

THE TOWN OF SAN ANSELMO
BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

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JUNE 30, 2008

TOWN OF SAN ANSELMO
BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

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November 14, 2008

To the Honorable Mayor and
Members of the Town Council of
the Town of San Anselmo

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of San Anselmo (the "Town"), as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Management's Discussion and Analysis, the CalPERS schedule of funding progress, and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The other supplementary information section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

Odenberg Ullakko Muranishi & Co LLP

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2008

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2008. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

In fiscal year 2003-04, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments :Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures* along with related interpretations.

Government-Wide Highlights

- The Government-Wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in Management's Discussion and Analysis, show the Town's assets to be \$25,138,501 liabilities of \$14,703,906 and net assets of \$10,434,595. In comparing Net Assets as of June 30, 2007 at \$7,763,029, a net increase of \$2,671,566 was realized, which is primarily attributable to the Town's capital investment in infrastructure projects.
- Total Town revenues were \$17,391,488 compared with total expenses of \$14,719,922 resulting in an increase in net assets for the fiscal year ended June 30, 2008 of \$2,671,566.
- The Town's net capital assets, net of related debt, totaled \$5,109,760 at June 30, 2008. This amount results from the Town's decision to exercise the GASB 34 "small entity" option of not valuing infrastructure (e.g. streets, sewers, sidewalks) acquired prior to June 30, 2003 in accounting for capital assets. Therefore, in comparing assets to debt on those assets, the Town's net capital assets are significantly understated in this report. Beginning in fiscal year 2003-04, the Town began to capitalize the cost of its capital projects on a go-forward basis. As of June 30, 2005 the Town's net capital assets, net of related debt, remained in the negative: (\$315,151). During 2005-06 capitalized projects increased the Town's net capital assets by \$1,701,362 and for the first time achieved a positive net capital assets in the amount of \$1,386,211. During 2006-07 capitalized projects related to flood recovery were responsible for increasing the Town's net capital assets by \$1,420,949 and in 2007-08 by an additional \$2,302,600 to bring the Town's net capital assets to \$5,109,760.
- The Town's long-term debt (including current portion) totaled \$10,797,526 as of June 30, 2008, a decrease of \$337,873 from the prior year. This decrease reflects the principal reduction on the Measure G bonds, California Energy Commission Loan, capital leases for police vehicles, and County's overpayment of traffic fines, offset in part by the increased value of accrued compensated absences.

Fund Highlights

As of the close of fiscal year 2008, the Town's governmental funds reported a combined ending fund balance of \$4,728,678 as compared to \$4,419,058 as of June 30, 2007. This gain was achieved principally in the General Fund. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2008

Town's Highlights

The December 31, 2005 flood, combined with an uncertain economy, continues to have a major impact on the Town's financial situation. Achievements for this year focused in large part on flood recovery and prevention and include the following:

- **Flood Recovery in Town facilities** - Reconstruction was completed on the flood-damaged Police Department and Council Chambers. Work is underway to reconstruct and improve the downtown Fire Station.
- **Capital Projects** – The restrooms at Memorial Park were remodeled and improved, two of the Memorial Park Tennis Courts were reconstructed, and the Tiny Tot playground at Parkside Preschool was redone.
- **Flood Recovery in Community** – Staff worked with residents to submit federal grant requests for individual home elevations, as well as one creek stabilization project. The Town acts as the sponsor for these projects and homeowners receive federal funding for a portion of their projects.
- **Disaster Preparedness** – The Get Ready program has been very successful, with 275 San Anselmo residents participating. Nearly 60 San Anselmo residents have participated in the two-day Citizens Emergency Response Team (CERT) preparedness program. The Town's Disaster Council continues to meet to address preparedness for an earthquake, fire, flood or other disaster.
- **Centennial Celebration** – The Town's 100th birthday was celebrated throughout the year with a series of events, culminating in a community picnic in September 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2008

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. They provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

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

The Statement of Activities and Changes in Net Assets presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenues and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

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 Town, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities are divided into two categories: governmental funds, and business-type 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 (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements 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 funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities.

The Town maintains 21 individual governmental funds. In the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances, information is presented separately for the following funds considered to be **major funds**:

- General Fund
- Road Maintenance Fund
- Recreation Fund
- Emergency Projects Fund

Non-major Governmental Funds: Special Revenue. Special revenue funds generally account for revenues derived from specific sources. These funds are required by statute or ordinance to finance particular functions or activities of government. They include the following funds:

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Management's Discussion and Analysis
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- Measure G Bond Proceeds Fund
- Traffic Congestion Relief Fund
- Gas Tax Fund
- Supplemental Law Enforcement fund
- Isabel Cook Complex Fund
- Robson House Fund
- Equipment Fund
- Special Events Fund
- Safety Fund
- P.O.S.T. Fund
- Downtown Revitalization Fund

Non-major Governmental Funds: Capital Reconstruction. This fund accounts for revenues set aside for capital projects.

Non-major Governmental Funds: Debt Service. Debt service funds are used to account for financial resources to be used for principal and interest payments on the Town's Measure G bond debt. They include the following funds:

- Debt Service, Bond Series 1995
- Debt Service, Bond Series 1997
- Debt Service, Bond Series 2000
- Debt Service, Bond Series 2003

Non-major Governmental Funds: Internal Service. This fund accounts for the premium payments as well as the self-insured portion of the Town's workers' compensation and liability insurance programs.

Business-type Funds

The Town maintains no business-type funds.

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 follow the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the Town's budgetary comparison schedules and PERS schedule of funding progress.

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2008

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

Net assets for the Town are summarized below and an analysis follows:

| | 2008 | | | 2007 |
|---------------------------------|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities |
| Cash and investments | \$ 9,493,741 | | \$ 9,493,741 | \$ 6,264,504 |
| Capital assets, net | 14,932,909 | | 14,932,909 | 12,970,398 |
| Other assets | 711,851 | - | 711,851 | 1,406,309 |
| Total assets | 25,138,501 | - | 25,138,501 | 20,641,211 |
| Current liabilities | 3,993,105 | | 3,993,105 | 1,690,689 |
| Non-current liabilities | 10,710,801 | | 10,710,801 | 11,187,493 |
| Total liabilities | 14,703,906 | - | 14,703,906 | 12,878,182 |
| Invested in capital assets, net | 5,109,760 | | 5,109,760 | 2,807,160 |
| Restricted | 664,718 | | 664,718 | 663,194 |
| Unrestricted | 4,660,117 | | 4,660,117 | 4,292,675 |
| Net assets | \$ 10,434,595 | \$ - | \$ 10,434,595 | \$ 7,763,029 |

Net assets of \$10,434,595 at June 30, 2008, consist primarily of the following elements.

ASSETS:

- Cash and investments of \$9,493,741 increased \$3,229,237 from the prior year due primarily to the impact of the \$1,700,000 municipal lease the Town entered for finance the restoration, remodeling and expansion of the Town's downtown fire station.
- Net capital assets of \$14,932,909 increased \$1,962,511 due to capital improvements to Town buildings associated with flood recovery as well as infrastructure projects.
- Other assets of \$711,851, including accounts receivables, prepaid expense and net deferred charges, decreased \$694,458 over the prior year, due primarily to smaller outstanding FEMA and OES claims for reimbursement of flood expenditures and lower state grant monies owed to the Town at year end.

LIABILITIES:

- Current Liabilities of \$3,993,105, including accounts payable and accrued liabilities, deposits payable and deferred revenue, the current portion of insurance claim liabilities, and the current portion of long term debt, increased \$2,302,416 due primarily to the \$1,700,000 unearned municipal lease revenue as well as unearned grant revenue.

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Management's Discussion and Analysis
June 30, 2008

- Non-current Liabilities of \$10,710,801, including the non-current portion of insurance claim liabilities and the non-current portion of long term debt, decreased \$476,692 due primarily to the retirement of debt related to the Town's general obligation bonds and capital leases for police vehicles, as well as retirement of the debt incurred by the County's overpayment of traffic fees from 1999-2006.

Changes in Net Assets

Changes in net assets for the Town are summarized below and an analysis follows:

| | 2008 | | | 2007 |
|----------------------------------|----------------------------|-----------------------------|---------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 2,966,057 | \$ - | \$ 2,966,057 | \$ 3,097,600 |
| Operating grants & contributions | 166,888 | | 166,888 | 272,855 |
| Capital grants & contributions | 2,358,873 | | 2,358,873 | 2,168,001 |
| General revenues: | | | | |
| Taxes | 8,735,713 | | 8,735,713 | 7,827,270 |
| Intergovernmental | 388,117 | | 388,117 | 450,045 |
| Investment earnings | 533,751 | | 533,751 | 551,735 |
| Franchise fees | 2,044,191 | | 2,044,191 | 1,914,569 |
| Other | 197,898 | | 197,898 | 173,138 |
| Transfers | - | - | - | - |
| Total revenues | 17,391,488 | - | 17,391,488 | 16,455,213 |
| Expenses: | | | | |
| General government | 1,469,701 | | 1,469,701 | 1,337,061 |
| Public safety | 8,032,542 | | 8,032,542 | 7,543,638 |
| Public works | 1,734,179 | | 1,734,179 | 1,366,347 |
| Planning | 796,652 | | 796,652 | 735,873 |
| Library | 520,472 | | 520,472 | 467,482 |
| Parks and Recreation | 1,625,472 | | 1,625,472 | 1,605,913 |
| Interest on long-term debt | 540,904 | - | 540,904 | 509,323 |
| Total expenses | 14,719,921 | - | 14,719,921 | 13,565,636 |
| Change in net assets | \$ 2,671,567 | \$ - | \$ 2,671,567 | \$ 2,889,577 |

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Management's Discussion and Analysis
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Net assets increased \$2,671,566 during fiscal year ended June 30, 2008 as compared to \$2,889,577 during the fiscal year ended June 30, 2007. Components of the change in net assets include:

- Charges for Services revenue of \$2,966,057 a net decrease of \$131,543, due primarily to a decline of \$46,380 in planning service fees and \$60,196 in recreation fees collected from the previous year.
- Operating Grants and Contributions revenue of \$166,888, a decrease of \$105,967 from the prior year as a result of the 2007-08 loss of one-time State Mandated Cost reimbursements received during 2006-07.
- Capital grants and contributions revenue of \$2,358,873, an increase of \$190,872 due to State RBA Per Capita grant receipts for park maintenance.
- Increased revenue in the area of property taxes in the amount of \$836,445 due to a 7% increase in property tax collections.
- Increased revenue in Franchise and other tax revenue due to increased In Lieu Motor Vehicle and In Lieu Sales tax receipts.
- Decreased revenue from use of money and property due to interest rate decrease during 2007-08 from 5.25% to 2.9% but offset in part by increased interest earnings from the \$3.2M Tax Revenue Anticipation Note proceeds issued in 2007-08 to cover cashflow needs related to flood recovery.
- Increased total expenses of \$1,154,285 due principally to the COLA adjustments for employee positions and Ross Valley Fire Service contract adjustments.

Analysis of Major Governmental Funds

General Fund

General Fund revenue for 2007-08 year, including transfers-in from other funds of \$234,417, totaled \$13,415,225 and exceeded the revised budget by \$153,755. The largest sources of the unexpected revenue came from additional ERAF tax revenue in the amount of \$126,000, additional Sales Tax and In Lieu Sales Tax revenue in the amount of \$82,000, additional interest earnings in the amount of \$30,000, and additional Business License fee revenue in the amount of \$25,000. These gains were somewhat offset by lower than expected planning fees in the amount of \$50,000, the refunding to Sleepy Hollow Fire District of \$44,000 and lower Prop 172 Sales Tax.

