
PARS Trust - Money Market Mutual Funds	1,087,830	1,087,830
 Total Investments	 \$20,905,736	 20,905,736
 Cash in banks		8,274,997
Petty Cash		1,000
 Total City Cash and Investments		 \$29,181,733

Money market mutual funds are available for withdrawal on demand. At June 30, 2019, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 23-45 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, 2019, the City held \$10,197,317 in Local Agency Investment Fund (LAIF), which was 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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City’s investment policy, or debt agreements and the actual rating as of June 30, 2019, 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	\$9,620,589	\$9,620,589
<i>Not Rated:</i>		
Local Agency Investment Fund		10,197,317
Cash in banks		8,274,997
Petty cash		1,000
Total City Cash and Investments		28,093,903
<i>Fiduciary Cash</i>		
<i>Not Rated:</i>		
PARS Trust - Money Market Mutual Funds		1,087,830
Total Cash and Investments		\$29,181,733

H. Custodial Credit Risk

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (Continued)

I. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2019, these investments matured in an average of 173 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, 2019 interfund balances were as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Non Major Governmental Funds	General Fund	\$628,554
MLK Enterprise Fund	General Fund	91,068
Internal Service Funds	General Fund	<u>159,126</u>
		<u><u>\$878,748</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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	\$2,821,266	Tideland Special Revenue Fund	(\$200,000) A
		Non-Major Governmental Funds	(2,000) A
		MLK Enterprise Fund	(140,000) A
		Sewer Enterprise Fund	(225,000) A
		Parking Enterprise Fund	(2,029,266) B
		Old City Hall Enterprise Fund	(225,000) B
General Capital Improvements Capital Projects Fund	3,436,578	General Fund	(1,922,400) C
		Tideland Special Revenue Fund	(185,000) C
		Non-Major Governmental Funds	(804,178) C
		Sewer Enterprise Fund	(75,000) C
		Parking Enterprise Fund	(450,000) C
Non-Major Governmental Funds	72,155	Tideland Special Revenue Fund	(72,155) D
MLK Enterprise Fund	1,576,276	General Capital Improvements Capital Projects Fund	(1,576,276) C
Sewer Enterprise Fund	5,000	General Fund	(5,000) G
Internal Service Funds	1,037,423	General Fund	(1,023,661) E,F
		Sewer Enterprise Fund	(11,142) H
		MLK Enterprise Fund	(2,620) H
Total Interfund Transfers	<u>\$8,948,698</u>	Total Interfund Transfers	<u>(\$8,948,698)</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.
- H To fund employee benefits.

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	\$1,671,074

The remaining balance will be paid off over 12 years, at 3% interest rate ending in fiscal year 2030.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

D. Internal Balances

Internal balances are presented in the entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 4 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, 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, 2019

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 capital assets during the year ended June 30, 2019, comprise:

	Balance June 30, 2018	Additions	Retirements	Adjustments	Transfers	Balance June 30, 2019
Governmental Funds						
Capital assets not being depreciated:						
Land and improvements	\$15,014,662					\$15,014,662
Construction in progress	1,004,647	\$2,443,139			(\$167,044)	3,280,742
	<u>16,019,309</u>	<u>2,443,139</u>			<u>(167,044)</u>	<u>18,295,404</u>
Depreciable capital assets:						
Building and improvements	17,811,117					17,811,117
Vehicles and equipment	276,400					276,400
Machinery and equipment	1,541,877		(\$231,238)			1,310,639
Infrastructure	44,614,771	710,270		(\$36,479)	167,044	45,455,606
Total capital assets, being depreciated	<u>64,244,165</u>	<u>710,270</u>	<u>(231,238)</u>	<u>(36,479)</u>	<u>167,044</u>	<u>64,853,762</u>
Less: accumulated depreciation for						
Building and improvements	(3,519,015)	(351,484)				(3,870,499)
Vehicles and equipment	(272,974)	(856)				(273,830)
Machinery and equipment	(1,143,939)	(93,213)	231,238			(1,005,914)
Infrastructure	(26,634,207)	(1,132,413)		5,520		(27,761,100)
Total accumulated depreciation	<u>(31,570,135)</u>	<u>(1,577,966)</u>	<u>231,238</u>	<u>5,520</u>		<u>(32,911,343)</u>
Depreciable capital assets, net	<u>32,674,030</u>	<u>(867,696)</u>		<u>(30,959)</u>	<u>167,044</u>	<u>31,942,419</u>
Internal Service Funds						
Depreciable capital assets:						
Vehicles and equipment	872,270		(29,170)			843,100
Machinery and equipment	183,429					183,429
	<u>1,055,699</u>		<u>(29,170)</u>			<u>1,026,529</u>
Less: accumulated depreciation for						
Vehicles and equipment	(668,794)	(71,934)	29,170			(711,558)
Machinery and equipment	(91,019)	(34,200)				(125,219)
Total accumulated depreciation	<u>(759,813)</u>	<u>(106,134)</u>	<u>29,170</u>			<u>(836,777)</u>
Depreciable capital assets, net	<u>295,886</u>	<u>(106,134)</u>				<u>189,752</u>
Governmental capital assets, net	<u>\$48,989,225</u>	<u>\$1,469,309</u>		<u>(\$30,959)</u>		<u>\$50,427,575</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2018	Additions	Retirements	Adjustments	Balance June 30, 2019
Business-type Activities					
Land and improvements	\$3,796,001				\$3,796,001
Construction in progress	1,912,540	\$3,085,537			4,998,077
	<u>5,708,541</u>	<u>3,085,537</u>			<u>8,794,078</u>
Depreciable capital assets:					
Building and improvements	6,100,938				6,100,938
MLK Bus Barn	275,000				275,000
Vehicles and equipment	1,552,501		(\$5,465)		1,547,036
Infrastructure	13,952,557			(\$127,932)	13,824,625
Total	<u>21,880,996</u>		<u>(5,465)</u>	<u>(127,932)</u>	<u>21,747,599</u>
Less: accumulated depreciation for					
Building and improvements	(3,026,421)	(107,985)			(3,134,406)
MLK Bus Barn	(110,000)	(5,500)			(115,500)
Vehicles and equipment	(1,233,857)	(100,083)	5,465		(1,328,475)
Infrastructure	(5,988,208)	(198,474)			(6,186,682)
	<u>(10,358,486)</u>	<u>(412,042)</u>	<u>5,465</u>		<u>(10,765,063)</u>
Depreciable capital assets, net	<u>11,522,510</u>	<u>(412,042)</u>		<u>(127,932)</u>	<u>10,982,536</u>
Total capital assets, net	<u>\$17,231,051</u>	<u>\$2,673,495</u>		<u>(\$127,932)</u>	<u>\$19,776,614</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	\$212,119
Recreation	10,881
Library	16,701
Police services	304,126
Public works	1,034,139
Internal Service Funds	106,134
Total Governmental Activities	<u>\$1,684,100</u>
Business-type Activities:	
MLK	\$85,895
Sewer	228,756
Parking	69,801
Old City Hall	27,590
Total Business-type Activities	<u>\$412,042</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Governmental Activities Bonds:						
General Obligation Bonds:						
2006 Series A	\$8,205,000	\$4,525,000		(\$375,000)	\$4,150,000	\$425,000
2006 Series B (Capital Appreciation)	7,293,894	12,457,349	\$590,024		13,047,373	
Total Governmental Activities Bonds		16,982,349	590,024	(375,000)	17,197,373	425,000
Governmental Activities - Direct Borrowings:						
Southern Marin Fire Protection District	1,740,000	1,392,000		(58,000)	1,334,000	58,000
Department of Boating & Waterways	1,200,000	475,928		(50,739)	425,189	53,022
Total Governmental Activities - Direct Borrowings		1,867,928		(108,739)	1,759,189	111,022
Total Governmental Activities		\$18,850,277	\$590,024	(\$483,739)	\$18,956,562	\$536,022
Business-type Activities Bonds:						
2015 Sewer Revenue Bond	6,750,000	\$6,375,000		(\$155,000)	\$6,220,000	\$160,000
2016 Certificates of Participation	6,940,000	6,050,000		(420,000)	5,630,000	430,000
Total Business-type Activities Bonds		12,425,000		(575,000)	11,850,000	590,000
Business-type Activities - Direct Borrowings:						
State Water Resources Board Loan	1,036,480	872,751		(44,682)	828,069	45,843
Total Business-type Activities - Direct Borrowings		872,751		(44,682)	828,069	45,843
Total Business-type Activities		\$13,297,751		(\$619,682)	12,678,069	\$635,843

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. Principal and interest paid for the current fiscal year was \$50,739 and \$21,417, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG-TERM DEBT (Continued)

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$4,897,039. Principal and interest paid for the current fiscal year were \$375,000 and \$191,383, respectively. Total ad valorem property tax revenues were \$773,678.

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payment; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

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 \$773,678.

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 \$12,567,629 and \$590,024 respectively at June 30, 2019.

The Bonds are payable from any source of available funds of the City. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payment; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

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 was \$155,000 and \$202,756, respectively. Total customer net revenues were \$2,741,947.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG-TERM DEBT (Continued)

The Bonds are payable from the net revenues of the City’s Sewer Enterprise fund. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payment; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City.

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. The total principal and interest paid for the current fiscal year was \$44,682 and \$22,692, respectively.

H. 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 \$420,000 and \$201,500, respectively.

I. 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 - Bonds		Governmental Activities - Direct Borrowings	
	Principal (A)	Interest	Principal	Interest
2020	\$425,000	\$174,983	\$111,022	\$19,134
2021	470,000	156,635	113,408	16,748
2022	525,000	136,238	115,901	14,254
2023	580,000	113,585	118,507	11,649
2024	645,000	88,473	121,230	8,926
2025 - 2029	5,125,002	77,125	425,121	9,188
2030 - 2034	7,490,000		290,000	
2035 - 2039	9,790,000		290,000	
2040 - 2044	4,715,000		174,000	
2045 - 2047				
Total	\$29,765,002	\$747,039	\$1,759,189	\$79,899

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$12,567,629.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 5 – LONG-TERM DEBT (Continued)

Fiscal Year Ended June 30	Business-type Activities - Bonds		Business-type Activities Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$590,000	\$386,932	\$45,843	\$21,530
2021	610,000	369,158	47,035	20,338
2022	625,000	350,781	48,258	19,115
2023	645,000	331,956	49,513	17,860
2024	670,000	307,831	50,800	16,573
2025 - 2029	3,720,000	1,160,805	274,514	62,351
2030 - 2034	1,734,999	661,890	312,106	24,761
2035 - 2039	1,330,000	448,069		
2040 - 2044	1,575,000	201,807		
2045 - 2047	350,001	6,125		
Total	<u>\$11,850,000</u>	<u>\$4,225,354</u>	<u>\$828,069</u>	<u>\$182,528</u>

NOTE 6 – DEBT WITH NO CITY COMMITMENT

A. Rotary Village Senior Housing Project

On March 1, 2004, the City sponsored the issuance of a \$2,500,000 bond on behalf of the Rotary Housing Corporation, a 501(c)(3) corporation and a California Nonprofit Public Benefit Corporation (the “Corporation”). These bonds were issued to raise loan proceeds to finance the construction of the Rotary Village Senior Housing Project. The bonds are payable solely out of the amounts pledged by the Corporation and is not included in the long-term debt of the City. The City has no legal or moral liability with respect to the payment of this debt. The balance at June 30, 2019 was \$1,750,000.

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, 2019 was \$3,597,339 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, 2019, the Tideland Fund Special Revenue Fund had recorded the amount of \$3,001,432 as unearned lease revenue to be amortized over the remaining 42 years.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 7 – UNEARNED REVENUE (Continued)

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, 2019, the City had recorded \$595,907 as unearned rent revenue.

Combined, the unearned revenue for all funds as June 30, 2019 was \$4,352,787.

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.

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, 2019

NOTE 8 – PENSION PLANS (Continued)

The Plan's provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% - 2.7%
Required employee contribution rates	9%	12.75%
Required employer contribution rates	20.416%	12.965%
	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1% - 2.5%
Required employee contribution rates	8%	6.500%
Required employer contribution rates	11.419%	7.266%
	Fire	
	Prior to January 1, 2013	
Hire date		
Benefit formula	3% @ 55	
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50 - 55+	
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	
Required employee contribution rates	0.00%	
Required employer contribution rates	0.00%	

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 \$1,779,062 in fiscal year 2019.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$1,641,914	\$972,887	\$2,614,801

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

As of June 30, 2019, 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	\$17,839,026
Miscellaneous	10,059,764
Total Net Pension Liability	\$27,898,790

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, 2017, 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, 2017 rolled forward to June 30, 2018 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, 2017 and 2018 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2017	0.31%	0.25%
Proportion - June 30, 2018	0.30%	0.27%
Change - Increase (Decrease)	-0.01%	0.02%

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2019, the City recognized pension expense of \$818,844. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Safety Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$1,641,914	
Differences between actual and expected experience	383,300	(\$236,149)
Changes in assumptions	1,750,321	(1,454)
Net differences between projected and actual earnings on plan investments	120,779	
Change in proportion and differences between actual contributions and proportionate share of contributions		(519,645)
Change in proportion	<u>68,208</u>	<u>(322,992)</u>
Total	<u>\$3,964,522</u>	<u>(\$1,080,240)</u>
	<u>Miscellaneous</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$972,887	
Differences between actual and expected experience	385,975	(\$131,345)
Changes in assumptions	1,146,843	(281,069)
Net differences between projected and actual earnings on plan investments	49,733	
Change in proportion and differences between actual contributions and proportionate share of contributions		(293,789)
Change in proportion	<u>75,173</u>	<u>(117,419)</u>
Total	<u>\$2,630,611</u>	<u>(\$823,622)</u>
	<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$2,614,801	
Differences between actual and expected experience	769,275	(\$367,494)
Changes in assumptions	2,897,164	(282,523)
Net differences between projected and actual earnings on plan investments	170,512	
Change in proportion and differences between actual contributions and proportionate share of contributions		(813,434)
Change in proportion	<u>143,381</u>	<u>(440,411)</u>
Total	<u>\$6,595,133</u>	<u>(\$1,903,862)</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 8 – PENSION PLAN (Continued)

\$2,614,801 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, 2020. 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	Safety Amortization	Miscellaneous Amortization	Total Amortization
2020	\$1,259,847	\$854,962	\$2,114,809
2021	662,462	446,060	1,108,522
2022	(556,381)	(376,437)	(932,818)
2023	(123,560)	(90,483)	(214,043)

Actuarial Assumptions – For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2019 total pension liability was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

- (1) Net of pension plan investment expenses, including inflation
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvement using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found the CalPERS website.

