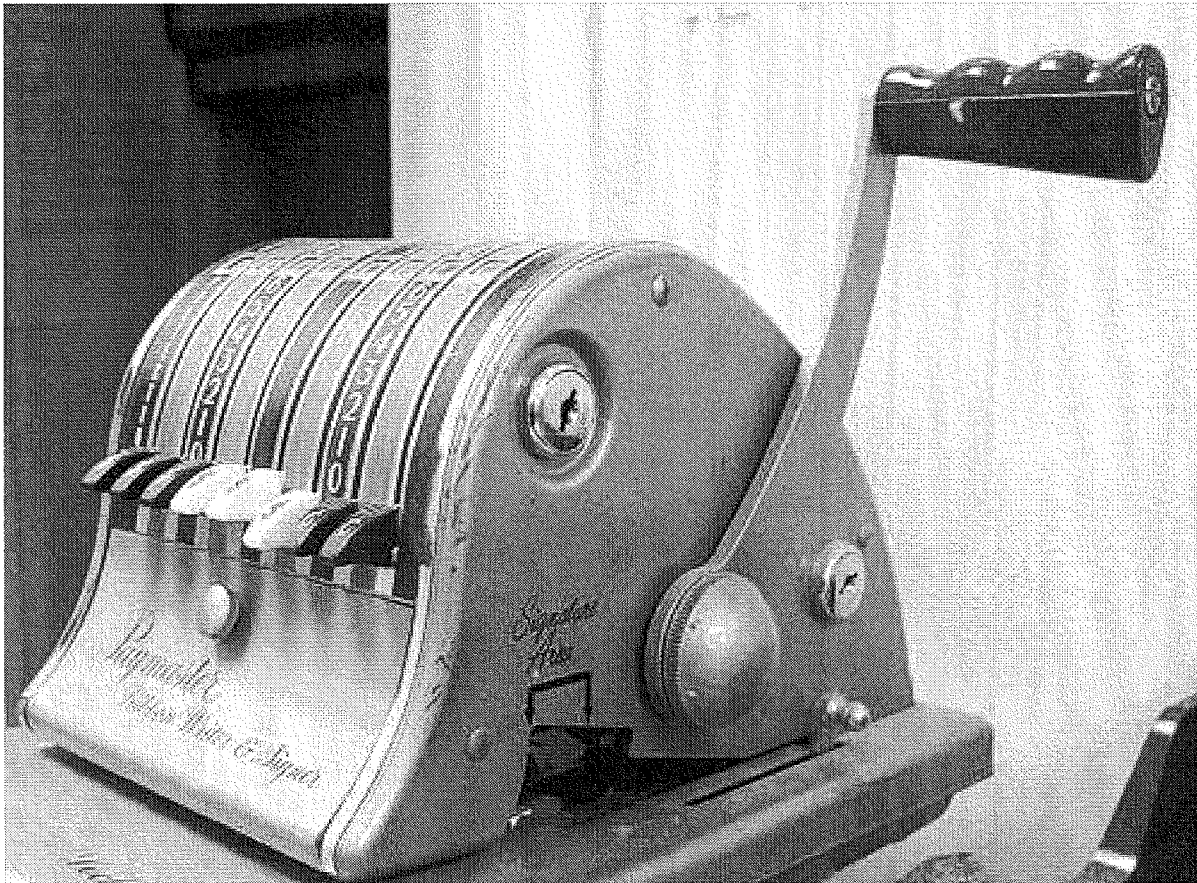


City of Sausalito California

Comprehensive Annual Financial Report



For the Year Ended
June 30, 2009

CITY OF SAUSALITO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009



Prepared by:
Finance Department

~~_____~~
~~_____~~

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2009
Table of Contents

INTRODUCTORY SECTION:

Table of Contents i
Letter of Transmittal v
Organization Chart viii
Elected Officials and Appointed Officials ix

FINANCIAL SECTION:

Independent Auditor’s Report 1
Management’s Discussion and Analysis 3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets 18
Statement of Activities 19

Fund Financial Statements:

Major Governmental Funds:

Balance Sheet..... 22
Reconciliation of the Governmental Funds – Balance Sheet with
the Statement of Net Assets 23
Statement of Revenues, Expenditures, and Changes in Fund Balances 24
Reconciliation of the Net Change in Fund Balances – Total Governmental
Funds with the Statement of Activities 25

Major Proprietary Funds:

Statement of Net Assets 28
Statement of Revenue, Expenses and Changes in Fund Net Assets 29
Statement of Cash Flows..... 30

CITY OF SAUSALITO

Comprehensive Annual Financial Report
For the Year Ended June 30, 2009
Table of Contents

FINANCIAL SECTION (Continued):

Fiduciary Funds:

Statement of Fiduciary Net Assets..... 32

Notes to Financial Statements..... 33

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:

General Fund..... 67

Tidelands Special Revenue Fund..... 68

Notes to Required Supplementary Information..... 69

Supplemental Information:

Non-major Governmental Funds:

Combining Balance Sheets 74

Combining Statements of Revenues, Expenditures, and Changes
in Fund Balances..... 78

Combining Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual 82

Internal Service Funds

Combining Statement of Net Assets 90

Combining Statements of Revenues, Expenses and Changes in Fund Net Assets 91

Combining Statements of Cash Flows..... 92

Agency Funds:

Combining Statement of Changes in Assets and Liabilities..... 94

CITY OF SAUSALITO

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2009
Table of Contents**

STATISTICAL SECTION

Financial Trends

Net Assets by Component..... 98
Changes in Net Assets..... 100
Fund Balances of Governmental Funds..... 102
Changes in Fund Balance of Governmental Funds 104

Revenue Capacity

Assessed Value of Taxable Property 106
Property Tax Rates – All Overlapping Governments..... 107
Principal Property Taxpayers..... 108
Property Tax Levies and Collections..... 109

Debt Capacity

Ratio of Outstanding Debt by Type..... 110
Ratio of General Bonded Debt Outstanding..... 111
Computation of Direct and Overlapping Debt 112
Computation of Legal Bonded Debt Margin..... 113

Demographic and Economic Information

Demographic and Economic Statistics 114
Principal Employers 115

Operating Information

Authorized Permanent Staffing City Government Employees by Function..... 116
Operating Indicators by Function/Program 117
Capital Asset Statistics by Function/Program 118



CITY OF SAUSALITO

420 Litho Street * Sausalito, CA 94965
Telephone: (415) 289-4100
www.ci.sausalito.ca.us

Date: 30 November, 2009

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

State law requires that every general-purpose government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2009.

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

Maze & Associates, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sausalito's financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

FAX NUMBERS:

Administration: (415) 289-4167
Recreation: (415) 289-4189

Community Development: (415) 339-2256

Library: (415) 331-7943
Public Works: (415) 289-4138

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

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

Local Economy

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

Because of its location in the San Francisco-Bay Area region, property tax remains the single largest source of municipal revenue, followed by sales tax, transient occupancy tax, municipal parking lot operation, and property rentals. Property tax growth in the City has averaged 6 percent per year since 1997-98. This growth is largely due to property sales at increasing values and reassessment from construction. With the decline in the overall housing market, it is anticipated that ongoing increases in property tax will grow at slightly less rates of increase. The general retail and business-to-business sectors of the City's sales tax base, are experiencing declines in economic activity while the remaining sectors, especially restaurant sales, are projected to remain relatively at the same level in the foreseeable future. Transient occupancy taxes have declined from prior years and are a direct reflection of the slowdown in the national economy.

During the past five-year period, the City's expenses have shown a significant increase for employee retirement and benefits cost, and it is projected that this trend will continue.

Long-term financial planning

Unreserved, undesignated fund balance in the general fund (14.4 percent of total general fund expenditures) is above the policy guidelines (5 percent of total general fund expenditures) set by the Council for budgetary and planning purposes. To enhance the economic base and improve city revenue, a business advisory committee was appointed by the Council for the purpose of evaluating the local economy and making

recommendations on how to promote the economic health of the business community in the City... Discussion is on-going by six business vision action committees.

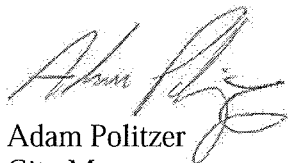
Major initiatives

It is expected that the construction of the new police building and fire station will conclude by the spring/summer of 2010. The construction costs are being paid for by the \$15.5 million of general obligation bonds approved by the citizens of the City and sold in December 2006.

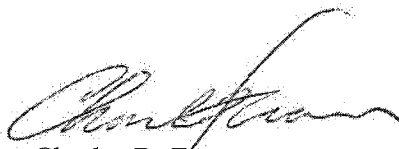
Acknowledgements

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

Respectfully submitted,

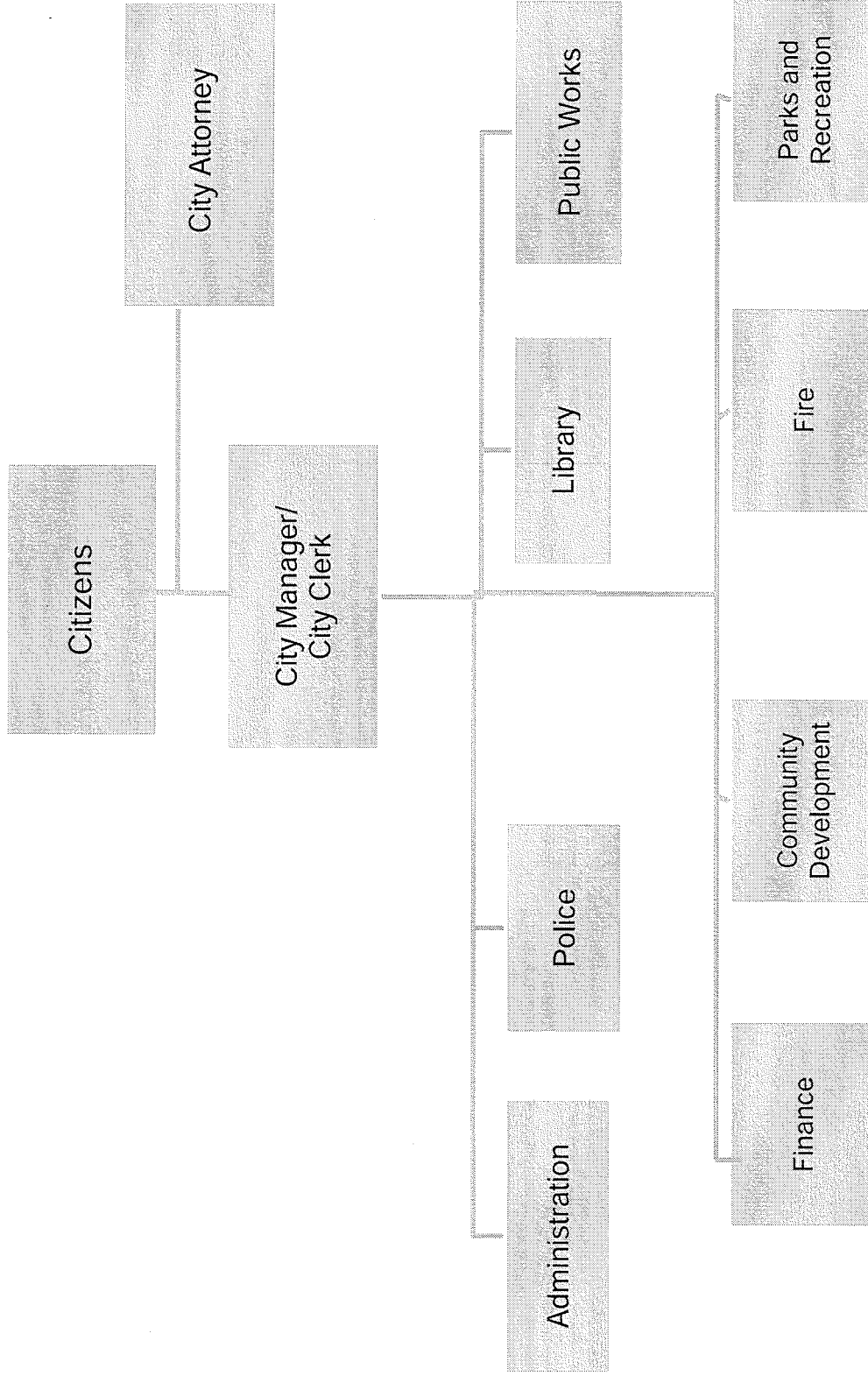


Adam Politzer
City Manager



Charles D. Francis
Administrative Services Director/Treasurer

City of Sausalito Organization Chart



City of Sausalito
List of Elected and Appointed Officials
June 30, 2009

Elected Officials

Mayor	Jonathan Leone
Vice Mayor	Herb Weiner
Council Member	Amy Belser
Council Member	D. Michael Kelly
Council Member	Linda Pfeifer

Appointed Officials

City Manager	Adam Politzer
Administrative Services Director/Treasurer	Charlie Francis
Chief of Police	Scott Paulin
City Attorney	Mary Wagner
City Librarian	Mary Richardson
Community Development Director	Jeremy Graves
Parks & Recreation Director	Mike Langford
Public Work Director	Jonathon Goldman

INDEPENDENT AUDITOR'S REPORT

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sausalito, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the basic financial statements referred to above present fairly in all material respects the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sausalito at June 30, 2009 and changes in the financial position and cash flows, where applicable thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As described in Note 9, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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

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

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

Maze & Associates

September 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sausalito, we offer to the readers of the City of Sausalito's financial statements this narrative overview and analysis of the financial activities of the City of Sausalito for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-vii of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Sausalito exceeded its liabilities at the close of the most recent fiscal year by \$48,204,847 (*net assets*). Of this amount, \$10,629,180 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,447,038. A significant portion of this increase is a result of the \$1,342,811 in net revenues earned from the business-type activity, the Parking Fund, and then transferred as an Operating Transfer to the City's General Fund.
- As of the close of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$28,592,918, a decrease of \$2,318,148 in comparison with the prior year. This decrease in fund balances is a result of budgeted and planned capital projects spending in the Public Safety Building Fund from previously issued general obligation bonds; and offset by surpluses in the City's General Fund, Tidelands Fund and other Governmental Funds. Of the \$28,592,918 in combined ending fund balances, approximately 9.9 percent or \$2,836,037 is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$1,775,993, or 14.4 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 18-19 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 18-62 of this report.

Proprietary funds. The City of Sausalito maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sausalito uses enterprise funds to

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

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

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

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

The basic fiduciary fund financial statements can be found on page 32 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 33-62 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 67-69 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 74-92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sausalito, assets exceeded liabilities by \$48,204,847 at the close of the most recent fiscal year.

By far the largest portion of the City of Sausalito's net assets (64.5 percent) reflects its investment in capital assets (e.g., land, buildings, machine, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Sausalito uses capital

assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sausalito's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sausalito's Net Assets

City of Sausalito's Net Assets						
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	35,716,579	36,832,536	(618,484)	(502,586)	35,098,095	36,329,950
Capital assets	26,576,927	22,745,070	11,860,294	11,936,569	38,437,221	34,681,639
Total assets	62,293,506	59,577,606	11,241,810	11,433,983	73,535,316	71,011,589
Long-term liabilities outstanding	17,700,403	17,545,664	3,107,675	3,676,635	20,808,078	21,222,299
Other liabilities	3,870,163	2,682,689	652,228	348,792	4,522,391	3,031,481
Total liabilities	21,570,566	20,228,353	3,759,903	4,025,427	25,330,469	24,253,780
Net Assets:						
Invested in capital assets, net of related debt	22,780,292	22,219,842	8,752,619	8,259,934	31,532,911	30,479,776
Restricted	6,042,756	5,500,248	-	-	6,042,756	5,500,248
Unrestricted	11,899,892	11,629,163	(1,270,712)	(851,378)	10,629,180	10,777,785
Total net assets	40,722,940	39,349,253	7,481,907	7,408,556	48,204,847	46,757,809

\$6,042,756 of the City of Sausalito's net assets (12.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,629,180 may be used to meet the government's ongoing obligations to citizens and creditors.

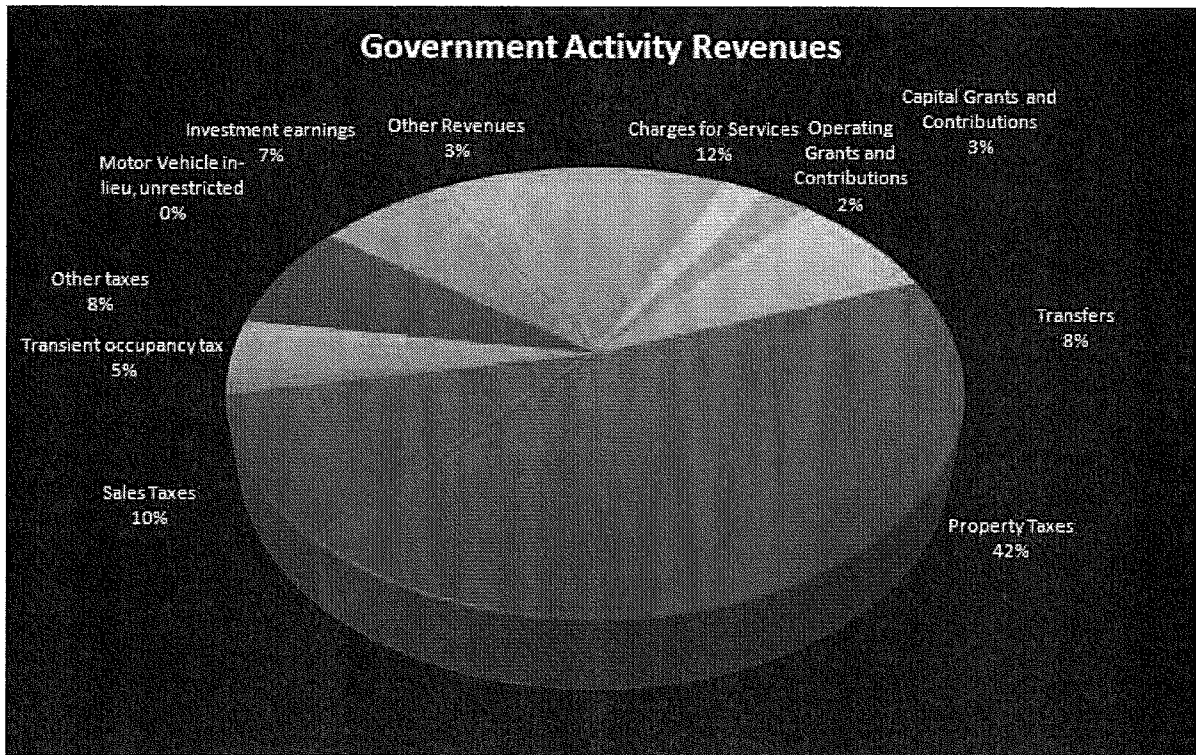
At the end of the current fiscal year, the City of Sausalito is able to report positive balances for all three categories of net assets (net investment in capital assets, restricted and unrestricted net assets) net assets related to governmental activities, but for business-type activities there are no restricted net assets, leaving unrestricted net assets negative. The same situation held true for the prior fiscal year.

