

CITY OF SAUSALITO CALIFORNIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020



CITY OF SAUSALITO
420 LITHO STREET, SAUSALITO, CA 94965

CITY OF SAUSALITO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020



Prepared by:
Finance Department

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CITY OF SAUSALITO

420 Litho Street
Sausalito, CA 94965

March 18, 2021

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, 2020. The purpose of the report is to provide the City Council, City Staff, residents, bondholders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

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), and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the City for the fiscal year ended June 30, 2020. 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 to 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, 2020.

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 an 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, 2020. 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 a 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 Marin County in the San Francisco Bay Area region of the northern part of California, which is considered one of the most expensive areas of the state and country. Sausalito is widely recognized as a unique waterfront community with world-renowned natural beauty. It currently occupies 1.8 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. Policymaking 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 City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing advisory commissions/committees, and hiring both the City Manager and City Attorney, who is retained on a contract basis. The City Manager, in turn, appoints the heads of the various departments. 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.

BUDGET PROCESS

The goals of the City's budget process are to identify necessary and/or desirable service-level options, which are all combined to reach a balanced and sustainable budget. Each City department is provided with a base budget with certain inflationary increases and is given an opportunity to request additional funding if needed. The City Manager, Assistant City Manager and Administrative Services Director, and Finance Manager meet with each department individually to discuss and finalize the proposed budget recommendations. The City Manager then presents the proposed budget to the Council for review prior to the end of May every year. The Council holds a public hearing on the proposed budget and is required to adopt a final budget by no later than the end of June, the close of the City's fiscal year.

The annual budget serves as the foundation for the City of Sausalito's 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). Department Directors may transfer resources within a department as they see fit. Transfers of appropriations between departments but within the same fund can be approved administratively by the City Manager. However, transfers of appropriations between funds need special approval from the Council. City Council may amend the budget by resolution during the fiscal year. The Fiscal Year ("FY") 2019-20 Mid-Year Budget Adjustments were adopted by Council via Resolution 5910 on April 14, 2020. The City Manager may transfer appropriations from one program, activity to another within the same department or between departments. However, transfers of appropriations that change total fund appropriations at the fund level must be approved by the City Council. Budgets are adopted on a basis consistent with GAAP. Budget-to-actual comparisons are presented in the supplementary section of the accompanying financial statements for each individual governmental

fund for which an appropriated annual budget has been adopted

ECONOMIC FACTORS & LOCAL ECONOMY AFFECTING FINANCIAL CONDITION

State Budget and Economic Outlook

The City's local economy is a reflection of the regional and state economic outlook. Leading into 2020 the region had been enjoying one of the longest periods of stability and growth in many years, and the unemployment rate had fallen to record lows. However, in March 2020, this dramatically changed, as the City and the rest of the world experienced an unprecedented event with the emergence of the worldwide pandemic of the Coronavirus (named "COVID-19" by the World Health Organization).

On March 11, 2020, the COVID-19 was declared a global pandemic by the World Health Organization. The pandemic impacted every sector of the state's economy, and almost 1 in 5 Californians who were employed in February 2020 were out of work in May. On March 19, 2020 Governor Gavin Newsom issued a Stay at Home order to protect the health and well-being of all Californians and to establish consistency across the state in order to slow the spread of COVID-19.

On June 29th, 2020, Governor Newsom signed the 2020 Budget Act – a \$202 billion spending plan that aimed to strengthen emergency response, protect public health and safety, and promote economic recovery while closing a \$54 billion budget shortfall caused by the COVID recession. Governor Newsom said, "In the face of a global pandemic that has also caused a recession across the world and here in California, our state has passed a budget that is balanced, responsible and protects public safety and health, education, and services to Californians facing the greatest hardships".

In August 2020, it was reported that the real gross domestic product ("GDP") decreased at an annual rate of 31.7 percent in the second quarter of 2020, according to the second estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 5.0 percent. GDP swings are typically reported at an annual rate — as if they were to continue for a full year — which can be misleading in a volatile period like this. The overall economy in the second quarter was 9.1% smaller than during the same period a year ago. The decline in second-quarter GDP reflected the response to COVID-19, as "stay-at-home" orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued remote work and consumers and businesses canceled, restricted, or redirected their spending.

The US retail and hospitality sectors may take years to recover from the impact of COVID-19, and the hit could be worse than that of the Great Recession. According to eMarketer's latest forecast on US retail sales (which includes auto and fuel), total retail sales will drop by 10.5% this year, steeper than the 8.2% drop in 2009. Total retail sales will not rebound to the 2019 level until 2022, and estimates throughout the forecast period will be lower than previously predicted.

The worst effects of the recession, including job and income loss, are falling disproportionately on California's less-educated and lower-wage workers; high-income earners have fared much better. The state has committed to higher spending but the economy and tax revenues are likely to grow more slowly than before suggesting an underlying structural problem. The Legislative Analyst's Office identified the emergence of a new ongoing deficit beginning in the budget year 2021-22, with the fiscal gap persisting and widening through 2024-25.

Local Economy

Unemployment in Marin was at a record setting level in the last quarter of FY2019-2020, with all 3 of the months in the quarter topping Marin's previous record high unemployment figure of 8.4% set in January 2010. Within this context Sausalito's unemployment rate in June was 10.2%, compared with 15.1% in California and 11.1% nationwide. This compares with an unadjusted unemployment rate of 14.9% for California and 11.1% for the nation during the same period.

The National Association of Realtors released a report that shows an average sales price for existing homes nationwide was \$295,300 in June 2020. This number reflects an increase of 3.5% from June 2019. According to Marin Real Estate Report by Information Designs, the median home price of a single-family home in Sausalito is \$1,674,500 as compared with \$2,550,000 from the same period a year ago, reflecting a decrease of 34% and also representing a very low inventory with only 6 homes sold in June 2020.

The City of Sausalito has geo-economic benefits from its unique residential community blended with charm to its commercial sector and world-class scenic tourist base. In most years, this yields a more stable tax and revenue base than many other California cities, and the first half of the 2019-20 fiscal year promised to follow suit. The COVID-19 pandemic has impacted every section of the state's economy and has caused record-high unemployment. The mandated closure of restaurants, event spaces, and touristic sites drastically affected the local economy, as the restrictions on travel and shelter-in-place orders left the City vulnerable to a collapse in hotel occupancy and the dramatic reduction in parking revenues. It will take years before consumer activity returns to normal.

Revenues for the City were hit hard by the pandemic in the fourth quarter of the fiscal year with the decline in tourism and its impact on reduced transient occupancy tax (TOT), parking, and local sales tax revenues. Hotel occupancy plummeted in March 2020, and in the last quarter of the year, TOT was down 80%, a fifth of the revenue compared with Q4 of FY2018-2019. In parallel, the parking revenues were down by 74% in the last quarter of FY2020 compared with the last quarter of FY2019, a quarter of the revenue received compared with the previous year.

The good news is that since the COVID-19 pandemic did not shut down operations until March 2020, most of the FY 2019-20 had already passed. The General Fund is the primary operating fund of the City and is used to account for most day-to-day activities. The budget to actual comparison showed a slight increase in General Fund revenues of almost \$0.3 million, which means that the overall annual revenues over-performed the anticipated drop in the last quarter of the fiscal year as was projected in the mid-year budget review as a result of to the COVID-19 pandemic emerged in March 2020. We are pleased to report that the mid-year budget assumptions were more conservative than the actual COVID impact on the last quarter of FY 2019-20. In fact, the sales tax revenues and charges for services performed better than anticipated in the last quarter of the fiscal year. Also, the General Fund expenditures were \$711,000 less than the revised budget primarily due to the City Manager imposing the hiring freeze in response to the pandemic, creating salary savings from positions held vacant, as well as savings from the timing of professional services contracts and other expenses due to delay and temporary suspension of city programs and services.

In the months following the immediate impacts of the pandemic, there are still many uncertainties in the economy, and revenues are far short of prior fiscal years. This trend is likely to continue with the local economy facing many challenges and operating uncertainty prior to the mass distribution of the vaccine. However, it is likely that sales tax, TOT, and parking revenues will rebound to some extent in FY2021-22 as pent-up demand results in a return of tourists to Sausalito. The City took steps to compensate for the loss in revenue in the following year's budget by the use of reserves, employees making concessions, and departments cutting expenditures, and the City has continued to provide quality levels of service to

Sausalito residents by learning how to operate effectively in a virtual world.

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 the 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 \$11,744,120. The Fund Balance is comprised of three components; a Non-spendable portion of \$1,524,745; a Restricted for Pensions portion of \$1,890,809; an Assigned for Economic Contingencies portion of \$2,506,519; leaving an Unassigned portion (available for spending at the City's policy discretion) of \$5,822,047. The Unassigned portion of the General Fund total 34.8% of total general fund expenditures and is in addition to the minimum policy guideline of 15 percent of total general fund expenditures set by the Council for budgetary shortfall policy 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, historical 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 baseline for measuring the long-term effects of decisions, (3) to test the economic effects of best-case and worst-case funding scenarios, and (4) to establish a baseline projection of revenues, expenditures, and future cash flows and fund balances which are key metrics in evaluating the City's financial health.

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

MAJOR INITIATIVES DURING THE 2018-2019 FISCAL YEAR

Highlights of the City's major events and initiatives that were completed or in progress as of June 30, 2020 or soon after the year-end are as follows:

COVID-19

As a result of concerns over COVID-19, the Marin County Health Department recommended that all non-essential functions be suspended. Therefore in March 2020, the City of Sausalito took the following actions:

- Closed City Hall to the public and moved the majority of employees to a remote work environment;
- Closed the Sausalito Library and significantly reduced services;
- Closed playgrounds and public restrooms;
- Moved Council and Commission meetings to online platforms;
- Canceled private events and rentals in City facilities;
- Canceled or reduced Adult Recreation Activities.
- Cancelled City events including Volunteer Appreciation, Easter Parade, and Egg Hunt, WAG Dog Festival, Jazz and Blues by the Bay, and 4th of July Parade planned through the rest of the fiscal

year as well as all other events planned for Summer, Fall and Winter time frame in accordance with the health orders.

The City Council also took additional steps to offer assistance to the public during this difficult time including the following:

- Established a COVID Relief Program for City tenants with various terms ranging from the utility waiver to rent forbearance and reduction
- Ratified the Executive Order signed by the City Manager to temporarily suspend certain regulations of the Sausalito Municipal Code to provide necessary relief by expediting the process and suspending certain permits and fees to maintain a thriving business community and protect the health, safety, and economic welfare of Sausalito residents and businesses.
- Established “Love Sausalito” Program and contributed \$10,000 to provide support to small businesses in Sausalito;
- Approved the temporary closure of the Caledonia Street and temporarily eliminated the parking on portions of Caledonia to allow restaurants and businesses to use the right-of-way to extend outdoor dining and showcase merchandise and expedited permit processing for outdoor dining;
- Created a Blue Ribbon Committee to develop creative funding sources to offset the impacts of COVID-19 on City services
- Distributed a mental health flyer to every home in Sausalito
- Created a Virtual Service Counter for the Community Development Department
- Offered curbside pickup of library materials and hosted zoom virtual library events and reading groups
- Created Parks and Recreation Zoom programs for all ages and offered Parks and Recreation summer camps and outdoor activities conforming to public health orders
- Distributed hundreds of disposable masks to local businesses to give away to their customers
- Provided downtown ambassadors to encourage social distancing and mask-wearing among visitors of Sausalito
- Implemented COVID-19 Protocols and increased frequency of cleaning of public facility and public restrooms

In addition to all of the City Council's actions, the City staff has continued to implement all protocols and procedures necessary to keep our employees and the public safe.

New Taxes

In July, the Sausalito City Council voted unanimously to place **Measures L and M** on the November 2018 ballot. 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 drain system.

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 went into effect for newly

registered businesses on July 1, 2019, and on January 1, 2020, for existing businesses. Measures L and M generated \$1,196,750 in FY 2019-20, which is an annual increase in general revenues of approximately \$1 million for community priorities.

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 have been completed in FY 2019-20. The Southview Park design and construction is also scheduled to commence in FY 2020-21. 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 continually 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 in a manner that will: (1) continue to provide for the delivery of quality services; (2) maintain and enhance service delivery as the community grows in accordance with the City’s General Plan; (3) guarantee a balanced budget annually assuring that the City is always living within its means; and (4) establish reserves necessary to meet known and unknown future obligations. These financial policies serve as an overall framework to guide financial management and operations of the City and are reviewed and updated as needed as part of the budget process.

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.

Financial Control

The Finance Division of the City is responsible for: establishing and maintaining an appropriate internal control structure surrounding the safeguarding of assets, the reliability of financial records to prepare the financial statements in conformity with GAAP; and maintaining asset accountability. 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 (1) the cost of a control should not exceed the benefits likely to be delivered, and (2) the valuation of costs and benefits required estimates and judgments by management. We believe the City’s systems of internal accounting controls adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

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, 2019. 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 requirements, and we are pleased to submit it to the GFOA to determine its eligibility for another award.

The preparation of this report would not have been possible without the efficient and dedicated service of Finance and all city staff who assisted and contributed to the preparation of this report. We would like to take an opportunity to acknowledge the extraordinary efforts and hard work of Cindy Kato, Heather Leporte, Julie Myers, as well as 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 commitment to continue improving the City's financial management and reporting, especially given unprecedented circumstances around the Finance staffing challenges and COVID pandemic.

We also commend the audit team from Maze and Associates for their professional work, dedication, competence, and diligence in ongoing assistance during the audit process and throughout the year, especially given all challenges related to the COVID pandemic. Finally, we would like to express our appreciation to the Finance Committee and the entire City Council for their attention and unfailing support of maintaining the highest standards of professionalism in managing the City's finances with the emphasis on transparency, ethics, and fiscal responsibility.

Respectfully submitted,



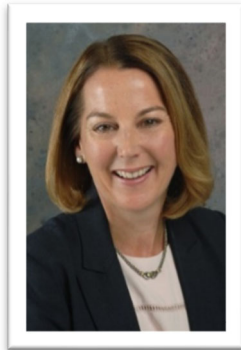
Yulia Carter

Assistant City Manager/ Administrative Services Director



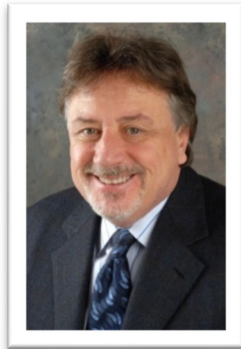
CITY OF SAUSALITO

City Council



Mayor

Susan Cleveland-Knowles



Vice Mayor

Ray Withy

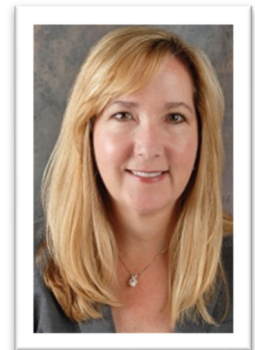
Council Members



Joan Cox

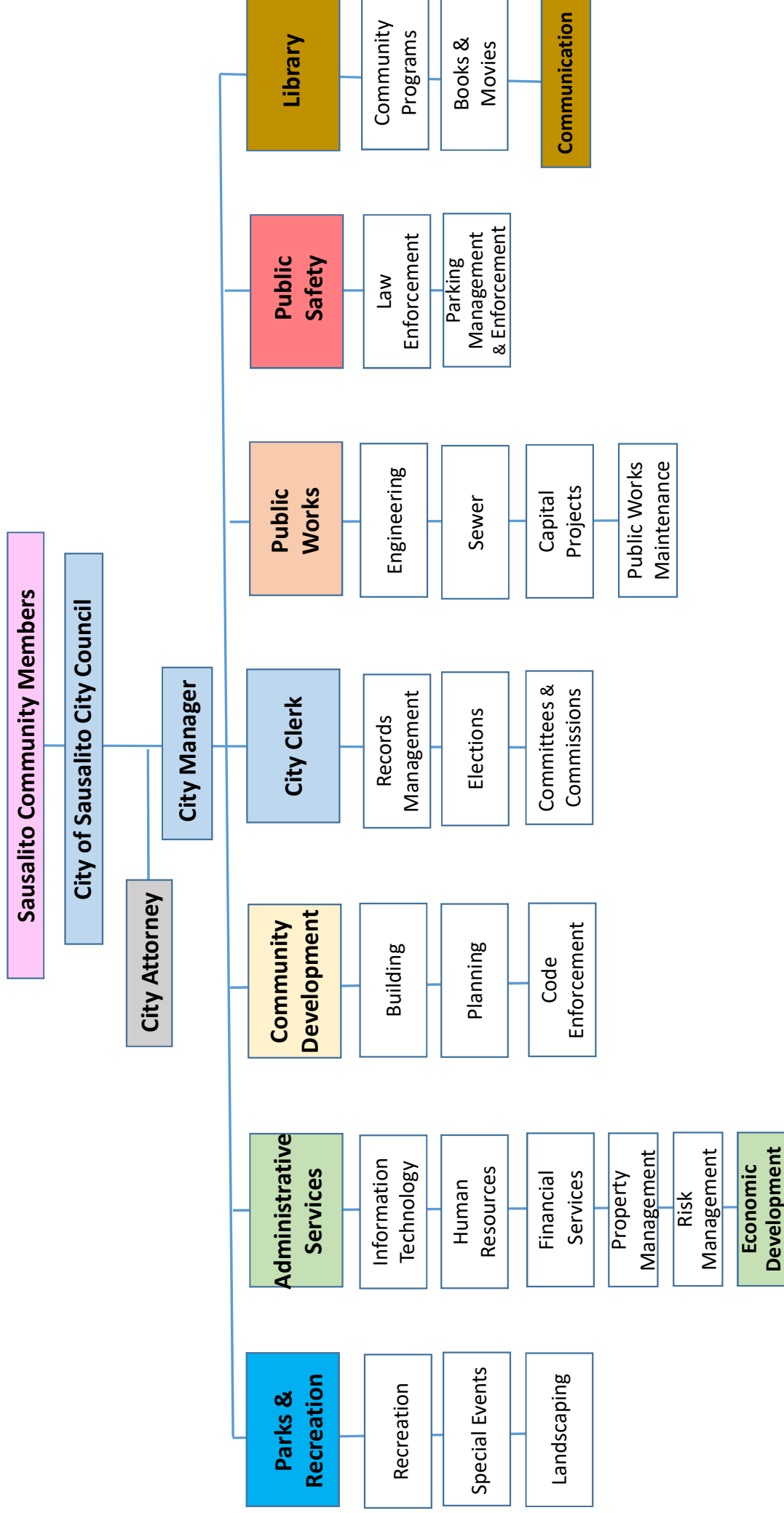


Joe Burns



Jill James Hoffman

City of Sausalito Organizational 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, 2019

Christopher P. Morill

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and 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 March 18, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
March 18, 2021

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**CITY OF SAUSALITO
MANAGEMENT’S DISCUSSION AND ANALYSIS**

This section of the City’s Comprehensive Financial Report presents an overview and analysis of the financial activities of the City of Sausalito for the fiscal year ended June 30, 2020. 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 – xiii 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 \$29,086,260 (*total net position*).
 - The City’s government-wide assets and deferred outflows exceed its liabilities and deferred inflows at June 30, 2020, by \$29,086,260 (net position), which is a decrease of 4.1% or \$1,235,518 from the prior year, primarily due to the outbreak of the COVID-19 pandemic in March 2020, affecting the City’s revenue base in the last quarter of the fiscal year.
 - Citywide revenues were \$25,582,324, of which \$22,153,715 were generated by governmental activities that increased by \$555,873 as a result of the pandemic, and \$3,428,609 were generated by business-type activities, which decreased by \$2,101,100.
 - Citywide expenses were \$26,817,842, of which \$23,581,650 were incurred by governmental activities that increased by \$2,714,397, and \$3,236,192 were incurred by business-type activities, which increased by \$319,053.
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$8,694,289, a decrease of \$2,339,150 or 21.20% over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues, and Transfers) totaled \$16,888,035, an increase of \$793,923 or 4.93% over the prior fiscal year. Total expenses were \$26,817,842, an increase of \$3,033,450 or 12.75% from the prior fiscal year primarily due to the timing of the Capital Improvement Projects. This resulted in an overall Change in Net Position of (\$1,235,518).
 - \$44,359,535 represents the City’s net investment (after depreciation) in capital assets. This investment in capital assets represents a net increase of \$1,264,029 over the prior fiscal year, primarily due to additions to infrastructure related to improvements to City parks.
 - The amount of \$6,710,671 in the total net position that is restricted for designated purposes decreased by \$209,414, representing the availability of resources available for spending on capital assets.
 - The City’s net pension liability increased \$1,882,317 to \$29,781,107 due to the 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.
 - The fiscal year ended June 30, 2020, was the third year that the City reported its net OPEB liability per GASB 75. The net OPEB liability was \$4,445,117, a decrease of \$1.8 million.

This remarkable accomplishment is a result of prudent management, including the recent change in funding policy implemented by the Finance Department in FY 2018-19 to fully fund the Actuarially Determined Contribution (ADC) that allowed the City to catch up on contributions, as well as some changes in actuarial assumptions in the most recent Actuarial Valuation report.

- The City's unrestricted net position was negative \$21,983,946, an increase in the negative balance by \$2,290,133 primarily due to the decrease in City assets category related to cash, investments, and receivables as a result of COVID-19, plus the above-mentioned increase in unfunded pension liabilities. The negative unrestricted position was a result of the Tideland Fund accounting of the Bulkhead Replacement Project that included a multi-year recording of unearned revenues from the lease agreement with Sausalito Yacht Harbor, as further described in Note 7 of this report, as well as the implementation of GASB 68 and 75 pronouncements as discussed in Notes 8 and 9 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 \$11,744,120, a decrease of \$827,650 over the prior fiscal year.
 - Of the ending Fund Balance, \$5,822,047 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors.
 - In addition to the Unassigned Fund Balance, the City of Sausalito has \$2,506,519 assigned for economic fluctuation reserve, representing the 10% of operating expenditures set aside for Budget Shortfall and another 5% of Budget Stabilization Policy designations by City Council. Combined with the unassigned balance, the City has \$8,328,566, or 49.8% 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 \$12,845,343 (*total Proprietary Funds net position*), an increase of \$192,417 primarily due to positive cash flow in MLK and Parking funds.
- **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS** was \$1,281,511, an increase of \$1,326,734 from a balance of (\$45,223) over the prior fiscal year primarily due to additional budget contributions from the General Fund to the City's General Liability and Workers Compensation Funds to cover deficit in these funds from the prior years, as well as result of a slightly lower than usual claim expenses in the fiscal year 2020.