Change in Assumption – For the measurement date of June 30, 2018, in inflation rate reduced from 2.75% to 2.50%.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 8 – PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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 (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 8 – PENSION PLAN (Continued)

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 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$26,511,930	\$17,839,026	\$10,733,133
Miscellaneous	15,226,349	10,059,764	5,794,833
Total	<u>\$41,738,279</u>	<u>\$27,898,790</u>	<u>\$16,527,966</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.

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 2019. As of June 30, 2019, the total amount of \$1,788,163 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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. General Information about the City’s Other Post Employment Benefit (OPEB) Plan

Plan Description – The City’s Post Employment Benefit Plan cost-sharing multiple-employer defined benefit OPEB plan.

Benefits Provided – The following is a summary of Plan benefits by employee group as of June 30, 2019:

Summary of Retiree Medical Eligibility and Benefits							
Date of Retirement	Group	Minimum Age Requirement	Minimum Service Requirement	Other Eligibility Requirements	City-Paid Benefit: For the Retiree	City-Paid Benefit: Surviving Spouse	Term of Benefit
Any	All retirees who enroll in a CalPERS medical plan through the City	50; 52 for Misc PEPRA	5 years PERS service	No minimum age for approved disability	CalPERS required Minimum Employer Contribution (MEC) \$133 per month in 2018	CalPERS MEC, if eligible for PERS survivor pension	Lifetime
<i>Enhanced Benefit (including the CalPERS required MEC):</i>							
Prior to 7/1/2007	Police/Fire ²	50	20 years of City service	None ¹	100% Employee Only premium of the PEMHCA medical plan of their choice ⁴		
	SEIU/Unrepresentative	55					
On or after 7/1/2007	Police/Fire ²	50	20 years of City service	3 or more years of City service by 7/1/2012 and not opted out ^{1,3}	100% Employee Only premium of up to the Kaiser Bay Area Basic or Supplemental premium rate ⁴	CalPERS MEC, if eligible for PERS survivor pension	Lifetime
	SEIU/Unrepresentative	55					

¹It is our understanding that disabled retirees must also meet these minimum age and service requirements to receive the enhanced retiree benefits.

²There are 3 Fire employees now employed by the South Marin Fire Protection District, and 4 Fire retirees, who remain the responsibility of the City of Sausalito. They are allowed reimbursement for medical coverage outside of PEMHCA under medical plans not sponsored by the City of Sausalito.

³Anyone with less than 3 years of City service as of July 1, 2012, will only be eligible for the CalPERS minimum retirement. They also receive City-paid contributions into a Section 457 plan while they are active. Though these contributions may be used in retirement, they are not valued under GASB 75. Employees hired after July 1, 2012 do not receive any City-paid Section 457 Plan contributions.

⁴For those eligible for enhanced benefit, there is also a "health in lieu" option which provides the retiree with a cash benefit that is the lesser of the lowest cost option available under the City plan available to retirees for Employee Only coverage and \$175.00.

For the year ended June 30, 2019, the City’s contributions to the Plan were \$156,002.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019:

Active employees	72
Inactive employees or beneficiaries currently receiving benefit payments	39
Inactive employees entitled to but not yet receiving benefit payments	30
Total	141

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	5.00%
Inflation	2.75%
Payroll Growth	3.25%
Investment Rate of Return	5.00%
Mortality Rate	Same as CalPERS.
Healthcare Trend Rate	Pre-Medicare: 7.5% for 2018, and trending down to 5.00% in 2024 and beyond. Medicare: 6.0% in 2018, trending down to 5% in 2024 and beyond.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance as of Report Date June 30, 2018	\$6,874,836	\$875,492	\$5,999,344
Changes Recognized for the Measurement Period:			
Service Cost	313,856		313,856
Interest on the total OPEB liability	331,821		331,821
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	67,086		67,086
Contributions from the employer		446,679	(446,679)
Net investment income		56,336	(56,336)
Administrative expenses			
Benefit payments	(290,677)	(290,677)	
Net changes	422,086	212,338	209,748
Balance at June 30, 2019	\$7,296,922	\$1,087,830	\$6,209,092

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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

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

The following presents the net OPEB liability of the City, as well as what the City'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 discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(4.00 %)	(5.00%)	(6.00%)
\$7,316,236	\$6,209,092	\$5,267,877

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
(6.50% grade down to	(7.5% grade down to	(8.50% grade down to
\$4,957,285	\$6,209,092	\$7,927,682

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$709,340. At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience		
Changes of assumptions	\$59,531	(\$45,584)
Net differences between projected and actual earnings on plan investments	6,406	
Total	\$65,937	(\$45,584)

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2020	\$3,643
2021	3,643
2022	3,643
2023	(803)
2024	930
Thereafter	9,297

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

A. Workers’ Compensation Coverage Statistics

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

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, 2019, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$1,327,826	\$1,274,689
Incurred claims and claims adjustment	(393,604)	499,648
Claims paid	<u>(118,124)</u>	<u>(446,511)</u>
Ending balance	<u>\$816,098</u>	<u>\$1,327,826</u>
Current portion	<u>\$225,192</u>	<u>\$322,118</u>

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

B. General Liability Coverage

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

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

At June 30, 2019, the City’s estimated general liability for unpaid losses was as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$286,186	\$374,038
Incurred claims and claims adjustment	177,863	12,935
Claims paid	<u>(86,754)</u>	<u>(100,787)</u>
Ending balance	<u>\$377,295</u>	<u>\$286,186</u>
Current portion	<u>\$108,406</u>	<u>\$75,156</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 11 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

B. Fund Balances

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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

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

Detailed classifications of the City’s Fund Balances, as of June 30, 2019, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$4,308				\$4,308
Prepays	1,038				1,038
Advances to other funds	1,671,074				1,671,074
Subtotal	1,676,420				1,676,420
Restricted for:					
Pension	1,788,163				1,788,163
Seized assets				\$35,517	35,517
COPs projects			\$4,460,270		4,460,270
Street construction and maintenance				218,487	218,487
Infrastructure projects				342,870	342,870
Storm drain maintenance				13,596	13,596
Stair improvements				159,877	159,877
Disasters				1,002,730	1,002,730
Grants				565,650	565,650
2006 General Obligations				1,017,894	1,017,894
Subtotal	1,788,163		4,460,270	3,356,621	9,605,054
Committed to:					
Library improvements				105,924	105,924
Subtotal				105,924	105,924
Assigned:					
Budget stabilization reserve	708,315				708,315
Subtotal	708,315				708,315
Unassigned:					
Emergency shortfall reserve	8,398,872				8,398,872
Fund deficit residuals		(\$2,641,513)	(1,170,233)	(151,337)	(3,963,083)
Subtotal	8,398,872	(2,641,513)	(1,170,233)	(151,337)	4,435,789
Total fund balances	\$12,571,770	(\$2,641,513)	\$3,290,037	\$3,311,208	\$16,531,502

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

C. *Budget Stabilization Shortfall Reserve Policy*

Fund balance equivalent to five percent (5%) of the City’s annual expenditures of General Fund 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*

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

E. *Net Position and Fund Balance Deficits*

The following funds had net position and fund balance deficits at June 30, 2019. Future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$2,641,513
Traffic Safety Special Revenue Fund	107,125
Recreation Grant Special Revenue Fund	44,212
Workers' Compensation Internal Service Fund	863,219
General Liability Internal Service Fund	603,560

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

A. *Marin Emergency Radio Authority*

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2019

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

B. 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.

C. 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, 2019 is comprised of the following:

Operating Leases	\$1,316,862
Utility pass through	<u>52,549</u>
	<u><u>\$1,369,411</u></u>

Future minimum rents on noncancelable tenant operating leases for fiscal years ending after June 30, 2019 are as follows:

Fiscal Year Ended <u>June 30</u>	Future <u>Minimum Rent</u>
2020	\$1,411,797
2021	1,438,103
2022	1,480,986
2023	1,184,320
2024	206,352
2025-2029	<u>1,141,933</u>
	<u><u>\$6,863,491</u></u>

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

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	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%	0.30%	0.31%	0.30%
Plan's proportion share of the Net Pension Liability (Asset)	\$12,520,104	\$12,618,710	\$15,915,687	\$17,899,117	\$17,839,026
Plan's Covered Payroll	1,965,044	2,031,497	1,844,449	2,391,883	2,285,735
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	637%	621%	863%	748%	780%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77%	77%	72%	72%	71%
	Miscellaneous				
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%	0.22%	0.22%	0.27%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,221,567	\$7,016,911	\$8,853,521	\$10,215,969	\$10,059,764
Plan's Covered Payroll	3,812,428	3,898,870	3,911,846	3,869,850	4,480,775
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137%	180%	226%	264%	225%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83%	78%	73%	73%	72%

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CONTRIBUTIONS

	Safety				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$760,463	\$1,058,862	\$1,263,277	\$1,435,570	\$1,641,914
Contributions in relation to the actuarially determined contributions	(760,463)	(1,058,862)	(1,263,277)	(1,435,570)	(1,641,914)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$2,031,497	\$1,844,449	\$2,391,883	\$2,285,735	\$2,254,942
Contributions as a percentage of covered payroll	37.43%	57.41%	52.82%	62.81%	72.81%
	Miscellaneous				
	2015	2016	2017	2018	2019
Actuarially determined contribution	\$553,613	\$704,178	\$769,773	\$868,197	\$972,887
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)	(769,773)	(868,197)	(972,887)
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$3,898,870	\$3,911,846	\$3,869,850	\$4,480,775	\$4,249,298
Contributions as a percentage of covered payroll	14.20%	18.00%	19.89%	19.38%	22.90%

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Cost Sharing Multiple-Employer Plan

Last 10 fiscal years*

Measurement Date	<u>6/30/17</u>	<u>6/30/18</u>	<u>6/30/19</u>
Total OPEB Liability			
Service Cost	\$150,736	\$312,568	\$313,856
Interest	271,950	312,153	331,821
Changes in benefit terms			
Differences between expected and actual experience	13,921		
Changes of assumptions		(58,834)	67,086
Benefit payments	<u>(203,921)</u>	<u>(273,223)</u>	<u>(290,677)</u>
Net change in total OPEB liability	232,686	292,664	422,086
Total OPEB liability - beginning	<u>5,189,259</u>	<u>6,582,172</u>	<u>6,874,836</u>
Total OPEB liability - ending (a)	<u><u>\$5,421,945</u></u>	<u><u>\$6,874,836</u></u>	<u><u>\$7,296,922</u></u>
Plan fiduciary net position			
Contributions - employer	\$203,921	\$273,223	\$446,679
Contributions - employee			
Net investment income	32,621	20,523	56,336
Administrative expense	(1,727)		
Benefit payments	<u>(203,921)</u>	<u>(273,223)</u>	<u>(290,677)</u>
Net change in plan fiduciary net position	30,894	20,523	212,338
Plan fiduciary net position - beginning	<u>679,060</u>	<u>854,969</u>	<u>875,492</u>
Plan fiduciary net position - ending (b)	<u><u>\$709,954</u></u>	<u><u>\$875,492</u></u>	<u><u>\$1,087,830</u></u>
 Net OPEB liability - ending (a)-(b)	 <u><u>\$4,711,991</u></u>	 <u><u>\$5,999,344</u></u>	 <u><u>\$6,209,092</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 13.09%	 12.73%	 14.91%
 Covered-employee payroll	 <u><u>n/a</u></u>	 <u><u>\$6,387,682</u></u>	 <u><u>\$6,504,240</u></u>
 Net OPEB liability as a percentage of covered-employee payroll	 <u><u>n/a</u></u>	 <u><u>93.92%</u></u>	 <u><u>95.46%</u></u>

* Fiscal year 2017 was the first year of implementation for GASB 74

* Fiscal year 2018 was the first year of implementation for GASB 75

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Last 10 fiscal years*

Fiscal Year Ended June 30,	2017	2018	2019
Actuarially determined contribution	\$380,544	\$578,562	\$594,529
Contributions in relation to the actuarially determined contribution	203,921	273,223	446,679
Contribution deficiency (excess)	\$176,623	\$305,339	\$147,850
Covered-employee payroll	n/a	\$6,387,682	\$6,504,240
Contributions as a percentage of covered-employee payroll	n/a	4.28%	6.87%
Notes to Schedule			
Valuation date:	June 30, 2016	June 30, 2017	June 30, 2017

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2017		
Actuarial Assumptions:			
Discount Rate	5.00%		
Inflation	2.75%	2.75%	
Payroll Growth	3.25%	3.25%	
Investment Rate of Return	5.00%		
Mortality Rate	Same as CalPERS.		
Healthcare Trend Rate	Pre-Medicare: 7.5% for 2018, and trending down to 5.00% in 2024 and beyond. Medicare: 6.0% in 2018, trending down to 5% in 2024 and beyond.		

* Fiscal year 2017 was the first year of implementation for GASB 74.

* Fiscal year 2018 was the first year of implementation for GASB 75.

