

**CITY OF SAUSALITO, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**



**Prepared by:  
Finance Department**

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CITY OF SAUSALITO

Basic Financial Statements  
For the Year Ended June 30, 2022  
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# CITY OF SAUSALITO

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## City Council

as of January 10, 2023



**Mayor**  
Melissa Blaustein



**Vice Mayor**  
Ian Sobieski

### Council Members



Jill Hoffman



Janelle Kellman



Joan Cox

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

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, 2022, 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.

#### *Basis for Opinions*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Emphasis of Matters***

#### *Change in Accounting Principle*

Management adopted the provisions of the Governmental Accounting Standards Board Statement 87, *Leases*, which became effective during the year ended June 30, 2022 and required restatement of certain governmental activities and business-type activities lease-related balances as discussed in Notes 1Q and 4 to the financial statements.



### *Restatements*

As discussed in Note 7F, the City restated the net position of governmental activities, business-type activities, the General Fund, the Sewer Enterprise Fund, and Non-Major Funds, related to various balances.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

### ***Supplementary 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 accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, 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 solely 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.



Pleasant Hill, California  
March 16, 2023

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

As management of the City of Sausalito (the City), California, 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, 2022.

**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 \$28,535,931 (*total net position*).
  - The City’s government-wide assets and deferred outflows exceed its liabilities and deferred inflows at June 30, 2022, by \$28,535,931 (net position), which is a decrease of 3.4% or \$1,018,189, from the prior year, primarily due to the reduction in revenues and increase in expenditures.
  - Citywide revenues were \$30,391,216, of which \$23,915,018 were generated by governmental activities that increased by \$5,227,425, and \$6,476,198 were generated by business-type activities, which increased by \$951,776.
  - Citywide expenses were \$31,409,405, of which \$27,791,904 were incurred by governmental activities that increased by \$5,594,764, and \$3,617,501, were incurred by business-type activities, which increased by \$731,954.
  - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$10,023,797, an increase of \$1,478,969, or 17.3% over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues, and Transfers) totaled \$20,367,419, an increase of \$4,700,232, or 30.0% over the prior fiscal year. Total expenses were \$31,409,405, an increase of \$6,326,718, or 25.2% from the prior fiscal year primarily due to the timing of the Capital Improvement Projects. This resulted in an overall decrease in net position of \$1,018,189.
  - \$40,465,582 represents the City’s net investment (after depreciation) in capital assets. This investment in capital assets represents a net decrease of \$2,981,989 over the prior fiscal year, primarily due to the reclass of capital improvement project to expenditures due to the project was determined not to be capital-related.
  - The amount of \$4,952,101 in the total net position that is restricted for designated purposes decreased by \$2,176,614, primarily due to restricted investments held in Section 115 Pension Trust.
  - The City’s net pension liability decreased \$11,339,743 to \$20,584,393 primarily due to valuation based on healthy investment values in 2021 (expecting liability to increase in the next 2 years). In addition, the City paid off the police side fund and deferred outflows of resources and contributions made to the City’s Miscellaneous and Safety Plans during the fiscal year. See Note 9 of the Notes to Financial Statements for details.

- The fiscal year ended June 30, 2022, was the fifth year that the City reported its net OPEB liability per GASB 75. The net OPEB liability was \$5,256,912, an increase of \$884,074. This is due to the loss of investment income, increases in benefit payments and services cost.
  - The City’s unrestricted net position was negative \$16,881,752, an increase in the negative balance by \$1,986,610 primarily due to the Section 115 Pension Trust fund being reported as restricted fund. The negative unrestricted position was a result of the implementation of GASB 68 and 75 pronouncements as discussed in Notes 9 and 10 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 \$13,769,700, a decrease of \$39,140 over the prior fiscal year.
- Of the ending Fund Balance, \$7,061,269 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 \$3,174,932 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 \$10,236,201, or 48.4% of expenditures available in the General Fund for liquid reserves.
- **PROPRIETARY FUNDS STATEMENT OF NET POSITION** The total assets of the Business-Type Activities – Enterprise Funds (MLK, Sewer Fund, Parking Fund, Bank of America Building Fund, and Old City Hall Fund) of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$12,300,531 (*total Proprietary Funds net position*), an increase of \$1,638,697 primarily due to increase in parking revenues and investment interest.
- **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS** was \$11,715, a decrease of \$1,127,157 due to the closure of Vehicle Replacement and Employee Benefit funds to General Funds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-wide Financial Statements

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

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

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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, Bank of America (B of A) building, and parking services.

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

### **Fund Financial Statements**

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

#### **Governmental funds**

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

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

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

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

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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, B of A, 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 include workers' compensation fund and general liability fund. The City uses the workers' compensation fund to account for outstanding claim liability. 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, B of A, 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 35-75 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 78-85 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 90-101 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 \$28,535,931 at the close of the fiscal year ending June 30, 2022.

As of June 30, 2022, 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	
	2022	2021	2022	2021	2022	2021
Current and other Assets	\$ 25,746,381	\$ 19,082,268	\$ 9,891,243	\$ 6,171,849	\$ 35,637,624	\$ 25,254,117
Capital Assets	52,174,881	55,520,790	18,688,171	19,009,390	70,863,052	74,530,180
<b>Total Assets</b>	<b>77,921,262</b>	<b>74,603,058</b>	<b>28,579,414</b>	<b>25,181,239</b>	<b>106,500,676</b>	<b>99,784,297</b>
<b>Deferred outflows related to pension &amp; OPEB</b>	<b>8,243,893</b>	<b>6,505,215</b>	<b>170,420</b>	<b>76,540</b>	<b>8,414,313</b>	<b>6,581,755</b>
Long-term liabilities outstanding	44,131,903	56,441,003	12,427,874	11,492,810	56,559,777	67,933,813
Other liabilities	3,361,052	3,104,574	1,293,945	1,205,717	4,654,997	4,310,291
<b>Total liabilities</b>	<b>47,492,955</b>	<b>59,545,577</b>	<b>13,721,819</b>	<b>12,698,527</b>	<b>61,214,774</b>	<b>72,244,104</b>
<b>Deferred inflows related to leases, pension &amp; OPEB</b>	<b>22,436,800</b>	<b>2,634,761</b>	<b>2,727,484</b>	<b>159,271</b>	<b>25,164,284</b>	<b>2,794,032</b>
Net Position:						
Net Investment in Capital Assets	34,195,343	35,823,371	6,270,239	7,624,200	40,465,582	43,447,571
Restricted	4,952,101	2,775,487			4,952,101	2,775,487
Unrestricted	(22,912,044)	(19,670,923)	6,030,292	4,775,781	(16,881,752)	(14,895,142)
Prior Year Restatements (Note 7F)		(35,649)		\$ (1,738,147)		(1,773,796)
<b>Total Net Position</b>	<b>\$ 16,235,400</b>	<b>\$ 18,892,286</b>	<b>\$ 12,300,531</b>	<b>\$ 12,399,981</b>	<b>\$ 28,535,931</b>	<b>\$ 29,554,120</b>

The large portion of the net position reflects the City's \$40.5 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 \$3 million over the prior year mainly due to the reclass of a capital improvement project to expenditures due to the project was determined not to be capital-related.

Another portion of the City's net position is subject to external restrictions, such as contributions to Section 115 Pension Trust fund, debt covenants, grantor's stipulations, or enabling legislation, on how it may be used. As of June 30, 2022, the restricted assets were \$5 million or 17.4% 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 \$ 20,584,393 on the fiscal year 2021-22 Statement of Net Position. GASB No. 68 is intended to improve accounting and financial reporting by state and local governments that provide pension benefits. The Net Pension Liability decreased by \$11,339,743 from \$31,924,136 recorded last year primarily due to the City paid off the police side fund, contributions made to the City's Miscellaneous and Safety Plans, and healthy investment values in 2021. See Note 9 of the Notes to Financial Statements for details. This is a 35.5% decrease from the prior year. 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.

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## **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 \$4,952,101 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 (\$22,912,044) compared to the prior year balance of (\$19,670,923) is primarily due to the accounting of GASB 68 and 75 pronouncements as discussed in Notes 9-10 of this document, and reclassification of the Section 115 Pension Trust as restricted.

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

## **Business-type Activities**

The net investment in capital assets for business-type activities is \$6,270,239. There is \$6,030,292 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.

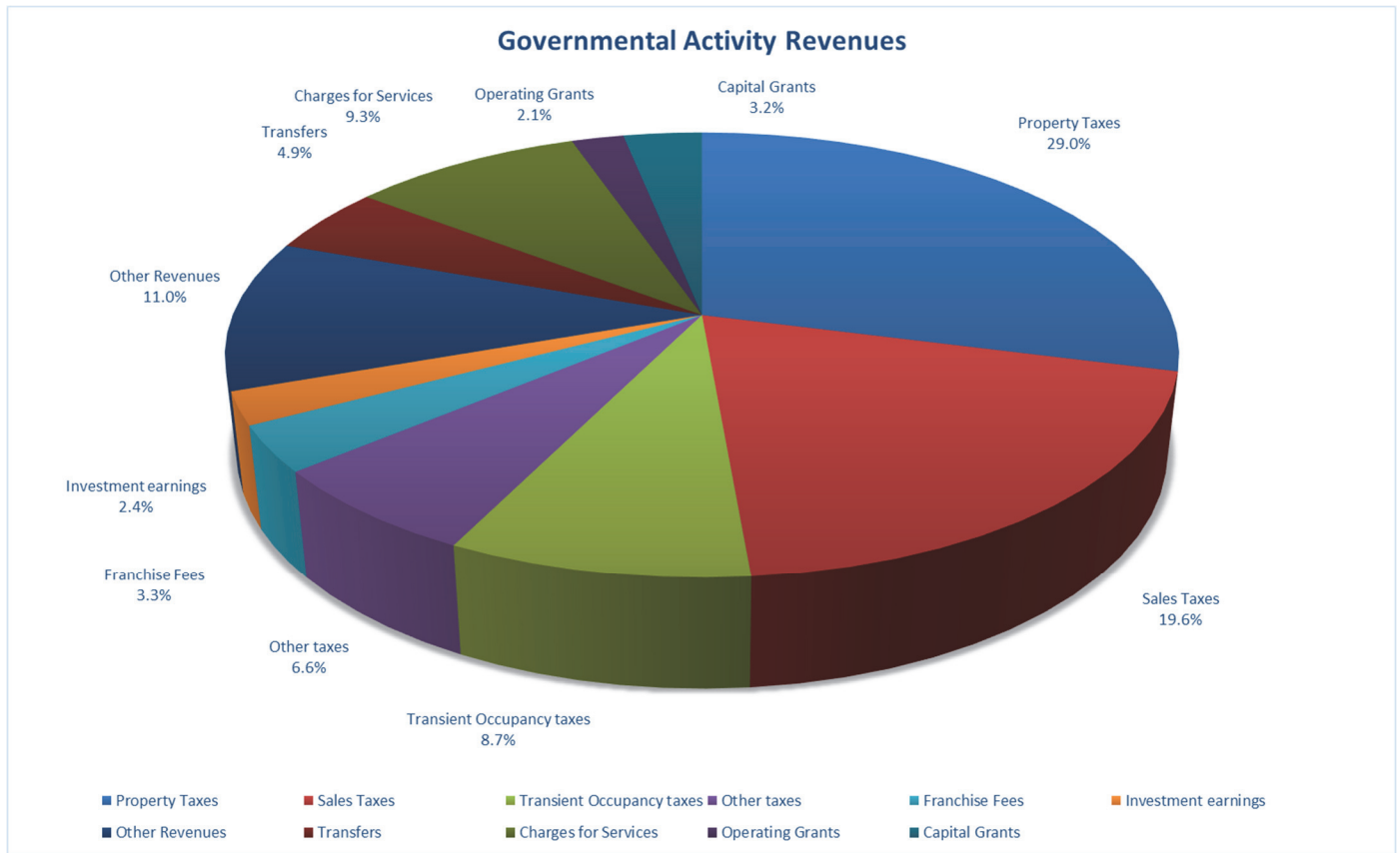


City of Sausalito's Changes in Net Position						
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,343,835	1,958,935	6,355,839	5,533,655	8,699,674	7,492,590
Operating grants and	529,029	774,442			529,029	774,442
Capital grants and	795,094	277,796			795,094	277,796
General revenues:					-	
Taxes	16,895,021	14,102,669			16,895,021	14,102,669
Investment earnings	598,763	905,525	118,889	(13,273)	717,652	892,252
Other revenues	2,753,276	668,226	1,470	4,040	2,754,746	672,266
<b>Total revenues</b>	<b>23,915,018</b>	<b>18,687,593</b>	<b>6,476,198</b>	<b>5,524,422</b>	<b>30,391,216</b>	<b>24,212,015</b>
<b>Expenses:</b>						
General government	8,455,615	7,165,484			8,455,615	7,165,484
Library	845,622	713,241			845,622	713,241
Public safety - Police Services	8,641,264	6,696,098			8,641,264	6,696,098
Community development	2,430,128	2,030,737			2,430,128	2,030,737
Public works	4,830,218	3,341,838			4,830,218	3,341,838
Parks & Recreation	1,773,929	1,371,181			1,773,929	1,371,181
Interest on long-term debt	815,128	878,561			815,128	878,561
MLK			683,392	699,455	683,392	699,455
Sewer			2,466,465	1,799,346	2,466,465	1,799,346
Parking			319,079	290,484	319,079	290,484
Bank of America			93,746		93,746	
Old City Hall			54,819	96,262	54,819	96,262
<b>Total expenses</b>	<b>27,791,904</b>	<b>22,197,140</b>	<b>3,617,501</b>	<b>2,885,547</b>	<b>31,409,405</b>	<b>25,082,687</b>
Transfers	1,220,000	3,559,000	(1,220,000)	(3,559,000)	-	-
<b>Change in net Position</b>	<b>(2,656,886)</b>	<b>49,453</b>	<b>1,638,697</b>	<b>(920,125)</b>	<b>(1,018,189)</b>	<b>(870,672)</b>
Net Position - Beginning *	18,892,286	18,878,482	10,661,834	13,320,106	29,554,120	32,198,588
Prior Year Restatements	-	(35,649)	-	(1,738,147)	-	(1,773,796)
<b>Net Position - Ending</b>	<b>\$ 16,235,400</b>	<b>18,892,286</b>	<b>12,300,531</b>	<b>10,661,834</b>	<b>28,535,931</b>	<b>29,554,120</b>

### Governmental Activities

The Governmental activities for the City resulted in net position decreasing by \$2,656,886 primarily due to decreased transfers from other funds and increased general government expenditures.

