

CITY OF SAUSALITO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008



Prepared by:  
Finance Department

“Houseboats – Tam” Cover picture by:  
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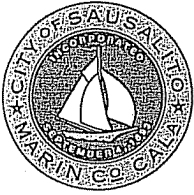
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# CITY OF SAUSALITO

420 Litho Street • Sausalito, CA 94965

Telephone: (415) 289-4100

www.ci.sausalito.ca.us

Date: October 28, 2008

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Sausalito:

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2008.

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

Maze & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## *Profile of the Government*

The City of Sausalito, incorporated in 1893, is located in the northern part of the state in the Marin County. Sausalito is widely recognized as a unique waterfront community with world-renowned natural beauty. It currently occupies 1.9 square miles and serves a population of 7,503. The City of Sausalito is empowered to levy a property tax on both real and personal property located within its boundaries.

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

## FAX NUMBERS:

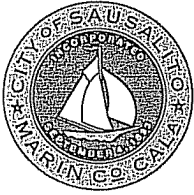
Administration: (415) 289-4167

Recreation: (415) 289-4189

Community Development: (415) 339-2256

Library: (415) 331-7943

Public Works: (415) 289-4138



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

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

## *Local Economy*

The City of Sausalito has a well-established visitor industry and is also home to a growing number of creative businesses, including architects, marketing companies, designers, high tech firms, and artists. In addition, the City of Sausalito has several recreational marinas, along with a number of related maritime businesses.

Because of its location in the San Francisco-Bay Area region, property tax remains the single largest source of municipal revenue, followed by sales tax, transient occupancy tax, municipal parking lot operation, and property rentals. Property tax growth in the City has averaged 6 percent per year since 1997-98. This growth is largely due to property sales at increasing values and reassessment from construction. With the decline in housing market, it is anticipated that the increase in property tax will decline but not significant. Sales tax is projected to remain relatively at the same level in the foreseeable future if the state economy remains stable. In 2007-08, 36% of the sales tax revenue was generated by restaurant businesses.

During the past five-year period, the government's expenses have shown a significant increase for employee retirement and benefits cost.

## *Long-term financial planning*

Unreserved, undesignated fund balance in the general fund (5.9 percent of total general fund expenditures) is above the policy guidelines (5 percent of total general fund expenditures) set by the Council for budgetary and planning purposes. To enhance the economic base and improve city revenue, a business advisory committee was appointed by the Council for the purpose of evaluating the local economy and making recommendations on how to promote the economic health of the business community in the City... Discussion is on-going by six business vision action committees.

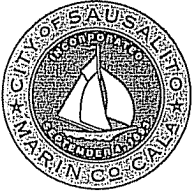
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Also as part of the strategic plan, the Council envisions improving the City's infrastructure with emphasis on public safety facilities. The City would be working on finding ways to pay for the improvements listed on the 10-year capital improvement program adopted by the Council for 2007-2016.

### *Relevant financial policies*

It is the City of Sausalito's policy that "one-time" resource inflows not be used for operating purposes but for general capital improvement projects.

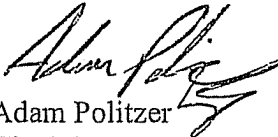
### *Major initiatives*

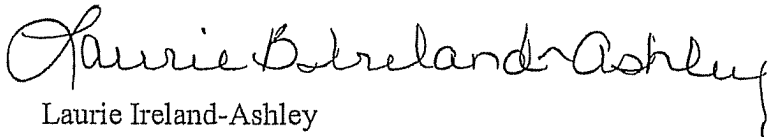
It is expected that the construction of the new police building and fire station will start in the summer of 2008. The construction cost will be paid for by the \$15.5 million of general obligation bonds approved by the citizens of the City and sold in December 2006.

### *Acknowledgements*

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

Respectfully submitted,

  
Adam Politzer  
City Manager

  
Laurie Ireland-Ashley  
Finance Director/Treasurer

### FAX NUMBERS:

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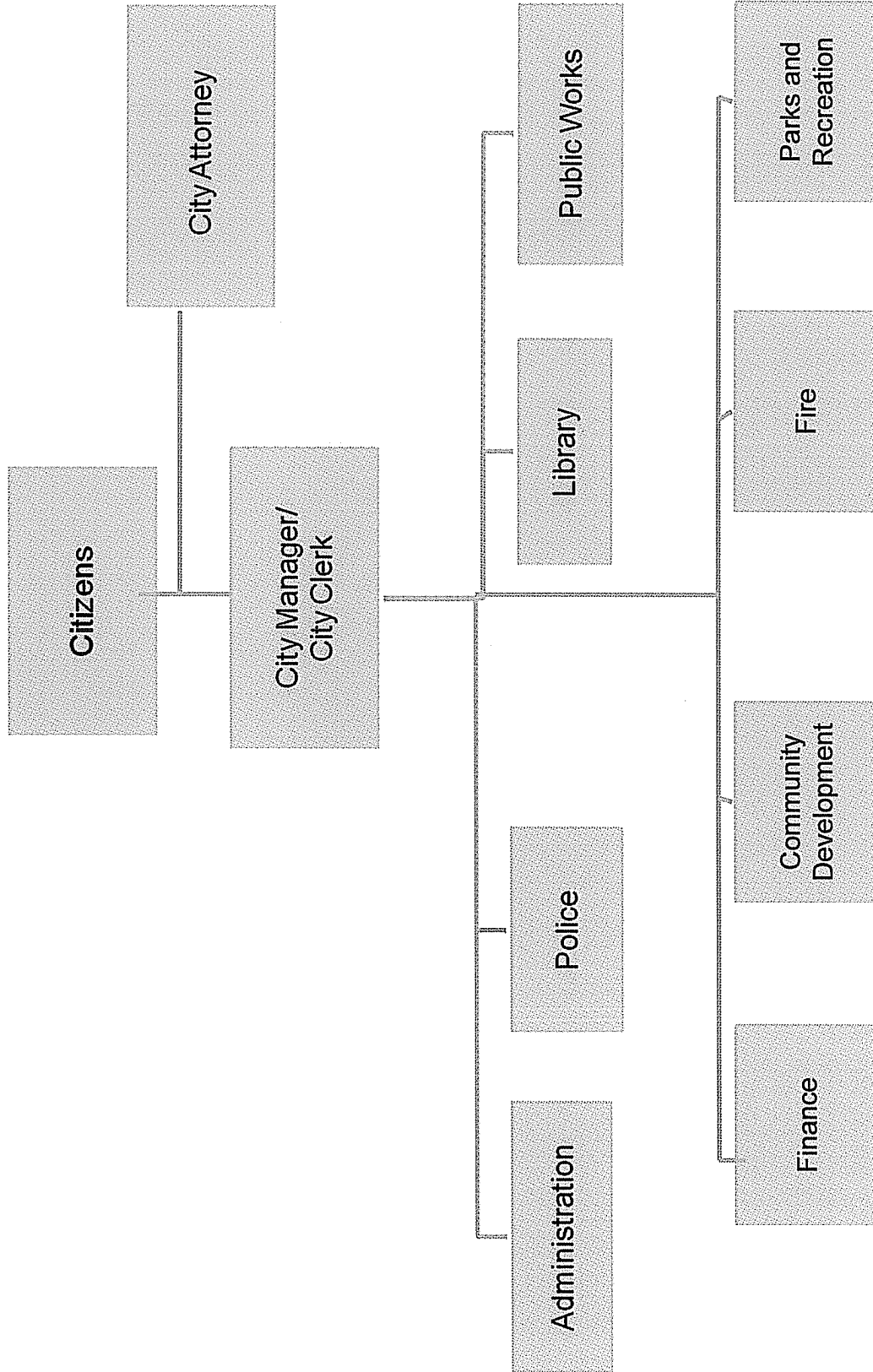
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# City of Sausalito Organization Chart



City of Sausalito  
List of Elected and Appointed Officials  
June 30, 2008

Elected Officials

Mayor	Amy Belser
Vice Mayor	Paul Albritton
Council Member	D. Michael Kelly
Council Member	Jonathan Leone
Council Member	Herb Weiner

Appointed Officials

Chief of Police	Scott Paulin
City Manager (Appoint)	Adam Politzer
City Attorney	Mary Wagner
City Librarian	Mary Richardson
Community Development Director	Jeremy Graves
Finance Director/Treasurer	Laurie Ireland-Ashley, Interim
Parks & Recreation Director	Mike Langford
Public Work Director	Jonathon Goldman

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Sausalito, California

We have audited the 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, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sausalito at June 30, 2008 and changes in the financial position and cash flows, where applicable thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis; General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual; and Tidelands Special Revenue Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Sausalito. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Maze & Associates*

October 28, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sausalito, we offer readers of the City of Sausalito's financial statements this narrative overview and analysis of the financial activities of the City of Sausalito for the fiscal year ended June 30, 2008. 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-vii of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Sausalito exceeded its liabilities at the close of the most recent fiscal year by \$46,757,809 (*net assets*). Of this amount, \$10,777,785 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,016,165. A significant portion of this increase is a result of increases in operating revenues, \$722,343 interest earned on the general obligation bonds issued in December 2006 which are to be used for the construction of two new public safety buildings, and City-wide decreases in expenditures including deferred spending on general capital improvement projects.
- As of the close of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$30,911,066, an increase of \$2,836,741 in comparison with the prior year. Of this amount, approximately 5.3 percent or \$1,648,623 is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*); 50.8 percent or \$15,732,511 is *reserved* for the two new public safety buildings.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$699,207, or 5.9 percent of total general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Statement of Net Assets* presents information on all of the City of Sausalito's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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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 14-15 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 seventeen 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 Public Safety Buildings Fund, all of which are considered to be major funds. The City of Sausalito also elected to include Tidelands Fund as a major fund. Data from the other fourteen 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 its General Fund and Tidelands funds. A budgetary comparison statement has been provided for the General Fund and Tidelands Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 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



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

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

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Sausalito's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28 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 29-55 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 60-61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 68-84 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sausalito, assets exceeded liabilities by \$46,757,808 at the close of the most recent fiscal year.

By far the largest portion of the City of Sausalito's net assets (65 percent) 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.

### City of Sausalito's Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 36,832,536	\$ 33,727,276	\$ (502,586)	\$ (1,009,442)	\$ 36,329,950	\$ 32,717,834
Capital assets	22,745,070	22,309,250	11,936,569	12,190,070	34,681,639	34,499,320
<b>Total assets</b>	<b>59,577,606</b>	<b>56,036,526</b>	<b>11,433,983</b>	<b>11,180,628</b>	<b>71,011,589</b>	<b>67,217,154</b>
Long-term liabilities outstanding	17,545,664	17,275,617	3,676,635	4,208,037	21,222,299	21,483,654
Other liabilities	2,682,689	3,606,149	348,792	385,707	3,031,481	3,991,856
<b>Total liabilities</b>	<b>20,228,353</b>	<b>20,881,766</b>	<b>4,025,427</b>	<b>4,593,744</b>	<b>24,253,780</b>	<b>25,475,510</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	22,219,842	20,560,479	8,259,934	7,982,033	30,479,776	28,542,512
Restricted	5,500,248	4,077,211	-	-	5,500,248	4,077,211
Unrestricted	11,629,163	10,517,070	(851,378)	(1,395,149)	10,777,785	9,121,921
<b>Total net assets</b>	<b>\$ 39,349,253</b>	<b>\$ 35,154,760</b>	<b>\$ 7,408,556</b>	<b>\$ 6,586,884</b>	<b>\$ 46,757,809</b>	<b>\$ 41,741,644</b>

An additional portion of the City of Sausalito's net assets (11.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,777,785 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sausalito is able to report positive balances for all three categories of net assets related to governmental activities, but for business-type activities two of the three categories are positive and unrestricted net assets is negative. The same situation held true for the prior fiscal year.

The \$(851,378) unrestricted net asset reported in connection with the City of Sausalito's business-type activities resulted from the MLK acquisition and operation funded through long-term borrowings and advances from General Fund.

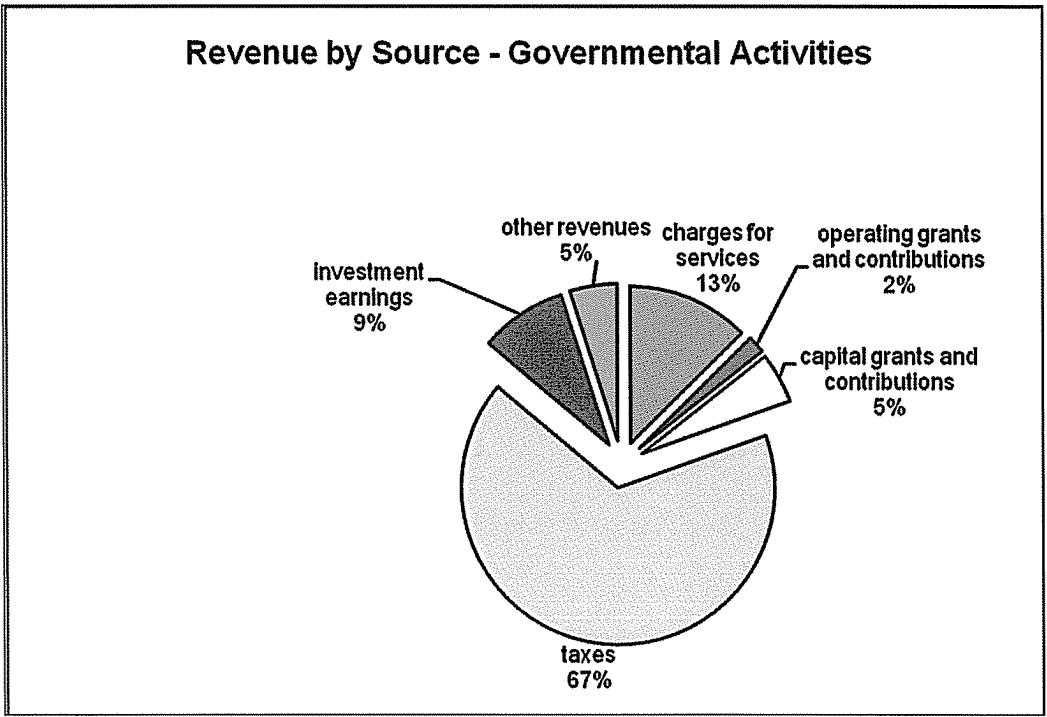
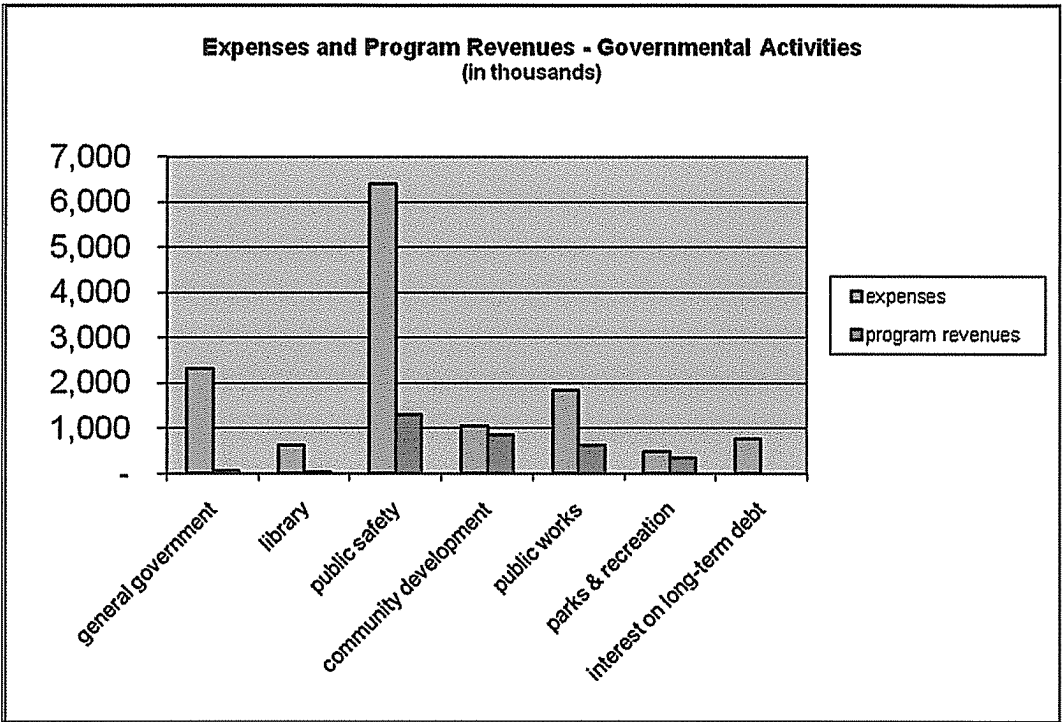
The government's net assets increased by \$5,016,165 during the current fiscal year. Approximately 28 percent of the increase is attributable to an increase in General Fund operating revenues and decrease in operating expenses. About 24 percent represents ongoing revenues from parking operation. The remainder of the increase reflects the operating result of other governmental and business-type activities.