Mid-year budget revisions once again played an important role in managing the Town resources during 2007-08. In October 2007, staff received notification of the county's settlement of a lawsuit and subsequent distribution of additional Education Relief Augmentation Fund (ERAF) funds in the amount of \$377,488, of which \$86,103 was immediately approved for refund to Sleepy Hollow Fire District of an previous year's overpayment. In January 2008 staff received a second notice of an additional \$30,000 in ERAF funds. As a result, a total of \$460,703 was recognized as available for appropriation at that time. At its January 8, 2008 meeting, the Council considered the necessity and magnitude of the Town's ongoing flood recovery costs and directed the transfer of \$181,221 to the Emergency Projects Fund per Resolution #3824. At Council direction in June, 2008, staff also transferred \$84,282 to the Recreation Fund to eliminate a negative year end fund balance. Authorization had been for an amount of up to \$120,000.

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Management's Discussion and Analysis
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General Fund expenditures for fiscal year 2007-08, including transfers-out to other funds of \$1,407,312, totaling \$12,848,002 fell below the revised budget amount by \$425,434. Conscious of the continuing financial uncertainty, all Town departments continued their belt-tightening strategies. These efforts resulted in savings in Administration, Engineering, Library, Police and Streets and Parks. In addition, at year end the contingency reserve had an unspent balance of \$131,143. This amount is included in the unreserved-undesignated General Fund balance at June 30, 2008. These savings more than offset the expenditures of the Planning & Building, and Town Council departments that slightly exceeded their budgets.

Analyzing expenditures by major categories, it is clear that the two significant areas of savings were in the categories of employee salaries and benefits. Savings in these areas were the result of two circumstances. First were the vacancies in the senior planner position and in the streets department resulting from the street superintendent's retirement and the later staff reorganization. These savings were somewhat offset by the increased use of consultants (Outside Services), particularly in the planning area. The second significant factor was the new savings in retirement costs as Tier 1 employees departed and Tier 2 employees were hired. This was particularly true for the Police Department whose turnover rate was unusually high. These savings were slightly offset by the cost overrun in the area of training, also attributable to the same high turnover rate.

In summary, the net impact of revenue and expenditure levels for fiscal year 2007-08 resulted in excess revenue as compared to budget of \$579,190. This number compares favorably to the \$200,000 projected at the time of the 2008-09 Adoption Budget which was appropriated for expenditure as part of the budget process. At this time, the Council has the options of allocating some or all of the remaining \$379,190 for expenditure in 2008-09, placing the funds in the contingency for unanticipated needs, or simply allowing the funds to remain as part of the ending balance, which at June 30, 2008 was \$2,045,877.

Road Maintenance Fund

The Road Maintenance Fund received revenue from three major sources. First, Road Impact Fees for construction projects and refuse vehicles, totaling \$322,050, is revenue legally restricted for use in road improvement projects. Second, this fund received \$7,780 in interest earnings from idle Measure G bond funds invested in the Local Agency Investment Fund (LAIF). These funds are reserved by Town Council policy for use in slurry seal street repairs. Finally, a General Fund contribution of \$400,000 was transferred to this fund to support infrastructure maintenance per Town policy, and a \$13,619 reimbursement in FEMA/OES funds was received for expenditures. Capital expenditures totaled \$563,259 for infrastructure improvements during 2007-08.

The Road Maintenance fund balance as of June 30, 2008 totaled \$1,502,388 and included the following reserves: Slurry Seal Projects \$275,064; Road Impact Fees \$911,865; Baldhill Road Improvements \$21,632; and General Fund contributions \$293,827.

Recreation Fund

The Recreation Fund began the 2007-08 year with a negative fund balance of (\$10,905). During 2007-08 program fees were collected in the amount of \$919,016. Expenditures for the period totaled \$992,392, resulting in a further decline in the reserve of \$73,376. As discussed above, on June 24, 2008 the Council authorized the transfer of General Fund monies in the amount of \$84,282 to eliminate the negative fund balance.

Emergency Reserve Fund

The Emergency Projects Fund had a beginning balance of \$261,004. Total revenue for 2007-08 included reimbursement to the Town from FEMA and OES for all projects of \$804,950. In addition, the Town received \$10,515 for flood mitigation assistance planning for projects assisting local residents and

Town of San Anselmo
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\$521,109 in Streambank Emergency Watershed Program funds. The Police Department received \$20,000 in State 9-1-1 grant funds for the relocation of the dispatch center. Interest earnings of \$7,559 were realized from the loan proceeds of the Town's February 2008 municipal lease agreement. Total receipts from all outside sources was \$1,364,132.

As noted above, in the mid-year budget revision the Council approved a transfer of \$181,221, bringing the total General Fund moneys transferred to this fund since the 2005 winter storms to \$1,266,194.

Expenditures associated with the flood totaled \$1,979,718, including \$533,006 for Town Hall building restoration and temporary facilities; \$868,149 for fire station building restoration design and construction costs; \$509,740 for the Streambank EWP repair work; \$6,400 for Allyn Avenue slide repairs; and \$62,423 for administrative costs related to flood recovery activities.

As of June 30, 2008, the Emergency Projects Fund ending balance totaled a negative (\$186,980). This number reflects the initial expenditures for the fire station restoration, the total cost of which is estimated at \$1,700,000. In order to provide the necessary cashflow for this project, the Town entered into a municipal lease agreement in that amount. The additional expenses in 2008-09 to complete the fire station project will result in an even larger negative balance, which will eventually be brought back to zero as the Town recognizes lease revenue of \$1.7 million over the term of the 15 year lease agreement. The \$1.7 million has been recorded on the accompanying financial statements as deferred revenue at June 30, 2008.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Town's 2008-09 budget reflects the severe financial restraints under which the Town has operated during the last six years, culminating in June 2006 in a major reorganization of the Town's staffing structure aimed at stabilizing the Town's structure and creating a sustainable budget.

The Town's financial outlook has been in a declining state since fiscal year 2001-02, due to the poor economy, takeaways from the State of California, declining revenues and rising expenditures. While the Town has continued to experience a steady real estate market and associated construction activity, expenditures have threatened to outstrip revenues, requiring a series of expenditure reductions.

During the last five years expenditures were reduced by leaving nine positions vacant, laying off five employees, slashing department budgets, eliminating training opportunities, and deferring equipment purchases, capital projects and maintenance to Town buildings. Employee salary increases were deferred. In addition, fees and fines were increased and parking meters installed in Town parking lots. Town staffing levels dropped from 63 full time employees to 49.

On December 31, 2005 the Town of San Anselmo experienced a devastating flood as the result of unusually heavy winter rains. The Town's public buildings were not spared. The Police Department, Fire Department, Council Chambers, Public Restrooms and the lower floor of the Library were rendered inoperable by the floodwaters.

By 2007-08 the Town's budget had been stabilized at reduced levels, with funds allocated to road maintenance, equipment, capital projects and employee salary increases.

The long-term fiscal challenges facing the Town are:

- Ensuring sufficient funds to maintain the Town's streets and storm drain infrastructure at current levels.
- Addressing aging infrastructure in Town buildings, parks and other public facilities and replacing old, outdated equipment.

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- Restoring Town services that have been cut, such as Library hours and staffing.
- Recovering from the devastating flood of 2005 while simultaneously trying to come back from six years of severe cutbacks.
- Relying heavily on a relatively fixed tax base, restricted by a geography offering few development possibilities for tax revenue expansion.
- Retaining experienced Town staff through sufficient employee compensation to remain competitive in the employment market. The high cost of living in Marin County makes attracting and retaining qualified employees difficult.

The 2008-09 budget reflects funds for the following capital projects, beyond the considerable flood recovery expenditures, as follows:

- Reconstruction of the downtown fire station.
- Curb ramp and detectable warning projects in conjunction with road and sidewalk work and stand-alone projects.
- Improvements to Fire Station 20 on Butterfield Road.
- Flood prevention equipment in the Library.

The budget also includes a \$400,000 contribution to the Town's Road Maintenance Fund, reflecting the Council's commitment to maintain the progress accomplished by the Town's Measure G bond program.

Each Town department head, in conjunction with the Town Manager, recommends two to four work plan items to undertake during the upcoming fiscal year. In recognition of the fact that we are continuing to work toward normalizing operations since the flood, the department head staff agreed to three joint work plan goals this year, as follows:

- Sustainability – Seek out opportunities in Town operations to utilize principles of sustainability, work to further the goals of green building, demolition reuse and recycling, energy efficiency and clean air in the community through ordinances, gas emission and the Town's carbon footprint.
- Flood Recovery - Continue flood recovery efforts, focusing internal efforts on the rebuilding of the downtown fire station and flood proofing of the Town Hall complex; with external efforts to be focused on sponsoring residential home elevation with federal grant money.
- Disaster Preparedness – Encourage community disaster preparedness for fire, flood and earthquake through public information programs, code requirements, permit facilitation, and course offerings.

The 2008-09 budget represents a prudent budget that addresses the Town's most pressing capital and equipment needs, while maintaining a staffing structure that strives to meet the needs of its citizens. While our staffing numbers remain at reduced levels, the Town's staff remains committed to providing excellent community services to the residents of San Anselmo.

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REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

Finance & Administrative Services Director
Town of San Anselmo
525 San Anselmo Avenue
San Anselmo, CA 94960

(Ph) 415-258-4678

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

* * * * *

TOWN OF SAN ANSELMO**Statement of Net Assets****June 30, 2008**

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 9,493,741 | \$ - | \$ 9,493,741 |
| Accounts and interest receivable | 420,496 | - | 420,496 |
| Other receivables | 79,009 | - | 79,009 |
| Prepays and other current assets | 43,151 | - | 43,151 |
| Total current assets | <u>10,036,397</u> | <u>-</u> | <u>10,036,397</u> |
| Noncurrent assets: | | | |
| Deferred charges, net | 169,195 | - | 169,195 |
| Capital assets, net | 14,932,909 | - | 14,932,909 |
| Total noncurrent assets | <u>15,102,104</u> | <u>-</u> | <u>15,102,104</u> |
| Total assets | <u>25,138,501</u> | <u>-</u> | <u>25,138,501</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 807,773 | - | 807,773 |
| Deposits payable and deferred revenue | 2,603,942 | - | 2,603,942 |
| Claims liabilities | 141,177 | - | 141,177 |
| Current portion of long-term debt | 440,213 | - | 440,213 |
| | <u>3,993,105</u> | <u>-</u> | <u>3,993,105</u> |
| Noncurrent liabilities: | | | |
| Claims liabilities | 353,488 | - | 353,488 |
| Long-term debt, net | 10,357,313 | - | 10,357,313 |
| Total liabilities | <u>14,703,906</u> | <u>-</u> | <u>14,703,906</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 5,109,760 | - | 5,109,760 |
| Restricted for: | | | |
| Capital projects | - | - | - |
| Debt service | 664,718 | - | 664,718 |
| Unrestricted | 4,660,117 | - | 4,660,117 |
| Total net assets | <u>\$ 10,434,595</u> | <u>\$ -</u> | <u>\$ 10,434,595</u> |

