

CITY OF SAUSALITO, CALIFORNIA

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**



**Prepared by:
Finance Department**

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CITY OF SAUSALITO

Basic Financial Statements
For the Year Ended June 30, 2021
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CITY OF SAUSALITO

City Council

as of January 11, 2022



Mayor
Janelle Kellman



Vice Mayor
Melissa Blaustein

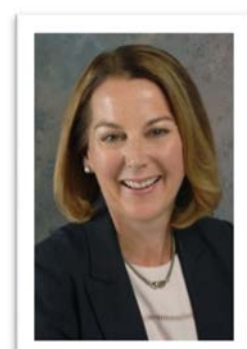
Council Members



Jill Hoffman



Ian Sobieski



Susan Cleveland-Knowles

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sausalito, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the year ended June 30, 2021 and required the restatement of net position of the Retiree OPEB Benefits Trust Fund as discussed in Note 6F to the financial statements.

Emphasis of Matter

As discussed in Note 6G, the City restated the net position of governmental activities, business-type activities, the Tidelands Special Revenue Fund, the General Capital Improvements Capital Projects Fund, the MLK Enterprise Fund, the Sewer Enterprise Fund, the Parking Enterprise Fund and Non-Major Funds in the aggregate related to the various asset and liability balances.

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
January 31, 2022

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

As management of the City of Sausalito, California, (the City), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- **STATEMENT OF NET POSITION** The total assets and deferred outflows of the City of Sausalito exceeded its total liabilities and deferred inflows at the close of the most recent fiscal year by \$31,327,916 (*total net position*).
- The City’s government-wide assets and deferred outflows exceed its liabilities and deferred inflows on June 30, 2021, by \$31,327,916 (net position), which is a decrease of 2.8% or \$870,672 from the prior year, primarily due to the reduction in revenues due to the COVID-19 pandemic.
 - Citywide revenues were \$24,212,015, of which \$18,687,593 were generated by governmental activities that decreased by \$467,117 as a result of the pandemic, and \$5,524,422 were generated by business-type activities, which decreased by \$903,192 over the prior year due to a drop in parking revenues and rent relief programs implemented for City owned property.
 - Citywide expenses were \$25,082,687, of which \$22,197,140 were incurred by governmental activities that decreased by \$1,384,510, and \$2,885,547 were incurred by business-type activities, which decreased by \$350,645.
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$8,544,828, a decrease of \$149,461 or 1.75% over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues, and Transfers) totaled \$15,667,187, a decrease of \$1,220,848 or 7.8% over the prior fiscal year. Total expenses were \$25,082,687, a decrease of \$1,735,155 or 6.9% from the prior fiscal year primarily due to cost saving measures implemented due to the COVID 19 pandemic uncertainty. This resulted in an overall decrease in net position of \$870,672.
 - \$43,447,571 represents the City’s net investment (after depreciation) in capital assets. This investment in capital assets represents a net decrease of \$911,964 over the prior fiscal year, primarily due to the city drawing down previously spent bond proceeds from the fiscal agent account. These proceeds were previously reducing the net investment in capital assets in a somewhat artificial way. The city had an increase in capital assets (net of depreciation of around \$3.6 million) but also increased its long-term debt by \$1.2 million.
 - The amount of \$2,775,487 in the total net position that is restricted for designated purposes decreased by \$3,935,184, representing the availability of resources available for spending on capital assets.
 - The City’s net pension liability increased \$2,143,029 to \$31,924,136 due to the amortization of deferred outflows of resources and contributions made to the City’s Miscellaneous and Safety Plans. See Note 8 of the Notes to Financial Statements for details.

- The fiscal year ended June 30, 2021, was the fourth year that the City reported its net OPEB liability per GASB 75. The net OPEB liability was \$4,372,838, a decrease of \$72,279. This is a result of prudent management, including the recent change in funding policy implemented by the Finance Department in fiscal year 2018-19 to fully fund the Actuarially Determined Contribution (ADC) that allowed the City to catch up on contributions, as well as some changes in actuarial assumptions in the most recent Actuarial Valuation report.
 - The City's unrestricted net position was negative \$14,895,142, a decrease in the negative balance by \$7,088,804 primarily due to the increase in City assets category related to cash, investments, and receivables as a result of COVID-19, plus the above-mentioned increase in unfunded pension liabilities. The negative unrestricted position is a result of the implementation of GASB 68 and 75 pronouncements as discussed in Notes 8 and 9 in this document.
- **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of the City of Sausalito's assets exceeded its liabilities resulting in an ending Fund Balance of \$13,808,840, an increase of \$2,064,720 over the prior fiscal year.
- Of the ending Fund Balance, \$7,153,212 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors.
 - In addition to the Unassigned Fund Balance, the City of Sausalito has \$2,736,150 assigned for economic fluctuation reserve, representing the 10% of operating expenditures set aside for Budget Shortfall and another 5% of Budget Stabilization Policy designations by City Council. Combined with the unassigned balance the City has \$9,889,362, or 54.3% of expenditures available in the General Fund for liquid reserves.
- **PROPRIETARY FUNDS STATEMENT OF NET POSITION** The total assets and deferred outflows of resources of the Business-Type Activities – Enterprise Funds (MLK, Sewer Fund, Parking Fund, and Old City Hall Fund) of the City of Sausalito exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,399,981(*total Proprietary Funds net position*), a decrease of \$445,362 primarily due to a reduction of parking revenue and rent relief programs on city owned property.
- **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUNDS** was \$1,138,872, a decrease of \$142,639 from a balance of \$1,281,511 over the prior fiscal year primarily due to return of contributions to the General Fund from the City's Vehicle Replacement and Employee Benefits Funds to cover a projected deficit in the general fund based on the original budget projections.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sausalito, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sausalito can be divided into two categories: governmental funds and proprietary 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 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the General Capital Improvements Capital Projects Fund, both of which are considered to be major funds. The City of Sausalito also elected to include the Tidelands Fund as a major fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

Proprietary funds

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-70 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund and Tidelands Special Revenue Fund. Required supplementary information can be found on pages 72-79 of this report.

Combining Statements

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84-100 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sausalito, assets and deferred outflows exceeded liabilities and deferred inflows by \$31,327,916 at the close of the fiscal year ending June 30, 2021.

As of June 30, 2021, the City reported positive balances in all categories of net position for the government as a whole except for unrestricted net position. The negative unrestricted net position was predominantly the result of the implementation of GASB Statements No. 68, 71, and 75. Please refer to the notes to basic financial statements for more information about the impact of the implementation of these statements.

The following chart summarizes the Statement of Net Position:

City of Sausalito's Net Position						
	Governmental activities		Business-type activities		Total	
	2021	2020*	2021	2020*	2021	2020*
Current and other Assets	\$ 19,082,268	\$ 23,556,031	\$ 6,171,849	\$ 6,317,791	\$ 25,254,117	\$ 29,873,822
Capital Assets	55,520,790	51,240,679	19,009,390	19,671,597	74,530,180	70,912,276
Total Assets	74,603,058	74,796,710	25,181,239	25,989,388	99,784,297	100,786,098
Deferred outflows related to pension & OPEB	6,505,215	6,395,782	76,540	75,784	6,581,755	6,471,566
Long-term liabilities outstanding	56,441,003	53,355,909	11,492,810	11,737,016	67,933,813	65,092,925
Other liabilities	3,104,574	7,861,158	1,205,717	1,457,712	4,310,291	9,318,870
Total liabilities	59,545,577	61,217,067	12,698,527	13,194,728	72,244,104	74,411,795
Deferred inflows related to pension & OPEB	2,634,761	3,734,508	159,271	25,101	2,794,032	3,759,609
Net Position:						
Net Investment in Capital Assets	35,823,371	33,372,517	7,624,200	10,987,018	43,447,571	44,359,535
Restricted	2,775,487	6,710,671	-	-	2,775,487	6,710,671
Unrestricted	(19,670,923)	(23,842,271)	4,775,781	1,858,325	(14,895,142)	(21,983,946)
Total Net Position	\$ 18,927,935	\$ 16,240,917	\$ 12,399,981	\$ 12,845,343	\$ 31,327,916	\$ 29,086,260

* The prior year amounts were not updated to reflect the restatement.

The large portion of the net position reflects the City's \$43.4 million investment in capital assets less any capital-related outstanding debt. Capital assets are the aggregated value of land, infrastructure, equipment, buildings and improvements that are used to provide City services. Their value is reported net of related debt because the funds to repay the debt come from other sources. The City's capital assets cannot be sold and used to liquidate liabilities. This portion of the net position decreased by \$0.9 million over the prior year mainly because of addition in capital assets associated with construction in progress related to the Parks improvement projects.

Another portion of the City's net position is subject to external restrictions, such as debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2021, the restricted net position was \$2.8 million or 8.9% of the total net positions.

During the 2014-15 fiscal year, the City implemented the Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27. With the new reporting change, the City has allocated its proportionate share of the California Public Employees' Retirement System's (CalPERS) net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense, which resulted in adjustments to pension expenses and reporting the City's long-term net pension liability of \$31,924,136 on the fiscal year 20-21 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability increased by \$2,143,029 from \$29,781,107 recorded last year primarily due to amortization of deferred outflows of resources and contributions made to the City's Miscellaneous and Safety Plans. See Note 8 of the Notes to Financial Statements for details. This is a 7.2% increase from the prior year which resulted in an unrestricted net position of negative \$14,895,142. It is important to note that these long-term obligations are based on actuarial estimates and do not represent a liability due and payable immediately.

Governmental Activities

By far the largest portion of the City of Sausalito's net position from Governmental activities reflects its investment in capital assets (e.g., land, buildings, machine, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Sausalito uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sausalito's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The \$2,775,487 of the City of Sausalito's restricted net position from Governmental activities represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position from Governmental activities is (\$19,670,923) compared to the prior year balance of (\$23,842,271) is primarily due to the accounting of GASB 68 and 75 pronouncements as discussed in Notes 8-9 of this document.

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

Business-type Activities

The net investment in capital assets for business-type activities is \$7,624,200. There is \$4,775,781 in unrestricted net position reported in connection with the City of Sausalito's business-type activities. There is no restricted net position from Business-type activities.

Statement of Activities

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

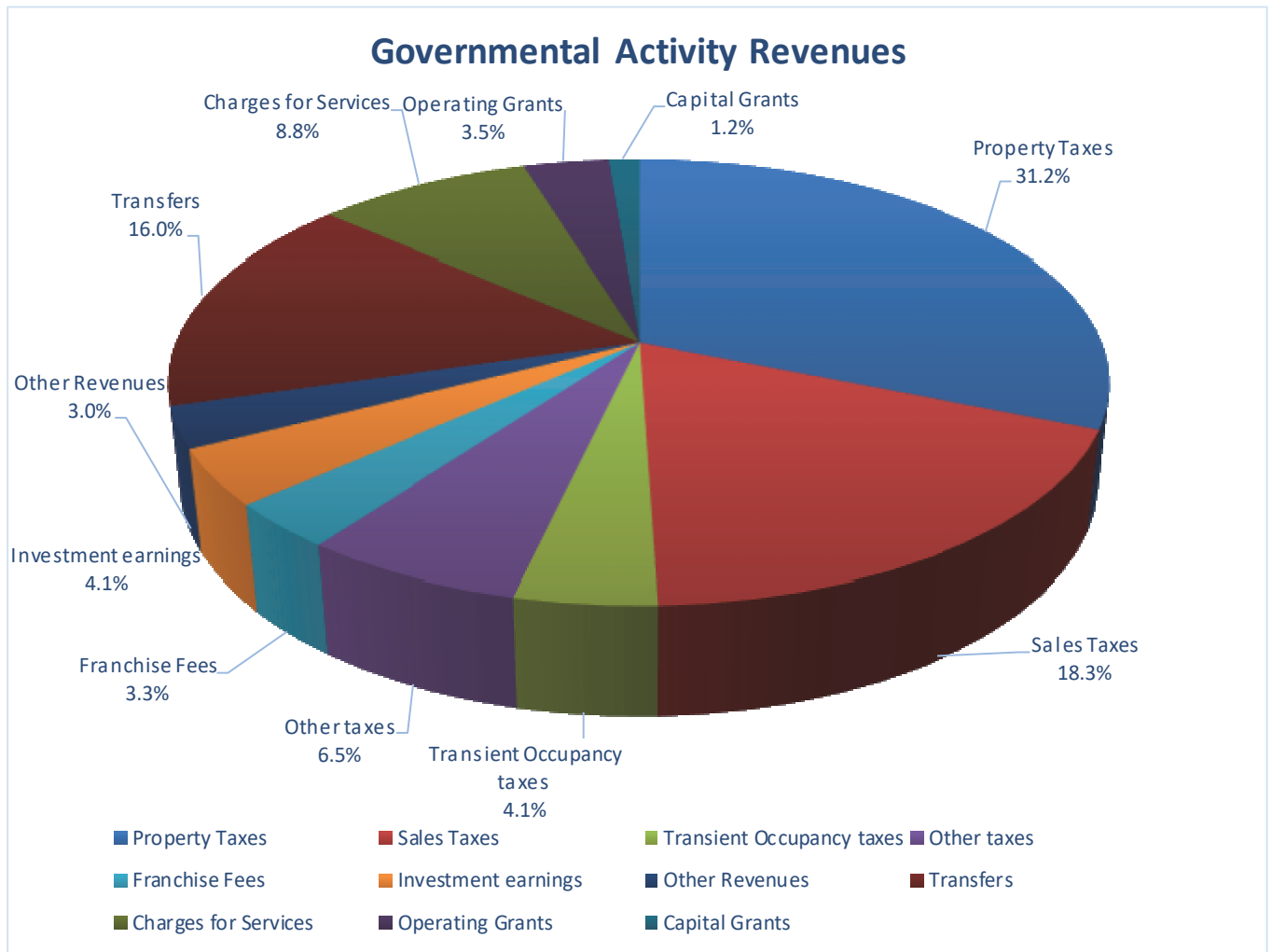
City of Sausalito's Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 1,958,935	\$ 1,972,373	\$ 5,533,655	\$ 6,314,760	\$ 7,492,590	\$ 8,287,133
Operating grants and contributions	774,442	396,366	-	-	774,442	396,366
Capital grants and contributions	277,796	10,790	-	-	277,796	10,790
General revenues:						
Taxes	14,102,669	14,379,000	-	-	14,102,669	14,379,000
Investment earnings	905,525	908,026	(13,273)	112,826	892,252	1,020,852
Other revenues	668,226	1,488,155	4,040	28	672,266	1,488,183
Total revenues	18,687,593	19,154,710	5,524,422	6,427,614	24,212,015	25,582,324
Expenses:						
General government	7,165,484	6,059,361	-	-	7,165,484	6,059,361
Library	713,241	934,027	-	-	713,241	934,027
Public safety - Police Services	6,696,098	7,622,967	-	-	6,696,098	7,622,967
Community development	2,030,737	2,280,651	-	-	2,030,737	2,280,651
Public works	3,341,838	4,293,271	-	-	3,341,838	4,293,271
Parks & Recreation	1,371,181	1,589,774	-	-	1,371,181	1,589,774
Interest on long-term debt	878,561	801,599	-	-	878,561	801,599
MLK	-	-	699,455	639,854	699,455	639,854
Sewer	-	-	1,799,346	2,109,365	1,799,346	2,109,365
Parking	-	-	290,484	450,584	290,484	450,584
Old City Hall	-	-	96,262	36,389	96,262	36,389
Total expenses	22,197,140	23,581,650	2,885,547	3,236,192	25,082,687	26,817,842
Transfers	3,559,000	2,999,005	(3,559,000)	(2,999,005)	-	-
Change in net Position	49,453	(1,427,935)	(920,125)	192,417	(870,672)	(1,235,518)
Net Position - Beginning as restated*	18,878,482	17,668,852	13,320,106	12,652,926	32,198,588	30,321,778
Net Position - Ending	\$ 18,927,935	\$ 16,240,917	\$ 12,399,981	\$ 12,845,343	\$ 31,327,916	\$ 29,086,260

* The prior year amounts were not updated to reflect the restatement.

