

City of Sausalito, California

Comprehensive Annual Financial Report



For the Year Ended
June 30, 2015

CITY OF SAUSALITO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015



Prepared by:
Finance Department

Sooner or Later it Always Comes Down to Money

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CITY OF SAUSALITO

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CITY OF SAUSALITO

420 Litho Street • Sausalito, CA 94965

Telephone: (415) 289-4100

www.ci.sausalito.ca.us

Date: December 29, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Sausalito (the City) for the year ended June 30, 2015. The purpose of the report is to provide the City Council, City Staff, citizens, bond holders, and other interested parties with useful information concerning the City's operations and financial position. The City is responsible for the accuracy, completeness, and fairness of the data presented in this report.

To the best of our knowledge, the following report is accurate in all material respects. It has been prepared in accordance with standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officer Association of the United States and Canada (GFOA) and other rule-making bodies. We believe the report contains all disclosures necessary for the reader to understand the City's financial affairs.

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, 2015.

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.

STEWARDSHIP

The City prepares financial reports to promote *accountability*. The City's elected officials are accountable to the citizens; City management is accountable to the elected officials. This report gives citizens and other interested parties a means of assessing whether the elected and appointed officials in the City have faithfully carried out their role of being good stewards of the City's resources.

In order to enhance the degree of confidence of intended users of the financial statements, The City provides for an annual financial audit. The purpose of the audit is to provide reasonable assurance that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework. 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, 2015. The independent auditor's report is located at the front of the financial section of this report.

INTERNAL CONTROLS

The City's management is responsible for establishing a system of internal controls to:

- Safeguard City assets from loss or unauthorized use or disposal.
- Provide reliable financial records for preparing internal and external financial reports and for maintaining accountability over City assets.

FAX NUMBERS:

Administration: (415) 289-4167

Recreation: (415) 289-4189

Community Development: (415) 339-2256

Library: (415) 331-7943

Public Works: (415) 289-4138

- Ensure compliance with applicable Federal and State laws and regulations related to programs for which the City receives assistance.

No system of internal controls can be perfect. Therefore, internal controls are meant to provide “reasonable assurance”. Reasonable assurance means:

- The cost of a control should not exceed the benefits likely to be derived from that control.
- The costs and benefits of internal controls are subject to estimates and judgments by management.

Management believes that the City’s internal controls reasonably safeguard assets, assure that financial transactions are properly recorded and reported, and ensure compliance with applicable Federal and State laws and regulations.

As the City’s governing board, the City Council is responsible to ensure that the City administration fulfills its responsibilities in the preparation of the financial statements. Accordingly, the City Council’s Finance committee reviews the scope of the City’s audits and the accounting principles applied in the City’s financial reporting.

To ensure independence, the City’s Auditor, Maze and Associates, had full and free access to meet with the City Council’s Finance Committee to discuss the results of their assessment of the adequacy of internal accounting controls and the quality of the City’s financial reporting.

This CAFR includes the results of all the financial activities of the primary government, i.e. all funds, boards and commissions that are controlled by the City Council.

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 7,596. The City of Sausalito is empowered to levy a property tax on both real and personal property located within its boundaries. The property tax is collected by the County of Marin on behalf of the City.

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

The City of Sausalito provides a range of services, including police 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. The annual budget serves as the foundation for the City of Sausalito financial planning and control. The budget is prepared by fund, and by department (e.g., Police, Community Development, Parks and Recreation, Library, Public Works, Administration). Department 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 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.

During the recession the City undertook two major initiatives to provide structural financial balance: consolidation of fire services with the South Marin Fire Protection District; and, a labor restructuring package that included sweeping pension and post-retirement benefits reforms. These initiatives provided the resources for the City to continue quality levels of service to Sausalito citizens, as well as to provide an economic stimulus to the local economy through an aggressive infrastructure investment program.

Accordingly, Sausalito's economic decline during the recent recession was mild and lagged the state and the nation. In a similar fashion, Sausalito's current recovery will respectively be moderate. Sausalito's elastic revenues (sales tax and transient occupancy tax) are continuing their modest recovery and may be a leading indicator of an improving gross city product.

However, although the operating budget is structurally balanced, the City did not have the funds necessary for repairing and maintaining 80-year old local storm drains to protect the Bay; or continuing to fix deteriorating neighborhood streets at the same levels of investment as in recent past years; and overhauling local sidewalks. A ½ cent sales tax initiative lasting 10 years (Measure "O") was adopted by the voters on the November 4, 2014 ballot to address this infrastructure funding shortfall.

FUND BALANCE AND LONG-TERM FINANCIAL PLANNING

The City's total Fund Balance in the General Fund is \$10,426,298. The Fund Balance is comprised of three components: a non-spendable portion of \$6,376,575; an Assigned for Economic Contingencies portion of \$717,617; and an Unassigned portion (available for spending at the government's discretion) of \$3,332,106. The Unassigned/Assigned portions of fund balance in the general fund totals \$4,049,723; this amount is 32% percent of total general fund expenditures and exceeds the policy guideline of 15 percent of total general fund expenditures set by the Council for budgetary and planning purposes.

The City of Sausalito utilizes financial models to provide the City Council and Management with the means to create: interactive multi-year financial forecasts, historic trend and statistical analyses; and, monthly budget vs. actual variance analyses. Both the annual forecasting and monthly variance analysis models are 100% Excel-based and are customized to meet the City's particular financial planning, analysis and reporting requirements.

Forecasts are used to: (1) create a strategic context for evaluating the annual budget, (2) to establish a base-line for measuring the long-term effects of decisions, (3) to test the economic effects of best-case and worst-case funding scenarios, and (4) to establish a baseline projection of revenues, expenditures, and future cash flows and fund balances which are key metrics in evaluating the City's financial health.

The models are calibrated with actual financial results on a monthly, quarterly, year-to-date, prior-year and projected year-end basis in order to more accurately measure financial performance and proactively identify potential future budget challenges and opportunities.

The City has developed a 30 year long range financial planning model that is used for the purpose of evaluating alternative fiscal policies and their impact on government finance. The results of operations for the fiscal year ended are consistent with the fiscal year forecasted in the model; and the model has been calibrated with the results of operations for the fiscal year ended.

MAJOR INITIATIVES DURING THE 2014-15 FISCAL YEAR

Housing Element

The Housing Element covers the maintenance and development of housing to meet the needs of existing and future residents of Sausalito. It is one of seven required “Elements,” or chapters, of the city’s General Plan, which is the “blueprint” for the community. The Housing Element must establish goals, policies and programs for the preservation, improvement and development of housing. All cities and counties in California are required to have a Housing Element that identifies and analyzes existing and projected housing needs, and identifies sites for housing opportunities. All communities are also required to update their Housing Elements on a state-mandated cycle (every 7 years).

The 2015-2023 Housing Element was reviewed and adopted by the Planning Commission and City Council. It was subsequently certified by the State of California Department of Housing and Community Development (HCD) in March 2015. This is a significant accomplishment after over a year of public meetings to develop, consider and complete the document. For more information visit the City web site at <http://www.ci.sausalito.ca.us/index.aspx?page=703>

Sewer Revenue Bonds

With the City under a mandate from the Federal Environmental Protection Agency to accelerate collection system facility rehabilitation, the City accepted a Sanitary Sewer Fee Study Report on May 20, 2014 and adopted a new sewer service charge schedule.

The City then issued City of Sausalito 2015 Sewer Revenue Bonds, raising almost \$6 million for the design, permitting, construction and construction management of sewer capital projects over the next three years. In the first year of that design work, City Staff and consultants prepared plans for two projects, a construction contract for one of which was recently awarded by City Council. Subsequent phases of work will address long-standing inflow and infiltration issues with the sanitary sewer system in the vicinity of Gate 5 Road, Glen Court, Bridgeway (along its underwater segment between Richardson and the Cote d’Azur complex), and at the Whiskey Springs pump station and Coloma Street.

Measure “O” ½ Cent Local Sales Tax

In November 2014, the voters approved Measure “O” which provides revenue from a Local Option ½ Sales Tax to the City of Sausalito for a period of 10 years. The local sales tax begins on April 1, 2015 and the City will receive its first revenues from the measure in July 2015 in the new fiscal year. (In California, Sales Tax is collected by the State and revenue payments lag collections by 3 months).

Revenues from this local sales tax are estimated to generate \$1 Million per year. This local funding will allow the City to begin addressing long-overdue storm drain upgrades and street/sidewalk repairs, which a recent community study cited as residents’ top priorities for the use of Measure O funds. The funds will also enable the City to rebuild concrete streets, improving streets/sidewalks for ADA accessibility, and improve ADA accessibility for public buildings.

Collaboration with Sausalito Beautiful

In 2015, the Public Works Department continued to build on its successful collaboration with Sausalito Beautiful. The collaboration resulted in significant changes to the landscaping on the Bonita side of the City Hall/Civic Center grounds.

The collaboration has also resulted in renovation of the landscaping at Bolinar Plaza on the northeast side of the intersection of Bridgeway and Napa Street, renovation of the landscaped area at Bridgeway and Easterby, rehabilitation of the Easterby Bus Shelter, the completion of previously unfunded tree

maintenance work by the City, and periodic Beautification and Green Thumbs days. Sausalito Beautiful is also working with the City to complete restoration of the Tim Collins art piece in Tiffany Park and replace worn out US Postal Service public mailboxes.

Disaster Preparedness Program Outreach

The City's Disaster Preparedness Program has concentrated on outreach to the citizens of Sausalito. It has presented neighborhood informational meetings, organized a Disaster Preparedness Awareness Day, and published monthly (and sometimes more frequent) disaster preparedness messages in Currents.

The program also gave away smoke/carbon dioxide detector batteries at the Easter Parade and provided information and resources in handouts and on the City's website. The program is a valuable resource in our community and provides leadership and guidance throughout the neighborhoods of Sausalito.

Fiscal Transparency

The City of Sausalito has deployed a powerful, web-based platform that presents and visualizes the City's revenues and expenses—from multi-year trends to object-level details. Through this technology, citizens and staff can use the site to enhance access, understanding, and analysis of the City of Sausalito's historical actual and budgeted projected financial activities. The open-data platform can be located at www.sausalitoca.opengov.com.

Performance Budget receives Distinguished Budget Award

The City has historically published a traditional line-item budget. Although easy to use and understandable, line-item budgets focus attention on thought on how many dollars are being spent on services or goods. Although that approach is important, and still necessary as basic budget building, contemporary governmental budgeting wants to present budget documents so that policy makers concentrate on decisions about levels of service, and how community priorities are being addressed. Through the use of department and programmatic descriptions, listing of duties, and presentation of certain performance indicators, the new budget document shifts attention from the means of accomplishment to the accomplishment itself.

The budget was submitted to the Government Finance Officers Association of the United States and Canada (GFOA) for consideration to receive the Distinguished Budget Award.

The GFOA presented a Distinguished Budget Presentation Award to City of Sausalito, California for its biennial budget for the biennium beginning July 1, 2014. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of two years only. We believe our future budgets will continue to conform to program requirements, and we will be submitting them to GFOA to determine eligibility for future years' awards.

Financial Policies

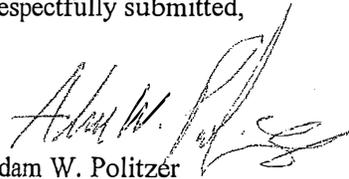
The City has established a financial policy document that contains a comprehensive and consistent set of financial policies to provide a basis for sound financial planning, identify appropriate directions for service-level development, aid budgetary decision-making and serve as an overall framework to guide financial management and operations of the City.

The City's preparation of financial policies also promotes public confidence and increases the City's credibility in the eyes of bond rating agencies and potential investors. Such policies also provide the resources to respond to potential financial emergencies in a prudent manner.

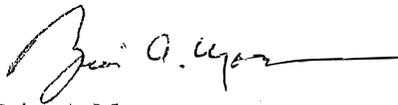
ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Division and the entire 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 W. Politzer
City Manager



Brian A. Moura
Interim Administrative Services Director/Treasurer

City of Sausalito
List of Elected and Appointed Officials
June 30, 2015

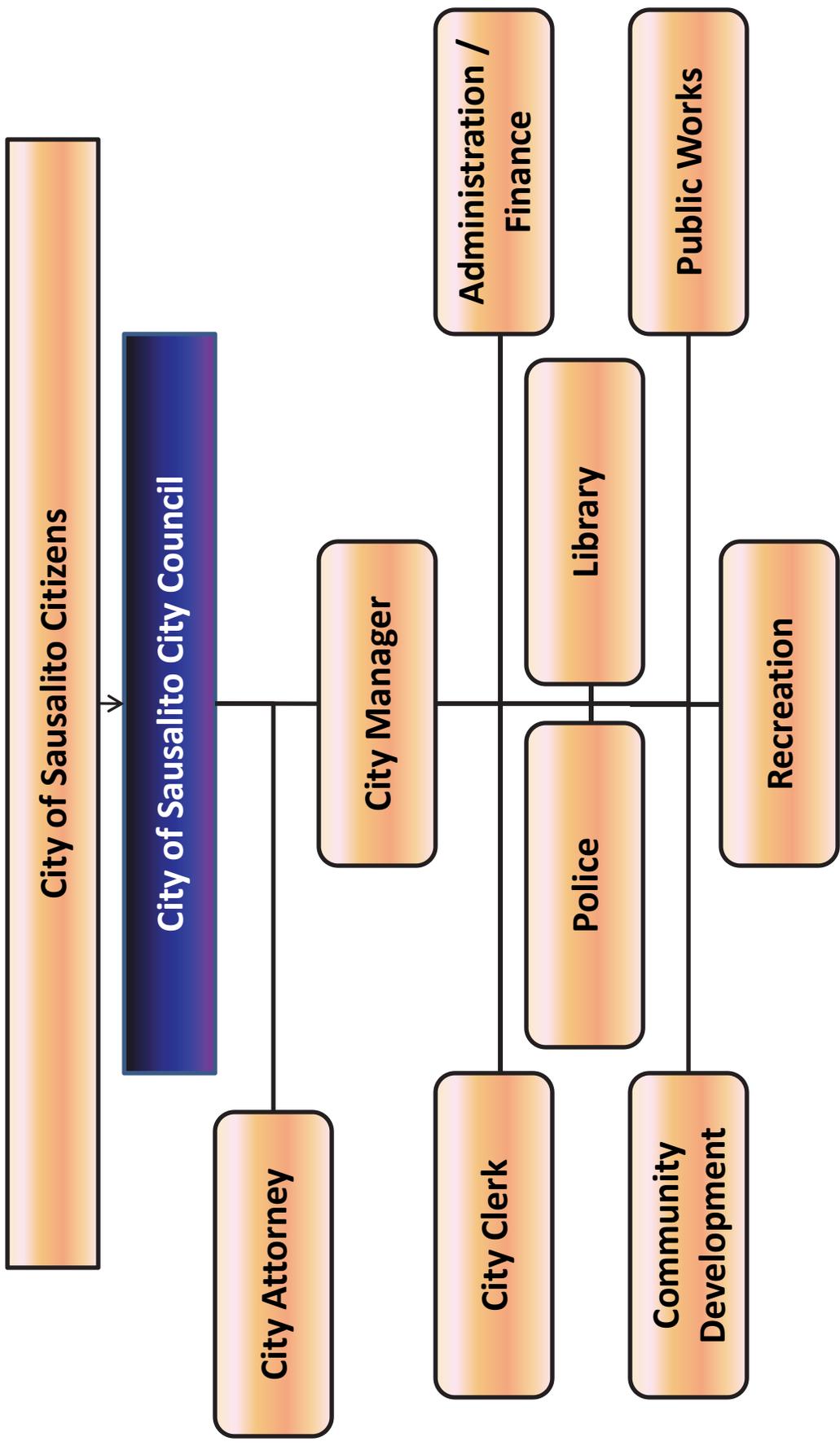
Elected Officials

Mayor	Jill James Hoffman
Vice Mayor	Ray Withy
Council Member	Thomas Theodores
Council Member	Linda Pfeifer
Council Member	Herb Weiner

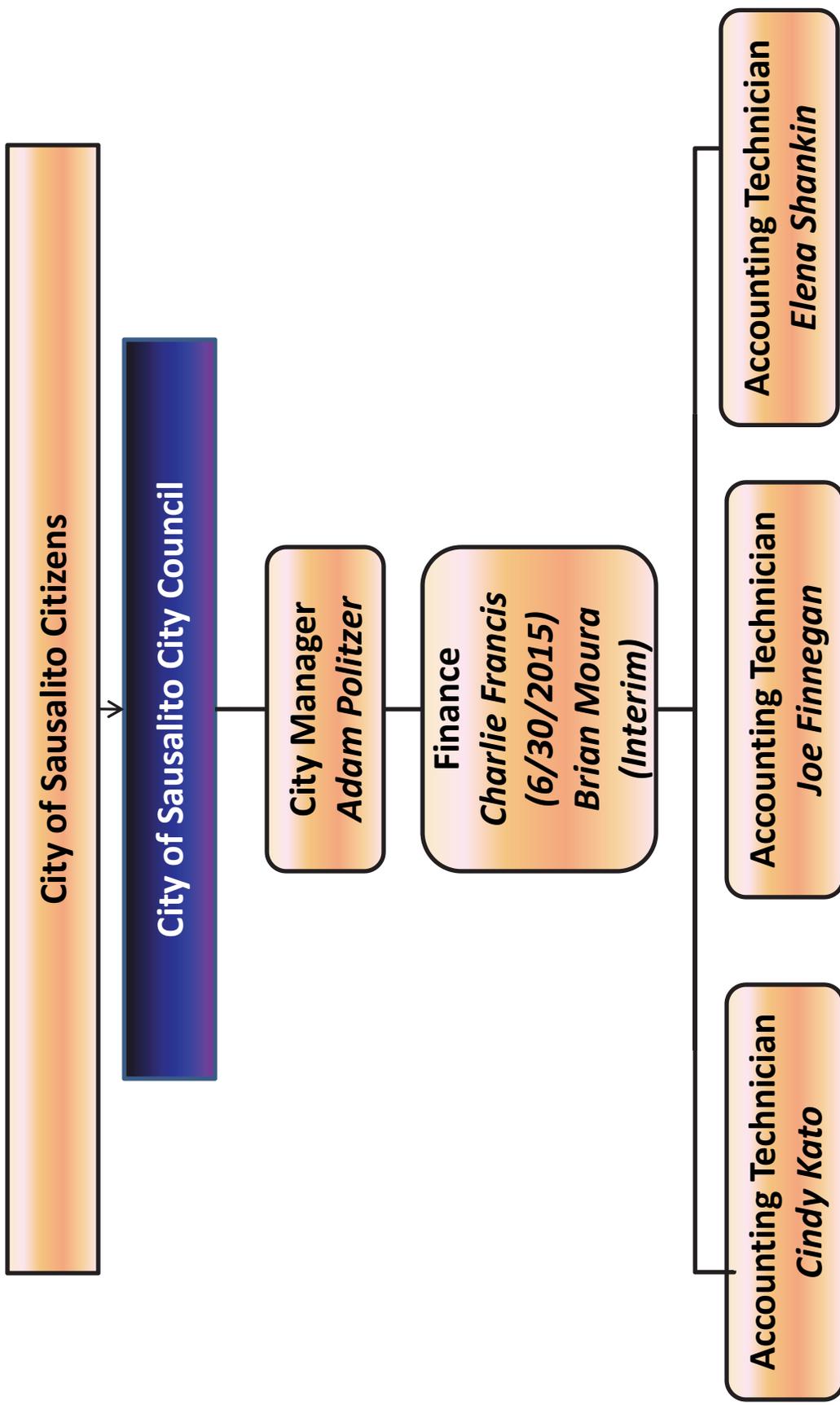
Appointed Officials

City Manager	Adam Politzer
Administrative Services Director/Treasurer	Charlie Francis
Chief of Police	Jennifer Tejada
City Attorney	Mary Wagner
City Librarian	Abbot Chambers
Community Development Director	Danny Castro
Parks & Recreation Director	Mike Langford
Public Work Director	Jonathon Goldman

City of Sausalito Organization Chart



City of Sausalito Organization Chart



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sausalito, California, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required a prior period adjustment to the restatement of net position as discussed in Note 11F to the financial statements:

Statement No. 68 – *Accounting and Financial Reporting for Pensions*

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of this matter does not constitute modifications to our opinion.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 29, 2015

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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, 2015. 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-x of this report.

FINANCIAL HIGHLIGHTS

- **STATEMENT OF NET POSITION** The total assets of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$25,890,410 (*total net position*).
 - Program Revenues (Charges for Services, Operating and Capital grants, and contributions) totaled \$8,607,089, an increase of \$653,178 over the prior fiscal year. General Revenues (Taxes, Investment Income, Other Revenues and Transfers) totaled \$11,996,415, and increase of \$553,373 over the prior fiscal year. Total expenses were \$17,970,673 a decrease of \$354,356 from the prior fiscal year. This resulted in an overall Change in Net Position of \$2,632,831, an increase of \$1,560,907 over the prior fiscal year.
 - \$41,929,026 represents the City's net investment (after depreciation) in capital assets, net of related debt. This investment in capital assets represents a net decrease of \$612,826 over the prior fiscal year, primarily due to depreciation.
 - The City's total net position is \$25,890,410. This amount decreased by \$18,665,512 from the prior fiscal year primarily due to the change in methodology for calculating pension liabilities due to the application of Governmental Accounting Standards Board (GASB) promulgation 68.
 - The amount of \$1,170,530 in total net position that is restricted for designated purposes increased by \$74,949 representing that resources are available for spending on capital assets.
- **GENERAL FUND BALANCE SHEET** As of the close of the current fiscal year, the General Fund of City of Sausalito's assets exceeded its liabilities resulting in an ending Fund Balance of \$10,426,298, an increase of \$748,857 over the prior fiscal year.
 - Of the ending Fund Balance, \$3,332,106 is unassigned and is available and may be used to meet the government's ongoing obligations to citizens and creditors. This balance increased \$601,231 over the prior fiscal year.
 - In addition to unassigned Fund Balance, the City of Sausalito has \$717,617 assigned for economic fluctuation reserve. Combined with the unassigned balance of \$3,332,106, the City has \$4,049,723, or 32 percent of expenditures available in the General Fund for liquid reserves.

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- **PROPRIETARY FUNDS STATEMENT OF NET POSITION** The total assets of the Business-Type Activities – Enterprise Funds (MLK, Sewer Fund, Parking Fund and Old City Hall Fund) of the City of Sausalito exceeded its total liabilities at the close of the most recent fiscal year by \$8,783,779 (*total Proprietary Funds net position*), a decrease of \$154,185.
 - **THE NET POSITION OF GOVERNMENTAL ACTIVITIES – INTERNAL SERVICES FUNDS** was \$100,402, a decrease of \$777,428 over the prior fiscal year primarily due to the City funding irrevocable trusts for both pension and OPEB liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements.

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

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

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

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

The government-wide financial statements can be found on pages 20-21 of this report.

Fund Financial Statements.

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

Governmental funds.

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

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

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

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

The basic governmental fund financial statements can be found on pages 24-27 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 30-32 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 33-66 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 69-77 of this report.

Combining Statements

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 84-100 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Position.**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sausalito, assets exceeded liabilities by \$25,890,410 at the close of fiscal year ending 2015.