TOWN OF SAN ANSELMO

Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) |
|----------------------------------|----------------------|-----------------------------|---|---|--------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue |
| | | | | | Governmental Activities |
| PRIMARY GOVERNMENT | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,469,701 | \$ 20,486 | \$ - | \$ - | \$ (1,449,215) |
| Public safety | 8,032,542 | 929,027 | 136,186 | 1,862 | (6,965,467) |
| Public works | 1,734,179 | 959,477 | - | 2,104,148 | 1,329,446 |
| Planning | 796,652 | 111,522 | - | - | (685,130) |
| Library | 520,472 | 21,340 | 30,702 | - | (468,430) |
| Parks and recreation | 1,625,472 | 924,205 | - | 252,863 | (448,404) |
| Interest on long-term debt | 540,904 | - | - | - | (540,904) |
| Total governmental activities | <u>14,719,922</u> | <u>2,966,057</u> | <u>166,888</u> | <u>2,358,873</u> | <u>(9,228,104)</u> |
| Business-type activities: | | | | | |
| | - | - | - | - | - |
| Total business-type activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net (expense) revenue | <u>\$ 14,719,922</u> | <u>\$ 2,966,057</u> | <u>\$ 166,888</u> | <u>\$ 2,358,873</u> | <u>\$ (9,228,104)</u> |

Continued
on next page

TOWN OF SAN ANSELMO

Statement of Activities and Changes in Net Assets (Continued)

For the Fiscal Year Ended June 30, 2008

| <u>Functions/Programs</u> | <u>Primary Government</u> | | |
|--------------------------------------|---|--|----------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Net (expense) revenue | \$ (9,228,104) | \$ - | \$ (9,228,104) |
| General revenues: | | | |
| Property taxes | 7,914,194 | - | 7,914,194 |
| Sales taxes | 821,519 | - | 821,519 |
| Franchise and other taxes | 2,044,191 | - | 2,044,191 |
| Use of money and property | 533,751 | - | 533,751 |
| Revenues from other agencies | 388,117 | - | 388,117 |
| Other revenue | 197,898 | - | 197,898 |
| Transfers | - | - | - |
| Total general revenues and transfers | <u>11,899,670</u> | <u>-</u> | <u>11,899,670</u> |
| Change in net assets | 2,671,566 | - | 2,671,566 |
| Net assets, beginning of year | 7,763,029 | - | 7,763,029 |
| Net assets, end of year | <u>\$ 10,434,595</u> | <u>\$ -</u> | <u>\$ 10,434,595</u> |

TOWN OF SAN ANSELMO**Governmental Funds****Balance Sheet****June 30, 2008**

| | Major Funds | | | | | Total Governmental Funds |
|--|---------------------|---------------------|-------------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance | Recreation | Emergency Reserve | Other Governmental Funds | |
| ASSETS | | | | | | |
| Cash and investments | \$ 2,430,683 | \$ 1,502,033 | \$ 198,008 | \$ 1,532,965 | \$ 1,678,931 | \$ 7,342,620 |
| Receivables: | | | | | | |
| Accounts | 277,870 | 5,034 | | 90,821 | 35,929 | 409,654 |
| Other | | | | | 79,009 | 79,009 |
| Prepays and other assets | 12,710 | - | 12,122 | | 5,186 | 30,018 |
| Due from other funds | | | | | - | - |
| Total assets | <u>\$ 2,721,263</u> | <u>\$ 1,507,067</u> | <u>\$ 210,130</u> | <u>\$ 1,623,786</u> | <u>\$ 1,799,055</u> | <u>\$ 7,861,301</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Cash overdraft | | | | | \$ - | \$ - |
| Accounts payable and accrued liabilities | 371,035 | 4,679 | 13,363 | 110,766 | 28,838 | 528,681 |
| Deposits payable and deferred revenue | 304,351 | | 196,766 | 1,700,000 | 402,825 | 2,603,942 |
| Due to other funds | | | | | - | - |
| Total liabilities | <u>675,386</u> | <u>4,679</u> | <u>210,129</u> | <u>1,810,766</u> | <u>431,663</u> | <u>3,132,623</u> |
| Fund balances | | | | | | |
| Reserved for merchant parking | 47,108 | | | | - | 47,108 |
| Reserved for SWARAC Downtown | 1,616 | | | | - | 1,616 |
| Reserved - Other Debt Service Funds | | | | | 664,718 | 664,718 |
| Reserved - Capital projects | | 1,502,388 | | | 192,535 | 1,694,923 |
| Unreserved: | | | | | | |
| Designated (deficit) - Special Revenue Funds | | | | (186,980) | 550,537 | 363,557 |
| Undesignated - General Fund | 1,997,153 | | | | - | 1,997,153 |
| Undesignated (deficit) - Special Revenue Funds | | | 1 | | (40,398) | (40,397) |
| Total fund balances | <u>2,045,877</u> | <u>1,502,388</u> | <u>1</u> | <u>(186,980)</u> | <u>1,367,392</u> | <u>4,728,678</u> |
| Total liabilities and fund balances | <u>\$ 2,721,263</u> | <u>\$ 1,507,067</u> | <u>\$ 210,130</u> | <u>\$ 1,623,786</u> | <u>\$ 1,799,055</u> | <u>\$ 7,861,301</u> |

TOWN OF SAN ANSELMO

**Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets**

June 30, 2008

Total Fund Balances - Total Governmental Funds **\$ 4,728,678**

Amounts reported for governmental activities in the statement of net assets are different because:

Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds:

| | | |
|-------------------------------|---------------|---------|
| 1995 General Obligation Bonds | \$ 42,063 | |
| 1997 General Obligation Bonds | 45,213 | |
| 2000 General Obligation Bonds | 35,571 | |
| 2003 General Obligation Bonds | <u>46,348</u> | 169,195 |

Capital assets used in governmental activities are not current financial resources. Therefore they are not reported in the Governmental Funds Balance Sheet.

| | | |
|--------------------------------|--------------------|------------|
| Nondepreciable | 3,459,999 | |
| Depreciable | 16,817,738 | |
| Less: accumulated depreciation | <u>(5,344,828)</u> | 14,932,909 |

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.

(239,240)

Long-term liabilities are not due and payable in the current period and, therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

| | | |
|--|------------------|--------------|
| 1995 General Obligation Bonds | (1,760,000) | |
| 1997 General Obligation Bonds | (3,025,000) | |
| 2000 General Obligation Bonds | (2,305,000) | |
| 2003 General Obligation Bonds | (2,460,000) | |
| Capital leases | (77,321) | |
| California Energy Commission Loan | (26,633) | |
| Due to County of Marin for overpayment of traffic school and evidence fees | (247,426) | |
| Accrued compensated absences | (396,146) | |
| Due to insurance company for landslide repairs (Note 5) | <u>(500,000)</u> | (10,797,526) |

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,640,579

Net Assets of Governmental Activities

\$ 10,434,595

TOWN OF SAN ANSELMO**Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2008**

| | Major Funds | | | | | Total Governmental Funds |
|---|---------------------|---------------------|-----------------|----------------------|--------------------------------|--------------------------------|
| | General Fund | Road Maintenance | Recreation | Emergency Reserve | Other Governmental Funds | |
| REVENUES | | | | | | |
| Property taxes | \$ 7,914,194 | \$ - | \$ - | \$ - | \$ - | \$ 7,914,194 |
| Sales taxes | 821,519 | - | - | - | - | 821,519 |
| Franchise and other taxes | 2,044,191 | - | - | - | - | 2,044,191 |
| Licenses and permits | 693,717 | - | - | - | - | 693,717 |
| Fines and forfeitures | 159,668 | - | - | - | - | 159,668 |
| Measure G levy | - | - | - | - | 731,953 | 731,953 |
| Use of money and property | 316,026 | 7,780 | - | 7,559 | 202,386 | 533,751 |
| Revenues from other agencies | 189,168 | - | - | 1,356,573 | 636,183 | 2,181,924 |
| Current services charges | 871,607 | 322,050 | 919,016 | - | - | 2,112,673 |
| Other revenue | 170,718 | - | - | - | 27,180 | 197,898 |
| Total revenues | 13,180,808 | 329,830 | 919,016 | 1,364,132 | 1,597,702 | 17,391,488 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 1,335,134 | - | - | 62,423 | 1,530 | 1,399,087 |
| Public safety | 7,500,260 | - | - | 65,757 | 120,284 | 7,686,301 |
| Public works | 917,522 | - | - | - | - | 917,522 |
| Planning | 781,993 | - | - | - | - | 781,993 |
| Library | 484,601 | - | - | - | - | 484,601 |
| Parks and recreation | 338,703 | - | 992,392 | - | 194,212 | 1,525,307 |
| Capital outlay | - | 563,259 | - | 1,851,538 | 678,006 | 3,092,803 |
| Debt service: | | | | | | |
| Principal | 82,476 | - | - | - | 328,329 | 410,805 |
| Interest | - | - | - | - | 500,967 | 500,967 |
| Total expenditures | 11,440,689 | 563,259 | 992,392 | 1,979,718 | 1,823,328 | 16,799,386 |
| REVENUES OVER (UNDER) EXPENDITURES | 1,740,119 | (233,429) | (73,376) | (615,586) | (225,626) | 592,102 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 234,417 | 413,619 | 84,282 | 181,221 | 464,238 | 1,377,777 |
| Transfers out | (1,407,312) | - | - | (13,619) | (239,328) | (1,660,259) |
| Total other financing sources (uses) | (1,172,895) | 413,619 | 84,282 | 167,602 | 224,910 | (282,482) |
| Net change in fund balances | 567,224 | 180,190 | 10,906 | (447,984) | (716) | 309,620 |
| Fund balances, beginning of year | 1,478,653 | 1,322,198 | (10,905) | 261,004 | 1,368,108 | 4,419,058 |
| Fund balances, end of year | \$ 2,045,877 | \$ 1,502,388 | \$ 1 | \$ (186,980) | \$ 1,367,392 | \$ 4,728,678 |

TOWN OF SAN ANSELMO

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of
Activities and Changes in Net Assets**

For the Fiscal Year Ended June 30, 2008

Net Changes in Fund Balances - Total Governmental Funds **\$ 309,620**

Amounts reported for governmental activities in the statement of activities are different because:

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

| | | |
|----------------------|------------------|-----------|
| Capital outlay | \$2,498,903 | |
| Depreciation expense | <u>(536,392)</u> | 1,962,511 |

The issuance of long-term debt and capital leases provides current financial resources to governmental funds, but issuing long-term debt and capital leases increases long-term liabilities in the statement of net assets. Repayment of the principal of long-term debt and capital leases is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.

| | | |
|-----------------------------|--|---------|
| Repayment of long-term debt | | 410,805 |
|-----------------------------|--|---------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | |
|-------------------------------------|-----------------|-----------|
| Amortization of bond issuance costs | (11,760) | |
| Change in compensated absences | (72,932) | |
| Change in accrued interest payable | <u>(28,178)</u> | (112,870) |

The net revenue (expense) of the internal service funds is reported with the governmental funds.