**Governmental activities.** Governmental activities increased the City of Sausalito's net assets by \$4,194,493, thereby accounting for 83 percent of the total growth in the net assets of the City of Sausalito. Key elements of this increase are as follows:

## City of Sausalito's Changes in Net Assets

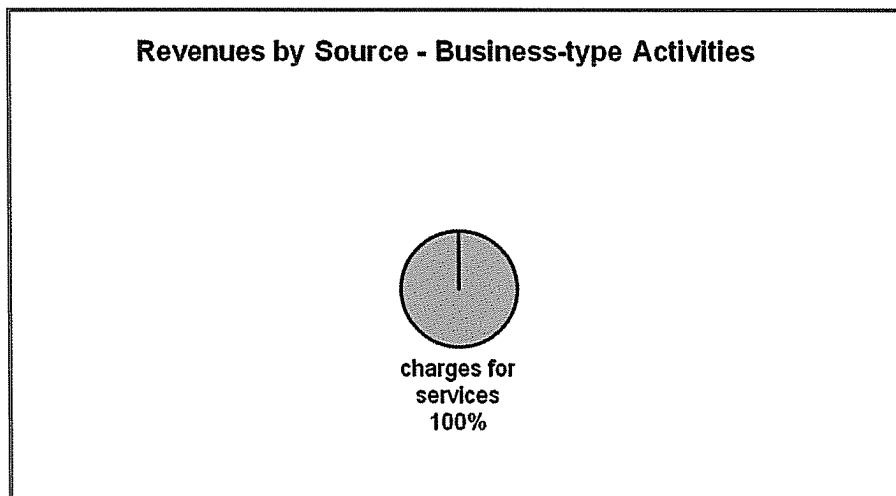
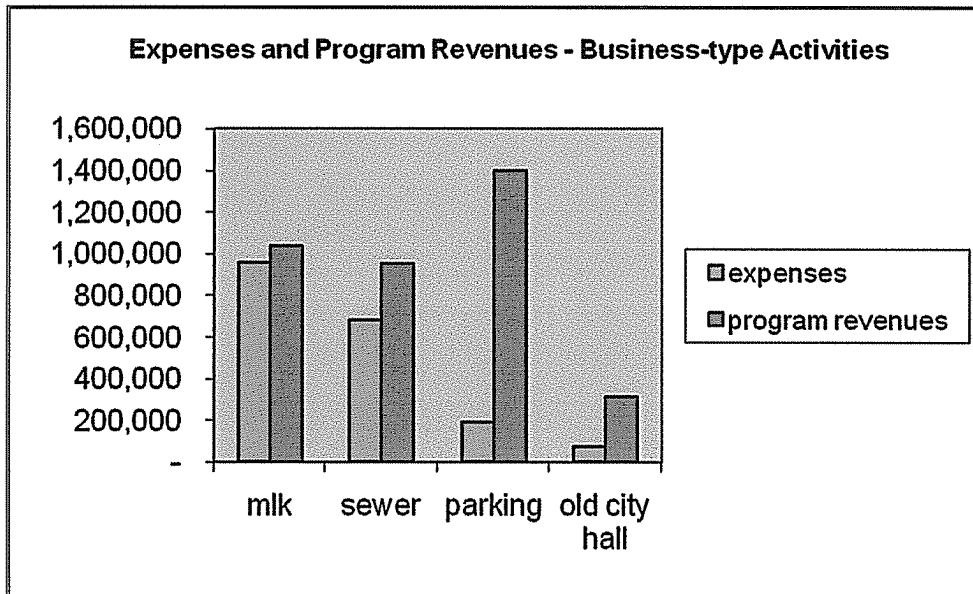
	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,066,212	\$ 1,895,328	\$ 3,697,439	\$ 3,342,888	\$ 5,763,651	\$ 5,238,216
Operating grants and contributions	291,314	321,122	-	-	291,314	321,122
Capital grants and contributions	857,212	508,426	-	-	857,212	508,426
<b>General revenues:</b>						
Taxes	10,927,674	9,763,577	-	-	10,927,674	9,763,577
Investment earnings	1,472,122	1,260,532	173,837	175,687	1,645,959	1,436,219
Other revenues	802,791	274,313	68,879	1,185	871,670	275,498
<b>Total revenues</b>	<b>16,417,325</b>	<b>14,023,298</b>	<b>3,940,155</b>	<b>3,519,760</b>	<b>20,357,480</b>	<b>17,543,058</b>
<b>Expenses:</b>						
General government	2,305,440	2,108,977	-	-	2,305,440	2,108,977
Library	608,786	585,356	-	-	608,786	585,356
<b>Public safety:</b>						
Police services	3,726,214	3,666,529	-	-	3,726,214	3,666,529
Fire services	2,683,513	2,504,788	-	-	2,683,513	2,504,788
Community development	1,047,188	943,705	-	-	1,047,188	943,705
Public works	1,833,162	1,816,865	-	-	1,833,162	1,816,865
Parks & Recreation	487,822	474,709	-	-	487,822	474,709
Interest on long-term debt	751,082	248,461	-	-	751,082	248,461
PERS sidefund expenses					-	-
Sewer			678,833	670,158	678,833	670,158
Old City Hall			72,648	80,153	72,648	80,153
MLK			954,757	688,495	954,757	688,495
Parking			191,870	271,123	191,870	271,123
<b>Total expenses</b>	<b>13,443,207</b>	<b>12,349,390</b>	<b>1,898,108</b>	<b>1,709,929</b>	<b>15,341,315</b>	<b>14,059,319</b>
Increase in net assets before transfers	2,974,118	1,673,908	2,042,047	1,809,831	5,016,165	3,483,739
Transfers	1,220,375	1,020,172	(1,220,375)	(1,020,172)	-	-
<b>Increase in net assets</b>	<b>4,194,493</b>	<b>2,694,080</b>	<b>821,672</b>	<b>789,659</b>	<b>5,016,165</b>	<b>3,483,739</b>
Net assets - Beginning	35,154,760	32,460,680	6,586,884	5,797,225	41,741,644	38,257,905
<b>Net assets - Ending</b>	<b>39,349,253</b>	<b>35,154,760</b>	<b>7,408,556</b>	<b>6,586,884</b>	<b>46,757,809</b>	<b>41,741,644</b>

- Operating grants and contributions decreased by \$29,808 (10 percent) during the year.
- Taxes increased by \$1,164,097 (10.6 percent) during the year. The increase is primarily due to higher property tax growth and franchise fee revenues. The property tax increase accounted for 92% of the 10.6 percent increase.
- Capital grants and contributions increased by \$348,786 (40.7 percent) during the year. The increase is primarily due to interest earnings on the general obligation bonds issued for the construction of the two new public safety buildings.
- Investment earnings increased by \$209,740 (12.7 percent) during the year. The increase is primarily due to improved cash flow from operating result.
- For the most part, increases in general government and public safety (police & fire) expenses were mostly due to increase in legal expense and worker's compensation cost related to public safety operation.
- Interest on long-term debt increased by \$502,621 (66.9 percent) during the year. The increase was due to debt service of general obligation bonds.



**Business-type activities.** Business-type activities increased the City of Sausalito's net assets by \$821,672, accounting for 16 percent of the total growth in the government's net assets. Key elements of this increase are as follows:

- MLK Fund increased by \$266,262 during the year. The increase is primarily due to full occupancy of the property and reduction in utilities and repairs operating expense.
- Sewer Fund increased by \$8,675 during the year. The increase is primarily due to higher sewer tax collection and interest earnings.
- Parking Fund decreased by \$79,253 during the year. The decrease is primarily due to a \$100,000 increase in transfer to General Fund.



### Financial Analysis of the Government's Funds

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

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**Governmental funds:**

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

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$30,911,066, an increase of \$2,836,741 in comparison with the prior year. Approximately 5.3 percent of this total amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for 1) to build two new public safety buildings (\$15,732,511), 2) to pay debt service (\$265,357), 3) to pay for general capital improvement projects (\$530,606), or 4) to pay for other designated or restricted purposes.

**General Fund** The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$699,207, while total fund balance reached \$7,150,686. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 5.9 percent of the total general fund expenditures, while total fund balance represents 60 percent of that same amount.

The fund balance of the City of Sausalito's general fund increased by \$767,417 during the current fiscal year. Key factors in this growth are as follows:

- Secured property tax revenue increased by \$641,742 during the year. The increase is primarily due to property sales and reassessment due to construction.
- Sales tax increased by \$82,334 during the year. The increase is primarily due to tourism and economic recovery.
- Interest Earnings increased by \$190,418 during the year.
- Charges for services increased by \$96,711 during the year. The increase is primarily due to higher demand for city services and the flat fee structure for planning projects.
- Transfers out to other funds exceeded transfers in by \$842,534 during the year. The increase was mostly to fund capital improvement projects.

**Tidelands Special Revenue Fund** has a total fund balance of \$2,388,224, all of which is reserved for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The increase in fund balance is attributable to

**Public Safety Buildings Capital Projects Fund** has a total fund balance of \$15,502,017, all of which is reserved for the construction of a police building and a fire station. The pre-construction costs to-date has been paid for through some private donations and a \$1,132,000 advance from general capital project fund. \$15.5 million general obligation bond sale was approved by the citizens of Sausalito in August of 2006 to pay for the construction.

**Proprietary funds.** The City of Sausalito's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the current fiscal year, the total fund balance for MLK, parking, and old city hall reported an increase which is due to increase in lease revenues.

Unrestricted net assets of the sewer fund amounted to \$2,795,126 which is available for ongoing maintenance and repair projects. The sewer assessment was adjusted to closely follow the five-year rate study conducted in 2003. The City will be conducting a new rate study in 2008.

**General Fund Budgetary Highlights**

During the year there was a \$27,615 decrease in appropriations between the original and final amended budget. Following are the main components of the decrease:

- \$104,869 decrease in administrative costs due to a position vacancy.

The decrease was included with reductions in anticipated revenues. However at year end the revenues received were 5.7% higher than the final budget.

**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, 2008, amounts to \$34,681,638 (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. There was no significant increase in the City of Sausalito's investment in capital assets for the current fiscal year.

**City of Sausalito's Capital Assets**  
*(net of depreciation)*

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land and improvements	15,014,662	15,014,662	3,796,002	3,796,002	18,810,664	18,810,664
Construction in progress	1,527,667	1,034,401	0	0		1,034,401
Building and improvements	404,963	418,416	3,727,122	3,827,360	4,245,776	4,245,776
MLK Bus Barn			220,005	225,500		225,500
Vehicles and equipment	632,111	103,199	74,725	91,760	194,959	194,959
Machinery and equipment	249,390	301,044	0	0		301,044
Infrastructure	4,916,276	5,437,528	4,118,715	4,249,448	9,686,976	9,686,976
<b>Total</b>	<b>22,745,069</b>	<b>22,309,250</b>	<b>11,936,569</b>	<b>12,190,070</b>	<b>34,681,638</b>	<b>34,499,320</b>

Additional information about the City's capital assets can be found in Note. 6 on pages 40-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$21,222,299.

**City of Sausalito's Outstanding Debt**

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Short-term debt	1,066,401	1,147,162			1,066,401	1,147,162
Notes payable	16,048,693	15,694,220			16,048,693	15,694,220
Capital leases	430,570	434,235	3,676,635	4,208,037	4,107,205	4,642,272
<b>Total</b>	<b>17,545,664</b>	<b>17,275,617</b>	<b>3,676,635</b>	<b>4,208,037</b>	<b>21,222,299</b>	<b>21,483,654</b>

In November 2006, the City of Sausalito issued and sold \$15.5 million of general obligation bonds for the construction of a police building and a fire station.

For more detailed information on the City's Long-term debt see Note 7 on pages 44-47 in this report.

**Economic Factors and Next Year's Budgets**

At the date of publication of this report, there is continuing uncertainty regarding City revenues for the coming fiscal year and beyond. Property taxes comprise 48% of the General Fund revenues and it appears that this will remain a stable source of revenue into the coming year.

The City expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures; however, rising costs of workers compensation insurance, rising costs of medical insurance, and rising costs of PERS retirement plan contributions are factors that are largely beyond the City's ability to control, and remain a major impediment to continuing to provide the current level of services and meeting Sausalito's Capital infrastructure needs.

**Requests for Information**

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



**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

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

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents information in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

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

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

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

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

CITY OF SAUSALITO  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$13,762,188	\$5,151,507	\$18,913,695
Restricted cash (Note 2)	16,745,393		16,745,393
Receivables:			
Taxes receivables, net	156,437	4,639	161,076
Accounts receivable, net	434,657	28,808	463,465
Loans receivable (Note 4)	12,060	2,971	15,031
Internal balances (Note 3C)	5,721,801	(5,721,801)	
Unamortized issuance costs		31,290	31,290
Capital assets (Note 6):			
Land and construction in progress	16,542,329	3,796,002	20,338,331
Depreciable, net of accumulated depreciation	6,202,741	8,140,567	14,343,308
<b>Total Assets</b>	<b>59,577,606</b>	<b>11,433,983</b>	<b>71,011,589</b>
<b>LIABILITIES</b>			
Accounts payable	556,322	39,890	596,212
Accrued interest payable	193,283	171,787	365,070
Accrued salaries and benefits	171,540		171,540
Compensated absences (Note 1H)			
Due within one year	409,530	3,336	412,866
Due in more than one year	119,798		119,798
Claims payable (Note 10):			
Due within one year	240,557		240,557
Due in more than one year	641,723		641,723
Refundable deposits	197,971	133,779	331,750
Unearned revenue	151,965		151,965
Long-term debt (Note 7):			
Due within one year	216,507	569,813	786,320
Due in more than one year	17,329,157	3,106,822	20,435,979
<b>Total Liabilities</b>	<b>20,228,353</b>	<b>4,025,427</b>	<b>24,253,780</b>
<b>NET ASSETS (Note 11):</b>			
Invested in capital assets, net of related debt	22,219,842	8,259,934	30,479,776
Restricted for:			
Special revenue programs	5,234,891		5,234,891
Debt service	265,357		265,357
<b>Total Restricted Net Assets</b>	<b>5,500,248</b>		<b>5,500,248</b>
Unrestricted	11,629,163	(851,378)	10,777,785
<b>Total Net Assets</b>	<b>\$39,349,253</b>	<b>\$7,408,556</b>	<b>\$46,757,809</b>

See accompanying notes to financial statements

CITY OF SAUSALITO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>						
General government	\$2,305,440	\$32,421	\$25,000		(\$2,248,019)	(\$2,248,019)
Library	608,786	19,407	10,000	\$11,486	(567,893)	(567,893)
<b>Public safety:</b>						
Police services	3,726,214	365,355	100,000	722,343	(2,538,516)	(2,538,516)
Fire services	2,683,513	119,737			(2,563,776)	(2,563,776)
Community development	1,047,188	851,233			(195,955)	(195,955)
Public works	1,833,162	438,593	156,314	37,383	(1,200,872)	(1,200,872)
Parks & recreation	487,822	239,466		86,000	(162,356)	(162,356)
Interest on long-term debt	751,082				(751,082)	(751,082)
<b>Total Governmental Activities</b>	<b>13,443,207</b>	<b>2,066,212</b>	<b>291,314</b>	<b>857,212</b>	<b>(10,228,469)</b>	<b>(10,228,469)</b>
<b>Business-type Activities:</b>						
MLK	954,757	1,033,012			\$78,255	78,255
Sewer	678,833	951,956			273,123	273,123
Parking	191,870	1,397,445			1,205,575	1,205,575
Old City Hall	72,648	315,026			242,378	242,378
<b>Total Business-type Activities</b>	<b>1,898,108</b>	<b>3,697,439</b>			<b>1,799,331</b>	<b>1,799,331</b>
<b>Total</b>	<b>\$15,341,315</b>	<b>\$5,763,651</b>	<b>\$291,314</b>	<b>\$857,212</b>	<b>(10,228,469)</b>	<b>1,799,331</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes					6,948,365	6,948,365
Sales taxes					1,681,133	1,681,133
Transient occupancy tax					1,005,984	1,005,984
Other taxes					1,259,143	1,259,143
Motor vehicle in-lieu, unrestricted					33,049	33,049
Investment earnings					1,472,122	1,472,122
Other revenues					802,791	802,791
Transfers (Note 3A)					1,220,375	1,220,375
<b>Total general revenues and transfers</b>					<b>14,422,962</b>	<b>(977,659)</b>
<b>Change in Net Assets</b>					<b>4,194,493</b>	<b>821,672</b>
<b>Net Assets-Beginning</b>					<b>35,154,760</b>	<b>6,586,884</b>
<b>Net Assets-Ending</b>					<b>\$39,349,253</b>	<b>\$7,408,556</b>

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 2008. Individual non-major funds may be found in the Supplemental Section.

**GENERAL FUND**

The General Fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The General Fund accounts for all financial resources of a governmental unit, which are not accounted for in another fund.

**TIDELANDS SPECIAL REVENUE FUND**

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

**PUBLIC SAFETY BUILDINGS CAPITAL PROJECTS FUND**

To account for contributions and expenditures related to the design and construction of two new public safety buildings.

CITY OF SAUSALITO  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	General	Tidelands Fund	Public Safety Buildings	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$1,771,474	\$2,325,548	\$330,750	\$4,475,526	\$8,903,298
Restricted cash (Note 2)			16,482,864	262,529	16,745,393
Receivables:					
Taxes receivables, net	105,356			51,081	156,437
Accounts receivable, net	342,608	74,500		13,408	430,516
Loans receivable	12,060				12,060
Advances to other funds (Note 3B)	5,721,801			1,132,000	6,853,801
<b>Total Assets</b>	<b>\$7,953,299</b>	<b>\$2,400,048</b>	<b>\$16,813,614</b>	<b>\$5,934,544</b>	<b>\$33,101,505</b>
<b>LIABILITIES</b>					
Accounts payable	\$343,426	\$1,424	\$167,036	\$25,077	\$536,963
Accrued salaries and benefits	171,540				171,540
Refundable deposits	187,571	10,400			197,971
Advances from other funds (Note 3B)			1,132,000		1,132,000
Unearned revenue	100,076		12,561	39,328	151,965
<b>Total Liabilities</b>	<b>802,613</b>	<b>11,824</b>	<b>1,311,597</b>	<b>64,405</b>	<b>2,190,439</b>
<b>FUND BALANCES (Note 11)</b>					
Reserved for:					
Loans receivable	12,060				12,060
Advances to other funds	5,721,801			1,132,000	6,853,801
Debt service				265,357	265,357
Special revenue programs		2,023,896		3,126,594	5,150,490
Capital projects			15,732,511		15,732,511
Unreserved, designated for:					
Budget stabilization	691,600				691,600
Donation	26,018				26,018
Capital projects				530,606	530,606
Unreserved, undesignated	699,207	364,328	(230,494)	815,582	1,648,623
<b>Total Fund Balances</b>	<b>7,150,686</b>	<b>2,388,224</b>	<b>15,502,017</b>	<b>5,870,139</b>	<b>30,911,066</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,953,299</b>	<b>\$2,400,048</b>	<b>\$16,813,614</b>	<b>\$5,934,544</b>	<b>\$33,101,505</b>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

Total fund balances reported on the governmental funds balance sheet \$30,911,066

Amounts reported for Governmental Activities in the Statement of Net Assets 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. 22,017,013

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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 assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	4,858,890
Accounts receivable, net	4,141
Capital assets, net of depreciation	728,057
Claims payable	(882,280)
Long-term debt	(379,476)
Accounts payable and accrued interest	(25,499)

LONG TERM LIABILITIES

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

Long-term debt	(17,166,188)
Accrued interest payable	(187,143)
Compensated absences	(529,328)
	(17,882,659)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$39,349,253