The City implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the California Public Employees' Retirement System's (CalPERS) net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$21,298,343. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City's management. This resulted in negative unrestricted net position of \$17,209,146.

In the following tables, the information for prior year 2014 was not restated for GASB 68 and 71 because all information required to restate prior year amounts was not readily available.

	City of Sausalito's Net Position					
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	19,701,776	18,926,315	4,233,940	(3,449,956)	23,935,716	15,476,359
Capital assets	45,491,873	45,597,714	13,901,098	13,953,706	59,392,971	59,551,420
Total assets	65,193,649	64,524,029	18,135,038	10,503,750	83,328,687	75,027,779
Deferred outflows related to pension	2,365,196	-	134,093	-	2,499,289	-
Long-term liabilities outstanding	43,046,289	26,541,029	8,542,687	678,912	51,588,976	27,219,941
Other liabilities	3,050,478	2,365,042	644,096	886,874	3,694,574	3,251,916
Total liabilities	46,096,767	28,906,071	9,186,783	1,565,786	55,283,550	30,471,857
Deferred inflows related to pension	4,355,447	-	298,569	-	4,654,016	-
Net Assets:						
Net Investment in Capital Assets	29,250,403	29,547,058	12,678,623	12,994,794	41,929,026	42,541,852
Restricted	1,170,530	1,095,581			1,170,530	1,095,581
Unrestricted	(13,314,302)	4,975,319	(3,894,844)	(4,056,830)	(17,209,146)	918,489
Total net assets	17,106,631	35,617,958	8,783,779	8,937,964	25,890,410	44,555,922

Governmental Activities.

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

\$1,170,530 of the City of Sausalito's net position from Governmental activities represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position from Governmental activities is \$(13,814,302) compared to the prior year's \$4,975,319. It should be recognized that the negative unrestricted net position likely did not result from short-term actions of the City. The implementation of GASB Statement No. 68 moved the prior years' unfunded pension obligations from the required supplementary information to the face of the financial statements in the entity's annual financial report. It's important to note that the total unfunded pension obligation is an estimated, cumulative future liability, it does not represent a liability due and payable immediately. Nor does it represent a legal debt obligation.

Business-type Activities.

The net investment in capital assets for business-type activities is \$12,678,623. There are \$(3,894,844) in unrestricted net assets reported in connection with the City of Sausalito's business-type activities resulted from the MLK acquisition and operations funded through long-term borrowings and advances from the

General Fund. There are no restricted net position from Business-type activities, leaving unrestricted net position negative. The same situation held true for the prior fiscal year.

Statement of Activities.

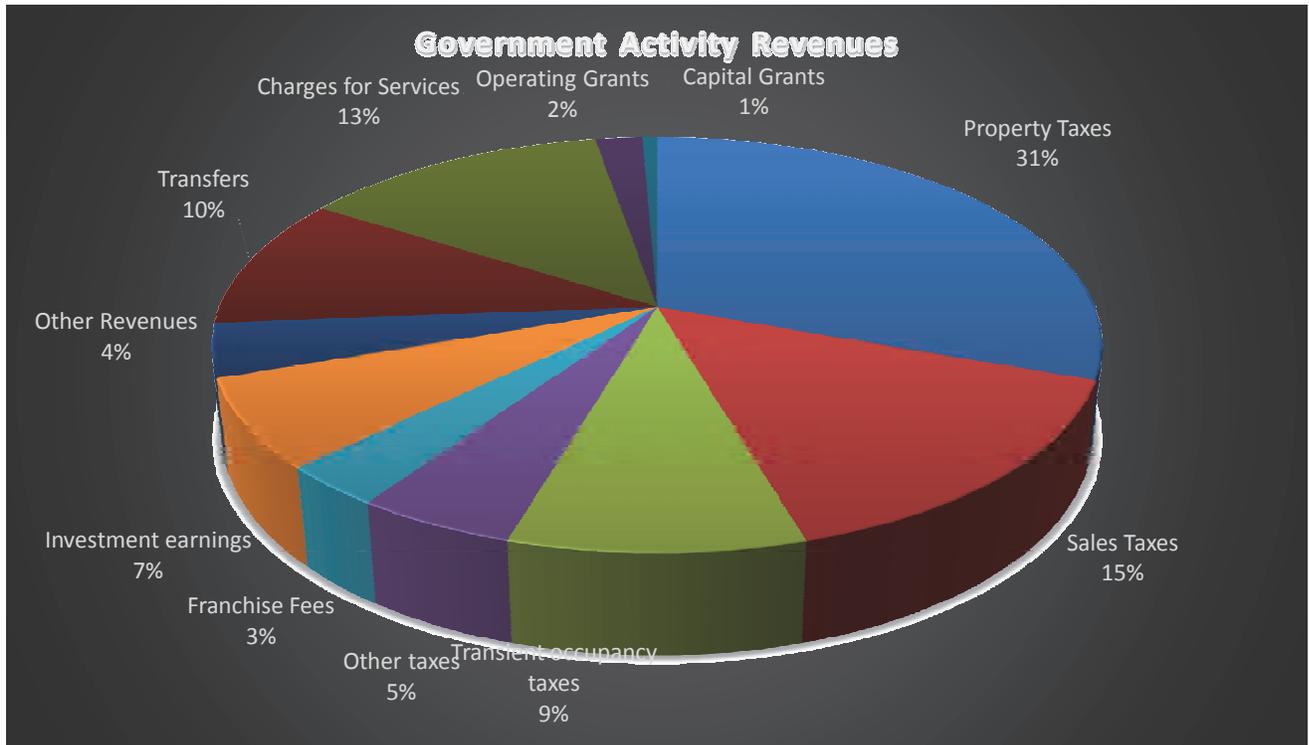
As detailed above, this statement reports the net expense over revenue of each individual function or program operated by the City. The net expense over revenue format reports the relative financial burden of each of the programs on the government's resource providers/taxpayers. The format highlights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

City of Sausalito's Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	2,141,948	2,234,431	6,033,827	5,087,295	8,175,775	7,321,726
Operating grants and contributions	330,104	416,778			330,104	416,778
Capital grants and contributions	101,210	215,407			101,210	215,407
General revenues:						
Taxes	10,111,753	9,329,868			10,111,753	9,329,868
Investment earnings	1,113,561	1,121,106	82,105	6,571	1,195,666	1,127,677
Other revenues	671,256	944,743	17,740	40,754	688,996	985,497
Total revenues	14,469,832	14,262,333	6,133,672	5,134,620	20,603,504	19,396,953
Expenses:						
General government	2,990,155	3,472,850			2,990,155	3,472,850
Library	762,567	843,657			762,567	843,657
Public safety - Police Services	5,398,539	5,097,517			5,398,539	5,097,517
Community development	1,163,835	1,327,571			1,163,835	1,327,571
Public works	2,599,572	3,022,208			2,599,572	3,022,208
Parks & Recreation	784,167	821,638			784,167	821,638
Interest on long-term debt	755,578	741,938			755,578	741,938
MLK			875,712	851,018	875,712	851,018
Sewer			2,191,635	1,635,796	2,191,635	1,635,796
Parking			419,621	482,521	419,621	482,521
Old City Hall			29,292	28,315	29,292	28,315
Total expenses	14,454,413	15,327,379	3,516,260	2,997,650	17,970,673	18,325,029
Increase in net assets before transfers	15,419	(1,065,046)	2,617,412	2,136,970	2,632,831	1,071,924
Transfers	1,655,658	1,630,658	(1,655,658)	(1,630,858)	-	(200)
Increase in net assets	1,671,077	565,612	961,754	506,112	2,632,831	1,071,724
Adjusted Net assets - Beginning	15,435,554	35,052,346	7,822,025	8,431,652	23,257,579	43,483,998
Net assets - Ending	17,106,631	35,617,958	8,783,779	8,937,764	25,890,410	44,555,722

Governmental Activities.

The Governmental activities for the City's resulted in net position increasing by \$1,671,077 primarily due to surplus taxes from an improving and recovering economy, increased charges for services, and increased operating and capital grants and contributions.

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

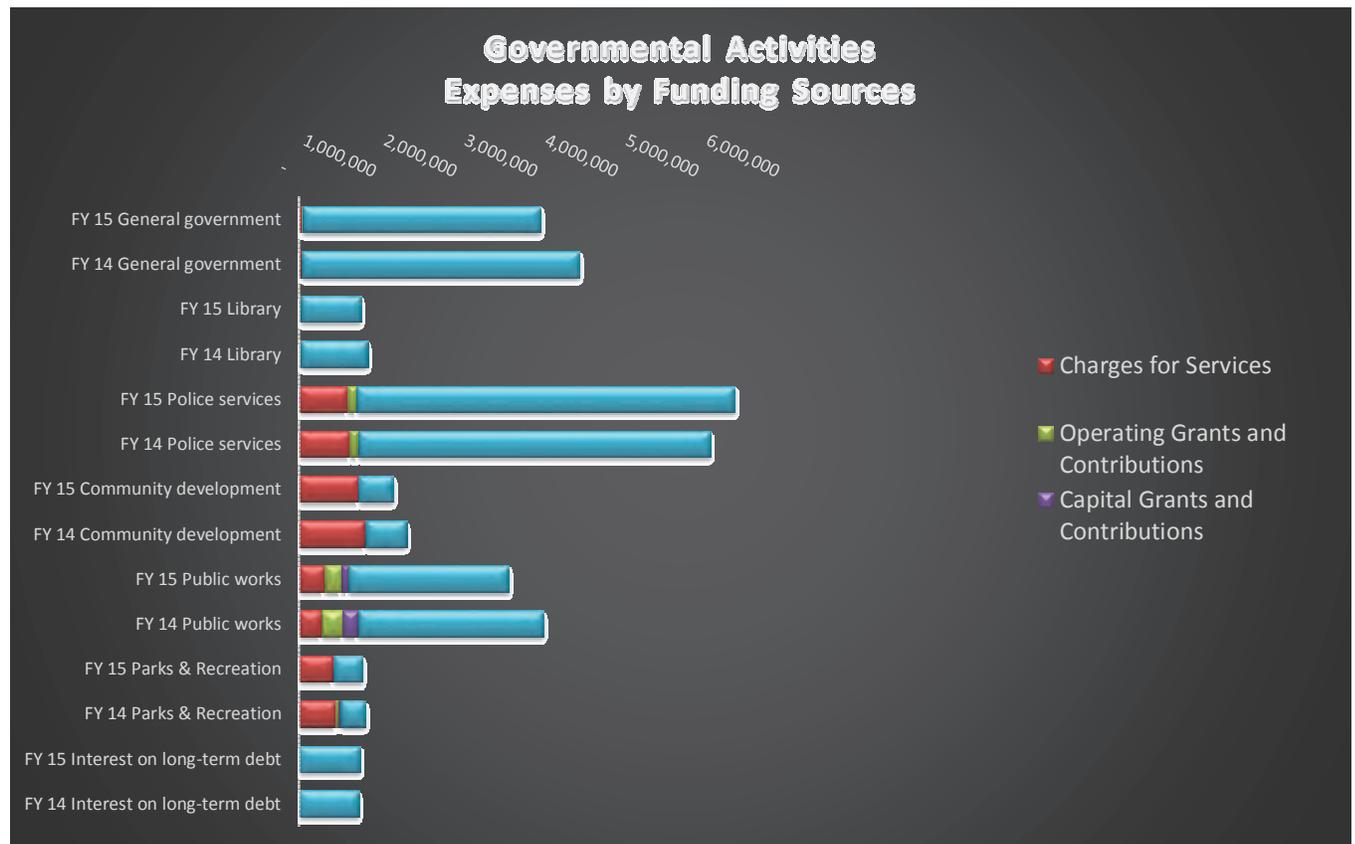


Key observations of Government Activity Revenues are as follows:

- Property taxes increased by \$67,365, a moderate 1.4% from the prior fiscal year. Property taxes are generally inelastic and provide the City a stable revenue source (30.5% of total general revenues, charges for services, and operating and capital grants) to meet its ongoing levels of service.
- The City's sales tax increased by \$483,993 primarily due to the passage of the ½¢ sales tax measure. Sales tax 14.9% of the City's Governmental activities revenues and transfers.
- Transient occupancy taxes increased \$ 260,546 from the prior fiscal year, an increase of 21.7%, as a result of the improving economy and higher-end hotel product available for occupancy. Transient Occupancy Taxes are about 9.1% of total resources available for Governmental Activities.
- Franchise Tax, Business license tax, and other miscellaneous taxes decreased marginally by \$30,019.
- Investment earnings decreased slightly from the prior fiscal year by \$7,545 during the fiscal year.
- Other government activity revenues declined slightly by \$273,847.
- Capital Grants and Contributions decreased \$114,197 due to decreases from capital grants in the Special Revenue Funds

- Operating grants contributed from Special Revenue Fun decreased by \$86,674 from the prior fiscal year.
- Charges for Services decreased \$92,483 primarily due to decreases in Building Inspections and Plan Checks
- Transfers into government activity funds from Business-type activity funds represent about 10% of the Governmental activity’s revenue base. These transfers increased \$25,000 from the prior fiscal year.

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



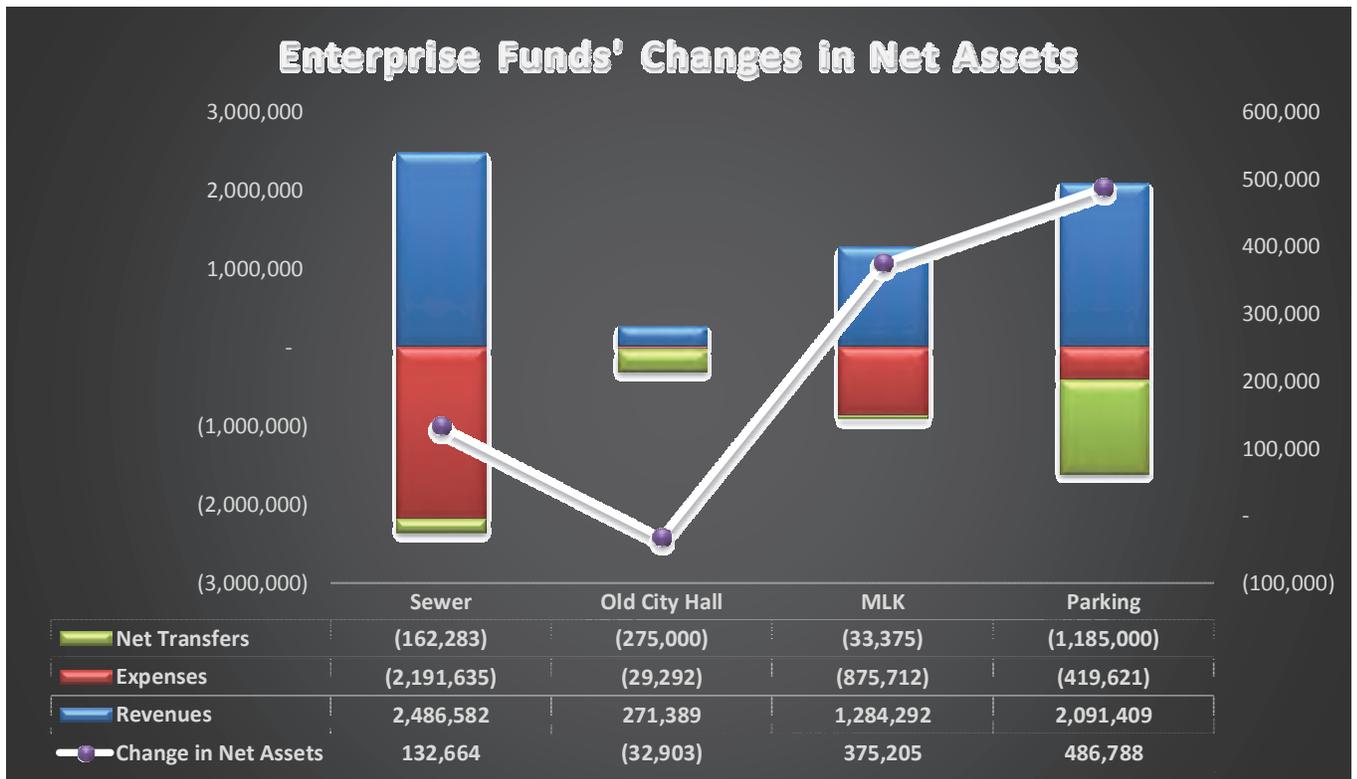
Key observations of Government Activity Expenses by Funding Source are as follows:

- Total Government Activity Expenses were reduced by \$872,966 over the prior fiscal year.
 - Library and Recreation expenses decreased moderately due to labor savings from several vacant positions.
 - Public Works’ expenses decreased because of labor savings from vacant positions and fewer capital improvements projects;

- Community Development’s expenses increased slightly reflecting marginally increasing building inspections and plan checks combined with moderate increases due to inflation and negotiated labor costs pay raises.
- Police Department expenses increased reflecting one-time capital charges as well as a fully staffed department operating at a higher level of service than the prior year;
- Department expenditures for General Government (City Council, City Manager, Finance and Administration, Human Resources, Information Technology) decreased due to certain expenditures for pension expenses in the prior year now being transferred to the newly established irrevocable pension trust fund.
- Interest on long-term debt increased slightly in accordance with the debt service schedules.

Business-type activities.

Business-type activities increased the City of Sausalito’s net position by \$961,754. The following chart depicts the operating results of the City’s business-type activities:



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

- MLK Fund increased net position by \$375,205 during the year compared to the \$310,741 increase in the previous year. Rents improved almost 11% due to restructured leases on the property, while operating expenses decreased \$24,922 from the prior year, all resulting in net operating income (NOI) of \$724,842, compared to the prior year's NOI of \$662,015. The final payment of outstanding debt on the MLK site was made in the amount of \$317,750. A Comprehensive Facility Assessment of the MLK facility disclosed that there are about \$3 million in deferred maintenance, and now that the prior outstanding debt is liquidated, there will be surplus cash flow to support not only addressing the deferred maintenance, but also opportunity to liquidate the General Fund Advance.
- Sewer Fund increased net position by \$132,664 during the year, compared to the \$74,257 decrease in net position the previous fiscal year. Increasing maintenance and capital costs in the Sewer Fund are dependent upon Sanitary Sewer fees. Sanitary Sewer fees were increased in FY 15, effective for FY 15 and for the next five years, to offset maintenance costs and infrastructure investments as a result of EPA compliance requirement.
- Parking Fund increased net position by \$486,788 during the year, compared to the \$279,698 increase from the prior fiscal year reflecting the continued improved value of the upgrades to parking revenue infrastructure.
- The Old City Hall Fund decreased net position by \$32,903 as compared to the prior year's decrease of \$9,870 due to a \$25,000 increase from the prior year in transfers to the General Fund.

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 \$10,814,613, an increase of \$973,997 in comparison with the prior year. Individual fund analysis follows.

General Fund.

The general fund is the chief operating fund of the City of Sausalito. At the end of the current fiscal year assigned fund balance was \$717,617; and unassigned fund balance was \$3,332,106; for a total of \$4,049,723 that is available for spending at the government's discretion. Total fund balance, including \$6,376,575 of non-spendable amounts due to non-liquid advances to the MLK Fund, reached \$10,426,298. As a measure of the general fund's liquidity, it may be useful to compare both unassigned/assigned fund balance and total fund balance to total fund expenditures. Unassigned/assigned fund balance represents almost 31.9% of total general fund expenditures, while total fund balance represents 82.2% of that same amount.

Fund balance for the City of Sausalito's general fund increased by \$748,857 during the fiscal year.

General Fund Budgetary Highlights

The FY 15 adopted/amended budget of the City's General Fund anticipated a \$63,247 decrease in Fund Balance. During the year, the City Council approved mid-year budget amendments that resulted in appropriations for revenues and transfers-in exceeding expenses and transfers-out by \$699,346. The results of operations resulted in a \$748,857 increase to Fund Balance due to surplus revenues generated by the recovering economy. The Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual for the General Fund detailing the adopted and amended budget with actual results can be found on page 74 of this report.

Tidelands Special Revenue Fund

Tidelands Special Revenue Fund is dedicated for the construction, maintenance, and operation of the water front parcels granted to the City of Sausalito by the State of California. The Tidelands Special Revenue Fund has a negative total fund balance of \$3,196,130, due to the remaining unamortized net unearned revenue in the amount of \$4,536,029 from Sausalito Yacht Harbor, a Tideland Fund tenant, Bulkhead Replacement Capital Project. Future years' amortization of the unearned revenues will restore the Tideland Fund's fund balance. Unearned revenue proceeds were transferred to the Capital Improvement Fund in order to account for the construction costs.

The General Capital Improvement Projects Fund

The General Capital Improvement Projects Fund has a total fund balance of \$1,445,207, committed for capital improvement projects in the City's five year capital improvement plan.

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.

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 2015, amounts to \$59,392,971 (net of accumulated depreciation), a decrease of 158,449. This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. The increase/decrease in the City of Sausalito's investment in capital assets for the current fiscal year is primarily a result of the increase/decrease in construction-in-progress of the City's bulkhead, as well as major investment in the City's streets.

City of Sausalito's Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	15,014,662	15,014,662	3,796,001	3,796,001	18,810,663	18,810,663
Construction in progress	0	0	114,273	0	114,273	0
Building and improvement	15,253,186	15,608,118	3,398,472	3,506,452	18,651,658	19,114,570
MLK Bus Barn			181,500	187,005	181,500	187,005
Vehicles and equipment	140,128	206,668	642,941	763,299	783,069	969,967
Machinery and equipment	261,309	181,634			261,309	181,634
Infrastructure	14,822,588	14,586,632	5,767,911	5,700,949	20,590,499	20,287,581
Total	45,491,873	45,597,714	13,901,098	13,953,706	59,392,971	59,551,420

Additional information about the City's capital assets can be found in Note 4 on pages 44-46 of this report.

Long-term debt.

At the end of the current fiscal year, the City of Sausalito has total debt outstanding of \$26,516,800. This is an increase of \$6,722,777 over the prior fiscal year because of a new Sewer Revenue Bond, and additional Sewer Fund loan monies from the State Revolving Fund per the construction schedule, minus regularly scheduled debt service principal payments.

City of Sausalito's Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Short-term debt	352,463	315,548	116,371	280,000	468,834	595,548
Notes payable	18,414,221	18,239,563	7,633,745	678,912	26,047,966	18,918,475
Capital leases	0		0	280,000	0	280,000
Total	18,766,684	18,555,111	7,750,116	1,238,912	26,516,800	19,794,023

For more detailed information on the City's Long-term debt see Note 5 on pages 47-50 in this report.

ECONOMIC FACTORS AND FUTURE YEARS' BUDGETS

National, State and Local Economic Recoveries

Recent data suggest that the **U.S. economy** is on stable ground. The Federal Reserve hiked interest rates for the first time in nearly a decade on Wednesday, signaling faith that the U.S. economy had largely overcome the wounds of the 2007-2009 financial crisis. The U.S. central bank's policy-setting committee raised the range of its benchmark interest rate by a quarter of a percentage point to between 0.25 percent and 0.50 percent, ending a lengthy debate about whether the economy was strong enough to withstand higher borrowing costs.