The \$(1,270,712) unrestricted net asset reported in connection with the City of Sausalito's business-type activities resulted from the MLK acquisition and operation funded through long-term borrowings and advances from General Fund.

The City's net assets increased \$1,447,038 during the current fiscal year. The increase reflects the operating results of the governmental and business-type activities as summarized below.

City of Sausalito's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	1,940,202	2,066,212	3,881,773	3,697,439	5,821,975	5,763,651
Operating grants and contributions	347,043	291,314		-	347,043	291,314
Capital grants and contributions	411,134	857,212		-	411,134	857,212
General revenues:						
Taxes	10,778,660	10,927,674		-	10,778,660	10,927,674
Investment earnings	1,077,455	1,472,122	74,120	173,837	1,151,575	1,645,959
Other revenues	555,674	802,791	65,100	68,879	620,774	871,670
Total revenues	15,110,168	16,417,325	4,020,993	3,940,155	19,131,161	20,357,480
Expenses:						
General government	2,460,907	2,305,440		-	2,460,907	2,305,440
Library	648,827	608,786		-	648,827	608,786
Public safety:						
Police services	4,121,184	3,726,214		-	4,121,184	3,726,214
Fire services	2,958,736	2,683,513		-	2,958,736	2,683,513
Community development	1,065,522	1,047,188		-	1,065,522	1,047,188
Public works	2,286,057	1,833,162		-	2,286,057	1,833,162
Parks & Recreation	564,938	487,822		-	564,938	487,822
Interest on long-term debt	932,685	751,082		-	932,685	751,082
Sewer			1,478,463	678,833	1,478,463	678,833
Old City Hall			65,692	72,648	65,692	72,648
MLK			881,738	954,757	881,738	954,757
Parking			219,374	191,870	219,374	191,870
Total expenses	15,038,856	13,443,207	2,645,267	1,898,108	17,684,123	15,341,315
Increase in net assets before transfers	71,312	2,974,118	1,375,726	2,042,047	1,447,038	5,016,165
Transfers	1,302,375	1,220,375	(1,302,375)	(1,220,375)	-	-
Increase in net assets	1,373,687	4,194,493	73,351	821,672	1,447,038	5,016,165
Net assets - Beginning	39,349,253	35,154,760	7,408,556	6,586,884	46,757,809	41,741,644
Net assets - Ending	40,722,940	39,349,253	7,481,907	7,408,556	48,204,847	46,757,809

Governmental activities. Governmental activities increased the City of Sausalito's net assets by \$1,376,687, thereby accounting for approximately 95 percent of the total growth in the net assets of the City of Sausalito. The following chart depicts the City's government-activities revenues:



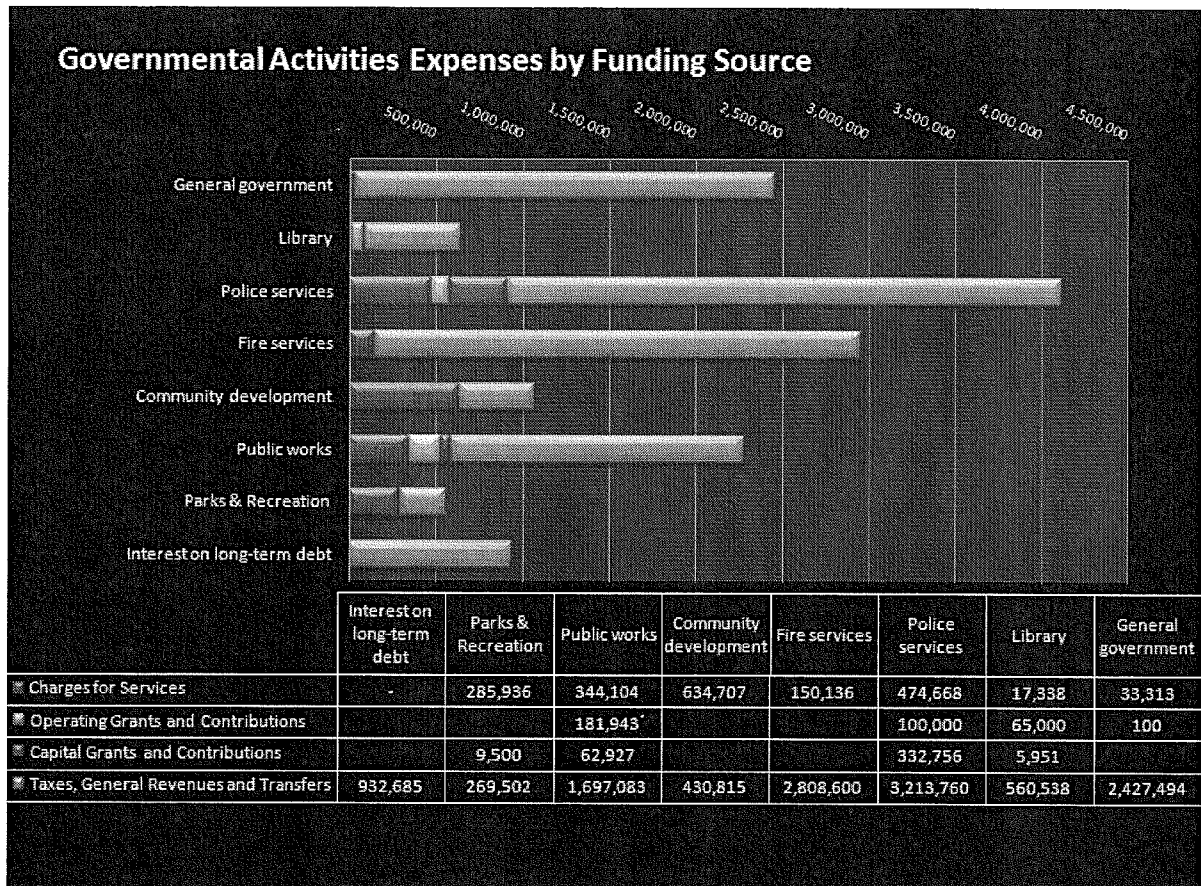
Key observations of Government Activity Revenues are as follows:

- Property taxes remained relatively stable from the previous fiscal year increasing only \$1,643. Property taxes are 42.3 percent of the City's total government activity revenues. Property taxes are generally inelastic and provide the City a stable revenue source to meet its ongoing levels of service that cannot be funded through charges, and operating and capital grants.
- Sales taxes remained relatively flat through the fiscal year despite being elastic and reflective to local economic conditions. One reason for sales taxes increasing only \$12,619 over the previous fiscal year is that the State Board of Equalization had mis-allocated sales tax from a taxpaying business outside the City's jurisdiction. If the Board had properly allocated the tax, the City would have experienced a decrease in sales taxes. The Board has subsequently corrected the mis-allocation during fiscal year ending June 30, 2010 and going forward.
- Transient occupancy taxes declined \$145,867 or 14.5% during the fiscal year as a result of the slowing economy.
- Investment earnings declined \$394,667 or 26.8% during the fiscal year as a result of two factors:
 - A smaller portfolio to invest because over \$4 million in proceeds from the general obligation bonds were converted to capital investment in infrastructure
 - The recession and stock market shocks resulted in the reduction of the FED discount rate severely reducing yields. The City maintains a very conservative

portfolio and accordingly did not lose any principal, only yield was reduced from the prior fiscal year.

- Operating grants and contributions increased by \$55,729 during the year; however capital grants and contributions decreased by \$446,078 due to a one-time capital grant during the prior fiscal year.
- Other government activity revenues decreased \$247,117 due to the recognition of one-time deferred revenues in the fiscal prior year.
- Charges for government activity services decreased \$126,010 due to the recession's impact on local construction, planning and development permits as well as recreation activities.
- Transfers in to government activity funds from business activity funds represent 7.9% of the government activity's revenue base. These transfer increased \$82,000 from the prior fiscal year recognizing the repayment of interest from the MLK fund to the City's General Fund.

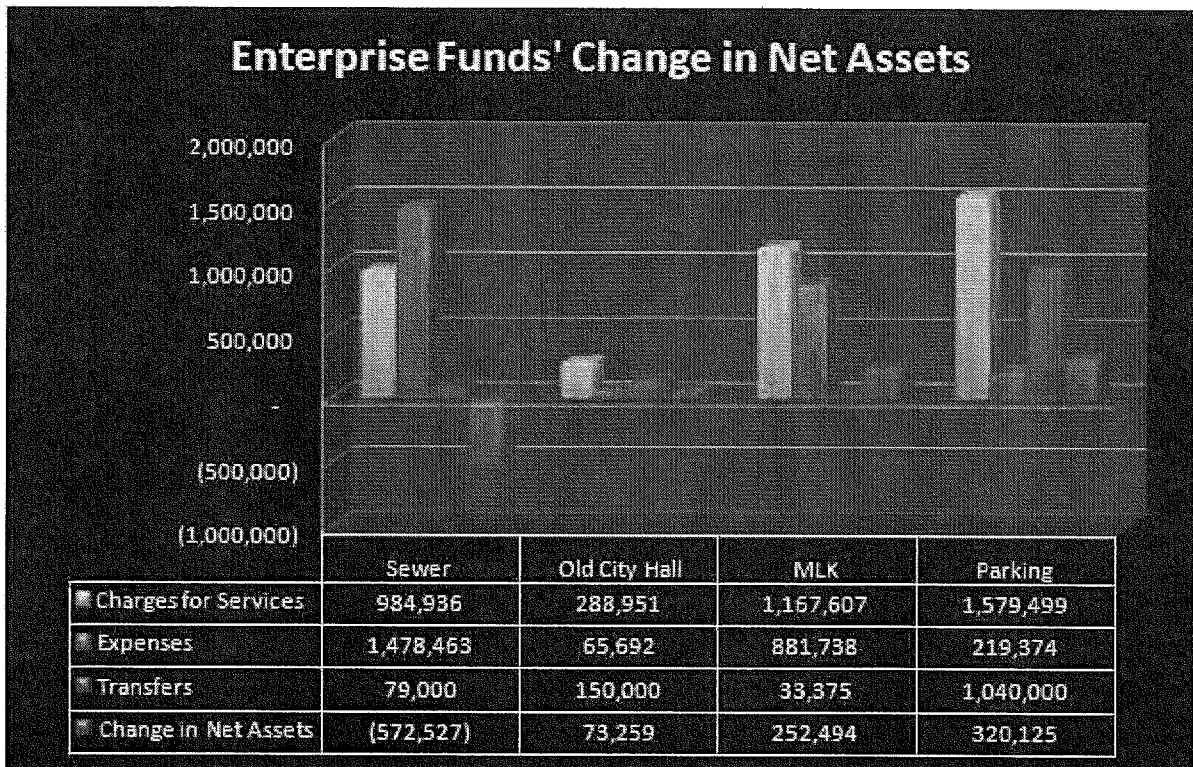
The following chart depicts the City's departmental expenses as each department is funded through charges for services, operating and capital grants and finally through general taxes and revenues:



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

- increases in Government Activity Expenses were mostly due to the following factors:
 - Increase to expenses related to the implementation of GASB 45 where the City had to recognize in its entity-wide financial statements for the unfunded liability resulting from Other Post Employment Benefits in the amount of \$442,746;
 - Increase in Salary expenses related to negotiated raises with bargaining units;
 - Increase in payroll expenses due to increases in PERS contribution rates and workers compensation insurance premiums; and
 - Increase in departmental expenses related to the City achieving and maintaining relatively full personnel staffing throughout the fiscal year.
- Interest on long-term debt increased by \$181,603 (24.2 percent) over the prior fiscal year. The increase was due to a full year of general obligation bonds' debt service compared to the previous fiscal year when less than a full year of debt service was scheduled.

Business-type activities. Business-type activities increased the City of Sausalito's net assets by \$73,351, accounting for 5 percent of the total growth in the government's net assets. The following chart depicts the operating results of the City's business-type activities:



Key elements of this increase are as follows:

- MLK Fund increased by \$252,494 during the year. The increase is consistent with the prior year and primarily due to full occupancy of the property and managing utilities and repairs operating expense at normal levels.
- Sewer Fund decreased by \$572,527 during the year. The decrease is primarily due to mandated professional services expenses and the costs due to required and emergency repairs associated with a settlement agreement and fulfillment with an EPA Compliance Order.
- Parking Fund increased by \$320,125 during the year. The increase is primarily due to increased revenues.
- The Old City Hall Fund increased net assets by \$73,351 consistent with prior years' results and current year projections.

Financial Analysis of the City's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, the City of Sausalito's governmental funds reported combined ending fund balances of \$28,592,918, a decrease of \$2,318,148 in comparison with the prior year. Approximately 8.7 percent of this total amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for 1) to build two new public safety buildings (\$13,157,571), 2) to pay debt service (\$297,702), 3) to pay for general capital improvement projects (\$1,346,189), or 4) to pay for other designated or restricted purposes.

General Fund The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,775,993, while total fund balance reached \$8,224,377. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 14.4 percent of the total general fund expenditures, while total fund balance represents 66.8 percent of that same amount.

The fund balance of the City of Sausalito's general fund increased by \$1,073,686 during the current fiscal year. Primarily because transfers-in from other funds exceeded transfers-out by \$924,428 during the year.

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a total fund balance of \$2,553,414, an increase of \$165,190, or 6.9 percent, over the previous fiscal year.

Public Safety Buildings Capital Projects Fund has a total fund balance of \$11,017,789, all of which is reserved for the construction of a police building and a fire station. The pre-construction costs to-date has been paid for through some private donations and a \$1,132,000 advance from general capital project fund. \$15.5 million general obligation bond sale was approved by the citizens of Sausalito in August of 2006 to pay for the construction.

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

Unrestricted net assets of the sewer fund amounted to \$2,186,758 which is available for ongoing maintenance and repair projects. The City conducted a new rate study in 2008, and under the protocols established by California Government code, enacted new Sewer rates effective July 1, 2009.

General Fund Budgetary Highlights

During the year there was a \$164,564 increase in appropriations between the original and final amended budget. Following are the main components of the decrease:

Department	Mid Year Expenditure Projections			
	Budget	Projected	Supplemental Appropriation Needed	% of Budget
Admin. and Finance	\$1,045,560	\$1,045,560	\$-0-	100.0%
Inform. Tech.	422,256	422,256	-0-	100.0%
Planning	544,548	544,548	-0-	100.0%
Building	453,423	453,423	-0-	100.0%
Engineering	233,851	233,851	-0-	100.0%
Non- Departmental	1,148,318	1,155,018	6,700	100.6%
Police	3,886,721	3,886,721	-0-	100.0%
Fire	2,957,702	3,087,780	130,078	104.4%
Public Works	1,359,063	1,359,063	-0-	100.0%
Recreation	564,951	564,951	-0-	100.0%
Library	631,361	659,147	27,786	104.4%
Total Expenditures	\$13,257,755	\$13,422,318	\$164,564	101.24%

The increase was funded with increases in anticipated revenues.

Capital Assets and Debt Administration

Capital assets. The City of Sausalito's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to \$38,437,221 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. The increase in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase in construction-in-progress. This is due to the ongoing construction of the police building and fire station financed through the general obligation bonds issued and sold in November 2006.

City of Sausalito's Capital Assets						
<i>(net of depreciation)</i>						
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,002	18,810,663	18,810,664
Construction in progress	6,075,045	1,527,667			6,075,045	1,527,667
Building and improvements	380,450	404,963	3,627,101	3,727,122	4,007,551	4,132,085
MLK Bus Barn			214,505	220,005	214,505	220,005
Vehicles and equipment	611,583	632,111	234,711	74,725	846,294	706,836
Machinery and equipment	142,322	249,390			142,322	249,390
Infrastructure	4,352,865	4,916,276	3,987,976	4,118,715	8,340,841	9,034,991
Total	26,576,927	22,745,069	11,860,294	11,936,569	38,437,221	34,681,638

Additional information about the City's capital assets can be found in Note. 5 on pages 44-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$20,808,078.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Short-term debt	982,307	1,066,401			982,307	1,066,401
Notes payable	16,354,939	16,048,693			16,354,939	16,048,693
Capital leases	363,157	430,570	3,107,675	3,676,635	3,470,832	4,107,205
Total	17,700,403	17,545,664	3,107,675	3,676,635	20,808,078	21,222,299

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

For more detailed information on the City's Long-term debt see Note 6 on pages 48-52 in this report.

Economic Factors and Future Years' Budgets

National, State and Local Economic Recoveries

At the date of publication of this report, the U.S. economy is in recovery. The U.S. Commerce Department's Bureau of Economic Analysis on October 29, 2009 announced that it estimated gross domestic product growth in third period of 2009 period at 3.5 percent, annualized. However, while rising consumer demand did have a strong role in the uptick, observers have been quick to point out that it is an unsustainable surge. It's hard to argue with that logic, given that Thursday's news was clear evidence that the U.S. stimulus programs have been having an impact. Stimulus packages aren't designed to replace a real recovery; they are intended to push government spending into a stagnant economy to kick-start confidence and get more money flowing through the system. The recovery process will

require a sustained uptick in consumer spending, investor and consumer confidence -- and, of course, job growth.

California should show some semblance of economic growth in the 4th quarter of this year and surely by March of 2010. There is going to be a lag from the US recovery due to the unique problems facing California, resulting from the lack of (1) restraint on public spending and (2) a rainy day fund. Recently the state legislature has made tens of billions of dollars of budget cuts that will impact public sector employment and services.

The public sector aside, no net gain in private sector employment is forecast for the coastal economies for the next 9 months. Job creation actually resumes in the late spring of 2010, appears more convincing in 2011 and is more "regular" in 2012. A normal labor market is necessary for a more normal housing market to occur.

The housing sector needs to rebound because it represents a large engine of economic activity in California. As housing expands so will the general economy.

The City of Sausalito experiences geo-economic benefits from: its unique residential community blended with "charm" to its commercial and industrial sectors; and world-class scenic tourist base. This yields a more stable tax and revenue base than other California cities experiencing severe economic stress, structural imbalances, and non-sustainable budget policies. Sausalito's economic decline was mild and lagged the state and the nation. In a similar fashion, Sausalito's recovery will respectively be moderate and lag the state and nation.