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, 2008

	General	Tidelands Fund	Public Safety Buildings	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property tax	\$6,471,823			\$438,647	\$6,910,470
Sales tax	1,681,133				1,681,133
Other tax	1,798,557				1,798,557
Licenses and permits	537,514				537,514
Fines and forfeitures	332,954			84,808	417,762
Use of money and property	594,792	\$729,475	\$722,343	147,552	2,194,162
Intergovernmental				396,174	396,174
Charges for services	1,298,865			349,585	1,648,450
Other revenues	479,022	2,100			481,122
<b>Total Revenues</b>	<b>13,194,660</b>	<b>731,575</b>	<b>722,343</b>	<b>1,416,766</b>	<b>16,065,344</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,107,444	90,092			2,197,536
Library	610,525				610,525
Public safety:					
Police	3,489,006			100,000	3,589,006
Fire	2,812,232			7,650	2,819,882
Community development	1,049,025				1,049,025
Public works	1,202,436			152,473	1,354,909
Parks & recreation	489,077				489,077
Capital outlay			950,313	408,444	1,358,757
Debt service:					
Principal				80,761	80,761
Interest and other charges			2,523	411,277	413,800
<b>Total Expenditures</b>	<b>11,759,745</b>	<b>90,092</b>	<b>952,836</b>	<b>1,160,605</b>	<b>13,963,278</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>1,434,915</b>	<b>641,483</b>	<b>(230,493)</b>	<b>256,161</b>	<b>2,102,066</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	175,036				175,036
Transfers in (Note 3A)	1,367,375			2,045,519	3,412,894
Transfers (out) (Note 3A)	(2,209,909)	(277,155)		(366,191)	(2,853,255)
<b>Total Other Financing Sources (Uses)</b>	<b>(667,498)</b>	<b>(277,155)</b>		<b>1,679,328</b>	<b>734,675</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>767,417</b>	<b>364,328</b>	<b>(230,493)</b>	<b>1,935,489</b>	<b>2,836,741</b>
<b>BEGINNING FUND BALANCES</b>	<b>6,383,269</b>	<b>2,023,896</b>	<b>15,732,510</b>	<b>3,934,650</b>	<b>28,074,325</b>
<b>ENDING FUND BALANCES</b>	<b>\$7,150,686</b>	<b>\$2,388,224</b>	<b>\$15,502,017</b>	<b>\$5,870,139</b>	<b>\$30,911,066</b>

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, 2008

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 Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$2,836,741

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 1,056,912

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation  
 of \$55,156 which has already been allocated to serviced funds) (646,769)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 80,761

Change in accrued interest payable (404,322)

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 (5,650)

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 Assets - All Internal Service Funds 1,276,820

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$4,194,493

See accompanying notes to financial statements

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**CITY OF SAUSALITO**

**MAJOR PROPRIETARY FUNDS**

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

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

**MLK FUND**

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

**SEWER FUND**

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

**PARKING FUND**

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

**OLD CITY HALL FUND**

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

CITY OF SAUSALITO  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and investments (Note 2)	\$1,176,950	\$2,816,642	\$920,394	\$237,521	\$5,151,507	\$4,858,890
<b>Receivables:</b>						
Taxes receivable, net		4,639			4,639	
Accounts receivable, net	8,129		18,391	2,288	28,808	4,141
Loans receivable (Note 4)	2,971				2,971	
Issuance costs, net	21,554			9,736	31,290	
<b>Total current assets:</b>	<u>1,209,604</u>	<u>2,821,281</u>	<u>938,785</u>	<u>249,545</u>	<u>5,219,215</u>	<u>4,863,031</u>
<b>Noncurrent assets:</b>						
<b>Capital assets (Note 6):</b>						
Land and construction in progress	3,786,064			9,938	3,796,002	
Depreciable, net of accumulated depreciation	3,249,895	4,145,017	55,914	689,741	8,140,567	728,057
<b>Total noncurrent assets</b>	<u>7,035,959</u>	<u>4,145,017</u>	<u>55,914</u>	<u>699,679</u>	<u>11,936,569</u>	<u>728,057</u>
<b>Total Assets</b>	<u>8,245,563</u>	<u>6,966,298</u>	<u>994,699</u>	<u>949,224</u>	<u>17,155,784</u>	<u>5,591,088</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	11,718	22,819	5,353		39,890	19,359
Accrued interest payable	162,289			9,498	171,787	6,140
Compensated absences, due in one year (Note 1H)		3,336			3,336	
Refundable deposits	110,612		23,167		133,779	
Claims payable-due within one year (Note 10)						240,557
Long-term debt, due within one year (Note 7)	431,569			138,244	569,813	57,021
<b>Total current liabilities</b>	<u>716,188</u>	<u>26,155</u>	<u>28,520</u>	<u>147,742</u>	<u>918,605</u>	<u>323,077</u>
<b>Noncurrent liabilities:</b>						
Advance from other funds (Note 3B)	5,721,801				5,721,801	
Claims payable - due in more than one year (Note 10)						641,723
Long-term debt (Note 7):						
Long-term debt, due in more than one year (Note 7)	2,637,175			469,647	3,106,822	322,455
<b>Total noncurrent liabilities</b>	<u>8,358,976</u>			<u>469,647</u>	<u>8,828,623</u>	<u>964,178</u>
<b>Total Liabilities</b>	<u>9,075,164</u>	<u>26,155</u>	<u>28,520</u>	<u>617,389</u>	<u>9,747,228</u>	<u>1,287,255</u>
<b>NET ASSETS (Note 11)</b>						
Invested in capital assets, net of related debt Unrestricted	3,967,215 (4,796,816)	4,145,017 2,795,126	55,914 910,265	91,788 240,047	8,259,934 (851,378)	348,581 3,955,252
<b>Total Net Assets (Deficits)</b>	<u>(\$829,601)</u>	<u>\$6,940,143</u>	<u>\$966,179</u>	<u>\$331,835</u>	<u>\$7,408,556</u>	<u>\$4,303,833</u>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
<b>OPERATING REVENUES</b>						
Building rents	1,033,012			\$315,026	\$1,348,038	
Charges for services		\$951,956	\$1,397,445		2,349,401	
Other revenue	983	67,885	11		68,879	\$597,758
<b>Total Operating Revenues</b>	<b>1,033,995</b>	<b>1,019,841</b>	<b>1,397,456</b>	<b>315,026</b>	<b>3,766,318</b>	<b>597,758</b>
<b>OPERATING EXPENSES</b>						
Administrative services						
Other expenses	23,896	28,683	32,379		84,958	28,572
Professional services	9,527	81,910	1,506		92,943	
Repairs and maintenance	18,800	43,700	13,796	375	76,671	307
Salaries and benefits	46,871	370,916	132,581		550,368	
Utilities	132,399	12,234	5,014		149,647	
Depreciation	77,932	141,390	6,594	27,590	253,506	119,255
Amortization	3,568			2,596	6,164	
<b>Total Operating Expenses</b>	<b>312,993</b>	<b>678,833</b>	<b>191,870</b>	<b>30,561</b>	<b>1,214,257</b>	<b>148,134</b>
<b>Operating Income Before Transfers</b>	<b>721,002</b>	<b>341,008</b>	<b>1,205,586</b>	<b>284,465</b>	<b>2,552,061</b>	<b>449,624</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest revenue	34,656	97,227	33,468	8,486	173,837	\$182,406
Interest expense	(641,764)			(42,087)	(683,851)	(15,946)
<b>Total nonoperating revenue (expenses)</b>	<b>(607,108)</b>	<b>97,227</b>	<b>33,468</b>	<b>(33,601)</b>	<b>(510,014)</b>	<b>166,460</b>
<b>Income before transfers</b>	<b>113,894</b>	<b>438,235</b>	<b>1,239,054</b>	<b>250,864</b>	<b>2,042,047</b>	<b>616,084</b>
Transfers in (Note 3A)						660,736
Transfers (out) (Note 3A)	(33,375)	(79,000)	(958,000)	(150,000)	(1,220,375)	
<b>Net transfers</b>	<b>(33,375)</b>	<b>(79,000)</b>	<b>(958,000)</b>	<b>(150,000)</b>	<b>(1,220,375)</b>	<b>660,736</b>
<b>Change in net assets</b>	<b>80,519</b>	<b>359,235</b>	<b>281,054</b>	<b>100,864</b>	<b>821,672</b>	<b>1,276,820</b>
<b>BEGINNING NET ASSETS (DEFICIT)</b>	<b>(910,120)</b>	<b>6,580,908</b>	<b>685,125</b>	<b>230,971</b>	<b>6,586,884</b>	<b>3,027,013</b>
<b>ENDING NET ASSETS (DEFICIT)</b>	<b>(\$829,601)</b>	<b>\$6,940,143</b>	<b>\$966,179</b>	<b>\$331,835</b>	<b>\$7,408,556</b>	<b>\$4,303,833</b>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$1,051,009	\$961,789	\$1,397,288	\$315,334	\$3,725,420	
Payment to employees	(46,871)	(368,163)	(132,581)		(547,615)	
Payment to suppliers	(180,588)	(177,588)	(49,260)	(375)	(407,811)	(\$433,332)
Other receipts (payments)	(3,181)	62,885	(4,260)	(2,596)	52,848	486,971
<b>Cash Flows from Operating Activities</b>	<u>820,369</u>	<u>478,923</u>	<u>1,211,187</u>	<u>312,363</u>	<u>2,822,842</u>	<u>53,639</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Advance from other funds	433,184				433,184	
Transfers in						660,736
Transfers (out)	(33,375)	(79,000)	(958,000)	(150,000)	(1,220,375)	
<b>Cash Flows from Noncapital Financing Activities</b>	<u>399,809</u>	<u>(79,000)</u>	<u>(958,000)</u>	<u>(150,000)</u>	<u>(787,191)</u>	<u>660,736</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital expenditures	(1)				(1)	(144,932)
Principal payments on capital debt	(401,411)			(129,991)	(531,402)	
Interest payment	(665,942)			(44,118)	(710,060)	(17,206)
Proceeds from issuance of long term debt						(54,759)
<b>Cash Flows from Capital and Related Financing Activities</b>	<u>(1,067,354)</u>			<u>(174,109)</u>	<u>(1,241,463)</u>	<u>(216,897)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest receipts	34,656	97,225	33,466	8,486	173,833	182,406
<b>Net Cash Flows</b>	187,480	497,148	286,653	(3,260)	968,021	679,884
Cash and investments at beginning of period	989,470	2,319,494	633,741	240,781	4,183,486	4,179,006
Cash and investments at end of period	<u>\$1,176,950</u>	<u>\$2,816,642</u>	<u>\$920,394</u>	<u>\$237,521</u>	<u>\$5,151,507</u>	<u>\$4,858,890</u>
<b>Reconciliation of operating income to net cash flows from operating activities:</b>						
Operating income	\$721,002	\$341,008	\$1,205,586	\$284,465	\$2,552,061	\$449,624
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	77,932	141,390	6,594	27,590	253,506	119,255
Change in assets and liabilities:						
Accounts receivables	(3,394)	9,833	(157)	(2,288)	3,994	(4,141)
Issuance/leasing costs	3,567			2,596	6,163	
Loans receivable	17,824				17,824	
Accounts payable and accruals	4,034	(11,061)	3,435		(3,592)	(105,641)
Accrued interest payable						
Accrued compensated absences		2,753			2,753	
Refundable deposits	(596)	(5,000)	(4,271)		(9,867)	
Claims payable						(405,458)
<b>Cash Flows from Operating Activities</b>	<u>\$820,369</u>	<u>\$478,923</u>	<u>\$1,211,187</u>	<u>\$312,363</u>	<u>\$2,822,842</u>	<u>\$53,639</u>

See accompanying notes to financial statements

**CITY OF SAUSALITO**

**FIDUCIARY FUNDS**

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF SAUSALITO  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$220,044
Assessments receivable	<u>549</u>
Total Assets	<u><u>\$220,593</u></u>
<b>LIABILITIES</b>	
Due to local Improvement Districts	<u>\$220,593</u>
Total Liabilities	<u><u>\$220,593</u></u>

See accompanying notes to financial statements



**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**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, fire, and civil defense), highways and streets, sanitary sewer, storm drainage, culture-recreation, library, public works, planning and zoning, 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 Comprehensive Annual Financial Report is 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 Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**C. Major Funds**

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

Major funds are defined as funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds. During fiscal year 2008, the City elected Tidelands Special Revenue Fund as a major fund.

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.

**PUBLIC SAFETY BUILDINGS CAPITAL PROJECTS FUND** - To account for contributions and expenditures related to the design and construction of two new public safety buildings.

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

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**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.

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

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

**Fiduciary Funds** – The Agency Fund is used to account for assets held by the City as an agent for the Area Improvement Districts. The financial activities of this fund are excluded from the Government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

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

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

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

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

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

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

***E. Use of Restricted/Unrestricted Net Assets***

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets 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, Capital Projects and Internal Service Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the year. During the year, several supplementary appropriations were necessary.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**G. *Inventories and Prepaid Items***

General fund inventories are recorded as expenditures when consumed, rather than when purchased. These inventories are stated at cost, using the first-in, first-out (FIFO) method. Inventories in the proprietary funds are stated at the lower of cost or market, and consist of expendable materials and supplies.

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.

Inventories and prepaid items, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in governmental funds, to indicate that they do not constitute resources available for appropriation.

**H. *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. Non-fire department employees are permitted to accumulate the unused portion, provided that on June 30th of any fiscal year (December 31<sup>st</sup> of any calendar year for management and confidential employees), they do not have more than 30 working days of vacation time accrued. Fire department personnel may accumulate the unused portion up to 336 hours, consisting of 14 24-hour shifts. 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 firefighters, 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).

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 Assets.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning balance	\$523,679	\$583
Additions	485,524	4,353
Payments	<u>(479,875)</u>	<u>(1,600)</u>
Ending Balance	<u>\$529,328</u>	<u>\$ 3,336</u>
Current Portion	<u>\$409,530</u>	<u>\$ 3,336</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.

**I. 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**

**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

**J. *Unearned Revenues***

Unearned 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).

**K. *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.

**L. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**M. *Excess of Expenditures Over Appropriations***

For the fiscal year ended June 30, 2008, the following expenditures exceeded the budgeted expenditures:

	<u>Expenditures exceeded budget</u>
General Fund	
Fire	\$72,444
Gas Tax Special Revenue Fund	28,695
Recreation Grant Special Revenue Fund	32,840

The excess expenditures were funded by available financial resources.

**N. *New Fund***

During the fiscal year ended June 30, 2008, the City established the Measure A Special Revenue Fund, Energy Loan Debt Service Fund, Tideland Loan Debt Service Fund, and Vehicle Code Fine Overpayment Fund Debt Service Fund.

**CITY OF SAUSALITO**  
**Notes to 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 assets in the following allocation:

<i>Statement of Net Assets</i>	
Cash and investments	\$18,913,695
Restricted cash	16,745,393
Subtotal	35,659,088
<i>Fiduciary Funds</i>	
Cash and investments	220,044
Total Cash and investments	\$35,879,132

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

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



**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	None	\$40 million
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	50%	None
Bankers Acceptances	180 days	N/A	30%	5%
Commercial Paper	180 days	A1/P1	15%	5%
Certificate of Time Deposits	360 days	N/A	25% (*)	None
Negotiable Certificates of Deposit	360 days	N/A	30%	5%
Repurchase Agreements	360 days	N/A	20%	5%
Reverse Repurchase Agreement	90 days	N/A	15%	None
Medium Term Notes	5 years	A	30%	None

\* On uncollateralized deposits, City's portfolio 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.

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

Investments	12 Months or less	Total
Money Market Fund (U.S. Treasury)	\$3,129,655	\$3,129,655
U.S. Treasury Bills	6,387,495	6,387,495
U.S. Treasury Notes	13,166,563	13,166,563
Local Agency Investment Fund	12,486,681	12,486,681
<b>Total Investments</b>	<b>\$35,170,394</b>	<b>35,170,394</b>
Cash in banks		702,607
Petty Cash		6,131
<b>Total Cash and Investments</b>		<b>\$35,879,132</b>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**F. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2008 for each investment type:

Investment Type	AAA	Total
Money Market Fund (U.S. Treasury)	\$3,129,655	\$3,129,655
U.S. Treasury Obligations	19,554,058	19,554,058
Not Rated:		
Local Agency Investment Fund		12,486,681
Cash in banks		702,607
Petty cash		6,131
Total Cash and Investments		\$35,879,132

**G. Custodial Credit Risk**

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

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

**H. Local Agency Investment Fund**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2008, these investments matured in an average of 212 days.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 3 - INTERFUND TRANSACTIONS**

**A. Transfers**

<b>Fund Receiving Transfers</b>	<b>Fund Making Transfers</b>	<b>Amount Transferred</b>
<b>General Fund</b>	Tideland Special Revenue Fund	\$205,000 A
	MLK Enterprise Fund	33,375 A
	Sewer Enterprise Fund	79,000 A
	Parking Enterprise Fund	900,000 C
	Old City Hall Enterprise Fund	150,000 C
<b>Non-Major Governmental Funds</b>	General Fund	1,607,173 D,B,G
	Tideland Special Revenue Fund	72,155 B
	Non Major Governmental Funds	366,191 B
<b>Internal Service Funds</b>	General Fund	602,736 E, F
	Parking Enterprise Fund	58,000 E
	<b>Total Interfund Transfers</b>	<b>\$4,073,630</b>

The reasons for these transfers are set forth below:

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

**B. Long-term Interfund Advances**

The City had the following interfund advances at June 30:

<b>Payable Fund</b>	<b>Receivable Fund</b>	<b>Amount</b>
Public Safety Buildings Fund	General Capital Project Fund	\$1,132,000
MLK Enterprise Fund	General Fund	5,721,801
		<b>\$6,853,801</b>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

The City General Fund has loaned monies to the MLK Enterprise Fund to be used for any expenses necessary or incidental to carrying out the administration and maintenance of the property. At June 30, 2008, outstanding loans totaling \$5,721,801 (\$3,398,890 in advances and \$2,322,911 of accrued interest) have been made from the General Fund. Repayments would be made as practical to the City. Simple interest accrues at a rate of 5% per annum on the principal amount of the advance. Unpaid interest becomes part of the principal balance.

The City General Capital Project Fund loaned monies to the Public Safety Buildings Capital Project Fund to cover pre-construction costs for the public safety building construction. This loan does not accrue interest.

**C. Internal Balances**

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

**NOTE 4 - LOANS RECEIVABLE**

**A. The Marin School**

The City has a loan receivable from The Marin School, a California not-for-profit corporation ("the School"), a tenant leasing premises at the Martin Luther King property. In December 2003, the School entered into an installment payment agreement with the City to pay off its delinquent rent in the amount of \$83,180. The monthly installment payments are \$1,485 and are scheduled to run until August 1, 2008 at zero interest. The balance outstanding at June 30, 2008 is \$2,971.