Another Solid Year for California

California's economy continues to grow solidly, with hiring rising at a pace one and half times stronger than the rest of the country. Overall economic conditions, however, encompass a sizable divide between the stronger growing metropolitan areas along the coast and the slower growing inland areas. Every metropolitan area has shown improvement over the past year and gains have been significantly more even than in prior years. The state's economy continues to be driven by information technology, life sciences and tourism, which tend to be focused in and around the larger metropolitan areas along the coast. The state's large agriculture sector once again had to contend with the drought along with the added pressures of weaker global economic growth and a stronger dollar. Despite these challenges, farm income has held up relatively well and the state's farm sector had a fairly good year on an overall basis.

Nonfarm employment in California is up a solid 2.9 percent year over year, not far from the state's three-year average of 3.1 percent. The Golden State has added 464,000 net new jobs from October of last year on a non-seasonally adjusted basis. Gains have been broad-based across a majority of industry sectors (Figure 2). California's steady pace of hiring has pulled the state's unemployment rate down below six percent to 5.8 percent in October, its lowest reading since October 2007. On a year-to-date basis through October, the largest gains have been seen in the professional & business services sector, which added 130,000 new jobs. This comes as no surprise, as employment in professional & business services includes many of the industry groups from the state's rapidly growing tech and life sciences sectors. Employment in professional, scientific & technical services, which includes software engineering, computer system design and scientific research and development, rose 6.2 percent over the year, an addition of 74,300 jobs. **The bulk of this gain has been in San Francisco, San Diego and Los Angeles.**

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.

Future Years Budgets

The City closely monitors its tax and revenue base. Sausalito's economy is very strong, with a projected per capita effective buying income of over 350% of the U.S. and an exceptionally high per capita market value of \$362,159. The city has access to the broad and diverse economy of the San Francisco bay area, and the county's unemployment rate is well below the national and state levels.

Property taxes 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. Accordingly the City is forecasting slightly improving revenues from these elastic sources in the near future.

The City aggressively manages its revenue and cost structure. Recently implemented strategies of regionalizing fire services, labor cost restructuring including pension, OPEB, health care and wage reform, long-term financial planning, revenue optimization, expenditure control, and economic development planning are improving structural performance and providing operating balance to city revenues and expenses, in order to continue to provide the current excellent 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 Director of Administrative Services/Treasurer, 420 Litho Street, Sausalito, CA 94965 or www.ci.sausalito.ca.us.

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

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

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

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

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

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

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

CITY OF SAUSALITO
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$11,696,520	\$3,989,315	\$15,685,835
Restricted cash (Note 2)	606,751	6,527,641	7,134,392
Receivables:			
Taxes receivables, net	645,344	12,708	658,052
Accounts receivable, net	376,586	52,785	429,371
Loans receivable	1,766		1,766
Internal balances (Note 3C)	6,348,509	(6,348,509)	
Prepays	26,300		26,300
Capital assets (Note 4):			
Land and construction in progress	15,014,662	3,910,274	18,924,936
Depreciable, net of accumulated depreciation	30,477,211	9,990,824	40,468,035
Total Assets	65,193,649	18,135,038	83,328,687
DEFERRED OUTFLOWS			
Deferred outflows related to pension (Note 8B)	2,365,196	134,093	2,499,289
Total Deferred Outflows	2,365,196	134,093	2,499,289
LIABILITIES			
Accounts payable	1,233,092	211,582	1,444,674
Accrued interest payable	123,108	90,052	213,160
Compensated absences (Note 11):			
Due within one year	500,080	9,230	509,310
Due in more than one year	333,168	21,276	354,444
Claims payable (Note 10):			
Due within one year	299,861		299,861
Due in more than one year	703,081		703,081
Refundable deposits	541,874	216,861	758,735
Unearned revenue, due in more than one year (Note 7)	4,586,857		4,586,857
Net OPEB obligation (Note 9):			
Due in more than one year	2,507,420		2,507,420
Net pension liability due in more than one year (Note 8B)	16,854,005	887,666	17,741,671
Long-term debt (Note 5):			
Due within one year	352,463	116,371	468,834
Due in more than one year	18,061,758	7,633,745	25,695,503
Total Liabilities	46,096,767	9,186,783	55,283,550
DEFERRED INFLOWS			
Deferred inflows related to pension (Note 8B)	4,355,447	298,569	4,654,016
Total Deferred Inflows	4,355,447	298,569	4,654,016
NET POSITION (Note 11):			
Net investment in capital assets	29,250,403	12,678,623	41,929,026
Restricted for:			
Special revenue programs	437,893		437,893
Debt service	630,306		630,306
Capital projects	102,331		102,331
Total Restricted Net Position	1,170,530		1,170,530
Unrestricted	(13,314,302)	(3,894,844)	(17,209,146)
Total Net Position	\$17,106,631	\$8,783,779	\$25,890,410

See accompanying notes to financial statements

CITY OF SAUSALITO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$2,990,155	\$38,236	\$4,307		(\$2,947,612)		(\$2,947,612)
Library	762,567	8,053	11,526	\$490	(742,498)		(742,498)
Public safety:							
Police services	5,398,539	605,659	114,181		(4,678,699)		(4,678,699)
Community development	1,163,835	746,175			(417,660)		(417,660)
Public works	2,599,572	321,591	200,090	95,106	(1,982,785)		(1,982,785)
Parks & recreation	784,167	422,234		5,614	(356,319)		(356,319)
Interest on long-term debt	755,578				(755,578)		(755,578)
Total Governmental Activities	14,454,413	2,141,948	330,104	101,210	(11,881,151)		(11,881,151)
Business-type Activities:							
MLK	875,712	1,282,157				\$406,445	406,445
Sewer	2,191,635	2,409,019				217,384	217,384
Parking	419,621	2,071,784				1,652,163	1,652,163
Old City Hall	29,292	270,867				241,575	241,575
Total Business-type Activities	3,516,260	6,033,827				2,517,567	2,517,567
Total	\$17,970,673	\$8,175,775	\$330,104	\$101,210	(11,881,151)	2,517,567	(9,363,584)
General revenues:							
Taxes:							
Property taxes					4,926,278		4,926,278
Sales taxes					2,407,184		2,407,184
Transient occupancy tax					1,462,774		1,462,774
Franchise fees					795,249		795,249
Other taxes					520,268		520,268
Investment earnings					1,113,561	17,740	1,131,301
Other revenues					671,256	82,105	753,361
Transfers (Note 3B)					1,655,658	(1,655,658)	
Total general revenues and transfers					13,552,228	(1,555,813)	11,996,415
Change in Net Position					1,671,077	961,754	2,632,831
Net Position-Beginning, as adjusted (Note 11F)					15,435,554	7,822,025	23,257,579
Net Position-Ending					\$17,106,631	\$8,783,779	\$25,890,410

See accompanying notes to financial statements

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CITY OF SAUSALITO

FUND FINANCIAL STATEMENTS

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

The funds described below were determined to be Major Funds by the City for fiscal 2015. 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.

GENERAL CAPITAL IMPROVEMENTS CAPITAL PROJECTS FUND

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

CITY OF SAUSALITO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$4,327,542	\$1,308,936	\$1,635,914	\$1,535,727	\$8,808,119
Restricted cash (Note 2)				606,751	606,751
Receivables:					
Taxes receivables, net	640,490			4,854	645,344
Accounts receivable, net	263,073	41,363	60,322	10,658	375,416
Loans receivable	1,766				1,766
Due from other funds (Note 3A)	7,525				7,525
Prepays	26,300				26,300
Advances to other funds (Note 3C)	6,348,509				6,348,509
	<u>\$11,615,205</u>	<u>\$1,350,299</u>	<u>\$1,696,236</u>	<u>\$2,157,990</u>	<u>\$16,819,730</u>
LIABILITIES					
Accounts payable	\$605,611		\$251,029	\$11,227	\$867,867
Accrued salaries and benefits	994				994
Refundable deposits	531,474	\$10,400			541,874
Due to other funds (Note 3A)				7,525	7,525
Unearned revenue (Note 7)	50,828	4,536,029			4,586,857
	<u>1,188,907</u>	<u>4,546,429</u>	<u>251,029</u>	<u>18,752</u>	<u>6,005,117</u>
FUND BALANCES (DEFICITS) (Note 11)					
Nonspendable	6,376,575				6,376,575
Restricted				2,036,907	2,036,907
Committed			1,445,207	102,331	1,547,538
Assigned	717,617				717,617
Unassigned	3,332,106	(3,196,130)			135,976
	<u>10,426,298</u>	<u>(3,196,130)</u>	<u>1,445,207</u>	<u>2,139,238</u>	<u>10,814,613</u>
Total Liabilities and Fund Balances	<u>\$11,615,205</u>	<u>\$1,350,299</u>	<u>\$1,696,236</u>	<u>\$2,157,990</u>	<u>\$16,819,730</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$10,814,613

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 45,347,869

ALLOCATION OF INTERNAL SERVICE FUND NET POSITIONS

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

Cash and investments	2,888,401
Accounts receivable, net	1,170
Capital assets, net of depreciation	144,004
Claims payable	(1,002,942)
Long-term debt	(1,566,000)
Accounts payable and accrued interest	(364,231)

DEFERRED INFLOWS AND OUTFLOWS

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

Deferred outflows	2,365,196
Deferred inflows	(4,355,447)

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	(16,848,221)
Interest payable	(123,108)
Compensated absences	(833,248)
Net OPEB obligation	(2,507,420)
Net pension liability	<u>(16,854,005)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$17,106,631

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, 2015

	General	Tidelands Fund	General Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	\$4,427,868			\$498,410	\$4,926,278
Sales tax	2,407,184				2,407,184
Other tax	2,258,023				2,258,023
Licenses and permits	517,155				517,155
Fines and forfeitures	593,441			40,148	633,589
Use of money and property	628,161	\$754,615	\$5,569	8,213	1,396,558
Intergovernmental			89,537	406,215	495,752
Charges for services	1,234,682			274,177	1,508,859
Other revenues	311,852				311,852
Total Revenues	12,378,366	754,615	95,106	1,227,163	14,455,250
EXPENDITURES					
Current:					
General government	3,868,337	98,198			3,966,535
Library	807,009				807,009
Public safety:					
Police	4,540,464			114,182	4,654,646
Community development	1,233,503				1,233,503
Public works	1,436,033			155,310	1,591,343
Parks & recreation	791,703				791,703
Capital outlay			1,408,895	15,611	1,424,506
Debt service:					
Principal				257,547	257,547
Interest and other charges				270,801	270,801
Total Expenditures	12,677,049	98,198	1,408,895	813,451	14,997,593
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(298,683)	656,417	(1,313,789)	413,712	(542,343)
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 3B)	2,305,158		1,116,260	72,155	3,493,573
Transfers (out) (Note 3B)	(1,257,618)	(313,336)		(406,279)	(1,977,233)
Total Other Financing Sources (Uses)	1,047,540	(313,336)	1,116,260	(334,124)	1,516,340
NET CHANGE IN FUND BALANCES	748,857	343,081	(197,529)	79,588	973,997
BEGINNING FUND BALANCES (DEFICITS)	9,677,441	(3,539,211)	1,642,736	2,059,650	9,840,616
ENDING FUND BALANCES (DEFICITS)	\$10,426,298	(\$3,196,130)	\$1,445,207	\$2,139,238	\$10,814,613

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, 2015

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$973,997

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance 1,351,982

Depreciation expense is deducted from the fund balance (1,388,798)

LONG TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment of debt principal is added back to fund balance 257,548

Change in accrued interest payable (484,777)

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 232,264

Net OPEB obligation 168,141

Pension expense 1,338,148

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

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

Change in Net Position - All Internal Service Funds (777,428)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$1,671,077

See accompanying notes to financial statements

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CITY OF SAUSALITO

PROPRIETARY FUNDS

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

Major Enterprise Funds

MLK FUND

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

SEWER FUND

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

Non-Major Enterprise Fund

OLD CITY HALL FUND

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

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall		
ASSETS						
Current assets:						
Cash and investments (Note 2)	\$339,367	\$575,138	\$2,968,134	\$106,676	\$3,989,315	\$2,888,401
Restricted cash (Note 2)		6,527,641			6,527,641	
Receivables:						
Accounts receivable, net	44,805	4,799	3,181		52,785	1,170
Taxes receivable		12,708			12,708	
Prepaid assets						
Total current assets:	<u>384,172</u>	<u>7,120,286</u>	<u>2,971,315</u>	<u>106,676</u>	<u>10,582,449</u>	<u>2,889,571</u>
Noncurrent assets:						
Capital assets (Note 4):						
Land and construction in progress	3,786,063	114,273		9,938	3,910,274	
Depreciable, net of accumulated depreciation	<u>3,083,363</u>	<u>6,111,255</u>	<u>299,592</u>	<u>496,614</u>	<u>9,990,824</u>	<u>144,004</u>
Total noncurrent assets	<u>6,869,426</u>	<u>6,225,528</u>	<u>299,592</u>	<u>506,552</u>	<u>13,901,098</u>	<u>144,004</u>
Total Assets	<u>7,253,598</u>	<u>13,345,814</u>	<u>3,270,907</u>	<u>613,228</u>	<u>24,483,547</u>	<u>3,033,575</u>
DEFERRED OUTFLOWS						
Deferred Outflows related to pension (Note 8B)		134,093			134,093	
Total Deferred Outflows		<u>134,093</u>			<u>134,093</u>	
LIABILITIES						
Current liabilities:						
Accounts payable	12,830	149,929	48,823		211,582	364,231
Accrued interest payable		90,052			90,052	
Compensated absences, due in one year (Note 11)		9,230			9,230	
Refundable deposits	188,773	4,040	24,048		216,861	
Claims payable-due within one year (Note 10)						299,861
Long-term debt, due within one year (Note 5)		116,371			116,371	58,000
Total current liabilities	<u>201,603</u>	<u>369,622</u>	<u>72,871</u>		<u>644,096</u>	<u>722,092</u>
Noncurrent liabilities:						
Advance from other funds (Note 3C)	6,348,509				6,348,509	
Compensated absences, due in more than one year (Note 11)		21,276			21,276	
Claims payable - due in more than one year (Note 10)						703,081
Long-term debt, due in more than one year (Note 5)		7,633,745			7,633,745	1,508,000
Net pension liability (Note 8B)		887,666			887,666	
Total noncurrent liabilities	<u>6,348,509</u>	<u>8,542,687</u>			<u>14,891,196</u>	<u>2,211,081</u>
Total Liabilities	<u>6,550,112</u>	<u>8,912,309</u>	<u>72,871</u>		<u>15,535,292</u>	<u>2,933,173</u>
DEFERRED INFLOWS						
Deferred inflows related to pension (Note 8B)		298,569			298,569	
Total Deferred Inflows		<u>298,569</u>			<u>298,569</u>	
NET POSITION (Note 11)						
Net investment in capital assets	6,869,426	5,003,053	299,592	506,552	12,678,623	144,004
Unrestricted	<u>(6,165,940)</u>	<u>(734,024)</u>	<u>2,898,444</u>	<u>106,676</u>	<u>(3,894,844)</u>	<u>(43,602)</u>
Total Net Position (Deficits)	<u>\$703,486</u>	<u>\$4,269,029</u>	<u>\$3,198,036</u>	<u>\$613,228</u>	<u>\$8,783,779</u>	<u>\$100,402</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	MLK	Sewer	Parking	Non-major Old City Hall		Totals
OPERATING REVENUES						
Building rents	\$1,282,157			\$270,867	\$1,553,024	
Charges for services		\$2,409,019	\$2,071,784		4,480,803	
Other revenue	647	75,208	6,250		82,105	\$259,000
Total Operating Revenues	<u>1,282,804</u>	<u>2,484,227</u>	<u>2,078,034</u>	<u>270,867</u>	<u>6,115,932</u>	<u>259,000</u>
OPERATING EXPENSES						
Other expenses	13,659	111,217	162,646		287,522	1,121,303
Professional services	63,795	417,599	134,860		616,254	
Repairs and maintenance	52,895	89,438	398		142,731	
Salaries and benefits	178,415	946,913	61,295		1,186,623	
Utilities	163,303	32,739	503	1,702	198,247	
Depreciation	85,895	220,676	59,919	27,590	394,080	69,025
Total Operating Expenses	<u>557,962</u>	<u>1,818,582</u>	<u>419,621</u>	<u>29,292</u>	<u>2,825,457</u>	<u>1,190,328</u>
Operating Income (Loss) Before Transfers	<u>724,842</u>	<u>665,645</u>	<u>1,658,413</u>	<u>241,575</u>	<u>3,290,475</u>	<u>(931,328)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	1,488	2,355	13,375	522	17,740	\$14,582
Interest (expense)	(317,750)	(373,053)			(690,803)	
Total nonoperating revenue (expenses)	<u>(316,262)</u>	<u>(370,698)</u>	<u>13,375</u>	<u>522</u>	<u>(673,063)</u>	<u>14,582</u>
Income (Loss) before transfers	<u>408,580</u>	<u>294,947</u>	<u>1,671,788</u>	<u>242,097</u>	<u>2,617,412</u>	<u>(916,746)</u>
TRANSFERS						
Transfers in (Note 3B)						569,318
Transfers (out) (Note 3B)	(33,375)	(162,283)	(1,185,000)	(275,000)	(1,655,658)	(430,000)
Net transfers	<u>(33,375)</u>	<u>(162,283)</u>	<u>(1,185,000)</u>	<u>(275,000)</u>	<u>(1,655,658)</u>	<u>139,318</u>
Change in net position	<u>375,205</u>	<u>132,664</u>	<u>486,788</u>	<u>(32,903)</u>	<u>961,754</u>	<u>(777,428)</u>
BEGINNING NET POSITION, AS ADJUSTED (Note 11F)	<u>328,281</u>	<u>4,136,365</u>	<u>2,711,248</u>	<u>646,131</u>	<u>7,822,025</u>	<u>877,830</u>
ENDING NET POSITION	<u>\$703,486</u>	<u>\$4,269,029</u>	<u>\$3,198,036</u>	<u>\$613,228</u>	<u>\$8,783,779</u>	<u>\$100,402</u>

See accompanying notes to financial statements

CITY OF SAUSALITO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	MLK	Sewer	Parking	Non-major Old City Hall	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,299,204	\$2,410,992	\$2,081,844	\$270,867	\$6,062,907	\$259,000
Payment to employees	(178,415)	(998,103)	(61,295)		(1,237,813)	
Payment to suppliers	(307,324)	(837,724)	(298,407)	(1,702)	(1,445,157)	(803,907)
Other receipts (payments)	1,935	75,208	51,571		128,714	
Cash Flows from Operating Activities	815,400	650,373	1,773,713	269,165	3,508,651	(544,907)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in						569,318
Transfers (out)	(33,375)	(162,283)	(1,185,000)	(275,000)	(1,655,658)	(430,000)
Cash Flows from Noncapital Financing Activities	(33,375)	(162,283)	(1,185,000)	(275,000)	(1,655,658)	139,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital expenditures		(341,472)			(341,472)	(6,176)
Principal payments on capital debt	(280,000)	(45,758)			(325,758)	(58,000)
Interest payment	(324,488)	(283,001)			(607,489)	
Proceeds from issuance of debt		7,116,962			7,116,962	
Cash Flows from Capital and Related Financing Activities	(604,488)	6,446,731			5,842,243	(64,176)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest receipts	1,488	2,355	13,375	522	17,740	14,582
Net Cash Flows	179,025	6,937,176	602,088	(5,313)	7,712,976	(455,183)
Cash and investments at beginning of period	160,342	165,603	2,366,046	111,989	2,803,980	3,343,584
Cash and investments at end of period	<u>\$339,367</u>	<u>\$7,102,779</u>	<u>\$2,968,134</u>	<u>\$106,676</u>	<u>\$10,516,956</u>	<u>\$2,888,401</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	\$724,842	\$665,645	\$1,658,413	\$241,575	\$3,290,475	(\$931,328)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	85,895	220,676	59,919	27,590	394,080	69,025
Other revenue						
Change in assets and liabilities:						
Accounts receivables	17,047	1,973	5,752		24,772	
Issuance/leasing costs			4,308		4,308	
Accounts payable and accruals	(13,672)	(186,731)	47,639		(152,764)	324,115
Accrued compensated absences		12,607			12,607	
Refundable deposits	1,288		(2,318)		(1,030)	
Claims payable						(6,719)
Deferred outflows		(134,093)			(134,093)	
Deferred inflows		298,569			298,569	
Net pension liability		(228,273)			(228,273)	
Cash Flows from Operating Activities	\$815,400	\$650,373	\$1,773,713	\$269,165	\$3,508,651	(544,907)

See accompanying notes to financial statements

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Reporting Entity*

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

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

B. *Basis of Presentation*

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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.

The major governmental funds of the City are:

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

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

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

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

MLK FUND – The City 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.

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.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

D. Basis of Accounting

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. *Use of Restricted/Unrestricted Net Position*

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

F. *Budgets and Budgetary Accounting*

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2015, the following expenditures exceeded the budgeted expenditures:

	Expenditures Exceeded Budget
General Fund:	
Non departmental	\$843,963
Tidelands Special Revenue Fund	2,898
Gas Tax Special Revenue Fund	131
2006 General Obligation Bond Debt Service Fund	650

The excess expenditures were funded by available financial resources.

H. Prepaid Items

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

I. Compensated Absences

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

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

Sick leave – Under the City's policy for sick leave, an employee does not receive any amount for accumulated sick leave unless he or she retires. Upon retirement the employee is entitled to be paid up to a maximum of 75 days of sick leave for management, 60 days for police, and SEIU and confidential employees, and to convert the remaining unused balance to additional service credit under the California Public Employees' Retirement System (PERS). In fiscal year ending June 30, 2015, the City adjusted its estimation for calculating compensated absences.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes of the compensated absences were as follows for June 30, 2015:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$1,065,512	\$17,899	\$1,083,411
Additions	382,332	35,469	417,801
Payments	(614,596)	(22,862)	(637,458)
Ending Balance	<u>\$833,248</u>	<u>\$30,506</u>	<u>\$863,754</u>
Current Portion	<u>\$500,080</u>	<u>\$9,230</u>	<u>\$509,310</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.

J. Property Tax Revenues

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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.