| | |
|--|----------------|
| | <u>101,499</u> |
|--|----------------|

Total Changes in Net Assets of Governmental Activities **\$ 2,671,566**

TOWN OF SAN ANSELMO
Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2008

| | <u>Business-Type Activities-</u> | <u>Governmental Activities - Internal Service Funds</u> |
|--|--------------------------------------|---|
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ - | \$ 2,151,121 |
| Accounts receivable | | 10,842 |
| Prepaid expense | - | 13,133 |
| Total current assets | <u>-</u> | <u>2,175,096</u> |
| Noncurrent assets: | | |
| Capital assets, net | - | - |
| Total noncurrent assets | <u>-</u> | <u>-</u> |
| Total assets | <u>-</u> | <u>2,175,096</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | - | 39,852 |
| Claims liabilities | - | 141,177 |
| Total current liabilities | <u>-</u> | <u>181,029</u> |
| Non-current liabilities: | | |
| Claims liabilities | - | 353,488 |
| Total liabilities | <u>-</u> | <u>534,517</u> |
| NET ASSETS (DEFICIT) | | |
| Unrestricted | | 1,640,579 |
| Total net assets (deficit) | <u>\$ -</u> | <u>\$ 1,640,579</u> |

TOWN OF SAN ANSELMO

Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2008

| | <u>Business-Type Activities-</u> | <u>Governmental Activities - Internal Service Funds</u> |
|---------------------------------------|--------------------------------------|---|
| REVENUES | | |
| Current service charges | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> |
| EXPENSES | | |
| Insurance premiums | - | 249,183 |
| Claims expense (reimbursements), net | - | <u>(68,200)</u> |
| Total expenses | <u>-</u> | <u>180,983</u> |
| Operating income (loss) | <u>-</u> | <u>(180,983)</u> |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | - | 282,482 |
| Transfers out | - | <u>-</u> |
| | <u>-</u> | <u>282,482</u> |
| Change in net assets | - | 101,499 |
| Net assets, beginning of year | - | 1,539,080 |
| Net assets (deficit), end of year | <u>\$ -</u> | <u>\$ 1,640,579</u> |

TOWN OF SAN ANSELMO

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2008

| | <u>Business-Type Activities-</u> | <u>Governmental Activities - Internal Service Funds</u> |
|---|--------------------------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from interfund services provided | \$ - | \$ - |
| Cash paid to suppliers | | (277,744) |
| Net cash used by operating activities | <u>-</u> | <u>(277,744)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Transfers in from other funds | | 282,482 |
| Transfers out to other funds | | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>-</u> | <u>282,482</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Principal payments - bonds | | |
| Interest paid | | |
| Net cash used by capital and related financing activities | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | | - |
| Net cash provided by investing activities | <u>-</u> | <u>-</u> |
| Net change in cash and cash equivalents | - | 4,738 |
| Cash and cash equivalents at beginning of year | | <u>2,146,383</u> |
| Cash and cash equivalents at end of year | <u>\$ -</u> | <u>\$ 2,151,121</u> |
| Reconciliation of operating income to net cash provided (used) | | |
| by operating activities: | | |
| Operating income (loss) | \$ - | \$ (180,983) |
| Adjustments to reconcile operating income to net cash provided (used) | | |
| by operating activities: | | |
| Depreciation and amortization expense | | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable and prepaid expense | | (10,779) |
| Increase (decrease) in accounts payable and accrued liabilities | | 26,060 |
| Increase (decrease) in claims liabilities | | (112,042) |
| Net cash used by operating activities | <u>\$ -</u> | <u>\$ (277,744)</u> |

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

NOTE 1 - Summary of significant accounting policies:

The basic financial statements of the Town of San Anselmo (the "Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP-US") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

A. Reporting Entity

The Town of San Anselmo (the "Town") is primarily a residential community located twenty miles north of San Francisco in Marin County, California. The Town was incorporated as a municipal corporation in 1907. Its population at June 30, 2008 was 12,601.

The Town operates under the Council-Manager form of government, with five elected Council members served by a full-time Town Manager and staff. At June 30, 2008 the Town's staff was comprised of 55 regular employees who were responsible for providing the following services:

Public safety - The Town employs a total of 19 sworn and 7 non-sworn police personnel to provide round-the-clock police services from a central station. The Town participates in the Ross Valley Fire Authority which provides fire services within Town boundaries.

Streets and Parks - The Town builds and maintains its streets, curbs, gutters and related public property with a force of 7 regular streets and parks crew members. Major projects may be contracted out to reduce costs.

Administration, library, recreation, planning, zoning, engineering and inspection, and other services are provided by 22 regular employees.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the primary government. At June 30, 2008, the Town did not have any component units that met this criterion.

B. Description of Funds

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial expectations.

C. Government-Wide Financial Statements

The Town's Government-Wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities and Business-type activities for the Town, accompanied by a total column. These financial statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are financed generally through taxes, intergovernmental revenues, and other non-exchange transactions.

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

Business-type activities are financed generally through user fees. The Town had no fiduciary activities or business-type activities at June 30, 2008.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town'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 three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB No. 34") related to inter-fund activities, payables and receivables.

D. Governmental Fund Financial Statements

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these fund statements to the net assets presented in the government-wide financial statements.

GASB 34 defines major funds and requires that the Town's major governmental funds be 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 governmental and enterprise 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 Town may select other governmental funds it believes should be presented as major funds. The Recreation Fund and the Emergency Reserve Fund are presented as major funds based on management's discretion.

The major governmental funds of the Town are:

- **General Fund** – The General Fund is used to account for the resources to carry out basic governmental activities of the Town such as general government, public safety, public works, and parks, planning and library, which are not required to be accounted for in another fund.
- **Road Maintenance Fund** – This fund was established to account for interest earnings from Measure G proceeds that, by Town policy, are used for slurry seal street repair. It also accounts for the Road Impact Fees associated with construction, which are restricted for use in road improvements. By Town policy, each year general funds are contributed to this fund to support road maintenance.
- **Recreation Fund** – This fund is used to account for the Town's various recreation activities.
- **Emergency Reserve Fund** – The fund is used to account for revenues to be used for unexpected expenditures, such as flood recovery efforts.

E. Proprietary Fund Financial Statements

Proprietary Fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

The Town's only internal service fund at June 30, 2008 is the Insurance Fund. This fund is being used to account for the self-insured portion of the Town's workers' compensation and liability insurance programs.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

F. Basis of Accounting

The Government-Wide, Proprietary Funds and Fiduciary Funds financial statements required by GASB 34 are reported using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets and long-term liabilities, if any, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Governmental Fund financial statements are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities (and long-term advances from the Town) are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, sales taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants and general revenues; thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving 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.

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

Town of San Anselmo
Notes to Financial Statements
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The reconciliations of the Governmental Fund financial statements to the Government-Wide financial statements are provided to explain the differences created by the integrated approach of GASB No. 34.

G. Use of Restricted/Unrestricted Net Assets

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

H. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). The Town does not have any short-term advances between funds at June 30, 2008.

Long-term advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. The Town does not have any long-term advances between funds at June 30, 2008.

I. Capital Assets

The Town's assets are capitalized at historical cost or estimated historical cost. Town policy has set the capitalization threshold for reporting capital assets at \$2,000. Gifts or contributions of capital assets are recorded at fair market value on the date donated. Depreciation of capital assets is charged as an expense each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets. The Town does not record depreciation in the year of acquisition and records a full year of depreciation in the year of disposition.

The costs of normal maintenance and repairs that do not add to the value of the assets, or materially extend asset lives, are not capitalized.

J. Compensated Absences

Town employees accrue vacation, holiday, and compensatory time off benefits. Police employees accrue sick time off benefits, and are eligible for 50% at their time of retirement. Vacation may not accrue beyond 30 work days for non-safety employees and 360 hours for safety employees. Limited cash compensation is payable annually for accrued vacation as provided in the employees' memoranda of understanding (MOU). All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary financial statements. A liability for these amounts is reported in the governmental funds financial statements only when they have matured (such as vacation time, estimated to be paid upon retirement in the next fiscal year with expendable available financial resources).

K. Property Tax Revenues

State Constitution Article 13 provides for a maximum general property tax rate statewide of \$1.00 per \$100 of assessed value. Assessed value is calculated at 100% of market value as defined by the above-referenced Article 13. The State Legislature has determined the method of distribution of receipts from the \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to provide for voter approved debt service. The County of Marin assesses properties and bills for and collects property taxes according to the schedules that follow:

Town of San Anselmo
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| | <u>Secured</u> | <u>Unsecured</u> |
|------------------|--|------------------|
| Valuation dates | March 1 | March 1 |
| Lien/levy dates | July 1 | July 1 |
| Due dates | 50% on November 1 50% on February 1 | July 1 |
| Delinquent as of | December 10 and April 10 | August 31 |

The term "Unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized in the fiscal year for which the taxes have been levied.

L. Net Assets

Government-Wide Net Assets consist of the following:

Invested in capital assets, net of related debt – This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that was attributed to the acquisition, construction or improvement of the assets.

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

Governmental Fund Balance consists of the following: Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws that require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

M. Deferred Revenues

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

N. 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 Town considers all pooled cash and investments as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds.

O. Use of Estimates

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

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

P. Measure G Tax Levy

On June 6, 1995 the Town received voter approval and authorization to issue \$10.8 million in general obligation bonds to be repaid through ad valorem taxes levied upon all property within the Town subject to taxation. The Town has directed the County of Marin to levy and collect these taxes as described in Note 1 above. As of the end of the fiscal year ended in June 30, 2003, the Town had issued all \$10.8 million of the general obligation bonds authorized (see Note 5).

Q. Municipal Lease

On February 1, 2008, the Town entered into a 15 year site lease agreement with Municipal Asset Management, Inc. ("Corporation"), whereby the Town has leased to the Corporation the Town's Fire Station No. 19 ("property"), and the Corporation will make available to the Town \$1.7 million through an advanced rental payment to enable the Town to finance the restoration, remodeling and expansion of the property. The advanced rental payment has been recorded as deferred revenue on the accompanying balance sheets. The Corporation will lease the property back to the Town, and the Town will make lease payments for the use of the property.

The scheduled loan payments are as follows at June 30, 2008:

| <u>Fiscal years ending June 30</u> | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|---------------------|---------------------|-------------------|
| 2009 | \$ 158,517 | \$ 80,646 | \$ 77,871 |
| 2010 | 158,517 | 84,427 | 74,090 |
| 2011 | 158,517 | 88,386 | 70,131 |
| 2012 | 158,517 | 92,530 | 65,987 |
| 2013 | 158,517 | 96,867 | 61,650 |
| 2014-2018 | 792,585 | 556,880 | 235,705 |
| 2019-2023 | 792,585 | 700,264 | 92,321 |
| | <u>\$ 2,377,755</u> | <u>\$ 1,700,000</u> | <u>\$ 677,755</u> |

R. Post-Employment Health Care Benefits

The Town provides health care benefits for 25 retired employees. Substantially all of the Town's employees may become eligible for those benefits if they reach the normal retirement age while working for the Town. The cost of retiree health care benefits is recognized as expenditure as health care premiums are paid. For the fiscal year ended June 30, 2008, those costs totaled \$66,430.

S. Budgets and Budgetary Accounting:

Budgeting procedures

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.

Town of San Anselmo
Notes to Financial Statements
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3. The budget is legally enacted through passage of a resolution.
4. The Town Manager is authorized to transfer budgeted amounts between line items within any department; however, any transfers or revisions which alter total expenditures of any fund must be approved by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds except the P.O.S.T. and Safety Special Revenue Funds and the Debt Service, Capital Projects and Insurance Internal Service Funds.
6. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget/actual comparisons in this report use this budgetary basis. These budgeted amounts are as originally adopted by the Town Council.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve their portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

T. New Accounting Pronouncement

In June 2004, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45"). This Statement addresses standards for the measurement and recognition of other postemployment benefits in the period when the cost is incurred rather than when the benefits are paid or provided. Implementation of GASB 45 will be required for the Town not later than the fiscal year beginning July 1, 2009. The Town is currently reviewing the requirements of this standard and assessing its financial impact, which is expected to be material.