Future Years Budgets

Therefore, there is continuing uncertainty regarding City revenues for the coming fiscal year and beyond. The city closely monitoring its tax base. Property taxes comprise 52% of the General Fund revenues and it appears that this will remain a stable source of revenue into the coming year. Other City taxes, such sales and transient occupancy taxes, are more elastic and dependent on the national, state and local economies.

The City must maintain a certain capacity to serve its citizens. Therefore, revenues generated from applications for planning, community development and construction review permits, similar to fees generated by recreation activities, and other charges for services are not fully recovering all of the costs to provide the associated services, during slow economic periods. With a lagging recovery, there will be some slight improvement in cost recovery for the City.

This is not to say that there are not potential economic challenges ahead. The global and national economy faces numerous economic pitfalls. California's state budget is still structurally unsound and faces political challenges as well. Finally, although the City expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures, there are looming obstacles to achieve fiscal sustainability and resilience: funding other post employment benefits, unsustainable employer contributions to the CalPERS retirement plan resulting from the severe stock market shock, the rising costs of workers compensation insurance, escalating expenses for medical insurance, etc., are all factors that are largely beyond the City's ability to control, and remain a major impediment to continuing to provide the current level of services and meeting Sausalito's capital infrastructure needs.

Requests for Information

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

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

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$15,601,928	\$5,342,685	\$20,944,613
Restricted cash (Note 2)	13,450,726		13,450,726
Receivables:			
Taxes receivables, net	213,257	971	214,228
Accounts receivable, net	290,644	20,625	311,269
Loans receivable (Note 4)	8,964		8,964
Internal balances (Note 3C)	6,007,890	(6,007,890)	
Prepays	143,170		143,170
Unamortized issuance costs		25,125	25,125
Capital assets (Note 5):			
Land and construction in progress	21,089,707	3,796,001	24,885,708
Depreciable, net of accumulated depreciation	5,487,220	8,064,293	13,551,513
Total Assets	62,293,506	11,241,810	73,535,316
LIABILITIES			
Accounts payable	1,231,517	370,784	1,602,301
Accrued interest payable	189,643	143,883	333,526
Accrued salaries and benefits	141,551		141,551
Compensated absences (Note 1H)			
Due within one year	455,986	5,441	461,427
Due in more than one year	85,751		85,751
Claims payable (Note 10):			
Due within one year	227,668		227,668
Due in more than one year	544,258		544,258
Refundable deposits	436,996	132,120	569,116
Unearned revenue	114,047		114,047
Net OPEB obligation (Note 9)	442,746		442,746
Long-term debt (Note 6):			
Due within one year	257,337	609,442	866,779
Due in more than one year	17,443,066	2,498,233	19,941,299
Total Liabilities	21,570,566	3,759,903	25,330,469
NET ASSETS (Note 11):			
Invested in capital assets, net of related debt	22,780,292	8,752,619	31,532,911
Restricted for:			
Special revenue programs	5,749,601		5,749,601
Debt service	293,155		293,155
Total Restricted Net Assets	6,042,756		6,042,756
Unrestricted	11,899,892	(1,270,712)	10,629,180
Total Net Assets	\$40,722,940	\$7,481,907	\$48,204,847

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$2,460,907	\$33,313	\$100		(\$2,427,494)		(\$2,427,494)
Library	648,827	17,338	65,000	\$5,951	(560,538)		(560,538)
Public safety:							
Police services	4,121,184	474,668	100,000	332,756	(3,213,760)		(3,213,760)
Fire services	2,958,736	150,136			(2,808,600)		(2,808,600)
Community development	1,065,522	634,707			(430,815)		(430,815)
Public works	2,286,057	344,104	181,943	62,927	(1,697,083)		(1,697,083)
Parks & recreation	564,938	285,936		9,500	(269,502)		(269,502)
Interest on long-term debt	932,685				(932,685)		(932,685)
Total Governmental Activities	15,038,856	1,940,202	347,043	411,134	(12,340,477)		(12,340,477)
Business-type Activities:							
MLK	881,738	1,085,872				\$204,134	204,134
Sewer	1,478,463	947,717				(530,746)	(530,746)
Parking	219,374	1,562,185				1,342,811	1,342,811
Old City Hall	65,692	285,999				220,307	220,307
Total Business-type Activities	2,645,267	3,881,773				1,236,506	1,236,506
Total	\$17,684,123	\$5,821,975	\$347,043	\$411,134	(12,340,477)	1,236,506	(11,103,971)
General revenues:							
Taxes:							
Property taxes					6,950,008		6,950,008
Sales taxes					1,693,752		1,693,752
Transient occupancy tax					860,117		860,117
Other taxes					1,249,265		1,249,265
Motor vehicle in-lieu, unrestricted					25,518		25,518
Investment earnings					1,077,455	74,120	1,151,575
Other revenues					555,674	65,100	620,774
Transfers (Note 3A)					1,302,375	(1,302,375)	
Total general revenues and transfers					13,714,164	(1,163,155)	12,551,009
Change in Net Assets					1,373,687	73,351	1,447,038
Net Assets-Beginning					39,349,253	7,408,556	46,757,809
Net Assets-Ending					\$40,722,940	\$7,481,907	\$48,204,847

See accompanying notes to financial statements

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 2009. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

TIDELANDS SPECIAL REVENUE FUND

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

PUBLIC SAFETY BUILDINGS CAPITAL PROJECTS FUND

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

CITY OF SAUSALITO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General	Tidelands Fund	Public Safety Buildings	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$2,509,643	\$2,502,136		\$5,373,724	\$10,385,503
Restricted cash (Note 2)			\$13,157,571	293,155	13,450,726
Receivables:					
Taxes receivables, net	212,824			433	213,257
Accounts receivable, net	162,330	61,678		66,636	290,644
Loans receivable	8,964				8,964
Due from other funds	201,196				201,196
Prepays	143,170				143,170
Advances to other funds (Note 3B)	6,007,890			1,132,000	7,139,890
Total Assets	\$9,246,017	\$2,563,814	\$13,157,571	\$6,865,948	\$31,833,350
LIABILITIES					
Accounts payable	\$388,718		\$796,728	\$29,196	\$1,214,642
Accrued salaries and benefits	141,551				141,551
Refundable deposits	426,596	10,400			436,996
Due to other funds			198,493	2,703	201,196
Advances from other funds (Note 3B)			1,132,000		1,132,000
Unearned revenue	64,775		12,561	36,711	114,047
Total Liabilities	1,021,640	10,400	2,139,782	68,610	3,240,432
FUND BALANCES (Note 11)					
Reserved for:					
Loans receivable	8,964				8,964
Advances to other funds	5,721,802			1,132,000	6,853,802
Debt service				297,702	297,702
Special revenue programs		2,388,224		3,126,593	5,514,817
Capital projects			11,017,789		11,017,789
Unreserved:					
Designated, reported in:					
General Fund - budget stabilization	691,600				691,600
General Fund - donation	26,018				26,018
Capital Projects Funds - capital projects				1,346,189	1,346,189
Undesignated, reported in:					
General Fund	1,775,993				1,775,993
Special Revenue Funds		165,190			165,190
Capital Projects Funds				894,854	894,854
Total Fund Balances	8,224,377	2,553,414	11,017,789	6,797,338	28,592,918
Total Liabilities and Fund Balances	\$9,246,017	\$2,563,814	\$13,157,571	\$6,865,948	\$31,833,350

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet \$28,592,918

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 25,938,998

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and investments	5,216,425
Capital assets, net of depreciation	637,929
Claims payable	(771,926)
Long-term debt	(322,455)
Accounts payable and accrued interest	(22,092)

LONG TERM LIABILITIES

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

Long-term debt	(17,377,948)
Accrued interest payable	(184,426)
Compensated absences	(541,737)
Net OPEB obligation	(442,746)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$40,722,940

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, 2009

	General	Tidelands Fund	Public Safety Buildings	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$6,496,569			\$453,439	\$6,950,008
Sales tax	1,693,752				1,693,752
Other tax	1,626,246				1,626,246
Licenses and permits	483,136				483,136
Fines and forfeitures	428,958			74,776	503,734
Use of money and property	442,798	\$639,734	\$332,756	76,349	1,491,637
Intergovernmental				727,383	727,383
Charges for services	1,170,425			266,043	1,436,468
Other revenues	125,193				125,193
Total Revenues	12,467,077	639,734	332,756	1,597,990	15,037,557
EXPENDITURES					
Current:					
General government	2,205,227	182,889			2,388,116
Library	624,285				624,285
Public safety:					
Police	3,794,650			99,492	3,894,142
Fire	2,878,788			7,650	2,886,438
Community development	1,057,405				1,057,405
Public works	1,199,667			156,730	1,356,397
Parks & recreation	557,792				557,792
Capital outlay			4,645,956	176,002	4,821,958
Debt service:					
Principal				149,097	149,097
Interest and other charges			171,028	407,148	578,176
Total Expenditures	12,317,814	182,889	4,816,984	996,119	18,313,806
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	149,263	456,845	(4,484,228)	601,871	(3,276,249)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3A)	1,481,875			379,893	1,861,768
Transfers (out) (Note 3A)	(557,447)	(291,655)		(54,565)	(903,667)
Total Other Financing Sources (Uses)	924,428	(291,655)		325,328	958,101
NET CHANGE IN FUND BALANCES	1,073,691	165,190	(4,484,228)	927,199	(2,318,148)
BEGINNING FUND BALANCES	7,150,686	2,388,224	15,502,017	5,870,139	30,911,066
ENDING FUND BALANCES	\$8,224,377	\$2,553,414	\$11,017,789	\$6,797,338	\$28,592,918

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, 2009

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$2,318,148)

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 4,559,533

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation
 of \$126,752 which has already been allocated to serviced funds) (637,548)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 159,486

Change in accrued interest payable (368,529)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences (12,409)

Net OPEB obligation (442,746)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds 434,048

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,373,687

See accompanying notes to financial statements

CITY OF SAUSALITO

MAJOR PROPRIETARY FUNDS

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

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

MLK FUND

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

SEWER FUND

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

PARKING FUND

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

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$1,357,874	\$2,508,479	\$1,275,283	\$201,049	\$5,342,685	\$5,216,425
Receivables:						
Taxes receivable, net		971			971	
Accounts receivable, net	14,232		3,717	2,676	20,625	
Issuance costs, net	17,986			7,139	25,125	
Total current assets:	1,390,092	2,509,450	1,279,000	210,864	5,389,406	5,216,425
Noncurrent assets:						
Capital assets (Note 6):						
Land and construction in progress	3,786,063			9,938	3,796,001	
Depreciable, net of accumulated depreciation	3,171,963	4,180,858	49,320	662,152	8,064,293	637,929
Total noncurrent assets	6,958,026	4,180,858	49,320	672,090	11,860,294	637,929
Total Assets	8,348,118	6,690,308	1,328,320	882,954	17,249,700	5,854,354
LIABILITIES						
Current liabilities:						
Accounts payable	41,712	317,251	10,946	875	370,784	16,875
Accrued interest payable	136,545			7,338	143,883	5,217
Compensated absences, due in one year (Note 1H)		5,441			5,441	
Refundable deposits	101,050		31,070		132,120	
Claims payable-due within one year (Note 10)						227,668
Long-term debt, due within one year (Note 6)	462,423			147,019	609,442	59,377
Total current liabilities	741,730	322,692	42,016	155,232	1,261,670	309,137
Noncurrent liabilities:						
Advance from other funds (Note 3B)	6,007,890				6,007,890	
Claims payable - due in more than one year (Note 10)						544,258
Long-term debt, due in more than one year (Note 6)	2,175,605			322,628	2,498,233	263,078
Total noncurrent liabilities	8,183,495			322,628	8,506,123	807,336
Total Liabilities	8,925,225	322,692	42,016	477,860	9,767,793	1,116,473
NET ASSETS (Note 11)						
Invested in capital assets, net of related debt Unrestricted	4,319,998	4,180,858	49,320	202,443	8,752,619	315,474
	(4,897,105)	2,186,758	1,236,984	202,651	(1,270,712)	4,422,407
Total Net Assets (Deficits)	(\$577,107)	\$6,367,616	\$1,286,304	\$405,094	\$7,481,907	\$4,737,881

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall		
OPERATING REVENUES						
Building rents	1,085,872			\$285,999	\$1,371,871	
Charges for services		\$947,717	\$1,562,185		2,509,902	
Other revenue	65,077		23		65,100	\$345,240
Total Operating Revenues	<u>1,150,949</u>	<u>947,717</u>	<u>1,562,208</u>	<u>285,999</u>	<u>3,946,873</u>	<u>345,240</u>
OPERATING EXPENSES						
Administrative services						
Other expenses	150,096	65,176	30,108		245,380	189,984
Professional services	3,100	619,259	17,687		640,046	
Repairs and maintenance	26,710	249,616	18,456	1,800	296,582	
Salaries and benefits	74,233	373,915	138,166		586,314	
Utilities	81,530	9,415	8,363		99,308	
Depreciation	77,932	161,082	6,594	27,590	273,198	126,752
Amortization	3,568			2,596	6,164	
Total Operating Expenses	<u>417,169</u>	<u>1,478,463</u>	<u>219,374</u>	<u>31,986</u>	<u>2,146,992</u>	<u>316,736</u>
Operating Income (Loss) Before Transfers	<u>733,780</u>	<u>(530,746)</u>	<u>1,342,834</u>	<u>254,013</u>	<u>1,799,881</u>	<u>28,504</u>
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	16,658	37,219	17,291	2,952	74,120	\$75,290
Interest expense	(464,569)			(33,706)	(498,275)	(14,020)
Total nonoperating revenue (expenses)	<u>(447,911)</u>	<u>37,219</u>	<u>17,291</u>	<u>(30,754)</u>	<u>(424,155)</u>	<u>61,270</u>
Income (Loss) before transfers	<u>285,869</u>	<u>(493,527)</u>	<u>1,360,125</u>	<u>223,259</u>	<u>1,375,726</u>	<u>89,774</u>
TRANSFERS						
Transfers in (Note 3A)						344,274
Transfers (out) (Note 3A)	(33,375)	(79,000)	(1,040,000)	(150,000)	(1,302,375)	
Net transfers	<u>(33,375)</u>	<u>(79,000)</u>	<u>(1,040,000)</u>	<u>(150,000)</u>	<u>(1,302,375)</u>	<u>344,274</u>
Change in net assets	<u>252,494</u>	<u>(572,527)</u>	<u>320,125</u>	<u>73,259</u>	<u>73,351</u>	<u>434,048</u>
BEGINNING NET ASSETS (DEFICIT)	<u>(829,601)</u>	<u>6,940,143</u>	<u>966,179</u>	<u>331,835</u>	<u>7,408,556</u>	<u>4,303,833</u>
ENDING NET ASSETS (DEFICIT)	<u>(\$577,107)</u>	<u>\$6,367,616</u>	<u>\$1,286,304</u>	<u>\$405,094</u>	<u>\$7,481,907</u>	<u>\$4,737,881</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Old City Hall	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,086,308	\$951,385	\$1,576,859	\$288,208	\$3,902,760	
Payment to employees	(74,233)	(371,810)	(138,166)		(584,209)	
Payment to suppliers	(231,442)	(649,034)	(69,021)	(925)	(950,422)	(\$285,094)
Other receipts (payments)	51,947		7,926	(2,596)	57,277	331,653
Cash Flows from Operating Activities	832,580	(69,459)	1,377,598	284,687	2,425,406	46,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interfund receipts	286,089				286,089	
Transfers in						344,274
Transfers (out)	(33,375)	(79,000)	(1,040,000)	(150,000)	(1,302,375)	
Cash Flows from Noncapital Financing Activities	252,714	(79,000)	(1,040,000)	(150,000)	(1,016,286)	344,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures						(36,624)
Principal payments on capital debt	(430,716)			(138,244)	(568,960)	(57,021)
Interest payment	(490,312)			(35,867)	(526,179)	(14,943)
Cash Flows from Capital and Related Financing Activities	(921,028)			(174,111)	(1,095,139)	(108,588)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	16,658	(159,704)	17,291	2,952	(122,803)	75,290
Net Cash Flows	180,924	(308,163)	354,889	(36,472)	191,178	357,535
Cash and investments at beginning of period	1,176,950	2,816,642	920,394	237,521	5,151,507	4,858,890
Cash and investments at end of period	<u>\$1,357,874</u>	<u>\$2,508,479</u>	<u>\$1,275,283</u>	<u>\$201,049</u>	<u>\$5,342,685</u>	<u>\$5,216,425</u>
Reconciliation of operating income to net cash flows from operating activities:						
Operating income	\$733,780	(\$530,746)	\$1,342,834	\$254,013	\$1,799,881	\$28,504
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	77,932	161,082	6,594	27,590	273,198	126,752
Change in assets and liabilities:						
Accounts receivables	(6,103)	3,668	14,674	(388)	11,851	4,141
Issuance/leasing costs	3,568			2,597	6,165	
Loans receivable	2,971				2,971	
Accounts payable and accruals	29,994	294,432	5,593	875	330,894	(2,484)
Accrued interest payable						
Accrued compensated absences		2,105			2,105	
Refundable deposits	(9,562)		7,903		(1,659)	
Claims payable						(110,354)
Cash Flows from Operating Activities	\$832,580	(\$69,459)	\$1,377,598	\$284,687	\$2,425,406	\$46,559

See accompanying notes to financial statements

CITY OF SAUSALITO

FIDUCIARY FUNDS

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

CITY OF SAUSALITO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	\$250,558
Assessments receivable	<u>712</u>
Total Assets	<u><u>\$251,270</u></u>
LIABILITIES	
Due to local Improvement Districts	<u>\$251,270</u>
Total Liabilities	<u><u>\$251,270</u></u>

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Major Funds

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

Major funds are defined as funds which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total or five percent of the grand total. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds. During fiscal year 2009, the City elected Tidelands Special Revenue Fund as a major fund.

The major governmental funds of the City are:

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

E. *Use of Restricted/Unrestricted Net Assets*

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

F. *Budgets and Budgetary Accounting*

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Traffic Congestion Relief, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund, Measure A and Prop 1B Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year end and are rebudgeted for the coming year. Capital Project Funds are budgeted on a project length basis.