Governmental Activities

The Governmental activities for the City resulted in net position increasing by \$49,453, primarily due to decreased expenses and transfers from other funds as discussed in details below and increased general government expenditures.

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



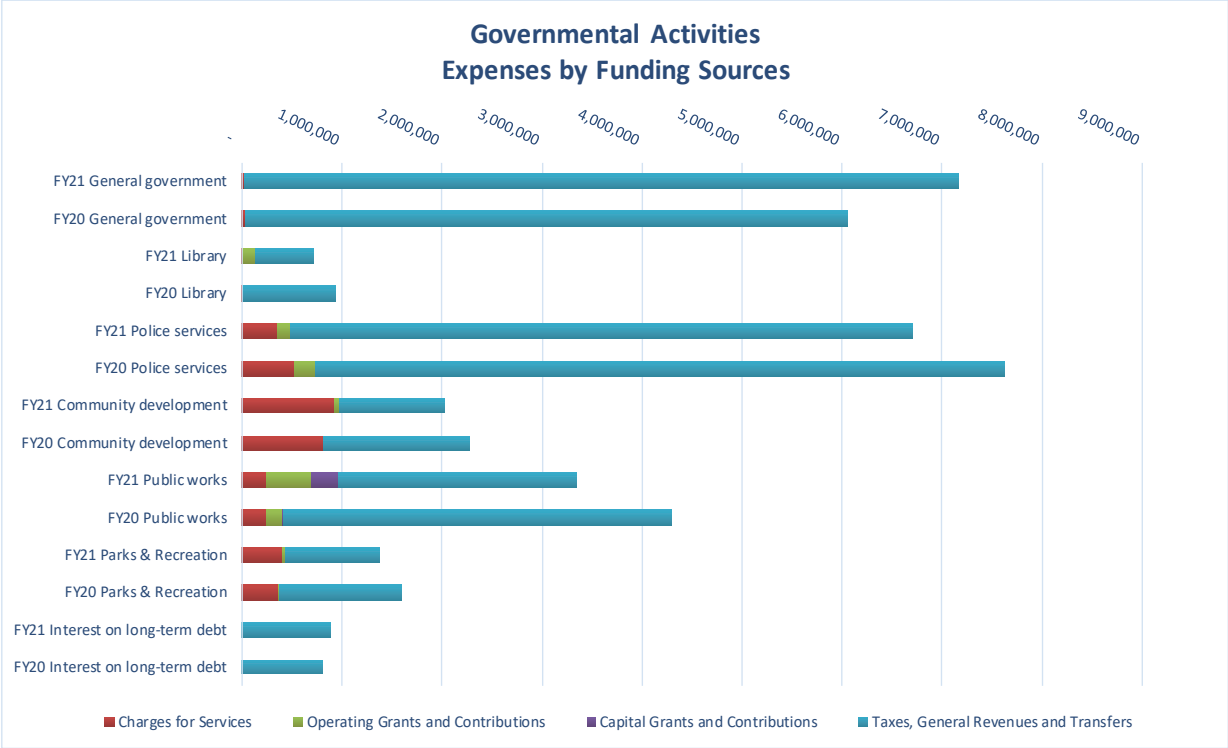
Total Government Activity Revenues were decreased by \$467,117, excluding transfers, over the prior fiscal year.

Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$357,595 or 5.4% in General Fund from the prior year due to the increase in the assessed value for properties from sale and transfer of ownership. Property taxes are generally inelastic and provide the City a stable revenue source (31.2% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service;
- The City’s sales tax remained stable despite projected decline as a result of the closure of restaurants and retail due to COVID-19, and even showed an increase of \$226,087 or 5.9%, primarily due to an increase in online and yachts and boat sales during the pandemic. Sales tax represents 18.3% of the City’s Governmental activities revenues and transfers;
- Transient Occupancy taxes decreased by \$399,946 or 30.4% from the prior fiscal year primarily due to the significant drop in travel and tourism activities in the last quarter of the fiscal year related to the Governor’s shelter in place order prohibiting leisure travel. Transient Occupancy Taxes are about 4.1% of total resources available for Governmental Activities;

- Franchise Tax, Business license tax, and other miscellaneous taxes decreased by \$460,067 or 17.4% over the prior year, primarily due to an increase in the business license revenues. In November 2018, Sausalito residents revised the Business License Tax structure, reduced the number of business license tax categories from 22 to 4, eliminated the exemptions to the business license tax for subcontractors and commercial property owners. The new tax went into effect July 1, 2019, for new, and January 1, 2020, for existing businesses;
- Investment earnings decreased from the prior fiscal year by \$2,501 or 0.3% during the fiscal year, due to a decrease in portfolio balances resulting from lower revenues and lower interest rates on investments;
- Transfers increased from the prior year by \$559,995 or 18.7% during the fiscal year, due to increases in transfers to fund capital projects and return of resources from the internal service funds;
- Other government activity revenues decreased by \$819,929 or 55.1% primarily due to increase in Building Permits and Building Plan Checks activity;
- Capital Grants and Contributions increased by \$267,006 back to a normal activity level, and can fluctuate from time to time based on available grants;
- Operating grants contributed from Special Revenue Fund increased by \$378,076 or 95.4% from the last fiscal year, and that reflected a higher budgeted allocation of the County Measure A transportation grant to fund the parks projects in the prior year;
- Charges for Services decreased by \$13,438 or 0.7%, primarily due to an increase in building and planning permit activities in Community Development and a decrease in Public Safety citation revenue;

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

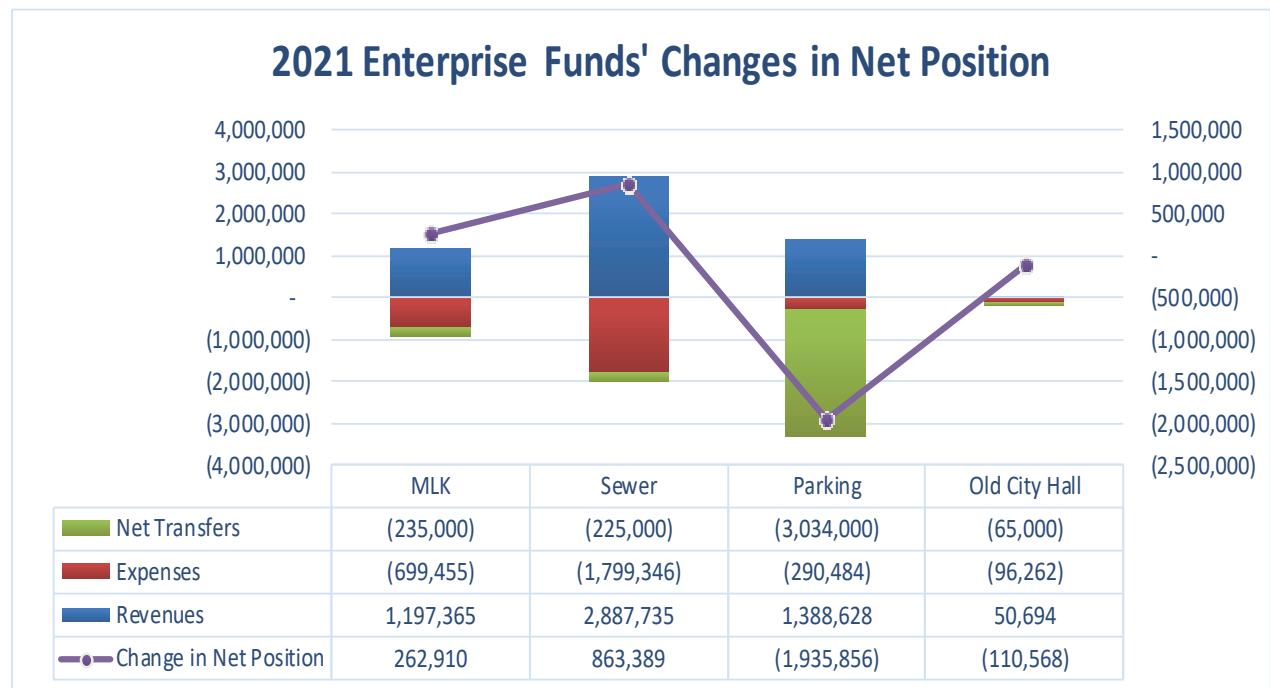


Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were decreased by \$1,384,510 over the prior fiscal year.
 - Parks and Recreation expenses decreased by \$218,593 or 13.7% due to the reduced activity in the current year due to the COVID 19 Pandemic;
 - Public Works' expenses decreased by \$951,433 or 22.2% primarily due to cost containment efforts;
 - Police Department expenses decreased by \$926,869 or 12.2% due to cost reduction efforts and delayed expenditures;
 - Community Development's expenses decreased by \$249,914 or 11.0% due to cost reduction efforts and delayed expenditures;
 - Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, and Information Technology) increased by \$1,106,123 or 18.3% due to an increase in service level and legal costs and backfilling of vacancies;
 - Library expenses decreased by \$220,786 or 23.6%, primarily due to the temporary suspension of the library services and programs in the fiscal year due to the COVID-19;
 - Interest on long-term debt increased by \$76,962 or 9.6% as anticipated with the issuance of new debt exceeding the retirement of existing debt.

Business-type activities

Business-type activities decreased the City of Sausalito's net position by \$920,125. The following chart depicts the operating results of the City's business-type activities:



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

- MLK Fund increased net position by \$262,910 during the year compared to the \$523,269 increase in the previous year. This was primarily due to the revenues being lower in the current year as a result of the council approved rent reductions. Expenses increased by \$59,601 from the prior year, resulting in net operating income (NOI) of \$497,910, compared to the prior year's NOI of \$963,608.
- Sewer Fund increased net position by \$863,389 during the year, compared to the \$490,540 increase in net position the previous fiscal year. This increase was primarily due to increase in Sanitary Sewer fees as a result of Sewer Rate Study that went into effect in fiscal year 2019-20, and increased maintenance and capital costs in the Sewer Fund. Sanitary Sewer fees were increased in fiscal year 2019-20, to offset maintenance costs and infrastructure investments as a result of EPA compliance requirements.
- Parking Fund decreased net position by \$1,935,856 during the year, compared to the \$811,262 decrease from the prior fiscal year, reflecting the decrease in parking fees and charges due to reduced tourism and visitor activities as a result of COVID-19 and the shelter in place order.
- The Old City Hall Fund decreased net position by \$110,568 as compared to the prior year's decrease of \$10,130. This is a result of lower-than-expected revenues due to rent reduction and forgiveness programs authorized by council.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

The Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The focus of the City of Sausalito's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Sausalito's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Consequently, the governmental fund financial statements provide a detailed short-term view that helps the readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

City of Sausalito Governmental Funds Statement of Revenues, Expenditures and Fund Balance			
Statement of Revenues, Expenditures and Fund Balance	2021	2020	Variance
Revenues	\$ 18,816,543	\$ 19,149,256	-1.7%
Expenditures	26,706,662	21,391,979	24.8%
Other Financing Sources (Uses)	6,217,000	840,645	639.6%
Net Change in Fund Balances	(1,673,119)	(1,402,078)	19.3%
Fund balances at beginning of year **	17,171,284	16,531,502	3.9%
Fund balances at end of year	15,498,165	15,129,424	2.4%
Non-spendable	1,368,976	1,524,745	-10.2%
Restricted	5,217,426	8,075,835	-35.4%
Committed	108,563	108,661	-0.1%
Assigned	2,736,150	2,506,519	9.2%
Unassigned	6,067,050	2,913,664	108.2%
Total fund balances	15,498,165	15,129,424	2.4%
Major Governmental Funds:			
General Fund	13,808,840	11,744,120	17.6%
Tidelands Fund	381,176	(2,554,014)	-114.9%
General Capital Improvements	(738,403)	4,111,942	-118.0%
Other Governmental Funds	2,046,552	1,827,376	12.0%
Total fund balances	\$ 15,498,165	\$ 15,129,424	2.4%

**Prior period adjustments were made and the prior year amounts were not adjusted for those restatements.

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$15,498,165 a decrease of \$1,673,119 in comparison with the prior year, which is primarily due to a prior period adjust for the correction of an error. The governmental funds expenditures were \$26,706,662 in fiscal year 2020-21, of \$5,314,683 over the prior year as described above.