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

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

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property tax	\$5,092,306	\$5,092,306	\$5,704,360	\$612,054
Sales tax	3,592,400	3,592,400	3,607,786	15,386
Other tax	2,572,460	2,572,460	2,699,645	127,185
Licenses and permits	623,000	623,000	631,060	8,060
Fines and forfeitures	550,472	550,472	676,406	125,934
Use of money and property	528,524	528,524	522,884	(5,640)
Intergovernmental	11,823	11,823	12,823	1,000
Charges for services	1,537,881	1,537,881	1,757,075	219,194
Other revenues	66,454	66,454	1,092,407	1,025,953
Total Revenues	<u>14,575,320</u>	<u>14,575,320</u>	<u>16,704,446</u>	<u>2,129,126</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,812,577	1,812,577	1,625,188	187,389
Information technology	670,858	670,858	640,275	30,583
Non departmental	1,880,268	1,880,268	1,756,409	123,859
Library	930,821	930,821	913,151	17,670
Public safety:				
Police	6,022,823	6,022,823	5,242,137	780,686
Community development	1,955,773	1,955,773	1,923,504	32,269
Public works	1,895,441	1,895,441	1,967,910	(72,469)
Parks & recreation	902,309	902,309	824,193	78,116
Debt service:				
Principal	58,000	58,000	58,000	
Total Expenditures	<u>16,128,870</u>	<u>16,128,870</u>	<u>14,950,767</u>	<u>1,178,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,553,550)</u>	<u>(1,553,550)</u>	<u>1,753,679</u>	<u>3,307,229</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,821,266	2,821,266	2,821,266	
Transfers (out)	(2,951,062)	(2,951,062)	(2,951,061)	1
Total Other Financing Sources (Uses)	<u>(129,796)</u>	<u>(129,796)</u>	<u>(129,795)</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,683,346)</u>	<u>(\$1,683,346)</u>	1,623,884	<u>\$3,307,230</u>
BEGINNING FUND BALANCE			<u>10,947,886</u>	
ENDING FUND BALANCE			<u>\$12,571,770</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, 2019

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$713,383	\$805,936	\$92,553
Intergovernmental	<u>129,800</u>	<u>49,077</u>	<u>(80,723)</u>
Total Revenues	<u>843,183</u>	<u>855,013</u>	<u>11,830</u>
EXPENDITURES:			
Current:			
General government	499,021	269,312	229,709
Interest and other charges	<u>23,369</u>	<u>500</u>	<u>22,869</u>
Total Expenditures	<u>522,390</u>	<u>269,812</u>	<u>252,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>320,793</u>	<u>585,201</u>	<u>264,408</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(457,155)</u>	<u>(457,155)</u>	
Total Other Financing Sources (Uses)	<u>(457,155)</u>	<u>(457,155)</u>	
NET CHANGE IN FUND BALANCE	<u><u>(\$136,362)</u></u>	128,046	<u><u>\$264,408</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(2,769,559)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$2,641,513)</u></u>	

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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, 2019

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$1,095,000	\$118,020	(\$976,980)
Use of money and property	96,227	89,182	(7,045)
Other revenue	332,500	113,213	(219,287)
Total Revenues	<u>1,523,727</u>	<u>320,415</u>	<u>(1,203,312)</u>
EXPENDITURES:			
Current:			
Capital outlay	<u>8,787,930</u>	<u>3,336,236</u>	<u>5,451,694</u>
Total Expenditures	<u>8,787,930</u>	<u>3,336,236</u>	<u>5,451,694</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,264,203)</u>	<u>(3,015,821)</u>	<u>4,248,382</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,862,526	3,436,578	(1,425,948)
Transfers (out)	<u> </u>	<u>(1,576,276)</u>	<u>(1,576,276)</u>
Total Other Financing Sources (Uses)	<u>4,862,526</u>	<u>1,860,302</u>	<u>(3,002,224)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$2,401,677)</u></u>	<u>(1,155,519)</u>	<u><u>\$1,246,158</u></u>
BEGINNING FUND BALANCE		<u>4,445,556</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>\$3,290,037</u></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, 2019

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees
ASSETS				
Cash and investments	\$35,380		\$219,359	\$339,912
Restricted cash and investments				
Receivables:				
Taxes receivables, net				
Accounts receivable, net	137		1,047	2,958
Total Assets	\$35,517		\$220,406	\$342,870
LIABILITIES				
Accounts payable		\$3,430	\$1,919	
Due to other funds		103,695		
Total Liabilities		107,125	1,919	
FUND BALANCE				
Restricted	\$35,517		218,487	\$342,870
Committed				
Unassigned		(107,125)		
Total Fund Balances	35,517	(107,125)	218,487	342,870
Total Liabilities and Fund Balances	\$35,517		\$220,406	\$342,870

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$51,722	\$12,993	\$159,259	\$998,855		\$325,669
58,339	372 231	618	3,875	\$58,995	\$129,920
<u>\$110,061</u>	<u>\$13,596</u>	<u>\$159,877</u>	<u>\$1,002,730</u>	<u>\$58,995</u>	<u>\$455,589</u>
				\$103,207	
				103,207	
110,061	\$13,596	\$159,877	\$1,002,730		\$455,589
				(44,212)	
<u>110,061</u>	<u>13,596</u>	<u>159,877</u>	<u>1,002,730</u>	<u>(44,212)</u>	<u>455,589</u>
<u>\$110,061</u>	<u>\$13,596</u>	<u>\$159,877</u>	<u>\$1,002,730</u>	<u>\$58,995</u>	<u>\$455,589</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	Total Nonmajor Governmental Funds
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Capital Improvement</u>	
ASSETS				
Cash and investments			\$105,515	\$2,248,664
Restricted cash and investments	\$1,434,614			1,434,614
Receivables:				
Taxes receivables, net	4,932			5,304
Accounts receivable, net			409	256,529
	<u>1,439,546</u>	<u> </u>	<u>105,924</u>	<u>3,945,111</u>
Total Assets				
LIABILITIES				
Accounts payable				\$5,349
Due to other funds	\$421,652			628,554
	<u>421,652</u>	<u> </u>	<u> </u>	<u>633,903</u>
Total Liabilities				
FUND BALANCE				
Restricted	1,017,894			3,356,621
Committed			\$105,924	105,924
Unassigned				(151,337)
	<u>1,017,894</u>	<u> </u>	<u>105,924</u>	<u>3,311,208</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$1,439,546</u>	<u> </u>	<u>\$105,924</u>	<u>\$3,945,111</u>

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Use of money and property	\$550	(\$445)	\$3,731	\$6,582
Intergovernmental		8,149	147,358	
Charges for services				264,957
Total Revenues	550	7,704	151,089	271,539
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		50,126	75,799	
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total Expenditures		50,126	75,799	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	550	(42,422)	75,290	271,539
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)		(2,000)	(50,000)	(185,000)
Total Other Financing Sources (Uses)		(2,000)	(50,000)	(185,000)
NET CHANGE IN FUND BALANCES	550	(44,422)	25,290	86,539
BEGINNING FUND BALANCES (DEFICITS)	34,967	(62,703)	193,197	256,331
ENDING FUND BALANCES (DEFICITS)	\$35,517	(\$107,125)	\$218,487	\$342,870

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$1,439	\$485	\$2,475	\$15,522		\$7,845
280,402	71,594			\$86,891	428,740
281,841	72,079	2,475	15,522	86,891	436,585
162,520	24,995				
162,520	24,995				
119,321	47,084	2,475	15,522	86,891	436,585
	(46,000)			(318,178)	(205,000)
	(46,000)			(318,178)	(205,000)
119,321	1,084	2,475	15,522	(231,287)	231,585
(9,260)	12,512	157,402	987,208	187,075	224,004
\$110,061	\$13,596	\$159,877	\$1,002,730	(\$44,212)	\$455,589

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	DEBT SERVICE FUND		CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Tideland Loan	Library Capital Improvement	
REVENUES				
Property tax	\$773,678			\$773,678
Use of money and property	18,155		\$1,638	57,977
Intergovernmental				951,540
Charges for services				336,551
Total Revenues	<u>791,833</u>		<u>1,638</u>	<u>2,119,746</u>
EXPENDITURES				
Current:				
Public safety:				
Police				162,520
Public works				150,920
Capital outlay				
Debt service:				
Principal	375,000	\$50,739		425,739
Interest and other charges	192,333	21,416		213,749
Total Expenditures	<u>567,333</u>	<u>72,155</u>		<u>952,928</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>224,500</u>	<u>(72,155)</u>	<u>1,638</u>	<u>1,166,818</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		72,155		72,155
Transfers (out)				(806,178)
Total Other Financing Sources (Uses)		<u>72,155</u>		<u>(734,023)</u>
NET CHANGE IN FUND BALANCES	224,500		1,638	432,795
BEGINNING FUND BALANCES (DEFICITS)	<u>793,394</u>		<u>104,286</u>	<u>2,878,413</u>
ENDING FUND BALANCES (DEFICITS)	<u><u>\$1,017,894</u></u>		<u><u>\$105,924</u></u>	<u><u>\$3,311,208</u></u>

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CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2019

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Use of money and property		(\$445)	(\$445)		\$3,731	\$3,731
Intergovernmental		8,149	8,149	\$250,851	147,358	(103,493)
Charges for services						
Other revenues						
Total Revenues		<u>7,704</u>	<u>7,704</u>	<u>250,851</u>	<u>151,089</u>	<u>(99,762)</u>
EXPENDITURES						
Current:						
Public works	\$30,000	50,126	(20,126)	90,000	75,799	14,201
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>30,000</u>	<u>50,126</u>	<u>(20,126)</u>	<u>90,000</u>	<u>75,799</u>	<u>14,201</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,000)</u>	<u>(42,422)</u>	<u>(12,422)</u>	<u>160,851</u>	<u>75,290</u>	<u>(85,561)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(2,000)</u>	<u>(2,000)</u>		<u>(50,000)</u>	<u>(50,000)</u>	
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(2,000)</u>		<u>(50,000)</u>	<u>(50,000)</u>	
NET CHANGES IN FUND BALANCES	<u>(\$32,000)</u>	<u>(44,422)</u>	<u>(\$12,422)</u>	<u>\$110,851</u>	<u>25,290</u>	<u>(\$85,561)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(62,703)</u>			<u>193,197</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$107,125)</u>			<u>\$218,487</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)
	\$6,582	\$6,582		\$485	\$485		\$2,475	\$2,475
\$250,000	264,957	14,957	\$74,500	71,594	(2,906)			
<u>250,000</u>	<u>271,539</u>	<u>21,539</u>	<u>74,500</u>	<u>72,079</u>	<u>(2,421)</u>		<u>2,475</u>	<u>2,475</u>
			28,500	24,995	3,505			
			<u>28,500</u>	<u>24,995</u>	<u>3,505</u>			
<u>250,000</u>	<u>271,539</u>	<u>21,539</u>	<u>46,000</u>	<u>47,084</u>	<u>1,084</u>		<u>2,475</u>	<u>2,475</u>
<u>(185,000)</u>	<u>(185,000)</u>		<u>(46,000)</u>	<u>(46,000)</u>				
<u>(185,000)</u>	<u>(185,000)</u>		<u>(46,000)</u>	<u>(46,000)</u>				
<u>\$65,000</u>	86,539	<u>\$21,539</u>		1,084	<u>\$1,084</u>		2,475	<u>\$2,475</u>
	<u>256,331</u>			<u>12,512</u>			<u>157,402</u>	
	<u>\$342,870</u>			<u>\$13,596</u>			<u>\$159,877</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, 2019

	SPECIAL REVENUE FUNDS					
	Recreation Grant			Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Use of money and property					\$7,845	\$7,845
Intergovernmental	\$55,000	\$86,891	\$31,891	\$301,077	428,740	127,663
Charges for services						
Other revenues						
Total Revenues	<u>55,000</u>	<u>86,891</u>	<u>31,891</u>	<u>301,077</u>	<u>436,585</u>	<u>135,508</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay	55,000		55,000			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>55,000</u>		<u>55,000</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>86,891</u>	<u>86,891</u>	<u>301,077</u>	<u>436,585</u>	<u>135,508</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(318,178)	(318,178)		(205,000)	(205,000)	
Total Other Financing Sources (Uses)	<u>(318,178)</u>	<u>(318,178)</u>		<u>(205,000)</u>	<u>(205,000)</u>	
NET CHANGES IN FUND BALANCES	<u>(\$318,178)</u>	(231,287)	<u>\$86,891</u>	<u>\$96,077</u>	231,585	<u>\$135,508</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>187,075</u>			<u>224,004</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$44,212)</u>			<u>\$455,589</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$733,983	\$773,678 18,155	\$39,695 18,155			
<u>733,983</u>	<u>791,833</u>	<u>57,850</u>			
485,000	375,000	110,000	\$46,463	\$50,739	(\$4,276)
248,983	192,333	56,650	25,693	21,416	4,277
<u>733,983</u>	<u>567,333</u>	<u>166,650</u>	<u>72,156</u>	<u>72,155</u>	<u>1</u>
	224,500	224,500	(72,156)	(72,155)	1
			72,155	72,155	
			<u>72,155</u>	<u>72,155</u>	
	224,500	<u>\$224,500</u>	<u>(\$1)</u>		<u>\$1</u>
	<u>793,394</u>				
	<u>\$1,017,894</u>				

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2019

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$873,595	\$49,129	\$351,911		\$1,274,635
Accounts receivable, net	4,559	188	1,792		6,539
Total current assets	878,154	49,317	353,703		1,281,174
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	189,753				189,753
Total noncurrent assets	189,753				189,753
Total Assets	1,067,907	49,317	353,703		1,470,927
LIABILITIES					
Current liabilities:					
Accounts payable	54	96,438		\$67,139	163,631
Due to other funds				159,126	159,126
Claims payable - due within one year		225,192		108,406	333,598
Total current liabilities	54	321,630		334,671	656,355
Noncurrent liabilities					
Claims payable, due in more than one year		590,906		268,889	859,795
Total noncurrent liabilities		590,906		268,889	859,795
Total Liabilities	54	912,536		603,560	1,516,150
NET POSITION					
Net investment in capital assets	189,753				189,753
Unrestricted	878,100	(863,219)	353,703	(603,560)	(234,976)
Total Net Position	\$1,067,853	(\$863,219)	\$353,703	(\$603,560)	(\$45,223)