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 a 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 34 –74 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 76 – 83 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 86 – 104 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 \$29,086,260 at the close of the fiscal year ending June 30, 2020.

As of June 30, 2020, 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	
	2020	2019	2020	2019	2020	2019
Current and other Assets	\$ 23,556,031	\$ 24,482,401	\$ 6,317,791	\$ 6,497,932	\$ 29,873,822	\$ 30,980,333
Capital Assets	51,240,679	50,427,575	19,671,597	19,776,614	70,912,276	70,204,189
Total Assets	74,796,710	74,909,976	25,989,388	26,274,546	100,786,098	101,184,522
Deferred outflows related to pension & OPEB	6,395,782	6,555,846	75,784	105,224	6,471,566	6,661,070
Long-term liabilities outstanding	53,355,909	57,667,231	11,737,016	12,468,329	65,092,925	70,135,560
Other liabilities	7,861,158	4,213,238	1,457,712	1,225,570	9,318,870	5,438,808
Total liabilities	61,217,067	61,880,469	13,194,728	13,693,899	74,411,795	75,574,368
Deferred inflows related to pension & OPEB	3,734,508	1,916,501	25,101	32,945	3,759,609	1,949,446
Net Position:						
Net Investment in Capital Assets	33,372,517	32,687,873	10,987,018	10,407,633	44,359,535	43,095,506
Restricted	6,710,671	6,920,085			6,710,671	6,920,085
Unrestricted	(23,842,271)	(21,939,106)	1,858,325	2,245,293	(21,983,946)	(19,693,813)
Total Net Position	\$ 16,240,917	\$ 17,668,852	\$ 12,845,343	\$ 12,652,926	\$ 29,086,260	\$ 30,321,778

The large portion of the net position reflects the City's \$44.4 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, buildings and improvements that are used to provide City services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion of the net position increased by \$1.3 million over the prior year mainly because of the addition in capital assets associated with construction in progress related to the Parks improvement projects.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2020, the restricted assets were \$6.7 million or 23% of the total net positions.

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 \$29,781,107 on the FY 2019-20 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 increased by \$1,882,317 from \$27,898,790 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 6.75% increase from the prior year which resulted in an unrestricted net position of negative \$21,983,946. It is important to note that these long-term obligations are based on actuarial estimates and do not represent a liability due and payable immediately.

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 \$6,710,671 of the City of Sausalito's restricted 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 (\$23,842,271) compared to the prior year balance of (\$21,939,106) is primarily due to the accounting of the Bulkhead Replacement Project of a multi-year recording of unearned revenues from the lease agreement with Sausalito Yacht Harbor in Tidelands Fund, as well as the implementation of GASB 68 and 75 pronouncements as discussed in Notes 7-9 of this document.

It should be recognized that the negative unrestricted net position likely did not result from the 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 \$10,987,018. There is \$1,858,325 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

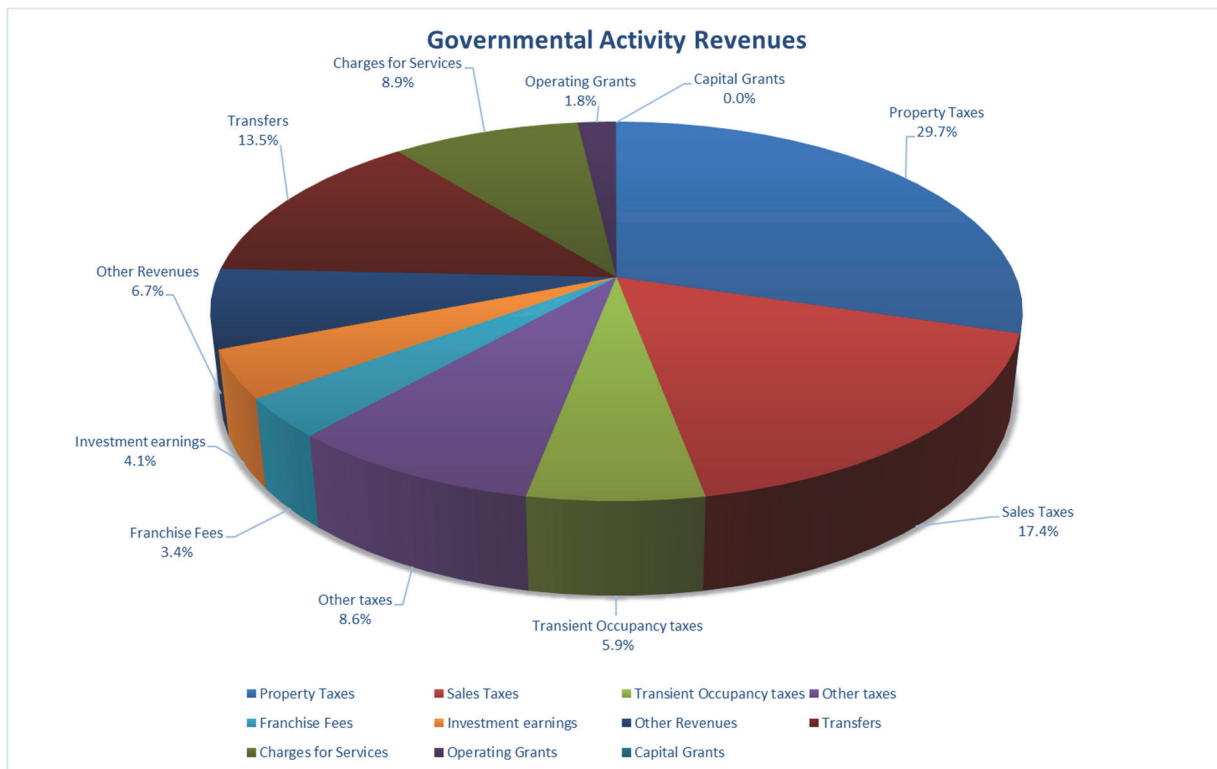
As detailed above, this statement reports the net expense over revenue of each individual function or program operated by the City. The net expense over revenue format reports the relative financial burden of each of the programs on the government's resource providers/taxpayers. The format highlights 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,972,373	\$ 2,759,619	\$ 6,314,760	\$ 6,917,777	\$ 8,287,133	\$ 9,677,396
Operating grants and contributions	396,366	606,316			396,366	606,316
Capital grants and contributions	10,790	749,727			10,790	749,727
General revenues:					-	
Taxes	14,379,000	13,416,529			14,379,000	13,416,529
Investment earnings	908,026	1,163,195	112,826	187,289	1,020,852	1,350,484
Other revenues	1,488,155	1,325,704	28	1,395	1,488,183	1,327,099
Total revenues	19,154,710	20,021,090	6,427,614	7,106,461	25,582,324	27,127,551
Expenses:						
General government	6,059,361	5,115,143			6,059,361	5,115,143
Library	934,027	1,010,913			934,027	1,010,913
Public safety - Police Services	7,622,967	6,961,641			7,622,967	6,961,641
Community development	2,280,651	2,197,519			2,280,651	2,197,519
Public works	4,293,271	3,881,788			4,293,271	3,881,788
Parks & Recreation	1,589,774	906,354			1,589,774	906,354
Interest on long-term debt	801,599	793,895			801,599	793,895
MLK			639,854	720,921	639,854	720,921
Sewer			2,109,365	1,612,469	2,109,365	1,612,469
Parking			450,584	555,293	450,584	555,293
Old City Hall			36,389	28,456	36,389	28,456
Total expenses	23,581,650	20,867,253	3,236,192	2,917,139	26,817,842	23,784,392
Transfers	2,999,005	1,576,752	(2,999,005)	(1,576,752)	-	-
Change in net Position	(1,427,935)	730,589	192,417	2,612,570	(1,235,518)	3,343,159
Net Position - Beginning	17,668,852	16,938,263	12,652,926	10,040,356	30,321,778	26,978,619
Prior Year Restatements	-	-	-	-	-	-
Net Position - Ending	\$ 16,240,917	\$ 17,668,852	\$ 12,845,343	\$ 12,652,926	\$ 29,086,260	\$ 30,321,778

Governmental Activities

The Governmental activities for the City resulted in net position decreasing by \$1,427,935, primarily due to decreased revenues in charges for services and capital grants and contributions as discussed in details below and increased general government expenditures.

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



Total Government Activity Revenues were decreased by \$866,380, excluding transfers, over the prior fiscal year.

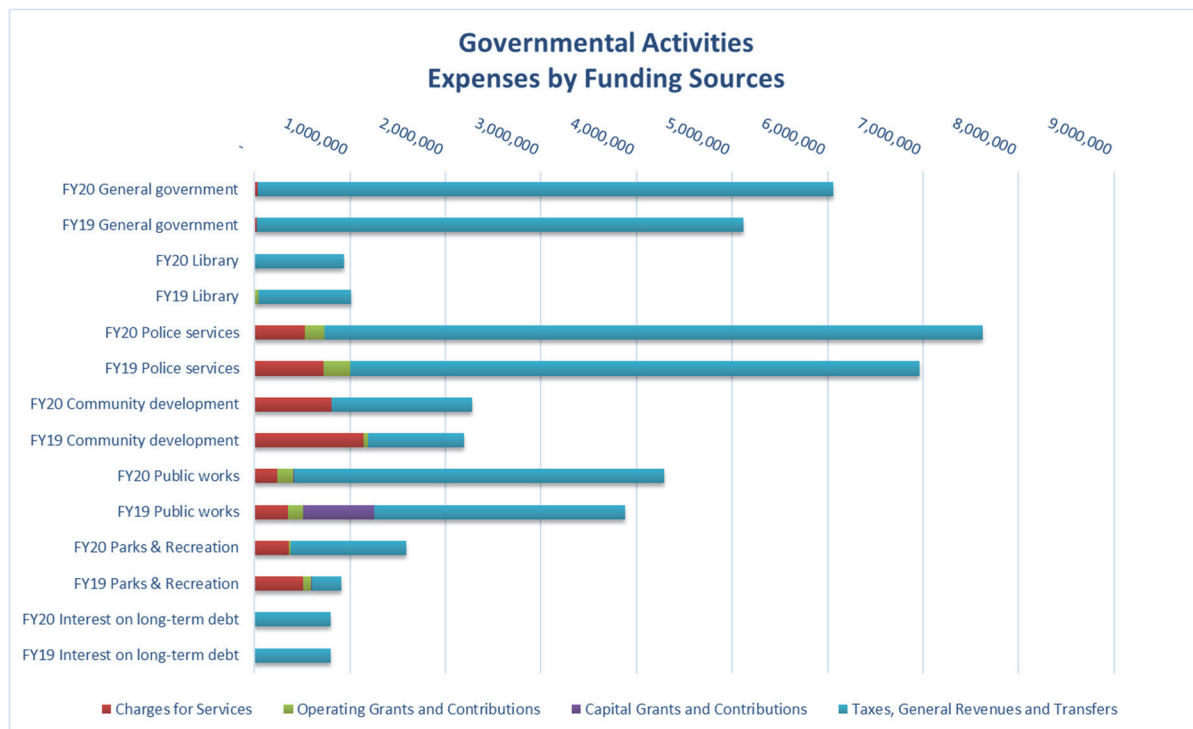
Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$273,394 or 4.8% in General Fund from the prior year due to the increase in the assessed value for properties from sale and transfer of ownership. Property taxes are generally inelastic and provide the City a stable revenue source (24.4% 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 despite projected decline as a result of the closure of restaurants and retail due to COVID-19, and even showed a moderate increase of \$237,847 or 6.6%, primarily due to an increase in online and yachts and boat sales during the pandemic. Sales tax represents 17.4% of the City's Governmental activities revenues and transfers;
- Transient Occupancy taxes decreased by \$548,754 or 29.5% from the prior fiscal year primarily due to the significant drop in travel and tourism activities in the last quarter of the fiscal year related to the Governor's shelter in place order prohibiting leisure travel. Transient Occupancy Taxes are about 6% of total resources available for Governmental Activities;
- Franchise Tax, Business license tax, and other miscellaneous taxes increased by \$1,171,758 or 80% over the prior year, primarily due to an increase in the business license revenues. In November 2018, Sausalito residents revised the 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. The renewal was completed in January 2020 and resulted in this substantial increase in revenues;

- Investment earnings decreased from the prior fiscal year by \$329,632 or 24.4% during the fiscal year, due to a decrease in portfolio balances resulting from lower revenues and lower interest rates on investments, as well as the prior year adjustments;
- Transfers increased from the prior year by \$1,422,253 or 90.2% during the fiscal year, due to increases in transfers to fund capital projects and internal service funds;
- Other government activity revenues increased by \$162,451 or 12.3% primarily due to increase in Building Permits and Building Plan Checks activity;
- Capital Grants and Contributions decreased by \$738,937 back to a normal activity level, as the prior year’s increase was due to a one-time receipt 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 decreased by \$209,950 or 34.6% from the last fiscal year, and that reflected a higher budgeted allocation of the County Measure A transportation grant to fund the parks projects in the prior year;
- Charges for Services increased by \$787,246 or 28.5%, primarily due to a decrease in building and planning permit activities in Community Development and a decrease in Parks & Recreation fees and rentals related to the COVID-19;

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

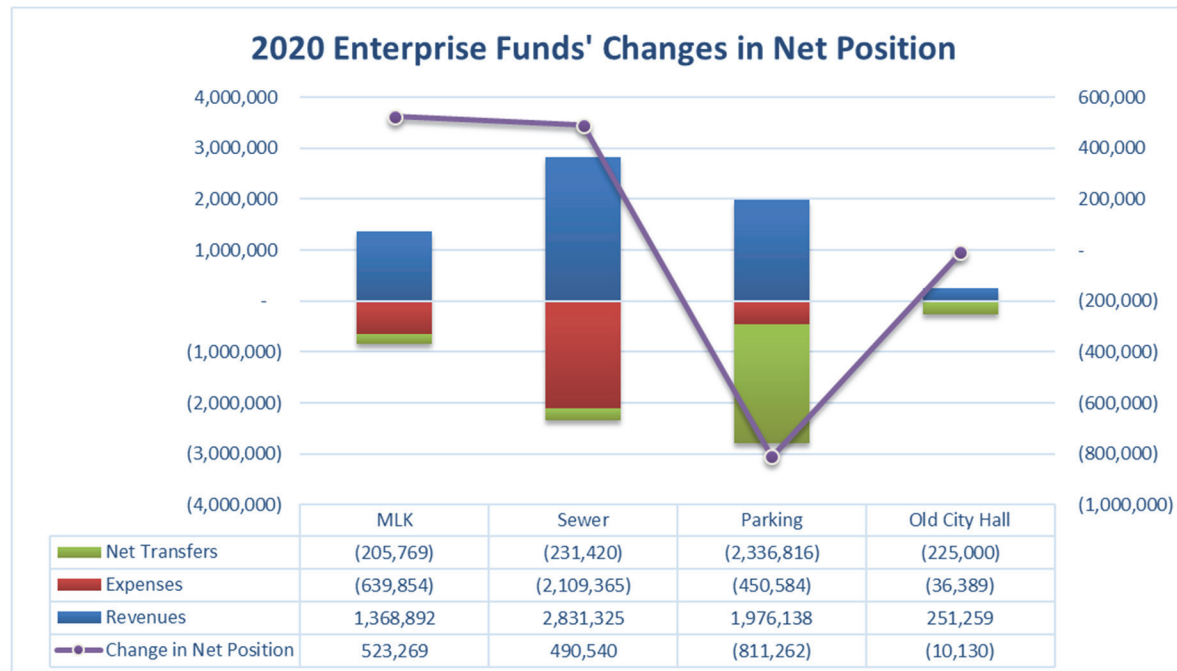


Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were increased by \$2,714,397 over the prior fiscal year.
 - Parks and Recreation expenses increased by \$683,420 or 75% due to reclassification of the Landscape division under the Parks and Recreation Department during this year.
 - Public Works' expenses increased by \$411,483 or 10.6% primarily due to increased spending in the Capital Improvement Projects fund as some projects were carried over from the prior year;
 - Police Department expenses increased by \$661,326 or 9.5% due to backfill of vacant positions and new MOU provisions that went into effect this fiscal year.
 - Community Development's expenses increased by \$83,132 or 3.78% primarily due to increased consulting cost to backfill vacancies;
 - Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, and Information Technology) increased by \$944,218 or 18.46% due to an increase in service level and legal costs and backfilling of vacancies;
 - Library expenses decreased by \$76,886 or 7.61%, primarily due to the temporary suspension of the library services and programs in the last quarter of the fiscal year due to the COVID-19;
 - Interest on long-term debt increased by \$7,704 or 0.97% in accordance with the debt service schedules.

Business-type activities

Business-type activities increased the City of Sausalito's net position by \$192,417. 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 \$523,269 during the year compared to the \$2,088,462 increase in the previous year. This was primarily due to the expenditures returning to the normal level after an increase in transfers to Capital in the prior year related to Parks improvement projects. Operating expenses decreased by \$67,240 from the prior year, resulting in net operating income (NOI) of \$963,608, compared to the prior year's NOI of \$900,463.
- Sewer Fund increased net position by \$490,540 during the year, compared to the \$929,625 increase in net position the previous fiscal year. This increase was primarily due to an increase in Sanitary Sewer fees as a result of the Sewer Rate Study that went into effect in FY 2019-20 and increased maintenance and capital costs in the Sewer Fund. Sanitary Sewer fees were increased in FY 2019-20 to offset maintenance costs and infrastructure investments as a result of EPA compliance requirements.
- Parking Fund decreased net position by \$811,262 during the year, compared to the \$392,205 increase from the prior fiscal year, reflecting the decrease in parking fees and charges due to reduced tourism and visitor activities as a result of COVID-19 and shelter in place order.
- The Old City Hall Fund decreased net position by \$10,130 as compared to the prior year's decrease of \$13,312. Although the Old City Hall fund balance was not significantly affected, the reason for a negative net position was due to the increase in the expenditures related to the clean-up of debris and repairs associated with the mudslide event, which caused the budgeted transfers to the General Fund being higher than the actual revenues received from rent net expenditures for the past few years.

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 statement 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 Governmental Funds Statement of Revenues, Expenditures and Fund Balance

Statement of Revenues, Expenditures and Fund Balance	2020	2019	Variance
Revenues	\$ 19,149,256	\$ 19,999,620	-4.3%
Expenditures	21,391,979	19,509,743	9.6%
Transfers (net)	840,645	539,329	55.9%
Net Change in Fund Balances	(1,402,078)	1,029,206	-236.2%
Fund balances at beginning of year	16,531,502	15,502,296	6.6%
Fund balances at end of year	15,129,424	16,531,502	-8.5%
Non-spendable	1,524,745	1,676,420	-9.0%
Restricted	8,075,835	9,605,054	-15.9%
Committed	108,661	105,924	2.6%
Assigned	2,506,519	708,315	253.9%
Unassigned	2,913,664	4,435,789	-34.3%
Total fund balances	15,129,424	16,531,502	-8.5%
Major Governmental Funds:			
General Fund	11,744,120	12,571,770	-6.6%
Tidelands Fund	(2,554,014)	(2,641,513)	-3.3%
General Capital Improvements	4,111,942	3,290,037	25.0%
Other Governmental Funds	1,827,376	3,311,208	-44.8%
Total fund balances	\$ 15,129,424	\$ 16,531,502	-8.5%

As of the end of the current fiscal year, the City of Sausalito’s governmental funds reported combined ending fund balances of \$15,129,424 a decrease of \$1,402,078 in comparison with the prior year, which is primarily due to a decrease in revenues and increase in governmental expenditures. The governmental funds expenditures were \$21,391,979 in the fiscal year 2019-20, an increase of \$1,882,236 over the prior year as described above.

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

- Restricted is \$8,075,835 or 53.4% 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 \$108,661 or 0.7% of the total balance, which can only be spent for specific purposes as determined by formal action of the City Council.
- Assigned balance is \$2,506,519 or 16.6% of the total balance, which indicates the City Council’s intent to use these funds toward economic contingencies.
- Unassigned is \$2,913,664 or 19.3% 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, 2020, the total General Fund balance was \$11,744,120, which includes an unassigned portion of \$5,822,047. The General Fund balance decreased \$827,650 for the fiscal year ended June 30, 2020.

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	2020	Variance
Revenues			
Property Tax	\$ 5,704,360	\$ 5,977,754	4.8%
Sales Tax	3,607,786	3,845,633	6.6%
Other Tax	2,699,645	2,084,090	-22.8%
Licenses and Permits	631,060	1,763,872	179.5%
Fines and Forfeitures	676,406	504,712	-25.4%
Use of Money and Property	522,884	616,242	17.9%
Intergovernmental	12,823	11,738	-8.5%
Charges for Services	1,757,075	1,256,004	-28.5%
Other Revenue	1,092,407	150,243	-86.2%
Total	16,704,446	16,210,288	-3.0%
Expenditures			
General government	4,021,872	5,019,891	24.8%
Library	913,151	859,080	-5.9%
Public safety: Police	5,242,137	5,672,031	8.2%
Community Development	1,923,504	1,685,301	-12.4%
Public works	1,967,910	1,976,807	0.5%
Parks & Recreation	824,193	1,497,017	81.6%
Capital Outlay	58,000	0	-100.0%
Total	14,950,767	16,710,127	11.8%
Net Transfers	(129,795)	(327,811)	152.6%
Net Change in Fund Balances	1,623,884	(827,650)	-151.0%
Fund Balances at beginning of year	10,947,886	12,571,770	14.8%
Fund Balances at end of year	12,571,770	11,744,120	-6.6%
Unspendable	1,676,420	1,524,745	-9.0%
Restricted	1,788,163	1,890,809	5.7%
Assigned	708,315	2,506,519	253.9%
Unassigned	8,398,872	5,822,047	-30.7%
Total Fund Balances	\$ 12,571,770	\$ 11,744,120	-6.6%

On the revenue side, the General Fund is showing a decrease of \$0.5 million or 3%, primarily as a result of the COVID-19 pandemic.