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

- Restricted is \$5,217,426 or 33.7% of the total balance, which can only be spent for specific purposes, set by external resource providers or enabling legislation. The balance is primarily for restricted street funds, development fees, and reserved required by debt covenants.
- Committed balance is \$108,563 or 0.7% of the total balance, which can only be spent for specific purposes as determined by formal action of the City Council.
- Assigned balance is \$2,736,150 or 17.7% of the total balance, which indicates City Council's intent to use these funds toward economic contingencies.
- Unassigned is \$6,067,050 or 39.1% of the total balance, which is essentially available for any use in the City.

Individual fund analyses follow.

General Fund

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

As of June 30, 2021, the total General Fund balance was \$13,808,840, which includes an unassigned portion of \$7,153,212. The General Fund balance increased \$2,064,720 for the fiscal year ended June 30, 2021.

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

General Fund Revenues, Expenditures and Fund Balance			
General Fund Revenues, Expenditures and Fund Balance	2021	2020	Variance
Revenues			
Property Tax	\$ 6,310,385	\$ 5,977,754	5.6%
Sales Tax	4,071,720	3,845,633	5.9%
Other Tax	1,650,159	2,084,090	-20.8%
Licenses and Permits	1,443,537	1,763,872	-18.2%
Fines and Forfeitures	344,804	504,712	-31.7%
Use of Money and Property	655,332	616,242	6.3%
Intergovernmental	86,521	11,738	637.1%
Charges for Services	1,386,263	1,256,004	10.4%
Other Revenue	635,145	150,243	322.7%
Total	16,583,866	16,210,288	2.3%
Expenditures			
General Government	6,418,953	5,019,891	27.9%
Library	684,278	859,080	-20.3%
Public Safety: Police	6,178,011	5,672,031	8.9%
Community Development	1,568,392	1,685,301	-6.9%
Public Works	1,912,411	1,976,807	-3.3%
Parks & Recreation	1,377,580	1,497,017	-8.0%
Capital Outlay	58,000	0	100.0%
Total	18,197,625	16,710,127	8.9%
Net Transfers	3,678,479	(327,811)	-1222.1%
Net Change in Fund Balances	2,064,720	(827,650)	-349.5%
Fund Balances at beginning of year	11,744,120	12,571,770	-6.6%
Fund Balances at end of year	13,808,840	11,744,120	17.6%
Unspendable	1,368,976	1,524,745	-10.2%
Restricted	2,550,502	1,890,809	34.9%
Assigned	2,736,150	2,506,519	9.2%
Unassigned	7,153,212	5,822,047	22.9%
Total Fund Balances	\$13,808,840	\$ 11,744,120	17.6%

General Fund Budgetary Highlights

The fiscal year 2020-21 revised budget of the City's General Fund anticipated a \$1,228,520 decrease in General Fund Balance as a result of pandemic that emerged in starting in March of 2020. These projections were pretty accurate, as the actual results of operations resulted in an increase of \$2,064,720 due to more than expected revenues and increased transfers in from other funds.

The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual for the General Fund detailing the adopted and amended budget with actual results can be found on page 78 of this report.

Tidelands Special Revenue Fund

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a total fund balance of \$381,176.

The General Capital Improvement Projects Fund

The General Capital Improvement Projects Fund has a total negative fund balance of (\$738,403), intended for capital improvement projects in the City's five year capital improvement plan. This is a decrease of fund balance by \$3,580,061 from the prior year primarily due to the timing of the budgeted capital projects.

Proprietary funds

The City of Sausalito maintains two types of proprietary funds: Internal Service funds and Enterprise funds. The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The City of Sausalito's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$74,530,180 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. The increase in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase in construction-in-progress, as well as investment in the City's streets.

City of Sausalito's Capital Assets						
<i>(net of depreciation)</i>						
	Governmental activities		Business-type activities		Total	
	<u>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>	<u>2021</u>	<u>2020*</u>
Land and improvements	\$ 15,014,662	\$ 15,014,662	\$ 3,796,001	\$ 3,796,001	\$ 18,810,663	\$ 18,810,663
Construction in progress	3,197,555	5,214,324	1,664,517	4,890,170	4,862,072	10,104,494
Building and improvements	15,215,782	13,610,674	5,606,774	2,858,547	20,822,556	16,469,221
MLK Bus Barn	-	-	148,500	154,000	148,500	154,000
Vehicles and equipment	114,731	140,752	135,217	178,915	249,948	319,667
Machinery and equipment	154,160	261,698	-	-	154,160	261,698
Infrastructure	21,823,900	16,998,569	7,658,381	7,793,964	29,482,281	24,792,533
Total	\$ 55,520,790	\$ 51,240,679	\$ 19,009,390	\$ 19,671,597	\$ 74,530,180	\$ 70,912,276

* The prior year amounts were not updated to reflect the restatement.

Additional information about the City's capital assets can be found in Note 4 on pages 48-50 of this report.

Long-term debt

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$32,300,609. This is an increase of \$1,219,864 from the prior fiscal year.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current Portion	747,901	583,408	673,258	657,035	1,421,159	1,240,443
Noncurrent Portion	20,167,518	18,455,112	10,711,932	11,385,190	30,879,450	29,840,302
Total	20,915,419	19,038,520	11,385,190	12,042,225	32,300,609	31,080,745

For more detailed information on the City's Long-term debt see Note 5 on pages 51-54 in this report.

Future Years Budgets

The City Council adopted a structurally imbalanced fiscal year 2021-22 Budget due to the COVID-19 pandemic that started in March of 2020. This calls on the usage of reserves and the usage of ARPA funding to make up for the loss of revenues during the fiscal year. Fiscal resiliency is one of the Council's strategic goals that includes planning for and implementing long-term financial health and stability. To this extend the City continues closely monitoring its tax and revenue base.

On June 22, 2021, the City Council adopted a structurally imbalanced fiscal year 2021-22 Budget that included significant revenue decline with the corresponding service reduction to bridge the \$930,838 structural deficit in the City's General Fund. At the time when this report is being prepared, the pandemic is unfortunately still unfolding, making it particularly critical to continue monitoring the City's financial position at the end of every quarter, especially as the City prepares to engage in the new budget discussion in March – June of 2022.

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

REQUESTS FOR INFORMATION

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

City of Sausalito
Finance Department
420 Litho Street
Sausalito, CA 94965

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

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

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$ 11,842,535	\$ 4,719,293	\$ 16,561,828
Restricted cash and investments (Note 2)	3,567,015	2,726,330	6,293,345
Receivables:			
Taxes receivables, net	1,156,873	-	1,156,873
Accounts receivable, net	910,526	46,773	957,299
Loans receivable	238,948	41,922	280,870
Internal balances (Note 3D)	1,362,469	(1,362,469)	-
Prepays	3,902	-	3,902
Capital assets (Note 4):			
Land and construction in progress	18,212,217	5,460,518	23,672,735
Depreciable, net of accumulated depreciation	37,308,573	13,548,872	50,857,445
Total Assets	<u>74,603,058</u>	<u>25,181,239</u>	<u>99,784,297</u>
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	6,465,120	72,214	6,537,334
Deferred outflows related to OPEB (Note 9E)	40,095	4,326	44,421
Total Deferred Outflows	<u>6,505,215</u>	<u>76,540</u>	<u>6,581,755</u>
LIABILITIES			
Accounts payable	1,191,871	155,687	1,347,558
Accrued interest payable	77,344	128,381	205,725
Accrued salaries and benefits	115,969	26,121	142,090
Compensated absences (Note 1J):			
Due within one year	524,076	23,674	547,750
Due in more than one year	283,409	2,149	285,558
Claims payable (Note 10):			
Due within one year	212,709	-	212,709
Due in more than one year	471,831	-	471,831
Refundable deposits	234,704	198,596	433,300
Net OPEB liability (Note 9C):			
Due in more than one year	3,946,950	425,888	4,372,838
Net pension liability, due in more than one year (Note 8B)	31,571,295	352,841	31,924,136
Long-term debt (Note 5):			
Due within one year	747,901	673,258	1,421,159
Due in more than one year	20,167,518	10,711,932	30,879,450
Total Liabilities	<u>59,545,577</u>	<u>12,698,527</u>	<u>72,244,104</u>
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	1,289,725	14,137	1,303,862
Deferred inflows related to OPEB (Note 9E)	1,345,036	145,134	1,490,170
Total Deferred Inflows	<u>2,634,761</u>	<u>159,271</u>	<u>2,794,032</u>
NET POSITION (Note 6):			
Net investment in capital assets	35,823,371	7,624,200	43,447,571
Restricted for:			
Special revenue programs	1,636,374	-	1,636,374
Debt service	1,030,550	-	1,030,550
Capital projects	108,563	-	108,563
Total Restricted Net Position	<u>2,775,487</u>	<u>-</u>	<u>2,775,487</u>
Unrestricted	(19,670,923)	4,775,781	(14,895,142)
Total Net Position	<u>\$ 18,927,935</u>	<u>\$ 12,399,981</u>	<u>\$ 31,327,916</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 7,165,484	\$ 26,595	\$ -	\$ -	\$ (7,138,889)		\$ (7,138,889)
Library	713,241	2,561	133,018	-	(577,662)		(577,662)
Public safety:							
Police services	6,696,098	355,636	125,892	-	(6,214,570)		(6,214,570)
Community development	2,030,737	923,744	51,188	-	(1,055,805)		(1,055,805)
Public works	3,341,838	245,688	443,134	277,266	(2,375,750)		(2,375,750)
Parks & recreation	1,371,181	404,711	21,210	530	(944,730)		(944,730)
Interest on long-term debt	878,561	-	-	-	(878,561)		(878,561)
Total Governmental Activities	22,197,140	1,958,935	774,442	277,796	(19,185,967)		(19,185,967)
Business-type Activities:							
MLK	699,455	1,197,060	-	-	-	\$ 497,605	497,605
Sewer	1,799,346	2,891,589	-	-	-	1,092,243	1,092,243
Parking	290,484	1,393,956	-	-	-	1,103,472	1,103,472
Old City Hall	96,262	51,050	-	-	-	(45,212)	(45,212)
Total Business-type Activities	2,885,547	5,533,655	-	-	-	2,648,108	2,648,108
Total	\$ 25,082,687	\$ 7,492,590	\$ 774,442	\$ 277,796	(19,185,967)	2,648,108	(16,537,859)
General revenues:							
Taxes:							
Property taxes					6,937,253	-	6,937,253
Sales taxes					4,071,720	-	4,071,720
Transient occupancy tax					913,975	-	913,975
Franchise fees					736,184	-	736,184
Other taxes					1,443,537	-	1,443,537
Investment earnings					905,525	(13,273)	892,252
Other revenues					668,226	4,040	672,266
Transfers (Note 3B)					3,559,000	(3,559,000)	-
Total general revenues and transfers					19,235,420	(3,568,233)	15,667,187
Change in Net Position					49,453	(920,125)	(870,672)
Net Position-Beginning, As Restated (Note 6G)					18,878,482	13,320,106	32,198,588
Net Position-Ending					\$ 18,927,935	\$ 12,399,981	\$ 31,327,916

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 2021. Individual non-major funds may be found in the Supplementary Section.

GENERAL FUND

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

TIDELANDS SPECIAL REVENUE FUND

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

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

To account for City-wide construction and improvements not otherwise paid for through the proprietary funds.

CITY OF SAUSALITO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General	Tidelands	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$ 8,626,882	\$ 55,428	\$ -	\$ 1,392,648	\$ 10,074,958
Restricted cash and investments (Note 2)	2,550,502	-	90	1,016,423	3,567,015
Receivables:					
Taxes receivables, net	1,156,344	-	-	529	1,156,873
Accounts receivable, net	259,390	350,991	300,145	-	910,526
Loans receivable	2,605	236,343	-	-	238,948
Due from other funds (Note 3A)	1,196,503	-	-	-	1,196,503
Prepays	3,902	-	-	-	3,902
Advances to other funds (Note 3C)	1,362,469	-	-	-	1,362,469
	<u>15,158,597</u>	<u>642,762</u>	<u>300,235</u>	<u>2,409,600</u>	<u>18,511,194</u>
Total Assets	<u>\$ 15,158,597</u>	<u>\$ 642,762</u>	<u>\$ 300,235</u>	<u>\$ 2,409,600</u>	<u>\$ 18,511,194</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 1,000,316	\$ 24,011	\$ 118,448	\$ 26,735	\$ 1,169,510
Accrued salaries and benefits	114,737	1,232	-	-	115,969
Refundable deposits	234,704	-	-	-	234,704
Due to other funds (Note 3A)	-	-	860,190	336,313	1,196,503
	<u>1,349,757</u>	<u>25,243</u>	<u>978,638</u>	<u>363,048</u>	<u>2,716,686</u>
Total Liabilities	<u>1,349,757</u>	<u>25,243</u>	<u>978,638</u>	<u>363,048</u>	<u>2,716,686</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - rent relief loan receivable	-	236,343	-	-	236,343
Unavailable revenue - accounts receivable	-	-	60,000	-	60,000
	<u>-</u>	<u>236,343</u>	<u>60,000</u>	<u>-</u>	<u>296,343</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>236,343</u>	<u>60,000</u>	<u>-</u>	<u>296,343</u>
FUND BALANCES (DEFICITS) (Note 6)					
Nonspendable	1,368,976	-	-	-	1,368,976
Restricted	2,550,502	381,176	-	2,285,748	5,217,426
Committed	-	-	-	108,563	108,563
Assigned	2,736,150	-	-	-	2,736,150
Unassigned	7,153,212	-	(738,403)	(347,759)	6,067,050
	<u>13,808,840</u>	<u>381,176</u>	<u>(738,403)</u>	<u>2,046,552</u>	<u>15,498,165</u>
Total Fund Balances (Deficits)	<u>13,808,840</u>	<u>381,176</u>	<u>(738,403)</u>	<u>2,046,552</u>	<u>15,498,165</u>
Total Liabilities and Fund Balances	<u>\$ 15,158,597</u>	<u>\$ 642,762</u>	<u>\$ 300,235</u>	<u>\$ 2,409,600</u>	<u>\$ 18,511,194</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances reported on the governmental funds balance sheet \$ 15,498,165