**NOTE 5 - INVESTMENT IN REAL PROPERTY**

During fiscal 2002, the City entered into a Tenancy in Common agreement with its prior City Manager to purchase certain real property as set forth under the agreement. As a result, the City invested \$441,600 for a 50% interest in the real property. The agreement provided for, among other things, that upon sale of the property, the City would receive 50% of the sales proceeds, as defined in the agreement. During the current fiscal year, the real property was sold and the City recorded a gain in the amount of \$175,036.

**NOTE 6 - CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Infrastructure capital assets with a value of \$100,000 or more, and non-infrastructure capital assets with a value of \$5,000 or more are capitalized.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the "modified approach" may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

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.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Changes in fixed assets during the year ended June 30, 2008 comprise:

	Balance June 30, 2007	Additions	Retirements & Adjustments	Transfers	Balance June 30, 2008
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land and improvements	\$15,014,662				\$15,014,662
Construction in progress	600,766	\$926,901			1,527,667
	<u>15,615,428</u>	<u>926,901</u>			<u>16,542,329</u>
Depreciable capital assets:					
Building and improvements	1,103,135	11,060			1,114,195
Vehicles and equipment	1,618,409		(\$103,597)		1,514,812
Machinery and equipment	712,219	54,559			766,778
Infrastructure-	23,701,096	64,392			23,765,488
Total	<u>27,134,859</u>	<u>130,011</u>	<u>(103,597)</u>		<u>27,161,273</u>
Less: accumulated depreciation for					
Building and improvements	(684,719)	(24,513)			(709,232)
Vehicles and equipment	(1,618,409)		103,597		(1,514,812)
Machinery and equipment	(576,721)	(36,613)			(613,334)
Infrastructure	(18,263,568)	(585,644)			(18,849,212)
Total accumulated depreciation	<u>(21,143,417)</u>	<u>(646,770)</u>	<u>103,597</u>		<u>(21,686,590)</u>
Depreciable capital assets, net	<u>5,991,442</u>	<u>(516,759)</u>			<u>5,474,683</u>
<b>Internal Service Funds</b>					
Capital assets not being depreciated:					
Construction in progress	433,635	25,858		(\$459,493)	
Depreciable capital assets:					
Vehicles and equipment	157,535	119,074		459,493	736,102
Machinery and equipment	236,493				236,493
	<u>394,028</u>	<u>119,074</u>		<u>459,493</u>	<u>972,595</u>
Less: accumulated depreciation for					
Vehicles and equipment	(54,336)	(49,656)			(103,992)
Machinery and equipment	(70,947)	(69,599)			(140,546)
Total accumulated depreciation	<u>(125,283)</u>	<u>(119,255)</u>			<u>(244,538)</u>
Depreciable capital assets, net	<u>268,745</u>	<u>(181)</u>		<u>459,493</u>	<u>728,057</u>
Governmental capital assets, net	<u>\$22,309,250</u>	<u>\$435,819</u>			<u>\$22,745,069</u>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

	Balance June 30, 2007	Additions	Balance June 30, 2008
<b>Business-type Activities</b>			
Land and improvements	\$3,796,002		\$3,796,002
	<u>3,796,002</u>		<u>3,796,002</u>
Depreciable capital assets:			
Building and improvements	5,713,257		5,713,257
MLK Bus Barn	275,000		275,000
Vehicles and equipment	1,043,835		1,043,835
Infrastructure	8,497,982		8,497,982
	<u>15,530,074</u>		<u>15,530,074</u>
Less: accumulated depreciation for			
Building and improvements	(1,885,897)	(100,238)	(1,986,135)
MLK Bus Barn	(49,500)	(5,495)	(54,995)
Vehicles and equipment	(952,075)	(17,035)	(969,110)
Infrastructure	(4,248,534)	(130,733)	(4,379,267)
	<u>(7,136,006)</u>	<u>(253,501)</u>	<u>(7,389,507)</u>
Depreciable capital assets, net	<u>8,394,068</u>	<u>(253,501)</u>	<u>8,140,567</u>
Total capital assets, net	<u>\$12,190,070</u>	<u>(\$253,501)</u>	<u>\$11,936,569</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:

<b>Governmental Activities:</b>	
General government	\$38,798
Police services	15,801
Fire services	9,219
Community development	1,670
Public works	574,073
Recreation	7,209
Internal Service Funds	<u>119,253</u>
Total Governmental Activities	<u>\$766,023</u>
<b>Business-type Activities:</b>	
MLK	\$77,932
Sewer	141,390
Parking	6,594
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$253,506</u>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 7 - 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, 2007	Additions	Retirements:	Balance June 30, 2008	Current Portion
<b>Governmental Activities</b>						
Department of Boating & Waterways						
Waterways	\$1,200,000	\$908,676		(\$31,265)	\$877,411	\$32,672
California Energy Commission	31,000	17,302		(2,672)	14,630	2,754
<b>General Obligation Bonds:</b>						
2006 Series A	8,205,000	8,205,000			8,205,000	65,000
2006 Series B	7,293,894	7,489,220	\$ 354,473		7,843,693	
Superior Court Promissory Note	247,673	221,184		(46,824)	174,360	48,668
Fire Truck Lease	434,235	434,235		(54,759)	379,476	57,021
Scanner Lease	54,558		54,558	(3,464)	51,094	10,392
Total Government Activities		<u>\$17,275,617</u>	<u>\$409,031</u>	<u>(\$138,984)</u>	<u>\$17,545,664</u>	<u>\$216,507</u>
<b>Business-type Activities</b>						
Capital Leases						
MLK capital lease	\$3,840,494	\$2,316,851		(\$327,163)	\$1,989,688	\$346,569
MLK capital improvement lease	1,770,000	1,165,000		(75,000)	1,090,000	85,000
MLK discount		(11,697)		753	(10,944)	
Old City Hall capital improvement lease (MPA)	1,156,500	737,883		(129,992)	607,891	138,244
Total Business-type Activities		<u>\$4,208,037</u>		<u>(\$531,402)</u>	<u>\$3,676,635</u>	<u>\$569,813</u>

**B. 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.

**C. California Energy Commission**

The loan payable bears interest at 3% per annum on the unpaid balance and is payable in semi-annual installments of \$1,586, including interest, until maturity, June 22, 2013. Proceeds from the loan were used to replace non-energy efficient lights at City Hall.



**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 7 - 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.

***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 Bonds unaccrued discount totaled \$17,771,307 at June 30, 2008. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026.

***F. Superior Court Promissory Note***

On February 2, 2007, the City signed a promissory note in the amount of \$247,673 to repay the Superior Court of California, County of Marin. The purpose of the note is to repay the Superior Court for over payment of court revenues, generated from traffic violations, made to the City from the period July 1999 through June 2006. The monthly installment payments will be deducted from the monthly remittance to the City for its statutory share of current fines and forfeitures until the balance is paid in full. The note bears interest at 3.873% per annum. Principal and interest are payable monthly commenced in December 2006. Final repayment will be November 2011. As of June 30, 2008, the total principal and interest remaining to be paid on the bonds is \$186,432.

***G. Fire Truck Capital Lease***

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

***H. Scanner Capital Lease***

On February 22, 2008, the City entered into a capital lease agreement in the amount of \$54,558 to purchase a scanner. Principal payments are due monthly, commencing March 1, 2008, until May 1, 2013.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT (Continued)**

***I. MLK Capital Lease (Martin Luther King School Site)***

On August 1, 1987, the City entered into a lease agreement with the Sausalito School District to finance the acquisition of the Martin Luther King School site (the "MLK site"), containing approximately 17 acres of land, with improvements. Effective March 26, 1997, the City and the Sausalito School District (the "District") amended the lease agreement. Under the first amendment, the lease schedule was extended from the year 2007 to the year 2013 and restructured at an interest rate of 7.46%.

The City leases units at the site to tenants. The leases are operating leases with varying terms. Rental income included in the financial statements for the fiscal year ended June 30, 2008 is comprised of the following:

Operating Leases	\$987,503
Utility pass through	<u>44,429</u>
	<u><u>\$1,031,932</u></u>

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2008 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2009	\$894,543
2010	729,427
2011	713,711
2012	711,694
2013	<u>740,161</u>
	<u><u>\$3,789,536</u></u>

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

***J. MLK Capital Improvement Lease***

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

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 7 - LONG-TERM DEBT (Continued)**

**K. Old City Hall Capital Improvement Lease**

On July 30, 2003, the City entered into a lease agreement with a nonprofit public benefit corporation, to refinance the \$1,600,000 Certificates of Participation issued in April 1992. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. Proceeds of \$1,134,239 from the MPA lease were transferred to a trustee and placed in an irrevocable trust to redeem the 1992 COPs. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. Accordingly, the 1992 COPs were removed from the balance sheet. Interest and principal payments on the refinanced lease are payable semiannually on each October 1<sup>st</sup> and April 1<sup>st</sup> until April 1, 2012.

The Old City Hall is in downtown Sausalito and is a designated historic landmark. This 80-year old un-reinforced masonry building was upgraded for seismic safety purposes and renovated to function as retail commercial space. The City entered into an agreement with a tenant in April 1993 to lease the retail space. The agreement was for ten years.

On December 1, 2004, the City executed an amended lease extending the term of the lease for one additional period of 10 years and 3 months with no option to extend. Minimum monthly rent was established at \$23,750 per month from December 1, 2004 through November 30, 2008, and at \$25,000 per month from December 1, 2008 through February 28, 2014. The City has pledged moneys deposited in the Old City Hall Enterprise Fund, constituting rental income from the Property. At June 30, 2008, the remaining principal and interest to be paid is \$696,441.

**L. Debt Service Requirements**

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Fiscal Year Ended June 30	Governmental Activities		Business Activities	
	Principal (A)	Interest	Principal	Interest
2009	\$216,507	\$421,260	\$569,813	\$239,291
2010	257,337	411,307	609,443	199,543
2011	293,407	399,487	650,065	158,014
2012	302,594	386,102	693,242	113,667
2013	318,638	372,327	567,326	68,912
2014-2018	1,952,558	1,625,311	597,690	33,660
2019-2023	3,362,577	1,089,906		
2024-2028	5,348,353	233,835		
2029-2033	7,095,000			
2034-2038	9,280,000			
2039-2041	6,890,000			
Total	<u>\$35,316,971</u>	<u>\$4,939,535</u>	3,687,579	<u>\$813,087</u>
Reconciliation of long-term debt: MLK discount			<u>(10,944)</u>	
Net long-term debt			<u>\$3,676,635</u>	

(A) Includes General Obligation Bonds 2006 Series B unaccreted discount in the total amount of \$17,771,307

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 8 – DEBT WITH NO CITY COMMITMENT**

**A. *Local Improvement District Debt with No City Commitment***

Local Improvement Districts (LID's) are established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt which is not included in the general debt of the City. The City has no legal or moral liability with respect to the payment of these debts. The outstanding balance of each of these issues as of June 30, 2008 is as follows:

	<u>Balance, June 30, 2008</u>
Downtown Assessment District 1989-1	\$150,000
Sunshine Central Assessment District	80,000

**B. *Rotary Village Senior Housing Project***

On March 1, 2004, the City sponsored the issuance of a \$2,500,000 bond on behalf of the Rotary Housing Corporation, a 501(c)(3) corporation and a California Nonprofit Public Benefit Corporation (the "Corporation"). These bonds were issued to raise loan proceeds to finance the construction of the Rotary Village Senior Housing Project. The bonds are payable solely out of the amounts pledged by the Corporation and is not included in the long-term debt of the City. The City has no legal or moral liability with respect to the payment of this debt. The balance at June 30, 2008 is \$2,275,000.

**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

**A. *CALPERS Safety and Miscellaneous Employees Plans***

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (Police and Fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2008, are summarized as follows:

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS (Continued)**

	<u>Police</u>	<u>Fire</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of annual salary	2.4% to 3%	2.4% to 3%	2.0% to 2.5%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	31.766%	23.723%	12.648%

Effective July 1, 2003, the City adopted the provisions of Internal Revenue Code Section 414(h)(2) on behalf of its miscellaneous and police safety personnel. Base salaries for these employees are grossed up 8%-9% so that employees may pay their own PERS contribution out of pre-tax compensation. The City continues to pick up the tax deferred contributions on behalf of fire safety personnel.

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

	<u>Employer Contribution Amount</u>	<u>Employer Contribution Rate</u>		
		<u>Police</u>	<u>Fire</u>	<u>Miscellaneous</u>
2006	\$1,692,229	31.49%	22.51%	12.87%
2007	1,519,272	29.05%	23.46%	12.73%
2008	1,489,668	31.77%	23.72%	12.65%

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0 %. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by new State law, effective July 1, 2005, the City's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the City true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 9 - RETIREMENT BENEFITS (Continued)**

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

*State-wide pool - Safety Police and Fire Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2004	\$1,252,474,736	\$1,026,500,742	\$225,973,994	82.0%	\$154,903,754	145.9%
2005	1,325,510,754	1,105,298,221	220,212,533	83.4%	161,446,071	136.4%
2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%

*State-wide pool - Miscellaneous Plan:*

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2004	\$434,267,445	\$379,807,592	\$54,459,853	87.5%	\$97,227,479	56.0%
2005	579,276,103	500,388,523	78,887,580	86.4%	129,379,492	61.0%
2006	912,988,585	787,758,909	125,229,676	86.3%	200,320,145	62.5%

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

**B. *Postemployment Health Care Benefits***

The City pays a portion of insurance premiums to provide health care benefits for retired employees as required by bargaining unit agreements. Non-sworn City employees who retire after reaching age 55 with 20 years or more of service and sworn City employees who retire after reaching age 50 with 20 year or more of service are eligible for benefits. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. During the year ended June 30, 2008 the City paid \$117,141 on behalf of 29 retirees who were participating in the plan.

**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.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 9 - RETIREMENT BENEFITS (Continued)**

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.

**NOTE 10 – PUBLIC ENTITY RISK POOL**

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

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

**A. *Workers' Compensation Coverage Statistics***

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 10 - PUBLIC ENTITY RISK POOL (Continued)**

At June 30, 2008, the City's estimated workers' compensation liability for unpaid losses was as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$1,092,249	\$1,153,605
Incurred claims and claims adjustment	(147,658)	243,156
Claims paid	<u>(151,154)</u>	<u>(304,512)</u>
Ending balance	<u>\$793,437</u>	<u>\$1,092,249</u>
Current portion	<u>\$213,524</u>	<u>\$281,203</u>

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

**B. General Liability Coverage**

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

As defined by GASB 10, the BCJPIA is an "account pool." The BCJPIA manages separate accounts for each pool member from which losses and expenses are paid, up to the City's self-insured retention of \$50,000 per occurrence. The BCJPIA has a policy of annual evaluations to determine the "financial risk position" (cash less claim reserves, IBNR and claim development) of each member. If a member has a negative risk position, a supplement element is added to its annual assessment.

As defined by GASB 10, the BCJPIA is a "risk sharing pool." The BCJPIA provides liability and errors & 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) and Employment Risk Management Authority (ERMA), risk sharing joint powers authorities. CARMA provides excess insurance coverage to \$24 million. ERMA arranges for pooled risk sharing related to employment practices liability. Coverage is provided up to one million.

At June 30, 2008, the City's estimated general liability for unpaid losses was as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$195,489	\$102,299
Incurred claims and claims adjustment	(48,942)	229,794
Claims paid	<u>(57,704)</u>	<u>(136,604)</u>
Ending balance	<u>\$88,843</u>	<u>\$195,489</u>
Current portion	<u>\$27,033</u>	<u>\$37,674</u>



**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 11 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

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

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Assets 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 Assets which is not restricted to use.

**B. Fund Balances**

Fund balances and retained earnings consist of reserved and unreserved amounts. Reserved fund balances and retained earnings represent amounts that are legally restricted to a specific use or are not available for appropriation of expenditure. The remainder is unreserved.

Portions of unreserved fund balance may be designated by the City Council or management for tentative future spending plans. Designated portions of fund balance represent financial resources legally available for uses other than those tentatively planned. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures.

Grants and transfers restricted for use as proprietary fund type capital expenditures are reflected as contributed capital upon expenditure of funds for capital assets.

**C. Reservations**

Reserve for **loans receivable** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **interfund advances** represents the portion of fund balance set aside for the advance made from General Fund to the MLK Fund.

Reserve for **investment in real property** is the portion of fund balance set aside to indicate that this item does not represent available, spendable resource even though it is a component of assets.

Reserve for **special revenue** is the portion of fund balance legally restricted for capital improvements and maintenance.

Reserve for **debt service** is the portion of fund balance set aside to repay long-term debt.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)**

Reserve for **capital projects** is the portion of fund balance set aside for future capital improvement projects.

**D. Fund Balance/Net Asset Deficits**

The Martin Luther King (“MLK”) Enterprise Fund had a net deficit in the amount of \$829,601 at June 30, 2008. This was mainly a result of MLK generating insufficient revenues to cover its operating expenditures and lease payments since inception. The City’s General Fund has provided loans to fund these deficits. As of June 30, 2008, the General Fund had a loan receivable of approximately \$5.7 million (principal in the amount of \$3.4 million and interest in the amount \$2.3 million) from the MLK Enterprise Fund. Management expects that the MLK Enterprise Fund will become self-sufficient with full occupancy of the building and will eventually begin to repay the advance to the General Fund after the debt service to the School District is paid off in 2014.