- Property Tax is showing an increase of \$0.3 million over the prior year, which is in line with the projections received from the Marin County.
- Sales Tax revenues also showed an increase of \$0.2 million for the entire year, despite the anticipated drop in the last quarter of the fiscal year due to the pandemic.

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- Other Tax category showed a significant decrease of \$0.6 million or 22%, primarily related to declining Transient Occupancy Tax revenues resulting from the shelter-in-place order prohibiting leisure travel in the last quarter of the year.
 - Licenses and Permits category showed a significant increase of \$1.1 million primarily due to the implementation of the new Business License tax under the new ordinance that fully went into effect in FY 2019-20.
 - Fines and forfeitures category shows some decrease in citations and municipal code fines due to COVID
 - Use of Money & Property shows some increase due to fair market value adjustments and increased earnings on investments (on increased portfolio of approx. \$300K over PY)
 - Charges for Services show significant decrease of approx. \$330K in CDD fees and \$170K in P&Rec due to cancelations of special events and rentals in the last quarter of last year
 - Other Revenues category shows a decrease, but this is due to change in accounting that recorded PARS Trust contribution as revenues in 2019.

On the expenditure side, the General Fund is showing a \$1.8 million or 11.8% increase over the prior year's actuals. The key elements of this increase are noted below:

- An increase in General Government is due to an increase in Unfunded Pension Liability payment to CalPERS, as well as budgeted increases in FY 2019-20 consulting services related to the Economic Development program, Finance year-end, and HR consulting contracts.
- The library is showing the expected decrease in expenditures due to the temporary suspension of library programs in the last quarter of the fiscal year.
- The increase in Police is due to timing of filing vacancies and budgeted increase in expenditures related to installation of recording system for the interrogation room and increases related to the MOU provisions as well as unfunded pension liability.
- The decrease in Community Development is due to Reclass of the Engineering division of approx. \$0.6 million under the DPW in 2020 that was previously recorded under CDD in 2019. This decrease is partially offset by an increase in the CDD professional services to backfill vacancies and a budgeted increase in the Building inspection contract.
- The increase in Parks and Recreation is due to a reclass of the Landscape Division under the Parks and Recreation in FY20 that was recorded under DPW in the prior year. However, the DPW budget is not showing a corresponding decrease due to an offsetting increase in the DPW budget from the Engineering Division reclass from the CDD.
- Finally, the change in Capital Outlay is due to reclass of the City's outstanding OPEB obligations to the Fire District from the General Fund in FY 2019 to Employee Benefit Fund in FY 2020.

General Fund Budgetary Highlights

The FY 2019-20 revised budget of the City's General Fund anticipated a \$2,136,171 decrease in General Fund Balance as a result of the pandemic that emerged in March, 2020. These projections were on target, as the actual results of operations resulted in a decrease of \$827,650 due to a reduced revenue base and increased expenditures as a result of COVID-19.

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 82 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 (\$2,554,014), due to the remaining unamortized net unearned revenue in the amount of \$3,383,572 from Sausalito Yacht Harbor, a Tideland Fund tenant, Bulkhead Replacement Capital Project. Future years' amortization of the unearned revenues will eventually 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 \$4,111,942, intended for capital improvement projects in the City's five-year capital improvement plan. This is an increase of fund balance by \$821,905 from the prior year primarily due to the timing of the budgeted 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, 2020, amounts to \$70,912,276 (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	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 15,014,662	\$ 15,014,662	\$ 3,796,001	\$ 3,796,001	\$ 18,810,663	\$ 18,810,663
Construction in progress	5,214,324	3,280,742	4,890,170	4,998,077	10,104,494	8,278,819
Building and improvements	13,610,674	13,940,618	2,858,547	2,966,532	16,469,221	16,907,150
MLK Bus Barn			154,000	159,500	154,000	159,500
Vehicles and equipment	140,752	134,112	178,915	218,561	319,667	352,673
Machinery and equipment	261,698	362,935			261,698	362,935
Infrastructure	16,998,569	17,694,504	7,793,964	7,637,943	24,792,533	25,332,447
Total	\$ 51,240,679	\$ 50,427,573	\$ 19,671,597	\$ 19,776,614	\$ 70,912,276	\$ 70,204,187

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 \$31,080,745. This is a decrease of \$553,886 from the prior fiscal year.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Current portion	\$ 583,408	\$ 536,022	\$ 657,035	\$ 635,843	\$ 1,240,443	\$ 1,171,865
Noncurrent portion	18,455,112	18,420,540	11,385,190	12,042,226	29,840,302	30,462,766
Total	\$ 19,038,520	\$ 18,956,562	\$ 12,042,225	\$ 12,678,069	\$ 31,080,745	\$ 31,634,631

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 Council adopted a structurally balanced FY 2019-20 Budget. However, the outbreak of the COVID-19 pandemic in March, 2020 resulted in the projected structural deficit that was addressed during the mid-year budget review when the Council authorized to balance the budget by a one-time use of the 10% shortfall policy designation in the operating contingency of the General Fund balance. Fiscal resiliency is one of the Council's strategic goals that include planning for and implementing long-term financial health and stability. To this extent, the City continues closely monitoring its tax and revenue base.

On June 23, 2020, the City Council adopted a structurally balanced FY 2020-21 Budget that included significant revenue decline with the corresponding service reduction to bridge the \$4.3 million structural deficit in the City's General Fund. At the time when this report is being prepared, the pandemic is unfortunately still unfolding, making it particularly critical to continue monitoring the City's financial position at the end of every quarter, especially as the City prepares to engage in the new budget discussion in March – June of 2021.

We will continue monitoring the City's economic conditions and continue to work with the City Council and community to address any current and potential financial challenges that may lay ahead. To this end, we will build or revise the budget assumptions based on any new information as it becomes available. This work may include identifying operational opportunities and efficiencies, assessing appropriate fee structure, pursuing acceptable economic development opportunities, and advising on alternative revenue options available to the City and the community to facilitate economic recovery and ensure the continuing high quality of life for the residents and visitors of Sausalito.

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$11,934,270	\$4,147,030	\$16,081,300
Restricted cash and investments (Note 2)	7,153,896	4,059,451	11,213,347
Receivables:			
Taxes receivables, net	986,966		986,966
Accounts receivable, net	1,362,958	223,559	1,586,517
Loans receivable	2,845		2,845
Internal balances (Note 3D)	2,112,249	(2,112,249)	
Prepays	2,847		2,847
Capital assets (Note 4):			
Land and construction in progress	20,228,986	8,686,171	28,915,157
Depreciable, net of accumulated depreciation	31,011,693	10,985,426	41,997,119
Total Assets	<u>74,796,710</u>	<u>25,989,388</u>	<u>100,786,098</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	6,342,683	75,784	6,418,467
Deferred outflows related to OPEB (Note 9E)	53,099		53,099
Total Deferred Outflows	<u>6,395,782</u>	<u>75,784</u>	<u>6,471,566</u>
LIABILITIES			
Accounts payable	2,090,910	413,639	2,504,549
Accrued interest payable	105,642	135,472	241,114
Accrued salaries and benefits	388,887	28,906	417,793
Compensated absences (Note 1J):			
Due within one year	553,579	20,024	573,603
Due in more than one year	311,509	24,306	335,815
Claims payable (Note 10):			
Due within one year	317,696		317,696
Due in more than one year	690,584		690,584
Refundable deposits	414,367	202,636	617,003
Unearned revenue (Note 7)	3,406,669		3,406,669
Net OPEB liability (Note 9):			
Due in more than one year	4,445,117		4,445,117
Net pension liability, due in more than one year (Note 8B)	29,453,587	327,520	29,781,107
Long-term debt (Note 5):			
Due within one year	583,408	657,035	1,240,443
Due in more than one year	18,455,112	11,385,190	29,840,302
Total Liabilities	<u>61,217,067</u>	<u>13,194,728</u>	<u>74,411,795</u>
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	2,010,080	25,101	2,035,181
Deferred inflows related to OPEB (Note 9E)	1,724,428		1,724,428
Total Deferred Inflows	<u>3,734,508</u>	<u>25,101</u>	<u>3,759,609</u>
NET POSITION (Note 6):			
Net investment in capital assets	<u>33,372,517</u>	<u>10,987,018</u>	<u>44,359,535</u>
Restricted for:			
Special revenue programs	1,325,325		1,325,325
Debt service	1,030,072		1,030,072
Capital projects	4,355,274		4,355,274
Total Restricted Net Position	<u>6,710,671</u>		<u>6,710,671</u>
Unrestricted	<u>(23,842,271)</u>	<u>1,858,325</u>	<u>(21,983,946)</u>
Total Net Position	<u>\$16,240,917</u>	<u>\$12,845,343</u>	<u>\$29,086,260</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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	\$6,059,361	\$37,352			(\$6,022,009)		(\$6,022,009)
Library	934,027	2,275	\$1,000	\$2,737	(928,015)		(928,015)
Public safety:							
Police services	7,622,967	531,383	201,736		(6,889,848)		(6,889,848)
Community development	2,280,651	808,558			(1,472,093)		(1,472,093)
Public works	4,293,271	234,722	176,264	8,053	(3,874,232)		(3,874,232)
Parks & recreation	1,589,774	358,083	17,366		(1,214,325)		(1,214,325)
Interest on long-term debt	801,599				(801,599)		(801,599)
Total Governmental Activities	23,581,650	1,972,373	396,366	10,790	(21,202,121)		(21,202,121)
Business-type Activities:							
MLK	639,854	1,366,683				\$726,829	726,829
Sewer	2,109,365	2,764,001				654,636	654,636
Parking	450,584	1,955,508				1,504,924	1,504,924
Old City Hall	36,389	228,568				192,179	192,179
Total Business-type Activities	3,236,192	6,314,760				3,078,568	3,078,568
Total	\$26,817,842	\$8,287,133	\$396,366	\$10,790	(21,202,121)	3,078,568	(18,123,553)
General revenues:							
Taxes:							
Property taxes					6,579,658		6,579,658
Sales taxes					3,845,633		3,845,633
Transient occupancy tax					1,313,921		1,313,921
Franchise fees					743,437		743,437
Other taxes					1,896,351		1,896,351
Investment earnings					908,026	112,826	1,020,852
Other revenues					1,488,155	28	1,488,183
Transfers (Note 3B)					2,999,005	(2,999,005)	
Total general revenues and transfers					19,774,186	(2,886,151)	16,888,035
Change in Net Position					(1,427,935)	192,417	(1,235,518)
Net Position-Beginning					17,668,852	12,652,926	30,321,778
Net Position-Ending					\$16,240,917	\$12,845,343	\$29,086,260

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 2020. 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, 2020

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$7,339,852	\$628,383		\$1,374,871	\$9,343,106
Restricted cash and investments (Note 2)	1,890,809		\$4,246,613	1,016,474	7,153,896
Receivables:					
Taxes receivables, net	986,966				986,966
Accounts receivable, net	256,341	244,690	784,697	73,847	1,359,575
Loans receivable	2,845				2,845
Due from other funds (Note 3A)	1,759,905				1,759,905
Prepays	2,847				2,847
Advances to other funds (Note 3C)	1,519,053				1,519,053
	<u>\$13,758,618</u>	<u>\$873,073</u>	<u>\$5,031,310</u>	<u>\$2,465,192</u>	<u>\$22,128,193</u>
Total Assets					
LIABILITIES					
Current Liabilities:					
Accounts payable	\$1,198,547	\$33,115	\$296,377	\$138,149	\$1,666,188
Accrued salaries and benefits	388,887				388,887
Refundable deposits	403,967	10,400			414,367
Due to other funds (Note 3A)			622,991	499,667	1,122,658
Unearned revenue (Note 7)	23,097	3,383,572			3,406,669
	<u>2,014,498</u>	<u>3,427,087</u>	<u>919,368</u>	<u>637,816</u>	<u>6,998,769</u>
Total Liabilities					
FUND BALANCES (DEFICITS) (Note 6)					
Nonspendable	1,524,745				1,524,745
Restricted	1,890,809		4,246,613	1,938,413	8,075,835
Committed				108,661	108,661
Assigned	2,506,519				2,506,519
Unassigned	5,822,047	(2,554,014)	(134,671)	(219,698)	2,913,664
	<u>11,744,120</u>	<u>(2,554,014)</u>	<u>4,111,942</u>	<u>1,827,376</u>	<u>15,129,424</u>
Total Fund Balances (Deficits)					
Total Liabilities and Fund Balances	<u>\$13,758,618</u>	<u>\$873,073</u>	<u>\$5,031,310</u>	<u>\$2,465,192</u>	<u>\$22,128,193</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances reported on the governmental funds balance sheet \$15,129,424

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. 51,076,662

ALLOCATION OF INTERNAL SERVICE FUND NET POSITIONS

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

Cash and investments	2,591,164
Accounts receivable, net	3,383
Capital assets, net of depreciation	164,017
Claims payable	(1,008,280)
Accounts payable	(424,722)
Interfund liability	(44,051)

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	6,395,782
Deferred inflows	(3,734,508)

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	(19,038,520)
Interest payable	(105,642)
Compensated absences	(865,088)
Net OPEB liability	(4,445,117)
Net pension liability	(29,453,587)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$16,240,917

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, 2020

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$5,977,754			\$601,904	\$6,579,658
Sales tax	3,845,633				3,845,633
Other tax	2,084,090				2,084,090
Licenses and permits	1,763,872				1,763,872
Fines and forfeitures	504,712			7,343	512,055
Use of money and property	616,242	\$606,137	\$71,533	23,797	1,317,709
Intergovernmental	11,738		882,479	551,861	1,446,078
Charges for services	1,256,004			193,914	1,449,918
Other revenues	150,243				150,243
Total Revenues	16,210,288	606,137	954,012	1,378,819	19,149,256
EXPENDITURES					
Current:					
General government	5,019,891	196,233			5,216,124
Library	859,080				859,080
Public safety:					
Police	5,672,031			122,716	5,794,747
Community development	1,685,301				1,685,301
Public works	1,976,807			905,202	2,882,009
Parks & recreation	1,497,017				1,497,017
Capital outlay			2,784,562		2,784,562
Debt service:					
Principal				478,022	478,022
Interest and other charges		250		194,867	195,117
Total Expenditures	16,710,127	196,483	2,784,562	1,700,807	21,391,979
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(499,839)	409,654	(1,830,550)	(321,988)	(2,242,723)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	3,049,000		2,652,455	72,156	5,773,611
Transfers (out) (Note 3B)	(3,376,811)	(322,155)		(1,234,000)	(4,932,966)
Total Other Financing Sources (Uses)	(327,811)	(322,155)	2,652,455	(1,161,844)	840,645
NET CHANGE IN FUND BALANCES	(827,650)	87,499	821,905	(1,483,832)	(1,402,078)
BEGINNING FUND BALANCES (DEFICITS)	12,571,770	(2,641,513)	3,290,037	3,311,208	16,531,502
ENDING FUND BALANCES (DEFICITS)	\$11,744,120	(\$2,554,014)	\$4,111,942	\$1,827,376	\$15,129,424

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, 2020

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 (\$1,402,078)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance	2,784,562
Non-capitalized expenditures are deducted from the fund balance	(366,956)
Adjustment of capital assets is deducted from the fund balance	
Depreciation expense is deducted from the fund balance	(1,578,766)
(Depreciation expense is net of internal service fund depreciation of \$121,525 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	536,022
Change in accrued interest payable	(606,482)

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	50,313
Net OPEB liability, and related deferred outflow and inflow of resources	72,293
Net pension liability and related deferred outflow and inflow of resources	(2,243,577)

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>1,326,734</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>(\$1,427,935)</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.

However, salaries and benefits for the parking enforcement officers as well as revenues related to parking citations are recorded in the General Fund to provide a more accurate and transparent accounting for the City’s Law Enforcement function.

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, 2020

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
ASSETS						
Current assets:						
Cash and investments (Note 2)		\$1,955,431	\$2,156,495	\$35,104	\$4,147,030	\$2,591,164
Restricted cash and investments (Note 2)	\$701,805	3,357,646			4,059,451	
Receivables:						
Accounts receivable, net	54,769	71,341	44,407	\$53,042	223,559	3,383
Taxes receivable						
Prepaid assets						
Total current assets:	<u>756,574</u>	<u>5,384,418</u>	<u>2,200,902</u>	<u>88,146</u>	<u>8,430,040</u>	<u>2,594,547</u>
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	6,846,284	1,829,949		9,938	8,686,171	
Depreciable, net of accumulated depreciation	3,011,116	7,553,640	62,005	358,665	10,985,426	164,017
Total noncurrent assets	<u>9,857,400</u>	<u>9,383,589</u>	<u>62,005</u>	<u>368,603</u>	<u>19,671,597</u>	<u>164,017</u>
Total Assets	<u>10,613,974</u>	<u>14,768,007</u>	<u>2,262,907</u>	<u>456,749</u>	<u>28,101,637</u>	<u>2,758,564</u>
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)		75,784			75,784	
Total Deferred Outflows		<u>75,784</u>			<u>75,784</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	50,803	339,556	23,280		413,639	424,722
Accrued interest payable	32,429	103,043			135,472	
Accrued salaries and benefits		25,092	3,814		28,906	
Due to other funds (Note 3A)	593,196				593,196	44,051
Compensated absences, due in one year (Note 1J)		19,557	467		20,024	
Refundable deposits	174,596	4,040	24,000		202,636	
Claims payable-due within one year (Note 10)						317,696
Long-term debt, due within one year (Note 5)	445,000	212,035			657,035	
Total current liabilities	<u>1,296,024</u>	<u>703,323</u>	<u>51,561</u>		<u>2,050,908</u>	<u>786,469</u>
Noncurrent liabilities:						
Advance from other funds (Note 3C)	1,519,053				1,519,053	
Compensated absences, due in more than one year (Note 1J)		24,306			24,306	
Claims payable - due in more than one year (Note 10)						690,584
Long-term debt, due in more than one year (Note 5)	4,755,000	6,630,190			11,385,190	
Net pension liability (Note 8B)		327,520			327,520	
Total noncurrent liabilities	<u>6,274,053</u>	<u>6,982,016</u>			<u>13,256,069</u>	<u>690,584</u>
Total Liabilities	<u>7,570,077</u>	<u>7,685,339</u>	<u>51,561</u>		<u>15,306,977</u>	<u>1,477,053</u>
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)		25,101			25,101	
Total Deferred Inflows		<u>25,101</u>			<u>25,101</u>	
NET POSITION (Note 6)						
Net investment in capital assets	4,657,400	5,899,010	62,005	368,603	10,987,018	164,017
Unrestricted	(1,613,503)	1,234,341	2,149,341	88,146	1,858,325	1,117,494
Total Net Position	<u>\$3,043,897</u>	<u>\$7,133,351</u>	<u>\$2,211,346</u>	<u>\$456,749</u>	<u>\$12,845,343</u>	<u>\$1,281,511</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, 2020

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
OPERATING REVENUES						
Building rents	\$1,366,683			\$228,568	\$1,595,251	
Charges for services		\$2,764,001	\$1,955,508		4,719,509	
Other revenue	28				28	
Total Operating Revenues	1,366,711	2,764,001	1,955,508	228,568	6,314,788	
OPERATING EXPENSES						
Other expenses	22,885	257,771	67,366		348,022	\$714,226
Professional services	1,992	379,795	226,931		608,718	
Repairs and maintenance	28,313	238,120	4,124		270,557	1,329
Salaries and benefits	91,252	694,813	66,307		852,372	
Utilities	147,250	18,157	1,407	8,799	175,613	
Depreciation	111,411	229,645	84,449	27,590	453,095	121,525
Total Operating Expenses	403,103	1,818,301	450,584	36,389	2,708,377	837,080
Operating Income (Loss) Before Transfers	963,608	945,700	1,504,924	192,179	3,606,411	(837,080)
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	2,181	67,324	20,630	22,691	112,826	5,454
Interest (expense)	(236,751)	(291,064)			(527,815)	
Total nonoperating revenue (expenses)	(234,570)	(223,740)	20,630	22,691	(414,989)	5,454
Income (Loss) before transfers	729,038	721,960	1,525,554	214,870	3,191,422	(831,626)
Transfers in (Note 3B)		5,000			5,000	2,158,360
Transfers (out) (Note 3B)	(205,769)	(236,420)	(2,336,816)	(225,000)	(3,004,005)	
Net transfers	(205,769)	(231,420)	(2,336,816)	(225,000)	(2,999,005)	2,158,360
Change in net position	523,269	490,540	(811,262)	(10,130)	192,417	1,326,734
BEGINNING NET POSITION	2,520,628	6,642,811	3,022,608	466,879	12,652,926	(45,223)
ENDING NET POSITION	\$3,043,897	\$7,133,351	\$2,211,346	\$456,749	\$12,845,343	\$1,281,511

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,329,032	\$2,762,916	\$1,951,889	\$176,674	\$6,220,511	
Receipts from (refunds to) interdepartmental charges						\$3,156
Payment to employees	(91,252)	(713,634)	(62,026)		(866,912)	
Payment to suppliers	(156,581)	(788,122)	(299,828)	(8,799)	(1,253,330)	(639,577)
Other receipts (payments)	(2,585)		5,366		2,781	
Cash Flows from Operating Activities	<u>1,078,614</u>	<u>1,261,160</u>	<u>1,595,401</u>	<u>167,875</u>	<u>4,103,050</u>	<u>(636,421)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfunds payments	502,128				502,128	(115,075)
Transfers in		5,000			5,000	2,158,360
Transfers (out)	(205,769)	(236,420)	(2,336,816)	(225,000)	(3,004,005)	
Cash Flows from Noncapital Financing Activities	<u>296,359</u>	<u>(231,420)</u>	<u>(2,336,816)</u>	<u>(225,000)</u>	<u>(2,496,877)</u>	<u>2,043,285</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(274,838)		(73,240)		(348,078)	(95,789)
Principal payments on capital debt	(430,000)	(205,844)			(635,844)	
Interest payment	(387,826)	(271,534)			(659,360)	
Cash Flows from Capital and Related Financing Activities	<u>(1,092,664)</u>	<u>(477,378)</u>	<u>(73,240)</u>		<u>(1,643,282)</u>	<u>(95,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	2,181	67,324	20,630	22,691	112,826	5,454
Net Cash Flows	284,490	619,686	(794,025)	(34,434)	75,717	1,316,529
Cash and investments at beginning of period	417,315	4,693,391	2,950,520	69,538	8,130,764	1,274,635
Cash and investments at end of period	<u>\$701,805</u>	<u>\$5,313,077</u>	<u>\$2,156,495</u>	<u>\$35,104</u>	<u>\$8,206,481</u>	<u>\$2,591,164</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$963,608	\$945,700	\$1,504,924	\$192,179	\$3,606,411	(\$837,080)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	111,411	229,645	84,449	27,590	453,095	121,525
Other revenue						
Other expenditures						
Change in assets and liabilities:						
Accounts receivables	(37,651)	(1,085)	(18,249)	(51,894)	(108,879)	3,156
Prepaid items			14,630		14,630	
Accounts payable and accruals	43,859	105,721	5,366		154,946	261,091
Accrued salaries and benefits		25,092	3,814		28,906	
Accrued compensated absences		9,362	467		9,829	
Refundable deposits	(2,613)				(2,613)	
Claims payable						(185,113)
Deferred outflows		29,440			29,440	
Deferred inflows		(7,844)			(7,844)	
Net pension liability		(74,871)			(74,871)	
Cash Flows from Operating Activities	<u>\$1,078,614</u>	<u>\$1,261,160</u>	<u>\$1,595,401</u>	<u>\$167,875</u>	<u>\$4,103,050</u>	<u>(636,421)</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Retiree OPEB Benefits Trust Fund</u>
ASSETS	
Investments:	
PARS Trust-Money Market Mutual Funds (Note 2)	<u>\$1,150,274</u>
NET POSITION	
Restricted for OPEB	<u>\$1,150,274</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

	Retiree OPEB Benefits Trust Fund
ADDITIONS	
Investment earnings	\$68,322
Total Additions	68,322
DELETIONS	
Administrative expense	5,878
Total Deletions	5,878
NET POSITION HELD IN TRUST	
Beginning of year	1,087,830
End of year	\$1,150,274

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020, the following Fund had expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
General government:	
Administration	\$391,272
Non departmental	165,850
Public Safety:	
Public works	862,085
Parks & recreation	582,424
Special Revenue Fund:	
Traffic Safety	55,333
Gas Tax	7,099

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2020

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, 2020:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$915,401	\$34,501	\$949,902
Additions	663,564	22,414	685,978
Payments	(713,877)	(12,585)	(726,462)
Ending Balance	<u>\$865,088</u>	<u>\$44,330</u>	<u>\$909,418</u>
Current Portion	<u>\$553,579</u>	<u>\$20,024</u>	<u>\$573,603</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, 2020

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, 2020

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, 2020.