NOTE 2 – Cash and investments:

The Town's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The Town pools cash from all sources and all funds so that it can be safely invested at maximum yields, while individual funds can make expenditures at any time. Cash and investments maturing in three months or less are considered to be liquid assets for purposes of measuring cash flows.

The Town invests only in the California Local Agency Investment Fund ("LAIF"), an investment pool sponsored by the state of California. Investments are carried at a value not materially different from market value, and were as follows at June 30, 2008:

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

| | Carrying Value | Fair Value |
|-------------------------------------|-------------------|---------------|
| Non-categorized: | | |
| Cash in bank and on hand: | | |
| Cash deposits | \$ 986,975 | \$ 986,975 |
| Petty cash | 630 | 630 |
| Pooled investments: | | |
| Local Agency Investment Fund (LAIF) | 8,506,136 | 8,505,713 |
| Total cash and investments | \$ 9,493,741 | \$ 9,493,318 |

Interest earned on pooled deposits and investments is allocated to the various funds based upon average balances.

Pooled demand deposits. The California Government Code requires California banks and savings and loans to secure a local agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes at least equal to 150% of an agency's deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash deposits

The carrying amount of the Town's cash deposits totaled \$986,975 at June 30, 2008. Bank balances before reconciling items totaled \$907,564. The difference between the carrying amount and the bank balance is primarily related to deposits in transit offset by outstanding checks and overnight sweep activity, a program offered by Wells Fargo to maximize earning from unused funds.

Interest Rate Risk. This 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.

| Investment Type | Fair Value | Remaining Maturity (in Months) | | | |
|------------------------------|--------------|--------------------------------|--------------------|--------------------|------------------------|
| | | 12 months or less | 13 to 24 Months | 25 to 60 Months | More than 60 Months |
| State investment pool (LAIF) | \$ 8,505,713 | \$ 8,505,713 | \$ - | \$ - | \$ - |
| Total | \$ 8,505,713 | \$ 8,505,713 | \$ - | \$ - | \$ - |

Town of San Anselmo
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Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of a rating by a nationally recognized credit rating organization. Presented below is the actual rating as of year end for each investment type.

The Town's general policy is to apply the prudent-investor rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Fiscal Year End</u> | |
|------------------------------|---------------------|---------------------------------------|-------------------------------------|---------------------|
| | | | <u>AAA</u> | <u>Not Rated</u> |
| State investment pool (LAIF) | \$ 8,505,713 | \$ - | \$ - | \$ 8,505,713 |
| Total | \$ 8,505,713 | \$ - | \$ - | \$ 8,505,713 |

Authorized investments

The Town is authorized by state statutes and Town Council action to invest in the following:

- Securities of the U.S. government or its agencies
- Time certificates of deposit
- Bankers' acceptances
- Commercial paper
- California Local Agency Investment Fund deposits
- Passbook savings account demand deposits
- Repurchase agreements
- Medium-term notes
- Negotiable and non-negotiable certificates of deposit

The Town's practice is to invest only in the California Local Agency Investment Fund.

Custodial Credit Risk. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a depositor 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. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governments units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Town deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment pools/agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and records these gains or losses on their income statement.

Town of San Anselmo
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The Town maintains investment accounting records on amortized cost, and adjusts those records to "fair value" for external reporting purpose. The Funds investment custodians provide market values on each investment instrument on a monthly basis. The investments held by the Funds are widely traded in the financial markets, and trading values are readily available from numerous published sources. The Funds have elected to report their money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value. Unrealized gains and losses are recorded and the carrying value of their investments is considered "fair value".

NOTE 3 – Capital assets:

All capital assets are valued at historical cost or estimated cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed.

GASB 34 allows up to four years to record the costs and depreciation on these assets, or, for smaller governments, to report infrastructure on a prospective basis only. The Town has elected to report infrastructure on a prospective basis. With the implementation of GASB 34 in fiscal 2004, the Town began recording costs and depreciation of current infrastructure assets.

GASB 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of the depreciation is to spread the cost of the 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 the capital assets. Depreciation is provided using the straight-line method over its expected useful life. The Town does not record depreciation in the year of acquisition and records a full year of depreciation in the year of disposition. Capital assets with a value over \$2,000 or more are capitalized.

The Town has assigned the useful lives listed below to capital assets: Buildings and improvements (30 years); Equipment (5-20 years) and Infrastructure (25 years).

Governmental capital asset activity for the fiscal year was as follows:

Town of San Anselmo
Notes to Financial Statements
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| | June 30, 2007 | Increases | Decreases | June 30, 2008 |
|---------------------------------------|----------------------|---------------------|-----------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,591,850 | \$ - | \$ - | \$ 2,591,850 |
| Construction in progress | - | 868,149 | - | 868,149 |
| Non-depreciable capital assets | <u>2,591,850</u> | <u>868,149</u> | <u>-</u> | <u>3,459,999</u> |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 8,543,031 | 908,086 | - | 9,451,117 |
| Equipment | 2,605,187 | 145,490 | (30,866) | 2,719,811 |
| Infrastructure | 4,069,632 | 577,178 | - | 4,646,810 |
| Depreciable capital assets | <u>15,217,850</u> | <u>1,630,754</u> | <u>(30,866)</u> | <u>16,817,738</u> |
| Less - accumulated depreciation for: | | | | |
| Buildings and improvements | 3,422,613 | 231,299 | | 3,653,912 |
| Equipment | 1,080,522 | 142,308 | (30,866) | 1,191,964 |
| Infrastructure | 336,167 | 162,785 | - | 498,952 |
| Accumulated depreciation | <u>4,839,302</u> | <u>536,392</u> | <u>(30,866)</u> | <u>5,344,828</u> |
| Depreciable capital assets, net | <u>10,378,548</u> | <u>1,094,362</u> | <u>-</u> | <u>11,472,910</u> |
| Total capital assets, net | <u>\$ 12,970,398</u> | <u>\$ 1,962,511</u> | <u>\$ -</u> | <u>\$ 14,932,909</u> |

Depreciation expense for governmental activities was charged to function as follows:

| | |
|--------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 42,761 |
| Public safety | 194,703 |
| Public works | 199,306 |
| Library | 26,282 |
| Parks and recreation | 73,340 |
| | <u>\$ 536,392</u> |

The Town has no business-type activities.

NOTE 4- Short-term debt:

The Town issues tax anticipation notes in advance of property tax collections, accounting for the proceeds in its general fund as a current investment asset and offsetting note liability. The purpose of the notes is to provide a positive cash flow for Town operations during the months prior to property tax distributions in December and April. The issuance occurred on July 2, 2007 in the principal amount of \$3,230,000 with an interest rate of 4.50%. The note proceeds were deposited into the Town's Local Agency Investment Fund account (LAIF) and the note was repaid in whole on June 30, 2008.

Short-term debt activity for the year ended June 30, 2008, was as follows:

| | | | | |
|------------------------|----------------------|---------------------|-----------------------|----------------------|
| | <u>June 30, 2007</u> | <u>Issued</u> | <u>Redeemed</u> | <u>June 30, 2008</u> |
| Tax anticipation notes | <u>\$ -</u> | <u>\$ 3,230,000</u> | <u>\$ (3,230,000)</u> | <u>\$ -</u> |

NOTE 5 - Long-term debt:

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The Town generally incurs long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt.

General obligation bonds

On August 1, 1995, August 1, 1997, August 1, 2000 and February 20, 2003, the Town issued \$2,125,000, \$3,550,000, \$2,560,000 and \$2,565,000, respectively, in General Obligation Bonds (total of \$10.8 million), as authorized by Town Measure G, to finance capital improvements to the library, streets and storm drains. Principal payments are due on August 1, with interest payments payable semi-annually on February 1 and August 1.

Changes in long-term obligations and debt for the fiscal year ended June 30, 2008 are as follows:

| | June 30, 2007 | Additions | Retirements | June 30, 2008 | Due in next fiscal year |
|-----------------------------------|----------------------|-------------------|-------------------|----------------------|-------------------------------|
| General Obligation Bonds | \$ 9,795,000 | - | \$ 245,000 | \$ 9,550,000 | \$ 270,000 |
| California Energy Commission Loan | 36,741 | - | 10,108 | 26,633 | 10,416 |
| Capital lease obligations | 150,542 | - | 73,221 | 77,321 | 77,321 |
| Compensated absences | 323,214 | 346,701 | 273,769 | 396,146 | - |
| Due to insurance JPA (a) | 500,000 | - | - | 500,000 | (a) |
| Due to County of Marin (b) | 329,902 | - | 82,476 | 247,426 | 82,476 |
| | <u>\$ 11,135,399</u> | <u>\$ 346,701</u> | <u>\$ 684,574</u> | <u>\$ 10,797,526</u> | <u>\$ 440,213</u> |

(a) In fiscal 2003, the Town acquired a piece of property for \$500,000 in connection with a settlement agreement, and the Town had agreed to repair and stabilize a landslide on the property (see Note 13). During fiscal years 2005 and 2006, costs of \$168,626 and \$581,377, respectively, were incurred to stabilize the land. The Town's insurance carrier (Bay Cities Joint Powers Insurance Authority) has agreed to pay for up to \$500,000 of stabilization costs, for which it will be reimbursed upon the eventual sale of the land.

(b) This amount represents a correction of overpayments of traffic school fees and evidence fees paid to the Town by the County of Marin for the periods July 1999 through June 2006. The Town is obligated to repay the funds within 5 years and will be charged an interest rate of 3.87% per annum.