G. *Inventories and Prepaid Items*

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

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

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

H. *Compensated Absences*

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

Accrued vacation – The hours earned each month for accrued vacation range from 9.375 hours up to 28 hours. Non-fire department employees are permitted to accumulate the unused portion, provided that on June 30th of any fiscal year (December 31st of any calendar year for management and confidential employees), they do not have more than 30 working days of vacation time accrued. Fire department personnel may accumulate the unused portion up to 336 hours, consisting of 14 24-hour shifts. Any vacation time in excess of the maximum is paid to the employee on the June 30th payroll, unless he or she is a management or confidential employee, in which case there is no payout. Upon termination of an employee's service with the City, the employee is paid a lump sum for all accrued vacation that has been earned at that time.

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning balance	\$529,328	\$3,336
Additions	458,956	4,216
Payments	<u>(446,547)</u>	<u>(2,111)</u>
Ending Balance	<u>\$541,737</u>	<u>\$5,441</u>
Current Portion	<u>\$455,986</u>	<u>\$5,441</u>

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

I. Property Tax Revenues

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. *Unearned Revenues*

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

K. *Statement of Cash Flows*

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

L. *Use of Estimates*

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

M. *Excess of Expenditures Over Appropriations*

For the fiscal year ended June 30, 2009, the following expenditures exceeded the budgeted expenditures:

	Expenditures exceeded budget
General Fund	
Administration	\$65,201
Tidelands Fund	30,880
Gas Tax Special Revenue Fund	15,523

The excess expenditures were funded by available financial resources.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Fund

During the fiscal year ended June 30, 2009, the City established the Proposition 1B Special Revenue Fund, Energy Loan Debt Service Fund, Tideland Loan Debt Service Fund, and Vehicle Code Fine Overpayment Fund Debt Service Fund.

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

B. Classifications

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

<i>Statement of Net Assets</i>	
Cash and investments	\$20,944,613
Restricted cash	13,450,726
Subtotal	34,395,339
<i>Fiduciary Funds</i>	
Cash and investments	250,558
Total Cash and investments	\$34,645,897

C. Authorized Investments by the City and Debt Agreements

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	30%	\$40 million
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	50%	None
Bankers Acceptances	180 days	N/A	10%	5%
Commercial Paper	180 days	A1/P1	15%	5%
Certificate of Time Deposits	360 days	N/A	10% (*)	None
Negotiable Certificates of Deposit	360 days	N/A	10%	5%
Repurchase Agreements	360 days	N/A	5%	5%
Reverse Repurchase Agreement	90 days	N/A	5%	None
Medium Term Notes	5 years	A	5%	None

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

D. Authorized Investments by Debt Agreements

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

E. Interest Rate Risk

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

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

Investments	12 Months or less	Total
Money Market Fund (U.S. Treasury)	\$13,450,726	\$13,450,726
U.S. Treasury Bills	11,990,193	11,990,193
Local Agency Investment Fund	8,791,846	8,791,846
 Total Investments	 <u>\$34,232,765</u>	 34,232,765
Cash in banks		411,512
Petty Cash		1,620
 Total Cash and Investments		 <u>\$34,645,897</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2009 for each investment type as provided by Standard & Poor's Investment rating system:

<u>Investment Type</u>	<u>AAA</u>	<u>Total</u>
Money Market Fund (U.S. Treasury)	\$13,450,726	\$13,450,726
U.S. Treasury Obligations	11,990,193	11,990,193
Not Rated:		
Local Agency Investment Fund		8,791,846
Cash in banks		411,512
Petty cash		<u>1,620</u>
Total Cash and Investments		<u><u>\$34,645,897</u></u>

G. Custodial Credit Risk

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

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

H. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2009, these investments matured in an average of 235 days.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS

A. Transfers

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Tideland Special Revenue Fund	\$219,500 A
	MLK Enterprise Fund	33,375 A
	Sewer Enterprise Fund	79,000 A
	Parking Enterprise Fund	1,000,000 C
	Old City Hall Enterprise Fund	150,000 C
Non-Major Governmental Funds	General Fund	253,173 D,B,G
	Tideland Special Revenue Fund	72,155 B
	Non Major Governmental Funds	54,565 B
Internal Service Funds	General Fund	304,274 E, F
	Parking Enterprise Fund	40,000 E
Total Interfund Transfers		<u><u>\$2,206,042</u></u>

The reasons for these transfers are set forth below:

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

B. Long-term Interfund Advances

The City had the following interfund advances at June 30:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Public Safety Buildings Fund	General Capital Improvements	
	Capital Project Fund	\$1,132,000
MLK Enterprise Fund	General Fund	6,007,890
		<u><u>\$7,139,890</u></u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

The City General Fund has loaned monies to the MLK Enterprise Fund to be used for any expenses necessary or incidental to carrying out the administration and maintenance of the property. At June 30, 2009, outstanding loans totaling \$6,007,890 (\$3,398,889 in advances and \$2,609,001 of accrued interest) have been made from the General Fund. Repayments would be made as practical to the City. Simple interest accrues at a rate of 5% per annum on the principal amount of the advance. Unpaid interest becomes part of the principal balance.

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

C. Internal Balances

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

NOTE 4 - LOANS RECEIVABLE

A. The Marin School

The City had a loan receivable from The Marin School, a California not-for-profit corporation ("the School"), a tenant leasing premises at the Martin Luther King property. In December 2003, the School entered into an installment payment agreement with the City to pay off its delinquent rent in the amount of \$83,180. The monthly installment payments are \$1,485 and are scheduled to run until August 1, 2008 at zero interest. The loan receivable was paid off in August 2009.

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 are valued at their estimated fair market value on the date donated. Infrastructure capital assets with a value of \$100,000 or more, and non-infrastructure capital assets with a value of \$5,000 or more are capitalized.

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

Changes in fixed assets during the year ended June 30, 2009 comprise:

	Balance June 30, 2008	Additions	Balance June 30, 2009
Governmental Activities			
Capital assets not being depreciated:			
Land and improvements	\$15,014,662		\$15,014,662
Construction in progress	1,527,667	\$4,547,378	6,075,045
	<u>16,542,329</u>	<u>4,547,378</u>	<u>21,089,707</u>
Depreciable capital assets:			
Building and improvements	1,114,195		1,114,195
Vehicles and equipment	1,514,812		1,514,812
Machinery and equipment	766,778	12,154	778,932
Infrastructure	23,765,488		23,765,488
Total Infrastructure	<u>27,161,273</u>	<u>12,154</u>	<u>27,173,427</u>
Less: accumulated depreciation for			
Building and improvements	(709,232)	(24,513)	(733,745)
Vehicles and equipment	(1,514,812)		(1,514,812)
Machinery and equipment	(613,334)	(49,624)	(662,958)
Infrastructure	(18,849,212)	(563,411)	(19,412,623)
Total accumulated depreciation	<u>(21,686,590)</u>	<u>(637,548)</u>	<u>(22,324,138)</u>
Depreciable capital assets, net	<u>5,474,683</u>	<u>(625,394)</u>	<u>4,849,289</u>
Internal Service Funds			
Depreciable capital assets:			
Vehicles and equipment	736,102	36,626	772,728
Machinery and equipment	236,493		236,493
	<u>972,595</u>	<u>36,626</u>	<u>1,009,221</u>
Less: accumulated depreciation for			
Vehicles and equipment	(103,992)	(57,153)	(161,145)
Machinery and equipment	(140,546)	(69,599)	(210,145)
Total accumulated depreciation	<u>(244,538)</u>	<u>(126,752)</u>	<u>(371,290)</u>
Depreciable capital assets, net	<u>728,057</u>	<u>(90,126)</u>	<u>637,931</u>
Governmental capital assets, net	<u>\$22,745,069</u>	<u>\$3,831,858</u>	<u>\$26,576,927</u>

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance June 30, 2008	Additions	Balance June 30, 2009
Business-type Activities			
Land and improvements	\$3,796,001		\$3,796,001
	<u>3,796,001</u>		<u>3,796,001</u>
Depreciable capital assets:			
Building and improvements	5,713,258		5,713,258
MLK Bus Barn	275,000		275,000
Vehicles and equipment	1,043,835	\$196,923	1,240,758
Infrastructure	8,497,982		8,497,982
	<u>15,530,075</u>	<u>196,923</u>	<u>15,726,998</u>
Total			
Less: accumulated depreciation for			
Building and improvements	(1,986,135)	(100,022)	(2,086,157)
MLK Bus Barn	(54,995)	(5,500)	(60,495)
Vehicles and equipment	(969,110)	(36,937)	(1,006,047)
Infrastructure	(4,379,267)	(130,739)	(4,510,006)
	<u>(7,389,507)</u>	<u>(273,198)</u>	<u>(7,662,705)</u>
Depreciable capital assets, net	<u>8,140,568</u>	<u>(76,275)</u>	<u>8,064,293</u>
Total capital assets, net	<u>\$11,936,569</u>	<u>(\$76,275)</u>	<u>\$11,860,294</u>

A. Capital Asset Contributions

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

B. Depreciation Allocation

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

Governmental Activities:	
General government	\$49,692
Police services	13,864
Fire services	9,219
Community development	1,000
Public works	556,564
Recreation	7,209
Internal Service Funds	<u>126,752</u>
Total Governmental Activities	<u>\$764,300</u>
Business-type Activities:	
MLK	\$77,932
Sewer	161,082
Parking	6,594
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$273,198</u>

CITY OF SAUSALITO
Notes to Financial Statements

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, 2008	Additions	Retirements	Balance June 30, 2009	Current Portion
Governmental Activities						
Department of Boating & Waterways						
California Energy Commission	\$1,200,000	\$877,411		(\$32,672)	\$844,739	\$34,142
<i>General Obligation Bonds:</i>	31,000	14,630		(2,754)	11,876	2,838
2006 Series A	8,205,000	8,205,000		(65,000)	8,140,000	100,000
2006 Series B	7,293,894	7,843,693	\$371,246		8,214,939	
Superior Court Promissory Note	247,673	174,360		(48,668)	125,692	50,588
Fire Truck Lease	434,235	379,476		(57,021)	322,455	59,377
Scanner Lease	54,558	51,094		(10,392)	40,702	10,392
Total Government Activities		<u>\$17,545,664</u>	<u>\$371,246</u>	<u>(\$216,507)</u>	<u>\$17,700,403</u>	<u>\$257,337</u>
Business-type Activities						
Capital Leases						
MLK capital lease	\$3,840,494	\$1,989,688		(\$346,569)	\$1,643,119	\$352,422
MLK capital improvement lease	1,770,000	1,090,000		(85,000)	1,005,000	110,000
MLK discount		(10,944)		853	(10,091)	
Old City Hall capital improvement lease (MPA)	1,156,500	607,891		(138,244)	469,647	147,020
Total Business-type Activities		<u>\$3,676,635</u>		<u>(\$568,960)</u>	<u>\$3,107,675</u>	<u>\$609,442</u>

B. Department of Boating and Waterways

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

C. California Energy Commission

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of *ad valorem property* taxes.

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

On November 16, 2006, the City issued General Obligation Bonds Series B in the amount of \$7,293,894. The bond proceeds from this series and the bond proceeds from Series A (see above) were used to finance the demolition and replacement of a police building and fire station. These bonds are repayable from the proceeds of *ad valorem property* taxes.

The Bonds unaccreted discount totaled \$17,400,061 at June 30, 2009. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026.

F. Superior Court Promissory Note

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

G. Fire Truck Capital Lease

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

H. Scanner Capital Lease

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

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

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

The City leases units at the site to tenants. The leases are operating leases with varying terms. Rental income included in the financial statements for the fiscal year ended June 30, 2009 is comprised of the following:

Operating Leases	\$1,057,468
Utility pass through	<u>28,404</u>
	<u><u>\$1,085,872</u></u>

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2009 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2010	\$950,231
2011	1,022,221
2012	1,063,109
2013	<u>701,652</u>
	<u><u>\$3,737,213</u></u>

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

J. MLK Capital Improvement Lease

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

K. Old City Hall Capital Improvement Lease

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

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

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

The pledge of future moneys deposited in the Old City Hall Enterprise Fund ends upon repayment of the remaining debt service on the capital lease which is scheduled to occur in 2013. For fiscal year 2009 rental revenues amounted to \$285,999 which represented coverage of 55% over the \$522,330 in debt service.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT (Continued)

L. Debt Service Requirements

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

Fiscal Year Ended June 30	Governmental Activities		Business Activities	
	Principal (A)	Interest	Principal	Interest
2010	\$257,337	\$411,307	\$609,442	\$199,543
2011	293,407	399,487	650,065	158,014
2012	302,594	386,102	693,243	113,667
2013	318,638	372,327	567,326	68,912
2014	350,531	356,734	317,690	26,309
2015-2019	2,137,766	1,538,977	280,000	7,351
2020-2024	3,730,068	943,652		
2025-2029	5,715,123	109,689		
2030-2034	7,490,000			
2035-2039	9,790,000			
2040-2041	4,715,000			
Total	<u>\$35,100,464</u>	<u>\$4,518,275</u>	3,117,766	<u>\$573,796</u>
Reconciliation of long-term debt: MLK discount			<u>(10,091)</u>	
Net long-term debt			<u>\$3,107,675</u>	

(A) Includes General Obligation Bonds 2006 Series B unaccreted discount in the total amount of \$17,400,061

M. Authorized but Unissued Debt

On November 13, 2007, the City authorized the issuance of one or more Pension Obligation Bonds, for an unknown amount, to fund the City's unfunded accrued actuarial liability (Pension Obligation) plus an additional amount to pay costs of issuance of the pension obligation bonds. As of June 30, 2009, the City had yet to issue any of the bonds.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 7 – DEBT WITH NO CITY COMMITMENT

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

Local Improvement Districts (LID's) are established in various parts of the City to provide improvements to properties located in those districts. Properties in these districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt which is not included in the general debt of the City. The City has no legal or moral liability with respect to the payment of these debts. The outstanding balance of each of these issues as of June 30, 2009 is as follows:

	Balance, <u>June 30, 2009</u>
Downtown Assessment District 1989-1	\$105,000
Sunshine Central Assessment District	65,000

B. *Rotary Village Senior Housing Project*

On March 1, 2004, the City sponsored the issuance of a \$2,500,000 bond on behalf of the Rotary Housing Corporation, a 501(c)(3) corporation and a California Nonprofit Public Benefit Corporation (the "Corporation"). These bonds were issued to raise loan proceeds to finance the construction of the Rotary Village Senior Housing Project. The bonds are payable solely out of the amounts pledged by the Corporation and is not included in the long-term debt of the City. The City has no legal or moral liability with respect to the payment of this debt. The balance at June 30, 2009 is \$2,230,000.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (Police and Fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

	Police	Fire	Miscellaneous
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	55
Monthly benefits, as a % of annual salary	2.4% to 3%	2.4% to 3%	2.0% to 2.5%
Required employee contribution rates	9%	9%	8%
Required employer contribution rates	34.670%	24.845%	12.504%

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

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

	Employer Contribution Amount	Employer Contribution Rate		
		Police	Fire	Miscellaneous
		2007	\$1,519,272	29.05%
2008	1,489,668	31.77%	23.72%	12.65%
2009	1,794,369	34.67%	24.85%	12.50%

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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

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

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

State-wide pool - Safety Police and Fire Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$1,325,510,754	\$1,105,298,221	\$220,212,533	83.4%	\$161,446,071	136.4%
2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%
2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%

State-wide pool - Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$579,276,103	\$500,388,523	\$78,887,580	86.4%	\$129,379,492	61.0%
2006	912,988,585	787,758,909	125,229,676	86.3%	200,320,145	62.5%
2007	1,315,454,361	1,149,247,298	166,207,063	87.4%	289,090,187	57.5%

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

B. Postemployment Health Care Benefits

The City pays a portion of insurance premiums to provide health care benefits for retired employees as required by bargaining unit agreements. Non-sworn City employees who retire after reaching age 55 with 20 years or more of service and sworn City employees who retire after reaching age 50 with 20 year or more of service are eligible for benefits. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. During the year ended June 30, 2009 the City paid \$126,778 on behalf of 27 retirees who were participating in the plan.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLANS (Continued)

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.

NOTE 9 - POST EMPLOYMENT BENEFITS

During fiscal year 2009, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior years financial statements. Required disclosures are presented below.

A. *Eligibility and Contribution Requirements*

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees under third-party insurance plans.

Four employee groups were included: police, fire, SEIU Local 1021, and unrepresented employees. Fire employees and retirees are covered under a Marin County medical plan. The other groups are covered under the CalPERS medical program.

The three groups covered under CalPERS who retire at age 50 or over with at least 5 years of service receive benefits at least equal to the CalPERS minimum.

In addition, employees who retire after 20 years of service at or after age 50 for police and fire, and at or after age 55 for other employees, receive total medical benefits up to the Kaiser single retiree premium (including the CalPERS minimum if applicable.)

Spouses of retirees can also be covered, but the retiree is required to pay the spousal premiums. However, upon the death of a retiree covered under CalPERS, a surviving spouse continues to receive the CalPERS minimum at no cost.

The City also pays/will pay for dental benefits for certain unrepresented retirees, and for three current active management employees after retirement. No other future retirees will receive City paid dental benefits.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

B. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2008 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions include (a) investment rate of return on pay as you go basis of 5.0%, (b) 3.25% aggregate payroll increase, and (c) a healthcare trend of declining annual increases ranging from 8.5% in January 2009 to 5.5% starting January 2019. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a thirty-year amortization period.

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2009, the City contributed \$128,891 for pay-as-you-go premiums to the Plan. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

	Governmental Activities
Annual required contribution (ARC) and Annual OPEB Cost	\$571,637
City's portion of current year premiums paid	128,891
Contributions less than the ARC	442,746
Net OPEB obligation (asset) June 30, 2008	_____
Net OPEB obligation (asset) June 30, 2009	\$442,746

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 9 – POST EMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the year ended 2009 is as follows:

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$571,637	\$128,891	23%	\$442,746

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2008 actuarial study is presented below:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)
1/1/2008	\$0	\$5,926,348	(\$5,926,348)	0%

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

A. Workers' Compensation Coverage Statistics

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

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

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

At June 30, 2009, the City's estimated workers' compensation liability for unpaid losses was as follows:

	2009	2008
Beginning balance	\$793,437	\$1,092,249
Incurred claims and claims adjustment	(49,668)	(147,658)
Claims paid	(42,958)	(151,154)
Ending balance	\$700,811	\$793,437
Current portion	\$195,613	\$213,524

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

B. General Liability Coverage

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

As defined by GASB 10, the BCJPIA is a “risk sharing pool.” The BCJPIA provides liability and errors & omissions coverage in excess of the City’s \$50,000 self-insured retention, up to one million through a risk shared self insurance pool. BCJPIA obtains excess coverage through California Affiliated Risk Management Authorities (CARMA) and Employment Risk Management Authority (ERMA), risk sharing joint powers authorities. CARMA provides excess insurance coverage to \$24 million. ERMA arranges for pooled risk sharing related to employment practices liability. Coverage is provided up to one million.