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

The City participates in the joint ventures 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, these entities exercise 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. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the City’s responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

**A. Marin Emergency Radio Authority**

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**

**NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS**

**A. *Contingent Liabilities***

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

The City participates in Federal and State grant programs. These programs have been audited by the City's independent auditors in accordance with the provisions of the Federal Single Audit Act of 1984 including 1996 amendments and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**NOTE 14 – SUBSEQUENT EVENTS**

At November 13, 2007, the City authorized the issuance of one or more Pension Obligation Bonds, for an unknown amount, to fund the City's unfunded accrued actuarial liability (Pension Obligation) plus an additional amount to pay costs of issuance of the pension obligation bonds. As of June 30, 2008, the City had yet to issue any of the bonds.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

Budget-to-actual information in the required supplementary information should be limited to the General Fund and major Special Revenue Funds. This section is provided for the presentation of Budget-to-Actual Statements 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, 2008

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property tax	\$10,150,423	\$6,379,646	\$6,471,823	\$92,177
Sales tax	1,130,000	1,589,822	1,681,133	91,311
Other tax	2,099,000	1,713,000	1,798,557	85,557
Licenses and permits	420,000	415,000	537,514	122,514
Fines and forfeitures	345,000	302,500	332,954	30,454
Use of money and property	136,957	147,091	594,792	447,701
Charges for services	181,650	1,088,738	1,298,865	210,127
Other revenues	67,190	842,254	479,022	(363,232)
<b>Total Revenues</b>	<b>14,530,220</b>	<b>12,478,051</b>	<b>13,194,660</b>	<b>716,609</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Administration	1,110,166	1,005,297	967,356	37,941
Information Technology	385,892	401,869	338,136	63,733
Non departmental	959,462	840,701	801,952	38,749
Library	596,317	612,418	610,525	1,893
Public safety:				
Police	3,650,598	3,589,714	3,489,006	100,708
Fire	2,599,070	2,739,788	2,812,232	(72,444)
Community development	976,113	1,127,217	1,049,025	78,192
Public works	1,214,427	1,248,448	1,202,436	46,012
Parks & recreation	649,912	548,890	489,077	59,813
<b>Total Expenditures</b>	<b>12,141,957</b>	<b>12,114,342</b>	<b>11,759,745</b>	<b>354,597</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>2,388,263</b>	<b>363,709</b>	<b>1,434,915</b>	<b>1,071,206</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets		174,825	175,036	211
Transfers in	1,162,375	1,367,375	1,367,375	
Transfers (out)	(425,000)	(1,905,909)	(2,209,909)	(304,000)
<b>Total Other Financing Sources (Uses)</b>	<b>737,375</b>	<b>(363,709)</b>	<b>(667,498)</b>	<b>(303,789)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$3,125,638</b>		<b>767,417</b>	<b>\$767,417</b>
<b>BEGINNING FUND BALANCE</b>			<b>6,383,269</b>	
<b>ENDING FUND BALANCE</b>			<b>\$7,150,686</b>	



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, 2008

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	\$667,115	\$729,475	\$62,360
Other revenues		2,100	2,100
	<u>667,115</u>	<u>731,575</u>	<u>64,460</u>
Total Revenues			
EXPENDITURES:			
Current:			
General government	94,639	90,092	4,547
	<u>94,639</u>	<u>90,092</u>	<u>4,547</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>572,476</u>	<u>641,483</u>	<u>69,007</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(277,155)</u>	<u>(277,155)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(277,155)</u>	<u>(277,155)</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	<u>\$295,321</u>	364,328	<u>\$69,007</u>
BEGINNING FUND BALANCE		<u>2,023,896</u>	
ENDING FUND BALANCE		<u>\$2,388,224</u>	

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## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Budgets for General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year end and are rebudgeted for the coming year. Capital Project Funds are budgeted on a project length basis.

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## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

**Fire Grant** – To account for costs related to the fire department. Financing is provided primarily by state grants.

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

### Debt Service Fund

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

**Energy Loan** – To account for transfers of funds from the general fund to pay capital energy loan principal and interest.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**Tideland Loan** – To account for transfers of funds from the Tidelands Fund to pay California Department of Boating & Waterways loan principal and interest.

**Vehicle Code Fine Overpayment** – To account for transfer from traffic safety fund to pay Marin County Superior Court loan principal and interest.

**Capital Project Funds**

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

**General Capital Improvements** – To account for City-wide construction and improvements not otherwise paid for through the proprietary funds.

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CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	<u>Seized Assets</u>	<u>Traffic Safety</u>	<u>Gas Tax</u>	<u>Construction Impact Fees</u>	<u>Traffic Congestion Relief</u>
<b>ASSETS</b>					
Cash and investments	\$31,274	\$485,356	\$456,061	\$696,558	\$8,343
Restricted cash and investments					
Receivables:					
Taxes receivables, net			47,907		
Accounts receivable, net		11,840			
Advance to other funds					
<b>Total Assets</b>	<b><u>\$31,274</u></b>	<b><u>\$497,196</u></b>	<b><u>\$503,968</u></b>	<b><u>\$696,558</u></b>	<b><u>\$8,343</u></b>
<b>LIABILITIES</b>					
Accounts payable		\$3,359	\$1,891	\$170	
Unearned revenue					
<b>Total Liabilities</b>		<b><u>3,359</u></b>	<b><u>1,891</u></b>	<b><u>170</u></b>	
<b>FUND BALANCE</b>					
Reserved for:					
Special revenue programs	\$31,274	493,837	502,077	696,388	\$8,343
Debt service					
Advance to other funds					
Unreserved, designated for:					
Capital projects					
Unreserved, undesignated					
<b>Total Fund Balances</b>	<b><u>31,274</u></b>	<b><u>493,837</u></b>	<b><u>502,077</u></b>	<b><u>696,388</u></b>	<b><u>8,343</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$31,274</u></b>	<b><u>\$497,196</u></b>	<b><u>\$503,968</u></b>	<b><u>\$696,558</u></b>	<b><u>\$8,343</u></b>



SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
\$43,377	\$116,531	\$143,162	\$840,016		\$9,076	\$67,033
1,568	346					
<u>\$44,945</u>	<u>\$116,877</u>	<u>\$143,162</u>	<u>\$840,016</u>		<u>\$9,076</u>	<u>\$67,033</u>
<u>\$39,328</u>						
39,328						
5,617	\$116,877	\$143,162	\$840,016		\$9,076	\$67,033
<u>5,617</u>	<u>116,877</u>	<u>143,162</u>	<u>840,016</u>		<u>9,076</u>	<u>67,033</u>
<u>\$44,945</u>	<u>\$116,877</u>	<u>\$143,162</u>	<u>\$840,016</u>		<u>\$9,076</u>	<u>\$67,033</u>

(Continued)

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2008

DEBT SERVICE FUND

	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
<b>ASSETS</b>				
Cash and investments				\$9,094
Restricted cash and investments	\$262,529			
Receivables:				
Taxes receivables, net	2,828			
Accounts receivable, net				
Advance to other funds				
Total Assets	<u>\$265,357</u>			<u>\$9,094</u>
<b>LIABILITIES</b>				
Accounts payable				\$9,094
Unearned revenue				
Total Liabilities				<u>9,094</u>
<b>FUND BALANCE</b>				
Reserved for:				
Special revenue programs				
Debt service	\$265,357			
Advance to other funds				
Unreserved, designated for:				
Capital projects				
Unreserved, undesignated				
Total Fund Balances	<u>265,357</u>			
Total Liabilities and Fund Balances	<u>\$265,357</u>			<u>\$9,094</u>

CAPITAL PROJECTS FUNDS

<u>Library Capital Improvement</u>	<u>General Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$212,894	\$1,356,751	\$4,475,526 262,529
		51,081 13,408
	<u>1,132,000</u>	<u>1,132,000</u>
<u>\$212,894</u>	<u>\$2,488,751</u>	<u>\$5,934,544</u>
	\$10,563	\$25,077 39,328
	<u>10,563</u>	<u>64,405</u>
\$212,894		3,126,594 265,357
	1,132,000	1,132,000
	530,606	530,606
	<u>815,582</u>	<u>815,582</u>
<u>212,894</u>	<u>2,478,188</u>	<u>5,870,139</u>
<u>\$212,894</u>	<u>\$2,488,751</u>	<u>\$5,934,544</u>

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Seized Assets	Traffic Safety	Gas Tax	Construction Impact Fees	Traffic Congestion Relief
REVENUES					
Property tax					
Fines and forfeitures		\$84,808			
Use of money and property	\$1,223	19,374	\$18,201	\$29,276	\$1,537
Intergovernmental			156,314		
Charges for services				280,208	
<b>Total Revenues</b>	<b>1,223</b>	<b>104,182</b>	<b>174,515</b>	<b>309,484</b>	<b>1,537</b>
EXPENDITURES					
Current:					
Public safety:					
Police					
Fire					
Public works		33,915	100,195		
Capital outlay					
Debt service:					
Principal					
Interest and other charges					
<b>Total Expenditures</b>		<b>33,915</b>	<b>100,195</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,223</b>	<b>70,267</b>	<b>74,320</b>	<b>309,484</b>	<b>1,537</b>
OTHER FINANCING SOURCES (USES)					
Issuance of long term debt					
Transfers in					
Transfers (out)		(54,565)	(907)	(220,356)	(50,904)
<b>Total Other Financing Sources (Uses)</b>		<b>(54,565)</b>	<b>(907)</b>	<b>(220,356)</b>	<b>(50,904)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,223</b>	<b>15,702</b>	<b>73,413</b>	<b>89,128</b>	<b>(49,367)</b>
<b>BEGINNING FUND BALANCES</b>	<b>30,051</b>	<b>478,135</b>	<b>428,664</b>	<b>607,260</b>	<b>57,710</b>
<b>ENDING FUND BALANCES</b>	<b>\$31,274</b>	<b>\$493,837</b>	<b>\$502,077</b>	<b>\$696,388</b>	<b>\$8,343</b>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
\$1,852	\$3,949	\$5,599	\$15,080		\$520	\$1,835
100,000				\$71,000		65,997
	69,377					
101,852	73,326	5,599	15,080	71,000	520	67,832
100,000					7,650	
	18,363					
	25,356			32,840		
100,000	43,719			32,840	7,650	
1,852	29,607	5,599	15,080	38,160	(7,130)	67,832
			804,000			
				(38,160)		(799)
			804,000	(38,160)		(799)
1,852	29,607	5,599	819,080		(7,130)	67,033
3,765	87,270	137,563	20,936		16,206	
\$5,617	\$116,877	\$143,162	\$840,016		\$9,076	\$67,033

(Continued)

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2008

DEBT SERVICE FUND

	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
<b>REVENUES</b>				
Property tax	\$438,647			
Fines and forfeitures				
Use of money and property	3,100			
Intergovernmental				
Charges for services				
<b>Total Revenues</b>	<b>441,747</b>			
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Police				
Fire				
Public works				
Capital outlay				
Debt service:				
Principal		\$2,672	\$31,265	\$46,824
Interest and other charges	362,145	501	40,890	7,741
<b>Total Expenditures</b>	<b>362,145</b>	<b>3,173</b>	<b>72,155</b>	<b>54,565</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>79,602</b>	<b>(3,173)</b>	<b>(72,155)</b>	<b>(54,565)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long term debt				
Transfers in		3,173	72,155	54,565
Transfers (out)				
<b>Total Other Financing Sources (Uses)</b>		<b>3,173</b>	<b>72,155</b>	<b>54,565</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>79,602</b>			
<b>BEGINNING FUND BALANCES</b>	<b>185,755</b>			
<b>ENDING FUND BALANCES</b>	<b>\$265,357</b>			

CAPITAL PROJECT FUNDS

<u>Library Capital Improvement</u>	<u>General Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
		\$438,647
		84,808
\$8,623	\$37,383	147,552
2,863		396,174
		349,585
<u>11,486</u>	<u>37,383</u>	<u>1,416,766</u>
		100,000
		7,650
16,820	333,428	152,473
		408,444
		80,761
		411,277
<u>16,820</u>	<u>333,428</u>	<u>1,160,605</u>
<u>(5,334)</u>	<u>(296,045)</u>	<u>256,161</u>
	1,111,626	2,045,519
<u>(500)</u>		<u>(366,191)</u>
<u>(500)</u>	<u>1,111,626</u>	<u>1,679,328</u>
<u>(5,834)</u>	<u>815,581</u>	<u>1,935,489</u>
<u>218,728</u>	<u>1,662,607</u>	<u>3,934,650</u>
<u>\$212,894</u>	<u>\$2,478,188</u>	<u>\$5,870,139</u>

CITY OF SAUSALITO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Fines and forfeitures	\$70,000	\$84,808	\$14,808			
Use of money and property	17,500	19,374	1,874	\$12,000	\$18,201	\$6,201
Intergovernmental				148,000	156,314	8,314
Charges for services						
Other revenues	27,065		(27,065)	196,500		(196,500)
<b>Total Revenues</b>	<b>114,565</b>	<b>104,182</b>	<b>(10,383)</b>	<b>356,500</b>	<b>174,515</b>	<b>(181,985)</b>
<b>EXPENDITURES</b>						
Current:						
General government						
Public safety:						
Fire						
Public works	55,000	33,915	21,085	71,500	100,195	(28,695)
Capital outlay	5,000		5,000			
Debt service:						
Principal						
Interest and other charges						
<b>Total Expenditures</b>	<b>60,000</b>	<b>33,915</b>	<b>26,085</b>	<b>71,500</b>	<b>100,195</b>	<b>(28,695)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>54,565</b>	<b>70,267</b>	<b>15,702</b>	<b>285,000</b>	<b>74,320</b>	<b>(210,680)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of long-term debt						
Transfers in						
Transfers (out)	(54,565)	(54,565)		(285,000)	(907)	284,093
<b>Total Other Financing Sources (Uses)</b>	<b>(54,565)</b>	<b>(54,565)</b>		<b>(285,000)</b>	<b>(907)</b>	<b>284,093</b>
<b>NET CHANGES IN FUND BALANCES</b>		<b>15,702</b>			<b>73,413</b>	
<b>BEGINNING FUND BALANCES</b>		<b>478,135</b>			<b>428,664</b>	
<b>ENDING FUND BALANCES</b>		<b>\$493,837</b>			<b>\$502,077</b>	



SPECIAL REVENUE FUNDS

Construct Traffic Impact Fees			Traffic Congestion Relief			Storm Drain		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$20,000	\$29,276			\$1,537	\$1,537	\$1,400	\$3,949	\$2,549
185,000	280,208					68,500	69,377	877
486,750								
<u>691,750</u>	<u>309,484</u>			<u>1,537</u>	<u>1,537</u>	<u>69,900</u>	<u>73,326</u>	<u>3,426</u>
						18,400	18,363	37
						30,000	25,356	4,644
						48,400	43,719	4,681
<u>691,750</u>	<u>309,484</u>			<u>1,537</u>	<u>1,537</u>	<u>21,500</u>	<u>29,607</u>	<u>8,107</u>
<u>(691,750)</u>	<u>(220,356)</u>	<u>\$471,394</u>	<u>(\$33,700)</u>	<u>(50,904)</u>	<u>(17,204)</u>			
<u>(691,750)</u>	<u>(220,356)</u>	<u>471,394</u>	<u>(33,700)</u>	<u>(50,904)</u>	<u>(17,204)</u>			
	89,128			(49,367)			29,607	
	<u>607,260</u>			<u>57,710</u>			<u>87,270</u>	
	<u>\$696,388</u>			<u>\$8,343</u>			<u>\$116,877</u>	

CITY OF SAUSALITO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUND			SPECIAL REVENUE FUND		
	Stairs Fund		Variance Positive (Negative)	Recreation Grant		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
<b>REVENUES</b>						
Fines and forfeitures						
Use of money and property	\$5,500	\$5,599	\$99			
Intergovernmental				\$325,400	\$71,000	(\$254,400)
Charges for services						
Other revenues						
Total Revenues	<u>5,500</u>	<u>5,599</u>	<u>99</u>	<u>325,400</u>	<u>71,000</u>	<u>(254,400)</u>
<b>EXPENDITURES</b>						
Current:						
General government						
Public safety:						
Fire						
Public works						
Capital outlay					32,840	(32,840)
Debt service:						
Principal						
Interest and other charges						
Total Expenditures					<u>32,840</u>	<u>(32,840)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,500</u>	<u>5,599</u>	<u>99</u>	<u>325,400</u>	<u>38,160</u>	<u>(287,240)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of long-term debt						
Transfers in						
Transfers (out)				(325,400)	(38,160)	287,240
Total Other Financing Sources (Uses)				<u>(325,400)</u>	<u>(38,160)</u>	<u>287,240</u>
<b>NET CHANGES IN FUND BALANCES</b>		5,599				
<b>BEGINNING FUND BALANCES</b>		<u>137,563</u>				
<b>ENDING FUND BALANCES</b>		<u><u>\$143,162</u></u>				

SPECIAL REVENUE FUND			DEBT SERVICE FUND			DEBT SERVICE FUND		
Measure A			2006 General Obligation Bond			Energy Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			\$427,405	\$438,647	\$11,242			
\$62,000	\$1,835 65,997	\$1,835 3,997		3,100	3,100			
62,000	67,832	5,832	427,405	441,747	14,342			
						\$2,672 501	\$2,672 501	
			362,145	362,145				
			362,145	362,145		3,173	3,173	
62,000	67,832	5,832	65,260	79,602	14,342	(3,173)	(3,173)	
(15,000)	(799)	14,201					3,173	\$3,173
(15,000)	(799)	14,201					3,173	3,173
	67,033			79,602				
				185,755				
	\$67,033			\$265,357				

CITY OF SAUSALITO  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	DEBT SERVICE FUND			DEBT SERVICE FUND		
	Tideland Loan		Variance Positive (Negative)	Vehicle Code Fine Overpayment		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES						
Fines and forfeitures						
Use of money and property						
Intergovernmental						
Charges for services						
Other revenues						
<b>Total Revenues</b>						
EXPENDITURES						
Current:						
General government						
Public safety:						
Fire						
Public works						
Capital outlay						
Debt service:						
Principal	\$31,265	\$31,265		\$46,824	\$46,824	
Interest and other charges	40,890	40,890		7,741	7,741	
<b>Total Expenditures</b>	<b>72,155</b>	<b>72,155</b>		<b>54,565</b>	<b>54,565</b>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,155)	(72,155)		(54,565)	(54,565)	
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Transfers in	72,155	72,155		54,565	54,565	
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>	<b>72,155</b>	<b>72,155</b>		<b>54,565</b>	<b>54,565</b>	
NET CHANGES IN FUND BALANCES						
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

## 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 Assets. 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 ASSETS  
JUNE 30, 2008