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



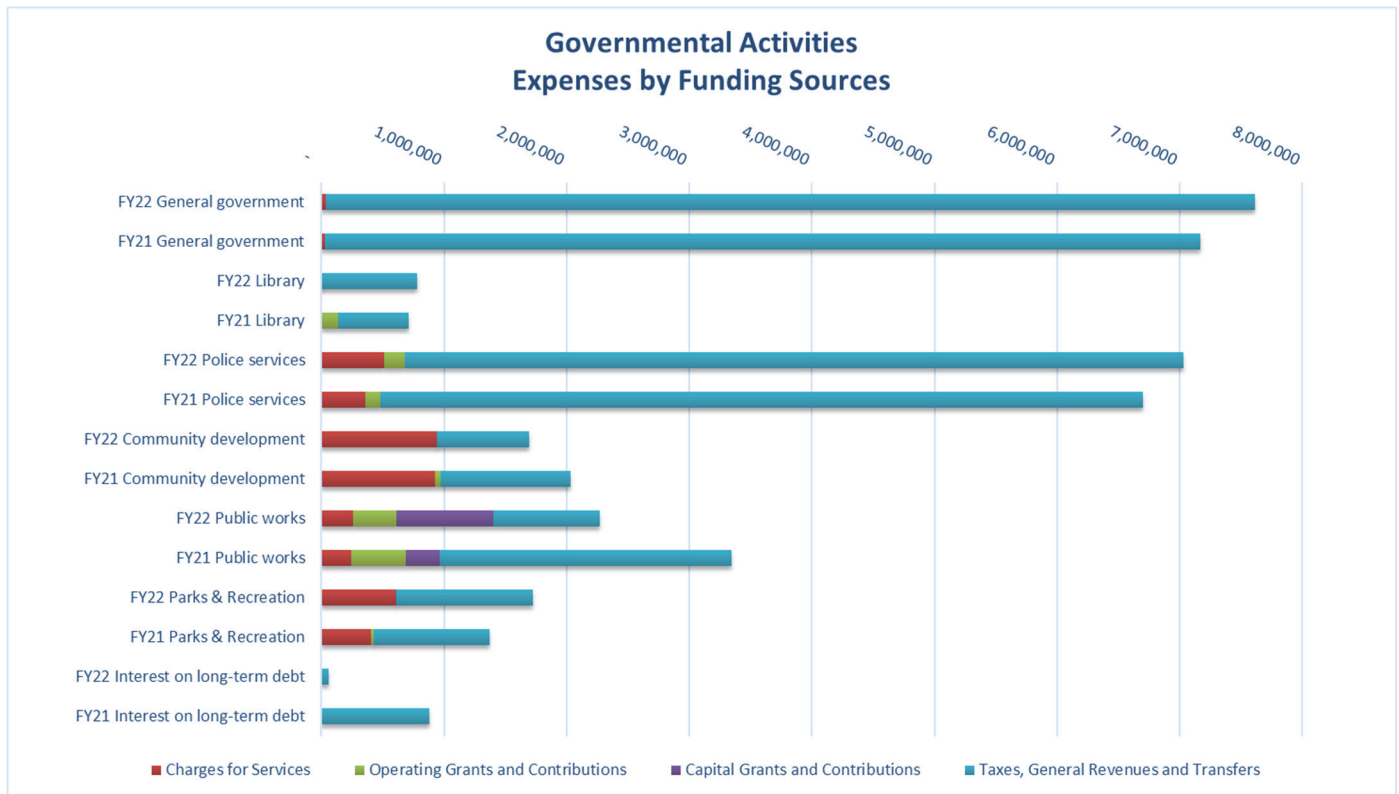
Total Government Activity Revenues were increased by \$5,227,425, excluding transfers, over the prior fiscal year.

Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$355,626 or 5.1% 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 (29% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service.
- The City’s sales tax showed an increase of \$857,281 or 21.1%, primarily due to an increase in online and yachts and boat sales during the pandemic. Sales tax represents 19.6% of the City’s Governmental activities revenues and transfers.
- Transient Occupancy taxes increased by \$1,271,042 or 139.1% from the prior fiscal year primarily due to the significant increase in travel and tourism activities as the economy is recovering from the pandemic. Transient Occupancy Taxes are about 8.7% of total resources available for Governmental Activities.

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- Franchise Tax, Business license tax, and other miscellaneous taxes increased by \$308,403 or 14.2% over the prior year, primarily due to an increase in the business license revenues. In November 2018, Sausalito residents revised the Business License Tax structure, reduced the number of business license tax categories from 22 to 4, eliminated the exemptions to the business license tax for subcontractors and commercial property owners. The new tax went into effect July 1, 2019, for new, and January 1, 2020, for existing businesses. The renewal was completed in January 2020 and resulted in this substantial increase in revenues.
  - Investment earnings decreased from the prior fiscal year by \$306,762 or 33.9% during the fiscal year, due to a decrease in portfolio balances resulting from lower revenues and lower interest rates on investments.
  - Transfers decreased from the prior year by \$2,339,000 or 65.7% during the fiscal year, due to decreases in transfers in from other funds.
  - Other government activity revenues increased by \$2,085,050 or 312% primarily due to increase in federal American Rescue Plan Act grant.
  - Capital Grants and Contributions increased by \$517,298 back to a normal activity level, and can fluctuate from time to time based on available grants.
  - Operating grants contributed from Special Revenue Fund decreased by \$245,413 or 31.7% from the last fiscal year, and that reflected a higher budgeted allocation of the County Measure A transportation grant to fund the parks projects in the prior year.
  - Charges for Services increased by \$384,900 or 19.6%, primarily due to an increase in building and planning permit activities in Community Development and an increase in Parks & Recreation fees and rentals.

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

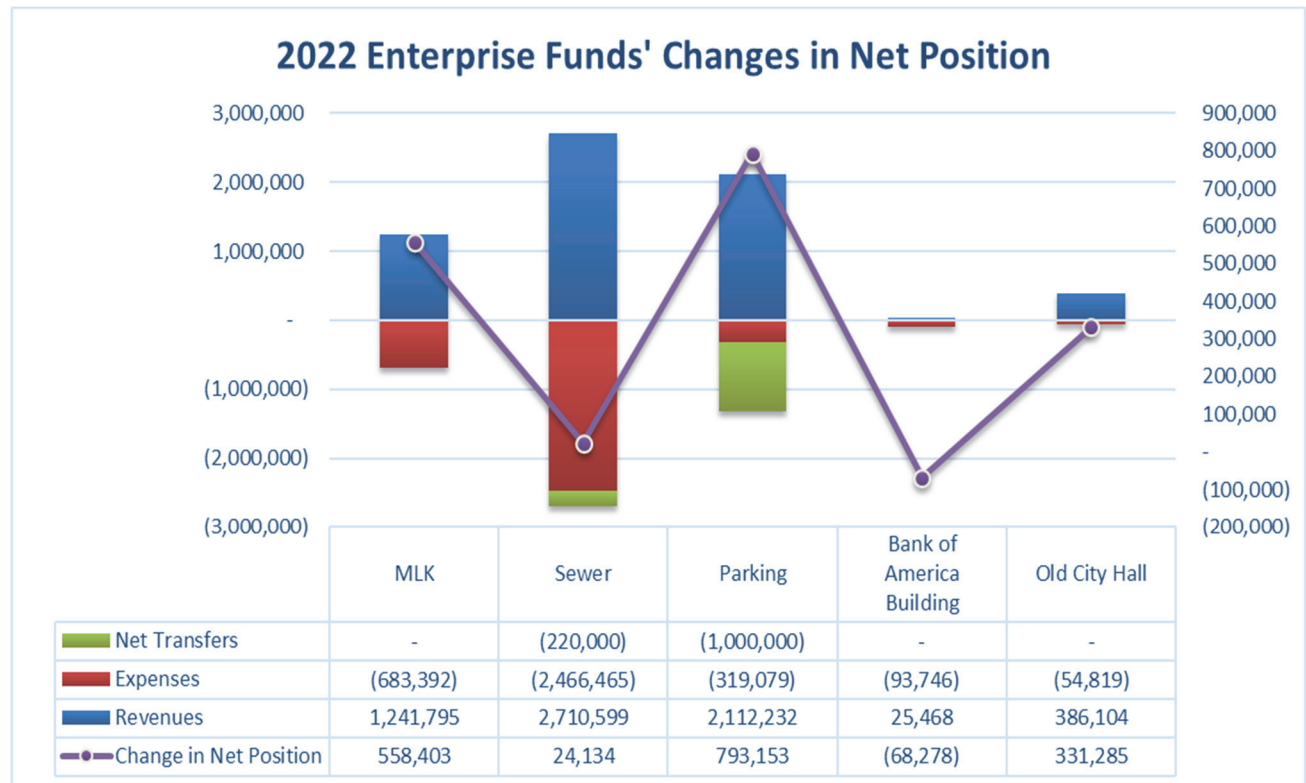


Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were increased by \$5,594,764 over the prior fiscal year.
  - Parks and Recreation expenses increased by \$402,478 or 29.4% due to the increase recreation activities the Parks and Recreation Department during this year.
  - Public Works’ expenses increased by \$1,488,380 or 44.5% primarily due to increased spending in the Capital Improvement Projects fund as some projects were carried over from the prior year.
  - Police Department expenses increased by \$1,945,166 or 29% due to the costs related to the homeless activities during the fiscal year.
  - Community Development’s expenses increased by \$399,391 or 19.7% primarily due to increased consulting cost to backfill vacancies.
  - Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, and Information Technology) increased by \$1,290,131 or 18% due to an increase in service level and legal costs and backfilling of vacancies.
  - Library expenses increased by \$132,381 or 18.6%, primarily due to filling job vacancies and additional special events.
  - Interest on long-term debt decreased by \$63,433 or 7.2% in accordance with the debt service schedules.

## Business-type activities

Business-type activities increased the City of Sausalito's net position by \$1,638,697. 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 \$558,403 during the year compared to the \$262,910 increase in the previous year. This was primarily due to the revenue returning to the normal level. Operating expenses decreased by \$16,063 from the prior year, resulting in net income of \$558,403, compared to the prior year's net income of \$497,910.
- Sewer Fund increased net position by \$24,134 during the year, compared to the \$863,389 increase in net position the previous fiscal year. This was primarily due to increase in repair and maintenance services expenditures and lower revenues than expected.
- Parking Fund increased net position by \$793,153 during the year, compared to the \$1,935,856 decrease from the prior fiscal year, reflecting revenue in parking fees and charges due to increase in tourism and visitor activities as the economy is recovering from the pandemic.
- Bank of America Building decreased net position by \$68,278 due to the building was not available to be rented during the fiscal year.
- The Old City Hall Fund increased net position by \$331,285 as compared to the prior year's decrease of \$110,568. This was primary due to increase in collected rent revenue as gross sales increased.

## 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. The City implemented GASB 87 in fiscal year 2022. As a result, the City recorded \$5,771,975 for governmental activities and \$2,333,647 for business-type activities as deferred inflow of resources at June 30, 2022. See Note 4 of the Notes to Financial Statements for detail.

During the fiscal year, the City contributed \$250,000 to Section 115 Pension Trust fund. As of June 30, 2022, the total amount of \$2,493,416 in the Pension Trust investments are recorded as restricted investments in the City. See Note 9 of the Notes to Financial Statements for detail.

The City also contributed \$300,000 to Section 115 OPEB Trust fund. See Note 10 of the Notes to Financial Statements for detail.

### 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	2022	2021	Variance
Revenues	\$ 24,015,763	\$ 18,816,543	27.6%
Expenditures	24,192,928	26,706,662	-9.4%
Other Financing Sources (Uses)	1,572,782	6,217,000	-74.7%
<b>Net Change in Fund Balances</b>	<b>1,395,617</b>	<b>(1,673,119)</b>	<b>-183.4%</b>
Fund balances at beginning of year	15,606,357	17,171,284	-9.1%
<b>Fund balances at end of year</b>	<b>17,001,974</b>	<b>15,498,165</b>	<b>9.7%</b>
Non-spendable	1,040,083	1,368,976	-24.0%
Restricted	4,843,398	5,217,426	-7.2%
Committed	1,170,275	108,563	978.0%
Assigned	3,174,932	2,736,150	16.0%
Unassigned	6,773,286	6,067,050	11.6%
<b>Total fund balances</b>	<b>17,001,974</b>	<b>15,498,165</b>	<b>9.7%</b>
Major Governmental Funds:			
General Fund	13,769,700	13,808,840	-0.3%
Tidelands Fund	512,399	381,176	34.4%
General Capital Improvements	1,061,572	(738,403)	-243.8%
Other Governmental Funds	1,658,303	2,046,552	-19.0%
Prior Year Restatements (Note 7F)		108,192	
<b>Total fund balances</b>	<b>\$ 17,001,974</b>	<b>\$ 15,606,357</b>	<b>8.9%</b>

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As of the end of the current fiscal year, the City of Sausalito’s governmental funds reported combined ending fund balances of \$17,001,974 an increase of \$1,395,617 in comparison with the prior year, which is primarily due to an increase in revenues primarily due to \$1.7 million received from federal American Rescue Plan Act grant and decrease in governmental expenditures. The governmental funds expenditures were \$24,192,928 in fiscal year 2021-22, a decrease of \$2,513,734 over the prior year as described above.

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

- Restricted is \$4,843,398 or 28.5% 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 and for pension benefits.
- Committed balance is \$1,170,275 or 6.9% of the total balance, which can only be spent for specific purposes as determined by formal action of the City Council.
- Assigned balance is \$3,174,932 or 18.7% of the total balance, which indicates the City Council’s intent to use these funds toward economic contingencies.
- Unassigned is \$6,773,286 or 39.8% of the total balance, which is essentially available for any use in the City.

Individual fund analyses follow.

### **General Fund**

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

As of June 30, 2022, the total General Fund balance was \$13,769,700, which includes an unassigned portion of \$7,061,269. The General Fund balance decreased \$147,332 for the fiscal year ended June 30, 2022.