At June 30, 2009, the City’s estimated general liability for unpaid losses was as follows:

	2009	2008
Beginning balance	\$88,843	\$195,489
Incurred claims and claims adjustment	(12,559)	(48,942)
Claims paid	(5,169)	(57,704)
Ending balance	\$71,115	\$88,843
Current portion	\$32,055	\$27,033

NOTE 11 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 11 – NET ASSETS AND FUND BALANCE (Continued)

B. Fund Balances

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

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

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

C. Reservations

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

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

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

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

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

D. Net Asset Deficits

The Martin Luther King (“MLK”) Enterprise Fund had a net deficit in the amount of \$577,107 at June 30, 2009. This was mainly a result of MLK generating insufficient revenues to cover its operating expenditures and lease payments since inception. The City’s General Fund has provided loans to fund these deficits. As of June 30, 2009, the General Fund had a loan receivable of approximately \$6.0 million (principal in the amount of \$3.4 million and interest in the amount \$2.6 million) from the MLK Enterprise Fund as disclosed in Note 3. Management expects that the MLK Enterprise Fund will become self-sufficient with full occupancy of the building and will eventually begin to repay the advance to the General Fund after the debt service to the School District is paid off in 2014.

CITY OF SAUSALITO
Notes to Financial Statements

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

A. *Marin Emergency Radio Authority*

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

NOTE 13 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$6,232,500	\$6,729,500	\$6,496,569	(\$232,931)
Sales tax	1,614,850	1,467,700	1,693,752	226,052
Other tax	1,631,255	1,451,255	1,626,246	174,991
Licenses and permits	415,000	415,000	483,136	68,136
Fines and forfeitures	350,000	350,000	428,958	78,958
Use of money and property	141,000	141,000	442,798	301,798
Charges for services	1,139,590	1,125,358	1,170,425	45,067
Other revenues	160,100	160,100	125,193	(34,907)
Total Revenues	<u>11,684,295</u>	<u>11,839,913</u>	<u>12,467,077</u>	<u>627,164</u>
EXPENDITURES:				
Current:				
General government:				
Administration	1,045,560	1,045,560	1,104,753	(59,193)
Information Technology	422,256	422,256	325,533	96,723
Non departmental	898,318	905,018	774,941	130,077
Library	631,361	651,458	624,285	27,173
Public safety:				
Police	3,886,721	3,886,721	3,794,650	92,071
Fire	2,957,702	3,087,780	2,878,788	208,992
Community development	1,007,971	1,007,971	1,057,405	(49,434)
Public works	1,592,914	1,592,914	1,199,667	393,247
Parks & recreation	564,951	564,951	557,792	7,159
Total Expenditures	<u>13,007,754</u>	<u>13,164,629</u>	<u>12,317,814</u>	<u>846,815</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,323,459)</u>	<u>(1,324,716)</u>	<u>149,263</u>	<u>1,473,979</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,581,875	1,581,875	1,481,875	(100,000)
Transfers (out)	(250,000)	(250,000)	(557,447)	(307,447)
Total Other Financing Sources (Uses)	<u>1,331,875</u>	<u>1,331,875</u>	<u>924,428</u>	<u>(407,447)</u>
NET CHANGE IN FUND BALANCE	<u>\$8,416</u>	<u>\$7,159</u>	<u>1,073,691</u>	<u>\$1,066,532</u>
BEGINNING FUND BALANCE			<u>7,150,686</u>	
ENDING FUND BALANCE			<u>\$8,224,377</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, 2009

	<u>Original and final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Use of money and property	<u>\$731,801</u>	<u>\$639,734</u>	<u>(\$92,067)</u>
Total Revenues	<u>731,801</u>	<u>639,734</u>	<u>(92,067)</u>
EXPENDITURES:			
Current:			
General government	<u>152,009</u>	<u>182,889</u>	<u>(30,880)</u>
Total Expenditures	<u>152,009</u>	<u>182,889</u>	<u>(30,880)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>579,792</u>	<u>456,845</u>	<u>(122,947)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(291,655)</u>	<u>(291,655)</u>	<u> </u>
Total Other Financing Sources (Uses)	<u>(291,655)</u>	<u>(291,655)</u>	<u> </u>
NET CHANGE IN FUND BALANCE	<u>\$288,137</u>	<u>165,190</u>	<u>(\$122,947)</u>
BEGINNING FUND BALANCE		<u>2,388,224</u>	
ENDING FUND BALANCE		<u>\$2,553,414</u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Budgets for General Fund, all Debt Service Funds, Traffic Safety Special Revenue Fund, Gas Tax Special Revenue Fund, Construction Impact Fee Special Revenue Fund, Traffic Congestion Relief, Storm Drain Special Revenue Fund, Stairs Fund Special Revenue Fund, Recreation Grant Special Revenue Fund, Measure A and Prop 1B Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Except for Capital Project Funds, appropriations lapse at fiscal year end and are rebudgeted for the coming year. Capital Project Funds are budgeted on a project length basis.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

Prop 1B – To account for Proposition 1B revenue.

Debt Service Fund

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

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

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

Capital Project Funds

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

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

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

SPECIAL REVENUE FUNDS

	Seized Assets	Traffic Safety	Gas Tax	Construction Impact Fees	Traffic Congestion Relief
ASSETS					
Cash and investments	\$31,743	\$489,784	\$538,963	\$905,657	\$57,228
Restricted cash and investments					
Receivables:					
Taxes receivables, net					
Accounts receivable, net		6,343			15,178
Advance to other funds					
Total Assets	<u>\$31,743</u>	<u>\$496,127</u>	<u>\$538,963</u>	<u>\$905,657</u>	<u>\$72,406</u>
LIABILITIES					
Accounts payable		\$20,620	\$2,171	\$53	
Unearned revenue					
Due to Other Funds					
Total Liabilities		<u>20,620</u>	<u>2,171</u>	<u>53</u>	
FUND BALANCE					
Reserved for:					
Special revenue programs	\$31,274	493,836	502,077	696,388	\$8,343
Debt service					
Advance to other funds					
Unreserved, designated for:					
Capital projects					
Unreserved, undesignated	469	(18,329)	34,715	209,216	\$64,063
Total Fund Balances	<u>31,743</u>	<u>475,507</u>	<u>536,792</u>	<u>905,604</u>	<u>72,406</u>
Total Liabilities and Fund Balances	<u>\$31,743</u>	<u>\$496,127</u>	<u>\$538,963</u>	<u>\$905,657</u>	<u>\$72,406</u>

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
	\$168,603	\$145,310	\$852,616		\$1,472	\$68,038
\$45,115	433					
<u>\$45,115</u>	<u>\$169,036</u>	<u>\$145,310</u>	<u>\$852,616</u>		<u>\$1,472</u>	<u>\$68,038</u>
\$36,711						
2,703						
<u>39,414</u>						
5,617	\$116,877	\$143,162	\$840,016		\$9,076	\$67,033
84	52,159	2,148	12,600		(7,604)	\$1,005
<u>5,701</u>	<u>169,036</u>	<u>145,310</u>	<u>852,616</u>		<u>1,472</u>	<u>68,038</u>
<u>\$45,115</u>	<u>\$169,036</u>	<u>\$145,310</u>	<u>\$852,616</u>		<u>\$1,472</u>	<u>\$68,038</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

	SPECIAL REVENUE FUND	DEBT SERVICE FUNDS			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
ASSETS					
Cash and investments	\$406,000				\$4,547
Restricted cash and investments		\$293,155			
Receivables:					
Taxes receivables, net					
Accounts receivable, net					
Advance to other funds					
Total Assets	<u>\$406,000</u>	<u>\$293,155</u>			<u>\$4,547</u>
LIABILITIES					
Accounts payable					\$4,547
Unearned revenue					
Total Liabilities					<u>4,547</u>
FUND BALANCE					
Reserved for:					
Special revenue programs					
Debt service		\$293,155			4,547
Advance to other funds					
Unreserved, designated for:					
Capital projects					
Unreserved, undesignated	406,000				(4,547)
Total Fund Balances	<u>406,000</u>	<u>293,155</u>			
Total Liabilities and Fund Balance	<u>\$406,000</u>	<u>\$293,155</u>			<u>\$4,547</u>

CAPITAL PROJECTS FUNDS

<u>Library Capital Improvement</u>	<u>General Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
\$218,845	\$1,484,918	\$5,373,724 293,155
	1,132,000	433 66,636 1,132,000
<u>\$218,845</u>	<u>\$2,616,918</u>	<u>\$6,865,948</u>
	\$1,805	\$29,196 36,711 2,703
	1,805	68,610
\$212,894		3,126,593 297,702
	1,132,000	1,132,000
	1,346,189	1,346,189
5,951	136,924	894,854
<u>218,845</u>	<u>2,615,113</u>	<u>6,797,338</u>
<u>\$218,845</u>	<u>\$2,616,918</u>	<u>\$6,865,948</u>

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS				
	Seized Assets	Traffic Safety	Gas Tax	Construction Impact Fees	Traffic Congestion Relief
REVENUES					
Property tax					
Fines and forfeitures		\$74,776			
Use of money and property	\$469	7,399	\$7,738	\$12,600	\$520
Intergovernmental			118,400		63,543
Charges for services				196,616	
Total Revenues	469	82,175	126,138	209,216	64,063
EXPENDITURES					
Current:					
Public safety:					
Police					
Fire					
Public works		45,940	91,423		
Capital outlay					
Debt service:					
Principal					
Interest and other charges					
Total Expenditures		45,940	91,423		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	469	36,235	34,715	209,216	64,063
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)		(54,565)			
Total Other Financing Sources (Uses)		(54,565)			
NET CHANGE IN FUND BALANCES	469	(18,330)	34,715	209,216	64,063
BEGINNING FUND BALANCES	31,274	493,837	502,077	696,388	8,343
ENDING FUND BALANCES	\$31,743	\$475,507	\$536,792	\$905,604	\$72,406

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Fire Grant	Measure A
(\$424) 100,000	\$2,099 69,427	\$2,148	\$12,600		\$46	\$1,005
99,576	71,526	2,148	12,600		46	1,005
99,492	19,367				7,650	
99,492	19,367				7,650	
84	52,159	2,148	12,600		(7,604)	1,005
84	52,159	2,148	12,600		(7,604)	1,005
5,617	116,877	143,162	840,016		9,076	67,033
\$5,701	\$169,036	\$145,310	\$852,616		\$1,472	\$68,038

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUND	DEBT SERVICE FUND			
	Prop 1B	2006 General Obligation Bond	Energy Loan	Tideland Loan	Vehicle Code Fine Overpayment
REVENUES					
Property tax		\$453,439			
Fines and forfeitures					
Use of money and property	\$6,000	711			
Intergovernmental	400,000				
Charges for services					
Total Revenues	<u>406,000</u>	<u>454,150</u>			
EXPENDITURES					
Current:					
Public safety:					
Police					
Fire					
Public works					
Capital outlay					
Debt service:					
Principal		65,000	\$2,755	\$32,672	\$48,670
Interest and other charges		361,352	418	39,483	5,895
Total Expenditures		<u>426,352</u>	<u>3,173</u>	<u>72,155</u>	<u>54,565</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>406,000</u>	<u>27,798</u>	<u>(3,173)</u>	<u>(72,155)</u>	<u>(54,565)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in			3,173	72,155	54,565
Transfers (out)					
Total Other Financing Sources (Uses)			<u>3,173</u>	<u>72,155</u>	<u>54,565</u>
NET CHANGE IN FUND BALANCES	406,000	27,798			
BEGINNING FUND BALANCES		<u>265,357</u>			
ENDING FUND BALANCES	<u>\$406,000</u>	<u>\$293,155</u>			

CAPITAL PROJECT FUNDS

<u>Library Capital Improvement</u>	<u>General Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
		\$453,439
		74,776
\$3,216	\$20,222	76,349
2,735	42,705	727,383
		266,043
<u>5,951</u>	<u>62,927</u>	<u>1,597,990</u>
		99,492
		7,650
		156,730
	176,002	176,002
		149,097
		407,148
	<u>176,002</u>	<u>996,119</u>
<u>5,951</u>	<u>(113,075)</u>	<u>601,871</u>
	250,000	379,893
		(54,565)
	<u>250,000</u>	<u>325,328</u>
5,951	136,925	927,199
<u>212,894</u>	<u>2,478,188</u>	<u>5,870,139</u>
<u>\$218,845</u>	<u>\$2,615,113</u>	<u>\$6,797,338</u>

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$70,000	\$74,776	\$4,776			
Use of money and property	12,000	7,399	(4,601)	\$13,000	\$7,738	(\$5,262)
Intergovernmental				148,000	118,400	(29,600)
Charges for services						
Other revenues						
Total Revenues	<u>82,000</u>	<u>82,175</u>	<u>175</u>	<u>161,000</u>	<u>126,138</u>	<u>(34,862)</u>
EXPENDITURES						
Current:						
General government						
Public safety:						
Fire						
Public works	77,000	45,940	31,060	75,900	91,423	(15,523)
Capital outlay	5,000		5,000			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>82,000</u>	<u>45,940</u>	<u>36,060</u>	<u>75,900</u>	<u>91,423</u>	<u>(15,523)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>36,235</u>	<u>36,235</u>	<u>85,100</u>	<u>34,715</u>	<u>(50,385)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Transfers in						
Transfers (out)	(183,565)	(54,565)	129,000	(588,000)		588,000
Total Other Financing Sources (Uses)	<u>(183,565)</u>	<u>(54,565)</u>	<u>129,000</u>	<u>(588,000)</u>		<u>588,000</u>
NET CHANGES IN FUND BALANCES		(18,330)			34,715	
BEGINNING FUND BALANCES		<u>493,837</u>			<u>502,077</u>	
ENDING FUND BALANCES		<u><u>\$475,507</u></u>			<u><u>\$536,792</u></u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Traffic Congestion Relief			Storm Drain		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$20,000	\$12,600			\$520	\$520	\$1,500	\$2,099	\$599
200,000	196,616			63,543	63,543	69,000	69,427	427
<u>220,000</u>	<u>209,216</u>			<u>64,063</u>	<u>64,063</u>	<u>70,500</u>	<u>71,526</u>	<u>1,026</u>
						19,500	19,367	133
						45,000		45,000
						<u>64,500</u>	<u>19,367</u>	<u>45,133</u>
<u>220,000</u>	<u>209,216</u>			<u>64,063</u>	<u>64,063</u>	<u>6,000</u>	<u>52,159</u>	<u>46,159</u>
<u>(278,050)</u>		<u>\$278,050</u>	<u>(\$22,000)</u>		<u>22,000</u>	<u>(20,000)</u>		<u>20,000</u>
<u>(278,050)</u>		<u>278,050</u>	<u>(22,000)</u>		<u>22,000</u>	<u>(20,000)</u>		<u>20,000</u>
	209,216			64,063			52,159	
	<u>696,388</u>			<u>8,343</u>			<u>116,877</u>	
	<u>\$905,604</u>			<u>\$72,406</u>			<u>\$169,036</u>	

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	Stairs Fund			Recreation Grant		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property		\$2,148	\$2,148			
Intergovernmental				\$148,204		(\$148,204)
Charges for services						
Other revenues						
Total Revenues		2,148	2,148	148,204		(148,204)
EXPENDITURES						
Current:						
General government						
Public safety:						
Fire						
Public works						
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		2,148	2,148	148,204		(148,204)
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Transfers in						
Transfers (out)				(148,204)		148,204
Total Other Financing Sources (Uses)				(148,204)		148,204
NET CHANGES IN FUND BALANCES		2,148				
BEGINNING FUND BALANCES		143,162				
ENDING FUND BALANCES		<u>\$145,310</u>				

SPECIAL REVENUE FUNDS						DEBT SERVICE FUND		
Measure A			Prop 1B			2006 General Obligation Bond		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$462,877	\$453,439	(\$9,438)
\$70,809	\$1,005	\$1,005 (70,809)	\$400,000	\$6,000 400,000	\$6,000		711	711
<u>70,809</u>	<u>1,005</u>	<u>(69,804)</u>	<u>400,000</u>	<u>406,000</u>	<u>6,000</u>	<u>462,877</u>	<u>454,150</u>	<u>(8,727)</u>
						65,000	65,000	
						360,520	361,352	832
						425,520	426,352	832
<u>70,809</u>	<u>1,005</u>	<u>(69,804)</u>	<u>400,000</u>	<u>406,000</u>	<u>6,000</u>	<u>37,357</u>	<u>27,798</u>	<u>(9,559)</u>
<u>(63,000)</u>		<u>63,000</u>	<u>(400,000)</u>		<u>400,000</u>			
<u>(63,000)</u>		<u>63,000</u>	<u>(400,000)</u>		<u>400,000</u>			
	1,005			406,000			27,798	
	<u>67,033</u>						<u>265,357</u>	
	<u>\$68,038</u>			<u>\$406,000</u>			<u>\$293,155</u>	

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR FISCAL YEAR ENDING JUNE 30, 2009

	DEBT SERVICE FUNDS					
	Energy Loan			Tideland Loan		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fines and forfeitures						
Use of money and property						
Intergovernmental						
Charges for services						
Other revenues						
Total Revenues						
EXPENDITURES						
Current:						
General government						
Public safety:						
Fire						
Public works						
Capital outlay						
Debt service:						
Principal	\$2,755	\$2,755		\$32,672	\$32,672	
Interest and other charges	418	418		39,483	39,483	
Total Expenditures	3,173	3,173		72,155	72,155	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,173)	(3,173)		(72,155)	(72,155)	
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt						
Transfers in	3,173	3,173		72,155	72,155	
Transfers (out)						
Total Other Financing Sources (Uses)	3,173	3,173		72,155	72,155	
NET CHANGES IN FUND BALANCES						
BEGINNING FUND BALANCES						
ENDING FUND BALANCES						

DEBT SERVICE FUND

Vehicle Code Fine Overpayment		
Budget	Actual	Variance Positive (Negative)
\$48,670	\$48,670	
5,895	5,895	
54,565	54,565	
(54,565)	(54,565)	
54,565	54,565	
54,565	54,565	