K. *Unavailable and Unearned Revenues*

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

L. *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.

M. *Estimates and Assumption*

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

N. *Deferred Outflows/Inflows of Resources*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

A. Policies

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

B. Classifications

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

Statement of Net Position

Cash and investments	\$15,685,835
Restricted cash	7,134,392
Total	\$22,820,227

C. Authorized Investments by the City and Debt Agreements

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Allowed in Portfolio</u>	<u>Maximum Investment in One Issuer</u>
California Local Agency Investment Fund	N/A	N/A	30%	\$50 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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. Authorized Investments by Debt Agreements

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

E. Interest Rate Risk

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

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

<u>Investments</u>	<u>12 Months or less</u>	<u>Total</u>
<i>City of Sausalito:</i>		
Local Agency Investment Fund	\$13,732,753	\$13,732,753
Money Market Mutual Fund	7,134,392	7,134,392
Total Investments	<u>\$20,867,145</u>	20,867,145
<i>City of Sausalito:</i>		
Cash in banks		1,950,065
Petty Cash		3,017
Total Cash and Investments		<u>\$22,820,227</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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, 2015, for each investment type as provided by Standard & Poor's Investment rating system:

Investment Type	AAAm	Total
Money Market Mutual Fund	\$7,134,392	\$7,134,392
Not Rated:		
Local Agency Investment Fund		13,732,753
Cash in banks		1,950,065
Petty cash		3,017
Total Cash and Investments		\$22,820,227

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, which is the same as the value of the pool share. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2015, these investments matured in an average of 239 days and were not rated.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 3 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The purpose of these interfunds was to cover deficit cash in receiving funds. At June 30, 2015 interfund balances were as follows:

Payable Fund	Receivable Fund	Amount
Non Major Governmental Funds	General Fund	\$7,525
		\$7,525

B. Transfers

Fund Receiving Transfers	Amount Transferred In	Fund Making Transfers	Amount Transferred Out
General Fund	\$2,305,158	Tideland Special Revenue Fund	(\$219,500) A
		MLK Enterprise Fund	(33,375) A
		Sewer Enterprise Fund	(162,283) A
		Parking Enterprise Fund	(1,185,000) B
		Old City Hall Enterprise Fund	(275,000) B
		Internal Service Funds	(430,000) B
General Capital Improvement	1,116,260	General Fund	(688,300) D
		Tideland Special Revenue Fund	(21,681) D
		Non-Major Governmental Funds	(406,279) D
Non-Major Governmental Funds	72,155	Tideland Special Revenue Fund	(72,155) E
Internal Service Funds	569,318	General Fund	(569,318) F, G, H
Total Interfund Transfers	\$4,062,891	Total Interfund Transfers	(\$4,062,891)

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 fund the General Fund operation.
- D To fund capital improvement projects.
- E To fund debt service.
- F To set aside funds for workers compensation and general liability claims.
- G To set aside funds for future equipment replacement.
- H To set aside funds for compensated absences and post employment benefits other than pension and general liability.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

C. Long-term Interfund Advances

The City had the following interfund advances at June 30:

Payable Fund	Receivable Fund	Amount
MLK Enterprise Fund	General Fund	\$6,348,509
		\$6,348,509

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, 2015, outstanding loans totaling \$6,348,509 (\$3,398,889 in advances and \$2,949,620 of accrued interest) have been made from the General Fund. Repayments will be made as practical to the General Fund. 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.

D. Internal Balances

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

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets 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.

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

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

Changes in fixed assets during the year ended June 30, 2015, comprise:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land and improvements	\$15,014,662			\$15,014,662
Construction in progress				
	<u>15,014,662</u>			<u>15,014,662</u>
Depreciable capital assets:				
Building and improvements	17,715,683			17,715,683
Vehicles and equipment	316,602			316,602
Machinery and equipment	952,964		(\$5,000)	947,964
Infrastructure	36,894,834	\$1,184,974		38,079,808
Furniture and fixtures		167,008		167,008
Total Infrastructure	<u>55,880,083</u>	<u>1,351,982</u>	<u>(5,000)</u>	<u>57,227,065</u>
Less: accumulated depreciation for				
Building and improvements	(2,107,565)	(354,932)		(2,462,497)
Vehicles and equipment	(316,602)			(316,602)
Machinery and equipment	(777,691)	(84,848)	5,000	(857,539)
Infrastructure	(22,308,202)	(949,018)		(23,257,220)
Total accumulated depreciation	<u>(25,510,060)</u>	<u>(1,388,798)</u>	<u>5,000</u>	<u>(26,893,858)</u>
Depreciable capital assets, net	<u>30,370,023</u>	<u>(36,816)</u>		<u>30,333,207</u>
Internal Service Funds				
Depreciable capital assets:				
Vehicles and equipment	679,678			679,678
Machinery and equipment	17,273			17,273
	<u>696,951</u>			<u>696,951</u>
Less: accumulated depreciation for				
Vehicles and equipment	(473,010)	(66,540)		(539,550)
Machinery and equipment	(10,912)	(2,485)		(13,397)
Total accumulated depreciation	<u>(483,922)</u>	<u>(69,025)</u>		<u>(552,947)</u>
Depreciable capital assets, net	<u>213,029</u>	<u>(69,025)</u>		<u>144,004</u>
Governmental capital assets, net	<u>\$45,597,714</u>	<u>(\$105,841)</u>		<u>\$45,491,873</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

	Balance June 30, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Business-type Activities					
Land and improvements	\$3,796,001				\$3,796,001
Construction in Progress		\$341,473		(\$227,200)	114,273
	<u>3,796,001</u>	<u>341,473</u>		<u>(227,200)</u>	<u>3,910,274</u>
Depreciable capital assets:					
Building and improvements	6,100,938				6,100,938
MLK Bus Barn	275,000				275,000
Vehicles and equipment	1,901,048		(\$11,608)		1,889,440
Infrastructure	10,934,301			227,200	11,161,501
Total	<u>19,211,287</u>		<u>(11,608)</u>	<u>227,200</u>	<u>19,426,879</u>
Less: accumulated depreciation for					
Building and improvements	(2,594,486)	(107,980)			(2,702,466)
MLK Bus Barn	(87,995)	(5,505)			(93,500)
Vehicles and equipment	(1,137,749)	(120,358)	11,608		(1,246,499)
Infrastructure	(5,233,353)	(160,237)			(5,393,590)
	<u>(9,053,583)</u>	<u>(394,080)</u>	<u>11,608</u>		<u>(9,436,055)</u>
Depreciable capital assets, net	<u>10,157,704</u>	<u>(394,080)</u>		<u>227,200</u>	<u>9,990,824</u>
Total capital assets, net	<u>\$13,953,705</u>	<u>(\$52,607)</u>			<u>\$13,901,098</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	\$220,039
Recreation	6,995
Police services	298,515
Public works	863,249
Internal Service Funds	<u>69,025</u>
Total Governmental Activities	<u>\$1,457,823</u>
 Business-type Activities:	
MLK	\$85,895
Sewer	220,676
Parking	59,919
Old City Hall	<u>27,590</u>
Total Business-type Activities	<u>\$394,080</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT

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

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Current Portion
Governmental Activities						
Southern Marin Fire Protection District	\$1,740,000	\$1,624,000		(\$58,000)	\$1,566,000	\$58,000
Department of Boating & Waterways	1,200,000	657,956		(42,548)	615,408	44,463
General Obligation Bonds:						
2006 Series A	8,205,000	5,605,000		(215,000)	5,390,000	250,000
2006 Series B	7,293,894	10,352,607	\$490,206		10,842,813	
Total Government Activities		<u>\$18,239,563</u>	<u>\$490,206</u>	<u>(\$315,548)</u>	<u>\$18,414,221</u>	<u>\$352,463</u>
Business-type Activities						
2015 Sewer Revenue Bond	\$6,750,000		\$6,750,000		\$6,750,000	\$75,000
State Water Resources Board Loan	100,000	\$678,912	366,962	(\$45,758)	1,000,116	41,371
Capital Leases						
MLK capital improvement lease	1,770,000	280,000		(280,000)		
Total Business-type Activities		<u>\$958,912</u>	<u>\$7,116,962</u>	<u>(\$325,758)</u>	<u>\$7,750,116</u>	<u>\$116,371</u>

B. Southern Marin Fire Protection District Annexation Agreement

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

C. Department of Boating and Waterways

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

D. General Obligation Bond 2006 Series A

On November 16, 2006, the City issued General Obligation Bonds Series A in the amount of \$8,205,000. The bond proceeds from this series and the bond proceeds from Series B (see below) are being used to finance the demolition and replacement of a police building and fire station. Interest payments are due each February 1 and August 1, and principal is due each August 1, repayable from General Fund revenues until August 1, 2026. The bonds bear interests at rates from 4.10% to 5.00% per annum. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$6,982,110. Principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$453,943 and \$498,410, respectively.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

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

On November 16, 2006, the City issued General Obligation Bonds Series B in the amount of \$7,293,894. The bond proceeds from this series and the bond proceeds from Series A (see above) were used to finance the demolition and replacement of a police building and fire station. These bonds are repayable from the proceeds of ad valorem property taxes. The total principal and interest remaining to be paid on the Bonds is \$10,842,813. There were no principal and interest paid for the current fiscal year and total ad valorem property tax revenues were \$498,410.

The Bonds do not require periodic interest payments. Interest on the Bonds will accrete in value at the rates between 4.55% and 4.65%. Repayments of the accreted principal will commence August 1, 2026. Final repayment will be August 1, 2041. The Bonds unaccreted discount and the current year accretion totaled \$14,772,189 and \$490,206, respectively at June 30, 2015.

F. 2015 Sewer Revenue Bonds

In January 2015, the City, via the Sausalito Financing Authority, issued the 2015 Sewer Revenue Bonds in the amount of \$6,750,000. The bond proceeds are being used to finance the acquisition and construction of sewer improvements and facilities; fund a reserve fund for the Bonds; and pay issuance costs. Interest payments are due each February 1 and August 1, and commencing August 1, 2015, principal is due each August 1, until August 1, 2044. The bonds bear interests at rates from 2.0% to 3.5% per annum. These bonds are repayable solely from and secured by a pledge of the Sewer Enterprise Fund's Net Revenues as defined under the indenture. The obligations under the 2015 Sewer Revenue Bonds are on parity as to repayment and security with the Bank of New York Indenture of Trust.

G. California State Water Resources Control Board Project Finance Agreement

On September 28, 2011 the City entered into a project finance agreement with the State Water Resources Control Board in the amount of \$1,036,480 to replace existing sewer pipe and build a new grease interceptor. Principal payments are due annually. As of June 30, 2015 the City had drawn down \$1,000,116 of the total loan amount.

H. 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 to the year 2033 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, 2015 is comprised of the following:

Operating Leases	\$1,231,328
Utility pass through	50,829
	\$1,282,157

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

Future minimum rents on noncancellable tenant operating leases for fiscal years ending after June 30, 2015 are as follows:

Fiscal Year Ended June 30	Future Minimum Rent
2016	\$1,275,041
2017	1,318,871
2018	1,359,633
2019	1,401,839
2020	1,445,444
2021-2025	7,912,893
2026-2030	8,826,370
2031-2035	9,276,604
	\$32,816,695

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.

I. 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, payable semiannually each January 15 and July 15, commenced on January 15, 2000. Principal was payable annually each July 15 until July 15, 2014, when it was repaid in full.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 5 - LONG-TERM DEBT (Continued)

J. Debt Service Requirements

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

Fiscal Year Ended June 30	Governmental Activities		Business Activities	
	Principal (A)	Interest	Principal	Interest
2016	\$352,463	\$257,103	\$116,371	\$239,605
2017	389,463	244,136	192,446	234,509
2018	436,554	229,437	193,549	230,405
2019	483,739	212,800	199,682	225,448
2020	536,022	194,117	205,843	219,562
2021-2025	3,528,121	609,964	1,122,727	1,003,170
2026-2030	4,769,048	22,857	1,291,652	828,319
2031-2035	7,780,000		1,422,846	625,211
2036-2040	10,080,000		1,375,000	402,735
2041-2045	4,831,000		1,630,000	146,285
Total	<u>\$33,186,410</u>	<u>\$1,770,414</u>	<u>\$7,750,116</u>	<u>\$4,155,249</u>

(A) Includes General Obligation Bonds 2006 Series B unaccrued discount in the total amount of \$14,772,189.

NOTE 6 – DEBT WITH NO CITY COMMITMENT

A. 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, 2015 is \$1,930,000.

NOTE 7 – UNEARNED REVENUE

During the fiscal year 2011, the City determined that the bulkhead at the Sausalito Yacht Harbor vicinity had deteriorated such that there was an urgent need for replacement. The City commenced the Sausalito Yacht Harbor - Bay Street Bulkhead Replacement Project (Project), estimated to cost more than \$5 million. The City’s upfront contribution to the project was \$1,000,000.

To provide the remaining funding for the project, on February 1, 2011, the City entered into the first amended lease agreement with Sausalito Yacht Harbor, Inc. (Tenant), for the lease of certain public tides and submerged lands at the Sausalito Yacht Harbor location. The terms of the lease ends on January 31, 2061.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 7 – UNEARNED REVENUE (Continued)

In consideration for the City agreeing to extend the term of the lease for 50 years, the tenant paid for half of the cost of the project. As of June 30, 2015, the Tideland Fund Special Revenue Fund had recorded the amount of \$2,606,775 as unearned lease revenue to be amortized over remaining 49 years.

In addition, upon the completion of the project, the tenant is also entitled to a rent credit against the rental payments to be made to the City. The total amount of the available rent credit is equal to one half of the project costs less \$1,000,000. The project was completed July 2012. Commencing 30 days after project completion date, the rent credit is applied monthly and spread equally over a period of 25 years of rent credit period. Under certain conditions specified in the agreement, the rent credit period shall be extended by a period of time equal to the time that tenant was not required to pay rent. Beginning on the commencement of the rent credit and annually thereafter until the rent credits are exhausted, the rent credits are subject to a cost of living increase of 5% of the outstanding and unused rent credit. As of June 30, 2015, the City had recorded \$1,929,254 as unearned rent revenue.

Combined, the unearned revenue at June 30, 2015 is \$4,536,029.

NOTE 8 – PENSION PLANS

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

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Police	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	57
Monthly benefits, as a % of eligible compensation	2.4-3.0%	2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	41.122%	12.25%

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	62
Monthly benefits, as a % of eligible compensation	2.0-2.5%	2.0%
Required employee contribution rates	8%	6.50%
Required employer contribution rates	16.035%	6.70%

	Fire	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	57
Monthly benefits, as a % of eligible compensation	2.4-3.0%	2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	23.948%	12.25%

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	<u>Police</u>	<u>Miscellaneous</u>	<u>Fire</u>
Contributions - employer	\$818,194	\$571,239	-
Contributions - employee (paid by employer)	185,992	291,581	

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Police	\$8,231,479
Miscellaneous	5,221,567
Fire	4,288,625
Total Net Pension Liability	<u><u>\$17,741,671</u></u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Police</u>	<u>Miscellaneous</u>	<u>Fire</u>
Proportion - June 30, 2013	0.21%	0.22%	0.12%
Proportion - June 30, 2014	0.22%	0.21%	0.11%
Change - Increase (Decrease)	0.01%	-0.01%	-0.01%

CITY OF SAUSALITO Notes to Financial Statements For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the City recognized pension expense of \$2,539,180. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date:		
CalPERS	\$1,362,707	
PARS Trust	645,000	
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	491,582	\$4,380
Net differences between projected and actual earnings on plan investments		4,649,636
Total	\$2,499,289	\$4,654,016

\$2,007,707 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	
June 30	
2015	\$988,426
2016	988,386
2017	1,023,208
2018	1,162,414

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations for all plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(4) All of the City's safety plans employed the same assumptions

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

	<u>Police</u>	<u>Fire</u>	<u>Miscellaneous</u>
1% Decrease	6.50%	6.50%	6.50%
Net Pension Liability	\$12,444,455	\$7,380,169	\$9,303,156
Current Discount Rate	7.50%	7.50%	7.50%
Net Pension Liability	\$8,231,479	\$4,288,625	\$5,221,567
1% Increase	8.50%	8.50%	8.50%
Net Pension Liability	\$4,760,169	\$1,741,327	\$1,834,172

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 8 – PENSION PLANS (Continued)

D. *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.

E. *Public Agency Retirement System Trust*

On March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Pension Benefits Trust Program, an irrevocable trust established to prefund pension obligations. During fiscal year 2015, the City contributed \$645,000 to the Trust. The Program's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.

NOTE 9 – POST EMPLOYMENT BENEFITS (OPEB)

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. As of June 30, 2015, 39 retired participants were receiving post employment health care benefits.

Effective July 1, 2012, fire employees were transferred by annexation agreements to the Southern Marin Fire Protection District (SMFPD). Except for five specific fire Department employees, all post employment benefit obligations for the remaining fire employees were transferred to the SMFPD. For the remaining five fire employees, and for the existing fire retirees, they are covered under a Marin County medical plan. The specific five fire employees, now working for the SMFPD who retire after 20 years of service at or after the age 50 are eligible to receive total medical benefits up to the Kaiser single retiree premium.

Police, SEIU Local 1021 and unrepresented employees are covered under the CalPERS medical program. These 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. Spouses of retirees can also be covered, but the retiree is required to pay the spousal premiums. However, upon death of a retiree covered under CalPERS, a surviving spouse continues to receive the CalPERS minimum at no cost.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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

Effective July 1, 2012, only existing Police, SEIU Local 1021 and unrepresented employees with three or more years of service as of June 30, 2012 who retire after 20 years of service at or after age 50 for police, and at or after age 55 for other employees, were eligible to receive total medical benefits up to the Kaiser single retiree premium (including the CalPERS minimum if applicable).

Effective July 1, 2012, employees with less than 3 years of service forfeited the defined post-employment benefits in exchange for an annual defined contribution. Further, effective July 1, 2012, the City offered all employees with more than 3 years of service to exchange the defined benefit post employment benefit for annual defined contribution. Thirty-one out of 72 eligible employees that had 3 or more years of service chose to opt out of the defined benefit post employment plan in exchange for the defined contribution. As of June 30, 2015, 39 of the remaining Police, SEIU Local 1021 and unrepresented employees are eligible for the 20 year service benefit.

Effective July 1, 2012, all new Police, SEIU Local 1021 and unrepresented employees, covered under the CalPERS medical program, who retire at age 50 or over with at least 5 years of service receive only benefits at least equal to the CalPERS minimum program.

The City also pays for dental benefits for certain unrepresented retirees after retirement. No other future retirees will receive City paid dental benefits.

B. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined using the entry age normal actuarial cost method.

Certain plan changes occurred effective for the July 1, 2012 valuation. The City's fire department was annexed to Southern Marin Fire Protection District, and most of the liability for active firefighters was eliminated in the valuation. In addition, other active employees were permitted to opt out of the OPEB plan and elect a defined contribution plan. No future hires would be covered under this OPEB plan.

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 4.0%, (b) 3.25% aggregate payroll increase, (c) a healthcare trend of declining annual increases ranging from 8% in January 2016 to 5.5% starting January 2021, and (d) 3.0% general inflation rate. 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 closed thirty-year amortization period.

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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

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)	\$411,198
Interest on net OPEB obligation	107,022
Adjustment to annual required contribution	(102,814)
Annual OPEB cost	415,406
Contributions made:	
City's portion of current year premiums paid	183,547
Contribution to Trust	400,000
Total Contributions	583,547
Contributions in excess of the ARC	168,141
Net OPEB obligation June 30, 2014	2,675,561
Net OPEB obligation June 30, 2015	\$2,507,420

The Plan's annual required contributions and actual contributions for the year ended 2015 is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2013	\$513,953	\$159,056	31%	\$2,312,692
6/30/2014	533,373	170,504	32%	2,675,561
6/30/2015	415,406	583,547	140%	2,507,420

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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

C. Post Employment Benefit Reform

The City of Sausalito, has long recognized the importance of funding OPEB annual required contributions (ARC) and unfunded accrued actuarial liabilities (UAAL). Specifically:

- In fiscal 2005, the City set-aside \$50,000 in a separate internal services fund to partially offset the UAAL;
- In both fiscal 2006 and fiscal 2007, the City set-aside \$150,000 each year in a separate internal services fund in order to partially offset the UAAL;
- In fiscal 2008, the City Council adopted a policy through budget adoption and implementation to set aside 1% of employees' salaries in a separate internal services fund in order to continue the practice to partially offset the UAAL;
- In mid fiscal 2008, after accumulating the above noted \$350,000, and adopting the policy to continue the practice of setting aside 1% of salaries into a separate internal service fund to partially offset the UAAL, the City Council's Finance Committee deliberated on the choices of (a) pre-funding OPEB liabilities in an irrevocable trust or (b) continue to set-aside monies internally. *Although, current accounting and actuarial standards do not permit monies not in an irrevocable trust as credits against UAAL, the City decided not to invest monies in an irrevocable trust with an investment strategy to achieve the 5% actuarial discount rate due to foreseen economic market weakness. In retrospect, the decision to not place the monies into an irrevocable trust was momentarily fortuitous as the equity markets plunged late 2008 and early 2009 – the City would have lost about 50% of the money it had set-aside.*
- In fiscal 2009, besides setting aside funds in a separate internal service fund, the City began exploring all other options for reducing OPEB ARC and UAAL including investigating feasibility of working with other cities to find solutions, implementing a two-tier benefits system for future new hires, a dollar cap on benefits, and converting the current defined benefits plan into a defined contribution plan. Accordingly, and in order to provide structural balance to the City's financial position, a two-tier planning effort was initiated in 2010 that manifested a comprehensive strategy to lower the cost of labor. The strategy was implemented on July 1, 2012. The OPEB reform accomplished the following:
 - Replaced Defined Benefit (DB)-OPEB for current employees with 3 years or less service with Defined Contribution (DC)-OPEB
 - Offered a one-time option to all employees with more than 3 years of service to opt out of DB-OPEB and replace with DC-OPEB
 - Eliminated all OPEB for all future employees
 - The impacts from the City's OPEB reform included:
 - Eliminated DB-OPEB for 14 employees with less than 3 years of service
 - Eliminated DB-OPEB for 17 employees with more than 3 years of service
 - Created a closed pool of full medical retiree health care benefits for the Police, SEIU Local 1021 and unrepresented employees and accordingly justified to continue with a Pay-As-You-Go approach for OPEB funding. Specifically:
 - Reduced the actuarially liability by \$1,000,000
 - Reduced the annual OPEB normal cost by \$350,000;

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

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

- Effective with the June 26, 2012 annexation agreement, the Fire employee component of the normal cost and actuarial accrued liability is now a completely closed pool and the normal cost and actuarial accrued liability will be eventually totally eliminated.
- Effective March 3, 2015, City Council passed a resolution to participate in the Public Agency Retirement System (PARS) Post-Employment Benefits Trust, an irrevocable trust established to prefund post-retirement health care benefits. During fiscal year 2015, the City contributed \$400,000 to the Trust. This Trust is not considered a component unit by the City and has been excluded from these financial statements. The Program's trust administrator is Phase II, P.O. Box 12919, Newport Beach, California 92658.
- As of June 30, 2015, the City had accumulated approximately \$197,056 in the separate internal services as partial offsets for the remaining Police, SEIU Local 1021 and unrepresented employees actuarial accrued liabilities.