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 55,442,594

ALLOCATION OF INTERNAL SERVICE FUND NET POSITIONS

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

Cash and investments	1,767,577
Capital assets, net of depreciation	78,196
Claims payable	(684,540)
Accounts payable	(22,361)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are unavailable on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 296,343

DEFERRED INFLOWS AND OUTFLOWS

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

Deferred outflows	6,505,215
Deferred inflows	(2,634,761)

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	(20,915,419)
Interest payable	(77,344)
Compensated absences	(807,485)
Net OPEB liability	(3,946,950)
Net pension liability	(31,571,295)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 18,927,935

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, 2021

	General	Tidelands	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$ 6,310,385	\$ -	\$ -	\$ 626,868	\$ 6,937,253
Sales tax	4,071,720	-	-	-	4,071,720
Other tax	1,650,159	-	-	-	1,650,159
Licenses and permits	1,443,537	-	-	-	1,443,537
Fines and forfeitures	344,804	-	-	-	344,804
Use of money and property	655,332	345,852	905	(1,683)	1,000,406
Intergovernmental	86,521	51,188	129,556	520,778	788,043
Charges for services	1,386,263	-	-	227,868	1,614,131
Other revenues	635,145	10,400	320,945	-	966,490
Total Revenues	16,583,866	407,440	451,406	1,373,831	18,816,543
EXPENDITURES					
Current:					
General government	6,418,953	543,165	-	-	6,962,118
Library	684,278	-	-	-	684,278
Public safety:					
Police	6,178,011	-	-	51,563	6,229,574
Community development	1,568,392	-	-	-	1,568,392
Public works	1,912,411	-	-	243,475	2,155,886
Parks & recreation	1,377,580	-	-	-	1,377,580
Capital outlay	-	-	6,718,582	122,292	6,840,874
Debt service:					
Principal	58,000	-	-	570,408	628,408
Interest and other charges	-	249	52,225	207,078	259,552
Total Expenditures	18,197,625	543,414	6,770,807	1,194,816	26,706,662
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,613,759)	(135,974)	(6,319,401)	179,015	(7,890,119)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	-	1,858,000	-	1,858,000
Transfers in (Note 3B)	4,559,000	-	881,340	356,337	5,796,677
Transfers (out) (Note 3B)	(880,521)	(272,156)	-	(285,000)	(1,437,677)
Total Other Financing Sources (Uses)	3,678,479	(272,156)	2,739,340	71,337	6,217,000
NET CHANGE IN FUND BALANCES	2,064,720	(408,130)	(3,580,061)	250,352	(1,673,119)
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED (Note 6G)	11,744,120	789,306	2,841,658	1,796,200	17,171,284
ENDING FUND BALANCES (DEFICITS)	\$ 13,808,840	\$ 381,176	\$ (738,403)	\$ 2,046,552	\$ 15,498,165

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, 2021

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,673,119)

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	6,615,629
Adjustment of capital assets is deducted from the fund balance	(225,532)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$85,821 which has already been allocated to serviced funds)	(2,024,165)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance	628,408
Accreted interest is deducted from fund balance	(647,307)
Change in accrued interest payable	28,298
Issuance of long-term debt is deducted from fund balance	(1,858,000)

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):

Unavailable revenue	296,343
Compensated absences	57,603
Net OPEB liability, and related deferred outflow and inflow of resources	268,850
Net pension liability and related deferred outflow and inflow of resources	(1,274,916)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	(142,639)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 49,453
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See accompanying notes to financial statements

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CITY OF SAUSALITO

PROPRIETARY FUNDS

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

Major Enterprise Funds

MLK FUND

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

SEWER FUND

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

PARKING FUND

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

Non-Major Enterprise Fund

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall	Totals	
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$ 1,251,184	\$ 3,201,028	\$ 261,913	\$ 5,168	\$ 4,719,293	\$ 1,767,577
Restricted cash and investments (Note 2)	3	2,726,327	-	-	2,726,330	-
Receivables:						
Accounts receivable, net	33,980	7,510	5,283	-	46,773	-
Loans receivable	41,922	-	-	-	41,922	-
Total current assets:	1,327,089	5,934,865	267,196	5,168	7,534,318	1,767,577
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063	1,664,517	-	9,938	5,460,518	-
Depreciable, net of accumulated depreciation	5,755,911	7,416,235	45,651	331,075	13,548,872	78,196
Total noncurrent assets	9,541,974	9,080,752	45,651	341,013	19,009,390	78,196
Total Assets	10,869,063	15,015,617	312,847	346,181	26,543,708	1,845,773
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)	-	72,214	-	-	72,214	-
Deferred Outflows related to OPEB (Note 9)	389	3,159	778	-	4,326	-
Total Deferred Outflows	389	75,373	778	-	76,540	-
LIABILITIES						
Current liabilities:						
Accounts payable	8,619	137,035	10,033	-	155,687	22,361
Accrued interest payable	28,593	99,788	-	-	128,381	-
Accrued salaries and benefits	-	21,753	4,368	-	26,121	-
Compensated absences, due in one year (Note 1J)	-	19,498	4,176	-	23,674	-
Refundable deposits	174,596	-	24,000	-	198,596	-
Claims payable-due within one year (Note 10)	-	-	-	-	-	212,709
Long-term debt, due within one year (Note 5)	455,000	218,258	-	-	673,258	-
Total current liabilities	666,808	496,332	42,577	-	1,205,717	235,070
Noncurrent liabilities:						
Advance from other funds (Note 3C)	1,362,469	-	-	-	1,362,469	-
Compensated absences (Note 1J)	-	2,149	-	-	2,149	-
Claims payable (Note 10)	-	-	-	-	-	471,831
Long-term debt (Note 5)	4,300,000	6,411,932	-	-	10,711,932	-
Net pension liability (Note 8B)	-	352,841	-	-	352,841	-
Net OPEB liability (Note 9C)	38,294	310,960	76,634	-	425,888	-
Total noncurrent liabilities	5,700,763	7,077,882	76,634	-	12,855,279	471,831
Total Liabilities	6,367,571	7,574,214	119,211	-	14,060,996	706,901
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)	-	14,137	-	-	14,137	-
Deferred inflows related to OPEB (Note 9E)	13,050	105,969	26,115	-	145,134	-
Total Deferred Inflows	13,050	120,106	26,115	-	159,271	-
NET POSITION (DEFICITS) (Note 6E)						
Net investment in capital assets	4,786,974	2,450,562	45,651	341,013	7,624,200	78,196
Unrestricted	(298,143)	4,946,108	122,648	5,168	4,775,781	1,060,676
Total Net Position	\$ 4,488,831	\$ 7,396,670	\$ 168,299	\$ 346,181	\$ 12,399,981	\$ 1,138,872

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major		
				Old City Hall	Totals	
OPERATING REVENUES						
Building rents	\$ 1,197,060	\$ -	\$ -	\$ 51,050	\$ 1,248,110	\$ -
Charges for services	-	2,891,589	1,393,956	-	4,285,545	-
Other revenue	-	4,040	-	-	4,040	1,650,562
Total Operating Revenues	<u>1,197,060</u>	<u>2,895,629</u>	<u>1,393,956</u>	<u>51,050</u>	<u>5,537,695</u>	<u>1,650,562</u>
OPERATING EXPENSES						
Other expenses	12,506	199,408	68,422	52,500	332,836	906,620
Professional services	11,478	517,565	93,954	-	622,997	-
Repairs and maintenance	9,686	15,203	8,416	-	33,305	-
Salaries and benefits	56,347	704,308	102,941	-	863,596	-
Utilities	74,667	19,226	397	16,172	110,462	-
Depreciation	315,426	229,962	16,354	27,590	589,332	85,821
Total Operating Expenses	<u>480,110</u>	<u>1,685,672</u>	<u>290,484</u>	<u>96,262</u>	<u>2,552,528</u>	<u>992,441</u>
Operating Income (Loss) Before Transfers	<u>716,950</u>	<u>1,209,957</u>	<u>1,103,472</u>	<u>(45,212)</u>	<u>2,985,167</u>	<u>658,121</u>
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	305	(7,894)	(5,328)	(356)	(13,273)	(760)
Interest (expense)	(219,345)	(113,674)	-	-	(333,019)	-
Total nonoperating revenue (expenses)	<u>(219,040)</u>	<u>(121,568)</u>	<u>(5,328)</u>	<u>(356)</u>	<u>(346,292)</u>	<u>(760)</u>
Income (Loss) before transfers	497,910	1,088,389	1,098,144	(45,568)	2,638,875	657,361
Transfers (out) (Note 3B)	<u>(235,000)</u>	<u>(225,000)</u>	<u>(3,034,000)</u>	<u>(65,000)</u>	<u>(3,559,000)</u>	<u>(800,000)</u>
Change in net position	262,910	863,389	(1,935,856)	(110,568)	(920,125)	(142,639)
BEGINNING NET POSITION, AS RESTATED (Note 6G)	<u>4,225,921</u>	<u>6,533,281</u>	<u>2,104,155</u>	<u>456,749</u>	<u>13,320,106</u>	<u>1,281,511</u>
ENDING NET POSITION	<u>\$ 4,488,831</u>	<u>\$ 7,396,670</u>	<u>\$ 168,299</u>	<u>\$ 346,181</u>	<u>\$ 12,399,981</u>	<u>\$ 1,138,872</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Non-major Old City Hall		Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,217,849	\$ 2,909,018	\$ 1,433,080	\$ 104,092	\$ 5,664,039	\$ -
Receipts from (refunds to) interdepartmental charges	-	-	-	-	-	1,653,945
Payment to employees	(58,955)	(733,117)	(103,898)	-	(895,970)	-
Payment to suppliers	(192,443)	(999,765)	(171,189)	(68,672)	(1,432,069)	(1,632,721)
Other receipts (payments)	-	-	(13,247)	-	(13,247)	-
Cash Flows Provided by Operating Activities	966,451	1,176,136	1,144,746	35,420	3,322,753	21,224
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfunds payments	(593,196)	-	-	-	(593,196)	(44,051)
Transfers (out)	(235,000)	(225,000)	(3,034,000)	(65,000)	(3,559,000)	(800,000)
Cash Flows Used for Noncapital Financing Activities	(828,196)	(225,000)	(3,034,000)	(65,000)	(4,152,196)	(844,051)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments on capital debt	(445,000)	(212,035)	-	-	(657,035)	-
Interest payment	(379,765)	(116,929)	-	-	(496,694)	-
Cash Flows Used for Capital and Related Financing Activities	(824,765)	(328,964)	-	-	(1,153,729)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	305	(7,894)	(5,328)	(356)	(13,273)	(760)
Net Cash Flows	(686,205)	614,278	(1,894,582)	(29,936)	(1,996,445)	(823,587)
Cash and investments at beginning of period, as restated (Note 6G)	1,937,392	5,313,077	2,156,495	35,104	9,442,068	2,591,164
Cash and investments at end of period	\$ 1,251,187	\$ 5,927,355	\$ 261,913	\$ 5,168	\$ 7,445,623	\$ 1,767,577
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$ 716,950	\$ 1,209,957	\$ 1,103,472	\$ (45,212)	\$ 2,985,167	\$ 658,121
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	315,426	229,962	16,354	27,590	589,332	85,821
Change in assets and liabilities:						
Accounts receivables	20,789	\$17,429	39,124	53,042	130,384	3,383
Loans receivable	(41,922)	-	-	-	(41,922)	-
Accounts payable and accruals	(42,184)	(248,363)	(13,247)	-	(303,794)	(402,361)
Accrued salaries and benefits	-	(3,339)	554	-	(2,785)	-
Accrued compensated absences	-	(22,216)	3,709	-	(18,507)	-
Refundable deposits	-	(4,040)	-	-	(4,040)	-
Claims payable	-	-	-	-	-	(323,740)
Deferred outflows	76	4,187	153	-	4,416	-
Deferred inflows	(2,051)	(27,622)	(4,106)	-	(33,779)	-
Net pension liability	-	25,321	-	-	25,321	-
Net OPEB liability	(633)	(5,140)	(1,267)	-	(7,040)	-
Cash Flows from Operating Activities	\$ 966,451	\$ 1,176,136	\$ 1,144,746	\$ 35,420	\$ 3,322,753	\$ 21,224

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

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

B. *Basis of Presentation*

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

The major governmental funds of the City are:

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Use of Restricted/Unrestricted Net Position

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

F. Budgets and Budgetary Accounting

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2021, the following Funds had expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
General government:	
Administration	\$ 574,110
Non departmental	1,021,874
Parks & recreation	101,237
Debt service:	
Principal	58,000
Special Revenue Funds:	
Tidelands	14,057
Traffic Safety	16,876
Capital Project Fund:	
General Capital Improvement	4,193,870

Interfund services provided and used should be reported as revenues in the fund that provides the service and expenditures or expenses in the fund uses the service. In the General Fund, the budgetary variance shown above was mainly due to the fact that the City originally budgeted payments for interfund services as transfers out while the actual payments were reported as departmental expenditures. There is a corresponding positive budget variance in the General Fund under the transfer out line item which offsets the majority of these negative variances. The impact by line item is as follows:

- Included in administration is \$672 for the Workers' Compensation Internal Service Fund and \$33,970 for the Employee Benefits Internal Service Funds, both items were originally budgeted as a transfer out.
- Included in non-departmental is \$769,062 for the General Liability Internal Service Fund and \$211,096 for the Employee Benefits Internal Service Fund, both items were originally budgeted as a transfer out.
- Included in parks and recreation is \$47,388 for the Workers' Compensation Internal Service Fund and \$19,510 for the Employee Benefits Internal Service Fund, both items were originally budgeted as a transfer out.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fair Value Measurements

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

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

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

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

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

I. Prepaid Items

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

J. Compensated Absences

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The changes of the compensated absences were as follows for June 30, 2021:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 865,088	\$ 44,330	\$ 909,418
Additions	616,037	51,748	667,785
Payments	(673,640)	(70,255)	(743,895)
Ending Balance	<u>\$ 807,485</u>	<u>\$ 25,823</u>	<u>\$ 833,308</u>
Current Portion	<u>\$ 524,076</u>	<u>\$ 23,674</u>	<u>\$ 547,750</u>

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

K. Property Tax Revenues

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. *Unavailable and Unearned Revenues*

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

M. *Statement of Cash Flows*

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

N. *Estimates and Assumption*

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

O. *Deferred Outflows/Inflows of Resources*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. New GASB Pronouncements

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement, which became effective during the year ended June 30, 2021.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2019. The City implemented the provisions of GASB Statement No. 84 for the fiscal year ended June 30, 2021. As a result of the implementation, the Retiree OPEB Benefits Trust Fund, was removed from the financial statements as of July 1, 2020 as discussed in Note 6F.