In May 2020, GASB issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of the statement are effective immediately. The City implemented GASB Statement No. 95 for the presentation of the fiscal year 2019-20 financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

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

B. Classifications

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

<i>Statement of Net Position</i>	
Cash and investments	\$16,081,300
Restricted cash and investments	11,213,347
Total	27,294,647
 <i>Fiduciary Fund</i>	
Restricted cash and investments	1,150,274
Total Cash and Investments	\$28,444,921

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. *Authorized Investments by the City and Debt Agreements*

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	N/A	\$75 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

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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

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	\$10,419,441	\$10,419,441
Money Market Mutual Fund	9,322,538	9,322,538
<i>Held by Trustee:</i>		
PARS Trust - Money Market Mutual Funds	1,150,274	1,150,274
Total Investments	\$20,892,253	20,892,253
Cash in banks		7,551,668
Petty Cash		1,000
Total City Cash and Investments		\$28,444,921

Money market mutual funds are available for withdrawal on demand. At June 30, 2020, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 33-54 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, 2020, the City held \$10,419,441 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, 2020

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, 2020, 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	\$9,322,538	\$9,322,538
<i>Not Rated:</i>		
Local Agency Investment Fund		10,419,441
Cash in banks		7,551,668
Petty cash		1,000
Total City Cash and Investments		27,294,647
<i>Fiduciary Cash</i>		
<i>Not Rated:</i>		
PARS Trust - Money Market Mutual Funds		1,150,274
Total Cash and Investments		\$28,444,921

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, 2020

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, 2020, these investments matured in an average of 191 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, 2020 interfund balances were as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Capital Improvements Fund	General Fund	\$622,991
Non-Major Governmental Funds	General Fund	499,667
General Liability Internal Service Fund	General Fund	44,051
MLK Enterprise Fund	General Fund	<u>593,196</u>
		<u><u>\$1,759,905</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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	\$3,049,000	Tideland Special Revenue Fund	(\$200,000) A
		Non-Major Governmental Funds	(4,000) A
		MLK Enterprise Fund	(200,000) A
		Sewer Enterprise Fund	(225,000) A
		Parking Enterprise Fund	(2,195,000) B
		Old City Hall Enterprise Fund	(225,000) B
General Capital Improvements	2,652,455	General Fund	(1,237,456) C
Capital Projects Fund		Tideland Special Revenue Fund	(49,999) C
		Non-Major Governmental Funds	(1,230,000) C
		Parking Enterprise Fund	(135,000) C
Non-Major Governmental Funds	72,156	Tideland Special Revenue Fund	(72,156) D
Sewer Enterprise Fund	5,000	General Fund	(5,000) G
Internal Service Funds	2,158,360	General Fund	(2,134,355) E,F
		Sewer Enterprise Fund	(11,420) H
		MLK Enterprise Fund	(5,769) H
		Parking Enterprise Fund	(6,816) H
Total Interfund Transfers	<u>\$7,936,971</u>	Total Interfund Transfers	<u>(\$7,936,971)</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	\$1,519,053

The remaining balance will be paid off over 10 years, at 3% interest rate ending in fiscal year 2030.

D. Internal Balances

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2020

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, 2020, comprise:

	Balance June 30, 2019	Additions	Retirements	Adjustments	Transfers	Balance June 30, 2020
Governmental Funds						
Capital assets not being depreciated:						
Land and improvements	\$15,014,662					\$15,014,662
Construction in progress	3,280,742	\$2,369,177			(\$435,595)	5,214,324
	<u>18,295,404</u>	<u>2,369,177</u>			<u>(435,595)</u>	<u>20,228,986</u>
Depreciable capital assets:						
Building and improvements	17,811,117	21,979				17,833,096
Vehicles and equipment	276,400					276,400
Machinery and equipment	1,310,639	26,451				1,337,090
Infrastructure	45,455,606				435,595	45,891,201
Total capital assets, being depreciated	<u>64,853,762</u>	<u>48,430</u>			<u>435,595</u>	<u>65,337,787</u>
Less: accumulated depreciation for						
Building and improvements	(3,870,499)	(351,923)				(4,222,422)
Vehicles and equipment	(273,830)	(856)				(274,686)
Machinery and equipment	(1,005,914)	(94,457)				(1,100,371)
Infrastructure	(27,761,102)	(1,131,530)				(28,892,632)
Total accumulated depreciation	<u>(32,911,345)</u>	<u>(1,578,766)</u>				<u>(34,490,111)</u>
Depreciable capital assets, net	<u>31,942,417</u>	<u>(1,530,336)</u>			<u>435,595</u>	<u>30,847,676</u>
Internal Service Funds						
Depreciable capital assets:						
Vehicles and equipment	843,100	95,790	(\$24,680)			914,210
Machinery and equipment	183,429					183,429
	<u>1,026,529</u>	<u>95,790</u>	<u>(24,680)</u>			<u>1,097,639</u>
Less: accumulated depreciation for						
Vehicles and equipment	(711,558)	(88,294)	24,680			(775,172)
Machinery and equipment	(125,219)	(33,231)				(158,450)
Total accumulated depreciation	<u>(836,777)</u>	<u>(121,525)</u>	<u>24,680</u>			<u>(933,622)</u>
Depreciable capital assets, net	<u>189,752</u>	<u>(25,735)</u>				<u>164,017</u>
Governmental capital assets, net	<u>\$50,427,573</u>	<u>\$813,106</u>				<u>\$51,240,679</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2019	Additions	Retirements	Adjustments	Transfers	Balance June 30, 2020
Business-type Activities						
Land and improvements	\$3,796,001					\$3,796,001
Construction in progress	4,998,077	\$285,188		(\$10,350)	(\$382,745)	4,890,170
	<u>8,794,078</u>	<u>285,188</u>		<u>(10,350)</u>	<u>(382,745)</u>	<u>8,686,171</u>
Depreciable capital assets:						
Building and improvements	6,100,938					6,100,938
MLK Bus Barn	275,000					275,000
Vehicles and equipment	1,547,036	73,240				1,620,276
Infrastructure	13,824,625				382,745	14,207,370
Total	<u>21,747,599</u>	<u>73,240</u>			<u>382,745</u>	<u>22,203,584</u>
Less: accumulated depreciation for						
Building and improvements	(3,134,406)	(107,985)				(3,242,391)
MLK Bus Barn	(115,500)	(5,500)				(121,000)
Vehicles and equipment	(1,328,475)	(112,886)				(1,441,361)
Infrastructure	(6,186,682)	(226,724)				(6,413,406)
	<u>(10,765,063)</u>	<u>(453,095)</u>				<u>(11,218,158)</u>
Depreciable capital assets, net	<u>10,982,536</u>	<u>(379,855)</u>			<u>382,745</u>	<u>10,985,426</u>
Total capital assets, net	<u>\$19,776,614</u>	<u>(\$94,667)</u>		<u>(\$10,350)</u>		<u>\$19,671,597</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	\$240,372
Recreation	10,881
Library	16,701
Police services	306,770
Public works	1,004,042
Internal Service Funds	121,525
Total Governmental Activities	<u>\$1,700,291</u>

Business-type Activities:

MLK	\$111,411
Sewer	229,645
Parking	84,449
Old City Hall	27,590
Total Business-type Activities	<u>\$453,095</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2019	Additions	Retirements	Balance June 30, 2020	Current Portion
Governmental Activities Bonds:						
General Obligation Bonds:						
2006 Series A	\$8,205,000	\$4,150,000		(\$425,000)	\$3,725,000	\$470,000
2006 Series B (Capital Appreciation)	7,293,894	13,047,373	\$617,980		13,665,353	
Total Governmental Activities Bonds		17,197,373	617,980	(425,000)	17,390,353	470,000
Governmental Activities - Direct Borrowings:						
Southern Marin Fire Protection District	1,740,000	1,334,000		(58,000)	1,276,000	58,000
Department of Boating & Waterways	1,200,000	425,189		(53,022)	372,167	55,408
Total Governmental Activities - Direct Borrowings		1,759,189		(111,022)	1,648,167	113,408
Total Governmental Activities		\$18,956,562	\$617,980	(\$536,022)	\$19,038,520	\$583,408
Business-type Activities Bonds:						
2015 Sewer Revenue Bond	6,750,000	\$6,220,000		(\$160,000)	\$6,060,000	\$165,000
2016 Certificates of Participation	6,940,000	5,630,000		(430,000)	5,200,000	445,000
Total Business-type Activities Bonds		11,850,000		(590,000)	11,260,000	610,000
Business-type Activities - Direct Borrowings:						
State Water Resources Board Loan	1,036,480	828,069		(45,844)	782,225	47,035
Total Business-type Activities - Direct Borrowings		828,069		(45,844)	782,225	47,035
Total Business-type Activities		\$12,678,069		(\$635,844)	12,042,225	\$657,035

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 \$53,022 and \$19,134, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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 \$4,297,056. Principal and interest paid for the current fiscal year were \$425,000 and \$174,983, respectively. Total ad valorem property tax revenues were \$601,904.

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 \$601,904.

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 \$11,949,649 and \$617,980 respectively at June 30, 2020.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 – LONG-TERM DEBT (Continued)

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 \$160,000 and \$198,032, respectively. Total customer net revenues were \$2,802,801.

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 \$45,844 and \$21,530, 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 \$430,000 and \$188,900, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 5 – LONG-TERM DEBT (Continued)

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
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	715,000	57,375	124,075	6,081
2026 - 2030	5,750,000	19,750	359,048	3,107
2031 - 2035	7,905,000		290,000	
2036 - 2040	10,330,000		290,000	
2041 - 2045	2,420,002		115,998	
Total	\$29,340,002	\$572,056	\$1,648,167	\$60,765

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$11,949,649.

Fiscal Year Ended June 30	Business-type Activities - Bonds		Business-type Activities Direct Borrowings	
	Principal	Interest	Principal	Interest
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	695,000	282,756	52,121	15,252
2026 - 2030	3,840,000	1,038,355	342,451	55,214
2031 - 2035	1,170,000	608,565	192,047	16,646
2036 - 2040	1,375,000	402,735		
2041 - 2045	1,630,000	146,285		
Total	\$11,260,000	\$3,838,422	\$782,225	\$160,998

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 6 – 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, 2020

NOTE 6 – 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, 2020, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$2,845				\$2,845
Prepays	2,847				2,847
Advances to other funds	1,519,053				1,519,053
Subtotal	1,524,745				1,524,745
Restricted for:					
Pension	1,890,809				1,890,809
Seized assets				\$35,690	35,690
COPs projects			\$4,246,613		4,246,613
Street construction and maintenance				(145,027)	(145,027)
Infrastructure projects				286,971	286,971
Storm drain maintenance				20,872	20,872
Stair improvements				160,228	160,228
Disasters				(271,957)	(271,957)
Grants				821,564	821,564
Debt services				1,030,072	1,030,072
Subtotal	1,890,809		4,246,613	1,938,413	8,075,835
Committed to:					
Library improvements				108,661	108,661
Subtotal				108,661	108,661
Assigned:					
Budget stabilization reserve	835,506				835,506
Emergency shortfall reserve	1,671,013				1,671,013
Subtotal	2,506,519				2,506,519
Unassigned:					
Other	5,822,047				5,822,047
Fund deficit residuals		(\$2,554,014)	(134,671)	(219,698)	(2,908,383)
Subtotal	5,822,047	(2,554,014)	(134,671)	(219,698)	2,913,664
Total fund balances	\$11,744,120	(\$2,554,014)	\$4,111,942	\$1,827,376	\$15,129,424

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 6 – 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, 2020. Future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$2,554,014
Traffic Safety Special Revenue Fund	175,486
Gas Tax Special Revenue Fund	145,027
Disaster Assistance Special Revenue Fund	271,957
Recreation Grant Special Revenue Fund	44,212
General Liability Internal Service Fund	469,062

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, 2020 was \$3,383,572 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, 2020, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,930,948 as unearned lease revenue to be amortized over the remaining 41 years.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2020, the City had recorded \$452,624 as unearned rent revenue.

Combined, the unearned revenue for all funds as June 30, 2020 was \$3,406,669.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – PENSION PLANS (Continued)

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.

The Plan’s provisions and benefits in effect at June 30, 2020, 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	21.748%	13.786%
	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+	52 - 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1% - 2.5%
Required employee contribution rates	8%	7.25%
Required employer contribution rates	12.142%	7.072%
	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%	

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – PENSION PLAN (Continued)

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 or can be paid on a lump sum at a reduced amount. The City elected to make the monthly contributions and the required contribution for the unfunded liability was \$2,100,081 in fiscal year 2020.

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, 2020, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$1,876,068	\$1,094,351	\$2,970,419

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

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

As of June 30, 2020, 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	\$18,863,786
Miscellaneous	10,917,321
Total Net Pension Liability	\$29,781,107

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – PENSION PLAN (Continued)

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Proportion - June 30, 2018	0.30%	0.27%
Proportion - June 30, 2019	0.30%	0.27%
Change - Increase (Decrease)	<u>0.00%</u>	<u>0.01%</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2020, the City recognized pension expense of \$2,190,302. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,876,068	
Differences between actual and expected experience	1,231,635	
Changes in assumptions	773,194	(\$150,888)
Net differences between projected and actual earnings on plan investments	-	(259,503)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(574,864)
Change in proportion	11,436	(213,242)
Total	\$3,892,333	(\$1,198,497)
	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,094,351	
Differences between actual and expected experience	758,254	(\$58,749)
Changes in assumptions	520,588	(184,544)
Net differences between projected and actual earnings on plan investments	-	(190,869)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(327,038)
Change in proportion	152,941	(75,484)
Total	\$2,526,134	(\$836,684)
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$2,970,419	
Differences between actual and expected experience	1,989,889	(\$58,749)
Changes in assumptions	1,293,782	(335,432)
Net differences between projected and actual earnings on plan investments	-	(450,372)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(901,902)
Change in proportion	164,377	(288,726)
Total	\$6,418,467	(\$2,035,181)

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – PENSION PLAN (Continued)

\$2,970,419 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, 2021. 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
2021	\$934,059	\$660,345	\$1,594,404
2022	(276,068)	(180,771)	(456,839)
2023	109,285	76,957	186,242
2024	50,491	38,569	89,060

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

	All Plans
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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)
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

- (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.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1977 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the 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, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

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, 2020

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	Current	1% Increase
	6.15%	7.15%	8.15%
Safety	\$27,874,186	\$18,863,786	\$11,476,670
Miscellaneous	16,351,685	10,917,321	6,431,637
Total	\$44,225,871	\$29,781,107	\$17,908,307

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

Subsequent Event - CalPERS Pension Contribution Rates - The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City’s contribution rates for the fiscal year ended June 30, 2021 are expected to increase over the fiscal year 2020 contribution rates.

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 2020. As of June 30, 2020, the total amount of \$1,890,809 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, 2020

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 agent multiple-employer defined benefit OPEB plan.

Benefits Provided – The following is a summary of Plan benefits by employee group as of June 30, 2020:

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, 2020, the City’s contributions to the Plan were \$404,690.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	71
Inactive employees or beneficiaries currently receiving benefit payments	42
Inactive employees entitled to but not yet receiving benefit payments	32
Total	145

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	5.20%
Inflation	2.50%
Payroll Growth	3.00%
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.

Change of Assumptions – For the measurement of June 30, 2019, the discount rates were increased from 5.0% to 5.2% for plan funding purposes. In addition, the general inflation rate was decreased from 2.75% to 2.5% per year while the salary increase was decreased from 3.25% to 3.0% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 5.20%. 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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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

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, 2019	\$7,296,922	\$1,087,830	\$6,209,092
Changes Recognized for the Measurement Period:			
Service Cost	333,740		333,740
Interest on the total OPEB liability	345,485		345,485
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	(1,107,841)		(1,107,841)
Contributions from the employer		404,690	(404,690)
Plan Experience	(868,226)		(868,226)
Net investment income		62,443	(62,443)
Administrative expenses			
Benefit payments	(211,134)	(211,134)	
Net changes	<u>(1,507,976)</u>	<u>255,999</u>	<u>(1,763,975)</u>
Balance at June 30, 2020	<u>\$5,788,946</u>	<u>\$1,343,829</u>	<u>\$4,445,117</u>

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%
(4.20 %)	(5.20%)	(6.20%)
\$5,311,991	\$4,445,117	\$3,736,495

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
\$3,654,444	\$4,445,117	\$5,432,553

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

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

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$92,646. At June 30, 2020, 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		(\$740,546)
Changes of assumptions	\$51,976	(983,882)
Net differences between projected and actual earnings on plan investments	1,123	
Total	\$53,099	(\$1,724,428)

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
2021	(\$287,598)
2022	(287,598)
2023	(292,044)
2024	(290,309)
2025	(289,668)
Thereafter	(224,112)

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

A. Workers' Compensation Coverage Statistics

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

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

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

At June 30, 2020, the City's estimated workers' compensation liability for unpaid losses was as follows:

	2020	2019
Beginning balance	\$816,098	\$1,327,826
Incurred claims and claims adjustment	(361,622)	(393,604)
Claims paid	141,126	(118,124)
Ending balance	\$595,602	\$816,098
Current portion	\$185,186	\$225,192

Financial statements for the Bay Cities Join 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 \$53 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.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

At June 30, 2020, the City’s estimated general liability for unpaid losses was as follows:

	2020	2019
Beginning balance	\$377,295	\$286,186
Incurred claims and claims adjustment	306,641	177,863
Claims paid	(271,258)	(86,754)
Ending balance	\$412,678	\$377,295
Current portion	\$132,510	\$108,406

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

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

A. *Marin Emergency Radio Authority*

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

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2020

NOTE 13 – SUBSEQUENT EVENT

A. *2020 Lease Agreement*

On October 1, 2020, the City entered into a lease agreement with the Sausalito Financing Authority in the amount of \$1,858,000 to finance the acquisition of a former Bank of America building located at 750 Bridgeway. This lease agreement was assigned to Zions Bancorporation on September 28, 2020. The proceeds from the lease financing are for the reimbursement of the City's General Fund. The General Fund advanced the monies used to purchase the property from Bank of America for \$2,000,000. Principal and interest payments are due semi-annually commencing June 1, 2021 for fourteen (14) years.