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

<b>General Fund Revenues, Expenditures and Fund Balance</b>			
<b>General Fund Revenues, Expenditures and Fund Balance</b>	<b>2022</b>	<b>2021</b>	<b>Variance</b>
<b>Revenues</b>			
Property Tax	\$ 6,650,826	\$ 6,310,385	5.4%
Sales Tax	4,929,001	4,071,720	21.1%
Other Tax	3,023,381	1,650,159	83.2%
Licenses and Permits	1,649,760	1,443,537	14.3%
Fines and Forfeitures	494,008	344,804	43.3%
Use of Money and Property	180,697	655,332	-72.4%
Intergovernmental	1,887,488	86,521	2081.5%
Charges for Services	1,598,564	1,386,263	15.3%
Other Revenue	127,376	635,145	-79.9%
<b>Total</b>	<b>20,541,101</b>	<b>16,583,866</b>	<b>23.9%</b>
<b>Expenditures</b>			
General government	7,612,910	6,418,953	18.6%
Library	778,084	684,278	13.7%
Public safety: Police	7,028,692	6,178,011	13.8%
Community Development	1,694,485	1,568,392	8.0%
Public works	2,269,939	1,912,411	18.7%
Parks & Recreation	1,724,105	1,377,580	25.2%
Capital Outlay	58,000	58,000	0.0%
<b>Total</b>	<b>21,166,215</b>	<b>18,197,625</b>	<b>16.3%</b>
Net Transfers	477,782	3,678,479	-87.0%
<b>Net Change in Fund Balances</b>	<b>(147,332)</b>	<b>2,064,720</b>	<b>-107.1%</b>
Fund Balances at beginning of year	13,917,032	11,744,120	18.5%
<b>Fund Balances at end of year</b>	<b>13,769,700</b>	<b>13,808,840</b>	<b>-0.3%</b>
Unspendable	1,040,083	1,368,976	-24.0%
Restricted	2,493,416	2,550,502	-2.2%
Assigned	3,174,932	2,736,150	16.0%
Unassigned	7,061,269	7,153,212	-1.3%
Prior Year Restatements (Note 7F)		108,192	
<b>Total Fund Balances</b>	<b>\$ 13,769,700</b>	<b>\$ 13,917,032</b>	<b>-1.1%</b>

### General Fund Budgetary Highlights

The fiscal year 2021-22 revised budget of the City's General Fund anticipated a \$2,315,403 decrease in General Fund Balance as a result of the pandemic that emerged in March, 2020. The actual results of operations resulted in only a decrease of \$147,332 due to expenditures were lower than expected.

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 84 of this report.

### Tidelands Special Revenue Fund

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the waterfront parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a total fund balance of \$512,399.



## The General Capital Improvement Projects Fund

The General Capital Improvement Projects Fund has a total fund balance of \$ 1,061,572 intended for capital improvement projects in the City's five-year capital improvement plan. This is an increase of fund balance by \$1,799,975 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

During fiscal year 2022, the City recategorized the Bank of America Building Fund from a debt service fund to an enterprise fund, transferring capital assets and related debts from governmental activities to business-type activities.

### Capital assets

The City of Sausalito's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounts to \$70,863,052 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. The increase/decrease in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase/decrease in construction-in-progress, as well as investment in the City's streets.

City of Sausalito's Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Land and improvements	15,014,662	\$ 15,014,662	\$ 3,796,001	\$ 3,796,001	\$ 18,810,663	\$ 18,810,663
Construction in progress	279,769	3,197,555		1,664,517	279,769	4,862,072
Building and improvements	12,907,524	15,215,782	7,211,680	5,606,774	20,119,204	20,822,556
MLK Bus Barn			143,000	148,500	143,000	148,500
Vehicles and equipment	148,840	114,731	107,257	135,217	256,097	249,948
Machinery and equipment	114,258	154,160			114,258	154,160
Infrastructure	23,709,828	21,823,900	7,430,233	7,658,381	31,140,061	29,482,281
<b>Total</b>	<b>\$ 52,174,881</b>	<b>\$ 55,520,790</b>	<b>\$ 18,688,171</b>	<b>\$ 19,009,390</b>	<b>\$ 70,863,052</b>	<b>\$ 74,530,180</b>

Additional information about the City's capital assets can be found in Note 5 on pages 52-54 of this report.

### Long-term debt

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$31,557,470. This is a decrease of \$743,139 from the prior fiscal year.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Short-term debt	698,507	747,901	805,513	673,258	1,504,020	1,421,159
Long-term Debt	18,441,031	20,167,518	11,612,419	10,711,932	30,053,450	30,879,450
<b>Total</b>	<b>19,139,538</b>	<b>20,915,419</b>	<b>12,417,932</b>	<b>11,385,190</b>	<b>31,557,470</b>	<b>32,300,609</b>

For more detailed information on the City's Long-term debt see Note 6 on pages 55-58 in this report.

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## **Future Years Budgets**

On June 28, 2022, the City Council adopted a structurally imbalanced FY 2022-23 Budget that included revenue decline with the corresponding service reduction and reduced work hours for employees to bridge the \$2.6 million structural deficit in the City's General Fund.

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

## **REQUESTS FOR INFORMATION**

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

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

An electronic version of the report is available at the City's website, found at [www.sausalito.gov](http://www.sausalito.gov)

**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, deferred inflows and outflows of resources, 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, 2022

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 12,716,688	\$ 5,613,496	\$ 18,330,184
Restricted cash and investments (Note 2)	3,492,334	2,729,269	6,221,603
Receivables:			
Taxes receivables, net	808,111	-	808,111
Accounts receivable, net	1,605,110	236,979	1,842,089
Leases receivable (Note 4)	5,894,637	2,268,527	8,163,164
Loans receivable	189,887	70,630	260,517
Internal balances (Note 3D)	1,027,658	(1,027,658)	-
Prepays	11,956	-	11,956
Capital assets (Note 5):			
Land and construction in progress	15,294,431	3,796,001	19,090,432
Depreciable, net of accumulated depreciation	36,880,450	14,892,170	51,772,620
Total Assets	<u>77,921,262</u>	<u>28,579,414</u>	<u>106,500,676</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pension (Note 9B)	7,521,774	92,532	7,614,306
Deferred outflows related to OPEB (Note 10E)	722,119	77,888	800,007
Total Deferred Outflows	<u>8,243,893</u>	<u>170,420</u>	<u>8,414,313</u>
<b>LIABILITIES</b>			
Accounts payable	1,371,379	149,563	1,520,942
Accrued interest payable	62,960	106,125	169,085
Accrued salaries and benefits	30,543	9,015	39,558
Compensated absences (Note 1J):			
Due within one year	493,308	20,275	513,583
Claims payable (Note 11):			
Due within one year	361,016	-	361,016
Due in more than one year	665,022	-	665,022
Refundable deposits	343,339	203,454	546,793
Net OPEB liability (Note 10C):			
Due in more than one year	4,745,104	511,808	5,256,912
Net pension liability, due in more than one year (Note 9B)	20,280,746	303,647	20,584,393
Long-term debt (Note 6):			
Due within one year	698,507	805,513	1,504,020
Due in more than one year	18,441,031	11,612,419	30,053,450
Total Liabilities	<u>47,492,955</u>	<u>13,721,819</u>	<u>61,214,774</u>
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to leases (Note 4)	5,771,975	2,333,647	8,105,622
Deferred inflows related to pension (Note 9B)	15,644,857	283,823	15,928,680
Deferred inflows related to OPEB (Note 10E)	1,019,968	110,014	1,129,982
Total Deferred Inflows	<u>22,436,800</u>	<u>2,727,484</u>	<u>25,164,284</u>
<b>NET POSITION (Note 7):</b>			
Net investment in capital assets	34,195,343	6,270,239	40,465,582
Restricted for:			
Pension benefits	2,493,416	-	2,493,416
Special revenue programs	1,338,216	-	1,338,216
Debt service	1,011,766	-	1,011,766
Capital projects	108,703	-	108,703
Total Restricted Net Position	<u>4,952,101</u>	<u>-</u>	<u>4,952,101</u>
Unrestricted	<u>(22,912,044)</u>	<u>6,030,292</u>	<u>(16,881,752)</u>
Total Net Position	<u>\$ 16,235,400</u>	<u>\$ 12,300,531</u>	<u>\$ 28,535,931</u>

See accompanying notes to financial statements

CITY OF SAUSALITO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

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	
<b>Governmental Activities:</b>							
General government	\$ 8,455,615	\$ 31,621	\$ -	\$ -	\$ (8,423,994)		\$ (8,423,994)
Library	845,622	-	7,856	-	(837,766)		(837,766)
<b>Public safety:</b>							
Police services	8,641,264	507,604	169,098	-	(7,964,562)		(7,964,562)
Community development	2,430,128	942,438	-	-	(1,487,690)		(1,487,690)
Public works	4,830,218	258,890	350,647	791,069	(3,429,612)		(3,429,612)
Parks & recreation	1,773,929	603,282	1,428	4,025	(1,165,194)		(1,165,194)
Interest on long-term debt	815,128	-	-	-	(815,128)		(815,128)
<b>Total Governmental Activities</b>	<b>27,791,904</b>	<b>2,343,835</b>	<b>529,029</b>	<b>795,094</b>	<b>(24,123,946)</b>		<b>(24,123,946)</b>
<b>Business-type Activities:</b>							
MLK	683,392	1,186,641	-	-	-	\$ 503,249	503,249
Sewer	2,466,465	2,699,635	-	-	-	233,170	233,170
Parking	319,079	2,111,106	-	-	-	1,792,027	1,792,027
Bank of America	93,746	22,154	-	-	-	(71,592)	(71,592)
Old City Hall	54,819	336,303	-	-	-	281,484	281,484
<b>Total Business-type Activities</b>	<b>3,617,501</b>	<b>6,355,839</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,738,338</b>	<b>2,738,338</b>
<b>Total</b>	<b>\$ 31,409,405</b>	<b>\$ 8,699,674</b>	<b>\$ 529,029</b>	<b>\$ 795,094</b>	<b>(24,123,946)</b>	<b>2,738,338</b>	<b>(21,385,608)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					7,292,879	-	7,292,879
Sales taxes					4,929,001	-	4,929,001
Transient occupancy tax					2,185,017	-	2,185,017
Franchise fees					838,364	-	838,364
Other taxes					1,649,760	-	1,649,760
Investment earnings					598,763	118,889	717,652
Other revenues					2,753,276	1,470	2,754,746
Transfers (Note 3B)					1,220,000	(1,220,000)	-
<b>Total general revenues and transfers</b>					<b>21,467,060</b>	<b>(1,099,641)</b>	<b>20,367,419</b>
<b>Change in Net Position</b>					<b>(2,656,886)</b>	<b>1,638,697</b>	<b>(1,018,189)</b>
<b>Net Position-Beginning, As Restated (Note 7F)</b>					<b>18,892,286</b>	<b>10,661,834</b>	<b>29,554,120</b>
<b>Net Position-Ending</b>					<b>\$ 16,235,400</b>	<b>\$ 12,300,531</b>	<b>\$ 28,535,931</b>

See accompanying notes to financial statements

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**CITY OF SAUSALITO**

**FUND FINANCIAL STATEMENTS**

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

The funds described below were determined to be Major Funds by the City for fiscal 2022. 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, 2022

	General	Tidelands	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$ 8,828,312	\$ 433,839	\$ 1,296,696	\$ 953,991	\$ 11,512,838
Restricted cash and investments (Note 2)	2,493,416	-	-	998,918	3,492,334
Receivables:					
Taxes receivables, net	807,664	-	-	447	808,111
Accounts receivable, net	1,566,110	39,572	-	(572)	1,605,110
Leases receivable (Note 4)	3,294,737	2,599,900	-	-	5,894,637
Loans receivable	469	189,418	-	-	189,887
Due from other funds (Note 3A)	275,917	-	-	-	275,917
Prepays	11,956	-	-	-	11,956
Advances to other funds (Note 3C)	1,027,658	-	-	-	1,027,658
	<u>\$ 18,306,239</u>	<u>\$ 3,262,729</u>	<u>\$ 1,296,696</u>	<u>\$ 1,952,784</u>	<u>\$ 24,818,448</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 943,096	\$ 8,498	\$ 235,124	\$ 18,564	\$ 1,205,282
Accrued salaries and benefits	30,543	-	-	-	30,543
Refundable deposits	343,339	-	-	-	343,339
Due to other funds (Note 3A)	-	-	-	275,917	275,917
	<u>1,316,978</u>	<u>8,498</u>	<u>235,124</u>	<u>294,481</u>	<u>1,855,081</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - rent relief loan receivable	-	189,418	-	-	189,418
Unavailable revenue - leases (Note 4)	3,219,561	2,552,414	-	-	5,771,975
	<u>3,219,561</u>	<u>2,741,832</u>	<u>-</u>	<u>-</u>	<u>5,961,393</u>
<b>FUND BALANCES (DEFICITS) (Note 7)</b>					
Nonspendable	1,040,083	-	-	-	1,040,083
Restricted	2,493,416	512,399	-	1,837,583	4,843,398
Committed	-	-	1,061,572	108,703	1,170,275
Assigned	3,174,932	-	-	-	3,174,932
Unassigned	7,061,269	-	-	(287,983)	6,773,286
	<u>13,769,700</u>	<u>512,399</u>	<u>1,061,572</u>	<u>1,658,303</u>	<u>17,001,974</u>
Total Liabilities and Fund Balances	<u>\$ 18,306,239</u>	<u>\$ 3,262,729</u>	<u>\$ 1,296,696</u>	<u>\$ 1,952,784</u>	<u>\$ 24,818,448</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, 2022

Total fund balances reported on the governmental funds balance sheet \$ 17,001,974

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. 52,174,881

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	1,203,850
Claims payable	(1,026,038)
Accounts payable	(166,097)

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. 189,418

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 related to pension and OPEB	8,243,893
Deferred inflows related to pension and OPEB	(16,664,825)

LONG TERM LIABILITIES

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

Long-term debt	(19,139,538)
Interest payable	(62,960)
Compensated absences	(493,308)
Net OPEB liability	(4,745,104)
Net pension liability	(20,280,746)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 16,235,400