GASB Statement No. 90 – In June 2018, GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The objective of this Statements are to improve the consistency and comparability of a reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2019. GASB Statement No. 90 did not have an effect on the fiscal year 2021 financial statements.

Q. New Funds

The Bank of America Building Loan Debt Service Fund was established during the fiscal year ended June 30, 2021 to account for transfers of funds from the General Fund to pay the Building Acquisition Lease principal and interest.

NOTE 2 – CASH AND INVESTMENTS

A. Policies

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

B. Classifications

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

<i>Statement of Net Position</i>	
Cash and investments	\$ 16,561,828
Restricted cash and investments	<u>6,293,345</u>
Total Cash and Investments	<u><u>\$ 22,855,173</u></u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	\$75 million per account	\$75 million per account
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	Prime Quality	10%	5%
Commercial Paper	180 days	A1/P1	15%	5%
Certificate of Time Deposits	360 days	N/A	10% (*)	None
Negotiable Certificates of Deposit	360 days	N/A	10%	5%
Repurchase Agreements	360 days	N/A	5%	5%
Reverse Repurchase Agreement	90 days	N/A	5%	None
Medium-Term Notes	5 years	A	5%	None

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

D. *Authorized Investments by Debt Agreements*

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

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

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

	12 Months or less	Total
Local Agency Investment Fund	\$ 7,497,730	\$ 7,497,730
<i>Held by Trustee:</i>		
Money Market Mutual Fund	3,742,843	3,742,843
PARS Trust - Money Market Mutual Funds	2,550,502	2,550,502
 Total Investments	 \$ 13,791,075	 13,791,075
 Cash in Banks		 9,062,428
Petty Cash		1,670
 Total City Cash and Investments		 \$ 22,855,173

Money market mutual funds are available for withdrawal on demand. At June 30, 2021, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 30-48 days.

F. Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. At June 30, 2021, the City held \$7,497,730 in Local Agency Investment Fund (LAIF), which was an uncategorized input not defined as a Level 1, Level 2 or Level 3 input.

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City’s investment policy, or debt agreements and the actual rating as of June 30, 2021, for each investment type as provided by Standard & Poor’s Investment rating system:

<i>Investment Type</i>	AAAm	Total
<i>City Cash and Investments:</i>		
Money Market Mutual Fund	\$ 3,742,843	\$ 3,742,843
<i>Not Rated:</i>		
Local Agency Investment Fund		7,497,730
PARS Trust - Money Market Mutual Funds		2,550,502
Cash in Banks		9,062,428
Petty Cash		1,670
Total Cash and Investments		\$ 22,855,173

H. Custodial Credit Risk

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

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

I. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2021, these investments matured in an average of 291 days and were not rated.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 3 – INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2021 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
General Capital Improvements Fur	General Fund	\$ 860,190
Non-Major Governmental Funds	General Fund	336,313
		\$ 1,196,503

B. Transfers

With Council approval, resources may be transferred from one fund to another. During the fiscal year ended June 30, 2021 the transfers were as follows:

Fund Receiving Transfers	Amount Transferred In	Fund Making Transfers	Amount Transferred Out
General Fund	\$ 4,559,000	Tideland Special Revenue Fund	\$ (200,000) A
		MLK Enterprise Fund	(235,000) A,B
		Sewer Enterprise Fund	(225,000) A
		Parking Enterprise Fund	(3,034,000) C
		Old City Hall Enterprise Fund	(65,000) C
		Vehicle Replacement Internal Service Fund	(500,000) D
		Employee Benefits Internal Service Fund	(300,000) D
General Capital Improvements Capital Projects Fund	881,340	General Fund	(596,340) E
		Non-Major Governmental Funds	(285,000) E
Non-Major Governmental Funds	356,337	General Fund	(284,181) B,F
		Tideland Special Revenue Fund	(72,156) F
Total Interfund Transfers	\$ 5,796,677	Total Interfund Transfers	\$ (5,796,677)

The reasons for these transfers are set forth below:

- A To fund administrative services
- B To eliminate fund deficit
- C To fund the General Fund operation
- D To return excess funds to sources
- E To fund capital improvements projects
- F To fund debt service

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

C. Long-term Interfund Advances

The City had the following interfund advances at June 30:

Payable Fund	Receivable Fund	Amount
MLK Enterprise Fund	General Fund	\$ 1,362,469

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

D. Internal Balances

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

NOTE 4 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Infrastructure capital assets with a value of \$100,000 or more, and non-infrastructure capital assets with a value of \$5,000 or more are capitalized.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the “modified approach” may be used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Buildings and Improvements	50 years
Light Duty Vehicles	5 years
Other Vehicles	10 years
Machinery and Equipment	5-10 years
Infrastructure	10-65 years

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
For the Year Ended June 30, 2021

NOTE 4 – CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2021, comprise:

	Balance June 30, 2020	Additions	Retirements	Adjustments	Transfers	Balance June 30, 2021
Governmental Funds						
Capital assets not being depreciated:						
Land and improvements	\$ 15,014,662	\$ -	\$ -	\$ -	\$ -	\$ 15,014,662
Construction in progress	5,214,324	4,456,194	-	(225,532)	(6,247,431)	3,197,555
	<u>20,228,986</u>	<u>4,456,194</u>	<u>-</u>	<u>(225,532)</u>	<u>(6,247,431)</u>	<u>18,212,217</u>
Depreciable capital assets:						
Building and improvements	17,833,096	1,996,776	(200,217)	-	-	19,629,655
Vehicles and equipment	276,400	51,563	-	(23,658)	-	304,305
Machinery and equipment	1,337,090	7,418	(83,121)	-	-	1,261,387
Infrastructure	45,891,201	103,678	-	-	6,247,431	52,242,310
Total capital assets, being depreciated	<u>65,337,787</u>	<u>2,159,435</u>	<u>(283,338)</u>	<u>(23,658)</u>	<u>6,247,431</u>	<u>73,437,657</u>
Less: accumulated depreciation for						
Building and improvements	(4,222,422)	(391,668)	200,217	-	-	(4,413,873)
Vehicles and equipment	(274,686)	(11,170)	-	23,658	-	(262,198)
Machinery and equipment	(1,100,371)	(95,549)	83,121	-	-	(1,112,799)
Infrastructure	(28,892,632)	(1,525,778)	-	-	-	(30,418,410)
Total accumulated depreciation	<u>(34,490,111)</u>	<u>(2,024,165)</u>	<u>283,338</u>	<u>23,658</u>	<u>-</u>	<u>(36,207,280)</u>
Depreciable capital assets, net	<u>30,847,676</u>	<u>135,270</u>	<u>-</u>	<u>-</u>	<u>6,247,431</u>	<u>37,230,377</u>
Internal Service Funds						
Depreciable capital assets:						
Vehicles and equipment	914,210	-	(162,525)	98,117	-	849,802
Machinery and equipment	183,429	-	-	(98,117)	-	85,312
	<u>1,097,639</u>	<u>-</u>	<u>(162,525)</u>	<u>-</u>	<u>-</u>	<u>935,114</u>
Less: accumulated depreciation for						
Vehicles and equipment	(775,172)	(76,698)	162,525	(87,833)	-	(777,178)
Machinery and equipment	(158,450)	(9,123)	-	87,833	-	(79,740)
Total accumulated depreciation	<u>(933,622)</u>	<u>(85,821)</u>	<u>162,525</u>	<u>-</u>	<u>-</u>	<u>(856,918)</u>
Depreciable capital assets, net	<u>164,017</u>	<u>(85,821)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,196</u>
Governmental capital assets, net	<u>\$ 51,240,679</u>	<u>\$ 4,505,643</u>	<u>\$ -</u>	<u>\$ (225,532)</u>	<u>\$ -</u>	<u>\$ 55,520,790</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance June 30, 2020 (As Restated)	Additions	Retirements	Transfers	Balance June 30, 2021
Business-type Activities					
Land and improvements	\$ 3,796,001	\$ -	\$ -	\$ -	\$ 3,796,001
Construction in progress	4,817,295	-	-	(3,152,778)	1,664,517
	<u>8,613,296</u>	<u>-</u>	<u>-</u>	<u>(3,152,778)</u>	<u>5,460,518</u>
Depreciable capital assets:					
Building and improvements	6,100,938	-	-	3,060,220	9,161,158
MLK Bus Barn	275,000	-	-	-	275,000
Vehicles and equipment	1,620,276	-	-	-	1,620,276
Infrastructure	14,207,370	-	-	92,558	14,299,928
Total	<u>22,203,584</u>	<u>-</u>	<u>-</u>	<u>3,152,778</u>	<u>25,356,362</u>
Less: accumulated depreciation for					
Building and improvements	(3,242,391)	(311,993)	-	-	(3,554,384)
MLK Bus Barn	(121,000)	(5,500)	-	-	(126,500)
Vehicles and equipment	(1,441,361)	(43,698)	-	-	(1,485,059)
Infrastructure	(6,413,406)	(228,141)	-	-	(6,641,547)
	<u>(11,218,158)</u>	<u>(589,332)</u>	<u>-</u>	<u>-</u>	<u>(11,807,490)</u>
Depreciable capital assets, net	<u>10,985,426</u>	<u>(589,332)</u>	<u>-</u>	<u>3,152,778</u>	<u>13,548,872</u>
Total capital assets, net	<u>\$ 19,598,722</u>	<u>\$ (589,332)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,009,390</u>

A. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities:	
General government	\$ 281,402
Recreation	10,881
Library	16,701
Police services	317,083
Public works	1,398,098
Internal Service Funds	85,821
Total Governmental Activities	<u>\$ 2,109,986</u>
Business-type Activities:	
MLK	\$ 315,426
Sewer	229,962
Parking	16,354
Old City Hall	27,590
Total Business-type Activities	<u>\$ 589,332</u>

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 5 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City’s debt issues and transactions related to both governmental and business-type activities are summarized below and discussed in detail subsequently.

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Governmental Activities Bonds:						
General Obligation Bonds:						
2006 Series A	\$8,205,000	\$ 3,725,000	\$ -	\$ (470,000)	\$ 3,255,000	\$ 525,000
2006 Series B (Capital Appreciation)	7,293,894	13,665,353	647,307	-	14,312,660	-
Total Governmental Activities Bonds		17,390,353	647,307	(470,000)	17,567,660	525,000
Governmental Activities - Direct Borrowings:						
Southern Marin Fire Protection District	1,740,000	1,276,000	-	(58,000)	1,218,000	58,000
Department of Boating & Waterways	1,200,000	372,167	-	(55,408)	316,759	57,901
Building Acquisition Lease	1,858,000	-	1,858,000	(45,000)	1,813,000	107,000
Total Governmental Activities - Direct Borrowings		1,648,167	1,858,000	(158,408)	3,347,759	222,901
Total Governmental Activities		\$ 19,038,520	\$ 2,505,307	\$ (628,408)	\$ 20,915,419	\$ 747,901
Business-type Activities Bonds:						
2015 Sewer Revenue Bond	6,750,000	\$ 6,060,000	\$ -	\$ (165,000)	\$ 5,895,000	\$ 170,000
2016 Certificates of Participation	6,940,000	5,200,000	-	(445,000)	4,755,000	455,000
Total Business-type Activities Bonds		11,260,000	-	(610,000)	10,650,000	625,000
Business-type Activities - Direct Borrowings:						
State Water Resources Board Loan	1,036,480	782,225	-	(47,035)	735,190	48,258
Total Business-type Activities - Direct Borrowings		782,225	-	(47,035)	735,190	48,258
Total Business-type Activities		\$ 12,042,225	\$ -	\$ (657,035)	\$ 11,385,190	\$ 673,258

B. Southern Marin Fire Protection District Annexation Agreement

In September 2011, the City entered into annexation agreement with the Southern Marin Fire Protection District. The City agreed to pay Southern Marin Fire Protection District \$58,000 annually for 30 years, a total of \$1,740,000; representing the retiree medical costs of nine firefighters who worked for City. The City made the first payment during fiscal year 2013. The final payment is due in fiscal year 2042.

C. Department of Boating and Waterways

Between April 1995 and March 1996, the City borrowed \$1.2 million from the California Department of Boating and Waterways to finance certain improvements. The loan bears interest at 4.5% per annum on the unpaid balance, commencing with the date of each transfer of loan funds to the City. Repayment of the loan commenced August 1995, and is payable in annual installments of \$72,156, including interest, until maturity, August 1, 2025. Principal and interest paid for the current fiscal year were \$55,408 and \$16,748, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 5 – LONG-TERM DEBT (Continued)

D. *Building Acquisition Lease*

On October 1, 2020, the City entered into a lease agreement with the Sausalito Financing Authority in the amount of \$1,858,000 to finance the acquisition of a former Bank of America building located at 750 Bridgeway. This lease agreement was assigned to Zions Bancorporation on September 28, 2020. The lease bears an interest rate of 2.790%. Principal and interest payments are due semi-annually commencing June 1, 2021 for fourteen years. Principal and interest paid for the current fiscal year were \$45,000 and \$33,695, respectively.