Bonds and other debt payable at June 30, 2008, by individual issue, are as follows:

Town of San Anselmo
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| | Due Serially to Fiscal year Ending June 30, | Interest Rate | Principal Remaining |
|-----------------------------------|---|---------------|------------------------|
| Bonds payable: | | | |
| General Obligation - Series 1995 | 2021 | 5.0%-6.0% | \$ 1,760,000 |
| General Obligation - Series 1997 | 2023 | 3.9%-5.35% | 3,025,000 |
| General Obligation - Series 2000 | 2026 | 5.0%-8.0% | 2,305,000 |
| General Obligation - Series 2003 | 2029 | 2.5%-4.85% | 2,460,000 |
| | | | <u>\$ 9,550,000</u> |
| Other debt: | | | |
| California Energy Commission | 2011 | 3.00% | <u>\$ 26,633</u> |
| Due to County of Marin | 2011 | 3.87% | <u>\$ 247,426</u> |
| Capital lease obligations: | | | |
| Capital leases | 2009 | 5.60% | <u>\$ 77,321</u> |

The minimum annual payments on the bonds, California Energy loan, capital leases and amount due to County of Marin are as follows:

| Fiscal year ending June 30, | General Obligation Bonds | | | | California Energy Loan | Due to County of Marin | Capital leases |
|-----------------------------------|--------------------------|---------------------|---------------------|---------------------|------------------------------|------------------------------|-------------------|
| | Series 1995 | Series 1997 | Series 2000 | Series 2003 | | | |
| 2009 | \$ 171,310 | \$ 255,315 | \$ 181,550 | \$ 150,902 | \$ 11,138 | \$ 92,230 | \$ 81,651 |
| 2010 | 172,430 | 260,325 | 183,425 | 159,427 | 11,138 | 88,979 | - |
| 2011 | 178,067 | 269,623 | 185,050 | 162,453 | 5,568 | 85,727 | - |
| 2012 | 183,070 | 273,185 | 186,425 | 165,152 | - | - | - |
| 2013 | 192,275 | 281,060 | 192,425 | 167,572 | - | - | - |
| 2014-2018 | 1,017,890 | 1,481,086 | 997,656 | 888,707 | - | - | - |
| 2019-2023 | 661,550 | 1,650,304 | 1,072,366 | 978,560 | - | - | - |
| 2024-2028 | - | - | 683,594 | 1,081,215 | - | - | - |
| 2029-2033 | - | - | - | 230,468 | - | - | - |
| Total payments | <u>2,576,592</u> | <u>4,470,898</u> | <u>3,682,491</u> | <u>3,984,456</u> | <u>27,844</u> | <u>266,936</u> | <u>81,651</u> |
| Less - interest | <u>(816,592)</u> | <u>(1,445,898)</u> | <u>(1,377,491)</u> | <u>(1,524,456)</u> | <u>(1,211)</u> | <u>(19,510)</u> | <u>(4,330)</u> |
| | <u>\$ 1,760,000</u> | <u>\$ 3,025,000</u> | <u>\$ 2,305,000</u> | <u>\$ 2,460,000</u> | <u>\$ 26,633</u> | <u>\$ 247,426</u> | <u>\$ 77,321</u> |

Town of San Anselmo
Notes to Financial Statements
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NOTE 6 – Fund equity:

Fund balances consist of reserved and unreserved amounts. Reserved fund balances represent those portions of fund balances which are not available for appropriation or are legally or third-party restricted for specific future purposes. The remaining portions are unreserved fund balances. Reserved fund balances at June 30, 2008 were:

| | General Fund | Road Maintenance | Non-Major Other Funds | Total |
|------------------|------------------|---------------------|-----------------------------|---------------------|
| Merchant parking | \$ 47,108 | \$ - | \$ - | \$ 47,108 |
| SWARAC Downtown | 1,616 | - | - | 1,616 |
| Debt service | - | - | 664,718 | 664,718 |
| Capital projects | - | 1,502,388 | 192,535 | 1,694,923 |
| | <u>\$ 48,724</u> | <u>\$ 1,502,388</u> | <u>\$ 857,253</u> | <u>\$ 2,408,365</u> |

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, have not been legally authorized, and may not result in expenditures. Unreserved designated fund balances at June 30, 2008 were:

| | General Fund | Road Maintenance | Recreation | Emergency Reserve | Non-Major Other Funds | Total |
|---------------------------|-----------------|---------------------|-------------|----------------------|-----------------------------|-------------------|
| Capital reconstruction | \$ - | \$ - | \$ - | \$ - | \$ 273,623 | \$ 273,623 |
| Traffic Congestion Relief | - | - | - | - | 94,861 | 94,861 |
| Emergency reserve (A) | - | - | - | (186,980) | - | (186,980) |
| Equipment replacement | - | - | - | - | 156,315 | 156,315 |
| Special events | - | - | - | - | 3,619 | 3,619 |
| Downtown revitalization | - | - | - | - | 22,119 | 22,119 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (186,980)</u> | <u>\$ 550,537</u> | <u>\$ 363,557</u> |

(A) - The Emergency Reserve Fund entered into a municipal lease in which the Town received \$1.7 million in fiscal 2008 in exchange for leasing the Town's Fire Station No. 19 (see Note 1-Q). The advanced rental payment received by the Town is recorded as deferred revenue on the accompanying financial statements, and is therefore not included in fund balance as of June 30, 2008. In fiscal 2008, approximately \$800,000 was spent on restoring and remodeling the property. The balance of approximately \$900,000 remains available at June 30, 2008 to fund the restoration and remodeling activities.

Town of San Anselmo
Notes to Financial Statements
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NOTE 7 – Inter-fund transactions:

Inter-fund operating transfers

With Town Council approval, resources may be transferred from one Town fund to another. The purpose of the majority of transfers, called operating transfers, is to reimburse a fund which has made expenditures on behalf of another fund. Less often, a residual equity transfer may be made to open or close a fund.

Transfers between individual funds during the fiscal year ended June 30, 2008 were as follows:

| | Transfers In | Transfers Out |
|--------------------------------------|----------------------------|----------------------------|
| Major Governmental Funds: | | |
| General Fund | \$ 234,417 | \$ 1,407,312 |
| Road Maintenance Fund | 413,619 | - |
| Recreation | 84,282 | - |
| Emergency Projects Fund | 181,221 | 13,619 |
| Total major governmental funds | <u>913,539</u> | <u>1,420,931</u> |
| Non-major Governmental Funds: | | |
| Special revenue funds: | | |
| Capital Reconstruction | 133,500 | - |
| Traffic Congestion Relief | - | 4,911 |
| Gas Tax | - | 234,417 |
| Equipment replacement | 325,827 | - |
| Special Events | - | - |
| Measure G Bond Proceeds | 4,911 | - |
| Total non-major governmental funds | <u>464,238</u> | <u>239,328</u> |
| Internal Service Funds: | | |
| Insurance | 282,482 | - |
| Total internal service funds | <u>282,482</u> | <u>-</u> |
| Total All Funds: | <u><u>\$ 1,660,259</u></u> | <u><u>\$ 1,660,259</u></u> |

NOTE 8 – Defined benefit pension plan:

Plan description

The Town of San Anselmo contributes to the California Public Employees' Retirement System ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95811.

Town of San Anselmo
Notes to Financial Statements
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Funding policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account. The Town is required to contribute at an actuarially determined rate; the current rate is 18.526% for non-safety employees and 34.865% for police employees, of annual covered payroll. The contribution requirements of plan members and the Town are established, and may be amended, by CalPERS.

Annual pension cost

For fiscal 2008, the Town's annual pension cost of \$1,255,808 for CalPERS was equal to the Town's required and actual contributions. The Town also contributed \$781,197 toward the Ross Valley Fire Service's annual pension cost. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Three-year trend information for CalPERS

| | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------|---------------------------------|-------------------------------------|---------------------------|
| 6/30/2006 | \$ 1,168,516 | 100% | \$ - |
| 6/30/2007 | \$ 1,189,090 | 100% | \$ - |
| 6/30/2008 | \$ 1,255,808 | 100% | \$ - |

NOTE 9 – Social Security:

The Omnibus Budget Reconciliation Act of 1990 ("OBRA") mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan.

All Town employees are covered under Social Security, which requires these employees and the Town to each contribute 7.65% (6.2% OASDI and 1.45% Medicare) of the employee's pay. Total contributions to Social Security during the fiscal year ended June 30, 2008 amounted to \$659,811 (\$528,075 for OASDI and \$131,736 for Medicare) of which the Town paid one-half.

NOTE 10 – Deferred compensation plan:

Town employees may defer a portion of their compensation under a Town sponsored deferred compensation plan (the "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 it is distributed to them; distributions may be made only at termination, retirement, death, or in an emergency as defined by the Plan.

The Town has no liability for any losses incurred by the Plan and does not participate in any gains, but does have the duty of due care that would be required of an ordinary prudent investor. The Town has

Town of San Anselmo
Notes to Financial Statements
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contracts with the International City Managers' Association ("ICMA") to manage and invest the assets of the Plan. ICMA pools the assets of the Plan with those of other participants and does not make separate investments for the Town.

The Town's contract with ICMA was amended January 1, 1997 to substitute a separate trust for the Town as owner of the assets in this portion of the Plan, with the Town becoming the trustee. As before, Plan assets are managed and invested solely by ICMA, while the assets in this portion of the Plan are no longer subject to claims by creditors of the Town and are no longer reflected in the Town's financial statements.

NOTE 11 – Workers' compensation and general liability self-insurance programs:

The Town participates in a joint powers agreement through Bay Cities Joint Powers Insurance Authority ("BCJPIA"), which is a workers' compensation and general liability risk pool. The Town reports all of its risk management activities in its Insurance Internal Service Fund. Claims expenditures and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Bay Cities Joint Powers Insurance Authority ("BCJPIA") was created in 1986 by certain public agencies in the Bay Area to provide auto, general liability and workers' compensation coverage. It is governed by a board of directors which is comprised of officials appointed by each member.

The BCJPIA is an "account pool" as defined by Government Accounting Standards Board Statement No. 10 ("GASB 10"). The BCJPIA manages separate accounts for each pool member. Losses and expenses are paid from these pools above the self-insured retention limit of \$100,000 to \$1,000,000 per occurrence. This is the Primary Liability Program. Annually, the BCJPIA evaluates the financial risk cash position, less claims reserves, claims incurred but not reported ("IBNR") and claims development of each member in the Primary Liability Program. If a member has a negative risk position, as defined by the BCJPIA, its annual assessment is increased.

The BCJPIA purchases excess insurance above the \$1,000,000 limit. This excess insurance provides risk sharing pool coverage for its members of \$1,000,000 up to \$20,000,000 per occurrence. This is the

During the fiscal year ended June 30, 2008, the Town incurred costs of \$ 233,510 for coverage premiums and administration of the risk pools.

The Town had the following balances at June 30, 2008:

| | Workers' Compensation | General Liability | Total |
|-----------------------------------|--------------------------|----------------------|-------------------|
| Outstanding claims, end of period | \$ 126,326 | \$ 111,651 | \$ 237,977 |
| Incurred but not reported | 212,257 | 51,543 | 263,800 |
| Total liability for unpaid claims | <u>\$ 338,583</u> | <u>\$ 163,194</u> | <u>\$ 501,777</u> |
| Discounted liabilities | \$ 338,583 | \$ 156,082 | \$ 494,665 |
| Current portion | 92,075 | 49,102 | 141,177 |
| Noncurrent portion | <u>\$ 246,508</u> | <u>\$ 106,980</u> | <u>\$ 353,488</u> |

As allowed by GASB 10, the Town has recorded the discounted liabilities above, which includes the recognition of investment income earned on funds held prior to payout.

Town of San Anselmo
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Audited financial statements may be obtained from the Bay Cities Joint Powers Insurance Authority at 1831 K Street, Sacramento, CA 95811. Condensed audited financial information of BCJPIA at and for the fiscal year ended June 30, 2008 is as follows:

| | |
|--------------------|---------------------|
| Total assets | \$ 20,055,378 |
| Total liabilities | <u>11,743,618</u> |
| Net assets | <u>\$ 8,311,760</u> |
| | |
| Total revenues | \$ 11,615,012 |
| Total expenditures | <u>8,453,122</u> |
| Net income | <u>\$ 3,161,890</u> |

NOTE 12 – Major joint powers agencies:

Ross Valley Fire Service

The Ross Valley Fire Service (the “Fire Service”) was created in 1982 under a joint powers agreement between the Towns of Fairfax and San Anselmo to provide fire protection, emergency medical and related services within the Fairfax-San Anselmo area. Primary funding for the Fire Service is through contributions from the Towns. The Fire Service is governed by a board of directors appointed by the two Towns and administered by the Town Manager of one of the Towns, as appointed by the board of directors. The Town of San Anselmo’s contribution to the Fire Service for the fiscal year ended June 30, 2008 was \$3,505,997 for operations and \$52,604 for equipment replacement. Audited financial statements may be obtained from Ross Valley Fire Service, 777 San Anselmo Avenue, San Anselmo, CA 94960.