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$2,698,703	\$1,537,908	\$798,528	\$181,286	\$5,216,425
Total current assets	2,698,703	1,537,908	798,528	181,286	5,216,425
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	637,929				637,929
Total noncurrent assets	637,929				637,929
Total Assets	3,336,632	1,537,908	798,528	181,286	5,854,354
LIABILITIES					
Current liabilities:					
Accounts payable		16,875			16,875
Accrued interest payable	5,217				5,217
Claims payable - due within one year		195,613		\$32,055	227,668
Long-term debt - due within one year	59,377				59,377
Total current liabilities	\$64,594	\$212,488		\$32,055	\$309,137
Noncurrent liabilities					
Claims payable, due in more than one year		505,198		39,060	544,258
Long-term debt - due in more than one year	263,078				263,078
Total noncurrent liabilities	263,078	505,198		39,060	807,336
Total Liabilities	327,672	717,686		71,115	1,116,473
NET ASSETS					
Invested in capital assets, net of related debt	315,474				315,474
Unrestricted	2,693,486	820,222	798,528	110,171	4,422,407
Total Net Assets	\$3,008,960	\$820,222	\$798,528	\$110,171	\$4,737,881

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue		\$327,512		\$17,728	\$345,240
Total Operating Revenues		327,512		17,728	345,240
OPERATING EXPENSES					
Repairs and maintenance					189,984
Other operating expenses		189,984			189,984
Depreciation	126,752				126,752
Total Operating Expenses	126,752	189,984			316,736
Operating Income (Loss)	(126,752)	137,528		17,728	28,504
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	39,037	22,079	\$11,495	2,679	75,290
Interest expense	(14,020)				(14,020)
Total nonoperating revenue	25,017	22,079	11,495	2,679	61,270
Income before transfers	(101,735)	159,607	11,495	20,407	89,774
Transfers in	285,270		59,004		344,274
Transfers, net	285,270		59,004		344,274
Change in Net Assets	183,535	159,607	70,499	20,407	434,048
BEGINNING NET ASSETS	2,825,425	660,615	728,029	89,764	4,303,833
ENDING NET ASSETS	\$3,008,960	\$820,222	\$798,528	\$110,171	\$4,737,881

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Payment to suppliers		(\$285,094)			(\$285,094)
Other receipts	\$4,141	327,512			331,653
Cash Flows from Operating Activities	4,141	42,418			46,559
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	285,270		59,004		344,274
Cash Flows from Noncapital Financing Activities	285,270		59,004		344,274
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(36,624)				(36,624)
Interest expense	(14,943)				(14,943)
Payment of long-term debt	(57,021)				(57,021)
Cash Flows from Capital and Related Financing Activities	(108,588)				(108,588)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	39,037	22,079	11,495	2,679	75,290
Net Cash Flows	219,860	64,497	70,499	2,679	357,535
Cash and investments at beginning of period	2,478,843	1,473,411	728,029	178,607	4,858,890
Cash and investments at end of period	\$2,698,703	\$1,537,908	\$798,528	\$181,286	\$5,216,425
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$126,752)	\$137,528		\$17,728	\$28,504
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	126,752				126,752
Change in assets and liabilities:					
Accounts receivable	4,141				4,141
Accounts payable		(2,484)			(2,484)
Claims payable		(92,626)		(17,728)	(110,354)
Cash Flows from Operating Activities	\$4,141	\$42,418			\$46,559

AGENCY FUNDS

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

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

CITY OF SAUSALITO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 JUNE 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Third Street Underground Assessment District</u>				
Assets:				
Cash and investments	\$4,338	\$65		\$4,403
Total Assets	<u>\$4,338</u>	<u>\$65</u>		<u>\$4,403</u>
Liabilities:				
Due to Assessment District	\$4,338	\$65		\$4,403
Total Liabilities	<u>\$4,338</u>	<u>\$65</u>		<u>\$4,403</u>
<u>Downtown 1989-1 Assessment District</u>				
Assets:				
Cash and investments	\$118,060	\$82,409	\$59,850	\$140,619
Assessments receivable	401	83		484
Total Assets	<u>\$118,461</u>	<u>\$82,492</u>	<u>\$59,850</u>	<u>\$141,103</u>
Liabilities:				
Due to Assessment District	\$118,461	\$82,492	\$59,850	\$141,103
Total Liabilities	<u>\$118,461</u>	<u>\$82,492</u>	<u>\$59,850</u>	<u>\$141,103</u>
<u>Sunshine Central Assessment District</u>				
Assets:				
Cash and investments	\$59,749	\$28,920	\$21,169	\$67,500
Assessments receivable	148	80		228
Total Assets	<u>\$59,897</u>	<u>\$29,000</u>	<u>\$21,169</u>	<u>\$67,728</u>
Liabilities:				
Due to Assessment District	\$59,897	\$29,000	\$21,169	\$67,728
Total Liabilities	<u>\$59,897</u>	<u>\$29,000</u>	<u>\$21,169</u>	<u>\$67,728</u>

CITY OF SAUSALITO
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 JUNE 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>Bulkley Underground Assessment District</u>				
Assets:				
Cash and investments	\$9,286	\$139		\$9,425
Total Assets	<u>\$9,286</u>	<u>\$139</u>		<u>\$9,425</u>
Liabilities:				
Due to Assessment District	\$9,286	\$139		\$9,425
Total Liabilities	<u>\$9,286</u>	<u>\$139</u>		<u>\$9,425</u>
<u>Downtown Assessment District - Reserve Fund</u>				
Assets:				
Cash and investments	\$28,611			\$28,611
Total Assets	<u>\$28,611</u>			<u>\$28,611</u>
Liabilities:				
Due to Assessment District	\$28,611			\$28,611
Total Liabilities	<u>\$28,611</u>			<u>\$28,611</u>
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$220,044	\$111,533	\$81,019	\$250,558
Assessments receivable	549	163		712
Total Assets	<u>\$220,593</u>	<u>\$111,696</u>	<u>\$81,019</u>	<u>\$251,270</u>
Liabilities:				
Due to Assessment District	\$220,593	\$111,696	\$81,019	\$251,270
Total Liabilities	<u>\$220,593</u>	<u>\$111,696</u>	<u>\$81,019</u>	<u>\$251,270</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

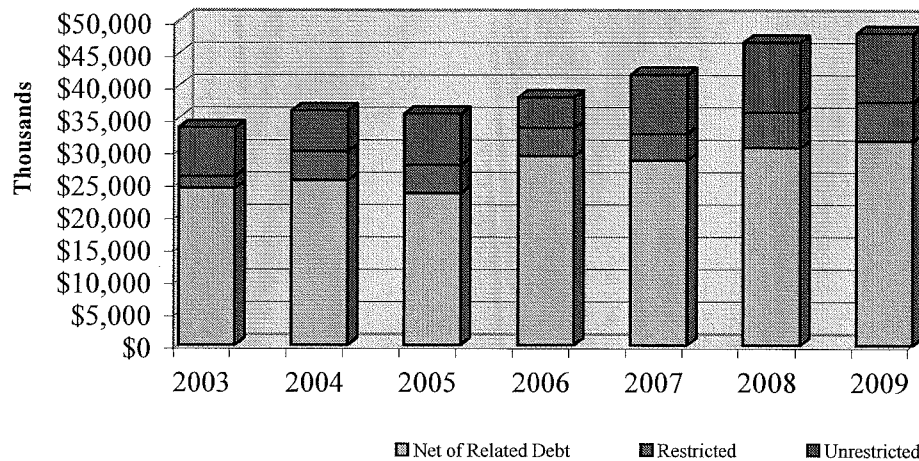
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

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

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



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

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

<u>2008</u>	<u>2009</u>
\$22,219,842	\$22,780,292
5,500,248	6,042,756
11,629,163	11,899,892
<u>\$39,349,253</u>	<u>\$40,722,940</u>

8,259,934	8,752,619
(851,378)	(1,270,712)
<u>\$7,408,556</u>	<u>\$7,481,907</u>

\$30,479,776	\$31,532,911
5,500,248	6,042,756
10,777,785	10,629,180
<u>\$46,757,809</u>	<u>\$48,204,847</u>

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

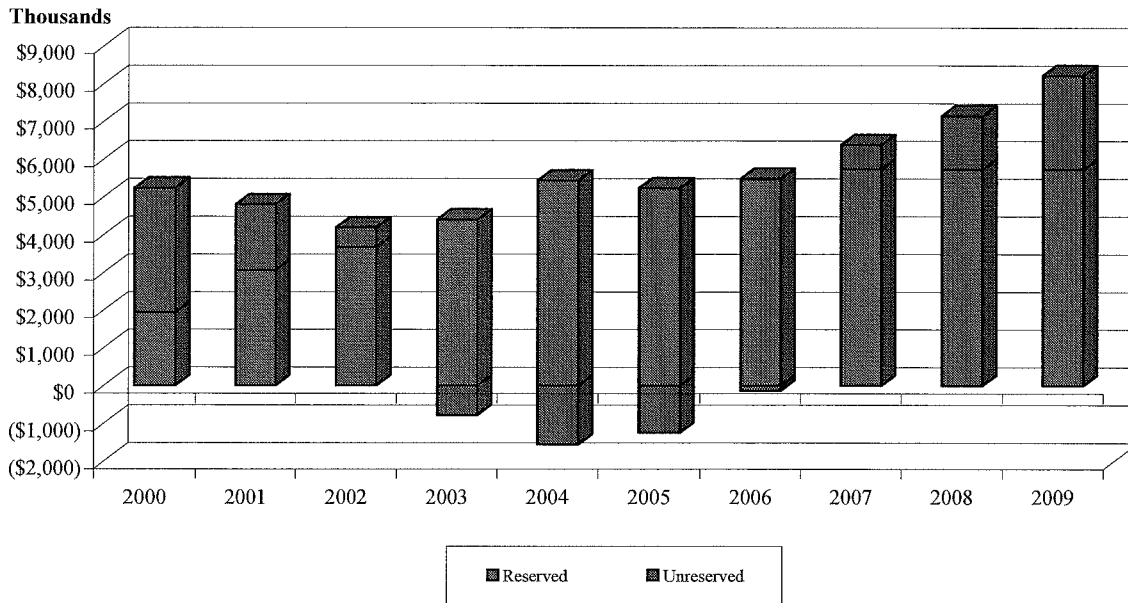
	Fiscal Year Ended June 30,						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental Activities:							
General Government	\$2,387,468	\$1,672,262	\$1,858,807	\$1,975,355	\$2,108,977	\$2,305,440	\$2,460,907
Library	559,529	514,032	563,306	556,820	585,356	608,786	648,827
Public Safety:							
Police Services	3,107,334	3,227,089	3,381,396	3,241,413	3,666,529	3,726,214	4,121,184
Fire Services	2,121,670	2,318,546	2,255,289	2,425,603	2,504,788	2,683,513	2,958,736
Community Development	958,260	1,012,057	853,183	983,680	943,705	1,047,188	1,065,522
Public Works	2,228,302	1,901,528	1,846,822	2,170,131	1,816,865	1,833,162	2,286,057
Parks & Recreation	555,263	597,230	591,248	580,431	474,709	487,822	564,938
PERS sidefund expense	-	-	391,230	-	-	-	-
Interest on long-term debt	46,032	22,502	23,391	38,730	248,461	751,082	932,685
Total Governmental Activities Expenses	<u>11,963,858</u>	<u>11,265,246</u>	<u>11,764,672</u>	<u>11,972,163</u>	<u>12,349,390</u>	<u>13,443,207</u>	<u>15,038,856</u>
Business-Type Activities:							
MLK	1,037,483	925,605	768,866	796,391	688,495	954,757	881,738
Sewer	756,182	621,682	650,313	664,139	670,158	678,833	1,478,463
Parking	388,699	295,693	335,191	323,647	271,123	191,870	219,374
Old City Hall	141,065	119,474	95,779	88,485	80,153	72,648	65,692
Total Business-Type Activities Expenses	<u>2,323,429</u>	<u>1,962,454</u>	<u>1,850,149</u>	<u>1,872,662</u>	<u>1,709,929</u>	<u>1,898,108</u>	<u>2,645,267</u>
Total Primary Government Expenses	<u>\$14,287,287</u>	<u>\$13,227,700</u>	<u>\$13,614,821</u>	<u>\$13,844,825</u>	<u>\$14,059,319</u>	<u>\$15,341,315</u>	<u>\$17,684,123</u>
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	\$5,924	\$4,318	\$35,591	\$30,684	\$26,533	\$32,421	\$33,313
Library	16,314	16,997	17,438	20,346	19,333	19,407	17,338
Public Safety:							
Police Services	312,094	429,926	469,648	366,439	396,462	365,355	474,668
Fire Services	207	526	110,888	105,208	98,510	119,737	150,136
Community Development	559,729	774,246	488,616	553,550	748,002	851,233	634,707
Public Works	168,327	163,009	1,120	406,325	313,757	438,593	344,104
Parks & recreation	299,760	324,756	395,895	330,412	292,731	239,466	285,936
Operating Grants and Contributions	95,150	100,000	452,832	432,030	321,122	291,314	347,043
Capital Grants and Contributions	997,210	1,934,377	416,309	175,951	508,426	857,212	411,134
Total Government Activities Program Revenues	<u>2,454,715</u>	<u>3,748,155</u>	<u>2,588,337</u>	<u>2,420,945</u>	<u>2,724,876</u>	<u>3,214,738</u>	<u>2,698,379</u>

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

	Fiscal Year Ended June 30,						
	2003	2004	2005	2006	2007	2008	2008
Business-Type Activities:							
Charges for Services:							
MLK	\$857,173	\$827,298	\$817,599	\$970,548	\$983,803	\$1,033,012	\$1,085,872
Sewer	516,362	677,753	777,871	789,274	755,547	951,956	947,717
Parking	1,181,244	1,350,157	1,406,066	1,347,932	1,297,275	1,397,445	1,562,185
Old City Hall	376,525	312,096	299,940	338,327	306,263	315,026	285,999
Total Business-Type Activities Program Revenue	<u>2,931,304</u>	<u>3,167,304</u>	<u>3,301,476</u>	<u>3,446,081</u>	<u>3,342,888</u>	<u>3,697,439</u>	<u>3,881,773</u>
Total Primary Government Program Revenues	<u>\$5,386,019</u>	<u>\$6,915,459</u>	<u>\$5,689,813</u>	<u>\$5,867,026</u>	<u>\$6,067,764</u>	<u>\$6,912,177</u>	<u>\$6,580,152</u>
Net (Expense)/Revenue							
Governmental Activities	(\$9,509,143)	(\$7,517,091)	(\$9,376,335)	(\$9,551,218)	(\$9,624,514)	(\$10,228,469)	(\$12,340,477)
Business-Type Activities	607,875	1,204,850	1,451,327	1,573,419	1,632,959	1,799,331	1,236,506
Total Primary Government Net Expense	<u>(\$8,901,268)</u>	<u>(\$6,312,241)</u>	<u>(\$7,925,008)</u>	<u>(\$7,977,799)</u>	<u>(\$7,991,555)</u>	<u>(\$8,429,138)</u>	<u>(\$11,103,971)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes	\$6,843,694	\$7,057,832	\$8,598,378	\$9,279,774	\$9,763,577		\$6,950,008
Property taxes							1,681,133
Sales taxes							1,005,984
Transient occupancy tax							1,259,143
Other taxes							33,049
Motor vehicle in-lieu, unrestricted							1,472,122
Use of Money/Property and interest earnings	802,647	883,506	959,988	1,005,955	1,260,532		1,077,455
Intergovernmental revenues	870,035	722,079	-				555,674
Other Revenues	220,510	198,521	70,602	225,093	274,313	802,791	
Transfers	1,246,111	1,164,400	1,108,373	1,074,875	1,020,172	1,220,375	1,302,375
Total Government Activities	<u>9,982,997</u>	<u>10,026,338</u>	<u>10,737,341</u>	<u>11,585,697</u>	<u>12,318,594</u>	<u>14,422,962</u>	<u>13,714,164</u>
Business-Type Activities:							
Use of Money/Property and interest earnings	38,268	49,431	100,191	0	175,687	173,837	74,120
Transfers	(1,246,111)	(1,164,400)	(1,235,375)	(1,074,875)	(1,020,172)	(1,220,375)	(1,302,375)
Other Revenues	75	1,003	56,000	0	1,185	68,879	65,100
Total Business-Type Activities	<u>(1,207,768)</u>	<u>(1,113,966)</u>	<u>(1,079,184)</u>	<u>(1,074,875)</u>	<u>(843,300)</u>	<u>(977,659)</u>	<u>(1,163,155)</u>
Total Primary Government	<u>\$8,775,229</u>	<u>\$8,912,372</u>	<u>\$9,658,157</u>	<u>\$10,510,822</u>	<u>\$11,475,294</u>	<u>\$13,445,303</u>	<u>\$12,551,009</u>
Change in Net Assets							
Governmental Activities	\$473,854	\$2,509,247	\$1,361,006	\$2,034,479	\$2,694,080	\$4,194,493	\$1,373,687
Business-Type Activities	(599,893)	90,884	372,143	498,544	789,659	821,672	73,351
Total Primary Government	<u>(\$126,039)</u>	<u>\$2,600,131</u>	<u>\$1,733,149</u>	<u>\$2,533,023</u>	<u>\$3,483,739</u>	<u>\$5,016,165</u>	<u>\$1,447,038</u>

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

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



	Fiscal Year Ended June 30,						
	2000	2001	2002	2003	2004	2005	2006
General Fund							
Reserved	\$1,948,981	\$3,057,532	\$3,672,239	\$4,399,411	\$5,437,966	\$5,238,531	\$5,488,760
Unreserved	3,297,689	1,748,126	521,305	(779,880)	(1,561,820)	(1,246,604)	(131,095)
Total General Fund	\$5,246,670	\$4,805,658	\$4,193,544	\$3,619,531	\$3,876,146	\$3,991,927	\$5,357,665
All Other Governmental Funds							
Reserved	\$2,097,673	\$2,831,277	\$3,571,494	\$1,691,910	\$2,080,493	\$2,635,159	\$2,324,457
Unreserved, reported in:							
Special revenue funds	2,580,196	2,741,915	-	(12,046)	37,388	72,315	903,306
Debt Service funds	4,593	4,862	5,022				
Capital project funds	524,566	296,502	385,534	996,628	924,250	1,448,767	1,128,846
Total all other governmental funds	\$5,207,028	\$5,874,556	\$3,962,050	\$2,676,492	\$3,042,131	\$4,156,241	\$4,356,609

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

<u>2007</u>	<u>2008</u>	<u>2009</u>
\$5,745,083	\$5,733,861	\$5,730,766
638,186	1,416,825	2,493,611
<u>\$6,383,269</u>	<u>\$7,150,686</u>	<u>\$8,224,377</u> (a)
\$20,811,534	\$22,280,358	\$17,962,308
348,915	364,328	165,190
530,607	1,115,694	2,241,043
<u>\$21,691,056</u>	<u>\$23,760,380</u>	<u>\$20,368,541</u>