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, 2022

	General	Tidelands	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property tax	\$ 6,650,826	\$ -	\$ -	\$ 642,053	\$ 7,292,879
Sales tax	4,929,001	-	-	-	4,929,001
Other tax	3,023,381	-	-	-	3,023,381
Licenses and permits	1,649,760	-	-	-	1,649,760
Fines and forfeitures	494,008	-	-	-	494,008
Use of money and property	180,697	528,754	821	2,512	712,784
Intergovernmental	1,887,488	-	552,314	505,931	2,945,733
Charges for services	1,598,564	-	-	252,263	1,850,827
Other revenues	127,376	107,625	882,389	-	1,117,390
<b>Total Revenues</b>	<b>20,541,101</b>	<b>636,379</b>	<b>1,435,524</b>	<b>1,402,759</b>	<b>24,015,763</b>
<b>EXPENDITURES</b>					
Current:					
General government	7,612,910	232,751	-	-	7,845,661
Library	778,084	-	-	-	778,084
Public safety:					
Police	7,028,692	-	-	-	7,028,692
Community development	1,694,485	-	-	-	1,694,485
Public works	2,269,939	-	-	199,020	2,468,959
Parks & recreation	1,724,105	-	-	-	1,724,105
Capital outlay	-	-	1,860,549	-	1,860,549
Debt service:					
Principal	58,000	-	-	582,901	640,901
Interest and other charges	-	250	-	151,242	151,492
<b>Total Expenditures</b>	<b>21,166,215</b>	<b>233,001</b>	<b>1,860,549</b>	<b>933,163</b>	<b>24,192,928</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(625,114)</b>	<b>403,378</b>	<b>(425,025)</b>	<b>469,596</b>	<b>(177,165)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	5,025	-	-	-	5,025
Transfers in (Note 3B)	1,772,757	-	2,225,000	167,155	4,164,912
Transfers (out) (Note 3B)	(1,300,000)	(272,155)	-	(1,025,000)	(2,597,155)
<b>Total Other Financing Sources (Uses)</b>	<b>477,782</b>	<b>(272,155)</b>	<b>2,225,000</b>	<b>(857,845)</b>	<b>1,572,782</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(147,332)</b>	<b>131,223</b>	<b>1,799,975</b>	<b>(388,249)</b>	<b>1,395,617</b>
<b>BEGINNING FUND BALANCES (DEFICITS), AS RESTATED (Note 7F)</b>	<b>13,917,032</b>	<b>381,176</b>	<b>(738,403)</b>	<b>2,046,552</b>	<b>15,606,357</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$ 13,769,700</b>	<b>\$ 512,399</b>	<b>\$ 1,061,572</b>	<b>\$ 1,658,303</b>	<b>\$ 17,001,974</b>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2022

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 \$ 1,395,617

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance	1,518,428
Adjustment of capital assets is deducted from the fund balance	(593,629)
Depreciation expense is deducted from the fund balance	(2,235,671)

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	640,901
Accreted interest is deducted from fund balance	(678,020)
Change in accrued interest payable	14,384

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	(106,925)
Compensated absences	314,177
Net OPEB liability, and related deferred outflow and inflow of resources	208,938
Net pension liability and related deferred outflow and inflow of resources	(2,007,929)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

Change in Net Position - All Internal Service Funds	<u>(1,127,157)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (2,656,886)</u></u>
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See accompanying notes to financial statements

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**CITY OF SAUSALITO**

**PROPRIETARY FUNDS**

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

**Major Enterprise Funds**

**MLK FUND**

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

**SEWER FUND**

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

**PARKING FUND**

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

**BANK OF AMERICA BUILDING FUND**

Accounts for the Bank of America building asset and related depreciation, long-term debt, and rents received.

**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, 2022

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Bank of America Building	Non-major Old City Hall		Totals
<b>ASSETS</b>							
Current assets:							
Cash and investments (Note 2)	\$ 1,006,912	\$ 3,398,801	\$ 1,028,103	\$ 24,138	\$ 155,542	\$ 5,613,496	\$ 1,203,850
Restricted cash and investments (Note 2)	23	2,729,246	-	-	-	2,729,269	-
Receivables:							
Accounts receivable, net	31,780	2,937	15,689	-	186,573	236,979	-
Loans receivable	70,630	-	-	-	-	70,630	-
Total current assets:	<u>1,109,345</u>	<u>6,130,984</u>	<u>1,043,792</u>	<u>24,138</u>	<u>342,115</u>	<u>8,650,374</u>	<u>1,203,850</u>
Noncurrent assets:							
Leases receivable (Note 4)	958,185	-	-	73,327	1,237,015	2,268,527	-
Capital assets (Note 5):							
Land and construction in progress	3,786,063	-	-	-	9,938	3,796,001	-
Depreciable, net of accumulated depreciation	5,440,485	7,201,998	29,296	1,916,905	303,486	14,892,170	-
Total noncurrent assets	<u>10,184,733</u>	<u>7,201,998</u>	<u>29,296</u>	<u>1,990,232</u>	<u>1,550,439</u>	<u>20,956,698</u>	<u>-</u>
Total Assets	<u>11,294,078</u>	<u>13,332,982</u>	<u>1,073,088</u>	<u>2,014,370</u>	<u>1,892,554</u>	<u>29,607,072</u>	<u>1,203,850</u>
<b>DEFERRED OUTFLOWS</b>							
Deferred Outflows related to pension (Note 9B)	-	92,532	-	-	-	92,532	-
Deferred Outflows related to OPEB (Note 10)	5,433	62,515	9,940	-	-	77,888	-
Total Deferred Outflows	<u>5,433</u>	<u>155,047</u>	<u>9,940</u>	<u>-</u>	<u>-</u>	<u>170,420</u>	<u>-</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	4,708	133,829	11,026	-	-	149,563	166,097
Accrued interest payable	24,833	77,326	-	3,966	-	106,125	-
Accrued salaries and benefits	-	9,015	-	-	-	9,015	-
Compensated absences, due in one year (Note 1J)	-	13,080	7,195	-	-	20,275	-
Refundable deposits	179,454	-	24,000	-	-	203,454	-
Unearned revenue	-	-	-	-	-	-	-
Claims payable-due within one year (Note 11)	-	-	-	-	-	-	361,016
Long-term debt, due within one year (Note 6)	470,000	224,513	-	111,000	-	805,513	-
Total current liabilities	<u>678,995</u>	<u>457,763</u>	<u>42,221</u>	<u>114,966</u>	<u>-</u>	<u>1,293,945</u>	<u>527,113</u>
Noncurrent liabilities:							
Advance from other funds (Note 3C)	653,344	-	-	374,314	-	1,027,658	-
Claims payable (Note 11)	-	-	-	-	-	-	665,022
Long-term debt (Note 6)	3,830,000	6,187,419	-	1,595,000	-	11,612,419	-
Net pension liability (Note 9B)	-	303,647	-	-	-	303,647	-
Net OPEB liability (Note 10C)	35,703	410,790	65,315	-	-	511,808	-
Total noncurrent liabilities	<u>4,519,047</u>	<u>6,901,856</u>	<u>65,315</u>	<u>1,969,314</u>	<u>-</u>	<u>13,455,532</u>	<u>665,022</u>
Total Liabilities	<u>5,198,042</u>	<u>7,359,619</u>	<u>107,536</u>	<u>2,084,280</u>	<u>-</u>	<u>14,749,477</u>	<u>1,192,135</u>
<b>DEFERRED INFLOWS</b>							
Deferred inflows related to leases (Note 4)	1,046,561	-	-	71,998	1,215,088	2,333,647	-
Deferred inflows related to pension (Note 9B)	-	283,823	-	-	-	283,823	-
Deferred inflows related to OPEB (Note 10E)	7,674	88,300	14,040	-	-	110,014	-
Total Deferred Inflows	<u>1,054,235</u>	<u>372,123</u>	<u>14,040</u>	<u>71,998</u>	<u>1,215,088</u>	<u>2,727,484</u>	<u>-</u>
<b>NET POSITION (DEFICITS) (Note 7E)</b>							
Net investment in capital assets	4,926,548	790,066	29,296	210,905	313,424	6,270,239	-
Unrestricted	120,686	4,966,221	932,156	(352,813)	364,042	6,030,292	11,715
Total Net Position	<u>\$ 5,047,234</u>	<u>\$ 5,756,287</u>	<u>\$ 961,452</u>	<u>\$ (141,908)</u>	<u>\$ 677,466</u>	<u>\$ 12,300,531</u>	<u>\$ 11,715</u>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE, EXPENSES  
 AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Bank of America Building	Non-major Old City Hall		
<b>OPERATING REVENUES</b>							
Building rents	\$ 1,186,641	\$ -	\$ -	\$ 22,154	\$ 336,303	\$ 1,545,098	\$ -
Charges for services	-	2,699,635	2,111,106	-	-	4,810,741	-
Other revenue	70	1,400	-	-	-	1,470	433,485
<b>Total Operating Revenues</b>	<b>1,186,711</b>	<b>2,701,035</b>	<b>2,111,106</b>	<b>22,154</b>	<b>336,303</b>	<b>6,357,309</b>	<b>433,485</b>
<b>OPERATING EXPENSES</b>							
Other expenses	2,781	126,203	87,708	-	-	216,692	1,135,844
Professional services	11,485	696,203	126,948	-	626	835,262	-
Repairs and maintenance	9,284	264,889	11,288	-	-	285,461	-
Salaries and benefits	54,004	967,457	76,544	-	-	1,098,005	-
Utilities	89,163	12,693	237	-	26,603	128,696	-
Depreciation	315,426	214,237	16,354	39,936	27,590	613,543	-
<b>Total Operating Expenses</b>	<b>482,143</b>	<b>2,281,682</b>	<b>319,079</b>	<b>39,936</b>	<b>54,819</b>	<b>3,177,659</b>	<b>1,135,844</b>
<b>Operating Income (Loss) Before Transfers</b>	<b>704,568</b>	<b>419,353</b>	<b>1,792,027</b>	<b>(17,782)</b>	<b>281,484</b>	<b>3,179,650</b>	<b>(702,359)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Transfer of capital assets	-	-	-	-	-	-	(78,195)
Interest revenue	55,084	9,564	1,126	3,314	49,801	118,889	1,154
Interest (expense)	(201,249)	(184,783)	-	(53,810)	-	(439,842)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(146,165)</b>	<b>(175,219)</b>	<b>1,126</b>	<b>(50,496)</b>	<b>49,801</b>	<b>(320,953)</b>	<b>(77,041)</b>
<b>Income (Loss) before transfers</b>	<b>558,403</b>	<b>244,134</b>	<b>1,793,153</b>	<b>(68,278)</b>	<b>331,285</b>	<b>2,858,697</b>	<b>(779,400)</b>
Transfers in (Note 3B)	-	5,000	-	-	-	5,000	-
Transfers (out) (Note 3B)	-	(225,000)	(1,000,000)	-	-	(1,225,000)	(347,757)
<b>Change in net position</b>	<b>558,403</b>	<b>24,134</b>	<b>793,153</b>	<b>(68,278)</b>	<b>331,285</b>	<b>1,638,697</b>	<b>(1,127,157)</b>
<b>BEGINNING NET POSITION, AS RESTATED (Note 7F)</b>	<b>4,488,831</b>	<b>5,732,153</b>	<b>168,299</b>	<b>(73,630)</b>	<b>346,181</b>	<b>10,661,834</b>	<b>1,138,872</b>
<b>ENDING NET POSITION</b>	<b>\$ 5,047,234</b>	<b>\$ 5,756,287</b>	<b>\$ 961,452</b>	<b>\$ (141,908)</b>	<b>\$ 677,466</b>	<b>\$ 12,300,531</b>	<b>\$ 11,715</b>

See accompanying notes to financial statements

CITY OF SAUSALITO  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Business-type Activities-Enterprise Funds					Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Bank of America Building	Non-major Old City Hall		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 1,188,841	\$ 2,704,208	\$ 2,100,700	\$ 22,154	\$ 149,730	\$ 6,165,633	\$ -
Receipts from (refunds to) interdepartmental charges	-	-	-	-	-	-	433,485
Payment to employees	(67,015)	(765,783)	(110,449)	-	-	(943,247)	-
Payment to suppliers	(145,332)	(1,103,194)	(226,181)	-	(27,229)	(1,501,936)	(650,610)
Other receipts (payments)	93,304	1,400	993	(74,959)	(21,927)	(1,189)	-
<b>Cash Flows Provided by Operating Activities</b>	<b>1,069,798</b>	<b>836,631</b>	<b>1,765,063</b>	<b>(52,805)</b>	<b>100,574</b>	<b>3,719,261</b>	<b>(217,125)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Interfund receipts	-	-	-	230,473	-	230,473	-
Interfunds payments	(709,125)	-	-	-	-	(709,125)	-
Transfers in	-	5,000	-	-	-	5,000	-
Transfers (out)	-	(225,000)	(1,000,000)	-	-	(1,225,000)	(347,756)
<b>Cash Flows Used for Noncapital Financing Activities</b>	<b>(709,125)</b>	<b>(220,000)</b>	<b>(1,000,000)</b>	<b>230,473</b>	<b>-</b>	<b>(1,698,652)</b>	<b>(347,756)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Principal payments on capital debt	(455,000)	(218,258)	-	(107,000)	-	(780,258)	-
Interest payment	(205,009)	(207,245)	-	(49,844)	-	(462,098)	-
<b>Cash Flows Used for Capital and Related Financing Activities</b>	<b>(660,009)</b>	<b>(425,503)</b>	<b>-</b>	<b>(156,844)</b>	<b>-</b>	<b>(1,242,356)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest receipts	55,084	9,564	1,127	3,314	49,800	118,889	1,154
<b>Net Cash Flows</b>	<b>(244,252)</b>	<b>200,692</b>	<b>766,190</b>	<b>24,138</b>	<b>150,374</b>	<b>897,142</b>	<b>(563,727)</b>
Cash and investments at beginning of period	1,251,187	5,927,355	261,913	-	5,168	7,445,623	1,767,577
Cash and investments at end of period	\$ 1,006,935	\$ 6,128,047	\$ 1,028,103	\$ 24,138	\$ 155,542	\$ 8,342,765	\$ 1,203,850
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>							
Operating income (loss)	\$ 704,568	\$ 419,353	\$ 1,792,027	\$ (17,782)	\$ 281,484	\$ 3,179,650	\$ (702,359)
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	315,426	214,237	16,354	39,936	27,590	613,543	-
Recategorization of assets and liabilities	-	-	-	(73,630)	-	(73,630)	-
Change in assets and liabilities:							
Accounts receivables	2,200	\$4,573	(10,406)	-	(186,573)	(190,206)	-
Loans receivable	(28,708)	-	-	-	-	(28,708)	-
Leases	88,376	-	-	(1,329)	(21,927)	65,120	-
Accounts payable and accruals	(3,911)	(3,206)	993	-	-	(6,124)	143,736
Accrued salaries and benefits	-	(12,738)	(4,368)	-	-	(17,106)	-
Accrued compensated absences	-	(8,567)	3,019	-	-	(5,548)	-
Refundable deposits	4,858	-	-	-	-	4,858	-
Claims payable	-	-	-	-	-	-	341,498
Deferred outflows	(5,044)	(79,674)	(9,162)	-	-	(93,880)	-
Deferred inflows	(5,376)	252,017	(12,075)	-	-	234,566	-
Net pension liability	-	(49,194)	-	-	-	(49,194)	-
Net OPEB liability	(2,591)	99,830	(11,319)	-	-	85,920	-
<b>Cash Flows from Operating Activities</b>	<b>\$ 1,069,798</b>	<b>\$ 836,631</b>	<b>\$ 1,765,063</b>	<b>\$ (52,805)</b>	<b>\$ 100,574</b>	<b>\$ 3,719,261</b>	<b>\$ (217,125)</b>

See accompanying notes to financial statements



**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**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, 2022**

**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 workers compensation 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, 2022**

**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.

**BANK OF AMERICA BUILDING FUND** – Accounts for the Bank of America building assets, related depreciation, long-term debt balances and payments, rents received, and costs to maintain the building.