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$2,478,843	\$1,473,411	\$728,029	\$178,607	\$4,858,890
Accounts receivable	4,141				4,141
Total current assets	<u>2,482,984</u>	<u>1,473,411</u>	<u>728,029</u>	<u>178,607</u>	<u>4,863,031</u>
Noncurrent assets:					
Capital assets, nondepreciable					
Capital assets, depreciable, net of depreciation	728,057				728,057
Total noncurrent assets	<u>728,057</u>				<u>728,057</u>
Total Assets	<u>3,211,041</u>	<u>1,473,411</u>	<u>728,029</u>	<u>178,607</u>	<u>5,591,088</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable		19,359			19,359
Accrued interest payable	6,140				6,140
Claims payable - due within one year		213,524		\$27,033	240,557
Long-term debt - due within one year	57,021				57,021
Total current liabilities	<u>\$63,161</u>	<u>\$232,883</u>		<u>\$27,033</u>	<u>\$323,077</u>
Noncurrent liabilities					
Claims payable, due in more than one year		579,913		61,810	641,723
Long-term debt - due in more than one year	322,455				322,455
Total noncurrent liabilities	<u>322,455</u>	<u>579,913</u>		<u>61,810</u>	<u>964,178</u>
Total Liabilities	<u>385,616</u>	<u>812,796</u>		<u>88,843</u>	<u>1,287,255</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	348,581				348,581
Unrestricted	2,476,844	660,615	728,029	89,764	3,955,252
Total Net Assets	<u>\$2,825,425</u>	<u>\$660,615</u>	<u>\$728,029</u>	<u>\$89,764</u>	<u>\$4,303,833</u>

CITY OF SAUSALITO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
<b>OPERATING REVENUES</b>					
Operating and other revenue	\$6,183	\$481,783		\$109,792	\$597,758
Total Operating Revenues	6,183	481,783		109,792	597,758
<b>OPERATING EXPENSES</b>					
Repairs and maintenance	307				307
Other operating expenses		28,572			28,572
Depreciation	119,255				119,255
Total Operating Expenses	119,562	28,572			148,134
Operating Income (Loss)	(113,379)	453,211		109,792	449,624
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Interest revenue	96,376	52,963	\$27,606	5,461	182,406
Interest expense	(15,946)				(15,946)
Total nonoperating revenue	80,430	52,963	27,606	5,461	166,460
Income before transfers	(32,949)	506,174	27,606	115,253	616,084
Transfers in	286,325		204,411	170,000	660,736
Transfers, net	286,325		204,411	170,000	660,736
Change in Net Assets	253,376	506,174	232,017	285,253	1,276,820
BEGINNING NET ASSETS (DEFICIT)	2,572,049	154,441	496,012	(195,489)	3,027,013
ENDING NET ASSETS	<u>\$2,825,425</u>	<u>\$660,615</u>	<u>\$728,029</u>	<u>\$89,764</u>	<u>\$4,303,833</u>

CITY OF SAUSALITO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payment to suppliers	(\$307)	(\$433,025)			(\$433,332)
Other receipts	2,042	481,783		\$3,146	486,971
<b>Cash Flows from Operating Activities</b>	<b>1,735</b>	<b>48,758</b>		<b>3,146</b>	<b>53,639</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	286,325		\$204,411	170,000	660,736
<b>Cash Flows from Noncapital Financing Activities</b>	<b>286,325</b>		<b>204,411</b>	<b>170,000</b>	<b>660,736</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital expenditures	(144,932)				(144,932)
Interest expense	(17,206)				(17,206)
Payment of long-term debt	(54,759)				(54,759)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(216,897)</b>				<b>(216,897)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	96,376	52,963	27,606	5,461	182,406
<b>Net Cash Flows</b>	<b>167,539</b>	<b>101,721</b>	<b>232,017</b>	<b>178,607</b>	<b>679,884</b>
Cash and investments at beginning of period	2,311,304	1,371,690	496,012		4,179,006
Cash and investments at end of period	<u>\$2,478,843</u>	<u>\$1,473,411</u>	<u>\$728,029</u>	<u>\$178,607</u>	<u>\$4,858,890</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$113,379)	\$453,211		\$109,792	\$449,624
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	119,255				119,255
Change in assets and liabilities:					
Accounts receivable	(4,141)				(4,141)
Accounts payable		(105,641)			(105,641)
Claims payable		(298,812)		(106,646)	(405,458)
<b>Cash Flows from Operating Activities</b>	<b><u>\$1,735</u></b>	<b><u>\$48,758</u></b>		<b><u>\$3,146</u></b>	<b><u>\$53,639</u></b>



## AGENCY FUNDS

All Agency Funds, representing all fiduciary funds of the City, are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Governmental and Fund Financial Statements.

CITY OF SAUSALITO  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 JUNE 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<u>Third Street Underground Assessment District</u>				
Assets:				
Cash and investments	\$4,169	\$169		\$4,338
Total Assets	<u>\$4,169</u>	<u>\$169</u>		<u>\$4,338</u>
Liabilities:				
Due to Assessment District	\$4,169	\$169		\$4,338
Total Liabilities	<u>\$4,169</u>	<u>\$169</u>		<u>\$4,338</u>
<u>Downtown 1989-1 Assessment District</u>				
Assets:				
Cash and investments	\$94,537	\$83,848	\$60,325	\$118,060
Assessments receivable	809	401	809	401
Total Assets	<u>\$95,346</u>	<u>\$84,249</u>	<u>\$61,134</u>	<u>\$118,461</u>
Liabilities:				
Due to Assessment District	\$95,346	\$84,249	\$61,134	\$118,461
Total Liabilities	<u>\$95,346</u>	<u>\$84,249</u>	<u>\$61,134</u>	<u>\$118,461</u>
<u>Sunshine Central Assessment District</u>				
Assets:				
Cash and investments	\$52,027	\$31,271	\$23,549	\$59,749
Assessments receivable	285		137	148
Total Assets	<u>\$52,312</u>	<u>\$31,271</u>	<u>\$23,686</u>	<u>\$59,897</u>
Liabilities:				
Due to Assessment District	\$52,312	\$31,271	\$23,686	\$59,897
Total Liabilities	<u>\$52,312</u>	<u>\$31,271</u>	<u>\$23,686</u>	<u>\$59,897</u>

CITY OF SAUSALITO  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 JUNE 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Bulkley Underground Assessment District</u>				
Assets:				
Cash and investments	\$8,924	\$362		\$9,286
Total Assets	\$8,924	\$362		\$9,286
Liabilities:				
Due to Assessment District	\$8,924	\$362		\$9,286
Total Liabilities	\$8,924	\$362		\$9,286
<u>Downtown Assessment District - Reserve Fund</u>				
Assets:				
Cash and investments	\$28,611			\$28,611
Total Assets	\$28,611			\$28,611
Liabilities:				
Due to Assessment District	\$28,611			\$28,611
Total Liabilities	\$28,611			\$28,611
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$188,268	\$115,650	\$83,874	\$220,044
Assessments receivable	1,094	401	946	549
Total Assets	\$189,362	\$116,051	\$84,820	\$220,593
Liabilities:				
Due to Assessment District	\$189,362	\$116,051	\$84,820	\$220,593
Total Liabilities	\$189,362	\$116,051	\$84,820	\$220,593

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## 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 Assets by Component
2. Changes in Net Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

### ***Revenue Capacity***

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

1. Assessed Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Ratio of Bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin

### ***Demographic and Economic Information***

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

1. Demographic and Economic Statistics
2. Principal Employers

### ***Operating Information***

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

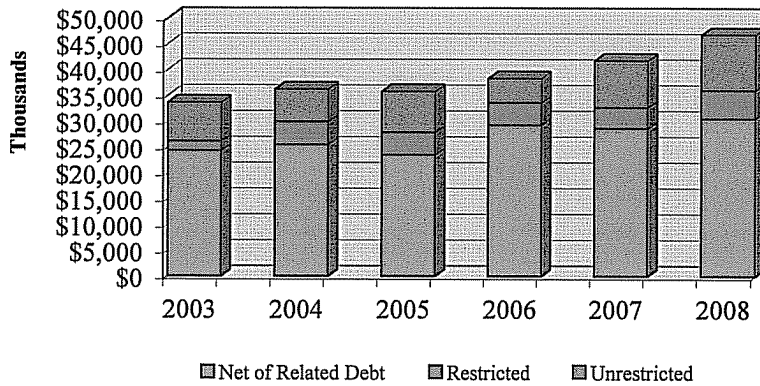
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the City of Sausalito for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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**CITY OF SAUSALITO**  
**Net Assets by Component**  
**Last Five Fiscal Years**  
**(accrual basis of accounting)**



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$21,678,253	\$23,456,664	\$21,390,365	\$21,354,986	\$20,560,479	\$22,219,841
Restricted	1,691,910	4,440,011	4,379,746	4,356,609	4,077,211	5,500,248
Unrestricted	<u>5,383,484</u>	<u>3,366,219</u>	<u>4,656,090</u>	<u>6,749,085</u>	<u>10,517,070</u>	<u>11,629,163</u>
Total governmental activities net assets	<u>\$28,753,647</u>	<u>\$31,262,894</u>	<u>\$30,426,201</u>	<u>\$32,460,680</u>	<u>\$35,154,760</u>	<u>\$39,349,252</u>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	2,541,936	1,984,007	2,037,356	7,841,055	7,982,033	8,259,934
Restricted for Debt Service	160,767					
Unrestricted	<u>2,132,951</u>	<u>2,942,531</u>	<u>3,261,325</u>	<u>(2,043,830)</u>	<u>(1,395,149)</u>	<u>(851,378)</u>
Total business-type activities net assets	<u>\$4,835,654</u>	<u>\$4,926,538</u>	<u>\$5,298,681</u>	<u>\$5,797,225</u>	<u>\$6,586,884</u>	<u>\$7,408,556</u>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$24,220,189	\$25,440,671	\$23,427,721	\$29,196,041	\$28,542,512	\$30,479,775
Restricted	1,852,677	4,440,011	4,379,746	4,356,609	4,077,211	5,500,248
Unrestricted	<u>7,516,435</u>	<u>6,308,750</u>	<u>7,917,415</u>	<u>4,705,255</u>	<u>9,121,921</u>	<u>10,777,785</u>
Total primary government net assets	<u>\$33,589,301</u>	<u>\$36,189,432</u>	<u>\$35,724,882</u>	<u>\$38,257,905</u>	<u>\$41,741,644</u>	<u>\$46,757,808</u>

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

**CITY OF SAUSALITO**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>Fiscal Year Ended June 30,</b>					
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Expenses</b>						
<b>Governmental Activities:</b>						
General Government	\$2,387,468	\$1,672,262	\$1,858,807	\$1,975,355	\$2,108,977	\$2,305,440
Library	559,529	514,032	563,306	556,820	585,356	608,786
<b>Public Safety:</b>						
Police Services	3,107,334	3,227,089	3,381,396	3,241,413	3,666,529	3,726,215
Fire Services	2,121,670	2,318,546	2,255,289	2,425,603	2,504,788	2,683,513
Community Development	958,260	1,012,057	853,183	983,680	943,705	1,047,188
Public Works	2,228,302	1,901,528	1,846,822	2,170,131	1,816,865	1,833,162
Parks & Recreation	555,263	597,230	591,248	580,431	474,709	487,822
PERS sidefund expense	-	-	391,230			
Interest on long-term debt	46,032	22,502	23,391	38,730	248,461	751,082
<b>Total Governmental Activities Expenses</b>	<b>11,963,858</b>	<b>11,265,246</b>	<b>11,764,672</b>	<b>11,972,163</b>	<b>12,349,390</b>	<b>13,443,208</b>
<b>Business-Type Activities:</b>						
MLK	1,037,483	925,605	768,866	796,391	688,495	954,757
Sewer	756,182	621,682	650,313	664,139	670,158	678,833
Parking	388,699	295,693	335,191	323,647	271,123	191,870
Old City Hall	141,065	119,474	95,779	88,485	80,153	72,648
<b>Total Business-Type Activities Expenses</b>	<b>2,323,429</b>	<b>1,962,454</b>	<b>1,850,149</b>	<b>1,872,662</b>	<b>1,709,929</b>	<b>1,898,108</b>
<b>Total Primary Government Expenses</b>	<b>\$14,287,287</b>	<b>\$13,227,700</b>	<b>\$13,614,821</b>	<b>\$13,844,825</b>	<b>\$14,059,319</b>	<b>\$15,341,316</b>
<b>Program Revenues</b>						
<b>Governmental Activities:</b>						
<b>Charges for Services:</b>						
General Government	\$5,924	\$4,318	\$35,591	\$30,684	\$26,533	\$32,421
Library	16,314	16,997	17,438	20,346	19,333	19,407
<b>Public Safety:</b>						
Police Services	312,094	429,926	469,648	366,439	396,462	365,355
Fire Services	207	526	110,888	105,208	98,510	119,737
Community Development	559,729	774,246	488,616	553,550	748,002	851,233
Public Works	168,327	163,009	1,120	406,325	313,757	438,593
Parks & recreation	299,760	324,756	395,895	330,412	292,731	239,466
Operating Grants and Contributions	95,150	100,000	452,832	432,030	321,122	291,314
Capital Grants and Contributions	997,210	1,934,377	416,309	175,951	508,426	857,212
<b>Total Government Activities Program Revenues</b>	<b>2,454,715</b>	<b>3,748,155</b>	<b>2,388,337</b>	<b>2,420,945</b>	<b>2,724,876</b>	<b>3,214,738</b>

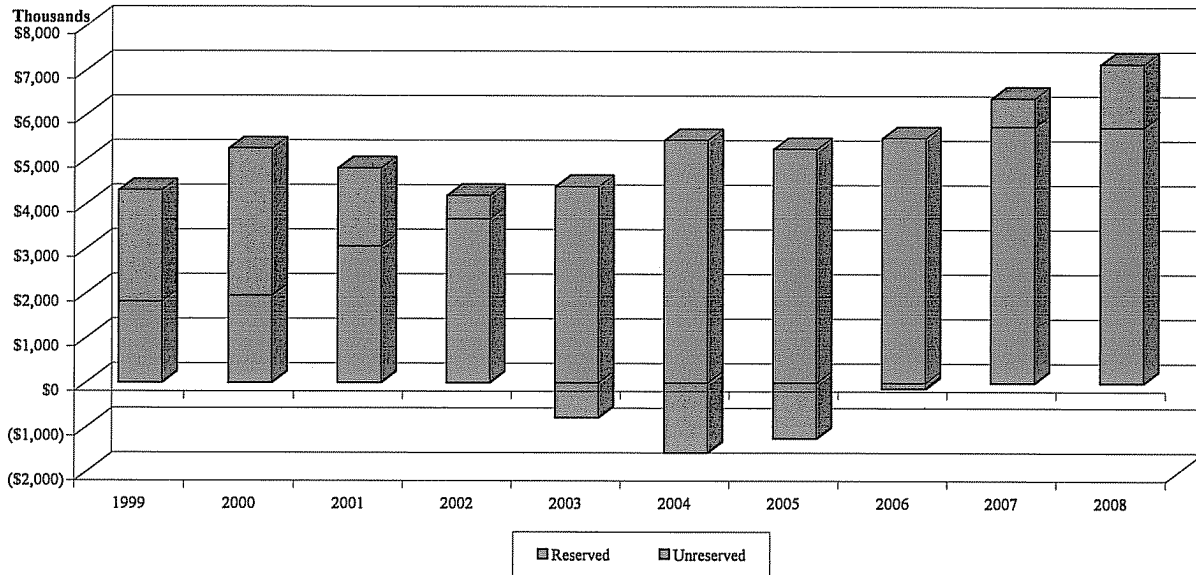


**CITY OF SAUSALITO**  
**Changes in Net Assets**  
**(continued)**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,					
	2003	2004	2005	2006	2007	2008
<b>Business-Type Activities:</b>						
<b>Charges for Services:</b>						
MLK	\$857,173	\$827,298	\$817,599	\$970,548	\$983,803	\$1,033,012
Sewer	516,362	677,753	777,871	789,274	755,547	951,956
Parking	1,181,244	1,350,157	1,406,066	1,347,932	1,297,275	1,397,445
Old City Hall	376,525	312,096	299,940	338,327	306,263	315,026
Total Business-Type Activities Program Revenue	<u>2,931,304</u>	<u>3,167,304</u>	<u>3,301,476</u>	<u>3,446,081</u>	<u>3,342,888</u>	<u>3,697,439</u>
Total Primary Government Program Revenues	<u>\$5,386,019</u>	<u>\$6,915,459</u>	<u>\$5,689,813</u>	<u>\$5,867,026</u>	<u>\$6,067,764</u>	<u>\$6,912,177</u>
<b>Net (Expense)/Revenue</b>						
Governmental Activities	(\$9,509,143)	(\$7,517,091)	(\$9,376,335)	(\$9,551,218)	(\$9,624,514)	(\$10,228,470)
Business-Type Activities	607,875	1,204,850	1,451,327	1,573,419	1,632,959	1,799,331
Total Primary Government Net Expense	<u>(\$8,901,268)</u>	<u>(\$6,312,241)</u>	<u>(\$7,925,008)</u>	<u>(\$7,977,799)</u>	<u>(\$7,991,555)</u>	<u>(\$8,429,139)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
<b>Governmental Activities:</b>						
Taxes	\$6,843,694	\$7,057,832	\$8,598,378	\$9,279,774	\$9,763,577	\$0
Use of Money/Property and interest earnings	802,647	883,506	959,988	1,005,955	1,260,532	1,472,122
Intergovernmental revenues	870,035	722,079	-			
Other Revenues	220,510	198,521	70,602	225,093	274,313	802,791
Transfers	1,246,111	1,164,400	1,108,373	1,074,875	1,020,172	1,220,375
Total Government Activities	<u>9,982,997</u>	<u>10,026,338</u>	<u>10,737,341</u>	<u>11,585,697</u>	<u>12,318,594</u>	<u>3,495,288</u>
<b>Business-Type Activities:</b>						
Use of Money/Property and interest earnings	38,268	49,431	100,191	0	175,687	173,837
Transfers	(1,246,111)	(1,164,400)	(1,235,375)	(1,074,875)	(1,020,172)	(1,220,375)
Other Revenues	75	1,003	56,000	0	1,185	68,879
Total Business-Type Activities	<u>(1,207,768)</u>	<u>(1,113,966)</u>	<u>(1,079,184)</u>	<u>(1,074,875)</u>	<u>(843,300)</u>	<u>(977,659)</u>
Total Primary Government	<u>\$8,775,229</u>	<u>\$8,912,372</u>	<u>\$9,658,157</u>	<u>\$10,510,822</u>	<u>\$11,475,294</u>	<u>\$2,517,629</u>
<b>Change in Net Assets</b>						
Governmental Activities	\$473,854	\$2,509,247	\$1,361,006	\$2,034,479	\$2,694,080	(\$6,733,182)
Business-Type Activities	(599,893)	90,884	372,143	498,544	789,659	821,672
Total Primary Government	<u>(\$126,039)</u>	<u>\$2,600,131</u>	<u>\$1,733,149</u>	<u>\$2,533,023</u>	<u>\$3,483,739</u>	<u>(\$5,911,510)</u>