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	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%	0.30%	0.31%	0.30%	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	\$18,863,786
Plan's Covered Payroll	1,965,044	2,031,497	1,844,449	2,391,883	2,285,735	2,254,942
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	637%	621%	863%	748%	780%	837%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	77%	77%	72%	72%	71%	71%
	Miscellaneous					
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%	0.22%	0.22%	0.27%	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	\$10,917,321
Plan's Covered Payroll	3,812,428	3,898,870	3,911,846	3,869,850	4,480,775	4,249,298
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137%	180%	226%	264%	225%	257%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83%	78%	74%	73%	75%	73%

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF CONTRIBUTIONS

	Safety					
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$760,463	\$1,058,862	\$1,263,277	\$1,435,570	\$1,641,914	\$1,876,068
Contributions in relation to the actuarially determined contributions	(760,463)	(1,058,862)	(1,263,277)	(1,435,570)	(1,641,914)	(1,876,068)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$2,031,497	\$1,844,449	\$2,391,883	\$2,285,735	\$2,254,942	\$2,202,641
Contributions as a percentage of covered payroll	37.43%	57.41%	52.82%	62.81%	72.81%	85.17%
	Miscellaneous					
	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$553,613	\$704,178	\$769,773	\$868,197	\$972,887	\$1,094,351
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)	(769,773)	(868,197)	(972,887)	(1,094,351)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$3,898,870	\$3,911,846	\$3,869,850	\$4,480,775	\$4,249,298	\$4,223,782
Contributions as a percentage of covered payroll	14.20%	18.00%	19.89%	19.38%	22.90%	25.91%

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 Agent Multiple-Employer OPEB Plan Last 10 fiscal years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20
Total OPEB Liability				
Service Cost	\$150,736	\$312,568	\$313,856	\$333,740
Interest	271,950	312,153	331,821	345,485
Changes in benefit terms				
Differences between expected and actual experience	13,921			(868,226)
Changes of assumptions		(58,834)	67,086	(1,107,841)
Benefit payments	<u>(203,921)</u>	<u>(273,223)</u>	<u>(290,677)</u>	<u>(211,134)</u>
Net change in total OPEB liability	232,686	292,664	422,086	(1,507,976)
Total OPEB liability - beginning	<u>5,189,259</u>	<u>6,582,172</u>	<u>6,874,836</u>	<u>7,296,922</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>	<u><u>\$5,788,946</u></u>
Plan fiduciary net position				
Contributions - employer	\$203,921	\$273,223	\$446,679	\$404,690
Contributions - employee				
Net investment income	32,621	20,523	56,336	62,443
Administrative expense	(1,727)			
Benefit payments	<u>(203,921)</u>	<u>(273,223)</u>	<u>(290,677)</u>	<u>(211,134)</u>
Net change in plan fiduciary net position	30,894	20,523	212,338	255,999
Plan fiduciary net position - beginning	<u>679,060</u>	<u>854,969</u>	<u>875,492</u>	<u>1,087,830</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>	<u><u>\$1,343,829</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>	<u><u>\$4,445,117</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	13.09%	12.73%	14.91%	23.21%
Covered-employee payroll	<u>n/a</u>	<u>\$6,387,682</u>	<u>\$6,504,240</u>	<u>\$5,535,686</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>n/a</u>	<u>93.92%</u>	<u>95.46%</u>	<u>80.30%</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

Agent Multiple-Employer OPEB Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined contribution	\$380,544	\$578,562	\$594,529	\$455,795
Contributions in relation to the actuarially determined contribution	<u>203,921</u>	<u>273,223</u>	<u>446,679</u>	<u>404,690</u>
Contribution deficiency (excess)	<u>\$176,623</u>	<u>\$305,339</u>	<u>\$147,850</u>	<u>\$51,105</u>
Covered-employee payroll	<u>n/a</u>	<u>\$6,387,682</u>	<u>\$6,504,240</u>	<u>\$5,535,686</u>
Contributions as a percentage of covered-employee payroll	n/a	4.28%	6.87%	7.31%
Notes to Schedule				
Valuation date:	June 30, 2016	June 30, 2017	June 30, 2017	June 30, 2019

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019			
Actuarial Assumptions:				
Discount Rate	5.20%			
Inflation	2.75%	2.75%	2.75%	2.50%
Payroll Growth	3.25%	3.25%	3.25%	3.00%
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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property tax	\$5,374,834	\$5,374,834	\$5,977,754	\$602,920
Sales tax	3,664,248	3,664,248	3,845,633	181,385
Other tax	2,647,549	2,647,549	2,084,090	(563,459)
Licenses and permits	1,510,500	1,510,500	1,763,872	253,372
Fines and forfeitures	550,472	550,472	504,712	(45,760)
Use of money and property	534,412	534,412	616,242	81,830
Intergovernmental			11,738	11,738
Charges for services	1,359,755	1,359,755	1,256,004	(103,751)
Other revenues	270,147	270,147	150,243	(119,904)
Total Revenues	<u>15,911,917</u>	<u>15,911,917</u>	<u>16,210,288</u>	<u>298,371</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,855,492	1,855,492	2,246,764	(391,272)
Information technology	742,211	742,211	727,320	14,891
Non departmental	1,879,957	1,879,957	2,045,807	(165,850)
Library	959,580	959,580	859,080	100,500
Public safety:				
Police	6,439,080	6,439,080	5,672,031	767,049
Community development	2,932,992	2,932,992	1,685,301	1,247,691
Public works	1,114,722	1,114,722	1,976,807	(862,085)
Parks & recreation	914,593	914,593	1,497,017	(582,424)
Total Expenditures	<u>16,838,627</u>	<u>16,838,627</u>	<u>16,710,127</u>	<u>128,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(926,710)</u>	<u>(926,710)</u>	<u>(499,839)</u>	<u>426,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,075,000	3,075,000	3,049,000	(26,000)
Transfers (out)	(3,376,810)	(3,376,810)	(3,376,811)	(1)
Total Other Financing Sources (Uses)	<u>(301,810)</u>	<u>(301,810)</u>	<u>(327,811)</u>	<u>(26,001)</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,228,520)</u>	<u>(\$1,228,520)</u>	<u>(827,650)</u>	<u>\$400,870</u>
BEGINNING FUND BALANCE			<u>12,571,770</u>	
ENDING FUND BALANCE			<u>\$11,744,120</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, 2020

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$713,276	\$606,137	(\$107,139)
Intergovernmental	<u>177,000</u>	<u> </u>	<u>(177,000)</u>
Total Revenues	<u>890,276</u>	<u>606,137</u>	<u>(284,139)</u>
EXPENDITURES:			
Current:			
General government	494,994	196,233	298,761
Interest and other charges	<u>22,075</u>	<u>250</u>	<u>21,825</u>
Total Expenditures	<u>517,069</u>	<u>196,483</u>	<u>320,586</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>373,207</u>	<u>409,654</u>	<u>36,447</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(322,155)</u>	<u>(322,155)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(322,155)</u>	<u>(322,155)</u>	<u> </u>
NET CHANGE IN FUND BALANCE	<u><u>\$51,052</u></u>	87,499	<u><u>\$36,447</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(2,641,513)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$2,554,014)</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, 2020

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental	\$1,095,000	\$882,479	(\$212,521)
Use of money and property	96,227	71,533	(24,694)
Other revenue	332,500		(332,500)
	<u>1,523,727</u>	<u>954,012</u>	<u>(569,715)</u>
Total Revenues			
EXPENDITURES:			
Capital outlay	<u>5,436,877</u>	<u>2,784,562</u>	<u>2,652,315</u>
Total Expenditures	<u>5,436,877</u>	<u>2,784,562</u>	<u>2,652,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,913,150)</u>	<u>(1,830,550)</u>	<u>2,082,600</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>4,862,526</u>	<u>2,652,455</u>	<u>(2,210,071)</u>
Total Other Financing Sources (Uses)	<u>4,862,526</u>	<u>2,652,455</u>	<u>(2,210,071)</u>
NET CHANGE IN FUND BALANCE	<u>\$949,376</u>	821,905	<u>(\$127,471)</u>
BEGINNING FUND BALANCE		<u>3,290,037</u>	
ENDING FUND BALANCE (DEFICIT)		<u>\$4,111,942</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, 2020

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Impact Fees
ASSETS				
Cash and investments	\$35,615			\$286,001
Restricted cash and investments				
Receivables:				
Accounts receivable, net	75		\$659	970
Total Assets	\$35,690		\$659	\$286,971
LIABILITIES				
Accounts payable		\$15,342	\$27,568	
Due to other funds		160,144	118,118	
Total Liabilities		175,486	145,686	
FUND BALANCE				
Restricted	\$35,690		(145,027)	\$286,971
Committed				
Unassigned		(175,486)		
Total Fund Balances	35,690	(175,486)	(145,027)	286,971
Total Liabilities and Fund Balances	\$35,690		\$659	\$286,971

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
\$119,895	\$20,826	\$159,895			\$630,606
<u>69,725</u>	<u>46</u>	<u>333</u>	<u>\$475</u>		<u>1,338</u>
<u>\$189,620</u>	<u>\$20,872</u>	<u>\$160,228</u>	<u>\$475</u>		<u>\$631,944</u>
			\$95,239		
			<u>177,193</u>	<u>\$44,212</u>	
			<u>272,432</u>	<u>44,212</u>	
\$189,620	\$20,872	\$160,228	(271,957)		\$631,944
				(44,212)	
<u>189,620</u>	<u>20,872</u>	<u>160,228</u>	<u>(271,957)</u>	<u>(44,212)</u>	<u>631,944</u>
<u>\$189,620</u>	<u>\$20,872</u>	<u>\$160,228</u>	<u>\$475</u>		<u>\$631,944</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Capital Improvement</u>	
ASSETS				
Cash and investments	\$13,598		\$108,435	\$1,374,871
Restricted cash and investments	1,016,474			1,016,474
Receivables:				
Accounts receivable, net			226	73,847
Total Assets	<u>\$1,030,072</u>		<u>\$108,661</u>	<u>\$2,465,192</u>
LIABILITIES				
Accounts payable				\$138,149
Due to other funds				499,667
Total Liabilities				<u>637,816</u>
FUND BALANCE				
Restricted	\$1,030,072			1,938,413
Committed			\$108,661	108,661
Unassigned				(219,698)
Total Fund Balances	<u>1,030,072</u>		<u>108,661</u>	<u>1,827,376</u>
Total Liabilities and Fund Balances	<u>\$1,030,072</u>		<u>\$108,661</u>	<u>\$2,465,192</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, 2020

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Fines and forfeitures		\$7,343		
Use of money and property	\$173	292	\$658	\$1,745
Intergovernmental		8,337	167,927	
Charges for services				122,356
				<u>122,356</u>
Total Revenues	<u>173</u>	<u>15,972</u>	<u>168,585</u>	<u>124,101</u>
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		80,333	97,099	
Debt service:				
Principal				
Interest and other charges				
				<u>122,356</u>
Total Expenditures		<u>80,333</u>	<u>97,099</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>173</u>	<u>(64,361)</u>	<u>71,486</u>	<u>124,101</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)		(4,000)	(435,000)	(180,000)
				<u>(180,000)</u>
Total Other Financing Sources (Uses)		<u>(4,000)</u>	<u>(435,000)</u>	<u>(180,000)</u>
NET CHANGE IN FUND BALANCES	173	(68,361)	(363,514)	(55,899)
BEGINNING FUND BALANCES (DEFICITS)	<u>35,517</u>	<u>(107,125)</u>	<u>218,487</u>	<u>342,870</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$35,690</u>	<u>(\$175,486)</u>	<u>(\$145,027)</u>	<u>\$286,971</u>

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
\$539	\$1,329	\$351	\$2,472		\$2,494
201,736	71,558				173,861
<u>202,275</u>	<u>72,887</u>	<u>351</u>	<u>2,472</u>		<u>176,355</u>
122,716	25,611		702,159		
<u>122,716</u>	<u>25,611</u>		<u>702,159</u>		
79,559	47,276	351	(699,687)		176,355
	(40,000)		(575,000)		
	(40,000)		(575,000)		
79,559	7,276	351	(1,274,687)		176,355
110,061	13,596	159,877	1,002,730	(\$44,212)	455,589
<u>\$189,620</u>	<u>\$20,872</u>	<u>\$160,228</u>	<u>(\$271,957)</u>	<u>(\$44,212)</u>	<u>\$631,944</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>DEBT SERVICE FUND</u>		<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Capital Improvement</u>	
REVENUES				
Property tax	\$601,904			\$601,904
Fines and forfeitures				7,343
Use of money and property	11,007		\$2,737	23,797
Intergovernmental				551,861
Charges for services				193,914
	<u>612,911</u>	<u></u>	<u>2,737</u>	<u>1,378,819</u>
Total Revenues				
EXPENDITURES				
Current:				
Public safety:				
Police				122,716
Public works				905,202
Debt service:				
Principal	425,000	\$53,022		478,022
Interest and other charges	175,733	19,134		194,867
	<u>600,733</u>	<u>72,156</u>	<u></u>	<u>1,700,807</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>12,178</u>	<u>(72,156)</u>	<u>2,737</u>	<u>(321,988)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		72,156		72,156
Transfers (out)				(1,234,000)
	<u></u>	<u>72,156</u>	<u></u>	<u>(1,161,844)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	12,178		2,737	(1,483,832)
BEGINNING FUND BALANCES (DEFICITS)	<u>1,017,894</u>	<u></u>	<u>105,924</u>	<u>3,311,208</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$1,030,072</u>	<u></u>	<u>\$108,661</u>	<u>\$1,827,376</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, 2020

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$30,000	\$7,343	(\$22,657)			
Use of money and property		292	292		\$658	\$658
Intergovernmental		8,337	8,337	\$250,851	167,927	(82,924)
Charges for services						
Other revenues						
Total Revenues	<u>30,000</u>	<u>15,972</u>	<u>(14,028)</u>	<u>250,851</u>	<u>168,585</u>	<u>(82,266)</u>
EXPENDITURES						
Current:						
Public works	25,000	80,333	(55,333)	90,000	97,099	(7,099)
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>25,000</u>	<u>80,333</u>	<u>(55,333)</u>	<u>90,000</u>	<u>97,099</u>	<u>(7,099)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,000</u>	<u>(64,361)</u>	<u>(69,361)</u>	<u>160,851</u>	<u>71,486</u>	<u>(89,365)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(2,000)	(4,000)	(2,000)	(435,000)	(435,000)	
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(4,000)</u>	<u>(2,000)</u>	<u>(435,000)</u>	<u>(435,000)</u>	
NET CHANGES IN FUND BALANCES	<u>\$3,000</u>	<u>(68,361)</u>	<u>(\$71,361)</u>	<u>(\$274,149)</u>	<u>(363,514)</u>	<u>(\$89,365)</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(107,125)</u>			<u>218,487</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$175,486)</u>			<u>(\$145,027)</u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Storm Drain			Stairs Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,745	\$1,745		\$1,329	\$1,329		\$351	\$351
\$180,000	122,356	(57,644)	\$74,500	71,558	(2,942)			
<u>180,000</u>	<u>124,101</u>	<u>(55,899)</u>	<u>74,500</u>	<u>72,887</u>	<u>(1,613)</u>		<u>351</u>	<u>351</u>
			28,500	25,611	2,889			
			<u>28,500</u>	<u>25,611</u>	<u>2,889</u>			
<u>180,000</u>	<u>124,101</u>	<u>(55,899)</u>	<u>46,000</u>	<u>47,276</u>	<u>1,276</u>		<u>351</u>	<u>351</u>
<u>(180,000)</u>	<u>(180,000)</u>		<u>(40,000)</u>	<u>(40,000)</u>				
<u>(180,000)</u>	<u>(180,000)</u>		<u>(40,000)</u>	<u>(40,000)</u>				
	<u>(55,899)</u>	<u>(\$55,899)</u>	<u>\$6,000</u>	7,276	<u>\$1,276</u>		351	<u>\$351</u>
	<u>342,870</u>			<u>13,596</u>			<u>159,877</u>	
	<u>\$286,971</u>			<u>\$20,872</u>			<u>\$160,228</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, 2020

	SPECIAL REVENUE FUNDS					
	Recreation Grant			Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures						
Use of money and property					\$2,494	\$2,494
Intergovernmental	\$65,000		(\$65,000)	\$80,000	173,861	93,861
Charges for services						
Other revenues						
Total Revenues	<u>65,000</u>		<u>(65,000)</u>	<u>80,000</u>	<u>176,355</u>	<u>96,355</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>10,000</u>		<u>(10,000)</u>	<u>80,000</u>	<u>176,355</u>	<u>96,355</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGES IN FUND BALANCES	<u>\$10,000</u>		<u>(\$10,000)</u>	<u>\$80,000</u>	176,355	<u>\$96,355</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>(\$44,212)</u>			<u>455,589</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$44,212)</u>			<u>\$631,944</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$733,983	\$601,904	(\$132,079)			
	11,007	11,007			
<u>733,983</u>	<u>612,911</u>	<u>(121,072)</u>			
485,000	425,000	60,000	\$46,463	\$53,022	(\$6,559)
247,383	175,733	71,650	25,693	19,134	6,559
<u>732,383</u>	<u>600,733</u>	<u>131,650</u>	<u>72,156</u>	<u>72,156</u>	
1,600	12,178	10,578	(72,156)	(72,156)	
			72,155	72,156	1
			<u>72,155</u>	<u>72,156</u>	<u>1</u>
<u>\$1,600</u>	12,178	<u>\$10,578</u>	<u>(\$1)</u>		<u>\$1</u>
	<u>1,017,894</u>				
	<u>\$1,030,072</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, 2020

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$766,939	\$1,055,356	\$768,869		\$2,591,164
Accounts receivable, net	2,766		617		3,383
Total current assets	769,705	1,055,356	769,486		2,594,547
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	164,017				164,017
Total noncurrent assets	164,017				164,017
Total Assets	933,722	1,055,356	769,486		2,758,564
LIABILITIES					
Current liabilities:					
Accounts payable	662	8,638	403,089	\$12,333	424,722
Due to other funds				44,051	44,051
Claims payable - due within one year		185,186		132,510	317,696
Total current liabilities	662	193,824	403,089	188,894	786,469
Noncurrent liabilities					
Claims payable, due in more than one year		410,416		280,168	690,584
Total noncurrent liabilities		410,416		280,168	690,584
Total Liabilities	662	604,240	403,089	469,062	1,477,053
NET POSITION					
Net investment in capital assets	164,017				164,017
Unrestricted	769,043	451,116	366,397	(469,062)	1,117,494
Total Net Position	\$933,060	\$451,116	\$366,397	(\$469,062)	\$1,281,511

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	<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					
Total Operating Revenues					
OPERATING EXPENSES					
Repairs and maintenance	\$1,329				\$1,329
Other operating expenses	15,799	\$43,420	\$461,089	\$193,918	714,226
Depreciation	121,525				121,525
Total Operating Expenses	138,653	43,420	461,089	193,918	837,080
Operating Income (Loss)	(138,653)	(43,420)	(461,089)	(193,918)	(837,080)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	3,860		1,594		5,454
Total nonoperating revenue	3,860		1,594		5,454
Income before transfers	(134,793)	(43,420)	(459,495)	(193,918)	(831,626)
Transfers in		1,357,755	472,189	328,416	2,158,360
Transfers, net		1,357,755	472,189	328,416	2,158,360
Change in Net Position	(134,793)	1,314,335	12,694	134,498	1,326,734
BEGINNING NET POSITION	1,067,853	(863,219)	353,703	(603,560)	(45,223)
ENDING NET POSITION	<u>\$933,060</u>	<u>\$451,116</u>	<u>\$366,397</u>	<u>(\$469,062)</u>	<u>\$1,281,511</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from (refunds of) interdepartmental charges	\$1,793	\$188	\$1,175		\$3,156
Payment to suppliers	(16,520)	(351,716)	(58,000)	(\$213,341)	(639,577)
Cash Flows from Operating Activities	<u>(14,727)</u>	<u>(351,528)</u>	<u>(56,825)</u>	<u>(213,341)</u>	<u>(636,421)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments				(115,075)	(115,075)
Transfers in		1,357,755	472,189	328,416	2,158,360
Cash Flows from Capital and Related Financing Activities		<u>1,357,755</u>	<u>472,189</u>	<u>213,341</u>	<u>2,043,285</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets, net	(95,789)				(95,789)
Cash Flows from Capital and Related Financing Activities	<u>(\$95,789)</u>				<u>(\$95,789)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	\$3,860		\$1,594		\$5,454
Net Cash Flows	(106,656)	\$1,006,227	416,958		1,316,529
Cash and investments at beginning of period	873,595	49,129	351,911		1,274,635
Cash and investments at end of period	<u>\$766,939</u>	<u>\$1,055,356</u>	<u>\$768,869</u>		<u>\$2,591,164</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$138,653)	(\$43,420)	(\$461,089)	(\$193,918)	(\$837,080)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	121,525				121,525
Change in assets and liabilities:					
Accounts receivable	1,793	188	1,175		3,156
Accounts payable	608	(87,800)	403,089	(54,806)	261,091
Claims payable		(220,496)		35,383	(185,113)
Cash Flows from Operating Activities	<u>(\$14,727)</u>	<u>(\$351,528)</u>	<u>(\$56,825)</u>	<u>(\$213,341)</u>	<u>(\$636,421)</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

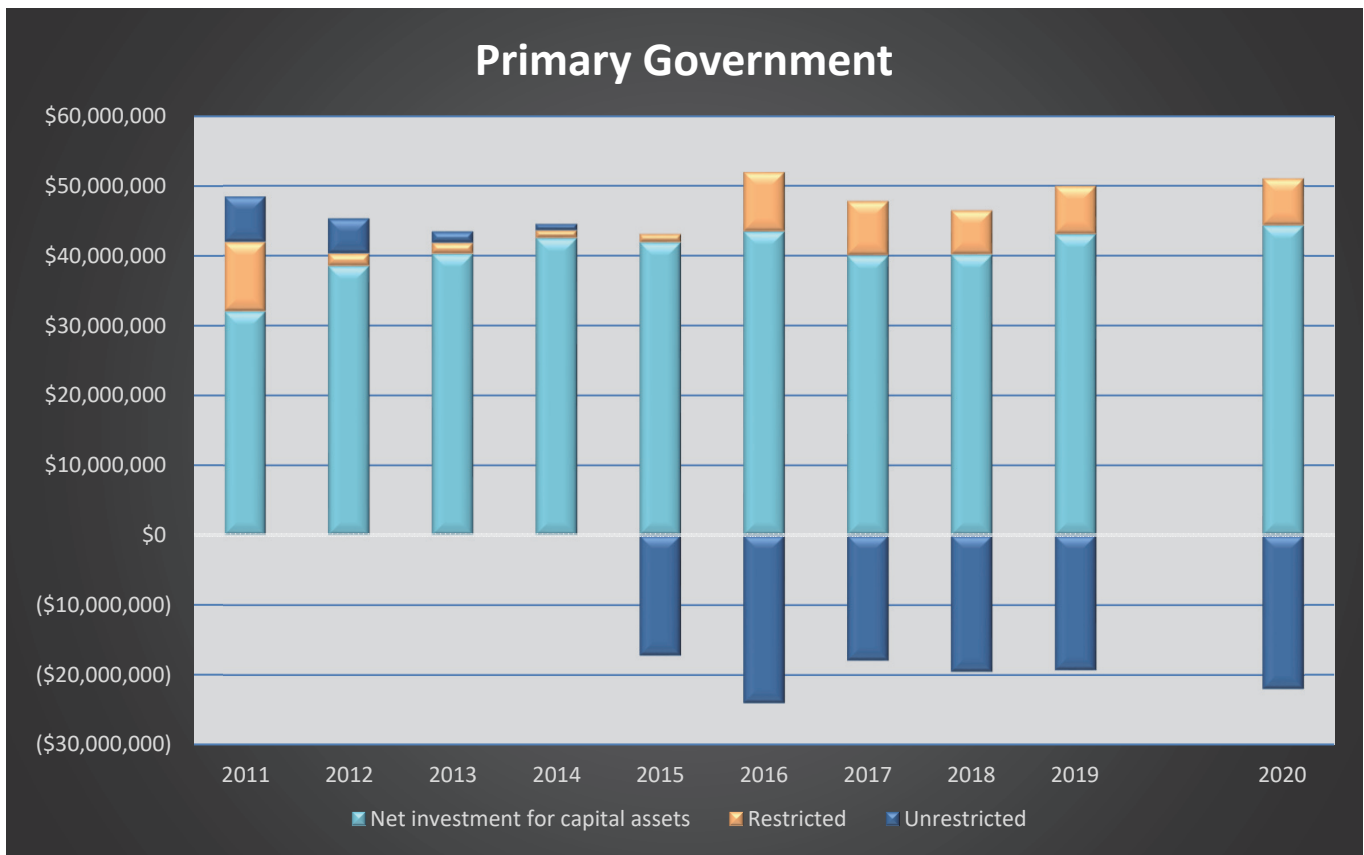
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

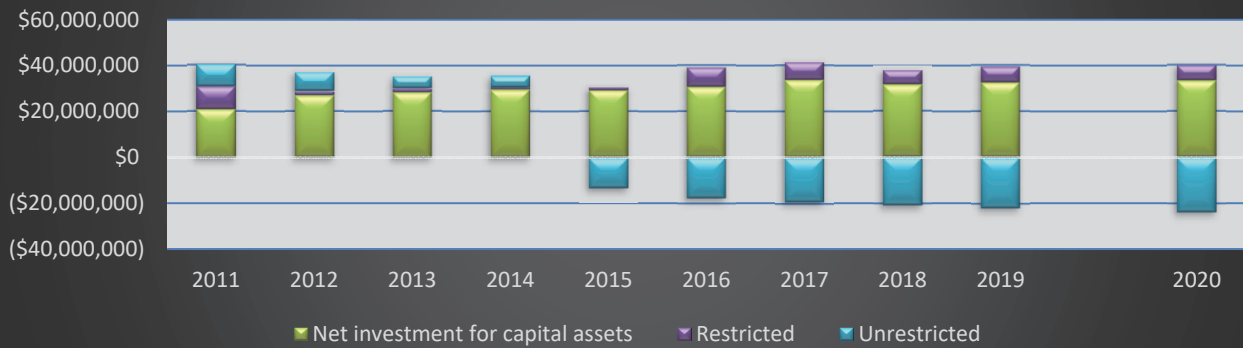
Unless otherwise noted, the information in these schedules is derived from the City of Sausalito for the relevant year.