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	<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	\$2,940	\$85,353			\$88,293
Total Operating Revenues	<u>2,940</u>	<u>85,353</u>			<u>88,293</u>
OPERATING EXPENSES					
Repairs and maintenance	3,348				3,348
Other operating expenses			\$1,147,424	\$274,500	1,421,924
Depreciation	106,134				106,134
Total Operating Expenses	<u>109,482</u>		<u>1,147,424</u>	<u>274,500</u>	<u>1,531,406</u>
Operating Income (Loss)	(106,542)	85,353	(1,147,424)	(274,500)	(1,443,113)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	13,588	1,349	7,176	(643)	21,470
Total nonoperating revenue	<u>13,588</u>	<u>1,349</u>	<u>7,176</u>	<u>(643)</u>	<u>21,470</u>
Income before transfers	(92,954)	86,702	(1,140,248)	(275,143)	(1,421,643)
Transfers in			<u>1,037,423</u>		<u>1,037,423</u>
Transfers, net			<u>1,037,423</u>		<u>1,037,423</u>
Change in Net Position	(92,954)	86,702	(102,825)	(275,143)	(384,220)
BEGINNING NET POSITION	<u>1,160,807</u>	<u>(949,921)</u>	<u>456,528</u>	<u>(328,417)</u>	<u>338,997</u>
ENDING NET POSITION	<u>\$1,067,853</u>	<u>(\$863,219)</u>	<u>\$353,703</u>	<u>(\$603,560)</u>	<u>(\$45,223)</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from (refunds of) interdepartmental charges	(\$449)	\$85,165	(\$1,792)		\$82,924
Payment to suppliers	<u>(48,403)</u>	<u>(421,577)</u>	<u>(1,219,424)</u>	<u>(\$116,777)</u>	<u>(1,806,181)</u>
Cash Flows from Operating Activities	<u>(48,852)</u>	<u>(336,412)</u>	<u>(1,221,216)</u>	<u>(116,777)</u>	<u>(1,723,257)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfunds				117,309	117,309
Transfers in			<u>1,037,423</u>		<u>1,037,423</u>
Cash Flows from Noncapital Financing Activities			<u>1,037,423</u>	<u>117,309</u>	<u>1,154,732</u>
Net Cash Flows	(35,264)	(335,063)	(176,617)	(111)	(547,055)
Cash and investments at beginning of period	<u>908,859</u>	<u>384,192</u>	<u>528,528</u>	<u>111</u>	<u>1,821,690</u>
Cash and investments at end of period	<u>\$873,595</u>	<u>\$49,129</u>	<u>\$351,911</u>		<u>\$1,274,635</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$106,542)	\$85,353	(\$1,147,424)	(\$274,500)	(\$1,443,113)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	106,134				106,134
Change in assets and liabilities:					
Accounts receivable	(3,389)	(188)	(1,792)		(5,369)
Accounts payable	(45,055)	90,151	(72,000)	66,614	39,710
Claims payable		<u>(511,728)</u>		<u>91,109</u>	<u>(420,619)</u>
Cash Flows from Operating Activities	<u>(\$48,852)</u>	<u>(\$336,412)</u>	<u>(\$1,221,216)</u>	<u>(\$116,777)</u>	<u>(\$1,723,257)</u>

STATISTICAL SECTION

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

Financial Trends

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

1. Net Positions by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. 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 Year
5. Principal Property Taxpayers
6. Principal Sales Tax Producers

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 Per Capita
3. Computation of Legal Bonded Debt Margin
4. Computation of Direct and Overlapping Debt

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

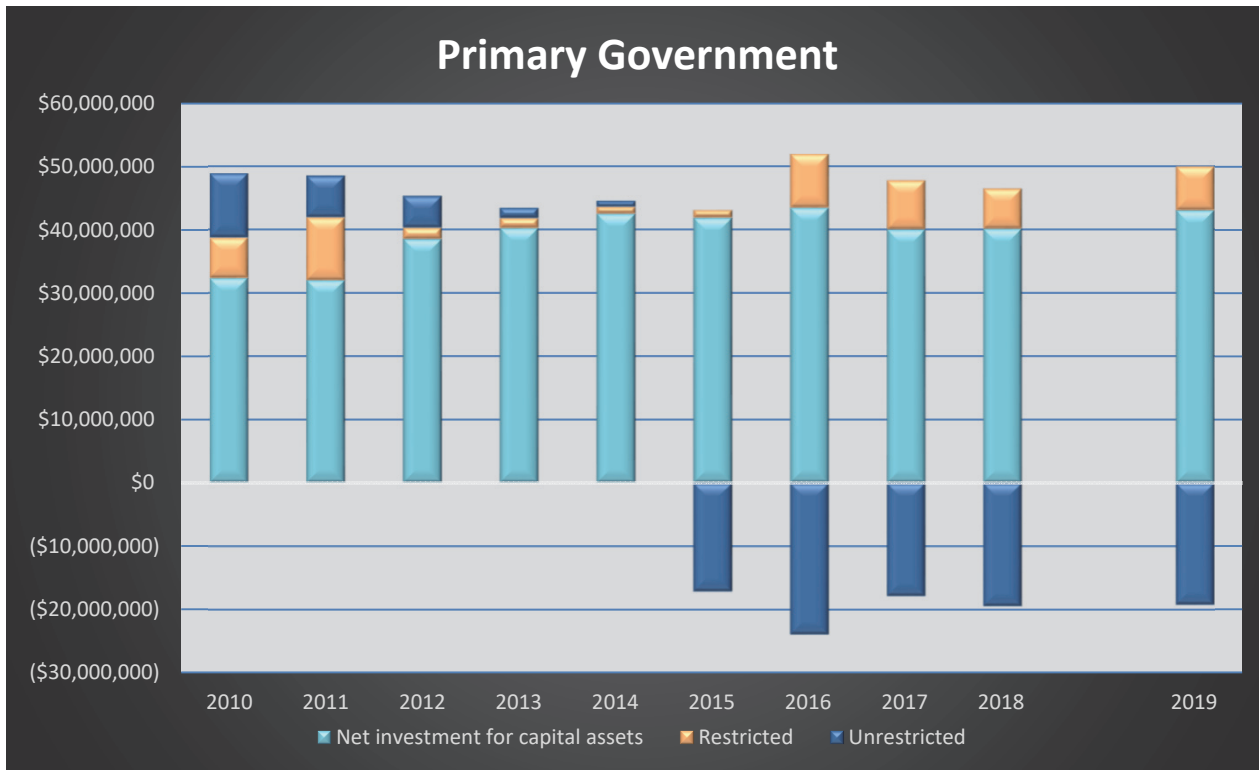
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

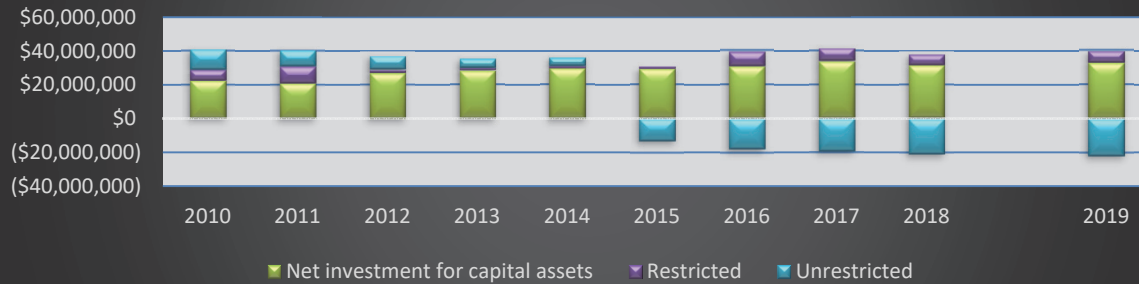
Unless otherwise noted, the information in these schedules is derived from the City of Sausalito for the relevant year.

CITY OF SAUSALITO
Net Positions by Component
Last Ten Fiscal Years
(accrual basis of accounting)

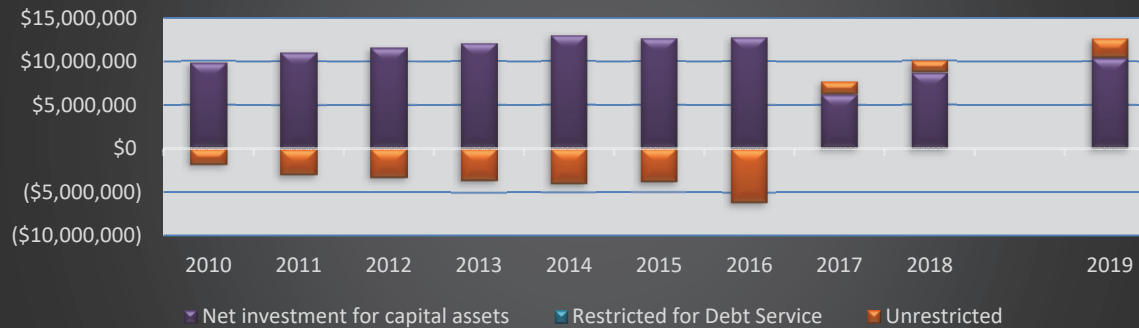


	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$22,575,555	\$20,994,353	26,947,881	\$28,195,135
Restricted	6,377,136	9,933,293	1,779,505	1,563,321
Unrestricted	12,003,340	9,567,196	8,328,131	5,293,890
Total governmental activities net positions	<u>\$40,956,031</u>	<u>\$40,494,842</u>	<u>\$37,055,517</u>	<u>\$35,052,346</u>
<i>Business-type activities</i>				
Net investment for capital assets	\$9,821,094	\$11,049,878	\$11,608,272	\$12,094,011
Restricted for Debt Service				
Unrestricted	(1,826,693)	(3,000,983)	(3,324,964)	(3,662,359)
Total business-type activities net positions	<u>\$7,994,401</u>	<u>\$8,048,895</u>	<u>\$8,283,308</u>	<u>\$8,431,652</u>
<i>Primary government</i>				
Net investment for capital assets	\$32,396,649	\$32,044,231	\$38,556,153	\$40,289,146
Restricted	6,377,136	9,933,293	1,779,505	1,563,321
Unrestricted	10,176,647	6,566,213	5,003,167	1,631,531
Total primary government net positions	<u>\$48,950,432</u>	<u>\$48,543,737</u>	<u>\$45,338,825</u>	<u>\$43,483,998</u>

Governmental Activities



Business Type Activities



	2014	2015	2016	2017	2018	2019
	\$29,547,058	\$29,250,403	\$30,733,580	\$33,842,540	\$31,530,948	\$32,687,873
	1,095,581	1,170,530	8,501,517	7,759,352	6,322,862	6,920,085
	4,975,319	(13,314,302)	(17,851,721)	(19,409,378)	(20,915,547)	(21,939,106)
	<u>\$35,617,958</u>	<u>\$17,106,631</u>	<u>\$21,383,376</u>	<u>\$22,192,514</u>	<u>\$16,938,263</u>	<u>\$17,668,852</u>
	\$12,994,794	\$12,678,623	\$12,769,411	\$6,213,481	\$8,651,606	\$10,407,633
	(4,056,830)	(3,894,844)	(6,165,088)	1,476,612	1,388,750	2,243,293
	<u>\$8,937,964</u>	<u>\$8,783,779</u>	<u>\$6,604,323</u>	<u>\$7,690,093</u>	<u>\$10,040,356</u>	<u>\$12,650,926</u>
	\$42,541,852	\$41,929,026	\$43,502,991	\$40,056,021	\$40,182,554	\$43,095,506
	1,095,581	1,170,530	8,501,517	7,759,139	6,322,862	6,920,085
	918,489	(17,209,146)	(24,016,809)	(17,932,766)	(19,526,797)	(19,293,813)
	<u>\$44,555,922</u>	<u>\$25,890,410</u>	<u>\$27,987,699</u>	<u>\$29,882,394</u>	<u>\$26,978,619</u>	<u>\$30,721,778</u>

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

	Fiscal Year Ending June 30			
	2010	2011	2012	2013
Expenses				
Governmental Activities:				
General Government	\$2,501,641	\$2,918,515	\$3,118,473	\$4,775,777
Library	705,531	736,138	689,413	807,413
Public Safety:				
Police Services	4,294,928	4,605,286	4,950,954	5,277,918
Fire Services	3,100,259	3,584,319	5,292,475	
Community Development	1,174,708	1,162,419	1,370,227	1,229,352
Public Works	2,066,838	2,016,258	2,222,144	2,674,528
Parks & Recreation	629,919	689,994	737,184	846,814
PERS sidefund expense				
Interest on long-term debt	771,533	785,825	1,056,346	727,576
Total Governmental Activities Expenses	<u>15,245,357</u>	<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>
Business-Type Activities:				
MLK	796,021	794,100	752,882	865,521
Sewer	1,458,226	1,561,902	1,546,806	1,770,446
Parking	215,401	359,878	370,724	285,784
Old City Hall	55,779	71,271	35,369	29,552
Total Business-Type Activities Expenses	<u>2,525,427</u>	<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>
Total Primary Government Expenses	<u>\$17,770,784</u>	<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,290,681</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$29,294	\$40,921	\$35,019	\$38,677
Library	16,818	13,812	11,735	11,645
Public Safety:				
Police Services	358,257	292,898	621,562	588,709
Fire Services	111,318	148,672	131,127	3,625
Community Development	653,404	781,973	742,691	704,213
Public Works	261,219	364,494	284,478	295,540
Parks & recreation	348,244	301,240	373,707	450,382
Operating Grants and Contributions	396,210	358,806	348,997	399,125
Capital Grants and Contributions	139,678	347,764	355,315	242,554
Total Government Activities Program Revenues	<u>2,314,442</u>	<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>

Fiscal Year Ending June 30

2014	2015	2016	2017	2018	2019
\$3,472,850	\$3,344,618	\$7,876,856	\$4,625,904	\$4,974,527	\$5,115,143
843,657	762,567	1,008,411	979,467	1,066,138	1,010,913
5,097,517	5,398,539	4,980,899	5,949,734	5,972,175	6,961,641
	(354,463)				
1,327,571	1,163,835	1,244,302	1,636,859	1,780,240	2,197,519
3,022,208	2,599,572	3,897,233	3,779,479	5,501,532	3,881,788
821,638	784,167	871,295	788,761	899,114	906,354
741,938	755,578	766,804	802,767	784,261	793,895
<u>15,327,379</u>	<u>14,454,413</u>	<u>20,645,800</u>	<u>18,562,971</u>	<u>20,977,987</u>	<u>20,867,253</u>
851,018	875,712	738,169	738,169	862,957	720,921
1,635,796	2,191,635	1,986,711	1,986,711	2,035,682	1,612,469
482,521	419,621	675,660	675,660	506,223	555,293
28,315	29,292	28,423	28,423	28,439	28,456
<u>2,997,650</u>	<u>3,516,260</u>	<u>3,428,963</u>	<u>3,428,963</u>	<u>3,433,301</u>	<u>2,917,139</u>
<u>\$18,325,029</u>	<u>\$17,970,673</u>	<u>\$24,074,763</u>	<u>\$21,991,934</u>	<u>\$24,411,288</u>	<u>\$23,784,392</u>
\$30,616	\$38,236	\$29,677	\$31,271	\$29,312	\$26,785
11,033	8,053	11,336	6,543	12,755	7,753
631,733	605,659	531,487	547,922	575,257	724,010
823,877	746,175	713,756	935,402	1,034,038	1,141,542
282,718	321,591	292,400	383,615	327,771	351,036
454,454	422,234	450,451	469,936	501,043	508,493
416,778	330,104	414,404	551,001	447,326	606,316
215,407	101,210	52,215	40,011	66,869	749,727
<u>2,866,616</u>	<u>2,573,262</u>	<u>2,495,726</u>	<u>2,965,701</u>	<u>2,994,371</u>	<u>4,115,662</u>