Ross Valley Paramedic Authority

The Ross Valley Paramedic Authority (“RVPA”) was created on December 14, 1982 by the Town of Corte Madera, Town of Fairfax, Kentfield Fire Protection District, City of Larkspur, County of Marin, Town of Ross, Town of San Anselmo, and Sleepy Hollow Fire Protection District to provide paramedic services to these eight public entities. The RVPA is controlled by an eight member board consisting of one member from each of the participating entities. None of the entities exercises specific control over the budgeting and financing of the RVPA’s activities. The County of Marin Fire Department assigns seven full-time County employees as well as supervision by County fire department superior officers to render the paramedic service. Audited financial statements may be obtained by mailing a request to Bob Sinnott at City of Larkspur, 400 Magnolia Avenue, Larkspur, CA 94939.

RVPA’s operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. During the fiscal year ended June 30, 2008, the tax was \$39 per living unit and per 1,500 square feet of structure on parcels in non-residential use. The City of Larkspur maintains the books and records of the RVPA.

Marin Telecommunications Agency

The Marin Telecommunications Agency was created in 1998, by an agreement between the County of Marin, the Cities of Belvedere, Larkspur, Mill Valley, Sausalito, and San Rafael, and the Towns of Corte Madera, Ross, San Anselmo, Fairfax, and Tiburon. The agreement provides for the regulation of rates for certain cable television services and equipment pursuant to the Cable Television Consumer Protection and Competition Act of 1992. The financial responsibility of each member is based on the number of its cable television subscribers. Audited financial statements may be obtained by mailing a request to the

Town of San Anselmo
Notes to Financial Statements
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Marin Telecommunications Agency at Marin County Auditor-Controller, County of Marin, Room 225, San Rafael, CA 94903.

Marin General Services Authority

The Marin General Services Authority ("Authority") was created on April 26, 2005 to replace the Marin Street Light Acquisition Authority. All the original members of the Marin Street Light Acquisition Authority are eligible for membership. The Authority is established to finance, implement, and manage various municipal services within the member agencies including the taxicab regulation program and information management services. All assets and funds of the Street Light Authority are transferred to the General Services Authority. The financial responsibility of each member is based on a relative population and assessed value formula. Audited financial statements may be obtained by mailing a request to the Marin Street Light Authority at Marin County Auditor-Controller, County of Marin, Room 225, San Rafael, CA 94903.

Marin Emergency Radio Authority

The Town 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 to make annual payments on a pro rata basis to cover the costs of debt financing and operating the system.

The Town's annual share of the payments related to the debt financing is as follows:

| Fiscal year ending June 30, | |
|--------------------------------|-------------------|
| 2009 | \$ 63,376 |
| 2010 | 63,350 |
| 2011 | 63,387 |
| 2012 | 63,334 |
| 2013 | 63,291 |
| 2014-2018 | 315,489 |
| 2019-2020 | 251,544 |
| | <u>883,772</u> |
| Less - interest | (256,404) |
| | <u>\$ 627,368</u> |

Red Hill Community Authority

The Red Hill Community Joint Powers Authority ("RHCA") was created on January 13, 2004 by the Town of San Anselmo and Tamalpais Union High School District to develop the Red Hill community park and its ongoing use. RHCA's operations are financed through fundraising from the public. Audited financial statements may be obtained by mailing a request to the Town of San Anselmo at 525 San Anselmo Avenue, San Anselmo, CA 94960.

NOTE 13 – Commitments and contingencies:

The Town is a defendant in a number of lawsuits which have arisen in the normal course of business. Damages are alleged in some of these actions and their outcome cannot be predicted with certainty. However, in the opinion of the Town Attorney, the outcome of these actions will not have a material adverse effect on the financial position of the Town.

Town of San Anselmo
Notes to Financial Statements
June 30, 2008

The Town participates in several federal and state grant programs. The programs are subject to examination by the granters and the amount, if any, of expenses which may be disallowed by the granting agency cannot be determined at this time. The Town expects such amounts, if any, to be immaterial to the financial statements taken as a whole.

In fiscal 2003, the Town purchased certain land for \$500,000 to relieve claims against the Town that it was responsible for slide and drainage damages to the land. Under the terms of the settlement agreement, the Town is obligated to repair and stabilize the land and provide drainage for the property. The Town has incurred costs to date of \$750,003 for stabilization and drainage. Under the terms of the agreement, BCJPIA will pay up to \$500,000 for the necessary repairs to the land. The Town is attempting to sell the property, and the proceeds from the sale will be allocated in the following order: 1) \$500,000 will reimburse BCJPIA for the repair costs; 2) \$500,000 to the Town as reimbursement for the purchase of the land; 3) reimbursement to the Town for repair expenses over the BCJPIA \$500,000 payment; and 4) remaining costs to be shared equally between the Town and BCJPIA until BCJPIA's defense costs of approximately \$137,000 related to the slide have been reimbursed, with any remainder then going to the Town. If the Town decides to not sell the property, the Town will need to reimburse BCJPIA \$500,000 for the repair costs. If the Town is unable to sell the land for more than \$500,000, the Town will be obligated to pay BCJPIA the net proceeds of the sale.

In February 2008, the Town entered into a municipal lease related to Fire Station No. 19, and has scheduled lease payments associated with the agreement (see Note 1 – paragraph Q).

NOTE 14 – Fund deficits:

The Emergency Reserve Fund has a fund deficit of \$186,980, which will be eliminated as deferred revenue is recognized and from transfers from the general fund. Isabel Cook Complex fund in the Other Special Revenue Funds group has a fund deficit at June 30, 2008 in the amount of \$40,398 as a result of painting, window replacement, boiler replacement and other facility repairs at the Complex. The fund deficit will be eliminated as future rental income is recognized.

NOTE 15 – Excess of expenditures over appropriations:

For the fiscal year ended June 30, 2008, expenditures exceeded appropriations in the following funds:

| | <u>Appropriation</u> | <u>Expenditures</u> | <u>Excess</u> |
|--------------------------------|----------------------|---------------------|---------------|
| General Fund: | | | |
| Planning | \$ 766,538 | \$ 781,993 | \$ 15,455 |
| Emergency Reserve Fund: | | | |
| General government | 30,000 | 62,423 | 32,423 |
| Public Safety | 42,000 | 65,757 | 23,757 |

The excess of expenditures over appropriations in the General Fund were funded by available financial resources.

The excess of expenditures over appropriations in the Emergency Projects Fund in general government was due to the cost of consulting services to pursue FEMA and OES reimbursements.

REQUIRED SUPPLEMENTARY INFORMATION

**(BUDGETARY INFORMATION AND
PENSION FUNDING)**

* * * * *

TOWN OF SAN ANSELMO**General Fund****Statement of Revenues, Expenditures , and Changes in Fund Balances -
Budget and Actual****For the Fiscal Year Ended June 30, 2008**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive/ (Negative) |
|--|--------------------|--------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 7,361,757 | \$ 7,769,245 | \$ 7,914,194 | \$ 144,949 |
| Sales taxes | 764,511 | 764,511 | 821,519 | 57,008 |
| Franchise and other taxes | 1,957,403 | 1,957,403 | 2,044,191 | 86,788 |
| Licenses and permits | 716,581 | 716,581 | 693,717 | (22,864) |
| Fines and forfeitures | 135,027 | 135,027 | 159,668 | 24,641 |
| Earnings on investments | 285,387 | 285,387 | 316,026 | 30,639 |
| Revenues from other agencies | 279,332 | 250,569 | 189,168 | (61,401) |
| Current services charges | 1,062,932 | 983,692 | 871,607 | (112,085) |
| Other revenue | 150,500 | 157,908 | 170,718 | 12,810 |
| Total revenues | <u>12,713,430</u> | <u>13,020,323</u> | <u>13,180,808</u> | <u>160,485</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,587,011 | 1,586,538 | 1,335,134 | 251,404 |
| Public safety | 7,564,394 | 7,578,414 | 7,500,260 | 78,154 |
| Public works | 1,079,411 | 1,082,069 | 917,522 | 164,547 |
| Planning | 766,325 | 766,538 | 781,993 | (15,455) |
| Library | 480,812 | 490,950 | 484,601 | 6,349 |
| Parks and recreation | 360,362 | 361,615 | 338,703 | 22,912 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>11,838,315</u> | <u>11,866,124</u> | <u>11,440,689</u> | <u>425,435</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>875,115</u> | <u>1,154,199</u> | <u>1,740,119</u> | <u>585,920</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 241,147 | 241,147 | 234,417 | (6,730) |
| Transfers out | <u>(1,116,262)</u> | <u>(1,407,312)</u> | <u>(1,407,312)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(875,115)</u> | <u>(1,166,165)</u> | <u>(1,172,895)</u> | <u>(6,730)</u> |
| (Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses | <u>\$ -</u> | <u>\$ (11,966)</u> | <u>567,224</u> | <u>\$ 579,190</u> |
| Fund balances, beginning of year | | | <u>1,478,653</u> | |
| Fund balances, end of year | | | <u>\$ 2,045,877</u> | |

TOWN OF SAN ANSELMO
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2008

| | Road Maintenance | | | Variance with Final - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Franchise and other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Use of money and property | 5,000 | 5,000 | 7,780 | 2,780 |
| Revenues from other agencies | - | - | - | - |
| Current services charges | 273,600 | 273,600 | 322,050 | 48,450 |
| Other revenue | - | - | - | - |
| Total revenues | 278,600 | 278,600 | 329,830 | 51,230 |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Planning | - | - | - | - |
| Library | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Capital outlay | 1,246,769 | 1,317,769 | 563,259 | 754,510 |
| Debt service: | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | 1,246,769 | 1,317,769 | 563,259 | 754,510 |
| Excess of revenues over (under) expenditures | (968,169) | (1,039,169) | (233,429) | 805,740 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 400,000 | 413,619 | 413,619 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | 400,000 | 413,619 | 413,619 | - |
| Net change in fund balances | \$ (568,169) | \$ (625,550) | 180,190 | \$ 805,740 |
| Fund balances, beginning of year | | | 1,322,198 | |
| Fund balances, end of year | | | \$ 1,502,388 | |

TOWN OF SAN ANSELMO
Major Special Revenue Funds - Recreation Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2008

| | Recreation | | | Variance with Final - Positive (Negative) |
|--|------------------|------------------|-----------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Franchise and other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Use of money and property | - | - | - | - |
| Revenues from other agencies | - | 1,500 | - | (1,500) |
| Current services charges | 1,138,216 | 1,138,216 | 919,016 | (219,200) |
| Other revenue | - | - | - | - |
| Total revenues | <u>1,138,216</u> | <u>1,139,716</u> | <u>919,016</u> | <u>(220,700)</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Planning | - | - | - | - |
| Library | - | - | - | - |
| Parks and recreation | 1,134,995 | 1,136,495 | 992,392 | 144,103 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>1,134,995</u> | <u>1,136,495</u> | <u>992,392</u> | <u>144,103</u> |
| Excess of revenues over (under) expenditures | <u>3,221</u> | <u>3,221</u> | <u>(73,376)</u> | <u>(76,597)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 84,282 | 84,282 | - |
| Transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>84,282</u> | <u>84,282</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 3,221</u> | <u>\$ 87,503</u> | 10,906 | <u>\$ (76,597)</u> |
| Fund balances, beginning of year | | | (10,905) | |
| Fund balances, end of year | | | <u>\$ 1</u> | |