NOTE 10 – PUBLIC ENTITY RISK POOL

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

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

A. *Workers' Compensation Coverage Statistics*

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 10 – PUBLIC ENTITY RISK POOL (Continued)

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, 2015, the City’s estimated workers’ compensation liability for unpaid losses was as follows:

	2015	2014
Beginning balance	\$821,920	\$999,101
Incurred claims and claims adjustment	(171,127)	(177,181)
Claims paid	236,667	
Ending balance	\$887,460	\$821,920
Current portion	\$269,805	\$254,383

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

B. General Liability Coverage

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

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

At June 30, 2015, the City’s estimated general liability for unpaid losses was as follows:

	2015	2014
Beginning balance	\$187,741	\$170,926
Incurred claims and claims adjustment	41,759	195,429
Claims paid	(114,018)	(178,614)
Ending balance	\$115,482	\$187,741
Current portion	\$30,056	\$39,452

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 11 – NET POSITION AND FUND BALANCES

A. Net Position

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

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

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

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

B. Fund Balances

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

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

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

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

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

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

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

Detailed classifications of the City’s Fund Balances, as of June 30, 2015, are below:

	General Fund	Tidelands Special Revenue Fund	General Capital Improvements Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Loans receivable	\$1,766				\$1,766
Prepays	26,300				26,300
Advances to other funds	6,348,509				6,348,509
Subtotal	<u>6,376,575</u>				<u>6,376,575</u>
Restricted for:					
Seized assets				\$34,312	34,312
Traffic safety				249	249
Street construction and maintenance				80,736	80,736
Infrastructure projects				78,565	78,565
Storm drain maintenance				988	988
Stair improvements				124,525	124,525
Disasters				968,708	968,708
Grants				24,920	24,920
Measure A				92,618	92,618
2006 General Obligations				630,306	630,306
Police grant				980	980
Subtotal				<u>2,036,907</u>	<u>2,036,907</u>
Committed to:					
Library improvements				102,331	102,331
Capital improvements			\$1,445,207		1,445,207
Subtotal			<u>1,445,207</u>	<u>102,331</u>	<u>1,547,538</u>
Assigned:					
Budget stabilization reserve	717,617				717,617
Subtotal	<u>717,617</u>				<u>717,617</u>
Unassigned:					
Emergency shortfall reserve	3,332,106				3,332,106
Fund deficit residuals		(\$3,196,130)			(3,196,130)
Subtotal	<u>3,332,106</u>	<u>(3,196,130)</u>			<u>135,976</u>
 Total fund balances	 <u>\$10,426,298</u>	 <u>(\$3,196,130)</u>	 <u>\$1,445,207</u>	 <u>\$2,139,238</u>	 <u>\$10,814,613</u>

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

C. *Budget Stabilization Shortfall Reserve Policy*

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

D. *Emergency Shortfall Reserve Policy*

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

E. *Net Position and Fund Balance Deficits*

The following funds also had a fund balance deficit at June 30, 2015 and future revenues are expected to decrease the fund balance deficit:

Tidelands Special Revenue Fund	\$3,196,130
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F. *Governmental Accounting Standards Board (GASB) Statements No. 68 and 71 Restatement*

For the fiscal year ended June 30, 2015, the City implemented the provisions of GASB No. 68 and 71 – *Accounting and Financial Reporting for Pensions*. Accordingly, beginning net positions for the Sewer Enterprise Fund was reduced by \$1,115,939. The Governmental activities net position was reduced by \$20,182,404. These reductions reflect the recording of net pension liabilities, deferred inflows of resources and deferred outflows of resources as required under the new GASBs.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

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

CITY OF SAUSALITO
Notes to Financial Statements
For The Year Ended June 30, 2015

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Multiple-Employer Defined Pension Plan

Last 10 Years*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

	Miscellaneous	Fire	Police
Plan's proportion of the Net Pension Liability (Asset)	0.08391%	0.06892%	0.13229%
Plan's proportion share of the Net Pension Liability (Asset)	\$5,221,567	\$4,288,625	\$8,231,479
Plan's Covered Employee Payroll	3,898,870	165,745	1,865,752
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	133.92%	2587.49%	441.19%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	81.42%	73.83%

Notes to Schedule:

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

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

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION

Cost-Sharing Multiple employer Defined Benefit Plan
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS AS OF MEASUREMENT DATE

	Miscellaneous	Fire	Police
Actuarially determined contribution	\$553,613	\$12,465	\$747,998
Contributions in relation to the actuarially determined contributions	553,613	12,465	747,998
Contribution deficiency (excess)	\$0	\$0	\$0
 Covered-employee payroll	 \$3,898,870	 \$165,745	 \$1,865,752
 Contributions as a percentage of covered-employee payroll	 14.20%	 7.52%	 40.09%

Notes to Schedule:

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry Age and Service
	Plan Investment and Administrative Expenses; including inflation
Investment rate of return	
Retirement age	67 yrs. Misc., 57 yrs. Safety
Mortality	RP-2000 Healthy Annuitant Mortality Table

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION

**POST EMPLOYMENT BENEFITS PLAN (OPEB)
SCHEDULE OF FUNDING PROGRESS
PAY-AS-YOU-GO BASIS**

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)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	0	\$5,926,348	(\$5,926,348)	0%	Not provided	Not provided
7/1/2012	0	6,627,101	(6,627,101)	0%	Not provided	Not provided
1/1/2015	0	5,730,670	(5,730,670)	0%	\$5,688,941	-100.7%

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

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

CITY OF SAUSALITO
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$4,187,500	\$4,287,500	\$4,427,868	\$140,368
Sales tax	1,960,000	2,200,000	2,407,184	207,184
Other tax	2,002,000	2,102,000	2,258,023	156,023
Licenses and permits	564,000	564,000	517,155	(46,845)
Fines and forfeitures	610,000	610,000	593,441	(16,559)
Use of money and property	590,000	590,000	628,161	38,161
Intergovernmental				
Charges for services	1,136,800	1,594,800	1,234,682	(360,118)
Other revenues	52,833	118,333	311,852	193,519
	<u>11,103,133</u>	<u>12,066,633</u>	<u>12,378,366</u>	<u>311,733</u>
Total Revenues				
EXPENDITURES:				
Current:				
General government:				
Administration	1,484,057	1,492,175	1,355,664	136,511
Information Technology	654,839	656,491	567,706	88,785
Non departmental	1,301,004	1,101,004	1,944,967	(843,963)
Library	822,005	825,844	807,009	18,835
Public safety:				
Police	4,728,221	4,829,416	4,540,464	288,952
Community development	1,232,919	1,241,047	1,233,503	7,544
Public works	1,428,473	1,452,579	1,436,033	16,546
Parks & recreation	825,702	829,571	791,703	37,868
	<u>12,477,220</u>	<u>12,428,127</u>	<u>12,677,049</u>	<u>(248,922)</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(1,374,087)</u>	<u>(361,494)</u>	<u>(298,683)</u>	<u>62,811</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,875,158	1,875,158	2,305,158	430,000
Transfers (out)	(564,318)	(814,318)	(1,257,618)	(443,300)
	<u>1,310,840</u>	<u>1,060,840</u>	<u>1,047,540</u>	<u>(13,300)</u>
Total Other Financing Sources (Uses)				
NET CHANGE IN FUND BALANCE				
	<u>(\$63,247)</u>	<u>\$699,346</u>	748,857	<u>\$49,511</u>
BEGINNING FUND BALANCE			<u>9,677,441</u>	
ENDING FUND BALANCE			<u>\$10,426,298</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, 2015

	<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>\$719,350</u>	<u>\$754,615</u>	<u>\$35,265</u>
Total Revenues	<u>719,350</u>	<u>754,615</u>	<u>35,265</u>
EXPENDITURES:			
Current:			
General government	<u>95,300</u>	<u>98,198</u>	<u>(2,898)</u>
Total Expenditures	<u>95,300</u>	<u>98,198</u>	<u>(2,898)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>624,050</u>	<u>656,417</u>	<u>32,367</u>
OTHER FINANCING SOURCES (USES)			
Transfers (out)	<u>(471,674)</u>	<u>(313,336)</u>	<u>158,338</u>
Total Other Financing Sources (Uses)	<u>(471,674)</u>	<u>(313,336)</u>	<u>158,338</u>
NET CHANGE IN FUND BALANCE	<u><u>\$152,376</u></u>	343,081	<u><u>\$190,705</u></u>
BEGINNING FUND BALANCE (DEFICIT)		<u>(3,539,211)</u>	
ENDING FUND BALANCE (DEFICIT)		<u><u>(\$3,196,130)</u></u>	

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NOTES TO BUDGET-TO-ACTUAL SCHEDULES

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). Appropriations lapse at fiscal year-end and are rebudgeted for the coming year.

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SUPPLEMENTARY INFORMATION

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CITY OF SAUSALITO
GENERAL CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Final budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental		\$89,537	\$89,537
Use of money and property		5,569	5,569
Other revenue	<u>\$5,725,021</u>		<u>(5,725,021)</u>
Total Revenues	<u>5,725,021</u>	<u>95,106</u>	<u>(5,629,915)</u>
EXPENDITURES:			
Current:			
Capital outlay	<u>8,547,457</u>	<u>1,408,895</u>	<u>7,138,562</u>
Total Expenditures	<u>8,547,457</u>	<u>1,408,895</u>	<u>7,138,562</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,822,436)</u>	<u>(1,313,789)</u>	<u>1,508,647</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>1,059,880</u>	<u>1,116,260</u>	<u>56,380</u>
Total Other Financing Sources (Uses)	<u>1,059,880</u>	<u>1,116,260</u>	<u>56,380</u>
NET CHANGE IN FUND BALANCE	<u>(\$1,762,556)</u>	<u>(197,529)</u>	<u>\$1,565,027</u>
BEGINNING FUND BALANCE		<u>1,642,736</u>	
ENDING FUND BALANCE (DEFICIT)		<u>\$1,445,207</u>	

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Debt Service Fund

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

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

Capital Project Funds

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

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Fees
ASSETS				
Cash and investments	\$34,312	\$2,453	\$87,566	\$78,605
Restricted cash and investments				
Receivables:				
Taxes receivables, net				
Accounts receivable, net		2,153		
Total Assets	\$34,312	\$4,606	\$87,566	\$78,605
LIABILITIES				
Accounts payable		\$4,357	\$6,830	\$40
Due to other funds				
Total Liabilities		4,357	6,830	40
FUND BALANCE				
Restricted	\$34,312	249	80,736	78,565
Committed				
Total Fund Balances	34,312	249	80,736	78,565
Total Liabilities and Fund Balances	\$34,312	\$4,606	\$87,566	\$78,605

SPECIAL REVENUE FUNDS

<u>Police Grants</u>	<u>Storm Drain</u>	<u>Stairs Fund</u>	<u>Disaster Assistance</u>	<u>Recreation Grant</u>	<u>Measure A</u>
	\$440	\$124,525	\$968,708	\$24,920	\$92,618
	548				
<u>\$8,505</u>					
<u>\$8,505</u>	<u>\$988</u>	<u>\$124,525</u>	<u>\$968,708</u>	<u>\$24,920</u>	<u>\$92,618</u>
<u>\$7,525</u>					
<u>7,525</u>					
980	\$988	\$124,525	\$968,708	\$24,920	\$92,618
<u>980</u>	<u>988</u>	<u>124,525</u>	<u>968,708</u>	<u>24,920</u>	<u>92,618</u>
<u>\$8,505</u>	<u>\$988</u>	<u>\$124,525</u>	<u>\$968,708</u>	<u>\$24,920</u>	<u>\$92,618</u>

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>	Total Nonmajor Governmental Funds
	<u>2006 General Obligation Bond</u>	<u>Tideland Loan</u>	<u>Library Improvement</u>	
ASSETS				
Cash and investments	\$19,249		\$102,331	\$1,535,727
Restricted cash and investments	606,751			606,751
Receivables:				
Taxes receivables, net	4,306			4,854
Accounts receivable, net				10,658
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$630,306</u>	<u> </u>	<u>\$102,331</u>	<u>\$2,157,990</u>
LIABILITIES				
Accounts payable				\$11,227
Due to other funds				7,525
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u>18,752</u>
FUND BALANCE				
Restricted	\$630,306			2,036,907
Committed			\$102,331	102,331
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>630,306</u>	<u> </u>	<u>102,331</u>	<u>2,139,238</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$630,306</u>	<u> </u>	<u>\$102,331</u>	<u>\$2,157,990</u>

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CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			
	Seized Assets	Traffic Safety	Gas Tax	Construction Traffic Impact Fees
REVENUES				
Property tax				
Fines and forfeitures		\$40,148		
Use of money and property	\$164	32	\$675	\$1,474
Intergovernmental			200,090	
Charges for services				202,576
Other revenues				
Total Revenues	164	40,180	200,765	204,050
EXPENDITURES				
Current:				
Public safety:				
Police				
Public works		58,153	77,131	
Capital outlay				
Debt service:				
Principal				
Interest and other charges				
Total Expenditures		58,153	77,131	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	164	(17,973)	123,634	204,050
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)			(80,000)	(268,719)
			(80,000)	(268,719)
Total Other Financing Sources (Uses)			(80,000)	(268,719)
NET CHANGE IN FUND BALANCES	164	(17,973)	43,634	(64,669)
BEGINNING FUND BALANCES (DEFICITS)	34,148	18,222	37,102	143,234
ENDING FUND BALANCES (DEFICITS)	\$34,312	\$249	\$80,736	\$78,565

SPECIAL REVENUE FUNDS

Police Grants	Storm Drain	Stairs Fund	Disaster Assistance	Recreation Grant	Measure A
(\$15)	(\$230)	\$596	\$4,639		\$388
114,181	71,601				91,944
114,166	71,371	596	4,639		92,332
114,182	20,026				
	2,799			\$12,812	
114,182	22,825			12,812	
(16)	48,546	596	4,639	(12,812)	92,332
	(57,560)				
	(57,560)				
(16)	(9,014)	596	4,639	(12,812)	92,332
996	10,002	123,929	964,069	37,732	286
\$980	\$988	\$124,525	\$968,708	\$24,920	\$92,618

(Continued)

CITY OF SAUSALITO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>DEBT SERVICE FUND</u>		<u>CAPITAL PROJECT FUND</u>	Total Nonmajor Governmental Funds
	2006 General Obligation Bond	Tideland Loan	Library Capital Improvement	
REVENUES				
Property tax	\$498,410			\$498,410
Fines and forfeitures				40,148
Use of money and property			\$490	8,213
Intergovernmental				406,215
Charges for services				274,177
Other revenues				
	<u>498,410</u>	<u> </u>	<u>490</u>	<u>1,227,163</u>
EXPENDITURES				
Current:				
Public safety:				
Police				114,182
Public works				155,310
Capital outlay				15,611
Debt service:				
Principal	215,000	\$42,547		257,547
Interest and other charges	241,193	29,608		270,801
	<u>456,193</u>	<u>72,155</u>	<u> </u>	<u>813,451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>42,217</u>	<u>(72,155)</u>	<u>490</u>	<u>413,712</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		72,155		72,155
Transfers (out)				(406,279)
	<u> </u>	<u>72,155</u>	<u> </u>	<u>(334,124)</u>
NET CHANGE IN FUND BALANCES				
	42,217		490	79,588
BEGINNING FUND BALANCES (DEFICITS)				
	<u>588,089</u>	<u> </u>	<u>101,841</u>	<u>2,059,650</u>
ENDING FUND BALANCES (DEFICITS)				
	<u>\$630,306</u>	<u> </u>	<u>\$102,331</u>	<u>\$2,139,238</u>

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CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

	SPECIAL REVENUE FUNDS					
	Traffic Safety			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures	\$40,000	\$40,148	\$148			
Use of money and property		32	32		\$675	\$675
Intergovernmental				\$189,181	200,090	10,909
Charges for services						
Other revenues						
Total Revenues	<u>40,000</u>	<u>40,180</u>	<u>180</u>	<u>189,181</u>	<u>200,765</u>	<u>11,584</u>
EXPENDITURES						
Current:						
Public works	64,500	58,153	6,347	77,000	77,131	(131)
Capital outlay						
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>64,500</u>	<u>58,153</u>	<u>6,347</u>	<u>77,000</u>	<u>77,131</u>	<u>(131)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(24,500)</u>	<u>(17,973)</u>	<u>6,527</u>	<u>112,181</u>	<u>123,634</u>	<u>11,453</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(84,000)	(80,000)	4,000
Total Other Financing Sources (Uses)				<u>(84,000)</u>	<u>(80,000)</u>	<u>4,000</u>
NET CHANGES IN FUND BALANCES	<u><u>(\$24,500)</u></u>	<u><u>(17,973)</u></u>	<u><u>\$6,527</u></u>	<u><u>\$28,181</u></u>	<u><u>43,634</u></u>	<u><u>\$15,453</u></u>
BEGINNING FUND BALANCES (DEFICITS)		<u>18,222</u>			<u>37,102</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>\$249</u></u>			<u><u>\$80,736</u></u>	

SPECIAL REVENUE FUNDS

Construction Traffic Impact Fees			Storm Drain			Stairs Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,474	\$1,474		(\$230)	(\$230)		\$596	\$596
\$150,000	202,576	52,576	\$74,500	71,601	(2,899)			
<u>150,000</u>	<u>204,050</u>	<u>54,050</u>	<u>74,500</u>	<u>71,371</u>	<u>(3,129)</u>		<u>596</u>	<u>596</u>
			28,800	20,026	8,774			
			125,000	2,799	122,201			
			<u>153,800</u>	<u>22,825</u>	<u>130,975</u>			
<u>150,000</u>	<u>204,050</u>	<u>54,050</u>	<u>(79,300)</u>	<u>48,546</u>	<u>127,846</u>		<u>596</u>	<u>596</u>
<u>(241,400)</u>	<u>(268,719)</u>	<u>(27,319)</u>	<u>(20,000)</u>	<u>(57,560)</u>	<u>(37,560)</u>	<u>(\$98,661)</u>		<u>98,661</u>
<u>(241,400)</u>	<u>(268,719)</u>	<u>(27,319)</u>	<u>(20,000)</u>	<u>(57,560)</u>	<u>(37,560)</u>	<u>(98,661)</u>		<u>98,661</u>
<u>(\$91,400)</u>	<u>(64,669)</u>	<u>\$26,731</u>	<u>(\$99,300)</u>	<u>(9,014)</u>	<u>\$90,286</u>	<u>(\$98,661)</u>	<u>596</u>	<u>\$99,257</u>
	<u>143,234</u>			<u>10,002</u>			<u>123,929</u>	
	<u>\$78,565</u>			<u>\$988</u>			<u>\$124,525</u>	

(Continued)

CITY OF SAUSALITO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

	SPECIAL REVENUE FUNDS					
	Recreation Grant			Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Fines and forfeitures						
Use of money and property					\$388	\$388
Intergovernmental	\$45,000		(\$45,000)	\$140,000	91,944	(48,056)
Charges for services						
Other revenues						
Total Revenues	<u>45,000</u>		<u>(45,000)</u>	<u>140,000</u>	<u>92,332</u>	<u>(47,668)</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay	45,000	\$12,812	32,188			
Debt service:						
Principal						
Interest and other charges						
Total Expenditures	<u>45,000</u>	<u>12,812</u>	<u>32,188</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>(12,812)</u>	<u>(12,812)</u>	<u>140,000</u>	<u>92,332</u>	<u>(47,668)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(85,800)		85,800
Total Other Financing Sources (Uses)				<u>(85,800)</u>		<u>85,800</u>
NET CHANGES IN FUND BALANCES		<u>(12,812)</u>	<u>(\$12,812)</u>	<u>\$54,200</u>	<u>92,332</u>	<u>\$38,132</u>
BEGINNING FUND BALANCES (DEFICITS)		<u>37,732</u>			<u>286</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$24,920</u>			<u>\$92,618</u>	

DEBT SERVICE FUND

2006 General Obligation Bond			Tideland Loan		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$478,320	\$498,410	\$20,090			
<u>478,320</u>	<u>498,410</u>	<u>20,090</u>			
215,000	215,000		\$42,547	\$42,547	
240,543	241,193	(650)	29,608	29,608	
<u>455,543</u>	<u>456,193</u>	<u>(650)</u>	<u>72,155</u>	<u>72,155</u>	
<u>22,777</u>	<u>42,217</u>	<u>19,440</u>	<u>(72,155)</u>	<u>(72,155)</u>	
			72,155	72,155	
			<u>72,155</u>	<u>72,155</u>	
<u>\$22,777</u>	42,217	<u>\$19,440</u>			
	<u>588,089</u>				
	<u>\$630,306</u>				

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2015

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
ASSETS					
Current assets:					
Cash and investments	\$1,077,860	\$1,027,817	\$197,056	\$585,668	\$2,888,401
Accounts receivable, net	1,170				1,170
Total current assets	1,079,030	1,027,817	197,056	585,668	2,889,571
Noncurrent assets:					
Capital assets, depreciable, net of depreciation	144,004				144,004
Total noncurrent assets	144,004				144,004
Total Assets	1,223,034	1,027,817	197,056	585,668	3,033,575
LIABILITIES					
Current liabilities:					
Accounts payable		57,750	19,000	287,481	364,231
Claims payable - due within one year		269,805		30,056	299,861
Long-term debt - due within one year			58,000		58,000
Total current liabilities		327,555	77,000	317,537	722,092
Noncurrent liabilities					
Claims payable, due in more than one year		617,655		85,426	703,081
Long-term debt - due in more than one year			1,508,000		1,508,000
Total noncurrent liabilities		617,655	1,508,000	85,426	2,211,081
Total Liabilities		945,210	1,585,000	402,963	2,933,173
NET POSITION					
Net investment in capital assets	144,004				144,004
Unrestricted	1,079,030	82,607	(1,387,944)	182,705	(43,602)
Total Net Position	\$1,223,034	\$82,607	(\$1,387,944)	\$182,705	\$100,402

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
OPERATING REVENUES					
Operating and other revenue		\$259,000			\$259,000
Total Operating Revenues		259,000			259,000
OPERATING EXPENSES					
Repairs and maintenance		418,071	\$419,000	\$279,965	1,121,303
Other operating expenses	\$4,267				
Depreciation	69,025				69,025
Total Operating Expenses	73,292	418,071	419,000	279,965	1,190,328
Operating Income (Loss)	(73,292)	(159,071)	(419,000)	(279,965)	(931,328)
NONOPERATING REVENUE (EXPENSES)					
Interest revenue	5,082	4,908	2,354	2,238	14,582
Interest (expense)					
Total nonoperating revenue	5,082	4,908	2,354	2,238	14,582
Income before transfers	(68,210)	(154,163)	(416,646)	(277,727)	(916,746)
Transfers in	99,289		110,029	360,000	569,318
Transfers (out)			(430,000)		(430,000)
Transfers, net	99,289		(319,971)	360,000	139,318
Change in Net Position	31,079	(154,163)	(736,617)	82,273	(777,428)
BEGINNING NET POSITION	1,191,955	236,770	(651,327)	100,432	877,830
ENDING NET POSITION	\$1,223,034	\$82,607	(\$1,387,944)	\$182,705	\$100,402

CITY OF SAUSALITO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Vehicle Replacement	Workers Compensation	Employee Benefits	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interdepartmental charges		\$259,000			\$259,000
Payment to suppliers	(\$4,267)	(298,760)	(\$424,000)	(\$76,880)	(803,907)
Cash Flows from Operating Activities	(4,267)	(39,760)	(424,000)	(76,880)	(544,907)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	99,289		110,029	360,000	569,318
Transfers (out)			(430,000)		(430,000)
Cash Flows from Noncapital Financing Activities	99,289		(319,971)	360,000	139,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital expenditures	(6,176)				(6,176)
Interest expense					
Payment of long-term debt			(58,000)		(58,000)
Cash Flows from Capital and Related Financing Activities	(6,176)		(58,000)		(64,176)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest receipts	5,082	4,908	2,354	2,238	14,582
Net Cash Flows	93,928	(34,852)	(799,617)	285,358	(455,183)
Cash and investments at beginning of period	983,932	1,062,669	996,673	300,310	3,343,584
Cash and investments at end of period	<u>\$1,077,860</u>	<u>\$1,027,817</u>	<u>\$197,056</u>	<u>\$585,668</u>	<u>\$2,888,401</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$73,292)	(\$159,071)	(\$419,000)	(\$279,965)	(\$931,328)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	69,025				69,025
Change in assets and liabilities:					
Accounts receivable					
Accounts payable		53,771	(5,000)	275,344	324,115
Claims payable		65,540		(72,259)	(6,719)
Cash Flows from Operating Activities	<u>(\$4,267)</u>	<u>(\$39,760)</u>	<u>(\$424,000)</u>	<u>(\$76,880)</u>	<u>(\$544,907)</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Sausalito, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated December 29, 2015 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze & Associates