E. *General Obligation Bond 2006 Series A*

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$3,670,421. Principal and interest paid for the current fiscal year were \$470,000 and \$156,635, respectively. Total ad valorem property tax revenues were \$626,868.

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

F. *General Obligation Bond 2006 Series B (Capital Appreciation Bonds)*

On November 16, 2006, the City issued General Obligation Bonds Series B in the amount of \$7,293,894. The bond proceeds from this series and the bond proceeds from Series A (see above) were used to finance the demolition and replacement of a police building and fire station. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$25,615,000. There were no principal and interest paid for the current fiscal year.

The Bonds do not require periodic interest payments. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026. Final repayment will be August 1, 2041. The Bonds unaccreted discount and the current year accretion totaled \$11,302,340 and \$647,307 respectively at June 30, 2021.

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 5 – LONG-TERM DEBT (Continued)

G. 2015 Sewer Revenue Bonds

In January 2015, the City, via the Sausalito Financing Authority, issued the 2015 Sewer Revenue Bonds in the amount of \$6,750,000. The bond proceeds are being used to finance the acquisition and construction of sewer improvements and facilities; fund a reserve fund for the Bonds; and pay issuance costs. Interest payments are due each February 1 and August 1, and commencing August 1, 2015, principal is due each August 1, until August 1, 2044. The bonds bear interest at rates from 2.0% to 3.5% per annum. These bonds are repayable solely from and secured by a pledge of the Sewer Enterprise Fund's Net Revenues as defined under the indenture. Principal and interest paid for the current fiscal year were \$165,000 and \$95,340, respectively. Total customer net revenues were \$1,432,026.

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

H. California State Water Resources Control Board Project Finance Agreement

On September 28, 2011, the City entered into a project finance agreement with the State Water Resources Control Board in the amount of \$1,036,480 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. Principal and interest paid for the current fiscal year were \$47,035 and \$20,338, respectively.

I. 2016 Certificates of Participation

In January 2016, the City, via the Sausalito Financing Authority, issued the 2016 Certificates of Participation in the amount of \$6,940,000. The bond proceeds are being used to finance capital improvements to the City's MLK campus and Robin Sweeny, Southview and Dunphy Parks and pay costs associated with the issuance of the certificates. Interest payments are due each May 1 and November 1, and commencing May 1, 2016, principal payments are due each May 1, until May 1, 2030. The bonds bear interest at rates from 2.0% to 4.0% per annum. These bonds are repayable solely from certain lease payments to be made by the City to the Authority as outlined in the indenture. Principal and interest paid for the current fiscal year were \$445,000 and \$176,000, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 5 – LONG-TERM DEBT (Continued)

J. Debt Service Requirements

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

Fiscal Year Ended June 30	Governmental Activities - Bonds		Governmental Activities - Direct Borrowings	
	Principal (A)	Interest	Principal	Interest
2022	\$ 525,000	\$ 136,238	\$ 222,901	\$ 64,097
2023	580,000	113,585	229,507	58,479
2024	645,000	88,473	234,230	52,645
2025	715,000	57,375	241,075	46,620
2026	790,000	19,750	247,046	40,354
2027 - 2031	6,375,000	-	944,000	133,712
2032 - 2036	8,340,000	-	881,000	37,789
2037 - 2041	10,900,000	-	290,000	-
2042	-	-	58,000	-
Total	\$ 28,870,000	\$ 415,421	\$ 3,347,759	\$ 433,696

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$11,302,340.

Fiscal Year Ended June 30	Business-type Activities - Bonds		Business-type Activities - Direct Borrowings	
	Principal	Interest	Principal	Interest
2022	\$ 625,000	\$ 350,781	\$ 48,258	\$ 19,115
2023	645,000	331,956	49,513	17,860
2024	670,000	307,831	50,800	16,573
2025	695,000	282,756	52,121	15,252
2026	720,000	256,731	53,476	13,897
2027 - 2031	3,340,000	917,405	288,975	47,891
2032 - 2036	1,205,000	571,556	192,047	10,072
2037 - 2041	1,425,000	355,485	-	-
2042 - 2045	1,325,000	94,763	-	-
Total	\$ 10,650,000	\$ 3,469,264	\$ 735,190	\$ 140,660

NOTE 6 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

B. Fund Balances

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

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

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2021, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$ 2,605	\$ -	\$ -	\$ -	\$ 2,605
Prepays	3,902	-	-	-	3,902
Advances to other funds	1,362,469	-	-	-	1,362,469
Subtotal	<u>1,368,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,368,976</u>
Restricted for:					
Pension	2,550,502	-	-	-	2,550,502
Seized assets	-	-	-	35,657	35,657
Tidelands properties	-	381,176	-	-	381,176
Street construction and maintenance	-	-	-	-	-
Infrastructure projects	-	-	-	318,455	318,455
Storm drain maintenance	-	-	-	36,049	36,049
Stair improvements	-	-	-	160,083	160,083
Disasters	-	-	-	-	-
Grants	-	-	-	704,954	704,954
Debt services	-	-	-	1,030,550	1,030,550
Subtotal	<u>2,550,502</u>	<u>381,176</u>	<u>-</u>	<u>2,285,748</u>	<u>5,217,426</u>
Committed to:					
Library improvements	-	-	-	108,563	108,563
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,563</u>	<u>108,563</u>
Assigned:					
Budget stabilization reserve	909,881	-	-	-	909,881
Emergency shortfall reserve	1,826,269	-	-	-	1,826,269
Subtotal	<u>2,736,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,736,150</u>
Unassigned:					
Other	7,153,212	-	-	-	7,153,212
Fund deficit residuals	-	-	(738,403)	(347,759)	(1,086,162)
Subtotal	<u>7,153,212</u>	<u>-</u>	<u>(738,403)</u>	<u>(347,759)</u>	<u>6,067,050</u>
Total fund balances	<u>\$ 13,808,840</u>	<u>\$ 381,176</u>	<u>\$ (738,403)</u>	<u>\$ 2,046,552</u>	<u>\$ 15,498,165</u>

C. Budget Stabilization Shortfall Reserve Policy

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

D. Emergency Shortfall Reserve Policy

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

E. Fund Balance Deficits

The following funds had fund balance deficits at June 30, 2021. Future revenues are expected to decrease the fund balance deficit:

	Amount
General Capital Improvements	
Capital Projects Fund	\$ 738,403
Traffic Safety Special Revenue Fund	16,876
Gas Tax Special Revenue Fund	53,048
Disaster Assistance Special Revenue Fund	238,623
Recreation Grant Special Revenue Fund	39,212

F. Removal of the Other Post-Employment Benefits Plan Trust Fund

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities* during the year ended June 30, 2021. Accordingly, the City determined that the activities of the Retiree Health Savings Plan should no longer be reported as fiduciary activities in the Retiree OPEB Benefits Trust Fund, due to the fact that the City does not have control of the assets of the PARS OPEB Plan as a whole. Therefore, the Retiree OPEB Benefits Trust Fund was removed from the financial statements.

G. Restatement of Fund Balance and Net Position

During fiscal year 2020-2021, the City made the following prior period adjustments to some of its fund balances as of June 30, 2020.

1. Net Other Post Employment Benefit (OPEB) Liability
 - a. The City made the election to allocate a portion of the net OPEB liability to the enterprise funds that contain salaries and wages to better reflect the City’s obligation in the Parking, MLK and the Sewer funds.

2. Unearned Revenue
 - a. The City determined that the exchange-type transaction should have been recognized as revenue in the year received for Sausalito Yacht Harbor. It was also determined the non-refundable rent credits for Sausalito Yacht Harbor do not meet the definition of a liability in the fund financial statements under the modified accrual basis of accounting.

3. Certificate of Participation (COP) Debt proceeds
 - a. It was determined the incorrect cash and investments relating to the COP debt proceeds was miss-allocated between the MLK and the General Capital Improvements fund.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

4. Accounts Receivable
 - a. To adjust for previous prior period adjustments from 2018 that should have settled against a previously recorded receivable rather than booked as additional revenue.
 - b. The City determined that revenue was over accrued in a previous year and is writing down the balances as it was not a realizable receivable.
5. Capital Assets
 - a. It was determined that previously capitalized items in the Sewer Fund were not capital asset additions but rather repair and maintenance in nature. The balance of those items were written off to reflect this change.
6. Other Adjustments
 - a. It was discovered a previous bond payment was recorded as an expense rather than a reduction of the liability. This adjustment corrected this oversight.

NOTE 7 – JOINTLY GOVERNED ORGANIZATIONS

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

A. *Marin Emergency Radio Authority*

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

NOTE 8 – PENSION PLAN

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

A. General Information about the Pension Plan

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

The Plan’s provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Police		
	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 55	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55+	50 - 55+	50 - 57+
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	1.426% - 2.0%	2.0% - 2.7%
Required employee contribution rates	9%	0.00%	13.75%
Required employer contribution rates	23.558%	19.825%	13.884%
	Miscellaneous		
	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Hire date			
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67+	50 - 63+	52 - 67+
Monthly benefits, as a % of eligible compensation	2% - 2.5%	1.426% - 2.418%	1% - 2.5%
Required employee contribution rates	8%	7.00%	7.25%
Required employer contribution rates	13.146%	11.199%	7.874%
	Fire		
	Prior to January 1, 2013		
Hire date			
Benefit formula	3% @ 55		
Benefit vesting schedule	5 years service		
Benefit payments	monthly for life		
Retirement age	50 - 55+		
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%		
Required employee contribution rates	0.00%		
Required employer contribution rates	0.00%		

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis or can be paid on a lump sum at a reduced amount. The City elected to make the monthly contributions and the required contribution for the unfunded liability was \$2,362,352 in fiscal year 2021.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

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

For the year ended June 30, 2021, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$ 2,086,227	\$ 1,192,438	\$ 3,278,665

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

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

As of June 30, 2021, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Safety	\$ 20,162,785
Miscellaneous	11,761,351
 Total Net Pension Liability	 \$ 31,924,136

The City’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	Safety	Miscellaneous
Proportion - June 30, 2019	0.30%	0.27%
Proportion - June 30, 2020	0.30%	0.28%
Change - Increase (Decrease)	0.00%	0.01%

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2021, the City recognized pension expense of \$4,571,508. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,086,227	\$ -
Differences between actual and expected experience	1,563,522	-
Changes in assumptions	-	(67,163)
Net differences between projected and actual earnings on plan investments	438,222	-
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(720,670)
Change in proportion	42,240	(44,801)
Total	\$ 4,130,211	\$ (832,634)

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,192,438	\$ -
Differences between actual and expected experience	606,097	-
Changes in assumptions	-	(83,887)
Net differences between projected and actual earnings on plan investments	349,390	-
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(353,793)
Change in proportion	259,198	(33,548)
Total	\$ 2,407,123	\$ (471,228)

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,278,665	\$ -
Differences between actual and expected experience	2,169,619	-
Changes in assumptions	-	(151,050)
Net differences between projected and actual earnings on plan investments	787,612	-
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(1,074,463)
Change in proportion	301,438	(78,349)
Total	\$ 6,537,334	\$ (1,303,862)

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

\$3,278,665 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Safety Amortization	Miscellaneous Amortization	Total Amortization
2022	\$ 103,795	\$ 33,902	\$ 137,697
2023	489,549	295,682	785,231
2024	398,432	246,296	644,728
2025	219,574	167,577	387,151

Actuarial Assumptions – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liability was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Investment Rate of Return	7.15% (2)
Mortality	Derived using CalPERS Membership Data for all Funds (3)
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2018 actuarial experience study for the period 1977 to 2015. Further details of the Experience Study can be found on the CalPERS website.

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

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

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

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

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

- (a) In the Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) An expected inflation of 2.0% used for this period.
- (c) An expected inflation of 2.92% used for this period.

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

	Discount Rate		
	1% Decrease 6.15%	Current 7.15%	1% Increase 8.15%
Safety	\$ 29,341,325	\$ 20,162,785	\$ 12,630,924
Miscellaneous	17,366,333	11,761,351	7,130,129
Total	<u>\$ 46,707,658</u>	<u>\$ 31,924,136</u>	<u>\$ 19,761,053</u>

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – PENSION PLAN (Continued)

Reduction of CalPERS Discount Rate

In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy, approved by the CalPERS Board of Administration in 2015, the 21.3% net return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall Public Employees Retirement Fund (PERF) is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

C. *Deferred Compensation Plan*

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

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

D. *Public Agency Retirement System Trust*

On March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Pension Benefits Trust Program, an irrevocable trust established to prefund pension obligations. The City did not make any contributions to the trust during fiscal year 2021. As of June 30, 2021, the total amount of \$2,550,502 in investments are recorded as restricted investments in the City. The Program's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

Benefits Provided – The following is a summary of Plan benefits by employee group as of June 30, 2021:

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

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

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

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

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

For the year ended June 30, 2021, the City’s contributions to the Plan were \$425,978.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2021:

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

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

B. Net OPEB Liability

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2020 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2021, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	5.20% as of June 30, 2021 and June 30, 2020
Inflation	2.50% per year
Payroll Growth	3.00% per year
Investment Rate of Return	5.20% as of June 30, 2021 and June 30, 2020, net of plan investment expenses
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015
Healthcare Trend Rate	5.4% in 2021, fluctuates to 4% in 2076

Discount Rate – The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance as of Report Date June 30, 2020	\$ 5,788,946	\$ 1,343,829	\$ 4,445,117
Changes Recognized for the Measurement Period:			
Service Cost	200,714	-	200,714
Interest on the total OPEB liability	305,535	-	305,535
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	425,978	(425,978)
Plan Experience	-	-	-
Net investment income	-	152,550	(152,550)
Administrative expenses	-	-	-
Benefit payments	(227,978)	(227,978)	-
Net changes	278,271	350,550	(72,279)
Balance at June 30, 2021	\$ 6,067,217	\$ 1,694,379	\$ 4,372,838

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

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

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(4.20%)	(5.20%)	(6.20%)
\$ 5,272,128	\$ 4,372,838	\$ 3,636,342

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

Net OPEB Liability		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$ 3,544,158	\$ 4,372,838	\$ 5,407,739

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

For the year ended June 30, 2021, the City recognized a negative OPEB expense of \$297,859. At June 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (612,866)
Changes of assumptions	44,421	(814,339)
Net differences between projected and actual earnings on plan investments	-	(62,965)
Total	\$ 44,421	\$ (1,490,170)

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

Year Ended June 30	Annual Amortization
2022	\$ (303,103)
2023	(307,549)
2024	(305,814)
2025	(305,171)
2026	(230,758)
Thereafter	6,646

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

A. Workers’ Compensation Coverage Statistics

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

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

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

As of June 30, 2021, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	2021	2020
Beginning balance	\$ 595,602	\$ 816,098
Incurred claims and claims adjustment	(12,846)	(361,622)
Claims paid	(111,739)	(141,126)
Ending balance	\$ 471,017	\$ 595,602
Current portion	\$ 139,572	\$ 185,186

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

CITY OF SAUSALITO
Notes to Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

B. General Liability Coverage

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

The BCJPIA provides liability and errors and omissions coverage in excess of the City’s \$50,000 self-insured retention, up to one million through a risk shared self-insurance pool. BCJPIA obtains excess coverage through California Affiliated Risk Management Authorities (CARMA) a risk sharing joint powers authority. CARMA provides excess insurance coverage to \$38 million. Employment Risk Management Authority, a risk sharing joint powers authority, arranges for pooled risk sharing related to employment practices liability. Coverage is provided up to \$2 million excess of \$1 million.