**D. Basis of Accounting**

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

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

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

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

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

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

***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, 2022**

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

**G. Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2022, the following Funds had expenditures exceeded the budgeted expenditures:

		Expenditures Exceeded Budget
<b>General Fund:</b>		
General government:		
Non departmental	\$	964,282
Public Works		434,866
Parks & recreation		1,926

**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.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

**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 31<sup>st</sup> of any calendar year for management and confidential employees), they do not have more than 30 working days of vacation time accrued. 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).

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, 2022:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 807,485	\$ 25,823	\$ 833,308
Adjustments	(283,409)	(2,149)	(285,558)
Current year changes	<u>(30,768)</u>	<u>(3,399)</u>	<u>(34,167)</u>
Ending Balance	<u>\$ 493,308</u>	<u>\$ 20,275</u>	<u>\$ 513,583</u>
Current Portion	<u>\$ 493,308</u>	<u>\$ 20,275</u>	<u>\$ 513,583</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.

During fiscal year ended June 30, 2022, the City’s management determined that due to the improbability that employees will be paid out their sick leave, the sick leave component previously recorded in compensated absences should not be accrued. Therefore, adjustments in the table above were made to write off balances of \$283,409 and \$2,149 in the Governmental Activities and Business-Type Activities, respectively.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

**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.

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.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

**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 net 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 assets 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 net 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 assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**P. *Leases***

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes leases with an initial, individual value of \$50,000 or more.

**Lessor** - The City records twelve leases as the lessor. The City recognizes a lease receivable and a deferred inflow of resources in the General Fund, Tidelands Special Revenue Fund, MLK Enterprise Fund, Bank of America Building Enterprise Fund, Old City Hall Enterprise Fund, Governmental Activities and Business-Type Activities statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.



**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Q. New GASB Pronouncements***

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements which became effective during the year ended June 30, 2022.

In June 2017, GASB issued **Statement No. 87, Leases**. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after June 15, 2021, or fiscal year 2021-22. As part of the implementation of this Statement, the City has accounted for certain lessor transactions, which required the restatement of beginning fund balances of the leases receivable and deferred inflows in the following amounts:

General Fund	\$ 3,437,217
Tidelands Special Revenue Fund	<u>2,770,606</u>
Total Governmental Activities	<u>\$ 6,207,823</u>
Enterprise Funds:	
MLK	\$ 1,452,425
Bank of America Building	1,397,352
Old City Hall	<u>1,397,352</u>
Total Business-Type Activities	<u>\$ 4,247,129</u>

The net effect on beginning net position and fund balances is zero. See the leases disclosure in Note 4.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

In June 2018, GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The Statement is effective for reporting periods beginning after December 15, 2020, or fiscal year 2021-22. GASB Statement No. 89 did not have an effect on the City's fiscal year 2021-22 financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The provisions of this Statement were implemented during fiscal year 2022. The implementation had no effect on the financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement were implemented during fiscal year 2022. This Statement had no material effect on the financial statements.

**R. Changes in Funds**

During fiscal year ended June 30, 2022, the Bank of America Building Loan Debt Service Fund was recategorized as an Enterprise Fund. In addition, the Vehicle Replacement and Employee Benefits Internal Service Funds were closed, and all remaining balances were transferred to the General Fund.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**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	\$ 18,330,184
Restricted cash and investments	<u>6,221,603</u>
Total Cash and Investments	<u><u>\$ 24,551,787</u></u>

**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>
			\$75 million per	\$75 million per
California Local Agency Investment Fund	N/A	N/A	account	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
Marin County Investment Pool	N/A	N/A	N/A	N/A

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

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

**D. Authorized Investments by Debt Agreements**

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

**E. Interest Rate Risk**

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

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

	12 Months or less	Total
Local Agency Investment Fund	\$ 7,518,664	\$ 7,518,664
<i>Held by Trustee:</i>		
Money Market Mutual Fund	3,728,187	3,728,187
PARS Trust - Money Market Mutual Funds	2,493,416	2,493,416
Total Investments	\$ 13,740,267	13,740,267
Cash in Banks		10,810,324
Petty Cash		1,196
Total City Cash and Investments		\$ 24,551,787

Money market mutual funds are available for withdrawal on demand. At June 30, 2022, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 16 to 49 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, 2022, the City held \$7,518,664 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, 2022**

**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, 2022, 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	\$ 3,728,187	\$ 3,728,187
<i>Not Rated:</i>		
Local Agency Investment Fund		7,518,664
PARS Trust - Money Market Mutual Funds		2,493,416
Cash in Banks		10,810,324
Petty Cash		1,196
Total Cash and Investments		\$ 24,551,787

**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, 2022, these investments matured in an average of 311 days and were not rated.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**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, 2022, interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Non-Major Governmental Funds	General Fund	\$ 275,917

**B. Transfers**

With Council approval, resources may be transferred from one fund to another. During the fiscal year ended June 30, 2022 the transfers were as follows:

Fund Receiving Transfers	Amount Transferred In	Fund Making Transfers	Amount Transferred Out
General Fund	\$ (1,772,757)	Tidelands Special Revenue Fund	\$ 200,000 A
		Sewer Enterprise Fund	225,000 B
		Parking Enterprise Fund	1,000,000 B
General Capital Improvements Capital Projects Fund	(2,225,000)	General Fund	1,200,000 C
		Non-Major Governmental Funds	1,025,000 C
Non-Major Governmental Funds	(167,155)	General Fund	95,000 D
		Tidelands Special Revenue Fund	72,155 E
Sewer Enterprise Fund	(5,000)	General Fund	5,000 F
		Vehicle Replacement Internal Service Fund	281,715 G
		Employee Benefits Internal Service Fund	66,042 G
Total Interfund Transfers	\$ (4,169,912)	Total Interfund Transfers	\$ 4,169,912

The reasons for these transfers are set forth below:

- A To return excess funds to sources
- B To fund the General Fund operations
- C To fund capital improvement projects
- D To eliminate fund deficit
- E To fund debt service
- F To fund sewer construction
- G To transfer residual equity from closed Internal Service Funds to the General Fund

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**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	\$ 653,344
Bank of America Building Enterprise Fund	General Fund	<u>374,314</u>
		<u><u>\$ 1,027,658</u></u>

The remaining balance of the MLK Enterprise Fund Advance will be paid off over 10 years, at 3% interest rate ending in fiscal year 2030.

During fiscal year ended June 30, 2022, the General Fund advanced \$374,314 to the Bank of America Building Enterprise Fund to cover debt service payments as the Bank of America Building fund has not generated sufficient rents to cover its debt service. The Bank of America Building fund will repay the General Fund as it generates sufficient revenues from future rents and leases.

**D. Internal Balances**

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 4 – LEASES**

The City from time to time engages in lease arrangements allowing the right for others to use various owned land and buildings for the public benefit. As of June 30, 2022, these leases receivable and related deferred inflows of resources consisted of the following:

Lessor	Original Lease Date	Expiration Date Including Options	Annual Revenue as of June 30, 2022	Lease Receivable Balance at June 30, 2022	Deferred Inflow of Resources at June 30, 2022
<b>Governmental Activities:</b>					
AT&T Rainbow Tunnel	9/10/2002	5/31/2036	\$ 59,589	\$ 854,809	\$ 822,671
AT&T	1/12/1996	9/9/2040	54,835	944,364	913,342
MacMarin, Inc (Spinnaker)	1/1/1991	1/27/2032	199,536	1,604,249	1,576,347
Pelican Harbor Associates	8/1/2005	1/31/2040	31,774	402,345	395,810
Southern Marin Fire Protection District	9/15/2011	9/15/2041	100,000	1,366,728	1,361,971
T Mobile	9/1/2004	8/31/2024	59,598	128,836	121,577
Trident LLC	5/28/1959	3/2/2041	40,704	593,306	580,257
Total Governmental Activities			<u>\$ 546,036</u>	<u>\$ 5,894,637</u>	<u>\$ 5,771,975</u>
<b>Business-Type Activities:</b>					
Bank of America ATM	9/18/2020	9/30/2025	\$ 24,000	\$ 73,327	\$ 71,998
Excellence for Yachts	5/15/2004	9/30/2023	19,317	26,611	26,124
Gene Hiller Inc	3/1/2014	2/28/2029	210,000	1,237,015	1,215,088
Lycee Francais La Perouse	9/1/2013	8/31/2023	787,673	897,769	987,249
Vidoetracs	5/15/2004	9/30/2023	18,307	33,805	33,188
Total Business-Type Activities			<u>\$ 1,059,297</u>	<u>\$ 2,268,527</u>	<u>\$ 2,333,647</u>

**A. Governmental Activities**

*AT&T (Rainbow Tunnel)* - On September 10, 2002, the City began leasing property to AT&T with monthly payments ranging from \$1,900 to \$8,884 through the end of the lease term. Lease payments are to be increased by 4% every year May 1, until the end of the lease on May 31, 2036. The City recognized \$26,976 in lease revenue and \$32,613 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*AT&T* - On January 12, 1996, the City began leasing property to Pacific Bell Mobile Services with monthly payments ranging from \$1,500 to \$7,894 through the end of the lease term. Lease payments are to be increased by 3% every year January 1, until the end of the lease on September 1, 2040. The City recognized \$19,025 in lease revenue and \$35,810 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*MacMarin, Inc. (Spinnaker)* - On January 1, 1991, the City began leasing property to MacMarin, Inc. with monthly payments of \$16,628 through the end of the lease term, which ends on January 27, 2032. The City recognized \$136,586 in lease revenue and \$62,950 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.



**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 4 – LEASES (Continued)**

*Pelican Harbor* - On August 1, 2005, the City began leasing property to Pelican Harbor Associates, LP, with annual payments of \$31,774 through the end of the lease term, which ends on January 31, 2040. The City recognized \$16,083 in lease revenue and \$15,691 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*Southern Marin Fire Protection District* - On September 15, 2011, the City began leasing property to the Southern Marin Fire Protection District with quarterly payments of \$25,000 through the end of the lease term, which ends on September 15, 2041. The City recognized \$47,626 in lease revenue and \$52,374 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*T-Mobile* - On September 1, 2004, the City began leasing property to Sprint Spectrum, LP (now T-Mobile), with monthly payments ranging from \$1,912 to \$4,966 through the end of the lease term. Lease payments are to be increased by 4% every year on January 1, until the end of the lease on September 1, 2024. The City recognized \$53,854 in lease revenue and \$5,744 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*Trident LLC* - On May 28, 1959, the City began leasing property to Trident LLC with monthly payments ranging from \$31 to \$3,687 through the end of the lease term, which ends on March 2, 2041. The City recognized \$18,037 in lease revenue and \$22,667 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

**B. Business-Type Activities – Enterprise Funds**

*Bank of America ATM* - On September 18, 2020, the City began leasing property to Bank of America with monthly payments ranging from \$2,000 to \$3,147 through the end of the lease term, which ends on September 30, 2025. The City recognized \$20,825 in lease revenue and \$3,175 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*Excellence for Yachts* - On May 1, 2004, the City began leasing property to Carlos Badell with monthly payments ranging from \$1,085 to \$1,610 through the end of the lease term, which ends on November 1, 2023. The City recognized \$17,952 in lease revenue and \$1,365 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*Gene Hiller, Inc.* - On March 1, 2014, the City began leasing property to Gene Hiller, Inc., with monthly payments of \$17,500 through the end of the lease term, which ends on February 28, 2029. The City recognized \$160,336 in lease revenue and \$49,664 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 4 – LEASES (Continued)**

*Lycee Francais* - On September 1, 2013, the City began leasing property to Lycee Francais La Perouse with monthly payments of \$65,639 through the end of the lease term, which ends on August 31, 2023. The City recognized \$738,912 in lease revenue and \$48,761 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

*Videotracs* - On May 15, 2004, the City began leasing property to James C. Cavanaugh with monthly payments of \$1,526 through the end of the lease term, which ends on September 30, 2023. The City recognized \$16,698 in lease revenue and \$1,609 in interest revenue in fiscal year 2022 related to this lease. The City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term.