Pleasant Hill, California
December 29, 2015



STATISTICAL SECTION

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

Financial Trends

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

1. Net Positions by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

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

1. Assessed Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections
5. Principal Sales Tax Producers
6. Historical Sales Tax Amounts by Benchmark Years

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 General 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

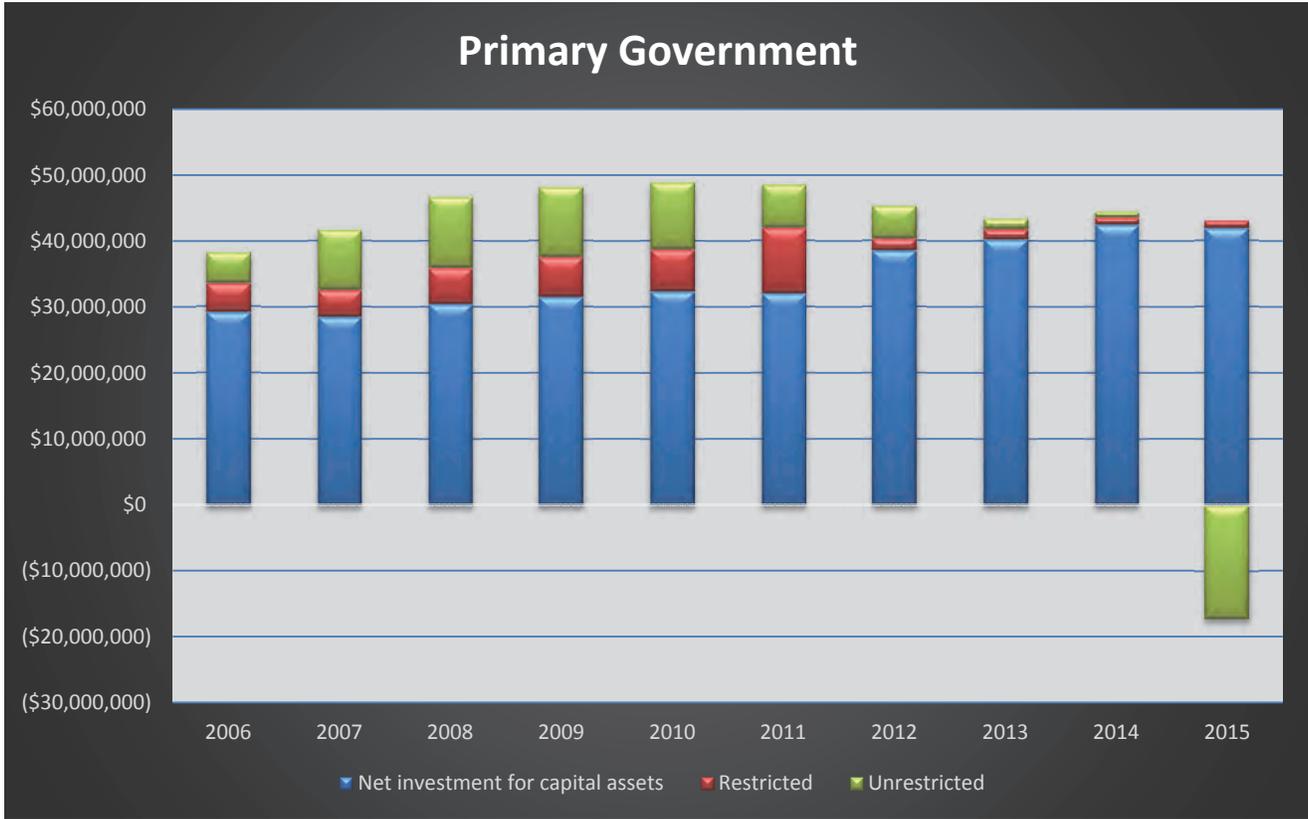
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Authorized Permanent Staffing City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

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

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



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<i>Governmental activities</i>				
Net investment for capital assets	\$21,354,986	\$20,560,479	\$22,219,842	\$22,780,292
Restricted	4,356,609	4,077,211	5,500,248	6,042,756
Unrestricted	6,749,085	10,517,070	11,629,163	11,899,892
Total governmental activities net positions	<u>\$32,460,680</u>	<u>\$35,154,760</u>	<u>\$39,349,253</u>	<u>\$40,722,940</u>
<i>Business-type activities</i>				
Net investment for capital assets	\$7,841,055	\$7,982,033	\$8,259,934	\$8,752,619
Restricted for Debt Service				
Unrestricted	(2,043,830)	(1,395,149)	(851,378)	(1,270,712)
Total business-type activities net positions	<u>\$5,797,225</u>	<u>\$6,586,884</u>	<u>\$7,408,556</u>	<u>\$7,481,907</u>
<i>Primary government</i>				
Net investment for capital assets	\$29,196,041	\$28,542,512	\$30,479,776	\$31,532,911
Restricted	4,356,609	4,077,211	5,500,248	6,042,756
Unrestricted	4,705,255	9,121,921	10,777,785	10,629,180
Total primary government net positions	<u>\$38,257,905</u>	<u>\$41,741,644</u>	<u>\$46,757,809</u>	<u>\$48,204,847</u>

Governmental Activities



Business Type Activities



2010	2011	2012	2013	2014	2015
\$22,575,555	\$20,994,353	26,947,881	\$28,195,135	\$29,547,058	\$29,250,403
6,377,136	9,933,293	1,779,505	1,563,321	1,095,581	1,170,530
12,003,340	9,567,196	8,328,131	5,293,890	4,975,319	(13,314,302)
<u>\$40,956,031</u>	<u>\$40,494,842</u>	<u>\$37,055,517</u>	<u>\$35,052,346</u>	<u>\$35,617,958</u>	<u>\$17,106,631</u>
\$9,821,094	\$11,049,878	\$11,608,272	\$12,094,011	\$12,994,794	\$12,678,623
(1,826,693)	(3,000,983)	(3,324,964)	(3,662,359)	(4,056,830)	(3,894,844)
<u>\$7,994,401</u>	<u>\$8,048,895</u>	<u>\$8,283,308</u>	<u>\$8,431,652</u>	<u>\$8,937,964</u>	<u>\$8,783,779</u>
\$32,396,649	\$32,044,231	\$38,556,153	\$40,289,146	\$42,541,852	\$41,929,026
6,377,136	9,933,293	1,779,505	1,563,321	1,095,581	1,170,530
10,176,647	6,566,213	5,003,167	1,631,531	918,489	(17,209,146)
<u>\$48,950,432</u>	<u>\$48,543,737</u>	<u>\$45,338,825</u>	<u>\$43,483,998</u>	<u>\$44,555,922</u>	<u>\$25,890,410</u>

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

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Expenses				
Governmental Activities:				
General Government	\$1,975,355	\$2,108,977	\$2,305,440	\$2,460,907
Library	556,820	585,356	608,786	648,827
Public Safety:				
Police Services	3,241,413	3,666,529	3,726,214	4,121,184
Fire Services	2,425,603	2,504,788	2,683,513	2,958,736
Community Development	983,680	943,705	1,047,188	1,065,522
Public Works	2,170,131	1,816,865	1,833,162	2,286,057
Parks & Recreation	580,431	474,709	487,822	564,938
PERS sidefund expense				
Interest on long-term debt	38,730	248,461	751,082	932,685
Total Governmental Activities Expenses	11,972,163	12,349,390	13,443,207	15,038,856
Business-Type Activities:				
MLK	796,391	688,495	954,757	881,738
Sewer	664,139	670,158	678,833	1,478,463
Parking	323,647	271,123	191,870	219,374
Old City Hall	88,485	80,153	72,648	65,692
Total Business-Type Activities Expenses	1,872,662	1,709,929	1,898,108	2,645,267
Total Primary Government Expenses	\$13,844,825	\$14,059,319	\$15,341,315	\$17,684,123
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$30,684	\$26,533	\$32,421	\$33,313
Library	20,346	19,333	19,407	17,338
Public Safety:				
Police Services	366,439	396,462	365,355	474,668
Fire Services	105,208	98,510	119,737	150,136
Community Development	553,550	748,002	851,233	634,707
Public Works	406,325	313,757	438,593	344,104
Parks & recreation	330,412	292,731	239,466	285,936
Operating Grants and Contributions	432,030	321,122	291,314	347,043
Capital Grants and Contributions	175,951	508,426	857,212	411,134
Total Government Activities Program Revenues	2,420,945	2,724,876	3,214,738	2,698,379

Fiscal Year End June 30,					
2010	2011	2012	2013	2014	2015
\$2,501,641	\$2,918,515	\$3,118,473	\$4,775,777	\$3,472,850	\$3,344,618
705,531	736,138	689,413	807,413	843,657	762,567
4,294,928	4,605,286	4,950,954	5,277,918	5,097,517	5,398,539
3,100,259	3,584,319	5,292,475			(354,463)
1,174,708	1,162,419	1,370,227	1,229,352	1,327,571	1,163,835
2,066,838	2,016,258	2,222,144	2,674,528	3,022,208	2,599,572
629,919	689,994	737,184	846,814	821,638	784,167
771,533	785,825	1,056,346	727,576	741,938	755,578
<u>15,245,357</u>	<u>16,498,754</u>	<u>19,437,216</u>	<u>16,339,378</u>	<u>15,327,379</u>	<u>14,454,413</u>
796,021	794,100	752,882	865,521	851,018	875,712
1,458,226	1,561,902	1,546,806	1,770,446	1,635,796	2,191,635
215,401	359,878	370,724	285,784	482,521	419,621
55,779	71,271	35,369	29,552	28,315	29,292
<u>2,525,427</u>	<u>2,787,151</u>	<u>2,705,781</u>	<u>2,951,303</u>	<u>2,997,650</u>	<u>3,516,260</u>
<u>\$17,770,784</u>	<u>\$19,285,905</u>	<u>\$22,142,997</u>	<u>\$19,290,681</u>	<u>\$18,325,029</u>	<u>\$17,970,673</u>
\$29,294	\$40,921	\$35,019	\$38,677	\$30,616	\$38,236
16,818	13,812	11,735	11,645	11,033	8,053
358,257	292,898	621,562	588,709	631,733	605,659
111,318	148,672	131,127	3,625		
653,404	781,973	742,691	704,213	823,877	746,175
261,219	364,494	284,478	295,540	282,718	321,591
348,244	301,240	373,707	450,382	454,454	422,234
396,210	358,806	348,997	399,125	416,778	330,104
139,678	347,764	355,315	242,554	215,407	101,210
<u>2,314,442</u>	<u>2,650,580</u>	<u>2,904,631</u>	<u>2,734,470</u>	<u>2,866,616</u>	<u>2,573,262</u>

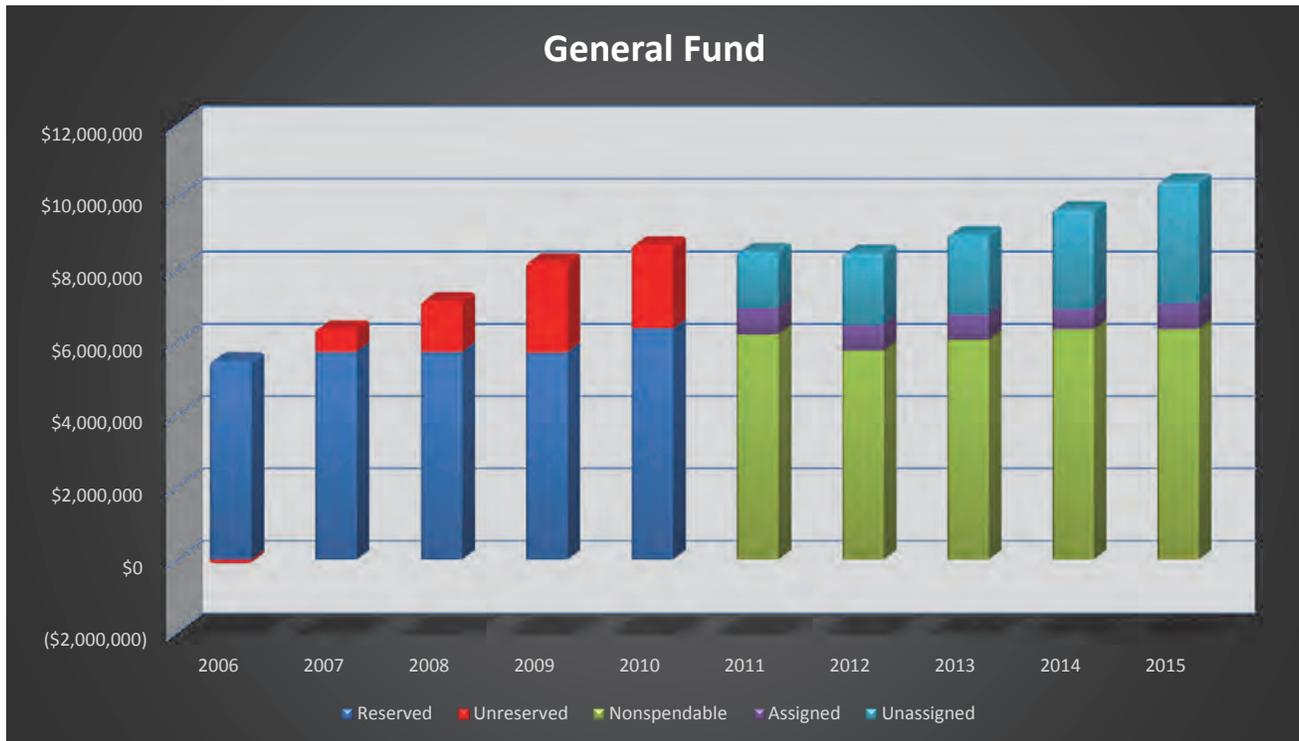
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CITY OF SAUSALITO
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
Business-Type Activities:				
Charges for Services:				
MLK	\$970,548	\$983,803	\$1,033,012	\$1,085,872
Sewer	789,274	755,547	951,956	947,717
Parking	1,347,932	1,297,275	1,397,445	1,562,185
Old City Hall	338,327	306,263	315,026	285,999
Total Business-Type Activities Program Revenue	<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>\$5,867,026</u>	<u>\$6,067,764</u>	<u>\$6,912,177</u>	<u>\$6,580,152</u>
Net (Expense)/Revenue				
Governmental Activities	(\$9,551,218)	(\$9,624,514)	(\$10,228,469)	(\$12,340,477)
Business-Type Activities	<u>1,573,419</u>	<u>1,632,959</u>	<u>1,799,331</u>	<u>1,236,506</u>
Total Primary Government Net Expense	<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 Positions				
Governmental Activities:				
Taxes	\$9,279,774	\$9,763,577		
Property taxes			6,948,365	\$6,950,008
Sales taxes			1,681,133	1,693,752
Transient occupancy tax			1,005,984	860,117
Other taxes			1,259,143	1,249,265
Motor vehicle in-lieu, unrestricted			33,049	25,518
Franchise Fees				
Use of Money/Property and interest earnings	1,005,955	1,260,532	1,472,122	1,077,455
Intergovernmental revenues				
Other Revenues	225,093	274,313	802,791	555,674
Transfers	1,074,875	1,020,172	1,220,375	1,302,375
Extraordinary items:				
Assets transferred to the Southern Marin Fire Protection District				
Total Government Activities	<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		175,687	173,837	74,120
Transfers	(1,074,875)	(1,020,172)	(1,220,375)	(1,302,375)
Other Revenues		1,185	68,879	65,100
Total Business-Type Activities	<u>(1,074,875)</u>	<u>(843,300)</u>	<u>(977,659)</u>	<u>(1,163,155)</u>
Total Primary Government	<u>\$10,510,822</u>	<u>\$11,475,294</u>	<u>\$13,445,303</u>	<u>\$12,551,009</u>
Change in Net Positions				
Governmental Activities	\$2,034,479	\$2,694,080	\$4,194,493	\$1,373,687
Business-Type Activities	<u>498,544</u>	<u>789,659</u>	<u>821,672</u>	<u>73,351</u>
Total Primary Government	<u>\$2,533,023</u>	<u>\$3,483,739</u>	<u>\$5,016,165</u>	<u>\$1,447,038</u>

Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
\$1,045,428	\$1,076,518	\$960,525	\$976,046	\$1,154,301	\$1,282,157
1,355,961	1,406,892	1,492,093	1,595,411	1,723,816	2,409,019
1,560,774	1,556,315	1,716,346	1,788,290	1,941,042	2,071,784
218,685	231,087	247,490	269,814	268,136	270,867
<u>4,180,848</u>	<u>4,270,812</u>	<u>4,416,454</u>	<u>4,629,561</u>	<u>5,087,295</u>	<u>6,033,827</u>
<u>\$6,495,290</u>	<u>\$6,921,392</u>	<u>\$7,321,085</u>	<u>\$7,364,031</u>	<u>\$7,953,911</u>	<u>\$8,607,089</u>
(\$12,930,915)	(\$13,848,174)	(\$16,532,585)	(\$13,604,908)	(\$12,460,763)	(\$11,881,151)
1,655,421	1,483,661	1,710,673	1,678,258	2,089,645	2,517,567
<u>(\$11,275,494)</u>	<u>(\$12,364,513)</u>	<u>(\$14,821,912)</u>	<u>(\$11,926,650)</u>	<u>(\$10,371,118)</u>	<u>(\$9,363,584)</u>
\$7,187,886	\$7,006,903	\$6,981,555	\$4,496,455	\$4,858,913	\$4,926,278
1,535,715	1,443,028	1,694,242	1,761,236	1,923,191	2,407,184
784,104	828,819	893,946	966,762	1,202,228	1,462,774
1,105,614	1,200,878	1,240,473	556,907	554,741	520,268
22,139	34,616	3,758			
			773,713	790,795	795,249
883,665	866,032	862,014	1,012,803	1,121,106	1,113,561
486,980	568,659	514,282	478,203	944,743	671,256
1,157,903	1,438,050	1,480,577	1,555,658	1,630,658	1,655,658
		(577,587)			
<u>13,164,006</u>	<u>13,386,985</u>	<u>13,093,260</u>	<u>11,601,737</u>	<u>13,026,375</u>	<u>13,552,228</u>
14,806	8,883	4,166	5,356	6,571	17,740
(1,157,903)	(1,438,050)	(1,480,577)	(1,555,658)	(1,630,658)	(1,655,658)
170		151	20,388	40,754	82,105
<u>(1,142,927)</u>	<u>(1,429,167)</u>	<u>(1,476,260)</u>	<u>(1,529,914)</u>	<u>(1,583,333)</u>	<u>(1,555,813)</u>
<u>\$12,021,079</u>	<u>\$11,957,818</u>	<u>\$11,617,000</u>	<u>\$10,071,823</u>	<u>\$11,443,042</u>	<u>\$11,996,415</u>
\$233,091	(\$461,189)	(\$3,439,325)	(\$2,003,171)	\$565,612	\$1,671,077
512,494	54,494	234,413	148,344	506,312	961,754
<u>\$745,585</u>	<u>(\$406,695)</u>	<u>(\$3,204,912)</u>	<u>(\$1,854,827)</u>	<u>\$1,071,924</u>	<u>\$2,632,831</u>

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



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Reserved	\$5,488,760	\$5,745,083	\$5,733,861	\$5,730,766	\$6,383,498
Unreserved	(131,095)	638,186	1,416,825	2,493,611	2,317,953
Nonspendable					
Assigned					
Unassigned					
Total General Fund	<u><u>\$5,357,665</u></u>	<u><u>\$6,383,269</u></u>	<u><u>\$7,150,686</u></u>	<u><u>\$8,224,377</u></u>	<u><u>\$8,701,451</u></u>
All Other Governmental Funds					
Reserved	\$2,324,457	\$20,811,534	\$22,280,358	\$17,962,308	\$11,938,261
Unreserved, reported in:					
Special revenue funds	903,306	348,915	364,328	165,190	131,009
Debt Service funds					
Capital project funds	1,128,846	530,607	1,115,694	2,241,043	2,401,799
Restricted					
Committed					
Unassigned					
Total all other governmental funds	<u><u>\$4,356,609</u></u>	<u><u>\$21,691,056</u></u>	<u><u>\$23,760,380</u></u>	<u><u>\$20,368,541</u></u>	<u><u>\$14,471,069</u></u>

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

All Other Governmental Funds



2011	2012	2013	2014	2015
(b)				
\$6,232,107	\$5,781,767	\$6,073,956	\$6,368,240	\$6,376,575
717,618	717,617	717,617	578,326	717,617
1,561,416	1,966,438	2,195,339	2,730,875	3,332,106
<u>\$8,511,141</u>	<u>\$8,465,822</u>	<u>\$8,986,912</u>	<u>\$9,677,441</u>	<u>\$10,426,298</u> (a)

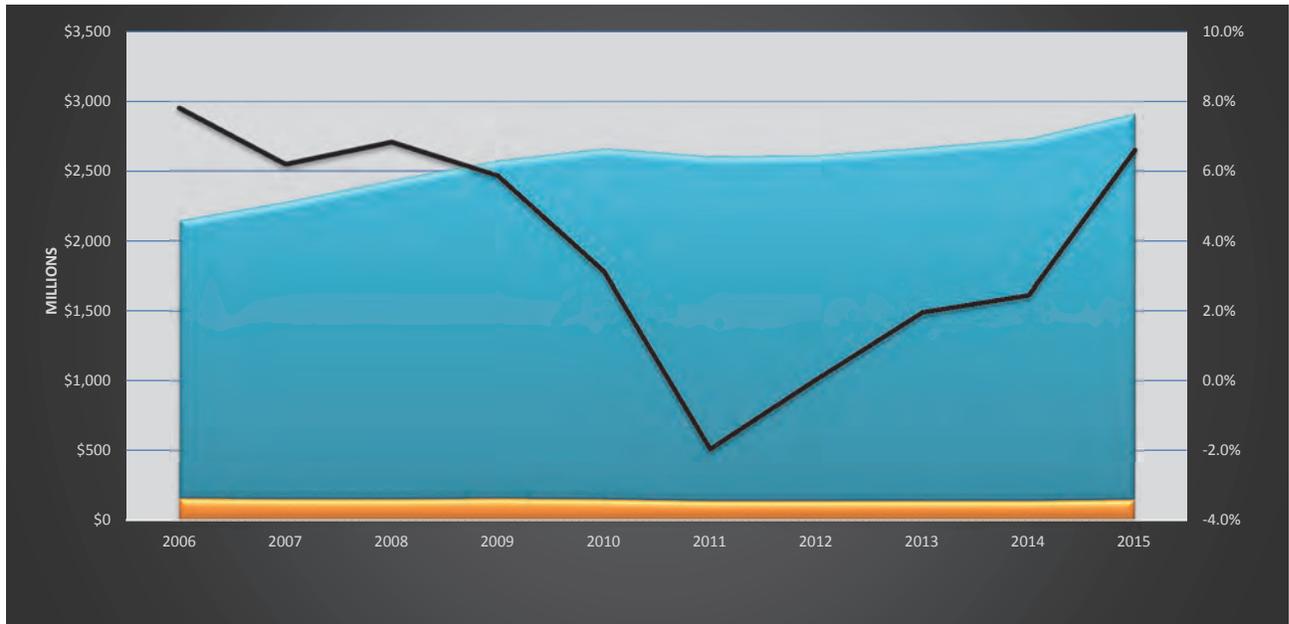
\$11,251,205	\$2,930,578	\$2,423,081	\$1,957,809	\$2,036,907
3,969,308	3,865,385	2,245,641	1,744,577	1,547,538
(4,060,899)	(4,963,081)	(3,942,682)	(3,539,211)	(3,196,130)
<u>\$11,159,614</u>	<u>\$1,832,882</u>	<u>\$726,040</u>	<u>\$163,175</u>	<u>\$388,315</u>