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



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$20,994,353	\$26,947,881	\$28,195,135	\$29,547,058
Restricted	9,933,293	1,779,505	1,563,321	1,095,581
Unrestricted	9,567,196	8,328,131	5,293,890	4,975,319
Total governmental activities net positions	<u>\$40,494,842</u>	<u>\$37,055,517</u>	<u>\$35,052,346</u>	<u>\$35,617,958</u>
<i>Business-type activities</i>				
Net investment for capital assets	\$11,049,878	\$11,608,272	\$12,094,011	\$12,994,794
Restricted for Debt Service				
Unrestricted	(3,000,983)	(3,324,964)	(3,662,359)	(4,056,830)
Total business-type activities net positions	<u>\$8,048,895</u>	<u>\$8,283,308</u>	<u>\$8,431,652</u>	<u>\$8,937,964</u>
<i>Primary government</i>				
Net investment for capital assets	\$32,044,231	\$38,556,153	\$40,289,146	\$42,541,852
Restricted	9,933,293	1,779,505	1,563,321	1,095,581
Unrestricted	6,566,213	5,003,167	1,631,531	918,489
Total primary government net positions	<u>\$48,543,737</u>	<u>\$45,338,825</u>	<u>\$43,483,998</u>	<u>\$44,555,922</u>

Governmental Activities



Business Type Activities



2015	2016	2017	2018	2019	2020
\$29,250,403	\$30,733,580	\$33,842,540	\$31,530,948	\$32,687,873	\$33,372,517
1,170,530	8,501,517	7,759,352	6,322,862	6,920,085	6,710,670
<u>(13,314,302)</u>	<u>(17,851,721)</u>	<u>(19,409,378)</u>	<u>(20,915,547)</u>	<u>(21,939,106)</u>	<u>(23,842,271)</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>	<u>\$16,240,916</u>
\$12,678,623	\$12,769,411	\$6,213,481	\$8,651,606	\$10,407,633	\$10,987,018
<u>(3,894,844)</u>	<u>(6,165,088)</u>	<u>1,476,612</u>	<u>1,388,750</u>	<u>2,243,293</u>	<u>1,858,325</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>	<u>\$12,845,343</u>
\$41,929,026	\$43,502,991	\$40,056,021	\$40,182,554	\$43,095,506	\$44,359,535
1,170,530	8,501,517	7,759,139	6,322,862	6,920,085	6,710,671
<u>(17,209,146)</u>	<u>(24,016,809)</u>	<u>(17,932,766)</u>	<u>(19,526,797)</u>	<u>(19,293,813)</u>	<u>(21,983,946)</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>	<u>\$29,086,260</u>

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

	Fiscal Year Ending June 30				
	2011	2012	2013	2014	2015
Expenses					
Governmental Activities:					
General Government	\$2,918,515	\$3,118,473	\$4,775,777	\$3,472,850	\$3,344,618
Library	736,138	689,413	807,413	843,657	762,567
Public Safety:					
Police Services	4,605,286	4,950,954	5,277,918	5,097,517	5,398,539
Fire Services	3,584,319	5,292,475			(354,463)
Community Development	1,162,419	1,370,227	1,229,352	1,327,571	1,163,835
Public Works	2,016,258	2,222,144	2,674,528	3,022,208	2,599,572
Parks & Recreation	689,994	737,184	846,814	821,638	784,167
PERS sidefund expense					
Interest on long-term debt	785,825	1,056,346	727,576	741,938	755,578
Total Governmental Activities Expenses	<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>	<u>15,327,379</u>	<u>14,454,413</u>
Business-Type Activities:					
MLK	794,100	752,882	865,521	851,018	875,712
Sewer	1,561,902	1,546,806	1,770,446	1,635,796	2,191,635
Parking	359,878	370,724	285,784	482,521	419,621
Old City Hall	71,271	35,369	29,552	28,315	29,292
Total Business-Type Activities Expenses	<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>	<u>2,997,650</u>	<u>3,516,260</u>
Total Primary Government Expenses	<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,290,681</u>	<u>\$18,325,029</u>	<u>\$17,970,673</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$40,921	\$35,019	\$38,677	\$30,616	\$38,236
Library	13,812	11,735	11,645	11,033	8,053
Public Safety:					
Police Services	292,898	621,562	588,709	631,733	605,659
Fire Services	148,672	131,127	3,625		
Community Development	781,973	742,691	704,213	823,877	746,175
Public Works	364,494	284,478	295,540	282,718	321,591
Parks & recreation	301,240	373,707	450,382	454,454	422,234
Operating Grants and Contributions	358,806	348,997	399,125	416,778	330,104
Capital Grants and Contributions	347,764	355,315	242,554	215,407	101,210
Total Government Activities Program Revenues	<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>	<u>2,866,616</u>	<u>2,573,262</u>

Fiscal Year Ending June 30

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$7,876,856	\$4,625,904	\$4,974,527	\$5,115,143	\$6,059,361
1,008,411	979,467	1,066,138	1,010,913	934,027
4,980,899	5,949,734	5,972,175	6,961,641	7,622,967
1,244,302	1,636,859	1,780,240	2,197,519	2,280,651
3,897,233	3,779,479	5,501,532	3,881,788	4,293,271
871,295	788,761	899,114	906,354	1,589,774
<u>766,804</u>	<u>802,767</u>	<u>784,261</u>	<u>793,895</u>	<u>801,599</u>
<u>20,645,800</u>	<u>18,562,971</u>	<u>20,977,987</u>	<u>20,867,253</u>	<u>23,581,650</u>
738,169	738,169	862,957	720,921	639,854
1,986,711	1,986,711	2,035,682	1,612,469	2,109,365
675,660	675,660	506,223	555,293	450,584
<u>28,423</u>	<u>28,423</u>	<u>28,439</u>	<u>28,456</u>	<u>36,389</u>
<u>3,428,963</u>	<u>3,428,963</u>	<u>3,433,301</u>	<u>2,917,139</u>	<u>3,236,192</u>
<u>\$24,074,763</u>	<u>\$21,991,934</u>	<u>\$24,411,288</u>	<u>\$23,784,392</u>	<u>\$26,817,842</u>
\$29,677	\$31,271	\$29,312	\$26,785	\$37,352
11,336	6,543	12,755	7,753	2,275
531,487	547,922	575,257	724,010	531,383
713,756	935,402	1,034,038	1,141,542	808,558
292,400	383,615	327,771	351,036	234,722
450,451	469,936	501,043	508,493	358,083
414,404	551,001	447,326	606,316	396,366
<u>52,215</u>	<u>40,011</u>	<u>66,869</u>	<u>749,727</u>	<u>10,790</u>
<u>2,495,726</u>	<u>2,965,701</u>	<u>2,994,371</u>	<u>4,115,662</u>	<u>2,379,529</u>

(Continued)

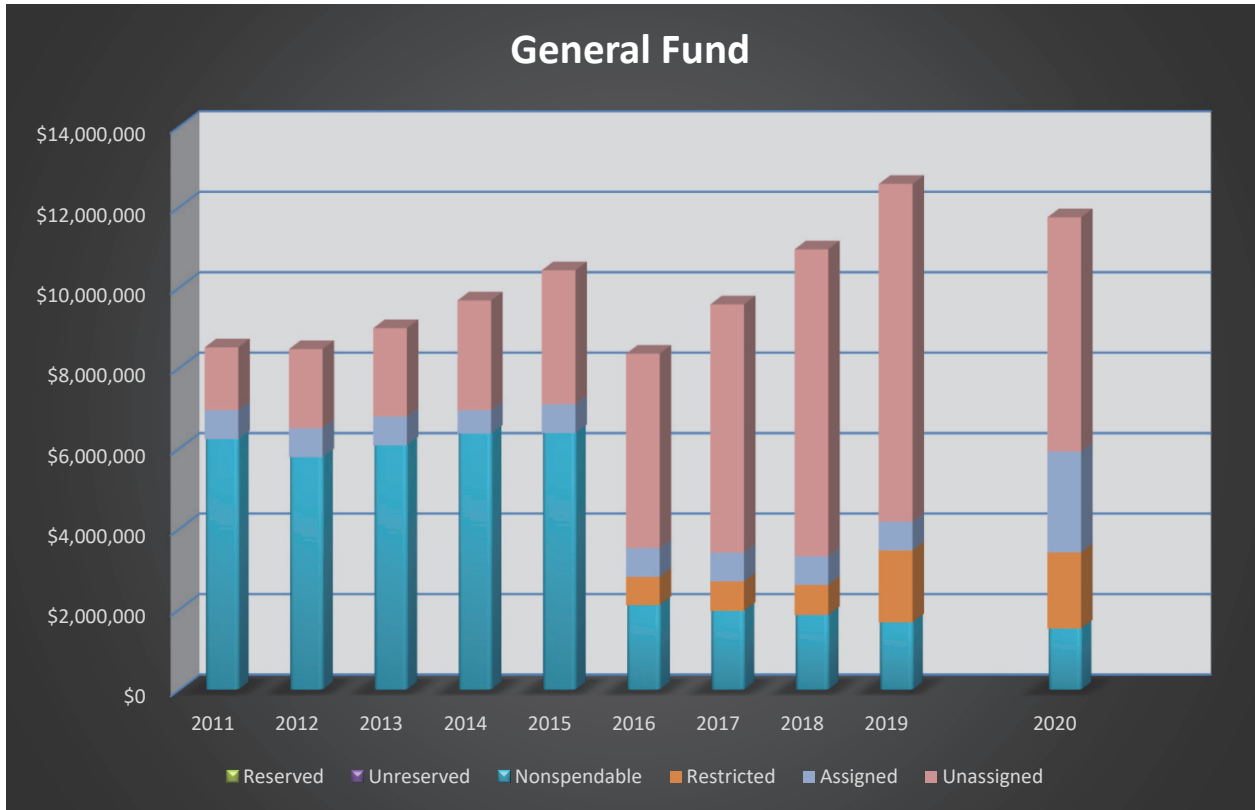
CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Business-Type Activities:					
Charges for Services:					
MLK	\$1,076,518	\$960,525	\$976,046	\$1,154,301	\$1,282,157
Sewer	1,406,892	1,492,093	1,595,411	1,723,816	2,409,019
Parking	1,556,315	1,716,346	1,788,290	1,941,042	2,071,784
Old City Hall	231,087	247,490	269,814	268,136	270,867
Total Business-Type Activities Program Revenue	<u>4,270,812</u>	<u>4,416,454</u>	<u>4,629,561</u>	<u>5,087,295</u>	<u>6,033,827</u>
Total Primary Government Program Revenues	<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>	<u>\$7,953,911</u>	<u>\$8,607,089</u>
Net (Expense)/Revenue					
Governmental Activities	(\$13,848,174)	(\$16,532,585)	(\$13,604,908)	(\$12,460,763)	(\$12,048,159)
Business-Type Activities	1,483,661	1,710,673	1,678,258	2,089,645	2,517,567
Total Primary Government Net Expense	<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>	<u>(\$10,371,118)</u>	<u>(\$9,530,592)</u>
General Revenues and Other Changes in Net Positions					
Governmental Activities:					
Taxes					
Property taxes	\$7,006,903	\$6,981,555	\$4,496,455	\$4,858,913	\$4,926,278
Sales taxes	1,443,028	1,694,242	1,761,236	1,923,191	2,407,184
Transient occupancy tax	828,819	893,946	966,762	1,202,228	1,462,774
Other taxes	1,200,878	1,240,473	556,907	554,741	520,268
Motor vehicle in-lieu, unrestricted	34,616	3,758			
Franchise Fees			773,713	790,795	795,249
Use of Money/Property and interest earnings	866,032	862,014	1,012,803	1,121,106	1,113,561
Intergovernmental revenues					
Other Revenues	568,659	514,282	478,203	944,743	671,256
Transfers	1,438,050	1,480,577	1,555,658	1,630,658	1,655,658
Extraordinary items:					
Assets transferred to the					
Southern Marin Fire Protection District		(577,587)			
Total Government Activities	<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>	<u>13,026,375</u>	<u>13,552,228</u>
Business-Type Activities:					
Use of Money/Property and interest earnings	8,883	4,166	5,356	6,571	17,740
Transfers	(1,438,050)	(1,480,577)	(1,555,658)	(1,630,658)	(1,655,658)
Other Revenues		151	20,388	40,754	82,105
Total Business-Type Activities	<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>	<u>(1,583,333)</u>	<u>(1,555,813)</u>
Total Primary Government	<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>	<u>\$11,443,042</u>	<u>\$11,996,415</u>
Change in Net Positions					
Governmental Activities	(\$461,189)	(\$3,439,325)	(\$2,003,171)	\$565,612	\$1,504,069
Business-Type Activities	54,494	234,413	148,344	506,312	961,754
Total Primary Government	<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>	<u>\$1,071,924</u>	<u>\$2,465,823</u>

Fiscal Year Ended June 30

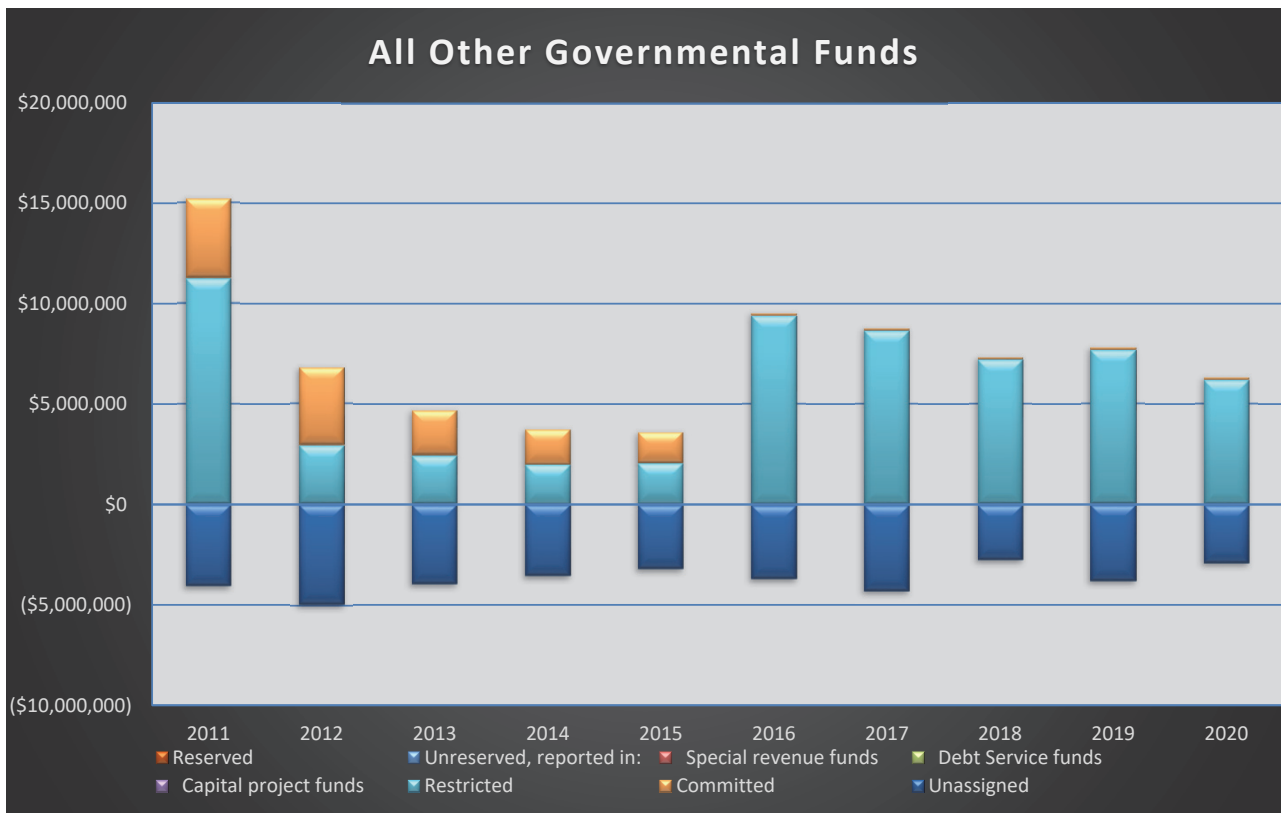
2016	2017	2018	2019	2020
\$1,338,116	\$1,389,245	\$1,430,501	\$1,369,411	\$1,366,683
2,458,454	2,633,624	2,703,007	2,741,947	2,764,001
2,288,050	2,372,766	2,470,366	2,569,475	1,955,508
249,786	238,375	237,682	236,944	228,568
<u>6,334,406</u>	<u>6,634,010</u>	<u>6,841,556</u>	<u>6,917,777</u>	<u>6,314,760</u>
<u>\$8,830,132</u>	<u>\$9,599,711</u>	<u>\$9,835,927</u>	<u>\$11,033,439</u>	<u>\$8,694,289</u>
(\$18,150,074)	(\$14,664,591)	(\$17,983,616)	(\$16,751,591)	(\$21,202,121)
<u>2,489,170</u>	<u>3,205,047</u>	<u>3,408,255</u>	<u>4,000,638</u>	<u>3,078,568</u>
<u>(\$15,660,904)</u>	<u>(\$11,459,544)</u>	<u>(\$14,575,361)</u>	<u>(\$12,750,953)</u>	<u>(\$18,123,553)</u>
\$5,193,351	\$5,615,754	\$5,886,083	\$6,478,038	\$6,579,658
3,520,765	3,480,087	3,600,023	3,607,786	3,845,633
1,589,199	1,609,865	1,530,301	1,862,675	1,313,921
557,501	567,356	641,887	631,060	1,896,351
815,032	822,456	848,115	836,970	743,437
1,147,263	810,841	1,011,880	1,163,195	908,026
441,276	406,319	784,448	1,325,704	1,488,155
9,162,432	2,160,838	1,266,906	1,576,752	2,999,005
<u>22,426,819</u>	<u>15,473,516</u>	<u>15,569,643</u>	<u>17,482,180</u>	<u>19,774,186</u>
37,513	40,992	101,533	187,289	112,826
(9,162,432)	(2,160,838)	(1,266,906)	(1,576,752)	(2,999,005)
<u>4,456,293</u>	<u>569</u>	<u></u>	<u>1,395</u>	<u>28</u>
<u>(4,668,626)</u>	<u>(2,119,277)</u>	<u>(1,165,373)</u>	<u>(1,388,068)</u>	<u>(2,886,151)</u>
<u>\$17,758,193</u>	<u>\$13,354,239</u>	<u>\$14,404,270</u>	<u>\$16,094,112</u>	<u>\$16,888,035</u>
\$4,276,745	\$808,925	(\$2,413,973)	\$730,589	(\$1,427,935)
(2,179,456)	1,085,770	2,242,882	2,612,570	192,417
<u>\$2,097,289</u>	<u>\$1,894,695</u>	<u>(\$171,091)</u>	<u>\$3,343,159</u>	<u>(\$1,235,518)</u>