**NOTE 5 – 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.

During fiscal year ended June 30, 2022, the City recategorized the Bank of America Building Fund from a Debt Service Fund to an Enterprise Fund. As a result, the capital assets related to the Bank of America Building were transferred from Governmental Activities to Business-Type Activities, and capital asset and related accumulated depreciation accounts were restated as of July 1, 2021 in the amounts of \$1,996,776 and (\$39,935), respectively, for a net restatement of \$1,956,841 that is reflected in the following tables.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 5 – CAPITAL ASSETS (Continued)**

Changes in capital assets during the year ended June 30, 2022, comprise:

	Balance June 30, 2021 (As Restated)	Additions	Retirements	Transfers	Balance June 30, 2022
<b>Governmental Funds:</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 15,014,662	\$ -	\$ -	\$ -	\$ 15,014,662
Construction in progress	3,197,555	1,429,995	(671,825)	(3,675,956)	279,769
Total capital assets not being depreciated	18,212,217	1,429,995	(671,825)	(3,675,956)	15,294,431
Capital assets being depreciated:					
Building and improvements	17,632,879	-	-	-	17,632,879
Vehicles and equipment	304,305	88,433	(104,252)	849,802	1,138,288
Machinery and equipment	1,261,387	-	-	85,312	1,346,699
Infrastructure	52,242,310	-	-	3,675,956	55,918,266
Total capital assets being depreciated	71,440,881	88,433	(104,252)	4,611,070	76,036,132
Less accumulated depreciation for:					
Building and improvements	(4,373,938)	(351,417)	-	-	(4,725,355)
Vehicles and equipment	(262,198)	(54,324)	104,252	(777,178)	(989,448)
Machinery and equipment	(1,112,799)	(39,902)	-	(79,740)	(1,232,441)
Infrastructure	(30,418,410)	(1,790,028)	-	-	(32,208,438)
Total accumulated depreciation	(36,167,345)	(2,235,671)	104,252	(856,918)	(39,155,682)
Depreciable capital assets, net	35,273,536	(2,147,238)	-	3,754,152	36,880,450
<b>Internal Service Funds:</b>					
Capital assets being depreciated:					
Vehicles and equipment	849,802	-	-	(849,802)	-
Machinery and equipment	85,312	-	-	(85,312)	-
Total capital assets being depreciated	935,114	-	-	(935,114)	-
Less accumulated depreciation for:					
Vehicles and equipment	(777,178)	-	-	777,178	-
Machinery and equipment	(79,740)	-	-	79,740	-
Total accumulated depreciation	(856,918)	-	-	856,918	-
Depreciable capital assets, net	78,196	-	-	(78,196)	-
Governmental activity capital assets, net	\$ 53,563,949	\$ (717,243)	\$ (671,825)	\$ -	\$ 52,174,881

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 5 – CAPITAL ASSETS (Continued)**

	Balance June 30, 2021 (As Restated)	Additions	Retirements	Transfers	Balance June 30, 2022
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land and improvements	\$ 3,796,001	\$ -	\$ -	\$ -	\$ 3,796,001
Total capital assets not being depreciated	3,796,001	-	-	-	3,796,001
Capital assets being depreciated:					
Building and improvements	11,157,934	-	-	-	11,157,934
MLK Bus Barn	275,000	-	-	-	275,000
Vehicles and equipment	1,620,276	-	-	-	1,620,276
Infrastructure	14,299,928	-	-	-	14,299,928
Total capital assets being depreciated	27,353,138	-	-	-	27,353,138
Less accumulated depreciation for:					
Building and improvements	(3,594,319)	(351,935)	-	-	(3,946,254)
MLK Bus Barn	(126,500)	(5,500)	-	-	(132,000)
Vehicles and equipment	(1,485,059)	(27,960)	-	-	(1,513,019)
Infrastructure	(6,641,547)	(228,148)	-	-	(6,869,695)
Total accumulated depreciation	(11,847,425)	(613,543)	-	-	(12,460,968)
Net capital assets being depreciated	15,505,713	(613,543)	-	-	14,892,170
Total capital assets, net	\$ 19,301,714	\$ (613,543)	\$ -	\$ -	\$ 18,688,171

**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	\$ 185,281
Recreation	10,881
Library	16,701
Police services	356,966
Public works	1,665,842
Total Governmental Activities	<u>\$ 2,235,671</u>

**Business-type Activities:**

MLK	\$ 315,426
Sewer	214,237
Parking	16,354
Bank of America Building	39,936
Old City Hall	27,590
Total Business-type Activities	<u>\$ 613,543</u>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 6 – 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, 2021 (As Restated)	Additions	Retirements	Balance June 30, 2022	Current Portion
<b>Governmental Activities Bonds:</b>						
General Obligation Bonds:						
2006 Series A	\$8,205,000	\$ 3,255,000	\$ -	\$ (525,000)	\$ 2,730,000	\$ 580,000
2006 Series B (Capital Appreciation)	7,293,894	14,312,660	678,020	-	14,990,680	-
Total Governmental Activities Bonds		17,567,660	678,020	(525,000)	17,720,680	580,000
<b>Governmental Activities - Direct Borrowings:</b>						
Southern Marin Fire Protection District	1,740,000	1,218,000	-	(58,000)	1,160,000	58,000
Department of Boating & Waterways	1,200,000	316,759	-	(57,901)	258,858	60,507
Total Governmental Activities - Direct Borrowings		1,534,759	-	(115,901)	1,418,858	118,507
Total Governmental Activities		\$ 19,102,419	\$ 678,020	\$ (640,901)	\$ 19,139,538	\$ 698,507
<b>Business-type Activities Bonds:</b>						
2015 Sewer Revenue Bond	6,750,000	\$ 5,895,000	\$ -	\$ (170,000)	\$ 5,725,000	\$ 175,000
2016 Certificates of Participation	6,940,000	4,755,000	-	(455,000)	4,300,000	470,000
Total Business-type Activities Bonds		10,650,000	-	(625,000)	10,025,000	645,000
<b>Business-type Activities - Direct Borrowings:</b>						
State Water Resources Board Loan	1,036,480	735,190	-	(48,258)	686,932	49,513
Building Acquisition Lease	1,858,000	1,813,000	-	(107,000)	1,706,000	111,000
Total Business-type Activities - Direct Borrowings		2,548,190	-	(155,258)	2,392,932	160,513
Total Business-type Activities		\$ 13,198,190	\$ -	\$ (780,258)	\$ 12,417,932	\$ 805,513

**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 \$57,901 and \$14,254, respectively.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 6 – 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 \$107,000 and \$49,843, 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 \$3,009,183. Principal and interest paid for the current fiscal year were \$525,000 and \$136,238, respectively. Total ad valorem property tax revenues were \$641,823.

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 \$10,624,320 and \$678,020 respectively at June 30, 2022.

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, 2022**

**NOTE 6 – 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 \$170,000 and \$188,131, respectively. Total customer net revenues were \$594,658.

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 \$48,258 and \$19,115, 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 \$162,650, respectively.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 6 – 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
2023	\$ 580,000	\$ 113,585	\$ 118,507	\$ 11,649
2024	645,000	88,473	121,230	8,926
2025	715,000	57,375	124,075	6,081
2026	790,000	19,750	127,046	3,107
2027	1,145,000	-	58,000	-
2028 - 2032	6,725,000	-	290,000	-
2033 - 2037	8,795,000	-	290,000	-
2038 - 2042	8,950,000	-	290,000	-
<b>Total</b>	<b>\$ 28,345,000</b>	<b>\$ 279,183</b>	<b>\$ 1,418,858</b>	<b>\$ 29,763</b>

(A) Includes General Obligation Bonds 2006 Series B unaccreted discount in the total amount of \$10,624,320.

Fiscal Year Ended June 30	Business-type Activities - Bonds		Business-type Activities - Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 645,000	\$ 331,956	\$ 160,513	\$ 64,690
2024	670,000	307,831	163,800	60,292
2025	695,000	282,756	169,121	55,791
2026	720,000	256,731	173,476	51,144
2027	745,000	229,756	177,867	46,391
2028 - 2032	2,820,000	816,755	968,488	155,717
2033 - 2037	1,245,000	532,448	579,667	27,356
2038 - 2042	1,475,000	306,350	-	-
2043 - 2045	1,010,000	53,900	-	-
<b>Total</b>	<b>\$ 10,025,000</b>	<b>\$ 3,118,483</b>	<b>\$ 2,392,932</b>	<b>\$ 461,381</b>

**NOTE 7 – 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, 2022**

**NOTE 7 – 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, 2022**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the City’s Fund Balances, as of June 30, 2022, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
<b>Nonspendable for:</b>					
Loans receivable	\$ 469	\$ -	\$ -	\$ -	\$ 469
Prepays	11,956	-	-	-	11,956
Advances to other funds	1,027,658	-	-	-	1,027,658
Subtotal	1,040,083	-	-	-	1,040,083
<b>Restricted for:</b>					
Pension	2,493,416	-	-	-	2,493,416
Seized assets	-	-	-	35,704	35,704
Tidelands properties	-	512,399	-	-	512,399
Infrastructure projects	-	-	-	224,487	224,487
Storm drain maintenance	-	-	-	74,033	74,033
Stair improvements	-	-	-	160,290	160,290
Grants	-	-	-	331,303	331,303
Debt service	-	-	-	1,011,766	1,011,766
Subtotal	2,493,416	512,399	-	1,837,583	4,843,398
<b>Committed to:</b>					
Capital projects	-	-	1,061,572	-	1,061,572
Library improvements	-	-	-	108,703	108,703
Subtotal	-	-	1,061,572	108,703	1,170,275
<b>Assigned:</b>					
Budget stabilization reserve	1,058,311	-	-	-	1,058,311
Emergency shortfall reserve	2,116,621	-	-	-	2,116,621
Subtotal	3,174,932	-	-	-	3,174,932
<b>Unassigned:</b>					
Other	7,061,269	-	-	-	7,061,269
Fund deficit residuals	-	-	-	(287,983)	(287,983)
Subtotal	7,061,269	-	-	(287,983)	6,773,286
Total fund balances	<u>\$ 13,769,700</u>	<u>\$ 512,399</u>	<u>\$ 1,061,572</u>	<u>\$ 1,658,303</u>	<u>\$ 17,001,974</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, 2022**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

**E. Fund Balance Deficits**

The following funds had fund balance deficits at June 30, 2022. Future revenues are expected to decrease the fund balance deficit:

	Amount
Bank of America Building Enterprise Fund	\$ 141,908
Gas Tax Special Revenue Fund	45,941
Disaster Assistance Special Revenue Fund	242,042

**F. Restatements of Fund Balance and Net Position**

During fiscal year 2021-2022, the City made the following prior period adjustments to its fund balances and net position as of June 30, 2021:

**Governmental Funds:**

**General Fund**

Beginning Balance as Previously Reported	\$ 13,808,840
To correct accounts receivable for an amount that was duplicated	(40,322)
To record advance to Bank of America Building Enterprise fund for debt service in prior year	217,471
To adjust liability balance incorrectly recorded for CalPERS health care	(203,216)
To adjust for liability balance incorrectly recorded for deferred compensation	134,259
Beginning Balance as Restated	\$ 13,917,032

**Recreation Grant Special Revenue Fund**

Beginning Balance as Previously Reported	\$ (39,212)
To adjust for activities that were incorrectly recorded in the Measure A fund	88,212
Beginning Balance as Restated	\$ 49,000

**Measure A Special Revenue Fund**

Beginning Balance as Previously Reported	\$ 594,526
To adjust for activities that were incorrectly recorded in the Recreation Grant fund	(88,212)
Beginning Balance as Restated	\$ 506,314

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 7 – NET POSITION AND FUND BALANCES (Continued)**

*Governmental Activities Net Position:*

Beginning Balance as Previously Reported	\$ 18,927,935
For adjustments made to General Fund	108,192
To move capital assets related to Bank of America building to Enterprise Fund	(1,956,841)
To move debt associated with Bank of America building to Enterprise Fund	1,813,000
Beginning Balance as Restated	<u>\$ 18,892,286</u>

*Enterprise Fund:*

**Sewer Fund**

Beginning Balance as Previously Reported	\$ 7,396,670
To write off amounts previously recorded in Construction in Progress related to the Whisky Springs pump rehabilitation project that were determined not to be capital-related	(1,664,517)
Beginning Balance as Restated	<u>\$ 5,732,153</u>

**Bank of America Building Fund**

Beginning Balance as Previously Reported	\$ -
To record prior year activities related to Bank of America Building	(73,630)
Beginning Balance as Restated	<u>\$ (73,630)</u>

*Business-Type Activities Net Position:*

Beginning Balance as Previously Reported	\$ 12,399,981
For adjustment made to Sewer Fund	(1,664,517)
For adjustment made to Bank of America Building Fund	(73,630)
Beginning Balance as Restated	<u>\$ 10,661,834</u>

**NOTE 8 – 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.

***Marin Emergency Radio Authority***

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9 – PENSION PLAN**

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

**A. General Information about the Pension Plan**

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Rate Plans. The City’s Miscellaneous and Safety Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees’ Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as “risk pools”), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The City sponsors 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, 2022**

**NOTE 9 – PENSION PLAN (Continued)**

The Plan’s provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<b>Police</b>		
	Prior to July 1, 2012	On or after July 1, 2012	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%	2.0% - 2.7%	2.0% - 2.7%
Required employee contribution rates	9%	0.00% *	13.75%
Required employer contribution rates	23.620%	19.880%	13.980%
	<b>Miscellaneous</b>		
	Prior to July 1, 2012	On or after July 1, 2012	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	12.990%	11.060%	7.730%
	<b>Fire</b>		
	Prior to July 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%		

\* There are no employees enrolled in this plan, therefore there is no employee contribution rate.

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 \$3,420,570 in fiscal year 2022.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9 – 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2022, the contributions to the Plan were as follows:

	Safety	Miscellaneous	Total
Contributions - employer	\$ 3,057,248	\$ 1,312,788	\$ 4,370,036

**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, 2022, 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	\$ 12,993,222
Miscellaneous	7,591,171
Total Net Pension Liability	\$ 20,584,393

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9 – PENSION PLAN (Continued)**

	Safety	Miscellaneous
Proportion - June 30, 2020	0.30%	0.28%
Proportion - June 30, 2021	0.37%	0.40%
Change - Increase (Decrease)	0.07%	0.12%

For the year ended June 30, 2022, the City recognized pension expense of \$6,578,139. At June 30, 2022, 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	\$ 3,057,248	\$ -
Differences between actual and expected experience	2,219,881	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(7,733,465)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(999,808)
Change in proportion	23,887	(99,837)
Total	\$ 5,301,016	\$ (8,833,110)

	Miscellaneous	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,312,788	\$ -
Differences between actual and expected experience	851,268	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(6,626,691)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(319,730)
Change in proportion	149,234	(149,149)
Total	\$ 2,313,290	\$ (7,095,570)

	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 4,370,036	\$ -
Differences between actual and expected experience	3,071,149	-
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	-	(14,360,156)
Change in proportion and differences between actual contributions and proportionate share of contributions	-	(1,319,538)
Change in proportion	173,121	(248,986)
Total	\$ 7,614,306	\$ (15,928,680)



**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9 – PENSION PLAN (Continued)**

\$4,370,036 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, 2023. 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
2023	\$ (1,293,359)	\$ (1,323,777)	\$ (2,617,136)
2024	(1,434,961)	(1,401,082)	(2,836,043)
2025	(1,732,881)	(1,538,933)	(3,271,814)
2026	(2,128,141)	(1,831,276)	(3,959,417)
Total	<u>\$ (6,589,342)</u>	<u>\$ (6,095,068)</u>	<u>\$ (12,684,410)</u>

**Actuarial Assumptions** – For the measurement period ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. The June 30, 2020 total pension liability was determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 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, 2022**

**NOTE 9 – 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 returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Public Equity	50.0%	4.80%	5.98%
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 Annual Comprehensive 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	\$ 22,235,183	\$ 12,993,222	\$ 5,402,094
Miscellaneous	13,268,993	7,591,171	2,897,396
Total	<u>\$ 35,504,176</u>	<u>\$ 20,584,393</u>	<u>\$ 8,299,490</u>

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 9 – PENSION PLAN (Continued)**

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

*Reduction of CalPERS Discount Rate*

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**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. During fiscal year ended June 30, 2022, the City contributed \$250,000 to the trust. As of June 30, 2022, the total amount of \$2,493,416 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, 2022**

**NOTE 10 – 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, 2022:

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) \$149 per month in 2022	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 <sup>2</sup>	50	20 years of City service	None <sup>1</sup>	100% Employee Only premium of the PEMHCA medical plan of their choice <sup>4</sup>		
	SEIU/Unrepresented	55					
On or after 7/1/2007	Police/Fire <sup>2</sup>	50	20 years of City service	3 or more years of City service by 7/1/2012 and not opted out <sup>1,3</sup>	100% Employee Only premium of up to the Kaiser Region 1 or Supplemental premium rate <sup>4</sup>	CalPERS MEC, if eligible for PERS survivor pension	Lifetime
	SEIU/Unrepresented	55					

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

<sup>2</sup>There 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.