As of June 30, 2021, the City’s estimated general liability for unpaid losses was as follows:

	2021	2020
Beginning balance	\$ 412,678	\$ 377,295
Incurred claims and claims adjustment	(135,503)	306,641
Claims paid	(63,652)	(271,258)
Ending balance	\$ 213,523	\$ 412,678
Current portion	\$ 73,137	\$ 132,510

NOTE 11 – CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

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

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

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Pension Plan

Last 10 Years*

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Measurement Date:	Safety						
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%	0.30%	0.31%	0.30%	0.30%	0.30%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 12,520,104	\$ 12,618,710	\$ 15,915,687	\$ 17,899,117	\$ 17,839,026	\$ 18,863,786	\$ 20,162,785
Plan's Covered Payroll	1,965,044	2,031,497	1,844,449	2,391,883	2,285,735	2,254,942	2,202,641
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	637%	621%	863%	748%	780%	837%	915%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%
	Miscellaneous						
Measurement Date:	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%	0.22%	0.22%	0.27%	0.27%	0.28%
Plan's proportion share of the Net Pension Liability (Asset)	\$ 5,221,567	\$ 7,016,911	\$ 8,853,521	\$ 10,215,969	\$ 10,059,764	\$ 10,917,321	\$ 11,761,351
Plan's Covered Payroll	3,812,428	3,898,870	3,911,846	3,869,850	4,480,775	4,249,298	4,223,782
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137%	180%	226%	264%	225%	257%	278%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%

* Fiscal year 2015 was the first year of implementation.

REQUIRED SUPPLEMENTARY INFORMATION

Cost Sharing Multiple-Employer Defined Benefit Pension Plan

Last 10 Fiscal Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Safety						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 760,463	\$ 1,058,862	\$ 1,263,277	\$ 1,435,570	\$ 1,641,914	\$ 1,876,068	\$ 2,086,227
Contributions in relation to the actuarially determined contributions	(760,463)	(1,058,862)	(1,263,277)	(1,435,570)	(1,641,914)	(1,876,068)	(2,086,227)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,031,497	\$ 1,844,449	\$ 2,391,883	\$ 2,285,735	\$ 2,254,942	\$ 2,202,641	\$ 2,308,774
Contributions as a percentage of covered payroll	37.43%	57.41%	52.82%	62.81%	72.81%	85.17%	90.36%
	Miscellaneous						
Fiscal Year	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 553,613	\$ 704,178	\$ 769,773	\$ 868,197	\$ 972,887	\$ 1,094,351	\$ 1,192,438
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)	(769,773)	(868,197)	(972,887)	(1,094,351)	(1,192,438)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,898,870	\$ 3,911,846	\$ 3,869,850	\$ 4,480,775	\$ 4,249,298	\$ 4,223,782	\$ 4,232,046
Contributions as a percentage of covered payroll	14.20%	18.00%	19.89%	19.38%	22.90%	25.91%	28.18%

Notes To Required Supplementary Information

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS Agent Multiple-Employer OPEB Plan Last 10 fiscal years*

Measurement Date	6/30/17	6/30/18	6/30/19	6/30/20	6/30/21
Total OPEB Liability					
Service Cost	\$ 150,736	\$ 312,568	\$ 313,856	\$ 333,740	\$ 200,714
Interest	271,950	312,153	331,821	345,485	305,535
Changes in benefit terms					
Differences between expected and actual experience	13,921			(868,226)	
Changes of assumptions		(58,834)	67,086	(1,107,841)	
Benefit payments	(203,921)	(273,223)	(290,677)	(211,134)	(227,978)
Net change in total OPEB liability	232,686	292,664	422,086	(1,507,976)	278,271
Total OPEB liability - beginning	5,189,259	6,582,172	6,874,836	7,296,922	5,788,946
Total OPEB liability - ending (a)	\$ 5,421,945	\$ 6,874,836	\$ 7,296,922	\$ 5,788,946	\$ 6,067,217
Plan fiduciary net position					
Contributions - employer	\$ 203,921	\$ 273,223	\$ 446,679	\$ 404,690	\$ 425,978
Contributions - employee					
Net investment income	32,621	20,523	56,336	62,443	152,550
Administrative expense	(1,727)				
Benefit payments	(203,921)	(273,223)	(290,677)	(211,134)	(227,978)
Net change in plan fiduciary net position	30,894	20,523	212,338	255,999	350,550
Plan fiduciary net position - beginning	679,060	854,969	875,492	1,087,830	1,343,829
Plan fiduciary net position - ending (b)	\$ 709,954	\$ 875,492	\$ 1,087,830	\$ 1,343,829	\$ 1,694,379
Net OPEB liability - ending (a)-(b)	\$ 4,711,991	\$ 5,999,344	\$ 6,209,092	\$ 4,445,117	\$ 4,372,838
Plan fiduciary net position as a percentage of the total OPEB liability	13.09%	12.73%	14.91%	23.21%	27.93%
Covered-employee payroll	n/a	\$ 6,387,682	\$ 6,504,240	\$ 5,535,686	\$ 6,461,714
Net OPEB liability as a percentage of covered-employee payroll	n/a	93.92%	95.46%	80.30%	67.67%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Agent Multiple-Employer OPEB Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 380,544	\$ 578,562	\$ 594,529	\$ 455,795	\$ 471,544
Contributions in relation to the actuarially determined contribution	203,921	273,223	446,679	404,690	425,978
Contribution deficiency (excess)	\$ 176,623	\$ 305,339	\$ 147,850	\$ 51,105	\$ 45,566
Covered-employee payroll	n/a	\$ 6,387,682	\$ 6,504,240	\$ 5,535,686	\$ 6,461,714
Contributions as a percentage of covered-employee payroll	n/a	4.28%	6.87%	7.31%	6.59%

Notes to Schedule

Valuation date:	June 30, 2016	June 30, 2017	June 30, 2017	June 30, 2019	June 30, 2019
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Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019				
Actuarial Assumptions:					
Discount Rate	5.20%				5.20%
Inflation	2.75%	2.75%	2.75%	2.50%	2.50%
Payroll Growth	3.25%	3.25%	3.25%	3.00%	3.00%
Investment Rate of Return	5.00%				5.20%
Mortality Improvement	MacLeod Watts Scale 2020 applied generationally from 2015				
Healthcare Trend Rate	5.4% in 2021, fluctuates to 4% in 2076				

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

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

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

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 5,582,200	\$ 5,882,200	\$ 6,310,385	\$ 428,185
Sales tax	3,055,300	3,205,300	4,071,720	866,420
Other tax	1,459,100	1,512,122	1,650,159	138,037
Licenses and permits	1,120,500	1,310,791	1,443,537	132,746
Fines and forfeitures	331,000	393,129	344,804	(48,325)
Use of money and property	461,000	477,000	655,332	178,332
Intergovernmental	12,000	12,000	86,521	74,521
Charges for services	1,297,185	1,476,623	1,386,263	(90,360)
Other revenues	369,700	242,323	635,145	392,822
	<u>13,687,985</u>	<u>14,511,488</u>	<u>16,583,866</u>	<u>2,072,378</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,940,643	2,122,082	2,696,192	(574,110)
Information technology	693,262	693,262	690,042	3,220
Non departmental	1,666,631	2,010,845	3,032,719	(1,021,874)
Library	790,892	790,892	684,278	106,614
Public safety:				
Police	6,657,001	6,657,001	6,178,011	478,990
Community development	1,825,203	1,825,203	1,568,392	256,811
Public works	1,708,907	1,913,472	1,912,411	1,061
Parks & recreation	1,291,949	1,276,343	1,377,580	(101,237)
Debt service:				
Principal	-	-	58,000	(58,000)
	<u>16,574,488</u>	<u>17,289,100</u>	<u>18,197,625</u>	<u>(908,525)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(2,886,503)</u>	<u>(2,777,612)</u>	<u>(1,613,759)</u>	<u>1,163,853</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,719,000	4,719,000	4,559,000	(160,000)
Transfers (out)	(1,609,104)	(2,383,652)	(880,521)	1,503,131
	<u>3,109,896</u>	<u>2,335,348</u>	<u>3,678,479</u>	<u>1,343,131</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ 223,393</u>	<u>\$ (442,264)</u>	2,064,720	<u>\$ 2,506,984</u>
BEGINNING FUND BALANCE			<u>11,744,120</u>	
ENDING FUND BALANCE			<u>\$ 13,808,840</u>	

CITY OF SAUSALITO
TIDELANDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Use of money and property	\$ 758,076	\$ 558,076	\$ 345,852	\$ (212,224)
Intergovernmental	-	129,800	51,188	(78,612)
Other revenues	-	-	10,400	10,400
Total Revenues	<u>758,076</u>	<u>687,876</u>	<u>407,440</u>	<u>(280,436)</u>
EXPENDITURES:				
Current:				
General government	282,493	455,133	543,165	(88,032)
Debt service:				
Principal	51,818	51,818	-	51,818
Interest and other charges	22,406	22,406	249	22,157
Total Expenditures	<u>356,717</u>	<u>529,357</u>	<u>543,414</u>	<u>(14,057)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>401,359</u>	<u>158,519</u>	<u>(135,974)</u>	<u>(294,493)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(272,155)</u>	<u>(272,155)</u>	<u>(272,156)</u>	<u>(1)</u>
Total Other Financing Sources (Uses)	<u>(272,155)</u>	<u>(272,155)</u>	<u>(272,156)</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 129,204</u>	<u>\$ (113,636)</u>	<u>(408,130)</u>	<u>\$ (294,494)</u>
BEGINNING FUND BALANCE (DEFICIT), (AS RESTATED)			<u>789,306</u>	
ENDING FUND BALANCE (DEFICIT)			<u>\$ 381,176</u>	

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SUPPLEMENTARY INFORMATION

CITY OF SAUSALITO
GENERAL CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 427,060	\$ 129,556	\$ (297,504)
Use of money and property	75,000	905	(74,095)
Other revenue	60,000	320,945	260,945
Total Revenues	562,060	451,406	(110,654)
EXPENDITURES:			
Capital outlay	2,576,937	6,718,582	(4,141,645)
Debt service:			
Interest and fiscal charges	-	52,225	(52,225)
Total Expenditures	2,576,937	6,770,807	(4,193,870)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,014,877)	(6,319,401)	(4,304,524)
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	1,858,000	1,858,000
Transfers in	881,340	881,340	-
Total Other Financing Sources (Uses)	881,340	2,739,340	1,858,000
NET CHANGE IN FUND BALANCE	\$ (1,133,537)	(3,580,061)	\$ (2,446,524)
BEGINNING FUND BALANCE, AS RESTATED		2,841,658	
ENDING FUND BALANCE (DEFICIT)		\$ (738,403)	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Debt Service Funds

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

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

Bank of America Building Loan – To account for transfers of funds from the General Fund to pay the Building Acquisition Lease principal and interest.