(Continued)

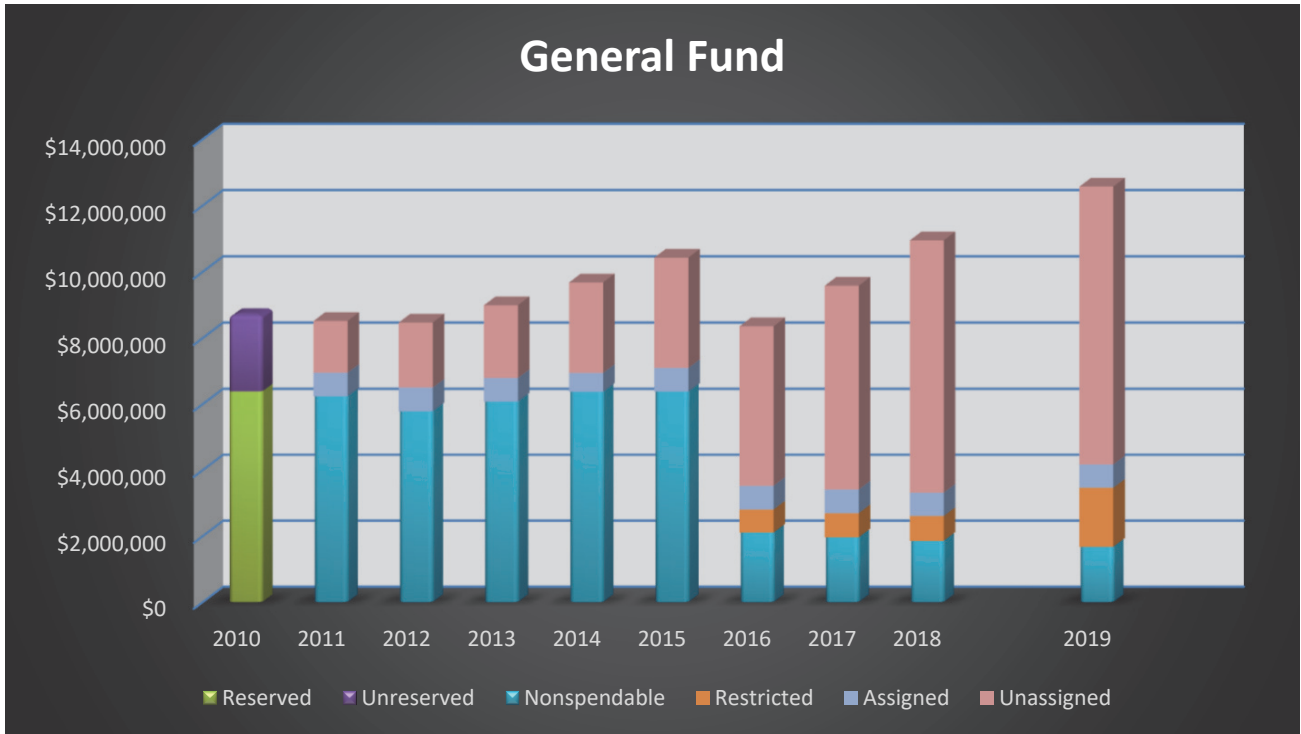
CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30			
	2010	2011	2012	2013
Business-Type Activities:				
Charges for Services:				
MLK	\$1,045,428	\$1,076,518	\$960,525	\$976,046
Sewer	1,355,961	1,406,892	1,492,093	1,595,411
Parking	1,560,774	1,556,315	1,716,346	1,788,290
Old City Hall	218,685	231,087	247,490	269,814
Total Business-Type Activities Program Revenue	<u>4,180,848</u>	<u>4,270,812</u>	<u>4,416,454</u>	<u>4,629,561</u>
Total Primary Government Program Revenues	<u>\$6,495,290</u>	<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>
Net (Expense)/Revenue				
Governmental Activities	(\$12,930,915)	(\$13,848,174)	(\$16,532,585)	(\$13,604,908)
Business-Type Activities	1,655,421	1,483,661	1,710,673	1,678,258
Total Primary Government Net Expense	<u>(\$11,275,494)</u>	<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>
General Revenues and Other Changes in Net Positions				
Governmental Activities:				
Taxes				
Property taxes	\$7,187,886	\$7,006,903	\$6,981,555	\$4,496,455
Sales taxes	1,535,715	1,443,028	1,694,242	1,761,236
Transient occupancy tax	784,104	828,819	893,946	966,762
Other taxes	1,105,614	1,200,878	1,240,473	556,907
Motor vehicle in-lieu, unrestricted	22,139	34,616	3,758	
Franchise Fees				773,713
Use of Money/Property and interest earnings	883,665	866,032	862,014	1,012,803
Intergovernmental revenues				
Other Revenues	486,980	568,659	514,282	478,203
Transfers	1,157,903	1,438,050	1,480,577	1,555,658
Extraordinary items:				
Assets transferred to the				
Southern Marin Fire Protection District			(577,587)	
Total Government Activities	<u>13,164,006</u>	<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>
Business-Type Activities:				
Use of Money/Property and interest earnings	14,806	8,883	4,166	5,356
Transfers	(1,157,903)	(1,438,050)	(1,480,577)	(1,555,658)
Other Revenues	170		151	20,388
Total Business-Type Activities	<u>(1,142,927)</u>	<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>
Total Primary Government	<u>\$12,021,079</u>	<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>
Change in Net Positions				
Governmental Activities	\$233,091	(\$461,189)	(\$3,439,325)	(\$2,003,171)
Business-Type Activities	512,494	54,494	234,413	148,344
Total Primary Government	<u>\$745,585</u>	<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>

Fiscal Year Ended June 30

2014	2015	2016	2017	2018	2019
\$1,154,301	\$1,282,157	\$1,338,116	\$1,389,245	\$1,430,501	\$1,369,411
1,723,816	2,409,019	2,458,454	2,633,624	2,703,007	2,741,947
1,941,042	2,071,784	2,288,050	2,372,766	2,470,366	2,569,475
268,136	270,867	249,786	238,375	237,682	236,944
<u>5,087,295</u>	<u>6,033,827</u>	<u>6,334,406</u>	<u>6,634,010</u>	<u>6,841,556</u>	<u>6,917,777</u>
<u>\$7,953,911</u>	<u>\$8,607,089</u>	<u>\$8,830,132</u>	<u>\$9,599,711</u>	<u>\$9,835,927</u>	<u>\$11,033,439</u>
(\$12,460,763)	(\$12,048,159)	(\$18,150,074)	(\$14,664,591)	(\$17,983,616)	(\$16,751,591)
2,089,645	2,517,567	2,489,170	3,205,047	3,408,255	4,000,638
<u>(\$10,371,118)</u>	<u>(\$9,530,592)</u>	<u>(\$15,660,904)</u>	<u>(\$11,459,544)</u>	<u>(\$14,575,361)</u>	<u>(\$12,750,953)</u>
\$4,858,913	\$4,926,278	\$5,193,351	\$5,615,754	\$5,886,083	\$6,478,038
1,923,191	2,407,184	3,520,765	3,480,087	3,600,023	3,607,786
1,202,228	1,462,774	1,589,199	1,609,865	1,530,301	1,862,675
554,741	520,268	557,501	567,356	641,887	631,060
790,795	795,249	815,032	822,456	848,115	836,970
1,121,106	1,113,561	1,147,263	810,841	1,011,880	1,163,195
944,743	671,256	441,276	406,319	784,448	1,325,704
1,630,658	1,655,658	9,162,432	2,160,838	1,266,906	1,576,752
<u>13,026,375</u>	<u>13,552,228</u>	<u>22,426,819</u>	<u>15,473,516</u>	<u>15,569,643</u>	<u>17,482,180</u>
6,571	17,740	37,513	40,992	101,533	187,289
(1,630,658)	(1,655,658)	(9,162,432)	(2,160,838)	(1,266,906)	(1,576,752)
40,754	82,105	4,456,293	569		1,395
<u>(1,583,333)</u>	<u>(1,555,813)</u>	<u>(4,668,626)</u>	<u>(2,119,277)</u>	<u>(1,165,373)</u>	<u>(1,388,068)</u>
<u>\$11,443,042</u>	<u>\$11,996,415</u>	<u>\$17,758,193</u>	<u>\$13,354,239</u>	<u>\$14,404,270</u>	<u>\$16,094,112</u>
\$565,612	\$1,504,069	\$4,276,745	\$808,925	(\$2,413,973)	\$730,589
506,312	961,754	(2,179,456)	1,085,770	2,242,882	2,612,570
<u>\$1,071,924</u>	<u>\$2,465,823</u>	<u>\$2,097,289</u>	<u>\$1,894,695</u>	<u>(\$171,091)</u>	<u>\$3,343,159</u>

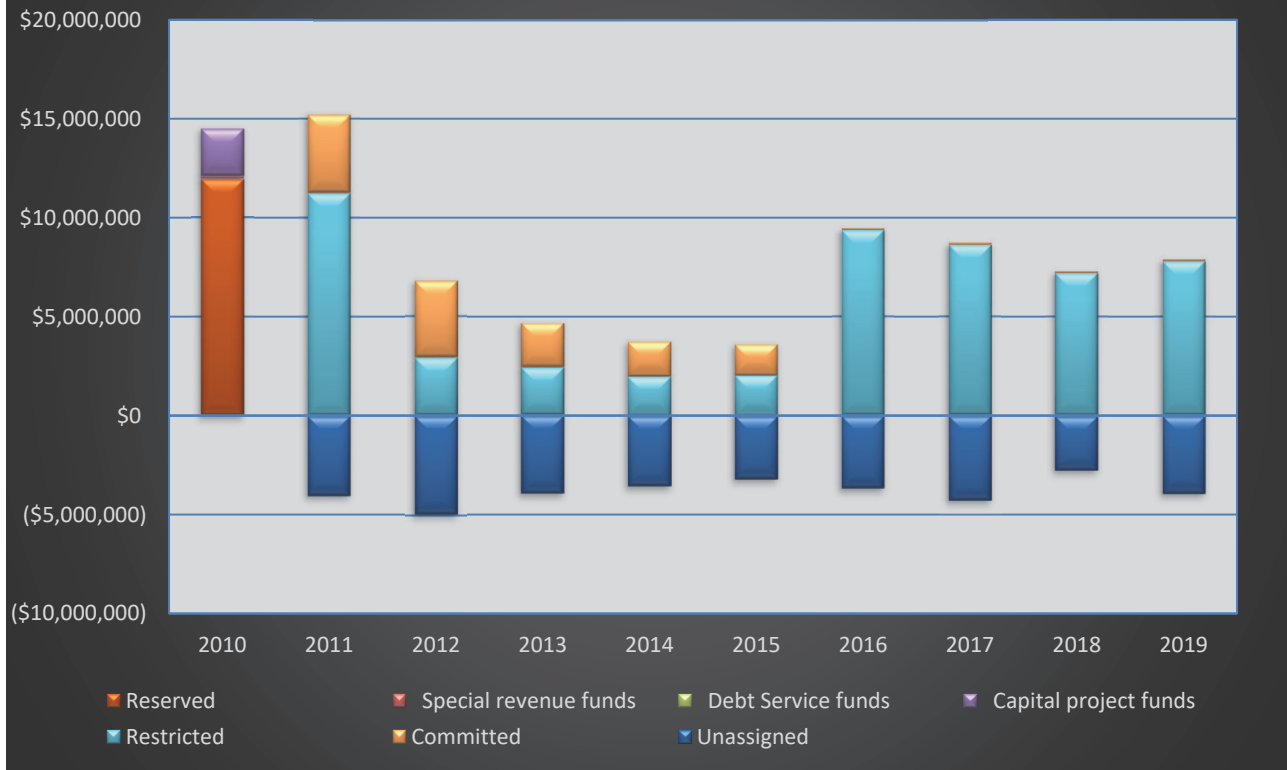
CITY OF SAUSALITO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)



	Fiscal Year Ending June 30,			
	2010	2011	2012	2013
		(b)		
General Fund				
Reserved	\$6,383,498			
Unreserved	2,317,953			
Nonspendable		\$6,232,107	\$5,781,767	\$6,073,956
Restricted				
Assigned		717,618	717,617	717,617
Unassigned		1,561,416	1,966,438	2,195,339
Total General Fund	\$8,701,451	\$8,511,141	\$8,465,822	\$8,986,912
All Other Governmental Funds				
Reserved	\$11,938,261			
Unreserved, reported in:				
Special revenue funds	131,009			
Debt Service funds				
Capital project funds	2,401,799			
Restricted		\$11,251,205	\$2,930,578	\$2,423,081
Committed		3,969,308	3,865,385	2,245,641
Unassigned		(4,060,899)	(4,963,081)	(3,942,682)
Total all other governmental funds	\$14,471,069	\$11,159,614	\$1,832,882	\$726,040

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

All Other Governmental Funds



Fiscal Year Ending June 30,

2014	2015	2016	2017	2018	2019
\$6,368,240	\$6,376,575	\$2,104,935	\$1,962,157	\$1,855,928	\$1,676,420
		701,110	733,007	752,266	1,788,163
578,326	717,617	717,617	717,617	708,315	708,315
2,730,875	3,332,106	4,828,481	6,165,941	7,631,377	8,398,872
<u>\$9,677,441</u>	<u>\$10,426,298</u>	<u>\$8,352,143</u>	<u>\$9,578,722</u>	<u>\$10,947,886</u>	<u>\$12,571,770 (a)</u>
\$1,957,809	\$2,036,907	\$9,371,340	\$8,633,565	\$7,205,784	\$7,816,891
1,744,577	1,547,538	102,738	103,282	104,286	105,924
(3,539,211)	(3,196,130)	(3,673,790)	(4,298,951)	(2,755,660)	(3,963,083)
<u>\$163,175</u>	<u>\$388,315</u>	<u>\$5,800,288</u>	<u>\$4,437,896</u>	<u>\$4,554,410</u>	<u>\$3,959,732</u>