<sup>3</sup>Anyone 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.

<sup>4</sup>For 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, 2022, the City’s contributions to the Plan were \$539,246.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active employees	62
Inactive employees or beneficiaries currently receiving benefit payments	49
Inactive employees entitled to but not yet receiving benefit payments	28
Total	139

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 10 – 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, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2022, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	4.55% as of June 30, 2022 and 5.20% as of June 30, 2021
Inflation	2.50% per year
Payroll Growth	3.00% per year
Investment Rate of Return	4.55% as of June 30, 2022 and 5.20% as of June 30, 2021, net of plan investment expenses
Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2015
Healthcare Trend Rate	5.3% in 2022, fluctuates to 3.9% in 2076

**Discount Rate** – The discount rate used to measure the total OPEB liability was 4.55%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

**C. Changes in Net OPEB Liability**

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance as of Report Date June 30, 2021	\$ 6,067,217	\$ 1,694,379	\$ 4,372,838
Changes Recognized for the Measurement Period:			
Service Cost	206,735	-	206,735
Interest on the total OPEB liability	320,025	-	320,025
Changes in benefit terms	-	-	-
Differences between expected and actual experience	328,072	-	328,072
Changes of assumptions	349,687	-	349,687
Contributions from the employer	-	539,246	(539,246)
Plan Experience	-	-	-
Net investment income	-	(218,801)	218,801
Administrative expenses	-	-	-
Benefit payments	(239,246)	(239,246)	-
Net changes	965,273	81,199	884,074
Balance at June 30, 2022	\$ 7,032,490	\$ 1,775,578	\$ 5,256,912

**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% (3.55%)	Current Discount Rate (4.55%)	Discount Rate +1% (5.55%)
\$ 6,247,452	\$ 5,256,912	\$ 4,441,668

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		
1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$ 4,298,518	\$ 5,256,912	\$ 6,445,901

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

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

For the year ended June 30, 2022, the City recognized a negative OPEB expense of \$231,700. At June 30, 2022, 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	\$ 271,508	\$ (485,186)
Changes of assumptions	326,262	(644,796)
Net differences between projected and actual earnings on plan investments	202,237	-
Total	<u>\$ 800,007</u>	<u>\$ (1,129,982)</u>

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
2023	\$ (127,752)
2024	(126,017)
2025	(125,374)
2026	(50,962)
2027	100,130
Total	<u>\$ (329,975)</u>

**NOTE 11 – PUBLIC ENTITY RISK POOL**

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

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

**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 11 – PUBLIC ENTITY RISK POOL (Continued)**

**A. Workers’ Compensation Coverage Statistics**

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

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

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

As of June 30, 2022, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	2022	2021
Beginning balance	\$ 471,017	\$ 595,602
Incurred claims and claims adjustment	466,814	(12,846)
Claims paid	(259,320)	(111,739)
Ending balance	\$ 678,511	\$ 471,017
Current portion	\$ 222,350	\$ 139,572

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

**B. General Liability Coverage**

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

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



**CITY OF SAUSALITO**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2022**

**NOTE 11 – PUBLIC ENTITY RISK POOL (Continued)**

As of June 30, 2022, the City’s estimated general liability for unpaid losses was as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 213,523	\$ 412,678
Incurred claims and claims adjustment	263,012	(135,503)
Claims paid	<u>(129,008)</u>	<u>(63,652)</u>
Ending balance	<u>\$ 347,527</u>	<u>\$ 213,523</u>
Current portion	<u>\$ 138,666</u>	<u>\$ 73,137</u>

**NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS**

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.

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**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	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.33%	0.31%	0.30%	0.31%	0.30%	0.30%	0.30%	0.37%
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	\$ 12,993,222
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	2,308,774
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	637%	621%	863%	748%	780%	837%	915%	563%
Plan's 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%	88.29%

Measurement Date:	Miscellaneous							
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.21%	0.26%	0.22%	0.22%	0.27%	0.27%	0.28%	0.40%
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	\$ 7,591,171
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	4,232,046
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	137%	180%	226%	264%	225%	257%	278%	179%
Plan's 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%	88.29%

\* 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	2022
Actuarially determined contribution	\$ 760,463	\$ 1,058,862	\$ 1,263,277	\$ 1,435,570	\$ 1,641,914	\$ 1,876,068	\$ 2,086,227	\$ 3,057,248
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)	(3,057,248)
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	\$ 2,332,936
Contributions as a percentage of covered payroll	37.43%	57.41%	52.82%	62.81%	72.81%	85.17%	90.36%	131.05%
	Miscellaneous							
Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially determined contribution	\$ 553,613	\$ 704,178	\$ 769,773	\$ 868,197	\$ 972,887	\$ 1,094,351	\$ 1,192,438	\$ 1,312,788
Contributions in relation to the actuarially determined contributions	(553,613)	(704,178)	(769,773)	(868,197)	(972,887)	(1,094,351)	(1,192,438)	(1,312,788)
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	\$ 4,145,613
Contributions as a percentage of covered payroll	14.20%	18.00%	19.89%	19.38%	22.90%	25.91%	28.18%	31.67%

#### 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	6/30/22
<b>Total OPEB Liability</b>						
Service Cost	\$ 150,736	\$ 312,568	\$ 313,856	\$ 333,740	\$ 200,714	\$ 206,735
Interest	271,950	312,153	331,821	345,485	305,535	320,025
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	13,921	-	-	(868,226)	-	328,072
Changes of assumptions	-	(58,834)	67,086	(1,107,841)	-	349,687
Benefit payments	(203,921)	(273,223)	(290,677)	(211,134)	(227,978)	(239,246)
<b>Net change in total OPEB liability</b>	<u>232,686</u>	<u>292,664</u>	<u>422,086</u>	<u>(1,507,976)</u>	<u>278,271</u>	<u>965,273</u>
<b>Total OPEB liability - beginning</b>	5,189,259	6,582,172	6,874,836	7,296,922	5,788,946	6,067,217
<b>Total OPEB liability - ending (a)</b>	<u>\$ 5,421,945</u>	<u>\$ 6,874,836</u>	<u>\$ 7,296,922</u>	<u>\$ 5,788,946</u>	<u>\$ 6,067,217</u>	<u>\$ 7,032,490</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 203,921	\$ 273,223	\$ 446,679	\$ 404,690	\$ 425,978	\$ 539,246
Contributions - employee	-	-	-	-	-	-
Net investment income	32,621	20,523	56,336	62,443	152,550	(218,801)
Administrative expense	(1,727)	-	-	-	-	-
Benefit payments	(203,921)	(273,223)	(290,677)	(211,134)	(227,978)	(239,246)
<b>Net change in plan fiduciary net position</b>	<u>30,894</u>	<u>20,523</u>	<u>212,338</u>	<u>255,999</u>	<u>350,550</u>	<u>81,199</u>
<b>Plan fiduciary net position - beginning</b>	679,060	854,969	875,492	1,087,830	1,343,829	1,694,379
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 709,954</u>	<u>\$ 875,492</u>	<u>\$ 1,087,830</u>	<u>\$ 1,343,829</u>	<u>\$ 1,694,379</u>	<u>\$ 1,775,578</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 4,711,991</u>	<u>\$ 5,999,344</u>	<u>\$ 6,209,092</u>	<u>\$ 4,445,117</u>	<u>\$ 4,372,838</u>	<u>\$ 5,256,912</u>
Plan fiduciary net position as a percentage of the total OPEB liab:	13.09%	12.73%	14.91%	23.21%	27.93%	25.25%
Covered-employee payroll	<u>n/a</u>	<u>\$ 6,387,682</u>	<u>\$ 6,504,240</u>	<u>\$ 5,535,686</u>	<u>\$ 6,461,714</u>	<u>\$ 6,732,901</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>n/a</u>	<u>93.92%</u>	<u>95.46%</u>	<u>80.30%</u>	<u>67.67%</u>	<u>78.08%</u>

\* 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	2022
Actuarially determined contribution	\$ 380,544	\$ 578,562	\$ 594,529	\$ 455,795	\$ 471,544	\$ 485,013
Contributions in relation to the actuarially determined contribution	203,921	273,223	446,679	404,690	425,978	539,246
Contribution deficiency (excess)	<u>\$ 176,623</u>	<u>\$ 305,339</u>	<u>\$ 147,850</u>	<u>\$ 51,105</u>	<u>\$ 45,566</u>	<u>\$ (54,233)</u>
Covered-employee payroll	<u>n/a</u>	<u>\$ 6,387,682</u>	<u>\$ 6,504,240</u>	<u>\$ 5,535,686</u>	<u>\$ 6,461,714</u>	<u>\$ 6,732,901</u>
Contributions as a percentage of covered-employee payroll	n/a	4.28%	6.87%	7.31%	6.59%	8.01%
<b>Notes to Schedule</b>						
Valuation date:	June 30, 2015	June 30, 2017	June 30, 2017	June 30, 2019	June 30, 2019	June 30, 2019

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2019					
Actuarial Assumptions:						
Discount Rate	5.20%				5.20%	4.55%
Inflation	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%
Payroll Growth	3.25%	3.25%	3.25%	3.00%	3.00%	3.00%
Investment Rate of Return	5.00%				5.20%	4.55%
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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property tax	\$ 5,858,032	\$ 6,728,296	\$ 6,650,826	\$ (77,470)
Sales tax	3,699,000	4,358,000	4,929,001	571,001
Other tax	1,420,000	2,901,614	3,023,381	121,767
Licenses and permits	1,622,500	1,695,500	1,649,760	(45,740)
Fines and forfeitures	450,000	450,000	494,008	44,008
Use of money and property	583,000	384,000	180,697	(203,303)
Intergovernmental	1,690,000	1,701,904	1,887,488	185,584
Charges for services	2,957,084	1,477,826	1,598,564	120,738
Other revenues	517,500	343,500	127,376	(216,124)
	<u>18,797,116</u>	<u>20,040,640</u>	<u>20,541,101</u>	<u>500,461</u>
<b>EXPENDITURES:</b>				
Current:				
General government:				
Administration	3,198,728	3,202,728	2,385,797	816,931
Information technology	824,912	937,761	571,493	366,268
Non departmental	3,051,934	3,691,338	4,655,620	(964,282)
Library	916,058	860,514	778,084	82,430
Public safety:				
Police	6,306,681	7,334,483	7,028,692	305,791
Community development	3,761,867	2,432,965	1,694,485	738,480
Public works	1,679,989	1,835,073	2,269,939	(434,866)
Parks & recreation	1,729,786	1,722,179	1,724,105	(1,926)
Debt service:				
Principal	-	58,000	58,000	-
	<u>21,469,955</u>	<u>22,075,041</u>	<u>21,166,215</u>	<u>908,826</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(2,672,839)</u>	<u>(2,034,401)</u>	<u>(625,114)</u>	<u>1,409,287</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	5,025	5,025
Transfers in	2,175,000	1,425,000	1,772,757	347,757
Transfers (out)	(165,000)	(1,460,000)	(1,300,000)	160,000
	<u>2,010,000</u>	<u>(35,000)</u>	<u>477,782</u>	<u>512,782</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (662,839)</u>	<u>\$ (2,069,401)</u>	<u>(147,332)</u>	<u>\$ 1,922,069</u>
<b>BEGINNING FUND BALANCE, AS RESTATED</b>			<u>13,917,032</u>	
<b>ENDING FUND BALANCE</b>			<u>\$ 13,769,700</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Use of money and property	\$ 642,434	\$ 502,434	\$ 528,754	\$ 26,320
Other revenues	-	-	107,625	107,625
	<u>642,434</u>	<u>502,434</u>	<u>636,379</u>	<u>133,945</u>
<b>EXPENDITURES:</b>				
Current:				
General government	432,323	240,866	232,751	8,115
Debt service:				
Interest and other charges	-	-	250	(250)
	<u>432,323</u>	<u>240,866</u>	<u>233,001</u>	<u>7,865</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>210,111</u>	<u>261,568</u>	<u>403,378</u>	<u>141,810</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)	<u>(272,155)</u>	<u>(272,155)</u>	<u>(272,155)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(272,155)</u>	<u>(272,155)</u>	<u>(272,155)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ (62,044)</u></u>	<u><u>\$ (10,587)</u></u>	131,223	<u><u>\$ 141,810</u></u>
<b>BEGINNING FUND BALANCE</b>			<u>381,176</u>	
<b>ENDING FUND BALANCE</b>			<u><u>\$ 512,399</u></u>	

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**SUPPLEMENTARY INFORMATION**

CITY OF SAUSALITO  
GENERAL CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,154,674	\$ 552,314	\$ (602,360)
Use of money and property	-	821	821
Other revenue	1,493,280	882,389	(610,891)
Total Revenues	2,647,954	1,435,524	(1,212,430)
EXPENDITURES:			
Capital outlay	3,474,116	1,860,549	1,613,567
Total Expenditures	3,474,116	1,860,549	1,613,567
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(826,162)	(425,025)	401,137
OTHER FINANCING SOURCES (USES)			
Transfers in	2,200,000	2,225,000	25,000
Total Other Financing Sources (Uses)	2,200,000	2,225,000	25,000
NET CHANGE IN FUND BALANCE	\$ 1,373,838	1,799,975	\$ 426,137
BEGINNING FUND BALANCE (DEFICIT)		(738,403)	
ENDING FUND BALANCE		\$ 1,061,572	