Capital Project Fund

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

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
ASSETS				
Cash and investments	\$ 35,657	\$ -	\$ -	\$ 318,455
Restricted cash and investments	-	-	-	-
Receivables:				
Taxes receivables, net	-	-	-	-
Total Assets	\$ 35,657	\$ -	\$ -	\$ 318,455
LIABILITIES				
Accounts payable	\$ -	\$ 3,798	\$ 6,668	\$ -
Due to other funds	-	13,078	46,380	-
Total Liabilities	-	16,876	53,048	-
FUND BALANCE				
Restricted	35,657	-	-	318,455
Committed	-	-	-	-
Unassigned	-	(16,876)	(53,048)	-
Total Fund Balances	35,657	(16,876)	(53,048)	318,455
Total Liabilities and Fund Balances	\$ 35,657	\$ -	\$ -	\$ 318,455

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant
\$ 125,717	\$ 36,049	\$ 160,083	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>\$ 125,717</u>	<u>\$ 36,049</u>	<u>\$ 160,083</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,289	\$ -	\$ -	\$ 980	\$ -
-	-	-	237,643	39,212
<u>15,289</u>	<u>-</u>	<u>-</u>	<u>238,623</u>	<u>39,212</u>
110,428	36,049	160,083	-	-
-	-	-	-	-
-	-	-	(238,623)	(39,212)
<u>110,428</u>	<u>36,049</u>	<u>160,083</u>	<u>(238,623)</u>	<u>(39,212)</u>
<u>\$ 125,717</u>	<u>\$ 36,049</u>	<u>\$ 160,083</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	Measure A	2006 General Obligation Bond	Tideland Loan	Bank of America Building Loan
ASSETS				
Cash and investments	\$ 594,526	\$ 13,598	\$ -	\$ -
Restricted cash and investments	-	1,016,423	-	-
Receivables:				
Taxes receivables, net	-	529	-	-
Total Assets	\$ 594,526	\$ 1,030,550	\$ -	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCE				
Restricted	594,526	1,030,550	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	594,526	1,030,550	-	-
Total Liabilities and Fund Balances	\$ 594,526	\$ 1,030,550	\$ -	\$ -

CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
Library Capital Improvement	
\$ 108,563	\$ 1,392,648
-	1,016,423
-	529
<u>\$ 108,563</u>	<u>\$ 2,409,600</u>
\$ -	\$ 26,735
-	336,313
-	363,048
-	2,285,748
108,563	108,563
-	(347,759)
<u>108,563</u>	<u>2,046,552</u>
<u>\$ 108,563</u>	<u>\$ 2,409,600</u>

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	(33)	-	(414)	(452)
Intergovernmental	-	-	165,649	-
Charges for services	-	-	-	156,936
Total Revenues	(33)	-	165,235	156,484
EXPENDITURES				
Current:				
Public safety:				
Police	-	-	-	-
Public works	-	46,876	73,256	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	-	46,876	73,256	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(33)	(46,876)	91,979	156,484
OTHER FINANCING SOURCES (USES)				
Transfers in	-	205,486	-	-
Transfers (out)	-	-	-	(125,000)
Total Other Financing Sources (Uses)	-	205,486	-	(125,000)
NET CHANGE IN FUND BALANCES	(33)	158,610	91,979	31,484
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	35,690	(175,486)	(145,027)	286,971
ENDING FUND BALANCES (DEFICITS)	<u>\$ 35,657</u>	<u>\$ (16,876)</u>	<u>\$ (53,048)</u>	<u>\$ 318,455</u>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant
\$ -	\$ -	\$ -	\$ -	\$ -
(53)	(14)	(145)	(89)	-
125,892	-	-	136,025	5,000
-	70,932	-	-	-
125,839	70,918	(145)	135,936	5,000
51,563	-	-	-	-
-	20,741	-	102,602	-
122,292	-	-	-	-
-	-	-	-	-
-	-	-	-	-
173,855	20,741	-	102,602	-
(48,016)	50,177	(145)	33,334	5,000
-	-	-	-	-
-	(35,000)	-	-	-
-	(35,000)	-	-	-
(48,016)	15,177	(145)	33,334	5,000
158,444	20,872	160,228	(271,957)	(44,212)
\$ 110,428	\$ 36,049	\$ 160,083	\$ (238,623)	\$ (39,212)

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS		
	Measure A	2006 General Obligation Bond	Tideland Loan	Bank of America Building Loan
REVENUES				
Property tax	\$ -	\$ 626,868	\$ -	\$ -
Use of money and property	(630)	245	-	-
Intergovernmental	88,212	-	-	-
Charges for services	-	-	-	-
Total Revenues	<u>87,582</u>	<u>627,113</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety:				
Police	-	-	-	-
Public works	-	-	-	-
Capital outlay				
Debt service:				
Principal	-	470,000	55,408	45,000
Interest and other charges	-	156,635	16,748	33,695
Total Expenditures	<u>-</u>	<u>626,635</u>	<u>72,156</u>	<u>78,695</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>87,582</u>	<u>478</u>	<u>(72,156)</u>	<u>(78,695)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	72,156	78,695
Transfers (out)	(125,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>-</u>	<u>72,156</u>	<u>78,695</u>
NET CHANGE IN FUND BALANCES	(37,418)	478	-	-
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	<u>631,944</u>	<u>1,030,072</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$ 594,526</u>	<u>\$ 1,030,550</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECT FUND		
Library Capital Improvement		Total Nonmajor Governmental Funds
\$ -	\$ 626,868	
(98)	(1,683)	
-	520,778	
-	227,868	
(98)	1,373,831	
-	51,563	
-	243,475	
-	122,292	
-	570,408	
-	207,078	
-	1,194,816	
(98)	179,015	
-	356,337	
-	(285,000)	
-	71,337	
(98)	250,352	
108,661	1,796,200	
\$ 108,563	\$ 2,046,552	

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2021

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	30,000	-	(30,000)	-	-	-
Use of money and property	-	-	-	4,000	(414)	(4,414)
Intergovernmental	-	-	-	202,624	165,649	(36,975)
Charges for services	-	-	-	-	-	-
Total Revenues	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>	<u>206,624</u>	<u>165,235</u>	<u>(41,389)</u>
EXPENDITURES						
Current:						
Public works	30,000	46,876	(16,876)	86,000	73,256	12,744
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total Expenditures	<u>30,000</u>	<u>46,876</u>	<u>(16,876)</u>	<u>86,000</u>	<u>73,256</u>	<u>12,744</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(46,876)</u>	<u>(46,876)</u>	<u>120,624</u>	<u>91,979</u>	<u>(28,645)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	205,486	205,486	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>205,486</u>	<u>205,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$205,486</u>	158,610	<u>\$ (46,876)</u>	<u>\$120,624</u>	91,979	<u>\$ (28,645)</u>
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED		<u>(175,486)</u>			<u>(145,027)</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$ (16,876)</u>			<u>\$ (53,048)</u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Storm Drain			Stairs Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	(452)	(452)	-	(14)	(14)	1,900	(145)	(2,045)
-	-	-	-	-	-	-	-	-
<u>120,000</u>	<u>156,936</u>	<u>36,936</u>	<u>76,700</u>	<u>70,932</u>	<u>(5,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>120,000</u>	<u>156,484</u>	<u>36,484</u>	<u>76,700</u>	<u>70,918</u>	<u>(5,782)</u>	<u>1,900</u>	<u>(145)</u>	<u>(2,045)</u>
-	-	-	28,928	20,741	8,187	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>28,928</u>	<u>20,741</u>	<u>8,187</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>120,000</u>	<u>156,484</u>	<u>36,484</u>	<u>47,772</u>	<u>50,177</u>	<u>2,405</u>	<u>1,900</u>	<u>(145)</u>	<u>(2,045)</u>
-	-	-	-	-	-	-	-	-
<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (5,000)</u>	31,484	<u>\$ 36,484</u>	<u>\$ 12,772</u>	15,177	<u>\$ 2,405</u>	<u>\$ 1,900</u>	(145)	<u>\$ (2,045)</u>
	<u>286,971</u>			<u>20,872</u>			<u>160,228</u>	
	<u>\$ 318,455</u>			<u>\$ 36,049</u>			<u>\$ 160,083</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2021

	SPECIAL REVENUE FUNDS					
	Recreation Grant			Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	5,800	(630)	(6,430)
Intergovernmental	65,000	5,000	(60,000)	40,000	88,212	48,212
Charges for services	-	-	-	-	-	-
Total Revenues	<u>65,000</u>	<u>5,000</u>	<u>(60,000)</u>	<u>45,800</u>	<u>87,582</u>	<u>41,782</u>
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>65,000</u>	<u>5,000</u>	<u>(60,000)</u>	<u>45,800</u>	<u>87,582</u>	<u>41,782</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(125,000)	(125,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 65,000</u>	5,000	<u>\$ (60,000)</u>	<u>\$ (79,200)</u>	(37,418)	<u>\$ 41,782</u>
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED		<u>(44,212)</u>			<u>631,944</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$ (39,212)</u>			<u>\$594,526</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ 744,983	\$ 626,868	\$ (118,115)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	245	245	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>744,983</u>	<u>627,113</u>	<u>(117,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
492,275	470,000	22,275	46,463	55,408	(8,945)
<u>252,717</u>	<u>156,635</u>	<u>96,082</u>	<u>25,693</u>	<u>16,748</u>	<u>8,945</u>
<u>744,992</u>	<u>626,635</u>	<u>118,357</u>	<u>72,156</u>	<u>72,156</u>	<u>-</u>
<u>(9)</u>	<u>478</u>	<u>487</u>	<u>(72,156)</u>	<u>(72,156)</u>	<u>-</u>
-	-	-	72,155	72,156	1
-	-	-	-	-	-
-	-	-	<u>72,155</u>	<u>72,156</u>	<u>1</u>
<u>\$ (9)</u>	<u>478</u>	<u>\$ 487</u>	<u>\$ (1)</u>	<u>-</u>	<u>\$ 1</u>
	<u>1,030,072</u>			<u>-</u>	
	<u>\$ 1,030,550</u>			<u>\$ -</u>	

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 281,714	\$ 1,185,820	\$ 66,042	\$ 234,001	\$ 1,767,577
Total current assets	<u>281,714</u>	<u>1,185,820</u>	<u>66,042</u>	<u>234,001</u>	<u>1,767,577</u>
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	78,196	-	-	-	78,196
Total noncurrent assets	<u>78,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,196</u>
Total Assets	<u>359,910</u>	<u>1,185,820</u>	<u>66,042</u>	<u>234,001</u>	<u>1,845,773</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	13,598	-	8,763	22,361
Claims payable - due within one year	-	139,572	-	73,137	212,709
Total current liabilities	<u>-</u>	<u>153,170</u>	<u>-</u>	<u>81,900</u>	<u>235,070</u>
Noncurrent liabilities					
Claims payable, due in more than one year	-	331,445	-	140,386	471,831
Total noncurrent liabilities	<u>-</u>	<u>331,445</u>	<u>-</u>	<u>140,386</u>	<u>471,831</u>
Total Liabilities	<u>-</u>	<u>484,615</u>	<u>-</u>	<u>222,286</u>	<u>706,901</u>
NET POSITION					
Net investment in capital assets	78,196	-	-	-	78,196
Unrestricted	281,714	701,205	66,042	11,715	1,060,676
Total Net Position	<u>\$ 359,910</u>	<u>\$ 701,205</u>	<u>\$ 66,042</u>	<u>\$ 11,715</u>	<u>\$ 1,138,872</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
OPERATING REVENUES					
Operating and other revenue	\$ 18,500	\$ 450,000	\$ 413,000	\$ 769,062	\$ 1,650,562
Total Operating Revenues	<u>18,500</u>	<u>450,000</u>	<u>413,000</u>	<u>769,062</u>	<u>1,650,562</u>
OPERATING EXPENSES					
Other operating expenses	5,003	200,305	413,000	288,312	906,620
Depreciation	<u>85,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,821</u>
Total Operating Expenses	<u>90,824</u>	<u>200,305</u>	<u>413,000</u>	<u>288,312</u>	<u>992,441</u>
Operating Income (Loss)	(72,324)	249,695	-	480,750	658,121
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	<u>(826)</u>	<u>394</u>	<u>(355)</u>	<u>27</u>	<u>(760)</u>
Total nonoperating revenue	<u>(826)</u>	<u>394</u>	<u>(355)</u>	<u>27</u>	<u>(760)</u>
Income before transfers	(73,150)	250,089	(355)	480,777	657,361
Transfers (out)	<u>(500,000)</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>(800,000)</u>
Transfers, net	<u>(500,000)</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>(800,000)</u>
Change in Net Position	(573,150)	250,089	(300,355)	480,777	(142,639)
BEGINNING NET POSITION	<u>933,060</u>	<u>451,116</u>	<u>366,397</u>	<u>(469,062)</u>	<u>1,281,511</u>
ENDING NET POSITION	<u>\$ 359,910</u>	<u>\$ 701,205</u>	<u>\$ 66,042</u>	<u>\$ 11,715</u>	<u>\$ 1,138,872</u>

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from (refunds of) interdepartmental charges	\$ 21,266	\$ 450,000	\$ 413,617	\$ 769,062	\$1,653,945
Payment to suppliers	<u>(5,665)</u>	<u>(319,930)</u>	<u>(816,089)</u>	<u>(491,037)</u>	<u>(1,632,721)</u>
Cash Flows Provided by (Used for) Operating Activities	<u>15,601</u>	<u>130,070</u>	<u>(402,472)</u>	<u>278,025</u>	<u>21,224</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments	-	-	-	(44,051)	(44,051)
Transfers (out)	<u>(500,000)</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>(800,000)</u>
Cash Flows Used for Capital and Related Financing Activities	<u>(500,000)</u>	<u>-</u>	<u>(300,000)</u>	<u>(44,051)</u>	<u>(844,051)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	<u>(826)</u>	<u>394</u>	<u>(355)</u>	<u>27</u>	<u>(760)</u>
Net Cash Flows	(485,225)	130,464	(702,827)	234,001	(823,587)
Cash and investments at beginning of period	<u>766,939</u>	<u>1,055,356</u>	<u>768,869</u>	<u>-</u>	<u>2,591,164</u>
Cash and investments at end of period	<u>\$ 281,714</u>	<u>\$ 1,185,820</u>	<u>\$ 66,042</u>	<u>\$ 234,001</u>	<u>\$1,767,577</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ (72,324)	\$ 249,695	\$ -	\$ 480,750	\$ 658,121
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	85,821	-	-	-	85,821
Change in assets and liabilities:					
Accounts receivable	2,766	-	617	-	3,383
Accounts payable	(662)	4,960	(403,089)	(3,570)	(402,361)
Claims payable	<u>-</u>	<u>(124,585)</u>	<u>-</u>	<u>(199,155)</u>	<u>(323,740)</u>
Cash Flows from Operating Activities	<u>\$ 15,601</u>	<u>\$ 130,070</u>	<u>\$ (402,472)</u>	<u>\$ 278,025</u>	<u>\$ 21,224</u>

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Sausalito, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2022. Our report included emphasis of matters paragraphs disclosing the implementation of a new accounting standard and the restatement of net positions and fund balances.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated (BFS Opinion DATE), which is an integral part of our audit and should be read in conjunction with this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

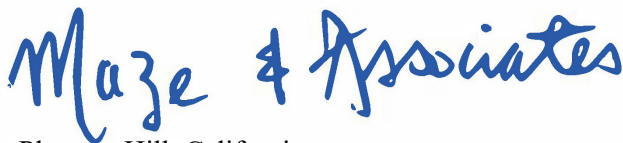
We have also issued a separate Memorandum on Internal Control dated January 31, 2022, which is an integral part of our audit and should be read in conjunction with this report.

City's Response to Findings

The City's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control January 31, 2022, which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California
January 31, 2022,