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

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



	Fiscal Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>General Fund</b>										
Reserved	\$1,814,375	\$1,948,981	\$3,057,532	\$3,672,239	\$4,399,411	\$5,437,966	\$5,238,531	\$5,488,760	\$5,745,083	\$5,733,861
Unreserved	2,496,236	3,297,689	1,748,126	521,305	(779,880)	(1,561,820)	(1,246,604)	(131,095)	638,186	1,416,825
<b>Total General Fund</b>	<u>\$4,310,611</u>	<u>\$5,246,670</u>	<u>\$4,805,658</u>	<u>\$4,193,544</u>	<u>\$3,619,531</u>	<u>\$3,876,146</u>	<u>\$3,991,927</u>	<u>\$5,357,665</u>	<u>\$6,383,269</u>	<u>\$7,150,686</u> (a)
<b>All Other Governmental Funds</b>										
Reserved	\$2,859	\$2,097,673	\$2,831,277	\$3,571,494	\$1,691,910	\$2,080,493	\$2,635,159	\$2,324,457	\$20,811,534	\$22,280,358
Unreserved, reported in:										
Special revenue funds	2,600,988	2,580,196	2,741,915	-	(12,046)	37,388	72,315	903,306	348,915	364,328
Debt Service funds	4,346	4,593	4,862	5,022						
Capital project funds	520,748	524,566	296,502	385,534	996,628	924,250	1,448,767	1,128,846	530,607	1,346,188
<b>Total all other governmental fund:</b>	<u>\$3,128,941</u>	<u>\$5,207,028</u>	<u>\$5,874,556</u>	<u>\$3,962,050</u>	<u>\$2,676,492</u>	<u>\$3,042,131</u>	<u>\$4,156,241</u>	<u>\$4,356,609</u>	<u>\$21,691,056</u>	<u>\$23,990,874</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

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

	Fiscal Year Ended June 30,				
	1999	2000	2001	2002	2003
<b>Revenues</b>					
Taxes	\$5,858,660	\$6,305,727	\$6,269,209	\$6,394,366	\$6,843,694
Licenses, permits and fees	163,599	204,030	208,867	843,886	630,064
Fines and forfeitures	380,703	401,590	359,197	326,495	388,746
Use of money and property	2,081,731	2,245,749	2,492,358	721,471	780,282
Intergovernmental revenues	1,269,391	744,619	976,837	767,624	1,962,395
Charges for services	966,955	951,217	958,533	842,578	343,546
Reimbursements	51,646	150,856	227,929	116,411	-
Special Assessments	225,015	199,338	165,718	109,043	-
PERS Superfund Credit					153,504
Other	277,695	2,093,565	142,941	70,556	66,057
<b>Total Revenues</b>	<b>11,275,395</b>	<b>13,296,691</b>	<b>11,801,589</b>	<b>10,192,430</b>	<b>11,168,288</b>
<b>Expenditures</b>					
<b>Current:</b>					
Police	2,599,121	2,716,602	2,957,680	2,660,558	2,959,822
Fire	1,630,813	1,874,556	1,982,581	2,114,574	2,018,255
Public Works	3,031,925	1,974,012	2,113,240	1,966,348	1,540,882
Non-Departmental	783,533	836,462	932,636	681,088	-
General Government	883,492	1,045,805	1,399,658	2,104,822	2,133,739
Community Development	731,058	771,088	1,284,953	1,025,474	930,604
Library	469,242	477,978	494,928	522,228	541,340
Parks & Recreation	513,244	488,345	553,918	588,090	539,750
Capital outlay		-	-		1,031,069
<b>Debt service:</b>					
Principal repayment	151,022	176,968	45,000	45,000	25,089
Interest and fiscal charges	122,010	111,055	49,315	46,222	47,067
PERS Sidefund Expense					
<b>Total Expenditures</b>	<b>10,915,460</b>	<b>10,472,871</b>	<b>11,813,909</b>	<b>11,754,404</b>	<b>11,767,617</b>
Excess (deficiency) of revenues over (under) expenditures	359,935	2,823,820	(12,320)	(1,561,974)	(599,329)
<b>Other Financing Sources (Uses)</b>					
Issuance of long-term debt					
Contributions/donations returned				(1,796,900)	
Transfers in	224,579	799,844	1,212,598	1,160,794	1,376,111
Transfers (out)	(148,118)	(700,409)	(1,003,401)	(310,904)	(351,700)
<b>Total other financing sources (uses)</b>	<b>76,461</b>	<b>99,435</b>	<b>209,197</b>	<b>(947,010)</b>	<b>1,024,411</b>
<b>Net Change in fund balances</b>	<b>\$436,396</b>	<b>\$2,923,255</b>	<b>\$196,877</b>	<b>(\$2,508,984)</b>	<b>\$425,082</b>
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	(a)	0.7%

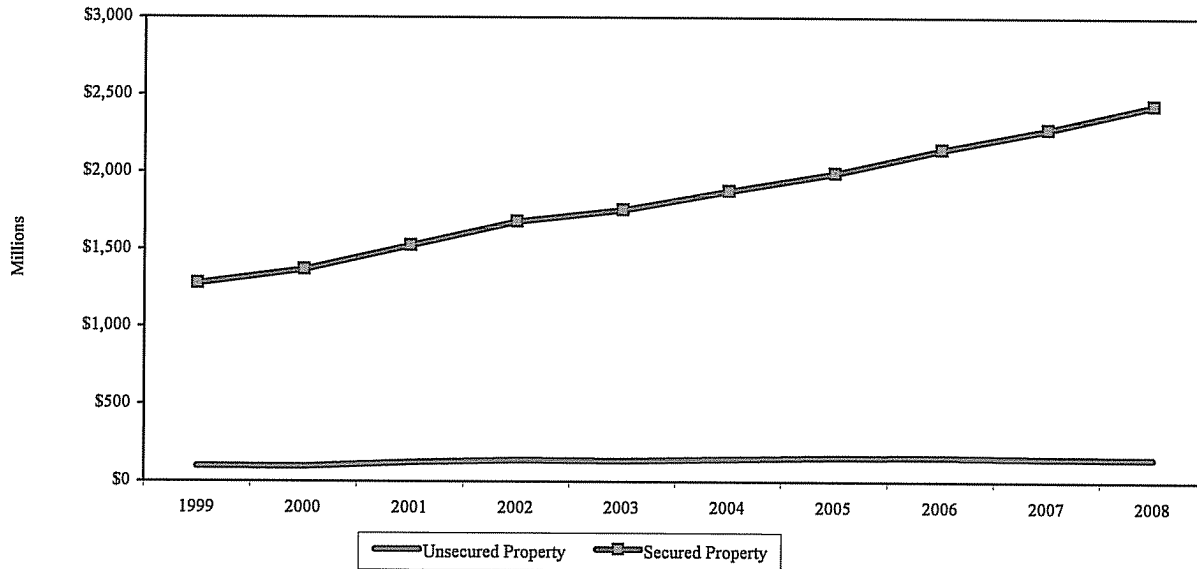
**NOTE:**

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

**Fiscal Year Ended June 30,**

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$7,057,832	\$8,598,378	\$8,747,139	\$9,231,669	\$10,390,160
830,093	737,914	532,635	531,908	537,514
484,426	502,540	415,643	466,804	417,762
854,201	933,447	1,129,124	1,679,124	2,194,162
2,756,456	298,057	354,548	328,187	396,174
399,259	582,329	1,397,321	1,437,061	1,648,450
-	-			
-	-			
237,734	-			
(10,434)	240,422	355,357	118,309	481,122
12,609,567	11,893,087	12,931,767	13,793,062	16,065,344
3,106,757	3,461,904	3,218,507	3,491,289	3,589,006
2,245,455	2,317,331	2,441,656	2,558,799	2,819,882
1,290,358	1,229,704	1,598,070	1,276,236	1,354,909
-	-			
1,462,190	1,804,390	2,049,278	2,081,499	2,197,536
1,040,149	845,722	820,015	962,469	1,049,025
521,133	538,141	556,081	582,394	610,525
580,801	553,372	583,719	473,093	489,077
2,595,014	234,772	779,899	421,648	1,358,757
26,218	27,398	31,149	59,003	80,761
45,938	44,758	44,179	106,203	413,800
	391,230			
12,914,013	11,448,722	12,122,553	12,012,633	13,963,278
(304,446)	444,365	809,214	1,780,429	2,102,066
			15,982,967	15,982,967
1,764,400	2,582,531	1,459,727	1,801,793	3,412,894
(837,700)	(1,781,857)	(702,835)	(1,205,138)	(2,853,255)
926,700	800,674	756,892	16,579,622	16,542,606
\$622,254	\$1,245,039	\$1,566,106	\$18,360,051	\$18,644,672
0.7%	0.7%	0.7%	1.4%	4.1%

**CITY OF SAUSALITO  
ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS**

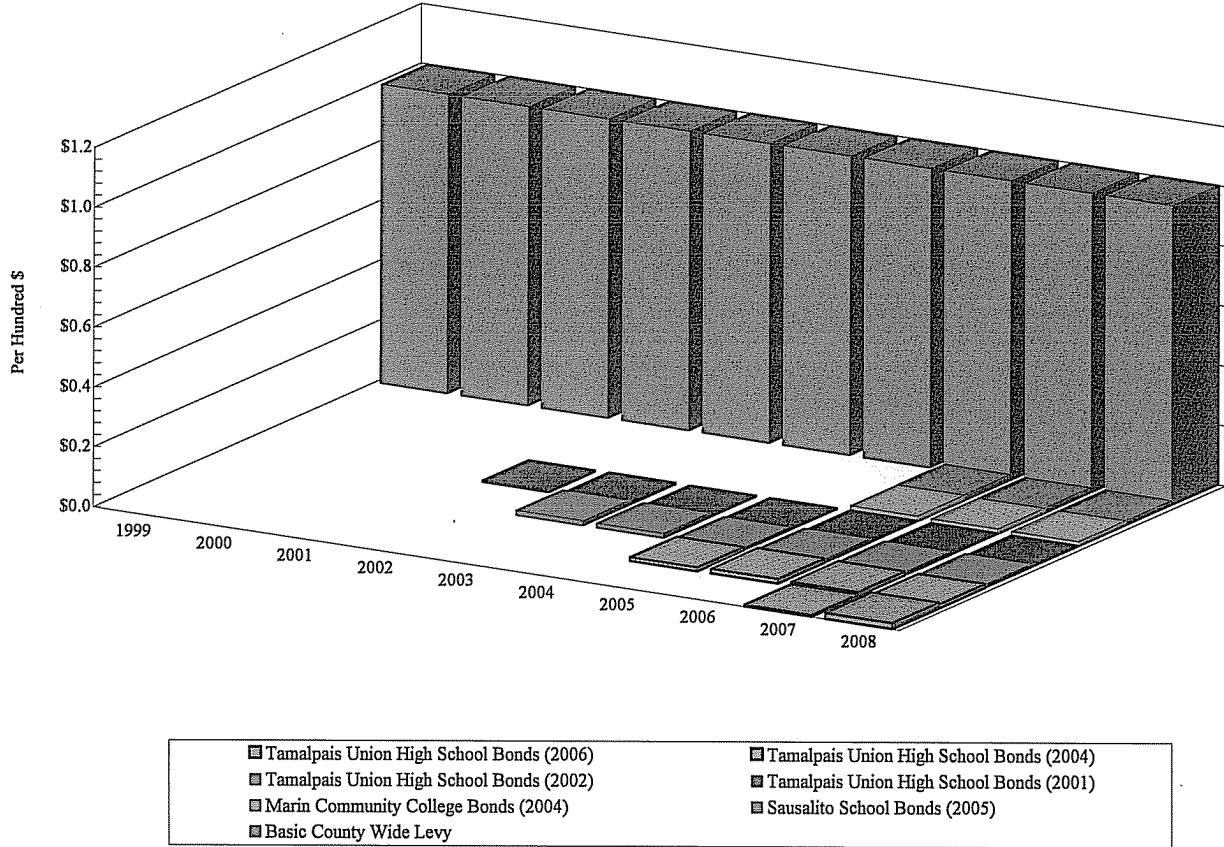


Fiscal Year	Secured Property	Unsecured Property	Total Assessed Value (a)	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate (b)
1999	1,176,403,205	101,411,298	1,277,814,503	*	1,277,814,503	1%
2000	1,270,370,168	99,166,919	1,369,537,087	*	1,369,537,087	1%
2001	1,400,063,856	125,119,212	1,525,183,068	(\$11,775,782)	1,513,407,286	1%
2002	1,541,431,279	139,151,844	1,680,583,123	(11,714,302)	1,668,868,821	1%
2003	1,618,842,563	136,698,533	1,755,541,096	(11,762,638)	1,743,778,458	1%
2004	1,730,893,690	149,147,611	1,880,041,301	(11,910,864)	1,868,130,437	1%
2005	1,837,392,573	157,555,642	1,994,948,215	(11,794,115)	1,983,154,100	1%
2006	1,989,344,963	160,379,976	2,149,724,939	(11,538,801)	2,138,186,138	1%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1%

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

- (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.

**CITY OF SAUSALITO  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Marin Community College Bonds (2004)</u>	<u>Sausalito School Bonds (2005)</u>	<u>Tamalpais Union High School Bonds (2001)</u>	<u>Tamalpais Union High School Bonds (2002)</u>	<u>Tamalpais Union High School Bonds (2004)</u>	<u>Tamalpais Union High School Bonds (2006)</u>
1999	1.0000						
2000	1.0000						
2001	1.0000						
2002	1.0000			0.0080			
2003	1.0000			0.0080	0.0170		
2004	1.0000			0.0060	0.0160		
2005	1.0000			0.0060	0.0100	0.0120	
2006	1.0000	0.0188	0.0203	0.0060	0.0133	0.0151	
2007	1.0000	0.0168	0.0174	0.0051	0.0116	0.0129	0.0048
2008	1.0000	0.0163	0.0165	0.0048	0.0110	0.0122	0.0189

Source: Marin County Auditor-Controller's Office

**CITY OF SAUSALITO**  
**Principal Property Taxpayers**  
**Current Year (A)**

<u>Taxpayer</u>	<u>2007-08</u>		<u>Percentage of Total City Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>	
CA-One & Three Harbor Drive Office	\$33,150,000	1	1.4%
MCSSM LLC	21,263,347	2	0.9%
Sidney J. Hendricks Trust	16,437,203	3	0.7%
MHG Casa Madrona Hotel LLC	16,044,276	4	0.7%
PSH LLC	12,456,326	5	0.5%
University Hills LLC	8,913,231	6	0.4%
Anthony J & Roxanne Marterie	8,211,493	7	0.3%
ICB Associates LLC	8,190,699	8	0.3%
Joseph B & Frances Brucia	6,705,150	9	0.3%
Lemon Family LLC	6,206,546	10	0.3%
	<u>\$137,578,271</u>		<u>5.7%</u>

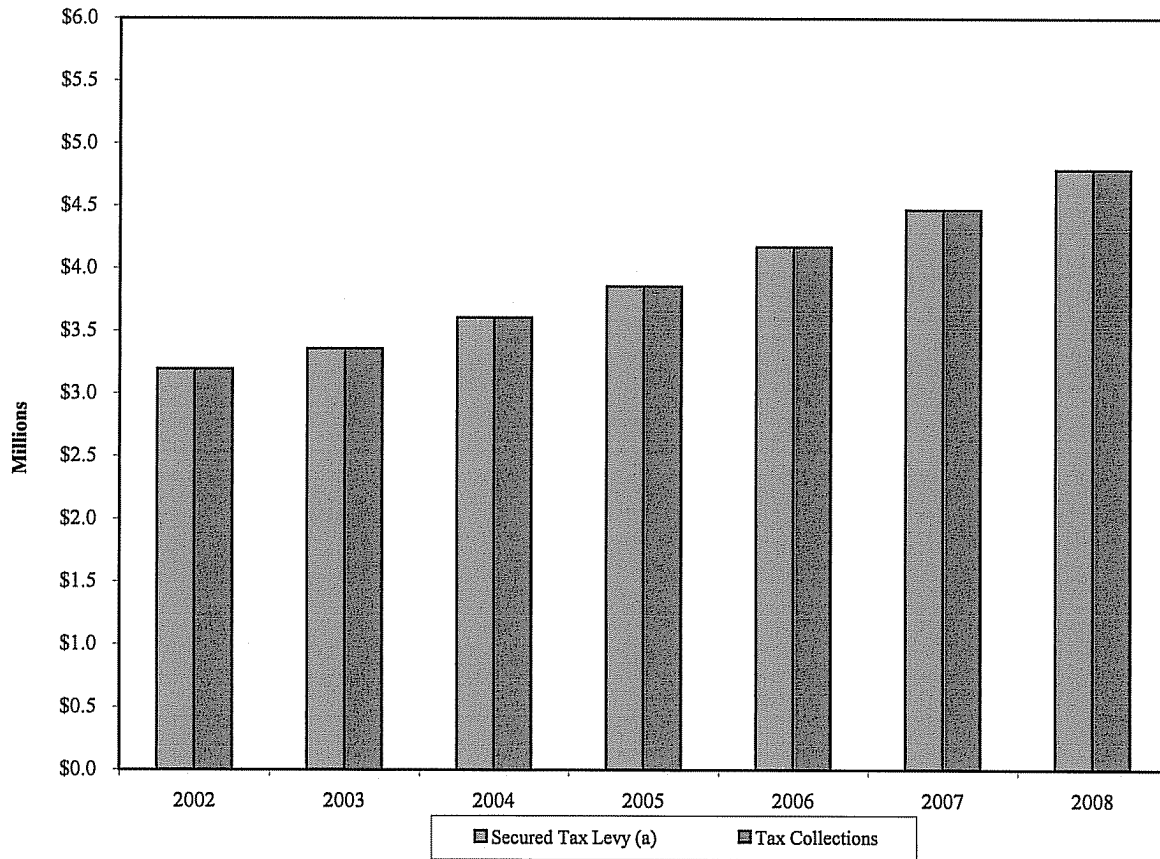
Total Taxable Assessed Valuation:  
 Fiscal Year 2007-2008 \$2,426,136,256

Source: Marin County Auditor-Controller's Office

Note: (A) The City of Sausalito has elected to show only current year data for this schedule.  
 Data for nine years ago is not available.