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

	Fiscal Year Ended June 30,				
	2006	2007	2008	2009	2010
Revenues					
Taxes	\$8,747,139	\$9,231,669	\$10,390,160	\$10,270,006	\$10,151,744
Licenses, permits and fees	532,635	531,908	537,514	483,136	461,575
Fines and forfeitures	415,643	466,804	417,762	503,734	381,604
Use of money and property	1,129,124	1,679,124	2,194,162	1,491,637	1,039,837
Intergovernmental revenues	354,548	328,187	396,174	727,383	642,848
Charges for services	1,397,321	1,437,061	1,648,450	1,436,468	1,407,911
Reimbursements					
Special Assessments					
PERS Superfund Credit					
Other	355,357	118,309	481,122	125,193	218,130
Total Revenues	12,931,767	13,793,062	16,065,344	15,037,557	14,303,649
Expenditures					
Current:					
Police	3,218,507	3,491,289	3,589,006	3,894,142	3,985,787
Fire	2,441,656	2,558,799	2,819,882	2,886,438	2,917,299
Public Works	1,598,070	1,276,236	1,354,909	1,356,397	1,334,790
Non-Departmental					
General Government	2,049,278	2,081,499	2,197,536	2,388,116	2,400,164
Community Development	820,015	962,469	1,049,025	1,057,405	1,165,577
Library	556,081	582,394	610,525	624,285	701,018
Parks & Recreation	583,719	473,093	489,077	557,792	620,833
Capital outlay	779,899	421,648	1,358,757	4,821,958	7,106,904
Debt service:					
Principal repayment	31,149	59,003	80,761	149,097	197,960
Interest and fiscal charges	44,179	106,203	413,800	578,176	398,720
PERS Sidefund Expense					
Total Expenditures	12,122,553	12,012,633	13,963,278	18,313,806	20,829,052
Excess (deficiency) of revenues over (under) expenditures	809,214	1,780,429	2,102,066	(3,276,249)	(6,525,403)
Other Financing Sources (Uses)					
Issuance of long-term debt		15,982,967			
Proceeds from sale of capital assets			175,036		2,070
Contributions/donations returned					
Transfers in	1,459,727	1,801,793	3,412,894	1,861,768	2,414,624
Transfers (out)	(702,835)	(1,205,138)	(2,853,255)	(903,667)	(1,311,689)
Total other financing sources (uses)	756,892	16,579,622	734,675	958,101	1,105,005
Net Change in fund balances	\$1,566,106	\$18,360,051	\$2,836,741	(\$2,318,148)	(\$5,420,398)
Debt service as a percentage of noncapital expenditures	0.7%	1.4%	4.1%	5.7%	4.5%

2011	2012	2013	2014	2015
\$10,004,760	\$10,291,689	\$7,998,166	\$8,775,127	\$9,591,485
474,868	518,527	558,387	551,518	517,155
321,396	645,014	608,890	659,376	633,589
1,016,098	1,028,066	1,275,722	1,391,115	1,396,558
704,981	846,540	660,213	738,318	495,752
1,622,614	1,555,305	1,483,901	1,575,055	1,508,859
<u>442,684</u>	<u>102,023</u>	<u>186,011</u>	<u>562,994</u>	<u>311,852</u>
<u>14,587,401</u>	<u>14,987,164</u>	<u>12,771,290</u>	<u>14,253,503</u>	<u>14,455,250</u>
4,124,282	4,160,482	4,193,598	4,461,240	4,654,646
3,276,774	3,405,220			
1,417,939	1,539,534	1,574,816	1,575,748	1,591,343
2,810,563	3,014,228	4,496,557	2,980,879	3,966,535
1,152,318	1,346,911	1,230,050	1,279,765	1,233,503
716,291	699,882	774,108	787,548	807,009
680,365	720,113	811,506	811,177	791,703
4,295,013	8,053,426	2,642,664	2,725,591	1,424,506
221,185	227,816	192,064	225,715	257,547
391,069	2,478,995	289,990	279,816	270,801
<u>19,085,799</u>	<u>25,646,607</u>	<u>16,205,353</u>	<u>15,127,479</u>	<u>14,997,593</u>
<u>(4,498,398)</u>	<u>(10,659,443)</u>	<u>(3,434,063)</u>	<u>(873,976)</u>	<u>(542,343)</u>
30	99,282			
8,650,470	7,387,589	4,880,980	3,564,235	3,493,573
<u>(7,653,867)</u>	<u>(6,199,479)</u>	<u>(2,032,669)</u>	<u>(2,562,595)</u>	<u>(1,977,233)</u>
<u>996,633</u>	<u>1,287,392</u>	<u>2,848,311</u>	<u>1,001,640</u>	<u>1,516,340</u>
<u>(\$3,501,765)</u>	<u>(\$9,372,051)</u>	<u>(\$585,752)</u>	<u>\$127,664</u>	<u>\$973,997</u>
4.3%	18.2%	3.7%	4.2%	4.1%

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



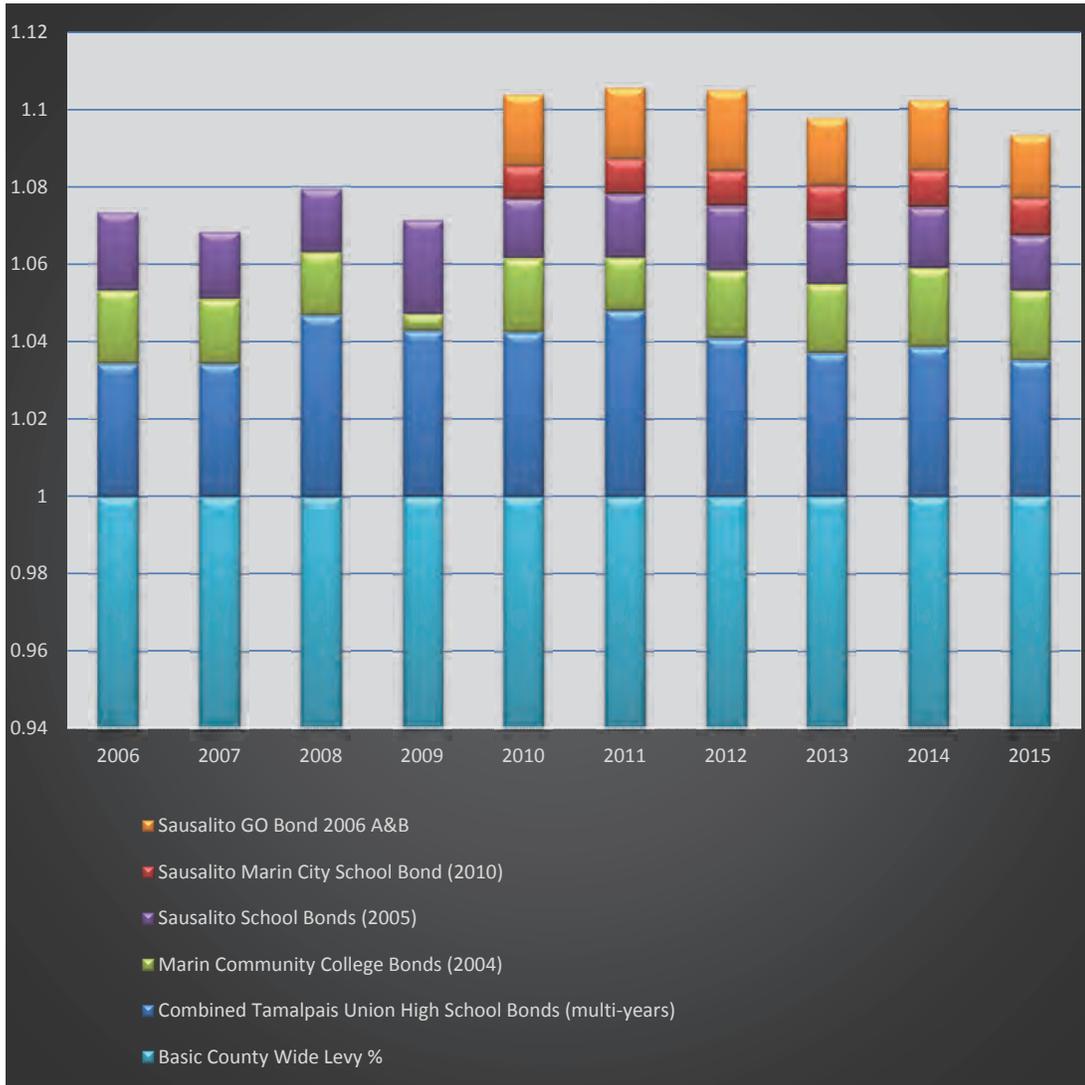
<u>Fiscal Year</u>	<u>Secured Property Assessed Value</u>	<u>Unsecured Property Assessed Value</u>	<u>Total Assessed Value (a)</u>	<u>Less: Exemptions</u>	<u>Taxable Assessed Value</u>	<u>Total Direct Tax Rate (b)</u>	<u>Percentage Growth Change</u>
2006	\$1,989,344,963	\$160,379,976	\$2,149,724,939	(\$11,538,801)	\$2,138,186,138	1.0%	7.8%
2007	2,128,626,510	153,794,746	2,282,421,256	(11,595,924)	2,270,825,332	1.0%	6.2%
2008	2,284,537,862	153,191,168	2,437,729,030	(11,592,774)	2,426,136,256	1.0%	6.8%
2009	2,421,134,832	158,952,827	2,580,087,659	(11,402,874)	2,568,684,785	1.0%	5.9%
2010	2,513,428,982	152,598,806	2,666,027,788	(16,982,585)	2,649,045,203	1.0%	3.1%
2011	2,468,550,019	140,203,752	2,608,753,771	(11,208,945)	2,597,544,826	1.0%	-1.9%
2012	2,476,928,667	140,149,198	2,617,077,865	(18,159,174)	2,598,918,691	1.0%	0.1%
2013	2,529,720,488	142,041,894	2,671,762,382	(21,501,238)	2,650,261,144	1.0%	2.0%
2014	2,595,567,817	141,531,806	2,737,099,623	(21,493,585)	2,715,606,038	1.0%	2.5%
2015	2,765,026,069	151,013,658	2,916,039,727	(20,892,774)	2,895,146,953	1.0%	6.6%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Sausalito encompasses 11 tax rate areas.

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

CITY OF SAUSALITO
Property Tax Rates
All Overlapping Governments
Last Ten Fiscal Years



<u>Fiscal Year</u>	<u>Basic County Wide Levy %</u>	<u>Marin Community College Bonds (2004)</u>	<u>Sausalito School Bonds (2005)</u>	<u>Sausalito Marin City School Bond (2010)</u>	<u>Combined Tamalpais Union High School Bonds (multi-years)</u>	<u>Sausalito GO Bond 2006 A&B</u>
2006	1.0000	0.0188	0.0203		0.0344	
2007	1.0000	0.0168	0.0174		0.0344	
2008	1.0000	0.0163	0.0165		0.0469	
2009	1.0000	0.0042	0.0244		0.0429	
2010	1.0000	0.0192	0.0153	0.0085	0.0425	0.0185
2011	1.0000	0.0136	0.0165	0.0090	0.0482	0.0186
2012	1.0000	0.0175	0.0167	0.0091	0.0410	0.0208
2013	1.0000	0.0178	0.0164	0.0090	0.0371	0.0175
2014	1.0000	0.0204	0.0158	0.0095	0.0386	0.0181
2015	1.0000	0.0180	0.0142	0.0096	0.0352	0.0164

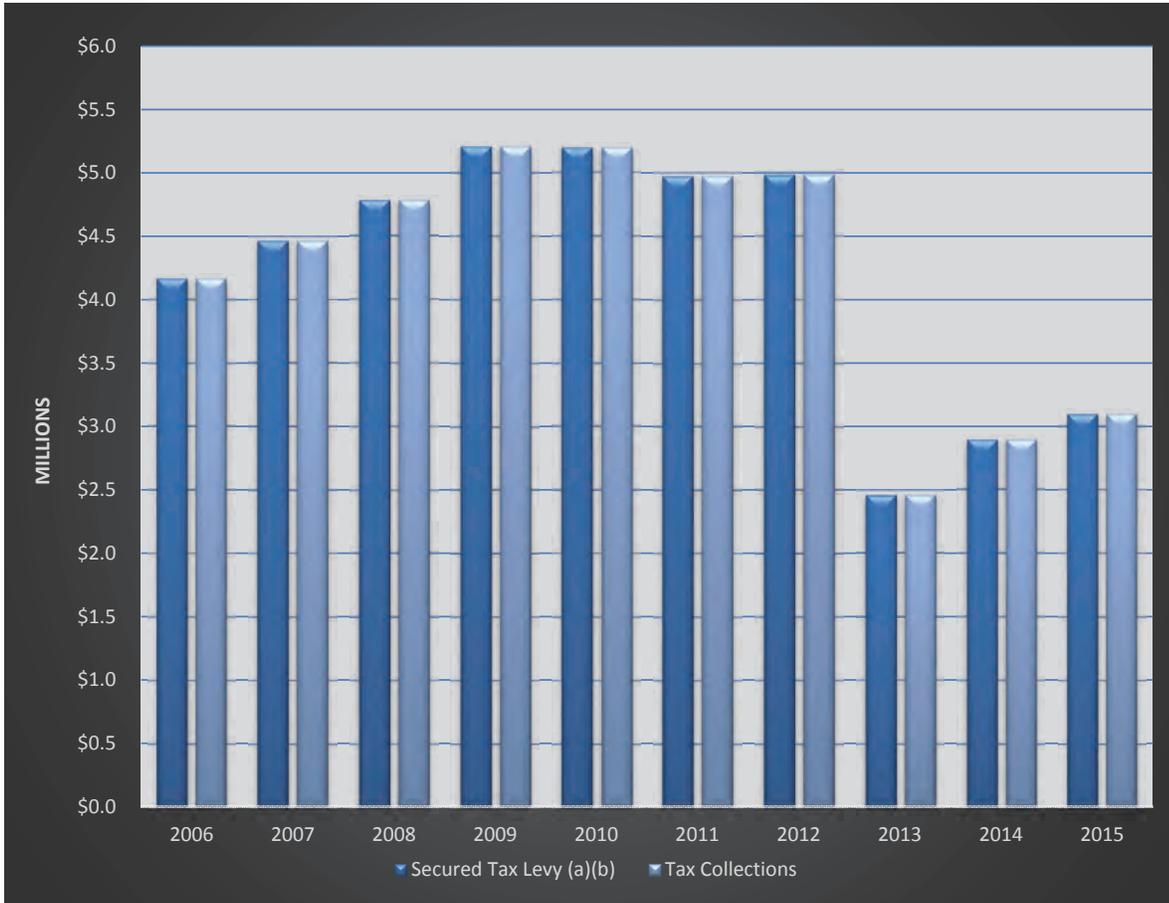
Source: Marin County Auditor-Controller's Office and MuniServices, Inc.

CITY OF SAUSALITO
Principal Property Taxpayers
Last Fiscal Year and Nine Years Ago

Taxpayer	Fiscal Year 2014-15		Fiscal Year 2005-06*	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Ca-One Three Harbor Drive Office	\$33,000,000	1.14%	\$21,251,811	0.99%
Mcssm LLC	23,516,190	0.81%	20,437,774	0.96%
Casa Madrona Hotel Spa LLC	21,486,189	0.74%	0	0.00%
Crump Walter G Iv	16,750,941	0.58%	0	0.00%
Tottenham Investments Inc.	16,056,969	0.55%	0	0.00%
Mariners Landing LLC	15,300,001	0.53%	0	0.00%
Harrison Holdings LLC	13,613,633	0.47%	0	0.00%
Icb Assoc LLC	8,951,739	0.31%	7,872,689	0.37%
Winblad Assoc LP	8,002,647	0.28%	0	0.00%
BruCIA Joseph B Frances M 2001	7,803,007	0.27%	11,828,713	0.55%
Clipper Yacht Company LLC	7,476,668	0.26%	5,755,837	0.27%
Matschullat Robert W	7,274,449	0.25%	0	0.00%
Professional Financial Investment	7,225,000	0.25%	0	0.00%
Marterie Family Trust	7,122,894	0.25%	6,264,326	0.29%
Burge Richard G Family Trust E	7,094,935	0.25%	5,946,502	0.28%
Sausalito Alta Mira LLC	6,958,735	0.24%	6,120,000	0.29%
Sausalito Shipyard Marina LLC	6,728,145	0.23%	0	0.00%
Morse Frederick A	6,613,644	0.23%	0	0.00%
Leana Investments Ltd.	6,591,336	0.23%	5,784,803	0.27%
4000 Bridgeway LLC	6,557,458	0.23%	0	0.00%
Soofam	6,401,699	0.22%	0	0.00%
Bridgeway 558 Real Property LLC	6,037,961	0.21%	5,195,200	0.24%
Lycee Francais La Perouse	6,021,900	0.21%	0	0.00%
Eze Holdings LLC	5,956,922	0.21%	0	0.00%
Lincoln Michael P Revoc Trust	5,664,072	0.20%	0	0.00%
Abbassi Michael E Trust	0	0.00%	5,441,928	0.25%
Collins Ruth M Trust	0	0.00%	4,181,565	0.20%
Fremonte Bank	0	0.00%	4,709,722	0.22%
Hendricks Sidney J Trust	0	0.00%	20,685,038	0.97%
Kunst J & E 1987 Trust	0	0.00%	4,833,910	0.23%
Lemon Family LLC	0	0.00%	5,144,611	0.24%
Loron Inv	0	0.00%	5,628,701	0.26%
Marin Freeholders	0	0.00%	4,906,692	0.23%
Oly Casa Madrona LLC	0	0.00%	22,509,685	1.05%
PSH LLC	0	0.00%	11,972,679	0.56%
Sausalito Investments	0	0.00%	4,344,130	0.20%
University Hills LLC	0	0.00%	4,550,995	0.21%
Corker Thomas A Corker	0	0.00%	4,625,667	0.22%
Hvc Holdings Ltd.	0	0.00%	3,971,622	0.19%
Sunhill Soma LLC	0	0.00%	3,868,343	0.18%
Top 25 Taxpayers Assessed Value	\$264,207,134	9.13%	\$207,832,943	9.72%
Total City Taxable Assessed Value	\$2,895,146,953	100.00%	\$2,138,186,138	100.00%

Source: Marin County Assessor data, MuniServices, LLC

CITY OF SAUSALITO
Property Tax Levies and Collections
Last Ten Fiscal Years



Fiscal Year	Secured Tax Levy (a)(b)	Current Tax Collections	Percent of Levy Collected	Delinquent Rate	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
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%
2010	5,201,279	5,201,279	100%	0%	5,201,279	100%
2011	4,980,294	4,980,294	100%	0%	4,980,294	100%
2012	4,990,022	4,990,022	100%	0%	4,990,022	100%
2013	2,462,731	2,462,731	100%	0%	2,462,731	100%
2014	2,896,181	2,896,181	100%	0%	2,896,181	100%
2015	3,101,925	3,101,925	100%	0%	3,101,925	100%

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

Source: Marin County Auditor-Controller's Office and MuniServices, LLC

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

- (a) During fiscal year 1995, the County began providing the City 100% of its tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.
- (b) Beginning in FY 2013, the secured tax levy has been reduced by the amount of property tax allocated to Southern Marin Fire Protection District per the annexation agreement.

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

<u>2014-15</u>		<u>2005-06</u>	
Taxpayer	Business Type	Taxpayer	Business Type
Angelino Restaurant	Restaurants	A Bicycle Odyssey	Recreation Products
Barrel House	Restaurants	Angelino Restaurant	Restaurants
Bridgeway Bight	Restaurants	Bridgeway Gas	Service Stations
Caruso'S Restaurant	Restaurants	Butler Shine Stern & Partners	Business Services
Copita	Restaurants	Caffe Trieste	Restaurants
Dvorson'S Food Service Equip	Food Processing Equip	Caruso'S Restaurant	Restaurants
Gene Hiller	Apparel Stores	Clipper Yacht Company	Leasing
Heath Ceramics	Miscellaneous Retail	Dvorson'S Food Service Equip	Food Processing Equip
Horizons Restaurant	Restaurants	Fedex Office	Miscellaneous Retail
Key Information Systems	Office Equipment	Gene Hiller	Apparel Stores
Le Garage	Restaurants	Heath Ceramics	Miscellaneous Retail
Mollie Stone'S Market	Food Markets	Horizons Restaurant	Restaurants
Poggio Restaurant	Restaurants	Il Fornaio Restaurant	Restaurants
Pogni Dynamics	Miscellaneous Retail	Imari	Miscellaneous Retail
Q Surgical	Health & Government	Key Information Systems	Office Equipment
Salito'S Crab House	Restaurants	Mollie Stone'S Market	Food Markets
Sasha Mock Design	Furniture/Appliance	Paradise Bay Restaurant	Restaurants
Sausalito Usa	Apparel Stores	Poggio Restaurant	Restaurants
Scoma'S Restaurant	Restaurants	Saylor'S Landing Restaurant	Restaurants
Serena & Lily	Miscellaneous Retail	Scoma'S Restaurant	Restaurants
Shell Service Stations	Service Stations	Shell Service Stations	Service Stations
Silver Seas Yachts	Misc. Vehicle Sales	Sushi Ran Restaurant	Restaurants
Sushi Ran Restaurant	Restaurants	The Spinnaker Restaurant	Restaurants
The Spinnaker Restaurant	Restaurants	Tommy'S Wok Chinese Cuisine	Restaurants
Winship'S Restaurant	Restaurants	West Marine Products	Misc. Vehicle Sales

Source: Q114 and Q105 data, MuniServices, LLC.
Top Sales Tax Producers listed in alphabetical order.