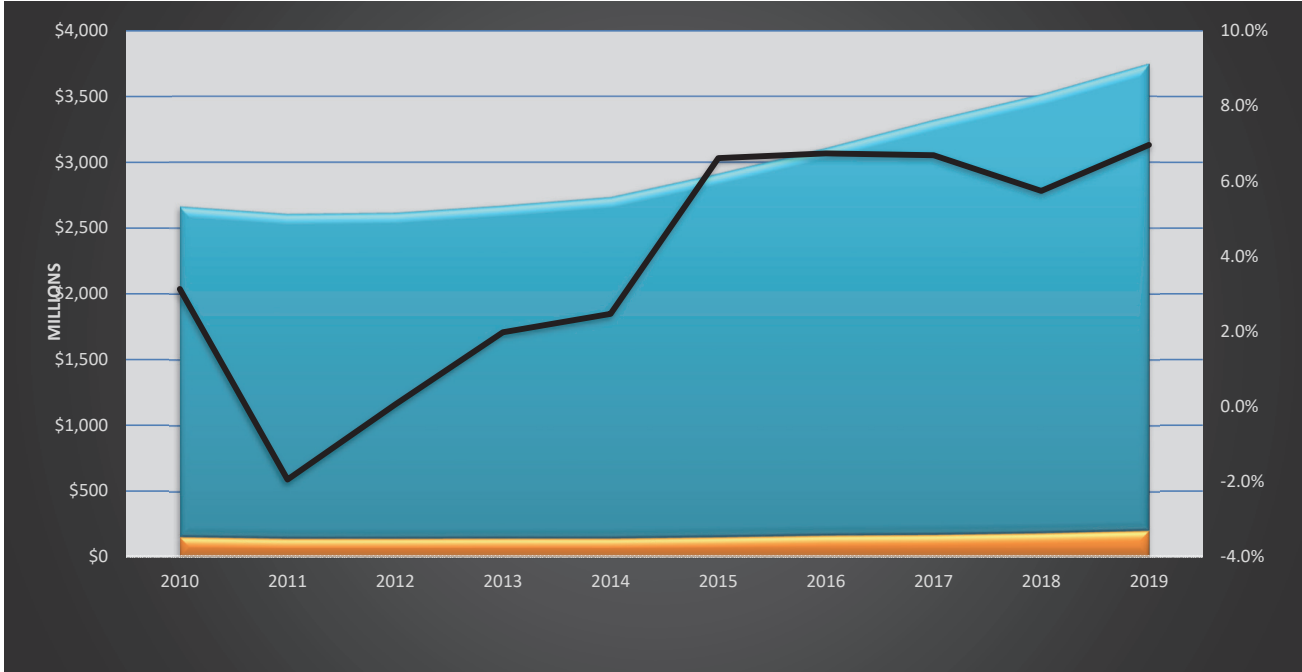
CITY OF SAUSALITO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2010	2011	2012	2013
Revenues				
Taxes	\$10,151,744	\$10,004,760	\$10,291,689	\$7,998,166
Licenses, permits and fees	461,575	474,868	518,527	558,387
Fines and forfeitures	381,604	321,396	645,014	608,890
Use of money and property	1,039,837	1,016,098	1,028,066	1,275,722
Intergovernmental revenues	642,848	704,981	846,540	660,213
Charges for services	1,407,911	1,622,614	1,555,305	1,483,901
Reimbursements				
Special Assessments				
PERS Superfund Credit				
Other	218,130	442,684	102,023	186,011
Total Revenues	14,303,649	14,587,401	14,987,164	12,771,290
Expenditures				
Current:				
Police	3,985,787	4,124,282	4,160,482	4,193,598
Fire	2,917,299	3,276,774	3,405,220	
Public Works	1,334,790	1,417,939	1,539,534	1,574,816
Non-Departmental				
General Government	2,400,164	2,810,563	3,014,228	4,496,557
Community Development	1,165,577	1,152,318	1,346,911	1,230,050
Library	701,018	716,291	699,882	774,108
Parks & Recreation	620,833	680,365	720,113	811,506
Capital outlay	7,106,904	4,295,013	8,053,426	2,642,664
Debt service:				
Principal repayment	197,960	221,185	227,816	192,064
Interest and fiscal charges	398,720	391,069	2,478,995	289,990
PERS Sidefund Expense				
Total Expenditures	20,829,052	19,085,799	25,646,607	16,205,353
Excess (deficiency) of revenues over (under) expenditures	(6,525,403)	(4,498,398)	(10,659,443)	(3,434,063)
Other Financing Sources (Uses)				
Issuance of long-term debt				
Proceeds from sale of capital assets	2,070	30	99,282	
Contributions/donations returned				
Transfers in	2,414,624	8,650,470	7,387,589	4,880,980
Transfers (out)	(1,311,689)	(7,653,867)	(6,199,479)	(2,032,669)
Total other financing sources (uses)	1,105,005	996,633	1,287,392	2,848,311
Net Change in fund balances	(\$5,420,398)	(\$3,501,765)	(\$9,372,051)	(\$585,752)
Debt service as a percentage of noncapital expenditures	4.5%	4.3%	18.2%	3.7%

Fiscal Year Ended June 30,

2014	2015	2016	2017	2018	2019
\$8,775,127	\$9,591,485	\$11,118,347	\$11,528,162	\$11,864,522	\$12,785,469
551,518	517,155	554,556	564,123	641,887	631,060
659,376	633,589	557,122	548,490	558,573	676,406
1,391,115	1,396,558	1,395,293	1,130,535	1,295,117	1,475,979
738,318	495,752	510,959	539,562	756,434	1,131,460
1,575,055	1,508,859	1,471,989	1,844,294	1,945,984	2,093,626
<u>562,994</u>	<u>311,852</u>	<u>142,318</u>	<u>112,081</u>	<u>218,741</u>	<u>1,205,620</u>
<u>14,253,503</u>	<u>14,455,250</u>	<u>15,750,584</u>	<u>16,267,247</u>	<u>17,281,258</u>	<u>19,999,620</u>
4,461,240	4,654,646	4,622,119	4,970,820	5,353,671	5,404,657
1,575,748	1,591,343	1,808,654	1,923,959	1,871,873	2,118,830
2,980,879	3,966,535	7,812,222	3,801,974	4,182,558	4,291,184
1,279,765	1,233,503	1,309,692	1,576,144	1,643,279	1,923,504
787,548	807,009	899,158	880,082	888,923	913,151
811,177	791,703	898,569	715,871	779,468	824,193
2,725,591	1,424,506	4,002,988	3,815,194	2,674,984	3,336,236
225,715	257,547	294,462	331,463	436,554	483,739
279,816	270,801	259,454	245,146	230,286	214,249
<u>15,127,479</u>	<u>14,997,593</u>	<u>21,907,318</u>	<u>18,260,653</u>	<u>18,061,596</u>	<u>19,509,743</u>
<u>(873,976)</u>	<u>(542,343)</u>	<u>(6,156,734)</u>	<u>(1,993,406)</u>	<u>(780,338)</u>	<u>489,877</u>
3,564,235	3,493,573	11,346,669	4,691,493	4,407,446	6,329,999
<u>(2,562,595)</u>	<u>(1,977,233)</u>	<u>(2,497,117)</u>	<u>(2,833,900)</u>	<u>(3,454,781)</u>	<u>(5,790,670)</u>
<u>1,001,640</u>	<u>1,516,340</u>	<u>8,849,552</u>	<u>1,857,593</u>	<u>952,665</u>	<u>539,329</u>
<u>\$127,664</u>	<u>\$973,997</u>	<u>\$2,692,818</u>	<u>(\$135,813)</u>	<u>\$172,327</u>	<u>\$1,029,206</u>
4.2%	4.1%	3.2%	4.2%	4.5%	4.5%

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



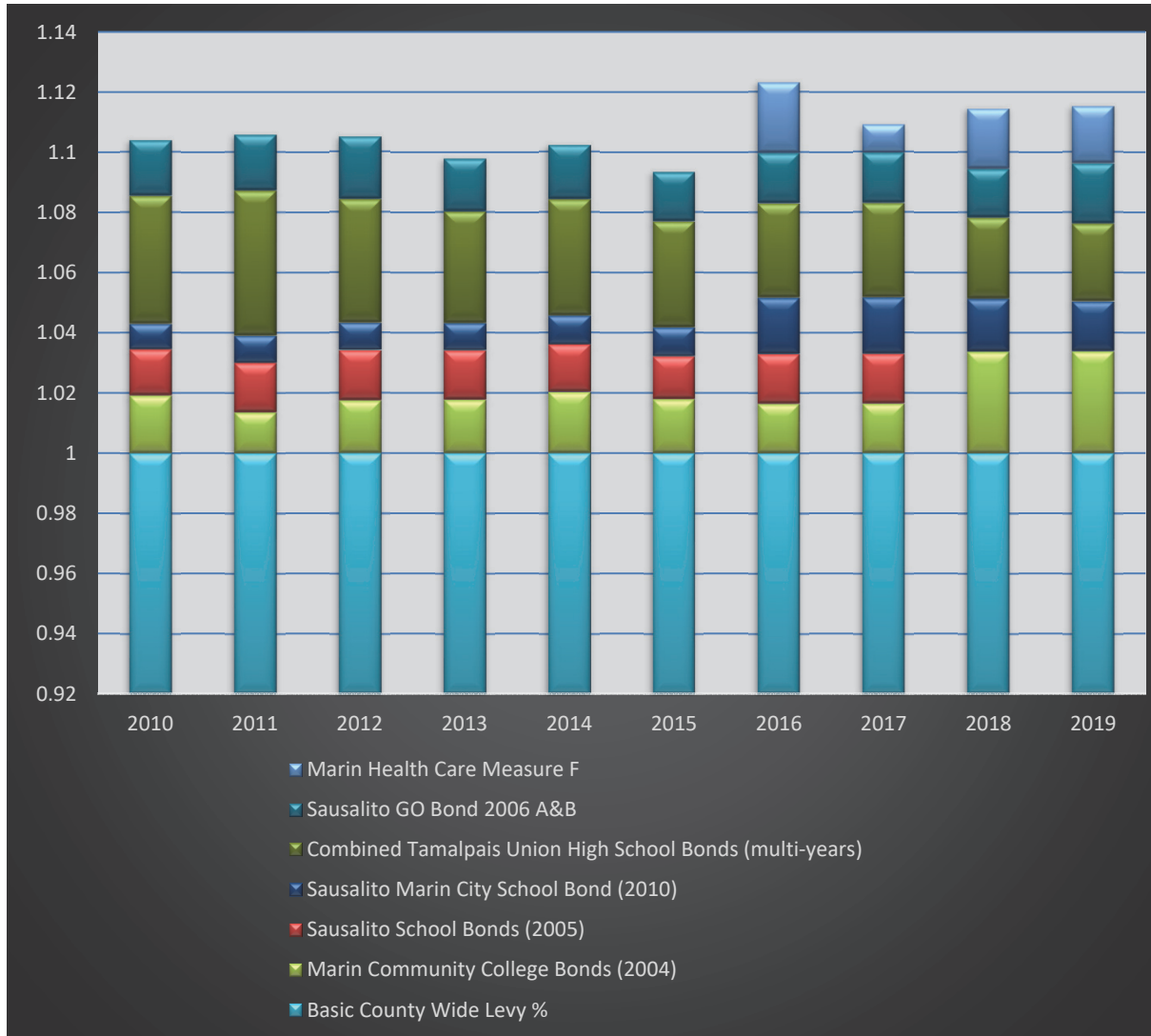
Fiscal Year	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value (TxAV)	Total Direct Tax Rate (b)	TxAV Annual Percent Change
2010	\$2,513,428,982	\$152,598,806	\$2,666,027,788	(\$16,982,585)	\$2,649,045,203	1.0%	3.1%
2011	2,468,550,019	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	3,153,141,751	169,747,803	3,322,889,554	(25,960,154)	3,296,929,400	1.0%	6.7%
2018	3,335,797,930	181,531,975	3,517,329,905	(31,171,226)	3,486,158,679	1.0%	5.7%
2019	3,550,369,874	200,332,916	3,750,702,790	(21,791,859)	3,728,910,931	1.0%	7.0%

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

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

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

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

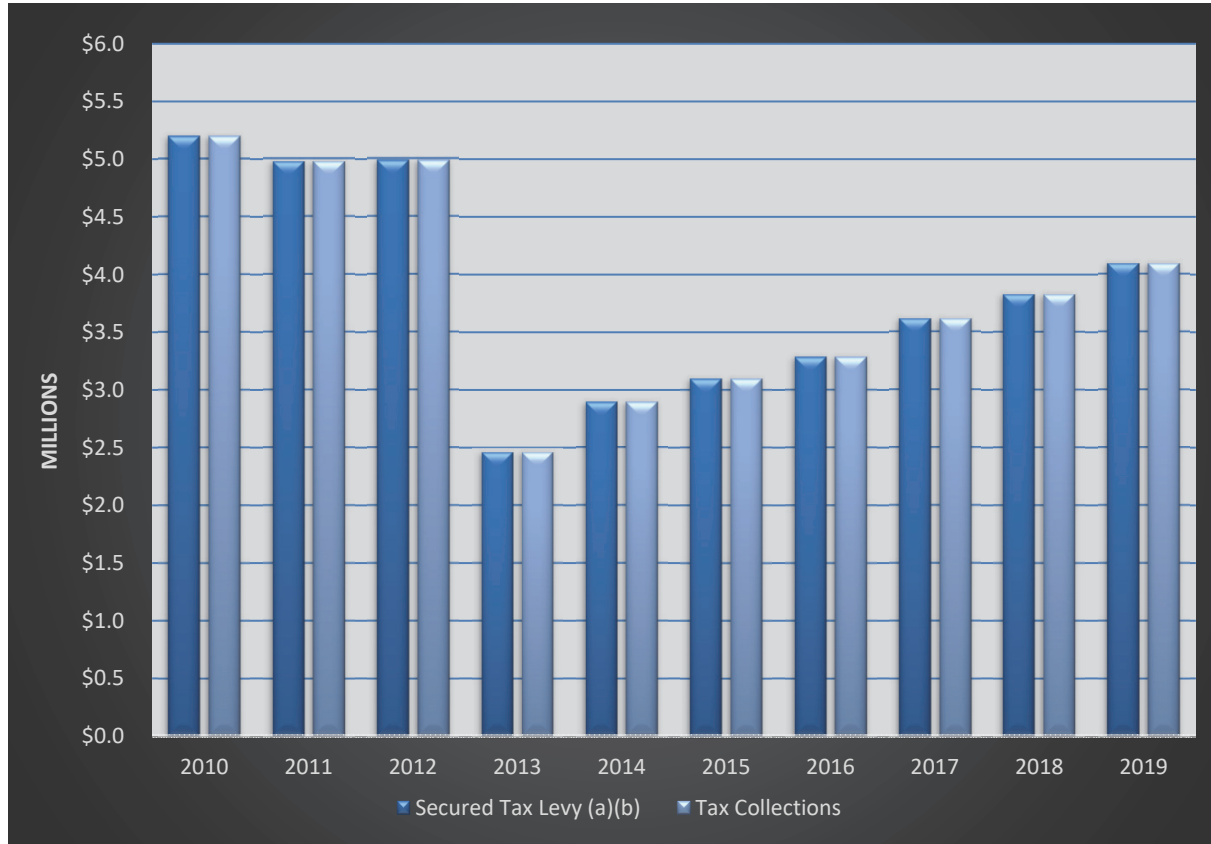


Fiscal Year	Basic County Wide Levy %	Marin Community College Bonds (2004)	Sausalito School Bonds (2005)	Sausalito Marin City School Bond (2010)	Combined Tamalpais Union High School Bonds (multi-years)	Sausalito GO Bond 2006 A&B	Marin Health Care Measure F
2010	1.0000	0.0192	0.0153	0.0085	0.0425	0.0185	
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	0.0093
2018	1.0000	0.0338	0.0000	0.0176	0.0269	0.0162	0.0201
2019	1.0000	0.0339	0.0000	0.0166	0.0258	0.0200	0.0190

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

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



Fiscal Year	Secured Tax Levy (a)(b)	Current Tax Collections	Percent of Levy Collected	Delinquent Rate	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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	3,618,225	3,618,225	100%	0%	3,618,225	100%
2018	3,830,832	3,830,832	100%	0%	3,830,832	100%
2019	4,095,722	4,095,722	100%	0%	4,095,722	100%

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

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.