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



	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(b)			
General Fund				
Reserved				
Unreserved				
Nonspendable	\$6,232,107	\$5,781,767	\$6,073,956	6,368,240
Restricted				
Assigned	717,618	717,617	717,617	578,326
Unassigned	1,561,416	1,966,438	2,195,339	2,730,875
Total General Fund	<u>\$8,511,141</u>	<u>\$8,465,822</u>	<u>\$8,986,912</u>	<u>\$9,677,441</u>
All Other Governmental Funds				
Reserved				
Unreserved, reported in:				
Special revenue funds				
Debt Service funds				
Capital project funds				
Restricted	\$11,251,205	\$2,930,578	\$2,423,081	1,957,809
Committed	3,969,308	3,865,385	2,245,641	1,744,577
Unassigned	(4,060,899)	(4,963,081)	(3,942,682)	(3,539,211)
Total all other governmental funds	<u>\$11,159,614</u>	<u>\$1,832,882</u>	<u>\$726,040</u>	<u>\$163,175</u>

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



2015	2016	2017	2018	2019	2020
6,376,575	2,104,935	1,962,157	1,855,928	1,676,420	1,524,745
	701,110	733,007	752,266	1,788,163	1,890,809
717,617	717,617	717,617	708,315	708,315	2,506,519
3,332,106	4,828,481	6,165,941	7,631,377	8,398,872	5,822,047
<u>\$10,426,298</u>	<u>\$8,352,143</u>	<u>\$9,578,722</u>	<u>\$10,947,886</u>	<u>\$12,571,770</u>	<u>11,744,120 (a)</u>

2,036,907	9,371,340	8,633,565	7,205,784	7,662,618	6,185,026
1,547,538	102,738	103,282	104,286	105,924	108,661
(3,196,130)	(3,673,790)	(4,298,951)	(2,755,660)	(3,808,810)	(2,908,383)
<u>\$388,315</u>	<u>\$5,800,288</u>	<u>\$4,437,896</u>	<u>\$4,554,410</u>	<u>\$3,959,732</u>	<u>\$3,385,304</u>

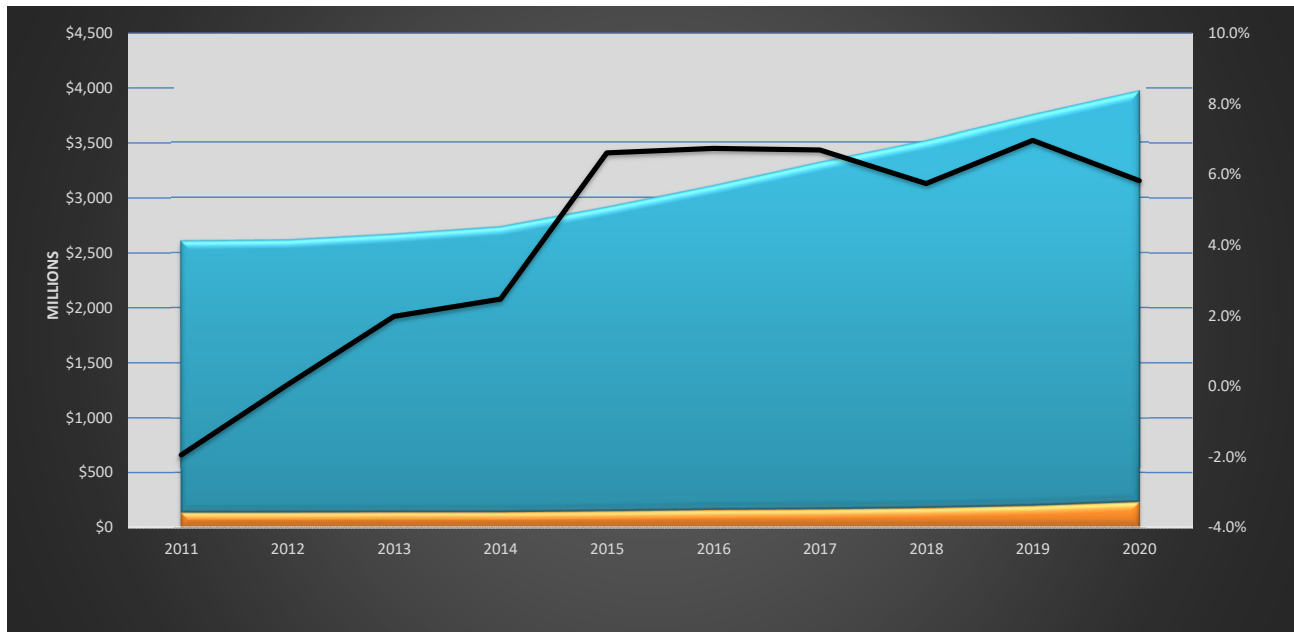
CITY OF SAUSALITO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30,				
	2011	2012	2013	2014	2015
Revenues					
Taxes	\$10,004,760	\$10,291,689	\$7,998,166	\$8,775,127	\$9,591,485
Licenses, permits and fees	474,868	518,527	558,387	551,518	517,155
Fines and forfeitures	321,396	645,014	608,890	659,376	633,589
Use of money and property	1,016,098	1,028,066	1,275,722	1,391,115	1,396,558
Intergovernmental revenues	704,981	846,540	660,213	738,318	495,752
Charges for services	1,622,614	1,555,305	1,483,901	1,575,055	1,508,859
Reimbursements					
Special Assessments					
PERS Superfund Credit					
Other	442,684	102,023	186,011	562,994	311,852
Total Revenues	14,587,401	14,987,164	12,771,290	14,253,503	14,455,250
Expenditures					
Current:					
Police	4,124,282	4,160,482	4,193,598	4,461,240	4,654,646
Fire	3,276,774	3,405,220			
Public Works	1,417,939	1,539,534	1,574,816	1,575,748	1,591,343
Non-Departmental					
General Government	2,810,563	3,014,228	4,496,557	2,980,879	3,966,535
Community Development	1,152,318	1,346,911	1,230,050	1,279,765	1,233,503
Library	716,291	699,882	774,108	787,548	807,009
Parks & Recreation	680,365	720,113	811,506	811,177	791,703
Capital outlay	4,295,013	8,053,426	2,642,664	2,725,591	1,424,506
Debt service:					
Principal repayment	221,185	227,816	192,064	225,715	257,547
Interest and fiscal charges	391,069	2,478,995	289,990	279,816	270,801
PERS Sidefund Expense					
Total Expenditures	19,085,799	25,646,607	16,205,353	15,127,479	14,997,593
Excess (deficiency) of revenues over (under) expenditures	<u>(4,498,398)</u>	<u>(10,659,443)</u>	<u>(3,434,063)</u>	<u>(873,976)</u>	<u>(542,343)</u>
Other Financing Sources (Uses)					
Issuance of long-term debt					
Proceeds from sale of capital assets	30	99,282			
Contributions/donations returned					
Transfers in	8,650,470	7,387,589	4,880,980	3,564,235	3,493,573
Transfers (out)	<u>(7,653,867)</u>	<u>(6,199,479)</u>	<u>(2,032,669)</u>	<u>(2,562,595)</u>	<u>(1,977,233)</u>
Total other financing sources (uses)	996,633	1,287,392	2,848,311	1,001,640	1,516,340
Net Change in fund balances	<u>(\$3,501,765)</u>	<u>(\$9,372,051)</u>	<u>(\$585,752)</u>	<u>\$127,664</u>	<u>\$973,997</u>
Debt service as a percentage of noncapital expenditures	4.3%	18.2%	3.7%	4.2%	4.1%

Fiscal Year Ended June 30,

2016	2017	2018	2019	2020
\$11,118,347	\$11,528,162	\$11,864,522	\$12,785,469	\$12,509,381
554,556	564,123	641,887	631,060	1,763,872
557,122	548,490	558,573	676,406	512,055
1,395,293	1,130,535	1,295,117	1,475,979	1,317,709
510,959	539,562	756,434	1,131,460	1,446,078
1,471,989	1,844,294	1,945,984	2,093,626	1,449,918
<u>142,318</u>	<u>112,081</u>	<u>218,741</u>	<u>226,198</u>	<u>150,243</u>
<u>15,750,584</u>	<u>16,267,247</u>	<u>17,281,258</u>	<u>19,020,198</u>	<u>19,149,256</u>
4,622,119	4,970,820	5,353,671	5,101,428	5,794,747
1,808,654	1,923,959	1,871,873	1,980,144	2,882,009
7,812,222	3,801,974	4,182,558	3,847,702	5,216,124
1,309,692	1,576,144	1,643,279	1,880,018	1,685,301
899,158	880,082	888,923	884,454	859,080
898,569	715,871	779,468	802,352	1,497,017
4,002,988	3,815,194	2,674,984	3,336,236	2,784,562
294,462	331,463	436,554	483,739	478,022
259,454	245,146	230,286	214,249	195,117
<u>21,907,318</u>	<u>18,260,653</u>	<u>18,061,596</u>	<u>18,530,322</u>	<u>21,391,979</u>
<u>(6,156,734)</u>	<u>(1,993,406)</u>	<u>(780,338)</u>	<u>489,876</u>	<u>(2,242,723)</u>
11,346,669	4,691,493	4,407,446	6,329,999	5,773,611
<u>(2,497,117)</u>	<u>(2,833,900)</u>	<u>(3,454,781)</u>	<u>(5,790,670)</u>	<u>(4,932,966)</u>
<u>8,849,552</u>	<u>1,857,593</u>	<u>952,665</u>	<u>539,329</u>	<u>840,645</u>
<u>\$2,692,818</u>	<u>(\$135,813)</u>	<u>\$172,327</u>	<u>\$1,029,205</u>	<u>(\$1,402,078)</u>
3.2%	4.2%	4.5%	4.8%	3.8%

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



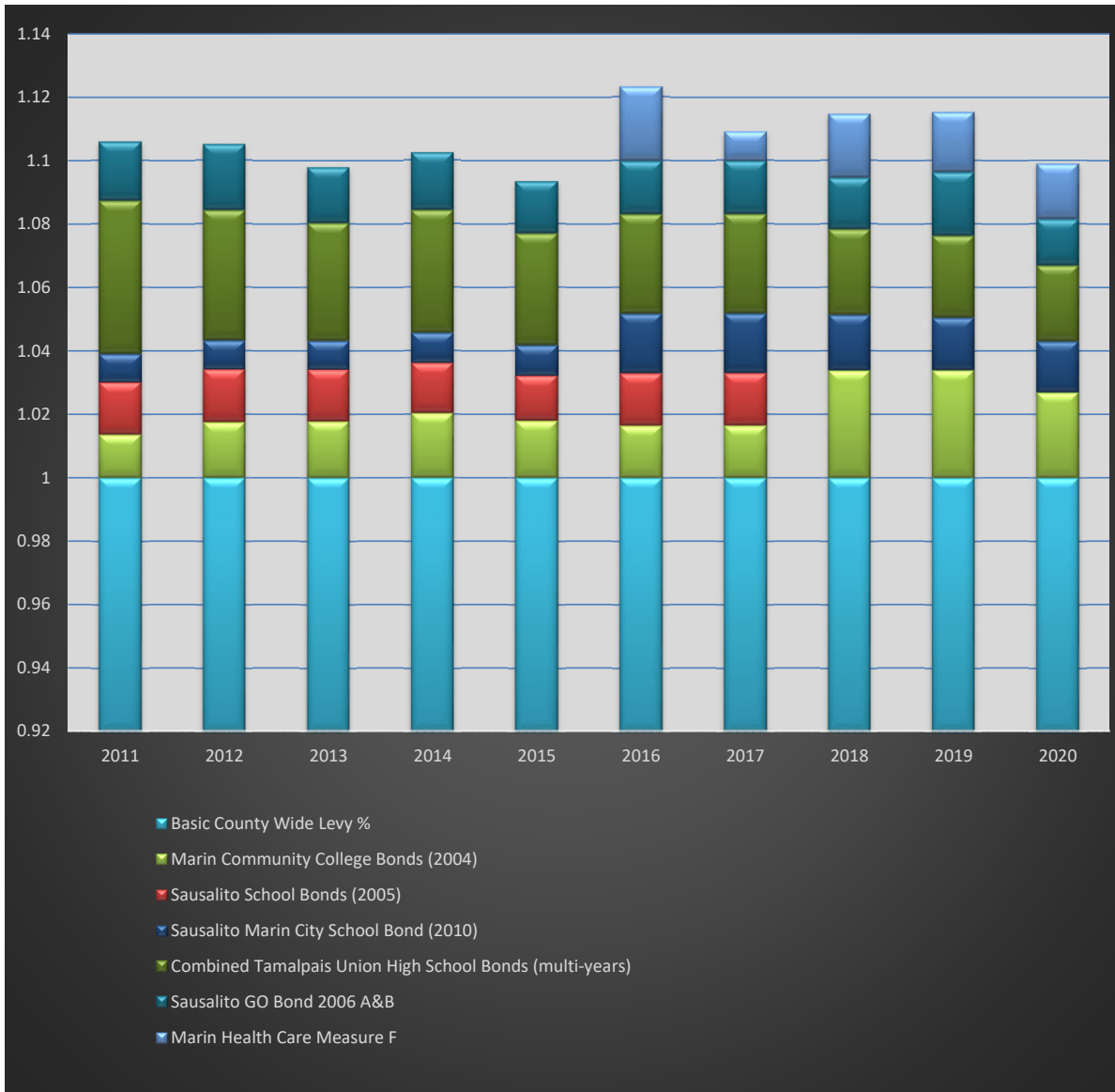
Fiscal Year	Secured Property Assessed Value	Unsecured Property Assessed Value	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value (TxAV)	Total Direct Tax Rate (b)	TxAV Annual Percent Change
2011	\$2,468,550,019	\$140,203,752	\$2,608,753,771	(\$11,208,945)	\$2,597,544,826	1.0%	-1.9%
2012	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%
2020	3,730,644,850	236,246,024	3,966,890,874	(21,039,231)	3,945,851,643	1.0%	5.8%

(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

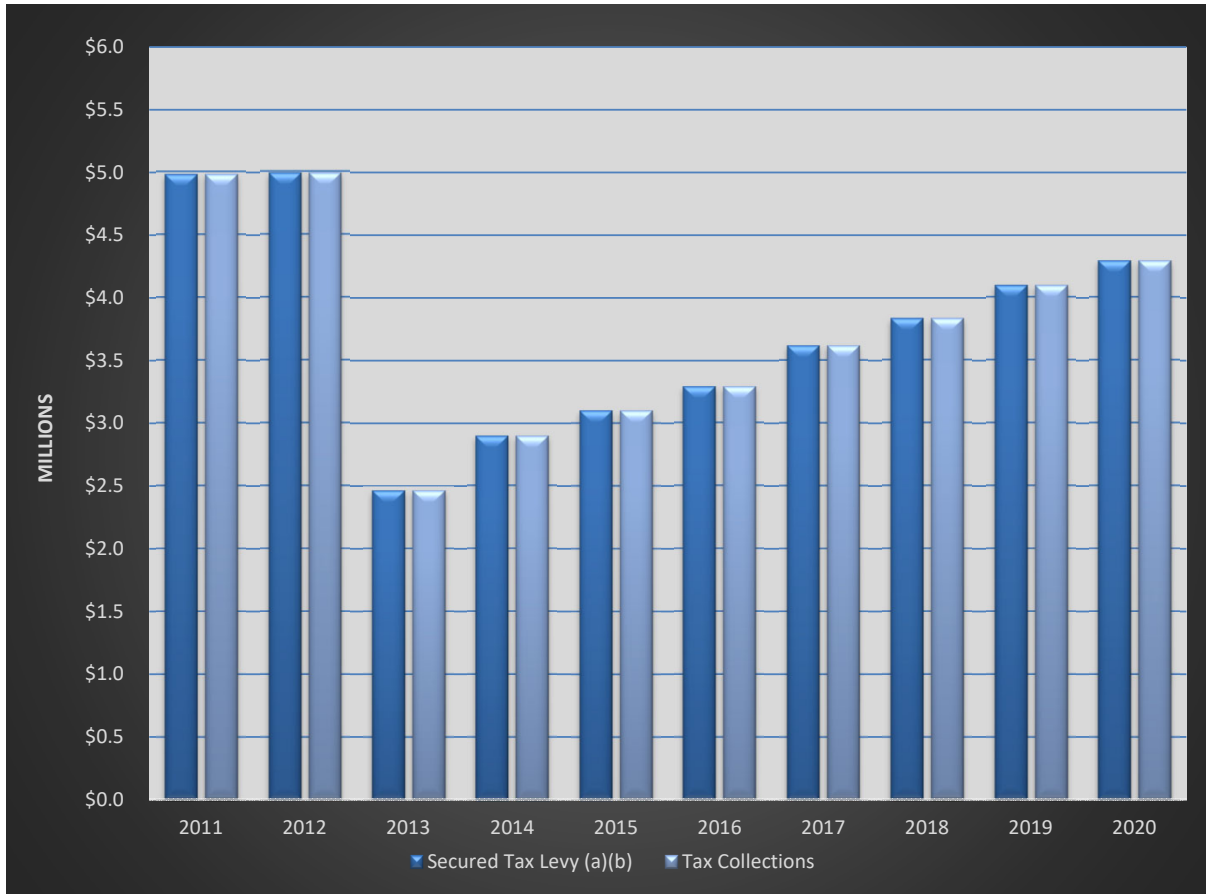


Fiscal Year	Basic County Wide Levy %	Marin Community College Bonds (2004)	Sausalito School Bonds (2005)	Sausalito Marin City School Bond (2010)	Combined Tamalpais Union High School Bonds (multi-years)	Sausalito GO Bond 2006 A&B	Marin Health Care Measure F
2011	1.0000	0.0136	0.0165	0.0090	0.0482	0.0186	
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
2020	1.0000	0.0269	0.0000	0.0161	0.0239	0.0146	0.0175

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



<u>Fiscal Year</u>	<u>Secured Tax Levy (a)(b)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Rate</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
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%
2020	4,290,309	4,290,309	100%	0%	4,290,309	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

	2011 Q1	2012 Q1	2013 Q1	2014 Q1
Eating & Drinking Pl	\$485,201	\$551,602	\$601,427	\$689,256
Other Retail Stores	232,029	255,641	309,294	353,456
All Other Outlets	276,362	299,922	288,356	279,794
Apparel Stores	77,267	76,940	78,570	89,371
Food Stores	70,875	80,546	110,355	103,237
Service Station	58,837	70,370	69,822	59,650
Home Furnishings & A	34,015	52,331	47,486	24,475
Packaged Liquor Stor	9,206	9,613	12,239	12,344
Bldg. Matrl. & Farm	5,683	7,252	7,649	6,394
Drug Stores	7,183	3,258	3,939	3,793
Auto Dealers & Auto	910	653	856	1,528
General Merchandise	0	28	0	0
TOTAL	\$1,257,568	\$1,408,156	\$1,529,993	\$1,623,298

2015 Q1	2016 Q1	2017 Q1	2018 Q1	2019 Q1	2020 Q1
\$755,769	\$787,071	Not Available	Not Available	Not Available	Not Available
419,914	343,411	Not Available	Not Available	Not Available	Not Available
298,313	318,469	Not Available	Not Available	Not Available	Not Available
112,866	93,192	Not Available	Not Available	Not Available	Not Available
98,925	99,898	Not Available	Not Available	Not Available	Not Available
53,650	43,761	Not Available	Not Available	Not Available	Not Available
32,648	128,373	Not Available	Not Available	Not Available	Not Available
14,481	14,582	Not Available	Not Available	Not Available	Not Available
7,067	6,534	Not Available	Not Available	Not Available	Not Available
4,510	3,855	Not Available	Not Available	Not Available	Not Available
741	2,074	Not Available	Not Available	Not Available	Not Available
1	0	Not Available	Not Available	Not Available	Not Available
\$1,798,885	\$1,841,220	Not Available	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 2019-20</u>		<u>Fiscal Year 2010-11*</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	\$36,929,760	0.99%		0.00%
CASA MADRONA HOTEL AND SPA LLC	23,630,283	0.64%		0.00%
ALTA MIRA ESTATE LLC	23,082,324	0.62%		0.00%
MCSSM LLC	22,670,485	0.61%		0.00%
WALTER G CRUMP IV AND ETAL	19,819,158	0.53%		0.00%
TOTTENHAM INVESTMENTS INC	17,660,619	0.47%		0.00%
MARINERS LANDING LLC	16,813,170	0.45%		0.00%
SASP LLC	16,160,700	0.43%		0.00%
PIER AT SAUSALITO LLC	15,738,376	0.42%		0.00%
HARRISON HOLDINGS LLC	14,959,925	0.40%		0.00%
CALIFORNIA -0NE AND THREE HARBOR DR		0.00%	\$37,157,893	1.50%
WESTCORE MARIN LLC		0.00%	26,080,000	1.05%
MCSSM LLC		0.00%	22,333,034	0.90%
WALTER G CRUMP IV AND ETAL		0.00%	17,060,567	0.69%
CASA MADRONA HOTEL AND SPA LLC		0.00%	16,525,020	0.67%
PSH LLC		0.00%	12,928,722	0.52%
ICB ASSOCIATES LLC		0.00%	8,501,359	0.34%
ROBERT W MATSCHULLAT		0.00%	8,160,000	0.33%
RICHARD G BURGE TRUST ETAL		0.00%	7,325,238	0.30%
CLIPPER YACHT COMPANY LLC		0.00%	7,128,637	0.29%
Top 10 Taxpayers Assessed Value	\$207,464,800	5.58%	\$163,200,470	6.60%
Total City Taxable Assessed Value	\$3,719,404,905	100.00%	\$2,473,971,998	100.00%