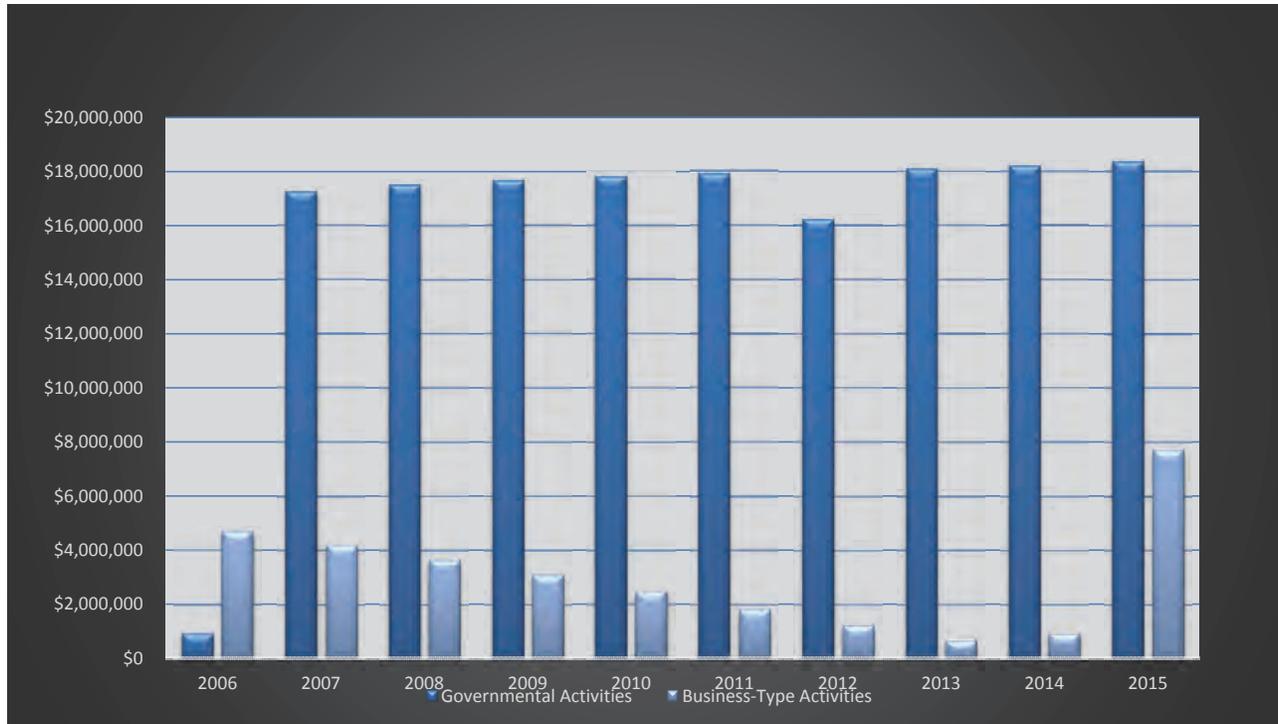
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CITY OF SAUSALITO
Historical Sales Tax Amounts by Benchmark Year

	2006 Q1	2007 Q1	2008 Q1	2009 Q1
Eating & Drinking Pl	\$464,092	\$497,026	\$499,723	\$510,661
Other Retail Stores	260,710	279,768	271,596	259,964
All Other Outlets	314,725	323,629	339,259	325,512
Apparel Stores	104,269	107,167	107,394	91,866
Food Stores	81,865	81,684	86,012	82,218
Service Station	58,913	65,107	67,341	60,240
Home Furnishings & A	30,436	37,300	31,529	45,969
Packaged Liquor Stor	8,823	11,243	11,440	10,410
Bldg. Matrl. & Farm	5,980	18,433	17,023	6,292
Drug Stores	1,955	2,153	2,302	2,092
Auto Dealers & Auto	2,041	2,953	4,143	2,938
General Merchandise	0	0	0	23
TOTAL	\$1,333,809	\$1,426,463	\$1,437,762	\$1,398,185

2010 Q1	2011 Q1	2012 Q1	2013 Q1	2014 Q1	2015 Q1
\$487,865	\$485,201	\$551,602	\$601,427	\$689,256	\$755,769
252,918	232,029	255,641	309,294	353,456	419,914
244,463	276,362	299,922	288,356	279,794	298,313
83,449	77,267	76,940	78,570	89,371	112,866
76,045	70,875	80,546	110,355	103,237	98,925
51,770	58,837	70,370	69,822	59,650	53,650
16,339	34,015	52,331	47,486	24,475	32,648
8,884	9,206	9,613	12,239	12,344	14,481
5,665	5,683	7,252	7,649	6,394	7,067
3,386	7,183	3,258	3,939	3,793	4,510
1,837	910	653	856	1,528	741
0	0	28	0	0	1
\$1,232,621	\$1,257,568	\$1,408,156	\$1,529,993	\$1,623,298	\$1,798,885

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



Governmental Activities

Fiscal Year	Capital Lease	Notes Payable	General Obligation Bonds	Other Long Term Debt	Total Government
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
2010	293,388	894,739	16,643,845		17,831,972
2011	221,165	803,554	16,921,143		17,945,862
2012	146,388	740,738	15,377,772		16,264,898
2013	69,816	698,671	15,674,563	\$1,682,000	18,125,050
2014		657,956	15,957,607	1,624,000	18,239,563
2015		615,408	16,232,813	1,566,000	18,414,221

Business-Type Activities

Fiscal Year	Capital Lease	Capital Improvement Lease	Certificates of Participation	SWCRB Revolving Fund Loan	Sewer Revenue Bond	Total Business	Total Primary Government	% of Taxable Assessed Value (a)	Per Capita (a)
2006	#####	\$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
2010	1,290,697	895,000	322,627			2,508,324	20,340,296	0.77%	2,678
2011	911,981	780,000	166,276			1,858,257	19,804,119	0.76%	2,783
2012	505,015	660,000		\$100,000		1,265,015	17,529,913	0.67%	2,456
2013	67,689	530,000		100,000		697,689	18,822,739	0.71%	2,645
2014		280,000		678,912		958,912	19,198,475	0.71%	2,676
2015				1,000,116	\$6,750,000	7,750,116	26,164,337	0.90%	3,584

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

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

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

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

General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Total	Percentage of Taxable Assessed Value	Per Capita
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
2010	16,643,845	16,643,845	0.63%	2,191
2011	16,921,143	16,921,143	0.65%	2,378
2012	15,377,772	15,377,772	0.59%	2,154
2013	15,674,563	15,674,563	0.59%	2,203
2014	15,957,607	15,957,607	0.59%	2,224
2015	16,232,813	16,232,813	0.56%	2,224

Note: FY2007 was the first year the City had general bonded debt outstanding.

Source: City of Sausalito

CITY OF SAUSALITO
Computation of Direct and Overlapping Debt
As of June 30, 2015

2014-15 Total Assessed Valuation \$2,916,039,727

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/2015
Marin Community College District	\$218,635,000	4.677%	\$10,225,559
Tamalpais Union High School District	132,610,000	7.963%	10,559,734
Sausalito Marin City School District	16,675,000	87.118%	14,526,927
Marin Municipal Water District Wolfbackridge Assessment District	325,000	100.000%	325,000
City of Sausalito (2)	18,414,221	100.000%	18,414,221
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$54,051,441
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Marin County General Fund Obligations	\$68,906,897	4.669%	\$3,217,263
Marin County Pension Obligations	103,195,000	4.669%	4,818,175
Marin County Transit District General Fund Obligations	150,627	4.669%	7,033
Marin Municipal Water District General Fund Obligations	122,544	5.986%	7,335
Marin Community College District General Fund Obligations	2,600,834	4.677%	121,641
Sausalito Marin City School District General Fund Obligations	4,580,000	87.118%	3,990,004
Southern Marin Fire Protection District General Fund Obligations	211,899	34.511%	73,128
City of Sausalito General Fund Obligations (3)	361,249	100.000%	361,249
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$12,595,829
TOTAL DIRECT DEBT			\$18,775,470
TOTAL OVERLAPPING DEBT			\$47,871,799
COMBINED TOTAL DEBT (4)			\$66,647,269

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Includes accreted value.

(3) Share of Marin Emergency Radio Authority obligations.

(4) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

RATIOS TO 2014-15 TOTAL ASSESSED VALUATION:

Direct Debt (\$18,414,221)	0.63%
Total Direct Debt (\$18,775,470)	0.64%
Total Direct and Overlapping Tax and Assessment	1.85%
Combined Total Debt	2.29%

Source: MuniServices, LLC and City of Sausalito

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit (2)	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
2006	\$80,614,685		\$80,614,685	
2007	85,590,797	\$15,694,220	69,896,577	18.3%
2008	91,414,839	16,048,693	75,366,146	17.6%
2009	96,753,287	16,354,939	80,398,348	16.9%
2010	99,339,195	16,643,845	82,695,350	16.8%
2011	97,828,266	16,921,143	80,907,123	17.3%
2012	98,140,420	15,377,772	82,762,648	15.7%
2013	100,191,089	15,674,563	84,516,526	15.6%
2014	102,641,236	15,957,607	86,683,629	15.5%
2015	109,351,490	16,232,813	93,118,677	14.8%

2014-15 Legal Debt Margin Information (1)

Assessed Valuation	\$2,916,039,727
Conversion Percentage	25%
Adjusted Assessed Valuation	\$729,009,932
Debt Limit Percentage	15%
Debt Limit	\$109,351,490
Total Net Debt Applicable to the Limit	
General Obligation Bonds (2)	\$16,232,813
Legal Debt Margin	\$93,118,677
Total Debt Applicable to the Limit as a percentage of the Limit	14.8%

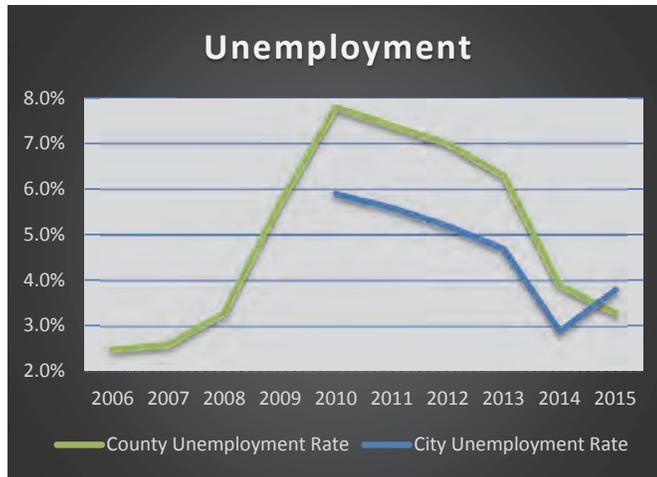
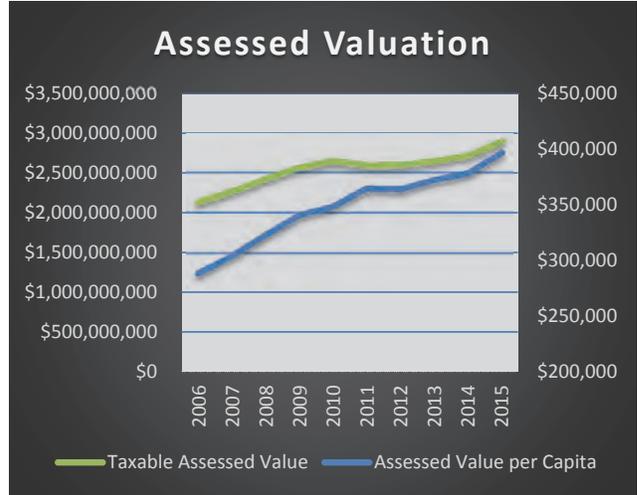
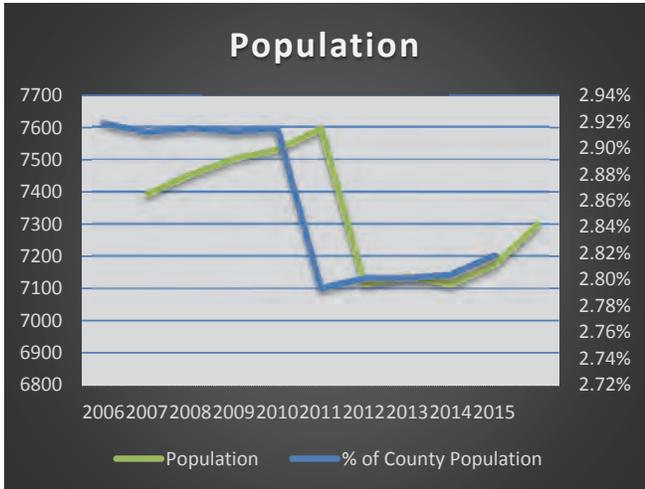
Note:

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

(2) Includes accreted value.

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

CITY OF SAUSALITO
Demographic and Economic Statistics
Last Ten Fiscal Years



Fiscal Year	City Population	Taxable Assessed Value	Per Capita Assessed Value	County Unemployment Rate (%)	City Unemployment Rate (%)	Marin County Population	City Population % of County
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%
2010	7,596	2,649,045,203	348,742	7.8%	5.9%	260,651	2.91%
2011	7,116	2,597,544,826	365,029	7.4%	5.6%	254,692	2.79%
2012	7,138	2,598,918,691	364,096	7.0%	5.2%	254,790	2.80%
2013	7,116	2,650,261,144	372,437	6.3%	4.7%	254,007	2.80%
2014	7,175	2,715,606,038	378,482	3.9%	2.9%	255,846	2.80%
2015	7,300	2,895,146,953	396,595	3.3%	3.8%	258,972	2.82%

Note: Information for total personal income is not available

Source: California Municipal Statistics, Inc., MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey
 Population Projections are provided by the California Department Of Finance Projections.
 Employment, Unemployment and Labor Force Data are provided by the EDD's Bureau Of Labor Statistics.

CITY OF SAUSALITO
Principal Employers
Last Fiscal Year and Five Fiscal Years Ago

Business Name	<u>Fiscal Year 2014-15</u>		<u>Fiscal Year 2009-10</u>	
	Number of Employees	Percent of Total City Labor Force	Number of Employees	Percent of Total City Labor Force
Butler Shine Stern Partners LLC	130	2.55%	163	3.13%
The Trident	102	2.00%	100	1.92%
Salitos (2)	100	1.96%		
C P Shades	90	1.76%		
Backen, Gillam & Kroeger Architects	76	1.49%		
The Spinnaker	75	1.47%	75	1.44%
City Of Sausalito	74	1.45%	124	2.38%
SWA Group	70	1.37%		
Poggio LP	65	1.27%	75	1.44%
Sushi Ran	62	1.22%		
Human Concepts LLC			63	1.21%
Sausalito-Marin City school District			63	1.21%
Mollie Stone's Market			55	1.06%
Casa Madrona			32	0.62%
West Marine Products			18	0.35%
Total Top 10 Employers	844	16.55%	768	14.77%
Total City Labor Force (1)	5,100		5,200	

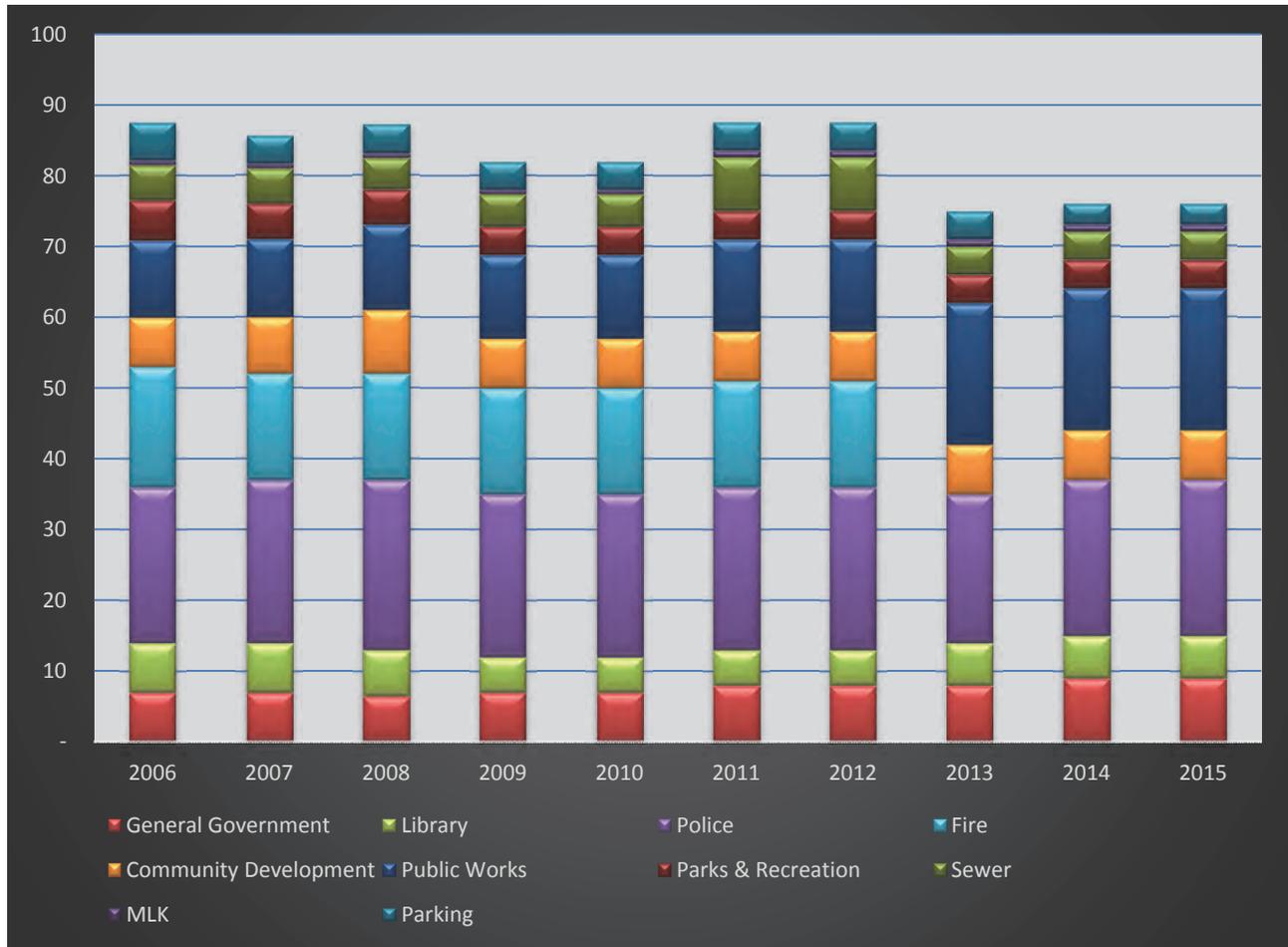
Source: MuniServices, LLC

Results based on direct correspondence with city's local businesses.

(1) Total City Labor Force provided by EDD Labor Force Data.

(2) Includes Full-time, Part-time and Seasonal.

CITY OF SAUSALITO
Authorized Full-Time Permanent Staffing City Government Employees by Function
Last Ten Fiscal Years



Adopted for Fiscal Year Ended June 30,

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	7	7	7	7	7	8	8	8	9	9
Library	7	7	7	5	5	5	5	6	6	6
Police	22	23	24	23	23	23	23	21	22	22
Fire	17	15	15	15	15	15	15	-	-	-
Community Development	7	8	9	7	7	7	7	7	7	7
Public Works	11	11	12	12	12	13	13	20	20	20
Parks & Recreation	6	5	5	4	4	4	4	4	4	4
Sewer	5	5	5	5	5	8	8	4	4	4
MLK	1	1	1	1	1	1	1	1	1	1
Parking	5	4	4	4	4	4	4	4	3	3
Total	88	86	87	82	82	88	88	75	76	76

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

Source: City of Sausalito Budget Documents

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety:									
Police:									
Communication Center calls answered:									
Police calls for Service	11,900	12,845	12,857	12,398	13,259	11,718	13,745	15,306	15,908
Law violations:									
Part I and Part II crimes	544	1,109	1,715	868	1,317	1,254	1,381	1,315	995
Physical arrests (adult and juvenile)	263	485	327	295	327	343	286	276	234
Traffic violations	2,236	2,279	2,490	1,792	1,823	837	812	1,127	1,076
Parking violations	10,210	10,034	11,183	8,810	8,919	15,955	15,499	13,304	14,249
Traffic collisions	114	100	134	112	99	153	125	119	104
Public Works:									
Street resurfaced (square feet)	6,858	140,000	0	0	196,846	72,958	0	38,650	0
Potholes repaired (square feet)	3,000	1,500	2,000	500	19,305	26,287	1,000	2,400	1,400
Street sealed (Slurry Seal, square feet)								38,940	0
Street sealed (Cape Seal, square feet)								138,870	0
Trees trimmed	2,000	2,100	1,800	2,200	1,900	1,700	2,000	1,000	1,000
Culture and Recreation:									
Community Services:									
Recreation class participants	1,765	1,543	3,040	3,716	4,618	12,258	20,634	14,856	15,061
Special Event Permits issued	19	8	13	8	24	61	64	62	51
Sponsored events	29	16	27	22	33	23	24	25	27
Facility, Park & Field rentals	0	76	118	837	948	983	983	1,202	1,246
Library:									
Volumes in Collection									
Books	60,995	60,653	58,137	57,692	58,243	52,379	50,101	46,029	45,034
Audio-Visual materials	3,660	3,319	5,090	4,131	4,432	5,173	5,623	6,407	6,479
Circulation *	78,225	82,286	88,681	93,953	88,219	111,491	127,468	145,384	144,978
E-book and E-media usage						1,711	4,474	6,468	8,166
Internet Station usage **	13,265	14,986	17,746	20,640	19,991	17,993	13,677	13,071	12,695
Library program attendance					2,229	3,037	4,042	5,432	10,315
Community Development:									
Applications processed:									
Discretionary	73	54	50	84	100	88	80	145	72
Ministerial	43	139	71	211	300	256	171	193	286
Encroachments	191	159	143	142	179	162	189	237	213
Building Permits issued	822	737	660	664	743	608	666	688	699
Administration:									
Parking Permits issued	2,122	2,176	2,539	1,778	1,766	1,934	1,882	2,212	2,034
Business Licenses issued	1,586	1,768	2,336	1,848	2,099	1,758	1,633	1,628	1,555

* Beginning in 2012, circulation has been counted as the number of times Sausalito items are checked out or renewed. This is the conventional measure of a library's circulation. Previously the number had indicated items checked out at the Library's circulation desks.

** Internet Station stats do not reflect usage of the Library's 3 stand-up internet stations, deployed in 2013.

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

Source: City of Sausalito

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

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public Safety:									
Fire stations	2	1	1	1	1	1	1	1	1
Fire trucks	3	3	3	3	3	3	0	0	0
Fire boats	1	1	1	1	1	1	0	0	0
Police stations	1	1	1	1	1	1	1	1	1
Police patrol units	6	6	6	6	6	6	6	6	6
Public Works:									
Miles of streets	27	27	27	27	27	27	27	27	27
Streetlights	664	664	664	664	664	664	664	664	664
Traffic Signals	9	9	9	9	9	9	9	9	9
Culture and Recreation:									
Community Services:									
City parks	19	19	19	19	19	19	19	19	19
City parks acreage	78	78	78	78	78	78	78	78	78
Beaches	3	3	3	3	3	3	3	3	3
Playgrounds	3	3	3	3	3	3	3	3	3
Roadway landscaping acreage	3	3	3	3	3	3	3	3	3
Recreation classrooms	3	3	3	3	3	3	3	3	3
Sports centers	1	1	1	1	1	1	1	1	1
Tennis courts	9	9	9	9	9	9	9	9	9
Basketball courts	3	3	3	3	3	3	3	3	3
Baseball/Softball diamonds	2	2	2	2	2	2	2	2	2
Soccer/Football fields	1	1	1	1	1	1	1	1	1
Bocce Courts						2	2	2	2
Library:									
City library	1	1	1	1	1	1	1	1	1
Wastewater:									
Miles of sanitary sewers	26	26	26	26	26	26	26	26	26
Miles of storm sewers	15	15	15	15	15	15	15	15	15

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

Sources: City of Sausalito, Republic Electric, Inc. and Siemens Industry, Inc.