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

CITY OF SAUSALITO
Historical Sales Tax Amounts by Benchmark Year

	2010 Q1	2011 Q1	2012 Q1	2013 Q1
Eating & Drinking Pl	\$487,865	\$485,201	\$551,602	\$601,427
Other Retail Stores	252,918	232,029	255,641	309,294
All Other Outlets	244,463	276,362	299,922	288,356
Apparel Stores	83,449	77,267	76,940	78,570
Food Stores	76,045	70,875	80,546	110,355
Service Station	51,770	58,837	70,370	69,822
Home Furnishings & A	16,339	34,015	52,331	47,486
Packaged Liquor Stor	8,884	9,206	9,613	12,239
Bldg. Matrl. & Farm	5,665	5,683	7,252	7,649
Drug Stores	3,386	7,183	3,258	3,939
Auto Dealers & Auto	1,837	910	653	856
General Merchandise	0	0	28	0
TOTAL	\$1,232,621	\$1,257,568	\$1,408,156	\$1,529,993

2014 Q1	2015 Q1	2016 Q1	2017 Q1	2018 Q1	2019 Q1
\$689,256	\$755,769	\$787,071	Not Available	Not Available	Not Available
353,456	419,914	343,411	Not Available	Not Available	Not Available
279,794	298,313	318,469	Not Available	Not Available	Not Available
89,371	112,866	93,192	Not Available	Not Available	Not Available
103,237	98,925	99,898	Not Available	Not Available	Not Available
59,650	53,650	43,761	Not Available	Not Available	Not Available
24,475	32,648	128,373	Not Available	Not Available	Not Available
12,344	14,481	14,582	Not Available	Not Available	Not Available
6,394	7,067	6,534	Not Available	Not Available	Not Available
3,793	4,510	3,855	Not Available	Not Available	Not Available
1,528	741	2,074	Not Available	Not Available	Not Available
0	1	0	Not Available	Not Available	Not Available
\$1,623,298	\$1,798,885	\$1,841,220	Not Available	Not Available	Not Available

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

<u>Taxpayer</u>	<u>Fiscal Year 2018-19</u>		<u>Fiscal Year 2009-10*</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
MNCVAD II SEAGATE HARBORS LLC	\$36,205,920	0.97%		0.00%
CASA MADRONA HOTEL AND SPA LLC	23,520,830	0.63%		0.00%
ALTA MIRA ESTATE LLC	22,904,838	0.61%		0.00%
MCSSM LLC	22,226,050	0.60%	\$22,386,117	0.84%
WALTER G CRUMP IV AND ETAL	19,354,110	0.52%	17,101,147	0.64%
TOTTENHAM INVESTMENTS INC	17,314,716	0.46%		0.00%
MARINERS LANDING LLC	16,483,607	0.44%		0.00%
SASP LLC	15,843,900	0.42%		0.00%
PIER AT SAUSALITO LLC	15,430,000	0.41%		0.00%
HARRISON HOLDINGS LLC	14,666,646	0.39%		0.00%
CALIFORNIA-ONE AND THREE HARBOR DR	0	0.00%	37,249,160	1.40%
WESTCORE MARIN LLC	0	0.00%	26,080,000	0.98%
CMSC VENTURES LLC	0	0.00%	16,605,483	0.62%
PSH LLC	0	0.00%	12,959,496	0.49%
ROBERT W MATSCHULLAT	0	0.00%	8,670,000	0.32%
ICB ASSOCIATES LLC	0	0.00%	8,521,589	0.32%
CLIPPER YACHT COMPANY LLC	0	0.00%	7,166,742	0.27%
LEMON FAMILY LLC	0	0.00%	6,821,026	0.26%
Top 10 Taxpayers Assessed Value	\$203,950,617	5.47%	\$163,560,760	6.13%
Total City Taxable Assessed Value	\$3,728,910,931	100.00%	\$2,668,049,866	100.00%

Source: Marin County Assessor data, MuniServices, LLC

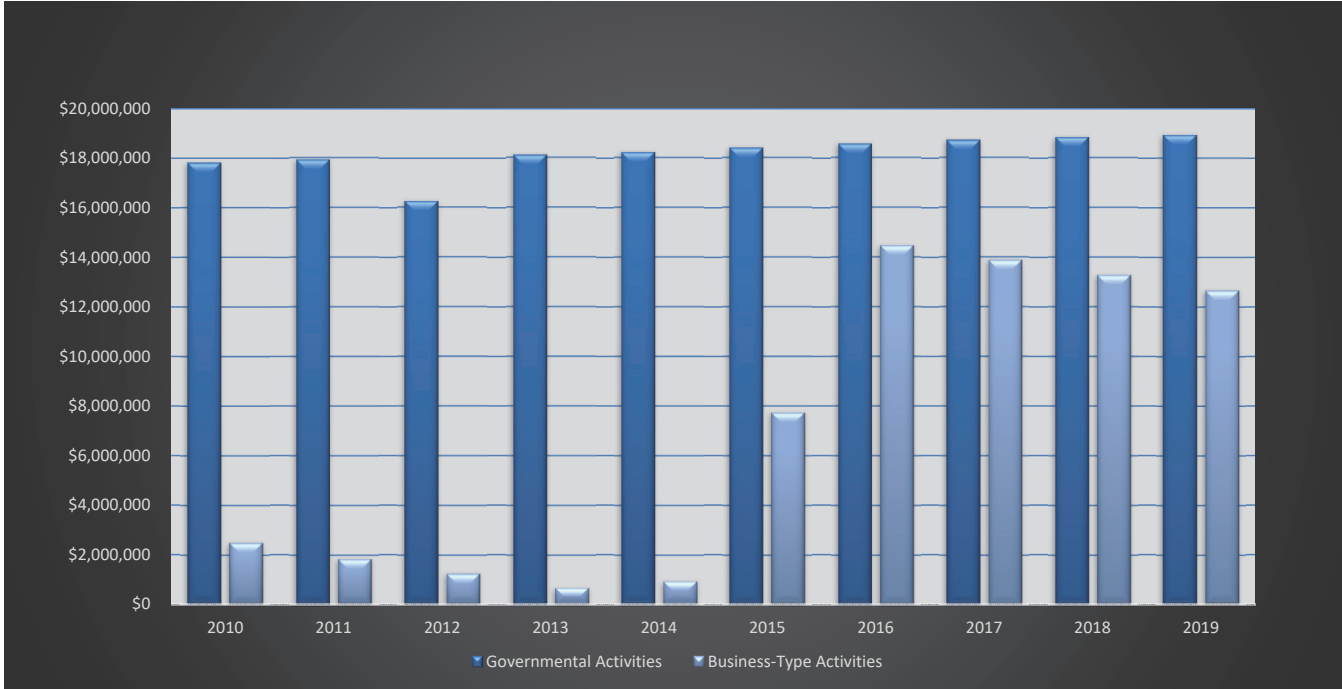
**City of Sausalito
Principal Sales Tax Producers
Last Fiscal Year and Five Years Ago**

<u>2018-19</u>		<u>2013-14</u>	
Taxpayer	Business Type	Taxpayer	Business Type
Bar Bocce	Restaurants	Angelino Restaurant	Restaurants
Barrel House	Restaurants	Bridgeway Bight	Restaurants
CLE Tile	Miscellaneous Other	Bridgeway Gas Service Stations	Service Stations
Copita	Restaurants	Caruso'S Restaurant	Restaurants
Fish	Restaurants	Copita	Restaurants
Gene Hiller	Apparel Stores	Dvorson's Food Service Equip	Food Processing Equip
Heath Ceramics	Miscellaneous Retail	Fast Food Francais	Restaurants
Joinery	Restaurants	Gene Hiller	Apparel Stores
Key Information Systems	Office Equipment	Heath Ceramics	Miscellaneous Retail
Le Garage	Restaurants	Horizons Restaurant	Restaurants
Mollie Stone's Market	Food Markets	Key Information Systems	Office Equipment
Napa Valley Burger Company	Restaurants	Le Garage	Restaurants
Poggio Trattoria	Restaurants	Mollie Stone's Market	Food Markets
Q Surgical	Health & Government	Poggio Restaurant	Restaurants
Salito's Crab House	Restaurants	Pogni Dynamics	Miscellaneous Retail
Sausalito USA	Apparel Stores	Q Surgical	Health & Government
Scoma'S Of Sausalito	Restaurants	Salito's Crab House	Restaurants
Seafood Peddler Restaurant And Fish Market	Restaurants	Sausalito USA	Apparel Stores
Serena And Lily	Furniture/Appliance	Scoma'S Restaurant	Restaurants
Shell Service Stations	Service Stations	Serena And Lily	Furniture/Appliance
Silver Seas Yacht	Leasing	Shell Service Stations	Service Stations
Studio Collins Weir	Interior Design	Sushi Ran Restaurant	Restaurants
Sushi Ran	Restaurants	The Spinnaker Restaurant	Restaurants
The Spinnaker	Restaurants	West Marine Products	Misc. Vehicle Sales
Trident/Ondine	Restaurants	Winship's Restaurant	Restaurants

Source: 2019Q1 data, MuniServices, LLC.

Top Sales Tax Producers listed in alphabetical order.

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
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		570,946	16,496,267	1,508,000	18,575,213
2017		524,482	16,749,026	1,450,000	18,723,508
2018		475,928	16,982,349	1,392,000	18,850,277
2019		425,189	17,197,373	1,334,000	18,956,562

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)
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	33,058,959	1.07%	4,581
2017				916,299	6,525,000	6,455,000	13,896,299	32,619,807	0.99%	4,452
2018				872,750	6,375,000	6,050,000	13,297,750	32,148,027	0.92%	4,449
2019				828,069	6,220,000	5,630,000	12,678,069	31,634,631	0.85%	4,266

Note: Debt amounts exclude any premiums, discounts, or other amortization amounts.

(a) See Demographic and Economic Statistics Schedule for taxable assessed value and population data.

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

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

General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Total	Percent Of Taxable Assessed Value	Per Capita
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	0.51%	2,286
2018	16,982,349	16,982,349	0.49%	2,350
2019	17,197,373	17,197,373	0.46%	2,319

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
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	124,608,358	16,749,026	107,859,332	13.4%
2018	131,899,871	16,982,349	114,917,522	12.9%
2019	140,651,355	17,197,373	123,453,982	12.2%

2018-19 Legal Debt Margin Information (1)

Assessed Valuation	\$3,750,702,790
Conversion Percentage	25%
Adjusted Assessed Valuation	\$937,675,698
Debt Limit Percentage	15%
Debt Limit	\$140,651,355
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$17,197,373
Legal Debt Margin	\$123,453,982
Total Debt Applicable to the Limit as a percentage of the Limit	12.2%

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
Computation of Direct and Overlapping Debt
As of June 30, 2019

2018-19 Total Assessed Valuation \$3,727,716,463

	Total Debt 6/30/2019	% Applicable (1)	City's Share of Debt 6/30/2019
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Marin Community College District	\$462,100,000	4.752%	\$21,958,992
Tamalpais Union High School District	101,995,000	7.995%	8,154,500
Sausalito Marin City School District	15,700,000	87.459%	13,731,063
Marin Healthcare District	372,690,000	5.716%	21,302,960
Marin Emergency Radio Authority Parcel Tax Obligations	33,000,000	4.745%	1,565,850
City of Sausalito (2)	18,956,562	100.000%	18,956,562
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$85,669,927
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$85,234,007	4.745%	\$4,044,354
Marin County Pension Obligation Bonds	84,770,000	4.745%	4,022,337
Marin County Transit District General Fund Obligations	69,502	4.745%	3,298
Marin Municipal Water District General Fund Obligations	56,544	6.052%	3,422
Marin Community College District General Fund Obligations	13,360,834	4.752%	634,907
Sausalito Marin City School District General Fund Obligations	3,200,000	87.459%	2,798,688
Southern Marin Fire Protection District General Fund Obligations	97,774	34.933%	34,155
City of Sausalito General Fund Obligations (3)	5,796,687	100.000%	5,796,687
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$17,337,848
TOTAL DIRECT DEBT			\$24,753,249
TOTAL OVERLAPPING DEBT			\$78,254,526
COMBINED TOTAL DEBT (4)			\$103,007,775

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

(2) Includes accreted value.

(3) Share of Marin Emergency Radio Authority obligations (\$166,687).