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

	Fiscal Year Ended June 30,					
	2000	2001	2002	2003	2004	2005
Revenues						
Taxes	\$6,305,727	\$6,269,209	\$6,394,366	\$6,843,694	\$7,057,832	\$8,598,378
Licenses, permits and fees	204,030	208,867	843,886	630,064	830,093	737,914
Fines and forfeitures	401,590	359,197	326,495	388,746	484,426	502,540
Use of money and property	2,245,749	2,492,358	721,471	780,282	854,201	933,447
Intergovernmental revenues	744,619	976,837	767,624	1,962,395	2,756,456	298,057
Charges for services	951,217	958,533	842,578	343,546	399,259	582,329
Reimbursements	150,856	227,929	116,411	-	-	-
Special Assessments	199,338	165,718	109,043	-	-	-
PERS Superfund Credit	-	-	-	153,504	237,734	-
Other	2,093,565	142,941	70,556	66,057	(10,434)	240,422
Total Revenues	13,296,691	11,801,589	10,192,430	11,168,288	12,609,567	11,893,087
Expenditures						
Current:						
Police	2,716,602	2,957,680	2,660,558	2,959,822	3,106,757	3,461,904
Fire	1,874,556	1,982,581	2,114,574	2,018,255	2,245,455	2,317,331
Public Works	1,974,012	2,113,240	1,966,348	1,540,882	1,290,358	1,229,704
Non-Departmental	836,462	932,636	681,088	-	-	-
General Government	1,045,805	1,399,658	2,104,822	2,133,739	1,462,190	1,804,390
Community Development	771,088	1,284,953	1,025,474	930,604	1,040,149	845,722
Library	477,978	494,928	522,228	541,340	521,133	538,141
Parks & Recreation	488,345	553,918	588,090	539,750	580,801	553,372
Capital outlay	-	-	-	1,031,069	2,595,014	234,772
Debt service:						
Principal repayment	176,968	45,000	45,000	25,089	26,218	27,398
Interest and fiscal charges	111,055	49,315	46,222	47,067	45,938	44,758
PERS Sidfund Expense	-	-	-	-	-	391,230
Total Expenditures	10,472,871	11,813,909	11,754,404	11,767,617	12,914,013	11,448,722
Excess (deficiency) of revenues over (under) expenditures	2,823,820	(12,320)	(1,561,974)	(599,329)	(304,446)	444,365
Other Financing Sources (Uses)						
Issuance of long-term debt						
Contributions/donations returned	-	-	(1,796,900)	-	-	-
Transfers in	799,844	1,212,598	1,160,794	1,376,111	1,764,400	2,582,531
Transfers (out)	(700,409)	(1,003,401)	(310,904)	(351,700)	(837,700)	(1,781,857)
Total other financing sources (uses)	99,435	209,197	(947,010)	1,024,411	926,700	800,674
Net Change in fund balances	\$2,923,255	\$196,877	(\$2,508,984)	\$425,082	\$622,254	\$1,245,039
Debt service as a percentage of noncapital expenditures	(a)	(a)	(a)	0.7%	0.7%	0.7%

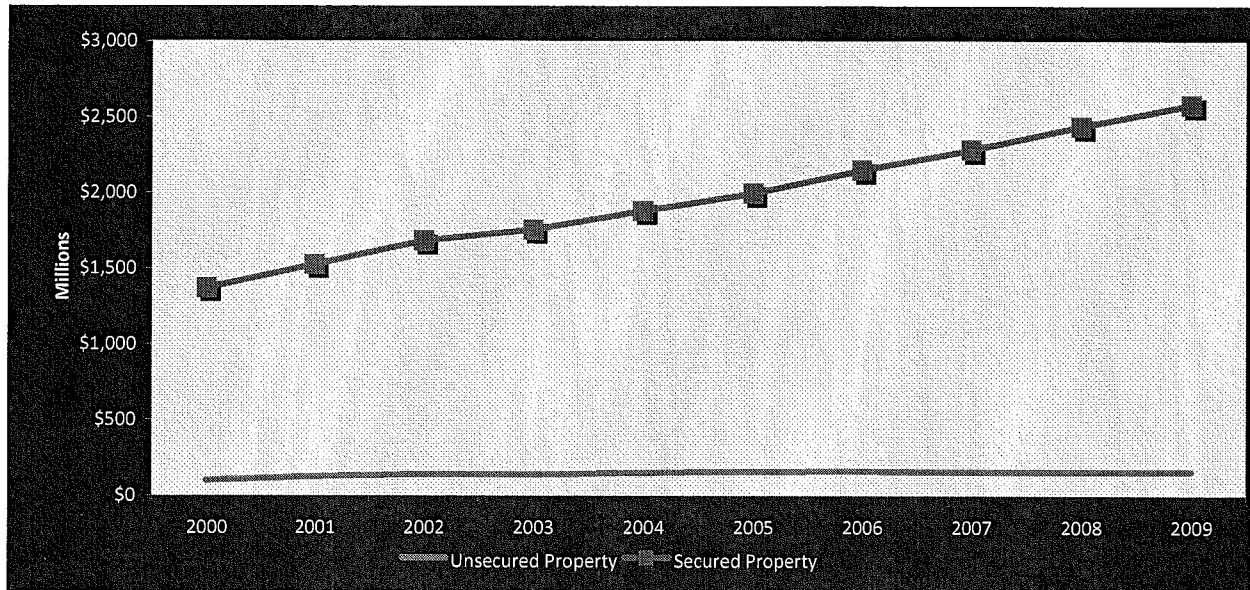
NOTE:

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

Fiscal Year Ended June 30,

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$8,747,139	\$9,231,669	\$10,390,160	\$10,270,006
532,635	531,908	537,514	483,136
415,643	466,804	417,762	503,734
1,129,124	1,679,124	2,194,162	1,491,637
354,548	328,187	396,174	727,383
1,397,321	1,437,061	1,648,450	1,436,468
<u>355,357</u>	<u>118,309</u>	<u>481,122</u>	<u>125,193</u>
<u>12,931,767</u>	<u>13,793,062</u>	<u>16,065,344</u>	<u>15,037,557</u>
3,218,507	3,491,289	3,589,006	3,894,142
2,441,656	2,558,799	2,819,882	2,886,438
1,598,070	1,276,236	1,354,909	1,356,397
2,049,278	2,081,499	2,197,536	2,388,116
820,015	962,469	1,049,025	1,057,405
556,081	582,394	610,525	624,285
583,719	473,093	489,077	557,792
779,899	421,648	1,358,757	4,821,958
31,149	59,003	80,761	149,097
44,179	106,203	413,800	578,176
<u>12,122,553</u>	<u>12,012,633</u>	<u>13,963,278</u>	<u>18,313,806</u>
<u>809,214</u>	<u>1,780,429</u>	<u>2,102,066</u>	<u>(3,276,249)</u>
	15,982,967	15,982,967	15,982,967
1,459,727	1,801,793	3,412,894	1,861,768
(702,835)	(1,205,138)	(2,853,255)	(903,667)
<u>756,892</u>	<u>16,579,622</u>	<u>16,542,606</u>	<u>16,941,068</u>
<u>\$1,566,106</u>	<u>\$18,360,051</u>	<u>\$18,644,672</u>	<u>\$13,664,819</u>
0.7%	1.4%	4.1%	5.3%

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

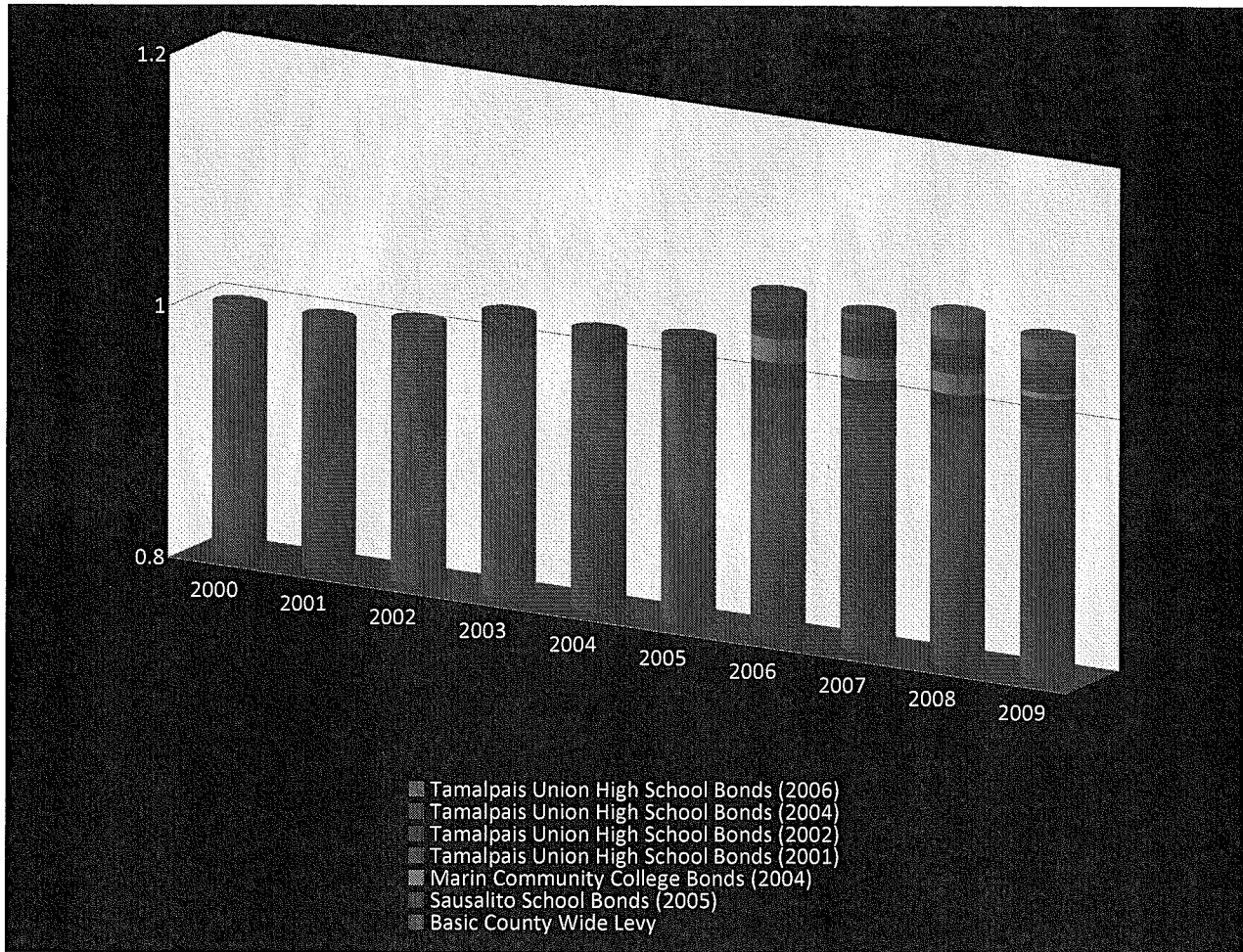


<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total Assessed Value (a)</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value</u>	<u>Total Direct Tax Rate (b)</u>
2000	\$1,270,370,168	\$99,166,919	\$1,369,537,087	*	\$1,369,537,087	1%
2001	1,400,063,856	125,119,212	1,525,183,068	(\$11,775,782)	1,513,407,286	1%
2002	1,541,431,279	139,151,844	1,680,583,123	(11,714,302)	1,668,868,821	1%
2003	1,618,842,563	136,698,533	1,755,541,096	(11,762,638)	1,743,778,458	1%
2004	1,730,893,690	149,147,611	1,880,041,301	(11,910,864)	1,868,130,437	1%
2005	1,837,392,573	157,555,642	1,994,948,215	(11,794,115)	1,983,154,100	1%
2006	1,989,344,963	160,379,976	2,149,724,939	(11,538,801)	2,138,186,138	1%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1%

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

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Sausalito encompasses 11 tax rate areas.

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



<u>Fiscal Year</u>	<u>Basic County Wide Levy</u>	<u>Marin Community College Bonds (2004)</u>	<u>Sausalito School Bonds (2005)</u>	<u>Tamalpais Union High School Bonds (2001)</u>	<u>Tamalpais Union High School Bonds (2002)</u>	<u>Tamalpais Union High School Bonds (2004)</u>	<u>Tamalpais Union High School Bonds (2006)</u>
2000	1.0000						
2001	1.0000						
2002	1.0000			0.0080			
2003	1.0000			0.0080	0.0170		
2004	1.0000			0.0060	0.0160		
2005	1.0000			0.0060	0.0100	0.0120	
2006	1.0000	0.0188	0.0203	0.0060	0.0133	0.0151	
2007	1.0000	0.0168	0.0174	0.0051	0.0116	0.0129	0.0048
2008	1.0000	0.0163	0.0165	0.0048	0.0110	0.0122	0.0189
2009	1.0000	0.0042	0.0244	0.0044	0.0101	0.0112	0.0172

Source: Marin County Auditor-Controller's Office

CITY OF SAUSALITO
Principal Property Taxpayers
Current Year (A)

<u>Taxpayer</u>	<u>2008 - 2009</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
CA-One & Three Harbor Drive Office	\$36,516,000	1	1.4%
MCSSM LLC	21,947,216	2	0.9%
Walter G. Crump IV	16,765,902	3	0.7%
MHG Casa Madrona Hotel LLC	16,360,080	4	0.6%
PSH LLC	12,705,419	5	0.5%
Scott Thomason	8,500,000	6	0.3%
ICB Associates LLC	8,354,499	7	0.3%
Anthony J & Roxanne Marterie	6,647,674	8	0.3%
William G. & Wynona L. Henry	6,630,000	9	0.3%
Sausalito Alta Mira LLC	6,494,517	10	0.3%
	<u>\$140,921,307</u>		<u>5.5%</u>

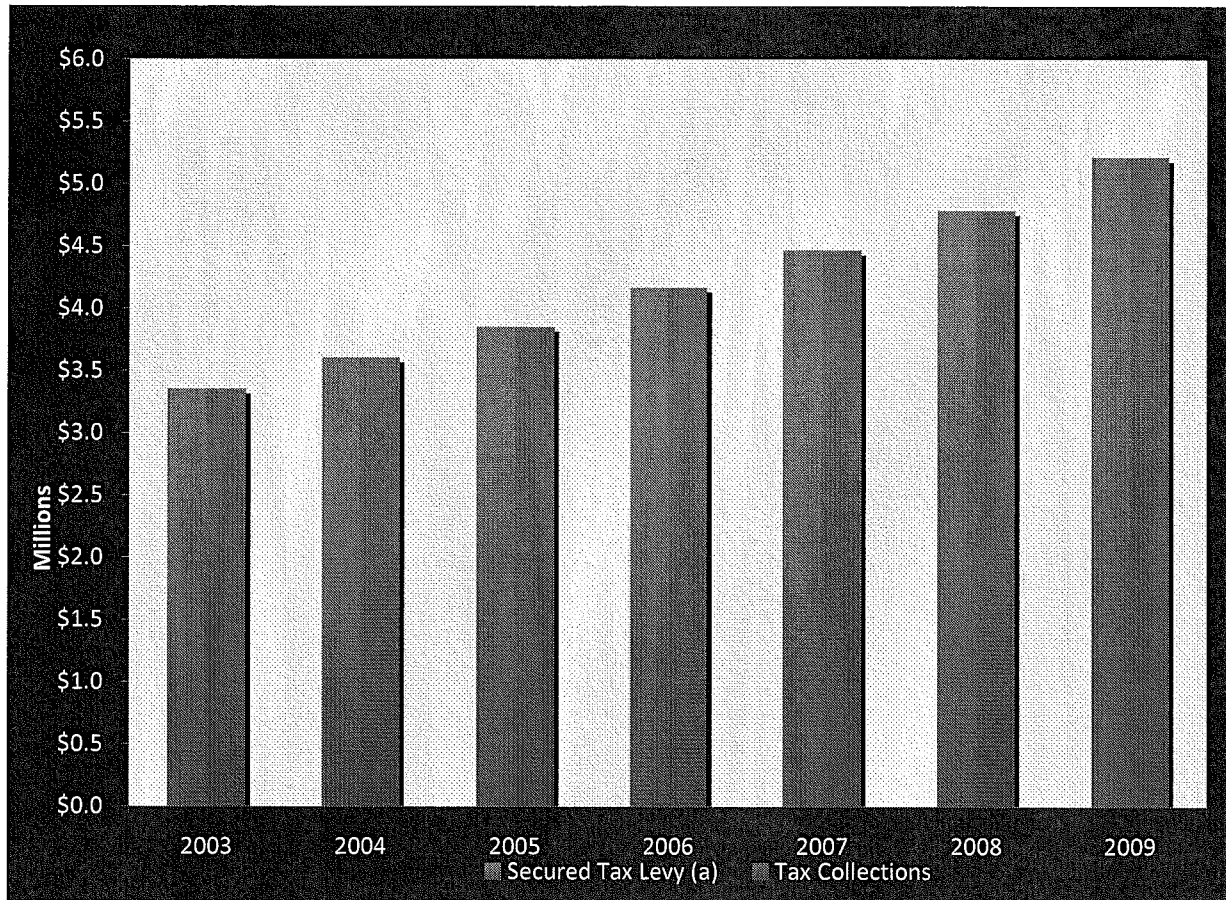
Total Taxable Assessed Valuation:

Fiscal Year 2008-2009 \$2,568,684,785

Source: Marin County Auditor-Controller's Office

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

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



<u>Fiscal Year</u>	<u>Secured Tax Levy (a)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Rate</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2003	\$3,353,939	\$3,353,939	100%	0%	\$3,353,939	100%
2004	3,604,699	3,604,699	100%	0%	3,604,699	100%
2005	3,851,909	3,851,909	100%	0%	3,851,909	100%
2006	4,169,392	4,169,392	100%	0%	4,169,392	100%
2007	4,467,599	4,467,599	100%	0%	4,467,599	100%
2008	4,786,952	4,786,952	100%	0%	4,786,952	100%
2009	5,214,021	5,214,021	100%	0%	5,214,021	100%

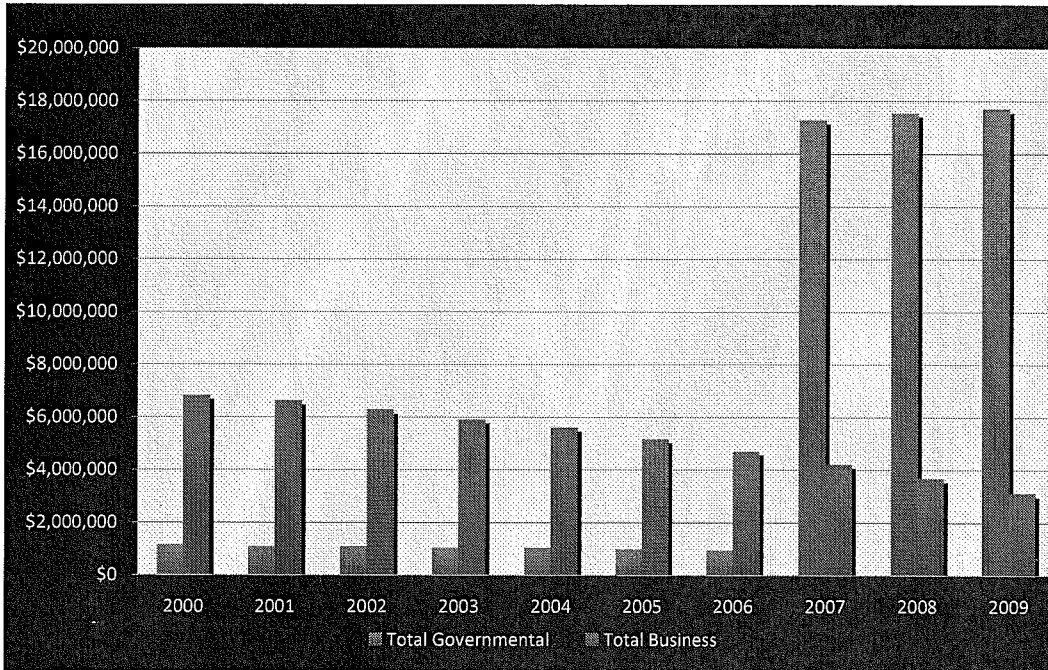
The City of Sausalito has elected to show seven years of data for this schedule.