**CITY OF SAUSALITO  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SEVEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Secured Tax Levy (a)</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>
2002	\$3,189,747	\$3,189,747	100%	0%	\$3,189,747	100%
2003	3,353,939	3,353,939	100%	0%	3,353,939	100%
2004	3,604,699	3,604,699	100%	0%	3,604,699	100%
2005	3,851,909	3,851,909	100%	0%	3,851,909	100%
2006	4,169,392	4,169,392	100%	0%	4,169,392	100%
2007	4,467,599	4,467,599	100%	0%	4,467,599	100%
2008	4,786,952	4,786,952	100%	0%	4,786,952	100%

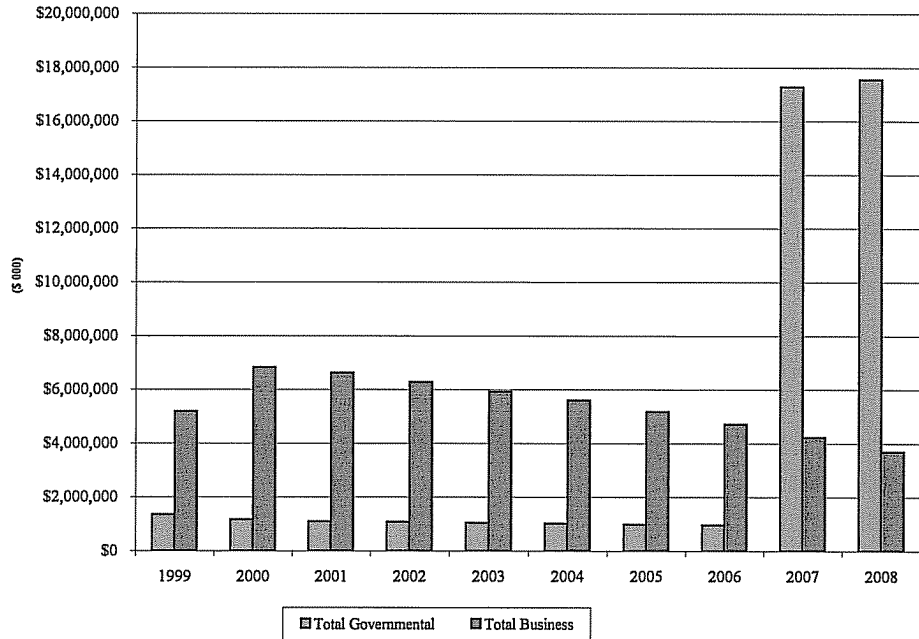
The City of Sausalito has elected to show seven years of data for this schedule.

Source: Marin County Auditor-Controller's Office

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.

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



**Governmental Activities**

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Total
1999	\$237,190	\$1,114,039		\$1,351,229
2000	64,814	1,092,071		1,156,885
2001	22,201	1,069,411		1,091,612
2002		1,075,379		1,075,379
2003		1,048,072		1,048,072
2004		1,019,484		1,019,484
2005		989,641		989,641
2006		958,492		958,492
2007	434,235	1,147,162	\$15,694,220	17,275,617
2008	430,570	1,066,401	16,048,693	17,545,664

**Business-Type Activities**

Fiscal Year	Capital Lease	Capital Improvement Lease	Certificates of Participation	Total	Total Primary Government	Percentage of Taxable Assessed Value (a)	Per Capita (a)
1999	\$3,840,493		\$1,345,000	\$5,185,493	\$6,536,722	0.51%	\$892
2000	3,756,994	\$1,770,000	1,290,000	6,816,994	7,973,879	0.58%	1,089
2001	3,657,267	1,730,000	1,230,000	6,617,267	7,708,879	0.51%	1,045
2002	3,530,100	1,590,000	1,160,000	6,280,100	7,355,479	0.44%	996
2003	3,368,444	1,460,000	1,085,000	5,913,444	6,961,516	0.40%	944
2004	3,174,730	1,345,000	1,083,131	5,602,861	6,622,345	0.35%	899
2005	2,931,565	1,265,000	975,054	5,171,619	6,161,260	0.31%	838
2006	2,635,260	1,215,000	860,116	4,710,376	5,668,868	0.27%	767
2007	2,316,851	1,165,000	737,883	4,219,734	21,495,351	0.95%	2,884
2008	1,989,688	1,090,000	607,891	3,687,579	21,233,243	0.88%	2,830

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

Sources: City of Sausalito  
 State of California, Department of Finance (population)  
 Marin County Auditor-Controller's Office and California Municipal Statistics, Inc.

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

**CITY OF SAUSALITO**  
**Ratio of General Bonded Debt Outstanding**  
**Last Two Fiscal Years**

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>		<b>Percentage of Taxable Assessed Value</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Total</b>		
2007	\$15,694,220	\$15,694,220	0.69%	\$2,105
2008	\$16,048,693	\$16,048,693	0.66%	\$2,139

Note: (A) FY 2007 is the first year the City has general bonded debt outstanding.

Source: City of Sausalito

**CITY OF SAUSALITO  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AS OF JUNE 30, 2008**

2007-08 Total Assessed Valuation \$2,437,729,030

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2008	% Applicable (1)	City's Share of Debt 6/30/2008
Marin Community College District	\$63,315,000	4.983%	\$3,154,986
Tamalpais Union High School District	187,885,000	8.324%	15,639,547
Sausalito Marin City School District	15,484,924	90.533%	14,018,966
Marin Municipal Water District Wolfbackridge Assessment District	795,000	100.000%	795,000
City of Sausalito	16,048,693	100.000%	16,048,693 (2)
City of Sausalito 1915 Act Bonds	255,000	100.000%	255,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$49,912,192
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$46,586,405	4.974%	\$2,317,208
Marin County Pension Obligations	112,805,000	4.974%	5,610,921
Marin County Transit District General Fund Obligations	250,986	4.974%	12,484
Marin Municipal Water District General Fund Obligations	204,192	6.429%	13,128
Marin Community College District General Fund Obligations	2,975,834	4.983%	148,286
Sausalito Marin City School District General Fund Obligations	3,415,000	90.533%	3,091,702
City of Sausalito General Fund Obligations	601,941	100.000%	601,941
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$11,795,670
Less: Sausalito City School District QZABs (100% self-supporting from investment agreement deposits)			905,330
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$10,890,340
GROSS COMBINED TOTAL DEBT			\$61,707,862 (3)
NET COMBINED TOTAL DEBT			\$60,802,532

(1) percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Includes accreted value.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

RATIOS TO 2007-08 ASSESSED VALUATION:

Direct Debt (\$16,048,693)	0.66%
Combined Direct Debt (\$16,650,634)	0.68%
Total Direct and Overlapping Tax and Assessment Debt	2.05%
Gross Combined Total Debt	2.53%
Net Combined Total Debt	2.49%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2008: \$0

Source: California Municipal Statistics, Inc.

**CITY OF SAUSALITO  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
LAST TEN FISCAL YEARS**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1999	47,918,044	0	47,918,044	0.0%
2000	51,357,641	0	51,357,641	0.0%
2001	57,194,365	0	57,194,365	0.0%
2002	63,021,867	0	63,021,867	0.0%
2003	65,832,791	0	65,832,791	0.0%
2004	70,501,549	0	70,501,549	0.0%
2005	74,810,558	0	74,810,558	0.0%
2006	80,614,685	0	80,614,685	0.0%
2007	85,590,797	15,694,220	69,896,577	18.3%
2008	91,414,839	16,048,693 (2)	75,366,146	17.6%

2007-08 Legal Debt Margin Information (1)

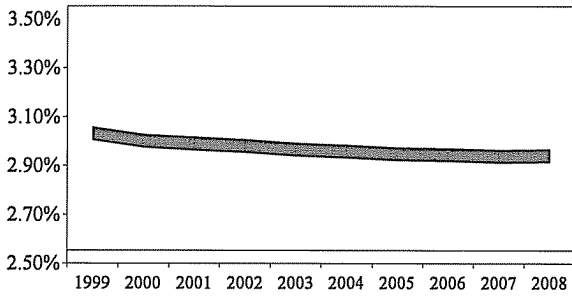
Assessed Valuation	\$2,437,729,030
Conversion Percentage	25%
Adjusted Assessed Valuation	\$609,432,258
Debt Limit Percentage	15%
Debt Limit	\$91,414,839
Total Net Debt Applicable to Limit	
General Obligation Bonds	\$16,048,693 (2)
Legal Debt Margin	75,366,146
Total Debt Applicable to the Limit as a percentage of the limit	17.6%

Note:

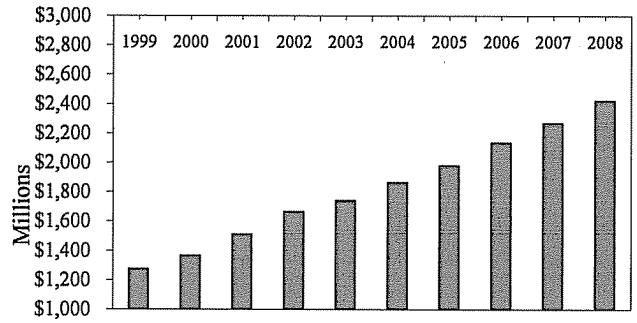
- (1) The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market 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.

Source: California Municipal Statistics, Inc.

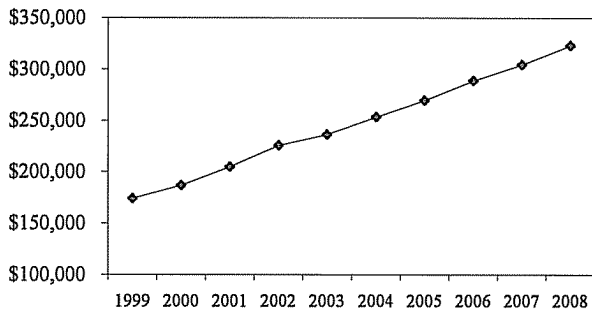
**CITY OF SAUSALITO  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**



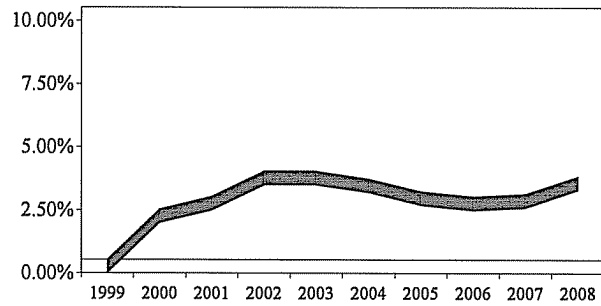
■ City Population as a % of County Population



■ Taxable Assessed Value



◆ Per Capita Assessed Value



■ Unemployment Rate (%)

Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	Unemployment Rate (%)	Marin County Population	City Population % of County
1999	7,325	\$1,277,814,503	\$174,446	N/A	243,800	3.00%
2000	7,325	1,369,537,087	186,968	2.0%	246,300	2.97%
2001	7,379	1,513,407,286	205,097	2.5%	249,000	2.96%
2002	7,387	1,668,868,821	225,920	3.5%	250,105	2.95%
2003	7,373	1,743,778,458	236,509	3.5%	250,823	2.94%
2004	7,363	1,868,130,437	253,719	3.2%	251,190	2.93%
2005	7,355	1,983,154,100	269,633	2.7%	251,820	2.92%
2006	7,394	2,138,186,138	289,179	2.5%	253,341	2.92%
2007	7,454	2,270,825,332	304,645	2.6%	255,982	2.91%
2008	7,503	2,426,136,256	323,355	3.3%	257,406	2.91%

Note: Information for total personal income is not available

Source: California State Department of Finance  
California Employment Development Department

**City of Sausalito  
Principal Employers  
Current Year (A)**

<u>Employer</u>	<u>2007-08</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
West Marine Products	219	1	4.1%
Lohrey Enterprises	187	2	3.5%
City of Sausalito	105	3	2.0%
Butler Shine Stern Partners LLC	78	4	1.5%
Mollie Stone's Market	75	5	1.4%
Horizons/On Dine	72	6	1.4%
The Spinnaker	70	7	1.3%
Poggio LP	60	8	1.1%
Heath Ceramics Ltd	59	9	1.1%
Sausalito-Marin City School District	<u>50</u>	10	<u>0.9%</u>
Total	<u><u>975</u></u>		<u><u>18.4%</u></u>

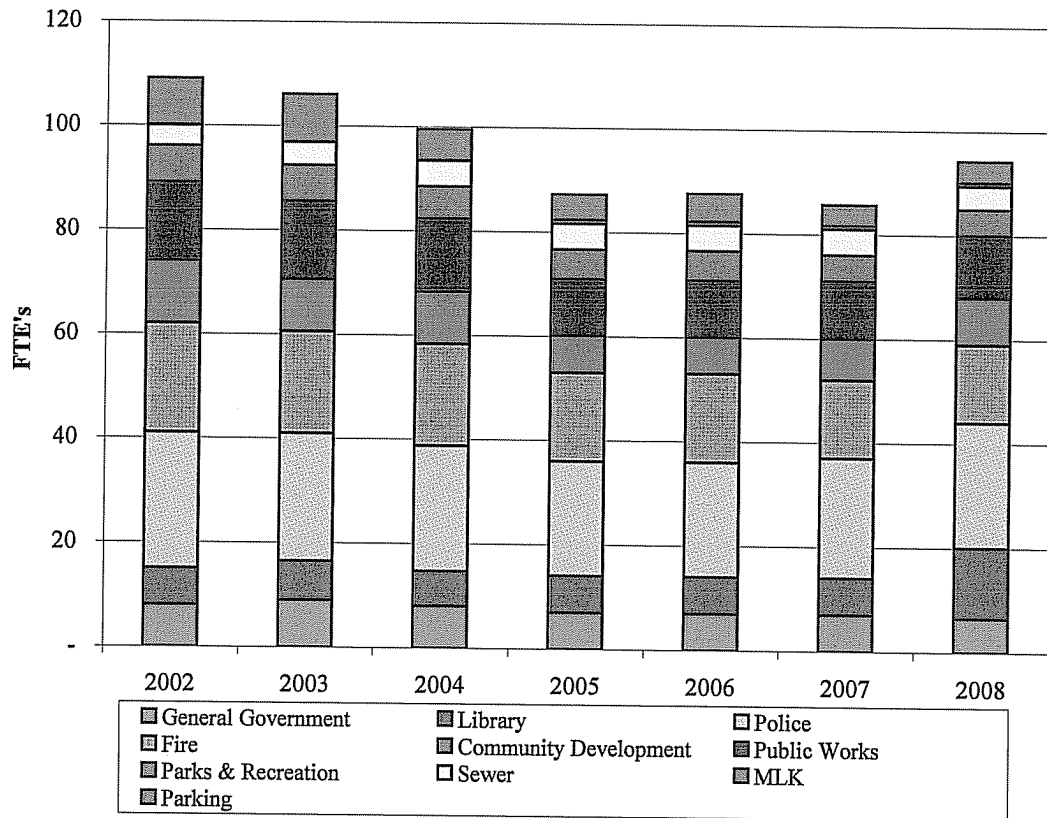
Note: Date shown above represents the total employment of all employers located within City limit..

(A) The City of Sausalito has elected to show only current year data for this schedule.

Data for nine years ago is not available.

Source: City of Sausalito Business License Department  
California Employment Development Department

**CITY OF SAUSALITO**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Seven Fiscal Years**



**Adopted for Fiscal Year Ended June 30,**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Function</b>							
General Government	8	9	8	7	7	7	7
Library	7	7	7	7	7	7	14
Police	26	24	24	22	22	23	24
Fire	21	20	20	17	17	15	15
Community Development	12	10	10	7	7	8	9
Public Works	15	15	14	11	11	11	12
Parks & Recreation	7	7	6	6	6	5	5
Sewer	4	5	5	5	5	5	5
MLK	-	-	-	1	1	1	1
Parking	9	9	6	5	5	4	4
<b>Total</b>	<u><u>109</u></u>	<u><u>106</u></u>	<u><u>100</u></u>	<u><u>87</u></u>	<u><u>88</u></u>	<u><u>86</u></u>	<u><u>94</u></u>

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

Source: City of Sausalito Budget Documents



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

Function/Program	Fiscal Year		
	2006	2007	2008
Public safety:			
Fire:			
Fire calls for service	528	872	837
Primary fire inspections conducted	-	134	145
Police:			
Communication Center calls answered			
Police calls for Service	8,578	11,900	12,845
Law violations:			
Part I and Part II crimes	582	544	1,109
Physical arrests (adult and juvenile)	296	263	485
Traffic violations	1,614	2,236	2,279
Parking violations	8,972	10,210	10,034
Traffic Collisions	84	114	100
Public works			
Street resurfacing (square feet)	43,560	6,858	140,000
Potholes repaired (square feet)	2,500	3,000	1,500
Trees trimmed	2,000	2,000	2,100
Culture and recreation:			
Community Services:			
Recreation class participants	1,656	1,765	1,543
Special Events Permit	39	199	8
Sponsored events	8	29	16
Facility & Park & Field Rental	0	0	76
Library:			
Volumes in Collection			
Books	60,269	60,995	60,653
Audio-Visual materials	3,625	3,660	3,319
Total Volumes Borrowed	76,805	78,225	82,286
Visitation	104,134	111,862	119,094
Internet Station Usage	13,300	13,265	14,986
Passport applications processed	75	48	43
Test proctoring	10	6	10
Notary Service	0	0	127
Community Development			
Applications processed			
Discretionary	63	73	54
Ministerial	52	43	139
Encroachments	137	191	159
Building permits	637	822	737
Administration			
Parking Permits Issued	1,961	2,122	2,176
Business license	1,326	1,586	1,768

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

Source: City of Sausalito

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

<b>Function/Program</b>	Fiscal Year		
	2006	2007	2008
<b>Public safety:</b>			
Fire stations	2	2	1
Fire trucks	3	3	3
Fire boat	1	1	1
Police station	1	1	1
Police patrol units	8	6	6
 <b>Public works</b>			
Miles of streets	27	27	27
Street lights	664	664	664
Traffic Signals	9	9	9
 <b>Culture and recreation:</b>			
<b>Community services:</b>			
City parks	19	19	19
City parks acreage	78	78	78
Beaches	3	3	3
Playgrounds	3	3	3
Roadway landscaping acreage	3	3	3
Recreation classrooms	3	3	3
Sports centers	1	1	1
Tennis courts	9	9	9
Basketball Courts	3	3	3
Baseball/softball diamonds	2	2	2
Soccer/football fields	1	1	1
 <b>Library:</b>			
City Library	1	1	1
 <b>Wastewater</b>			
Miles of sanitary sewers	26	26	26
Miles of storm sewers	15	15	15

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

Source: City of Sausalito  
 Republic Electric, Inc.