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

### Debt Service Funds

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

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

### Capital Project Fund

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

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
<b>ASSETS</b>				
Cash and investments	\$ 35,704	\$ 6,871	\$ -	\$ 224,487
Restricted cash and investments	-	-	-	-
Receivables:				
Taxes receivables, net	-	-	-	-
Accounts receivable, net	-	-	-	-
Total Assets	\$ 35,704	\$ 6,871	\$ -	\$ 224,487
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 6,498	\$ 11,775	\$ -
Due to other funds	-	-	34,166	-
Total Liabilities	-	6,498	45,941	-
<b>FUND BALANCE</b>				
Restricted	35,704	373	-	224,487
Committed	-	-	-	-
Unassigned	-	-	(45,941)	-
Total Fund Balances	35,704	373	(45,941)	224,487
Total Liabilities and Fund Balances	\$ 35,704	\$ 6,871	\$ -	\$ 224,487



SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
\$ 279,865	\$ 74,158	\$ 160,290	\$ -	\$ 49,000	\$ 2,065
-	-	-	-	-	-
-	447	-	-	-	-
-	(572)	-	-	-	-
<u>\$ 279,865</u>	<u>\$ 74,033</u>	<u>\$ 160,290</u>	<u>\$ -</u>	<u>\$ 49,000</u>	<u>\$ 2,065</u>
\$ -	\$ -	\$ -	\$ 291	\$ -	\$ -
-	-	-	241,751	-	-
-	-	-	242,042	-	-
279,865	74,033	160,290	-	49,000	2,065
-	-	-	-	-	-
-	-	-	(242,042)	-	-
<u>279,865</u>	<u>74,033</u>	<u>160,290</u>	<u>(242,042)</u>	<u>49,000</u>	<u>2,065</u>
<u>\$ 279,865</u>	<u>\$ 74,033</u>	<u>\$ 160,290</u>	<u>\$ -</u>	<u>\$ 49,000</u>	<u>\$ 2,065</u>

(Continued)

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2022

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Capital Improvement</u>	
<b>ASSETS</b>				
Cash and investments	\$ 12,848	\$ -	\$ 108,703	\$ 953,991
Restricted cash and investments	998,918	-	-	998,918
Receivables:				
Taxes receivables, net	-	-	-	447
Accounts receivable, net	-	-	-	(572)
<b>Total Assets</b>	<b><u>\$ 1,011,766</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 108,703</u></b>	<b><u>\$ 1,952,784</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 18,564
Due to other funds	-	-	-	275,917
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>294,481</u></b>
<b>FUND BALANCE</b>				
Restricted	1,011,766	-	-	1,837,583
Committed	-	-	108,703	108,703
Unassigned	-	-	-	(287,983)
<b>Total Fund Balances</b>	<b><u>1,011,766</u></b>	<b><u>-</u></b>	<b><u>108,703</u></b>	<b><u>1,658,303</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,011,766</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 108,703</u></b>	<b><u>\$ 1,952,784</u></b>

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CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	47	-	(1)	315
Intergovernmental	-	-	166,312	-
Charges for services	-	-	-	180,717
Total Revenues	<u>47</u>	<u>-</u>	<u>166,311</u>	<u>181,032</u>
EXPENDITURES				
Current:				
Police	-	-	-	-
Public works	-	77,751	84,204	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>77,751</u>	<u>84,204</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>47</u>	<u>(77,751)</u>	<u>82,107</u>	<u>181,032</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	95,000	-	-
Transfers (out)	-	-	(75,000)	(275,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>95,000</u>	<u>(75,000)</u>	<u>(275,000)</u>
NET CHANGE IN FUND BALANCES	47	17,249	7,107	(93,968)
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	<u>35,657</u>	<u>(16,876)</u>	<u>(53,048)</u>	<u>318,455</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$ 35,704</u>	<u>\$ 373</u>	<u>\$ (45,941)</u>	<u>\$ 224,487</u>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
339	84	207	-	-	230
169,098	-	-	-	-	170,521
-	71,546	-	-	-	-
169,437	71,630	207	-	-	170,751
-	-	-	-	-	-
-	33,646	-	3,419	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	33,646	-	3,419	-	-
169,437	37,984	207	(3,419)	-	170,751
-	-	-	-	-	-
-	-	-	-	-	(675,000)
-	-	-	-	-	(675,000)
169,437	37,984	207	(3,419)	-	(504,249)
110,428	36,049	160,083	(238,623)	49,000	506,314
\$ 279,865	\$ 74,033	\$ 160,290	\$ (242,042)	\$ 49,000	\$ 2,065

(Continued)

CITY OF SAUSALITO  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Tideland Loan	Library Capital Improvement	
REVENUES				
Property tax	\$ 642,053	\$ -	\$ -	\$ 642,053
Use of money and property	1,151	-	140	2,512
Intergovernmental	-	-	-	505,931
Charges for services	-	-	-	252,263
	<u>643,204</u>	<u>-</u>	<u>140</u>	<u>1,402,759</u>
Total Revenues				
EXPENDITURES				
Current:				
Police	-	-	-	-
Public works	-	-	-	199,020
Debt service:				
Principal	525,000	57,901	-	582,901
Interest and other charges	136,988	14,254	-	151,242
	<u>661,988</u>	<u>72,155</u>	<u>-</u>	<u>933,163</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(18,784)</u>	<u>(72,155)</u>	<u>140</u>	<u>469,596</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	72,155	-	167,155
Transfers (out)	-	-	-	(1,025,000)
	<u>-</u>	<u>72,155</u>	<u>-</u>	<u>(857,845)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCES	(18,784)	-	140	(388,249)
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED	<u>1,030,550</u>	<u>-</u>	<u>108,563</u>	<u>2,046,552</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$ 1,011,766</u>	<u>\$ -</u>	<u>\$ 108,703</u>	<u>\$ 1,658,303</u>

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CITY OF SAUSALITO  
 BUDGETED NON-MAJOR FUNDS  
 SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDING JUNE 30, 2022

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	-	-	-	-	(1)	(1)
Intergovernmental	-	-	-	196,465	166,312	(30,153)
Charges for services	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,465</u>	<u>166,311</u>	<u>(30,154)</u>
EXPENDITURES						
Current:						
Public works	78,000	77,751	249	86,000	84,204	1,796
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total Expenditures	<u>78,000</u>	<u>77,751</u>	<u>249</u>	<u>86,000</u>	<u>84,204</u>	<u>1,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(78,000)</u>	<u>(77,751)</u>	<u>249</u>	<u>110,465</u>	<u>82,107</u>	<u>(28,358)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	95,000	95,000	-	-	-	-
Transfers (out)	-	-	-	(50,000)	(75,000)	(25,000)
Total Other Financing Sources (Uses)	<u>95,000</u>	<u>95,000</u>	<u>-</u>	<u>(50,000)</u>	<u>(75,000)</u>	<u>(25,000)</u>
NET CHANGES IN FUND BALANCES	<u>\$ 17,000</u>	17,249	<u>\$ 249</u>	<u>\$ 60,465</u>	7,107	<u>\$ (53,358)</u>
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED		<u>(16,876)</u>			<u>(53,048)</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$ 373</u>			<u>\$ (45,941)</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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	315	315	-	84	84	-	207	207
-	-	-	-	-	-	-	-	-
162,989	180,717	17,728	79,836	71,546	(8,290)	-	-	-
162,989	181,032	18,043	79,836	71,630	(8,206)	-	207	207
-	-	-	33,646	33,646	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	33,646	33,646	-	-	-	-
162,989	181,032	18,043	46,190	37,984	(8,206)	-	207	207
-	-	-	-	-	-	-	-	-
(275,000)	(275,000)	-	-	-	-	-	-	-
(275,000)	(275,000)	-	-	-	-	-	-	-
<u>\$(112,011)</u>	<u>(93,968)</u>	<u>\$ 18,043</u>	<u>\$ 46,190</u>	37,984	<u>\$ (8,206)</u>	<u>\$ -</u>	207	<u>\$ 207</u>
	<u>318,455</u>			<u>36,049</u>			<u>160,083</u>	
	<u>\$ 224,487</u>			<u>\$ 74,033</u>			<u>\$ 160,290</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, 2022

	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	-	-	-	-	230	230
Intergovernmental	5,000	-	(5,000)	143,907	170,521	26,614
Charges for services	-	-	-	-	-	-
Total Revenues	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>143,907</u>	<u>170,751</u>	<u>26,844</u>
EXPENDITURES						
Current:						
Public works	-	-	-	-	-	-
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>5,000</u>	<u>-</u>	<u>(5,000)</u>	<u>143,907</u>	<u>170,751</u>	<u>26,844</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	(675,000)	(675,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(675,000)</u>	<u>(675,000)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>\$ 5,000</u>	<u>-</u>	<u>\$ (5,000)</u>	<u>\$ (531,093)</u>	<u>(504,249)</u>	<u>\$ 26,844</u>
BEGINNING FUND BALANCES (DEFICITS), AS RESTATED		<u>49,000</u>			<u>506,314</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$ 49,000</u>			<u>\$ 2,065</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ 650,000	\$ 642,053	\$ (7,947)	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,151	1,151	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>650,000</u>	<u>643,204</u>	<u>(6,796)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
525,000	525,000	-	57,901	57,901	-
<u>138,276</u>	<u>136,988</u>	<u>1,288</u>	<u>14,254</u>	<u>14,254</u>	<u>-</u>
<u>663,276</u>	<u>661,988</u>	<u>1,288</u>	<u>72,155</u>	<u>72,155</u>	<u>-</u>
<u>(13,276)</u>	<u>(18,784)</u>	<u>(5,508)</u>	<u>(72,155)</u>	<u>(72,155)</u>	<u>-</u>
-	-	-	72,155	72,155	-
-	-	-	-	-	-
-	-	-	72,155	72,155	-
<u>\$ (13,276)</u>	<u>(18,784)</u>	<u>\$ (5,508)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
	<u>1,030,550</u>			<u>-</u>	
	<u>\$ 1,011,766</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. This fund was closed as of June 30, 2022.

**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. This fund was closed as of June 30, 2022.

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

CITY OF SAUSALITO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2022

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ -	\$ 720,615	\$ -	\$ 483,235	\$ 1,203,850
Total current assets	-	720,615	-	483,235	1,203,850
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	-	-	-	-	-
Total noncurrent assets	-	-	-	-	-
Total Assets	-	720,615	-	483,235	1,203,850
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	-	42,104	-	123,993	166,097
Claims payable - due within one year	-	222,350	-	138,666	361,016
Total current liabilities	-	264,454	-	262,659	527,113
Noncurrent liabilities					
Claims payable, due in more than one year	-	456,161	-	208,861	665,022
Total noncurrent liabilities	-	456,161	-	208,861	665,022
Total Liabilities	-	720,615	-	471,520	1,192,135
<b>NET POSITION</b>					
Net investment in capital assets	-	-	-	-	-
Unrestricted	-	-	-	11,715	11,715
Total Net Position	\$ -	\$ -	\$ -	\$ 11,715	\$ 11,715

CITY OF SAUSALITO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Operating and other revenue	\$ -	\$ 72,298	\$ -	\$ 361,187	\$ 433,485
Total Operating Revenues	<u>-</u>	<u>72,298</u>	<u>-</u>	<u>361,187</u>	<u>433,485</u>
<b>OPERATING EXPENSES</b>					
Other operating expenses	<u>-</u>	<u>774,557</u>	<u>-</u>	<u>361,287</u>	<u>1,135,844</u>
Total Operating Expenses	<u>-</u>	<u>774,557</u>	<u>-</u>	<u>361,287</u>	<u>1,135,844</u>
Operating Income (Loss)	-	(702,259)	-	(100)	(702,359)
<b>NONOPERATING REVENUE (EXPENSES)</b>					
Interest revenue	<u>-</u>	<u>1,054</u>	<u>-</u>	<u>100</u>	<u>1,154</u>
Total nonoperating revenue	<u>-</u>	<u>1,054</u>	<u>-</u>	<u>100</u>	<u>1,154</u>
Income before transfers	-	(701,205)	-	-	(701,205)
<b>TRANSFERS</b>					
Transfer of capital assets	(78,195)	-	-	-	(78,195)
Residual equity transfer to General Fund	<u>(281,715)</u>	<u>-</u>	<u>(66,042)</u>	<u>-</u>	<u>(347,757)</u>
Transfers, net	<u>(359,910)</u>	<u>-</u>	<u>(66,042)</u>	<u>-</u>	<u>(425,952)</u>
Change in Net Position	(359,910)	(701,205)	(66,042)	-	(1,127,157)
BEGINNING NET POSITION	<u>359,910</u>	<u>701,205</u>	<u>66,042</u>	<u>11,715</u>	<u>1,138,872</u>
ENDING NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,715</u>	<u>\$ 11,715</u>

CITY OF SAUSALITO  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Vehicle Replacement</u>	<u>Workers Compensation</u>	<u>Employee Benefits</u>	<u>General Liability</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from (refunds of) interdepartmental charges	\$ -	\$ 72,298	\$ -	\$ 361,187	\$ 433,485
Payment to suppliers	-	(538,557)	-	(112,053)	(650,610)
Cash Flows Provided by (Used for) Operating Activities	-	(466,259)	-	249,134	(217,125)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers (out)	(281,714)	-	(66,042)	-	(347,756)
Cash Flows Used for Capital and Related Financing Activities	(281,714)	-	(66,042)	-	(347,756)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest receipts	-	1,054	-	100	1,154
Net Cash Flows	(281,714)	(465,205)	(66,042)	249,234	(563,727)
Cash and investments at beginning of period	281,714	1,185,820	66,042	234,001	1,767,577
Cash and investments at end of period	<u>\$ -</u>	<u>\$ 720,615</u>	<u>\$ -</u>	<u>\$ 483,235</u>	<u>\$ 1,203,850</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ -	\$ (702,259)	\$ -	\$ (100)	\$ (702,359)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Change in assets and liabilities:					
Accounts payable	-	28,506	-	115,230	143,736
Claims payable	-	207,494	-	134,004	341,498
Cash Flows from Operating Activities	<u>\$ -</u>	<u>\$ (466,259)</u>	<u>\$ -</u>	<u>\$ 249,134</u>	<u>\$ (217,125)</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, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2023. Our report included emphasis of matters paragraphs disclosing the implementation of a new accounting standard and the restatement of net positions and fund balances.

***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated March 16, 2023, which is an integral part of our audit and should be read in conjunction with this report.

### ***Compliance and Other Matters***

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

We have also issued a separate Memorandum on Internal Control dated March 16, 2023, 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 dated March 16, 2023, 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  
March 16, 2023