Source: Marin County Auditor-Controller's Office

NOTE: Current tax collections beginning in 1993 have been reduced by a mandatory tax reallocation imposed by the State of California.

- (a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

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



Governmental Activities

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Total
2000	\$64,814	\$1,092,071		\$1,156,885
2001	22,201	1,069,411		1,091,612
2002		1,075,379		1,075,379
2003		1,048,072		1,048,072
2004		1,019,484		1,019,484
2005		989,641		989,641
2006		958,492		958,492
2007	434,235	1,147,162	\$15,694,220	17,275,617
2008	430,570	1,066,401	16,048,693	17,545,664
2009	363,157	982,307	16,354,939	17,700,403

Business-Type Activities

Fiscal Year	Capital Lease	Capital Improvement Lease	Certificates of Participation	Total	Total Primary Government	Percentage of Taxable Assessed Value (a)	Per Capita (a)
2000	\$3,756,994	\$1,770,000	\$1,290,000	\$6,816,994	\$7,973,879	0.58%	1,089
2001	3,657,267	1,730,000	1,230,000	6,617,267	7,708,879	0.51%	1,045
2002	3,530,100	1,590,000	1,160,000	6,280,100	7,355,479	0.44%	996
2003	3,368,444	1,460,000	1,085,000	5,913,444	6,961,516	0.40%	944
2004	3,174,730	1,345,000	1,083,131	5,602,861	6,622,345	0.35%	899
2005	2,931,565	1,265,000	975,054	5,171,619	6,161,260	0.31%	838
2006	2,635,260	1,215,000	860,116	4,710,376	5,668,868	0.27%	767
2007	2,316,851	1,165,000	737,883	4,219,734	21,495,351	0.95%	2,884
2008	1,989,688	1,090,000	607,891	3,687,579	21,233,243	0.88%	2,830
2009	1,643,119	1,005,000	469,647	3,117,766	20,818,169	0.81%	2,764

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

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

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

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

Fiscal Year	General Bonded Debt Outstanding		Percentage of Taxable Assessed Value	Per Capita
	General Obligation Bonds	Total		
2007	\$15,694,220	\$15,694,220	0.69%	\$2,105
2008	\$16,048,693	\$16,048,693	0.66%	\$2,139
2009	\$16,354,939	\$16,354,939	0.64%	\$2,171

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

Source: City of Sausalito

**CITY OF SAUSALITO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2009**

2008-09 Total Assessed Valuation \$2,580,087,659

	Total Debt 6/30/2009	% Applicable (1)	City's Share of Debt 6/30/2009
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Marin Community College District	\$132,180,000	4.989%	\$6,594,460
Tamalpais Union High School District	182,405,000	8.275%	15,094,014
Sausalito Marin City School District	15,224,924	90.220%	13,735,926
Marin Municipal Water District Wolfbackridge Assessment District	675,000	100.000%	675,000
City of Sausalito	16,354,939	100.000%	16,354,939 (2)
City of Sausalito 1915 Act Bonds	170,000	100.000%	<u>170,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$52,624,339
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$43,098,270	4.981%	\$2,146,725
Marin County Pension Obligations	112,755,000	4.981%	5,616,327
Marin County Transit District General Fund Obligations	238,124	4.981%	11,861
Marin Municipal Water District General Fund Obligations	193,728	6.410%	12,418
Marin Community College District General Fund Obligations	2,940,834	4.989%	146,718
Sausalito Marin City School District General Fund Obligations	3,020,000	90.220%	2,724,644
City of Sausalito General Fund Obligations	571,094	100.000%	<u>571,094</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$11,229,787
Less: Sausalito City School District QZABs (100% self-supporting from investment agreement deposits)			<u>902,200</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$10,327,587
GROSS COMBINED TOTAL DEBT			\$63,854,126 (3)
NET COMBINED TOTAL DEBT			\$62,951,926

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

(2) Includes accreted value.

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

RATIOS TO 2008-09 ASSESSED VALUATION:

Direct Debt (\$16,354,939)	0.63%
Combined Direct Debt (\$16,926,033)	0.66%
Total Direct and Overlapping Tax and Assessment Debt	2.04%
Gross Combined Total Debt	2.47%
Net Combined Total Debt	2.44%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/2009: **\$0**

Source: California Municipal Statistics, Inc.

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2000	51,357,641	0	51,357,641	0.0%
2001	57,194,365	0	57,194,365	0.0%
2002	63,021,867	0	63,021,867	0.0%
2003	65,832,791	0	65,832,791	0.0%
2004	70,501,549	0	70,501,549	0.0%
2005	74,810,558	0	74,810,558	0.0%
2006	80,614,685	0	80,614,685	0.0%
2007	85,590,797	15,694,220	69,896,577	18.3%
2008	91,414,839	16,048,693 (2)	75,366,146	17.6%
2009	96,753,287	16,354,939 (2)	80,398,348	16.9%

2008-09 Legal Debt Margin Information (1)

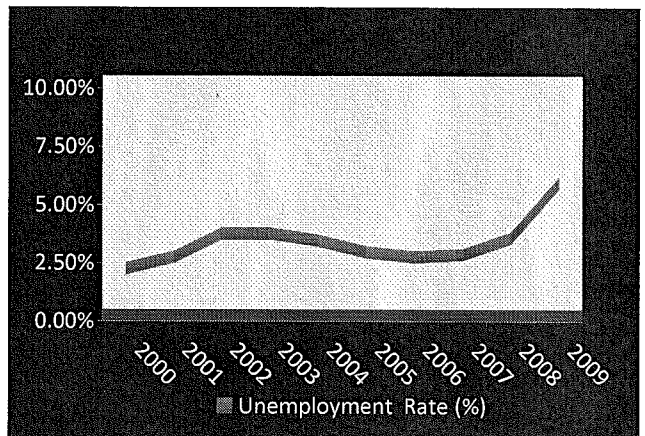
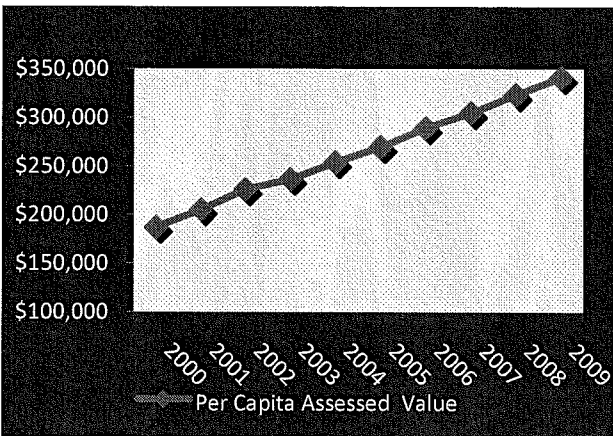
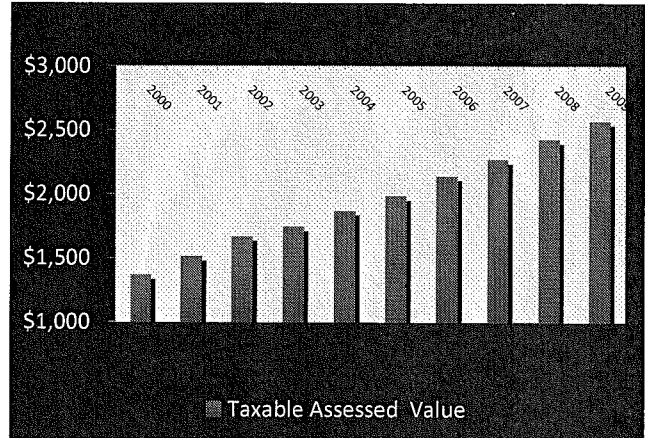
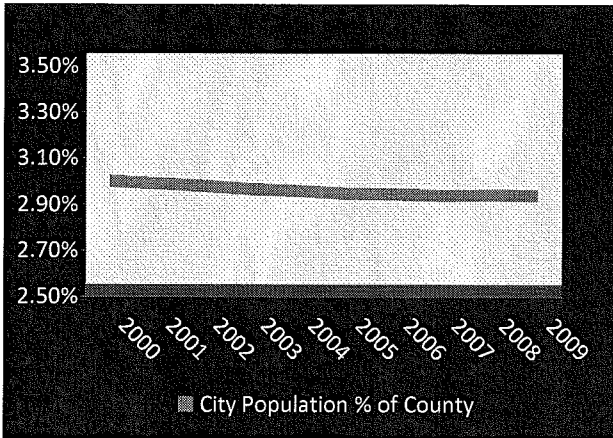
Assessed Valuation	\$2,580,087,659
Conversion Percentage	25%
Adjusted Assessed Valuation	\$645,021,915
Debt Limit Percentage	15%
Debt Limit	\$96,753,287
Total Net Debt Applicable to Limit	
General Obligation Bonds	\$16,354,939 (2)
Legal Debt Margin	80,398,348
Total Debt Applicable to the Limit as a percentage of the limit	16.9%

Note:

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

Source: California Municipal Statistics, Inc.

CITY OF SAUSALITO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	Unemployment Rate (%)	Marin County Population	City Population % of County
2000	7,325	\$1,369,537,087	\$186,968	2.0%	246,300	2.97%
2001	7,379	1,513,407,286	205,097	2.5%	249,000	2.96%
2002	7,387	1,668,868,821	225,920	3.5%	250,105	2.95%
2003	7,373	1,743,778,458	236,509	3.5%	250,823	2.94%
2004	7,363	1,868,130,437	253,719	3.2%	251,190	2.93%
2005	7,355	1,983,154,100	269,633	2.7%	251,820	2.92%
2006	7,394	2,138,186,138	289,179	2.5%	253,341	2.92%
2007	7,454	2,270,825,332	304,645	2.6%	255,982	2.91%
2008	7,503	2,426,136,256	323,355	3.3%	257,406	2.91%
2009	7,532	2,568,684,785	341,036	5.7%	258,618	2.91%

Note: Information for total personal income is not available

Source: California State Department of Finance
California Employment Development Department

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

<u>Employer</u>	<u>2008-09</u>		Percentage of Total City Employment
	<u>Employees</u>	<u>Rank</u>	
West Marine Products	219	1	4.1%
Lohrey Enterprises	187	2	3.5%
City of Sausalito	111	3	2.1%
Butler Shine Stern Partners LLC	78	4	1.5%
Mollie Stone's Market	75	5	1.4%
Horizons/On Dine	72	6	1.4%
The Spinnaker	70	7	1.3%
Human Concepts LLC	62	8	1.2%
Poggio LP	60	9	1.1%
Sausalito-Marin City School District	60	10	1.1%
Total	<u>994</u>		<u>18.8%</u>

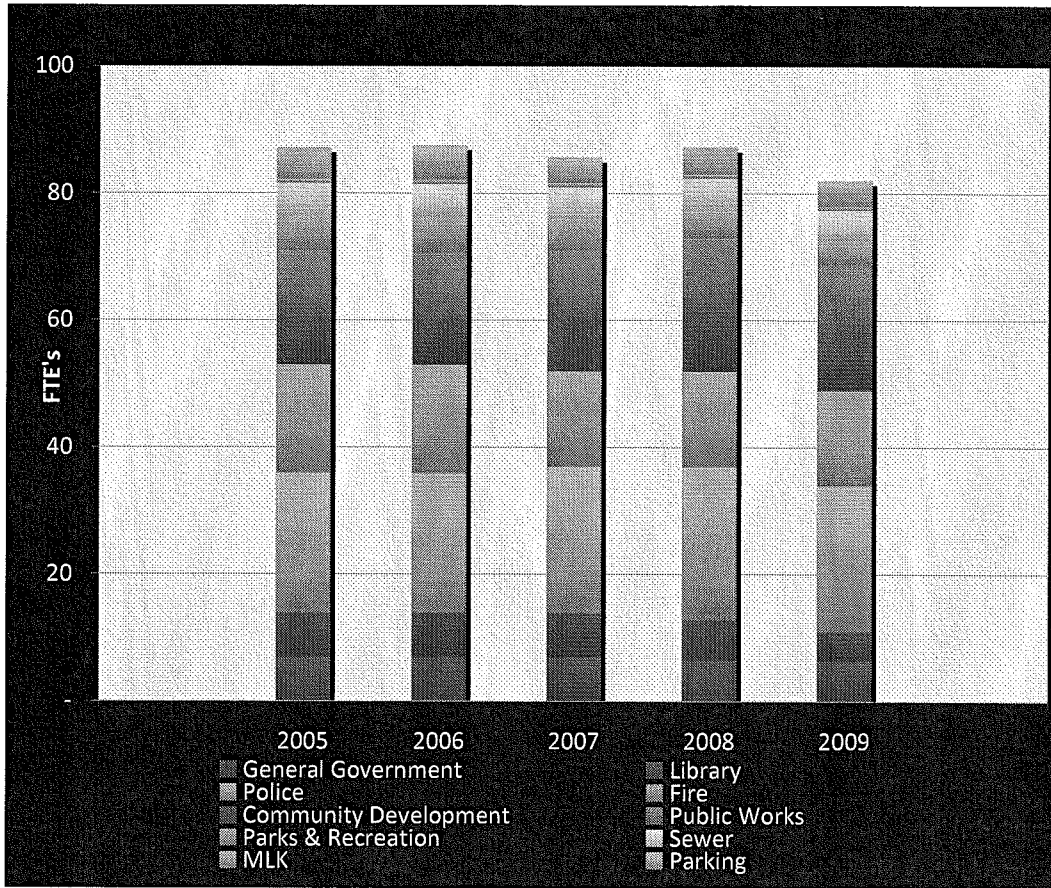
Note: Date shown above represents the total employment of all employers located within City limit..

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

Data for nine years ago is not available.

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

CITY OF SAUSALITO
Authorized Permanent Staffing City Government Employees by Function
Last Five Fiscal Years



Adopted for Fiscal Year Ended June 30,

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Function					
General Government	7	7	7	7	7
Library	7	7	7	7	5
Police	22	22	23	24	23
Fire	17	17	15	15	15
Community Development	7	7	8	9	8
Public Works	11	11	11	12	12
Parks & Recreation	6	6	5	5	4
Sewer	5	5	5	5	5
MLK	1	1	1	1	1
Parking	5	5	4	4	4
Total	<u><u>87</u></u>	<u><u>88</u></u>	<u><u>86</u></u>	<u><u>87</u></u>	<u><u>82</u></u>

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

Source: City of Sausalito Budget Documents

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

Function/Program	Fiscal Year		
	2007	2008	2009
Public Safety:			
Fire:			
Fire calls for service	872	837	881
Primary fire inspections conducted	134	145	155
Police:			
Communication Center calls answered:			
Police calls for Service	11,900	12,845	12,857
Law violations:			
Part I and Part II crimes	544	1,109	1,715
Physical arrests (adult and juvenile)	263	485	327
Traffic violations	2,236	2,279	2,490
Parking violations	10,210	10,034	11,183
Traffic Collisions	114	100	134
Public Works			
Street resurfacing (square feet)	6,858	140,000	208,773
Potholes repaired (square feet)	3,000	1,500	2,000
Trees trimmed	2,000	2,100	1,800
Culture and Recreation:			
Community Services:			
Recreation class participants	1,765	1,543	3,040
Special Events Permit	199	8	13
Sponsored events	29	16	27
Facility & Park & Field Rental	0	76	118
Library:			
Volumes in Collection			
Books	60,995	60,653	58,137
Audio-Visual materials	3,660	3,319	5,090
Total Volumes Borrowed	78,225	82,286	88,681
Visitation	111,862	119,094	122,958
Internet Station Usage	13,265	14,986	17,746
Passport applications processed	48	43	8
Test proctoring	6	10	18
Notary Service	0	127	95
Community Development			
Applications processed			
Discretionary	73	54	50
Ministerial	43	139	71
Encroachments	191	159	143
Building permits	822	737	660
Administration			
Parking Permits issued	2,122	2,176	2,539
Business license	1,586	1,768	2,336

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

Source: City of Sausalito

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>
Public safety:			
Fire stations	2	1	1
Fire trucks	3	3	3
Fire boat	1	1	1
Police station	1	1	1
Police patrol units	6	6	6
Public works			
Miles of streets	27	27	27
Street lights	664	664	664
Traffic Signals	9	9	9
Culture and recreation:			
Community services:			
City parks	19	19	19
City parks acreage	78	78	78
Beaches	3	3	3
Playgrounds	3	3	3
Roadway landscaping acreage	3	3	3
Recreation classrooms	3	3	3
Sports centers	1	1	1
Tennis courts	9	9	9
Basketball Courts	3	3	3
Baseball/softball diamonds	2	2	2
Soccer/football fields	1	1	1
Library:			
City Library	1	1	1
Wastewater			
Miles of sanitary sewers	26	26	26
Miles of storm sewers	15	15	15

Source: City of Sausalito
 Republic Electric, Inc.