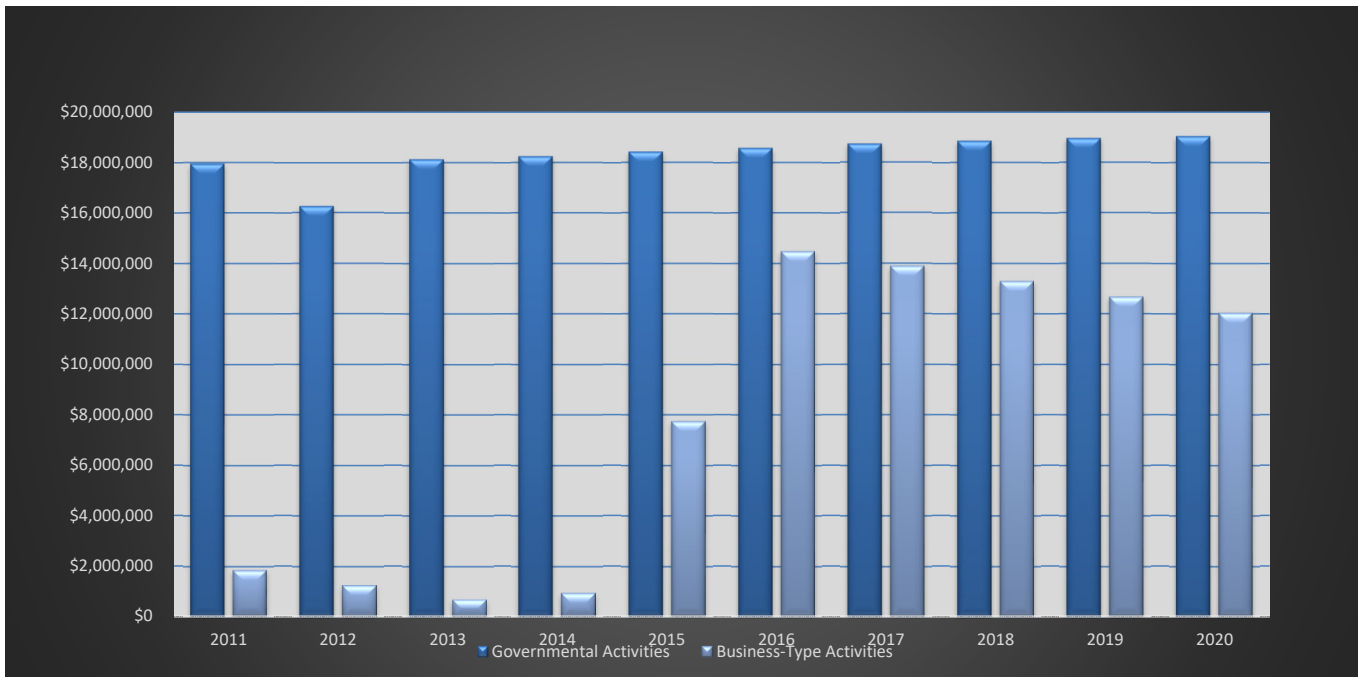
Source: Marin County Assessor data, MuniServices, LLC

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

<u>2019-20</u>		<u>2010-11</u>	
Taxpayer	Business Type	Taxpayer	Business Type
Architectural Materials Lab	Contractors	A Bicycle Odyssey	Sporting Goods/Bike Stores
Bar Bocce	Casual Dining	Angelino	Casual Dining
Barrel House	Fine Dining	Bridgeway Gas	Service Stations
Cle Tile	Building Materials	Bug ID	Electrical Equipment
Club Nautique	Boats/Motorcycles	Dvorson's Food Service Equip	Food Service Equip./Supplies
Copita	Casual Dining	Fed Ex	Business Services
Fish	Fast-Casual Restaurants	Fish	Fast-Casual Restaurants
Hanalei Bay Llc	Receivables/Master Outlets	Gene Hiller Mens Wear	Men's Apparel
Health Ceramics	Home Furnishings	Heath Ceramics	Home Furnishings
Hirschfeld Yacht	Boats/Motorcycles	Key Information Systems	Office Equipment
Joinery	Fast-Casual Restaurants	Le Garage	Casual Dining
Le Garage	Casual Dining	Margaritaville	Fine Dining
Mollie Stones Market	Grocery Stores	Mollie Stone's Market	Grocery Stores
Napa Valley Burger Company	Casual Dining	Ondine At The Trident	Leisure/Entertainment
Ondine At The Trident	Leisure/Entertainment	Onyx Worldwide	Business Services
Onyx Worldwide	Business Services	Poggio	Fine Dining
Poggio	Fine Dining	Q Surgical	Medical/Biotech
Q Surgical	Medical/Biotech	Sausalito Shell	Service Stations
Salitos Crab House	Fine Dining	Scomas of Sausalito	Fine Dining
Sausalito Shell	Service Stations	Serena & Lily	Home Furnishings
Scomas of Sausalito	Fine Dining	Spinnaker	Fine Dining
Serena & Lily	Home Furnishings	Sushi Ran	Casual Dining
Silver Seas Yachts	Boats/Motorcycles	Taste of Rome	Casual Dining
Spinnaker	Fine Dining	Tommys Wok Chinese Cuisine	Casual Dining
Sushi Ran	Casual Dining	West Marine Products	Boats/Motorcycles

Source: 2020Q1 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
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
2020		372,167	17,390,353	1,276,000	19,038,520

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)
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				828,068	6,220,000	5,630,000	12,678,068	31,634,630	0.85%	4,266
2020				782,225	6,060,000	5,200,000	12,042,225	31,080,745	0.79%	4,144

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

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

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

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

<u>General Bonded Debt Outstanding</u>				
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Total</u>	<u>Percent Of Taxable Assessed Value</u>	<u>Per Capita</u>
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
2020	17,390,353	17,390,353	0.44%	2,256

Source: City of Sausalito

CITY OF SAUSALITO
Computation of Direct and Overlapping Debt
As of June 30, 2020

2019-20 Total Assessed Valuation \$3,943,862,792

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt</u> 6/30/2020	<u>%</u> Applicable (1)	<u>City's Share of</u> Debt 6/30/2020
Marin Community College District	\$447,905,000	4.786%	\$21,436,733
Tamalpais Union High School District	96,260,000	8.045%	7,744,117
Sausalito Marin City School District	15,500,000	87.694%	13,592,570
Marin Healthcare District	366,045,000	5.738%	21,003,662
Marin Emergency Radio Authority Parcel Tax Obligations	38,375,000	4.779%	1,499,411
City of Sausalito (2)	19,038,520	100.000%	19,038,520
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$76,296,387
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$82,489,789	4.779%	\$3,942,187
Marin County Pension Obligation Bonds	78,120,000	4.779%	3,733,355
Marin County Transit District General Fund Obligations	47,200	4.779%	2,256
Marin Municipal Water District General Fund Obligations	38,400	6.088%	2,338
Marin Community College District General Fund Obligations	12,960,834	4.786%	620,306
Sausalito Marin City School District General Fund Obligations	3,105,000	87.694%	2,722,899
Southern Marin Fire Protection District General Fund Obligations	5,313,200	100.000%	5,313,200
City of Sausalito General Fund Obligations (3)	66,400	35.191%	23,367
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$16,359,907
TOTAL DIRECT DEBT			\$16,332,094
TOTAL OVERLAPPING DEBT			\$76,323,201
COMBINED TOTAL DEBT (4)			\$92,655,295

(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 2019-20 ASSESSED VALUATION:

Direct Debt (\$11,018,894)	0.48%
Total Direct and Overlapping Tax and Assessment Debt	1.93%
Total Direct Debt (\$16,332,094)	0.41%
Combined Total Debt	2.35%

Source: MuniServices, LLC and City of Sausalito

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (2)	Legal Debt Margin	Total Net Debt Applicable To Limit As A Percentage Of Debt Limit
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%
2020	148,758,408	17,390,353	131,368,055	11.7%

2019-20 Legal Debt Margin Information (1)

Assessed Valuation	\$3,966,890,874
Conversion Percentage	25%
Adjusted Assessed Valuation	\$991,722,719
Debt Limit Percentage	15%
Debt Limit	\$148,758,408
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$17,390,353
Legal Debt Margin	131,368,055
Total Debt Applicable to the Limit as a percentage of the Limit	11.7%

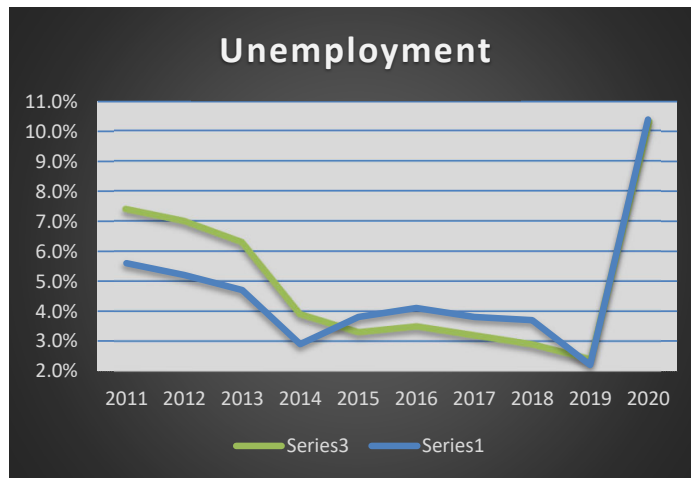
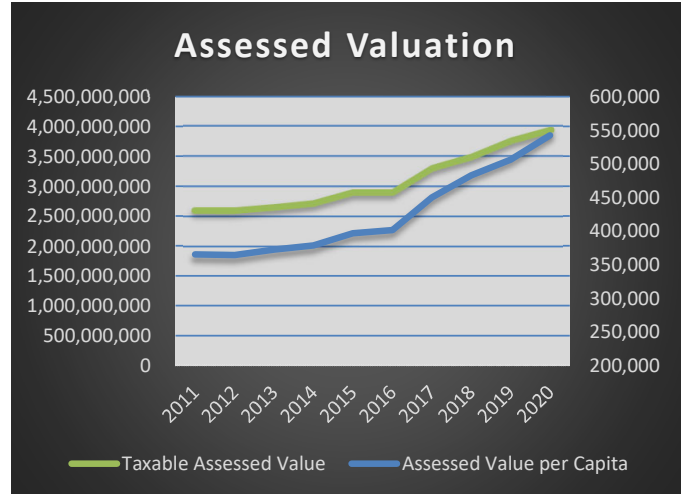
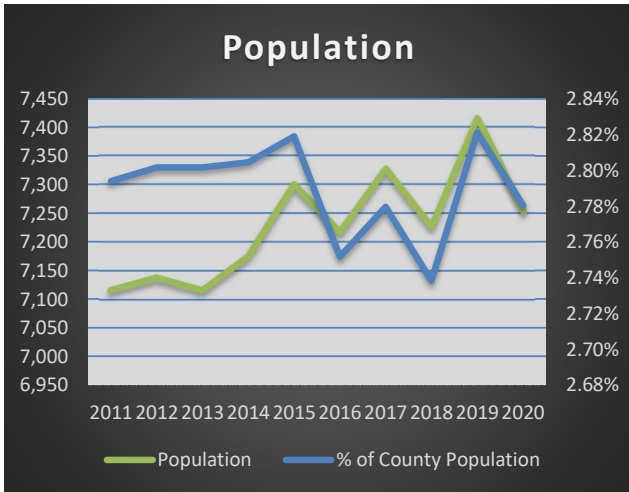
Note:

(1) The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

(2) Includes accreted value.

Sources: California Municipal Statistics, Inc. and MuniServices, LLC

CITY OF SAUSALITO
Demographic and Economic Statistics
Last Ten Fiscal Years



Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	County Unemployment Rate (%)	City Unemployment Rate (%)	Marin County Population	City Population % of County
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%
2020	7,252	3,933,178,585	542,358	10.3%	10.4%	260,831	2.78%

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 Nine Fiscal Years Ago

<u>Business Name</u>	<u>Fiscal Year 2019-20</u>		<u>Fiscal Year 2010-11</u>	
	<u>Number of Employees</u>	<u>Percent of Total City Labor Force</u>	<u>Number of Employees</u>	<u>Percent of Total City Labor Force</u>
Aperio Group LLC	110	2.75%		
The Trident (formerly Horizons Restaurant)	89	2.23%	100	1.89%
C P Shades	78	1.95%	52	0.98%
City of Sausalito	74	1.85%	88	1.66%
Backen & Gillam Architects	65	1.63%		
Mollie Stone's Market	62	1.55%	65	1.23%
Bulter, Shine, Stern, and Partners LLC	60	1.50%	172	3.25%
Sausalito-Marin City School District	59	1.48%		
SWA Group	58	1.45%		
Poggio Trattoria	53	1.33%	75	1.42%
The Spinnaker			75	1.42%
Human Concepts LLC			65	1.23%
Scoma's Sausalito			45	0.85%
Fish Restaurant			45	0.85%
Total Top 10 Employers	708	17.70%	782	14.75%
Total City Labor Force (1)	4,000		5,300	

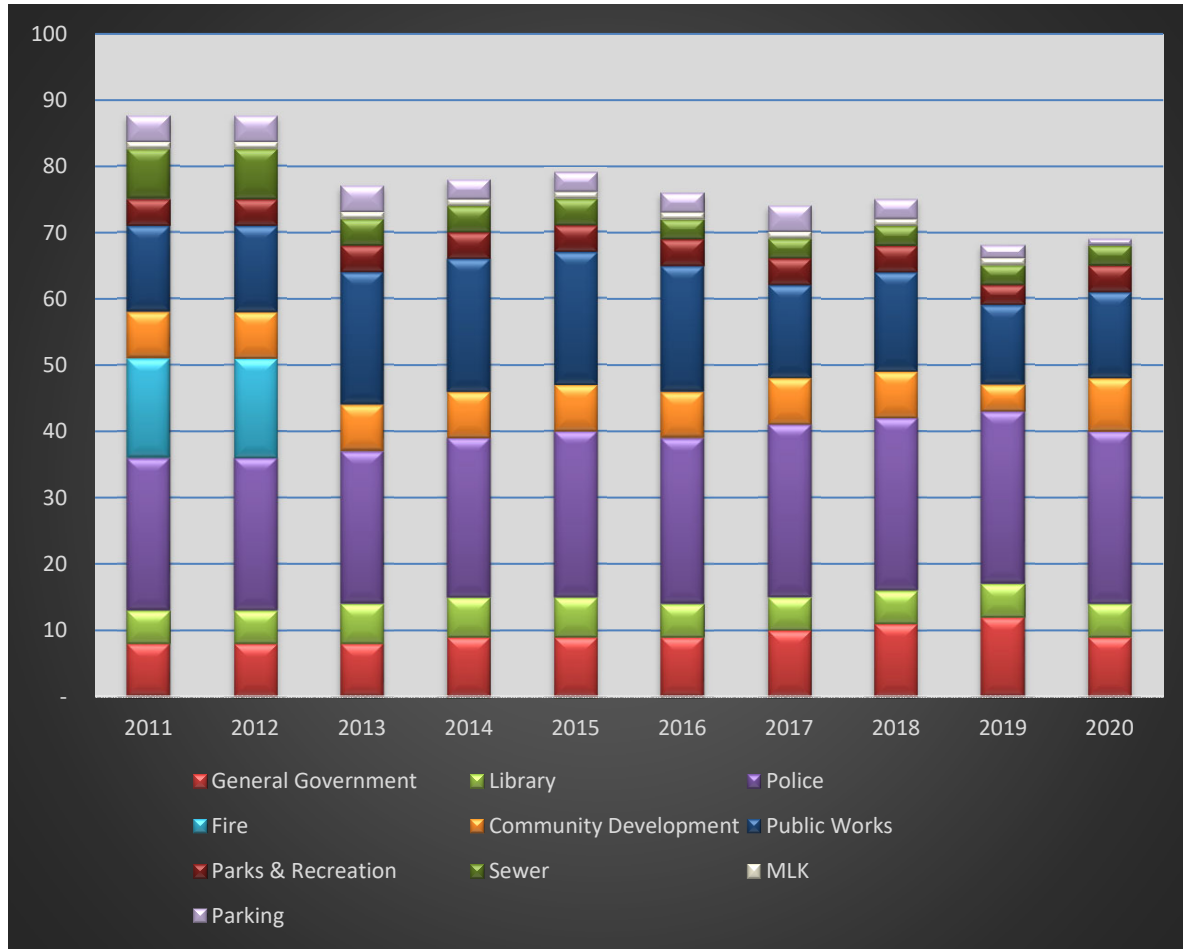
Source: Avenu Insights & Analytics

Source: 2010-11 previously published CAFR

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	8	8	8	9	9	9	10	11	12	9
Library	5	5	6	6	6	5	5	5	5	5
Police	23	23	23	24	25	25	26	26	26	26
Fire	15	15	-	-	-	-	-	-	-	-
Community Development	7	7	7	7	7	7	7	7	4	8
Public Works	13	13	20	20	20	19	14	15	12	13
Parks & Recreation	4	4	4	4	4	4	4	4	3	4
Sewer	8	8	4	4	4	3	3	3	3	3
MLK	1	1	1	1	1	1	1	1	1	-
Parking	4	4	4	3	3	3	4	3	2	1
Total	88	88	77	78	79	76	74	75	68	69

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety:										
Police:										
Communication Center calls answered:										
Police calls for Service	13,259	11,718	13,745	15,306	15,908	14,515	13,068	15,131	12,940	12,207
Law violations:										
Part I and Part II crimes	1,317	1,254	1,381	1,315	995	1,167	990	1,070	1,070	869
Physical arrests (adult and juvenile)	327	343	286	276	234	245	205	324	251	160
Traffic violations	1,823	837	812	1,127	1,076	1,230	574	755	537	190
Parking violations	8,919	15,955	15,499	13,304	14,249	11,431	14,183	13,107	16,908	10,435
Traffic collisions	99	153	125	119	104	108	95	80	74	66
Public Works:										
Street resurfaced (square feet)	196,846	72,958		38,650		39,000	16,400	21,000		32,643
Potholes repaired (square feet)	19,305	26,287	1,000	2,400	1,400	1,500	231	308	672	336
Street sealed (Slurry Seal, square feet)				38,940			345,600		126,000	
Street sealed (Cape Seal, square feet)				138,870						
Trees trimmed (tons)	1,900	1,700	2,000	1,000	1,000	500	N/A	N/A	N/A	264
Culture and Recreation:										
Community Services:										
Recreation class participants	4,618	12,258	20,634	14,856	15,061	N/A	N/A	N/A	N/A	9,100
Special Event Permits issued	24	61	64	62	51	N/A	34	39	25	15
Sponsored events	33	23	24	25	27	N/A	27	26	25	21
Facility, Park & Field rentals	948	983	983	1,202	1,246	N/A	N/A	1,581	N/A	N/A
Library:										
Volumes in Collection										
Books	58,243	52,379	50,101	46,029	45,034	45,360	44,944	45,281	44,565	44,798
Audio-Visual materials	4,432	5,173	5,623	6,407	6,479	6,125	6,128	6,175	6,545	6,858
Circulation *	88,219	111,491	127,468	145,384	144,978	137,117	136,756	132,353	134,929	103,490
E-book and E-media usage		1,711	4,474	6,468	8,166	8,367	8,384	11,630	16,245	22,870
Internet Station usage **	19,991	17,993	13,677	13,071	12,695	14,196	14,924	14,089	14,725	8,953
Library program attendance	2,229	3,037	4,042	5,432	10,315	10,658	10,172	11,372	12,105	7,927
* 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	100	88	80	145	72	N/A	62	51	N/A	53
Ministerial	300	256	171	193	286	N/A	526	412	N/A	183
Encroachments	179	162	189	237	213	N/A	255	262	166	204
Building Permits issued	743	608	666	688	699	N/A	720	753	337	752
Administration:										
Parking Permits issued	1,766	1,934	1,882	2,212	2,034	2,129	2,345	2,366	2,638	2,542
Business Licenses issued	2,099	1,758	1,633	1,628	1,555	1,940	2,034	2,194	1,609	1,654

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,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety:										
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	3	3	0	0	0	0	0	0	0	0
Fire boats	1	1	0	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	653	653	663	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	14	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	4	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	4	4	4	4
Baseball/Softball diamonds	2	2	2	2	2	2	1	1	1	1
Soccer/Football fields	1	1	1	1	1	1	2	2	2	2
Bocce Courts		2	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, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2021.

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. We did identify certain deficiencies in internal control that we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 18, 2021, 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 March 18, 2021, which is an integral part of our audit and should be read in conjunction with this report.

City's Response to Findings

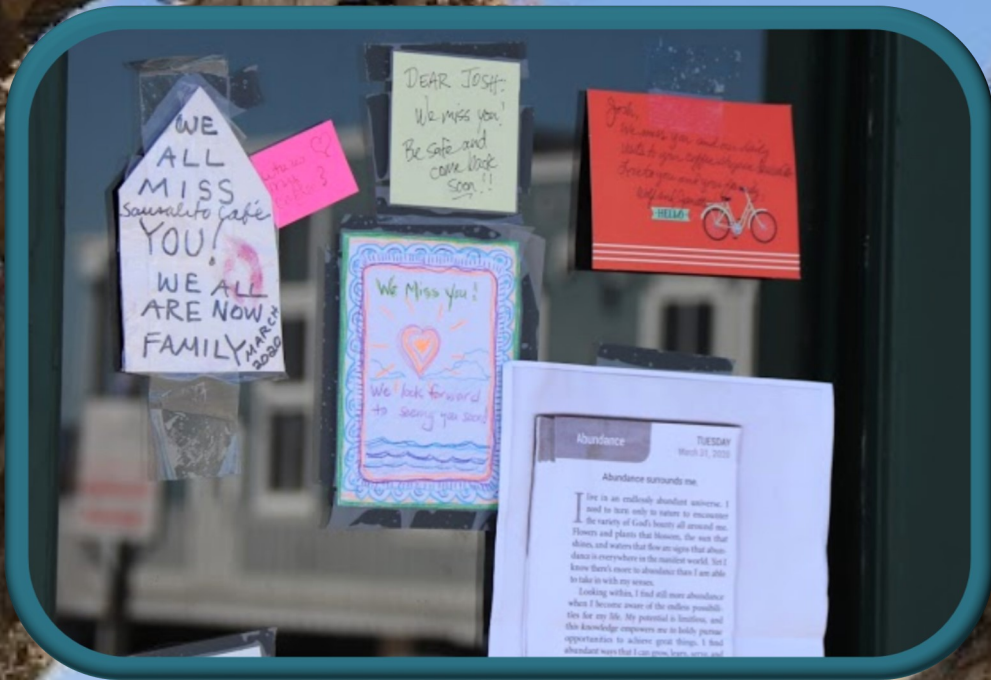
The City's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control March 18, 2021, which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures 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
March 18, 2021



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