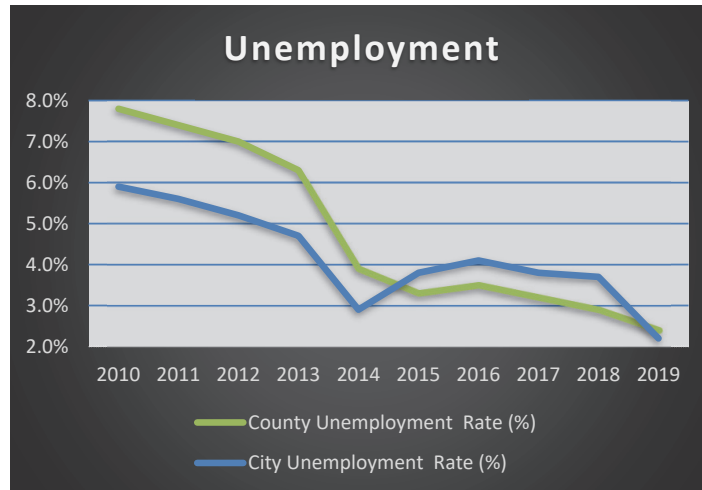
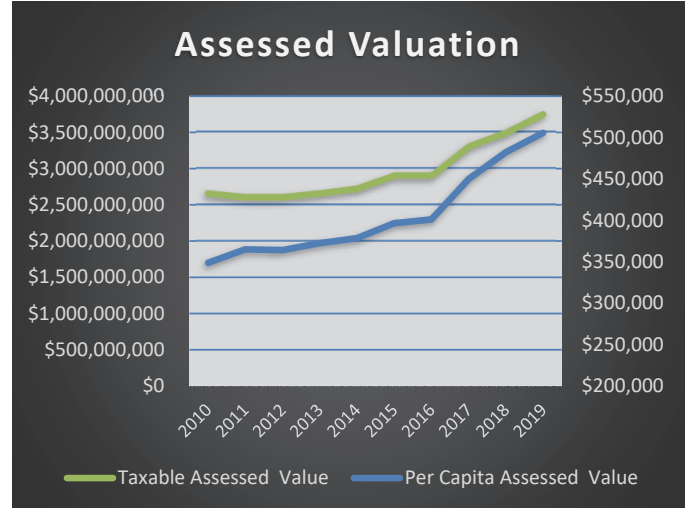
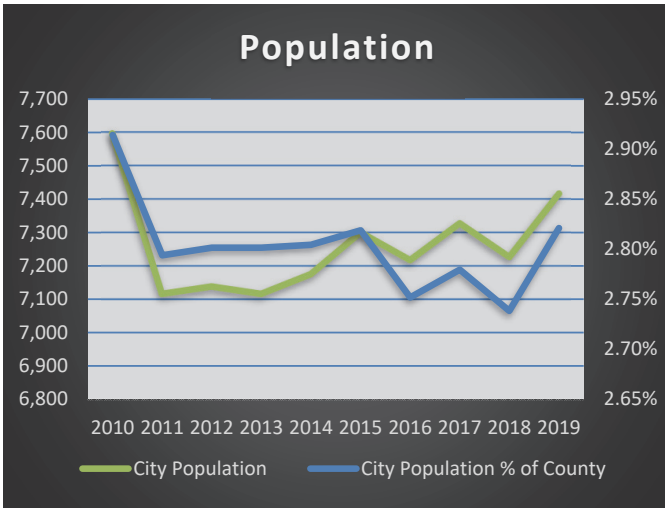
(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

RATIOS TO 201819 ASSESSED VALUATION:

Direct Debt (\$18,956,562)	0.51%
Total Direct and Overlapping Tax and Assessment Debt	2.30%
Total Direct Debt (\$24,753,249)	0.66%
Combined Total Debt	2.76%

Source: MuniServices, LLC and City of Sausalito

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
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	2,895,146,953	401,157	3.5%	4.1%	262,274	2.75%
2017	7,327	3,296,929,400	449,970	3.2%	3.8%	263,604	2.78%
2018	7,226	3,486,158,679	482,447	2.9%	3.7%	263,886	2.74%
2019	7,416	3,750,702,790	505,758	2.4%	2.2%	262,879	2.82%

Note: Information for total personal income is not available

Source: California Municipal Statistics, Inc., MuniServices

Population Projections are provided by the California Department Of Finance Projections.

Employment, Unemployment and Labor Force Data are provided by the EDD's Bureau Of Labor Statistics.

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

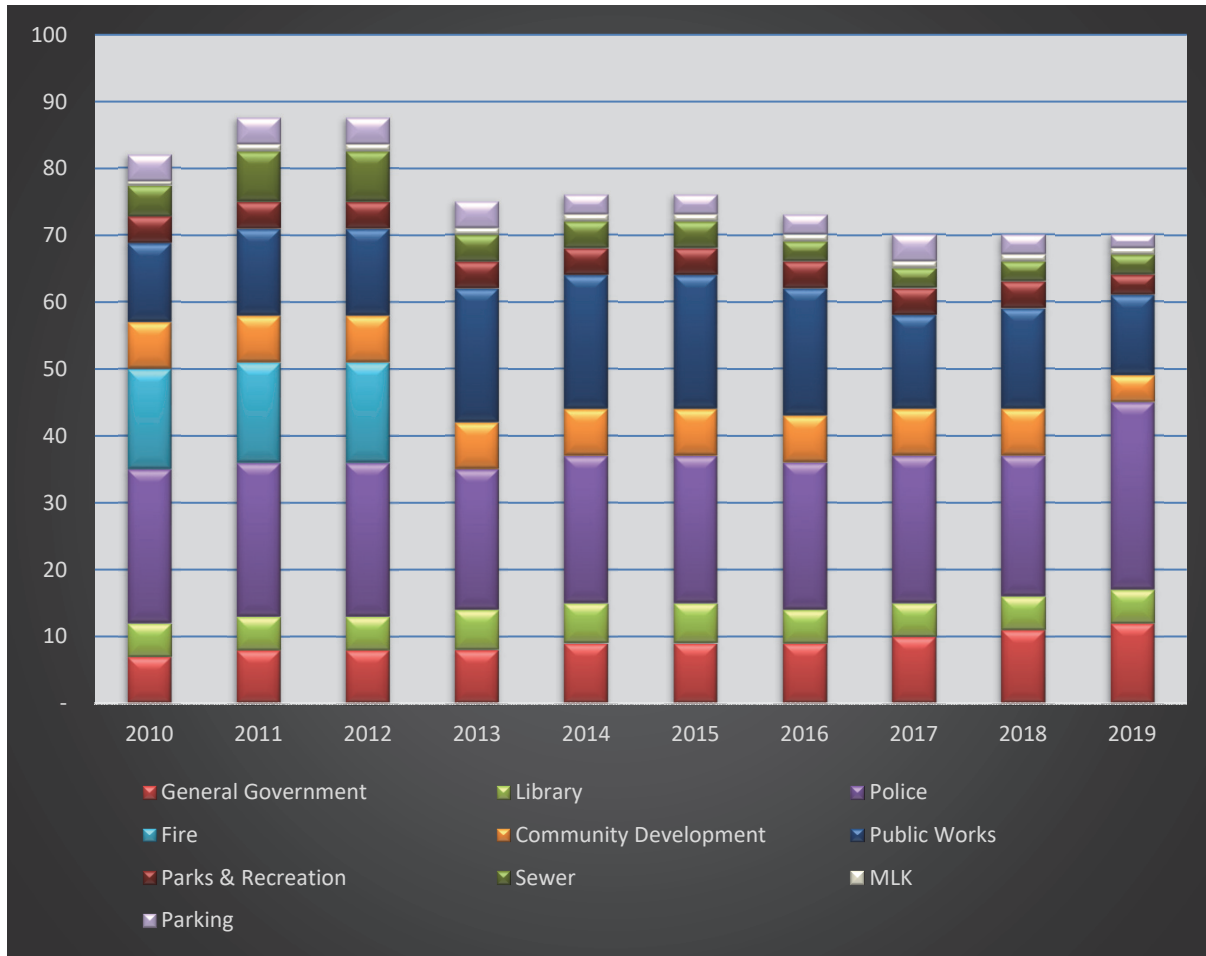
<u>Business Name</u>	<u>Fiscal Year 2018-19</u>		<u>Fiscal Year 2012-13</u>	
	Number of Employees	Percent of Total City Labor Force	Number of Employees	Percent of Total City Labor Force
Bulter, Shine, Stern, and Partners LLC	Not Available	N/A	156	2.79%
The Trident (formerly Horizons Restaurant)	Not Available	N/A	90	1.61%
C P Shades	Not Available	N/A	85	1.52%
The Spinnaker	Not Available	N/A	75	1.34%
City of Sausalito	Not Available	N/A	75	1.34%
Poggio Trattoria	Not Available	N/A	97	1.73%
Mollie Stone's Market	Not Available	N/A	62	1.11%
Scoma's Sausalito	Not Available	N/A	45	0.80%
Sausalito-Marin City School District	Not Available	N/A	36	0.64%
Fish Restaurant	Not Available	N/A	30	0.54%
Total Top 10 Employers	0	0.00%	751	13.41%
Total City Labor Force (1)	4,700		5,600	

Source: MuniServices, LLC

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

(1) Total City Labor Force provided by EDD Labor Force Data.

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



Adopted for Fiscal Year Ended June 30,

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	7	8	8	8	9	9	9	10	11	12
Library	5	5	5	6	6	6	5	5	5	5
Police	23	23	23	21	22	22	22	22	21	28
Fire	15	15	15	-	-	-	-	-	-	-
Community Development	7	7	7	7	7	7	7	7	7	4
Public Works	12	13	13	20	20	20	19	14	15	12
Parks & Recreation	4	4	4	4	4	4	4	4	4	3
Sewer	5	8	8	4	4	4	3	3	3	3
MLK	1	1	1	1	1	1	1	1	1	1
Parking	4	4	4	4	3	3	3	4	3	2
Total	82	88	88	75	76	76	73	70	70	70

Source: City of Sausalito Budget Documents

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

Function/Program	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Police:										
Communication Center calls answered:										
Police calls for Service	12,398	13,259	11,718	13,745	15,306	15,908	14,515	13,068	15,131	12,940
Law violations:										
Part I and Part II crimes	868	1,317	1,254	1,381	1,315	995	1,167	990	1,070	1,070
Physical arrests (adult and juvenile)	295	327	343	286	276	234	245	205	324	251
Traffic violations	1,792	1,823	837	812	1,127	1,076	1,230	574	755	537
Parking violations	8,810	8,919	15,955	15,499	13,304	14,249	11,431	14,183	13,107	16,908
Traffic collisions	112	99	153	125	119	104	108	95	80	74
Public Works:										
Street resurfaced (square feet)	0	196,846	72,958	0	38,650	0	39,000	16,400	21,000	0
Potholes repaired (square feet)	500	19,305	26,287	1,000	2,400	1,400	1,500	231	308	672
Street sealed (Slurry Seal, square feet)					38,940	0	0	345,600	0	126,000
Street sealed (Cape Seal, square feet)					138,870	0	0	0	0	0
Trees trimmed	2,200	1,900	1,700	2,000	1,000	1,000	500	N/A	N/A	N/A
Culture and Recreation:										
Community Services:										
Recreation class participants	3,716	4,618	12,258	20,634	14,856	15,061	N/A	N/A	N/A	N/A
Special Event Permits issued	8	24	61	64	62	51	N/A	34	39	25
Sponsored events	22	33	23	24	25	27	N/A	27	26	25
Facility, Park & Field rentals	837	948	983	983	1,202	1,246	N/A	N/A	1,581	N/A
Library:										
Volumes in Collection										
Books	57,692	58,243	52,379	50,101	46,029	45,034	45,360	44,944	45,281	44,565
Audio-Visual materials	4,131	4,432	5,173	5,623	6,407	6,479	6,125	6,128	6,175	6,545
Circulation *	93,953	88,219	111,491	127,468	145,384	144,978	137,117	136,756	132,353	134,929
E-book and E-media usage			1,711	4,474	6,468	8,166	8,367	8,384	11,630	16,245
Internet Station usage **	20,640	19,991	17,993	13,677	13,071	12,695	14,196	14,924	14,089	14,725
Library program attendance		2,229	3,037	4,042	5,432	10,315	10,658	10,172	11,372	12,105
* Beginning in 2012, circulation has been counted as the number of times Sausalito items are checked out or renewed. This is the conventional measure of a library's circulation. Previously the number had indicated items checked out at the Library's circulation desks.										
** Internet Station stats do not reflect usage of the Library's 3 stand-up internet stations, deployed in 2013.										
Community Development:										
Applications processed:										
Discretionary	84	100	88	80	145	72	N/A	62	51	N/A
Ministerial	211	300	256	171	193	286	N/A	526	412	N/A
Encroachments	142	179	162	189	237	213	N/A	255	262	166
Building Permits issued	664	743	608	666	688	699	N/A	720	753	337
Administration:										
Parking Permits issued	1,778	1,766	1,934	1,882	2,212	2,034	2,129	2,345	2,366	2,638
Business Licenses issued	1,848	2,099	1,758	1,633	1,628	1,555	1,940	2,034	2,194	1,609

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

Source: City of Sausalito

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

Function/Program	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	3	3	3	0	0	0	0	0	0	0
Fire boats	1	1	1	0	0	0	0	0	0	0
Police stations	1	1	1	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6	6	6	6
Public Works:										
Miles of streets	27	27	27	27	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664	664	653	653	663
Traffic Signals	9	9	9	9	9	9	9	9	9	9
Culture and Recreation:										
Community Services:										
City parks	19	19	19	19	19	19	19	14	14	14
City parks acreage	78	78	78	78	78	78	78	78	78	78
Beaches	3	3	3	3	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3	3	4	4	4
Roadway landscaping acreage	3	3	3	3	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3	3	4	4	4
Baseball/Softball diamonds	2	2	2	2	2	2	2	1	1	1
Soccer/Football fields	1	1	1	1	1	1	1	2	2	2
Bocce Courts			2	2	2	2	2	2	2	2
Library:										
City library	1	1	1	1	1	1	1	1	1	1
Wastewater:										
Miles of sanitary sewers	26	26	26	26	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15	15	15	15	15

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

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

**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, California, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2019. Our report included emphasis of matters paragraphs disclosing the implementation of a new accounting standard.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control we consider to be significant deficiencies as listed on the Schedule of Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated December 23, 2019 which is an integral part of our audit and should be read in conjunction with this report.

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 December 23, 2019, which is an integral part of our audit and should be read in conjunction with this report.

City's Response to Findings

The City's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control DATE, which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 23, 2019



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