TOWN OF SAN ANSELMO

Major Special Revenue Funds - Emergency Reserve Fund

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2008

| | Emergency Reserve | | | Variance with Final - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Sales taxes | - | - | - | - |
| Franchise and other taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Use of money and property | - | 10,000 | 7,559 | (2,441) |
| Revenues from other agencies | 337,600 | 859,709 | 1,356,573 | 496,864 |
| Current services charges | - | - | - | - |
| Other revenue | - | - | - | - |
| Total revenues | <u>337,600</u> | <u>869,709</u> | <u>1,364,132</u> | <u>494,423</u> |
| EXPENDITURES | | | | |
| General government | 30,000 | 30,000 | 62,423 | (32,423) |
| Public safety | 42,000 | 42,000 | 65,757 | (23,757) |
| Public works | - | - | - | - |
| Planning | - | - | - | - |
| Library | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Capital outlay | 1,081,340 | 2,838,449 | 1,851,538 | 986,911 |
| Flood repairs | - | - | - | - |
| Debt service: | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>1,153,340</u> | <u>2,910,449</u> | <u>1,979,718</u> | <u>930,731</u> |
| Excess of revenues over (under) expenditures | <u>(815,740)</u> | <u>(2,040,740)</u> | <u>(615,586)</u> | <u>1,425,154</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital lease agreements (A) | - | 1,700,000 | - | (1,700,000) |
| Transfers in | - | 181,221 | 181,221 | - |
| Transfers out | - | (13,619) | (13,619) | - |
| Total other financing sources (uses) | <u>-</u> | <u>1,867,602</u> | <u>167,602</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (815,740)</u> | <u>\$ (173,138)</u> | <u>(447,984)</u> | <u>\$ 1,425,154</u> |
| Fund balances, beginning of year | | | <u>261,004</u> | |
| Fund balances, end of year | | | <u>\$ (186,980)</u> | |

(A) - The Emergency Reserve Fund entered into a municipal lease in which the Town received \$1.7 million in fiscal 2008 in exchange for leasing the Town's Fire Station No. 19 (see Note 1-Q). The advanced rental payment received by the Town is recorded as deferred revenue on the accompanying financial statements instead of Other Financing Sources as budgeted, and is therefore not included in fund balance as of June 30, 2008. In fiscal 2008, approximately \$800,000 was spent on restoration and remodeling of the property. The balance of approximately \$900,000 remains available at June 30, 2008 to fund the restoration and remodeling activities.

TOWN OF SAN ANSELMO

Pension Plans

Schedule of Funding Progress (Unaudited)

CalPERS:

Miscellaneous Plan:

| Valuation Date | Entry Age Normal Accrued Liability (A) | Actuarial Value of Assets (B) | Unfunded Liability/ (Excess Assets) [(A)-(B)] | Funded Ratio [(B)/(A)] | Covered Payroll (C) | (Unfunded) Overfunded % of Covered Payroll [(A-B)/C] |
|----------------|--|-------------------------------|---|------------------------|---------------------|--|
| 6/30/2003 | \$ 515,421,442 | \$ 456,062,164 | \$ 59,359,278 | 88.5% | \$ 120,692,360 | 49.182% |
| 6/30/2004 | \$ 681,517,006 | \$ 580,960,891 | \$ 100,556,115 | 85.2% | \$ 160,107,449 | 62.805% |
| 6/30/2005 | \$ 872,346,612 | \$ 729,556,809 | \$ 142,789,803 | 83.6% | \$ 203,995,039 | 69.997% |

Safety Plan:

| Valuation Date | Accrued Liability (A) | Value of Assets (B) | (Excess Assets) [(A)-(B)] | Funded Ratio [(B)/(A)] | Covered Payroll | (Unfunded) Overfunded % of Covered Payroll [(A-B)/C] |
|----------------|-----------------------|---------------------|---------------------------|------------------------|-----------------|--|
| 6/30/2003 | \$ 4,270,573,982 | \$ 3,577,742,166 | \$ 692,831,816 | 83.78% | \$ 476,089,674 | 145.525% |
| 6/30/2004 | \$ 5,383,921,942 | \$ 4,424,586,846 | \$ 959,335,096 | 82.18% | \$ 575,296,434 | 166.755% |
| 6/30/2005 | \$ 6,367,049,264 | \$ 5,295,150,375 | \$ 1,071,898,889 | 83.16% | \$ 664,147,796 | 161.395% |

*The actuarial value of assets, liabilities and covered payroll are obtained from the Town of San Anselmo's annual actuarial reports received from CalPERS. This information covers the entire risk pool and not just the Town of San Anselmo. The information for fiscal years after June 30, 2005 is not available and therefore is not included in the above analysis.

SUPPLEMENTARY INFORMATION
OTHER GOVERNMENTAL FUNDS
COMBINING FINANCIAL STATEMENTS

* * * * *

TOWN OF SAN ANSELMO

Nonmajor Governmental Funds

Other Special Revenue Funds - accounts for revenues derived from specific revenue sources. These funds are required by statute or ordinance to finance particular functions or activities of government.

Other Capital Projects Funds - accounts for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by proprietary funds. The Town had no nonmajor capital projects funds in fiscal 2007.

Other Debt Service Funds - accounts for financial resources to be used for payment of the Town's long-term debt.

TOWN OF SAN ANSELMO
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

| | Special Revenue Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|--|-----------------------------|--------------------------|--|
| ASSETS | | | |
| Cash and investments | \$ 1,026,019 | \$ 652,912 | \$ 1,678,931 |
| Receivables: | | | |
| Accounts | 24,123 | 11,806 | 35,929 |
| Other taxes | 79,009 | - | 79,009 |
| Prepays and other assets | 5,186 | | 5,186 |
| Total assets | <u>\$ 1,134,337</u> | <u>\$ 664,718</u> | <u>\$ 1,799,055</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 28,838 | \$ - | \$ 28,838 |
| Deposits payable and deferred revenue | 402,825 | - | 402,825 |
| Total liabilities | <u>431,663</u> | <u>-</u> | <u>431,663</u> |
| Fund balances: | | | |
| Reserved | 192,535 | 664,718 | 857,253 |
| Designated | 550,537 | - | 550,537 |
| Unreserved (deficit) | (40,398) | - | (40,398) |
| Total fund balances | <u>702,674</u> | <u>664,718</u> | <u>1,367,392</u> |
| Total liabilities and fund balances | <u>\$ 1,134,337</u> | <u>\$ 664,718</u> | <u>\$ 1,799,055</u> |

TOWN OF SAN ANSELMO

Nonmajor Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2008

| | Special Revenue Funds | Debt Service Funds | Total Nonmajor Governmental Funds |
|---------------------------------------|-----------------------------|--------------------------|--|
| REVENUES | | | |
| Measure G levy | \$ - | \$ 731,953 | \$ 731,953 |
| Use of money and property | 185,318 | 17,068 | 202,386 |
| Revenues from other agencies | 636,183 | - | 636,183 |
| Other revenue | 27,180 | - | 27,180 |
| Total revenues | <u>848,681</u> | <u>749,021</u> | <u>1,597,702</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | - | 1,530 | 1,530 |
| Public safety | 120,284 | - | 120,284 |
| Parks and recreation | 194,212 | - | 194,212 |
| Capital outlay | 678,006 | - | 678,006 |
| Debt service: | | | |
| Principal | 83,329 | 245,000 | 328,329 |
| Interest | - | 500,967 | 500,967 |
| Total expenditures | <u>1,075,831</u> | <u>747,497</u> | <u>1,823,328</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (227,150) | 1,524 | (225,626) |
| OTHER FINANCING SOURCES (USES) | | | |
| Capital lease agreements | - | - | - |
| Transfers in | 464,238 | - | 464,238 |
| Transfers out | (239,328) | - | (239,328) |
| Total other financing sources (uses) | <u>224,910</u> | <u>-</u> | <u>224,910</u> |
| Net change in fund balances | (2,240) | 1,524 | (716) |
| Fund balances, beginning of year | 704,914 | 663,194 | 1,368,108 |
| Fund balances, end of year | <u>\$ 702,674</u> | <u>\$ 664,718</u> | <u>\$ 1,367,392</u> |

TOWN OF SAN ANSELMO

Other Special Revenue Funds

Other Special Revenue Funds are used to account for revenues derived from specific revenue sources. These funds are required by statute or ordinance to finance particular functions or activities of government. The Town's various Other Special Revenue Funds and revenue sources are as follows:

Capital Reconstruction Fund – accounts for revenues set aside for capital projects.

Measure G Bond Proceeds Fund – accounts for projects funded by the Measure G General Obligation Bonds.

Traffic Congestion Relief Fund - accounts for revenues received from state and federal grants for transportation issues.

Gas Tax - accounts for taxes raised under Street and Highway Code Sections 2106, 2107 and 2107.5, used for the maintenance and construction of town streets.

Supplemental Law Enforcement Fund - accounts for revenues received from the State of California for specified law enforcement purposes.

Isabel Cook Complex Fund - accounts for revenues received from the renters of the Isabel Cook Complex to be used for repair and restoration work at the complex.

Robson House Fund - accounts for revenues collected and used for the Robson House.

Equipment Replacement Fund - accounts for revenues that are restricted for the purchase of Town equipment.

Special Events Fund - accounts for revenues collected and used for Town special events.

P.O.S.T. Fund - accounts for revenues received for Police Officers Standards and Training.

Downtown Revitalization Fund - accounts for revenues for the downtown beautification project.

TOWN OF SAN ANSELMO
Other Special Revenue Funds
Combining Balance Sheet
June 30, 2008

| | Capital Reconstruction | Measure G Bond Proceeds | Traffic Congestion Relief | Gas Tax | Supplemental Law Enforcement Fund | Isabel Cook Center | Robson House | Equipment Replacement | Special Events | P.O.S.T. | Downtown Revitalization | Total Other Special Revenue Funds |
|--|------------------------|-------------------------|---------------------------|-------------|-----------------------------------|--------------------|--------------|-----------------------|----------------|------------|-------------------------|-----------------------------------|
| ASSETS | | | | | | | | | | | | |
| Cash and Investments | \$ 274,435 | \$ 100,631 | \$ 503,365 | \$ (79,009) | \$ 1,911 | \$ (35,153) | \$ 92,835 | \$ 149,453 | \$ 3,619 | \$ (8,187) | \$ 22,119 | \$ 1,026,019 |
| Receivables: | | | | | | | | | | | | |
| Accounts | | | 10,711 | | | | | | | | | 24,123 |
| Other taxes | | | | 79,009 | | | | 6,862 | | 6,550 | | 79,009 |
| Prepaid expense | | | | | | | 2,367 | | | 2,819 | | 5,186 |
| Total assets | \$ 274,435 | \$ 100,631 | \$ 514,076 | \$ - | \$ 1,911 | \$ (35,153) | \$ 95,202 | \$ 156,315 | \$ 3,619 | \$ 1,182 | \$ 22,119 | \$ 1,134,337 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 812 | | \$ 19,215 | | \$ 1,911 | \$ 5,245 | \$ 473 | | \$ 1,182 | | | \$ 28,838 |
| Deposits payable and deferred revenue | | | 400,000 | | | | 2,825 | | | | | 402,825 |
| Total liabilities | 812 | | 419,215 | | 1,911 | 5,245 | 3,298 | | 1,182 | | | 431,663 |
| Fund balances: | | | | | | | | | | | | |
| Reserved | | 100,631 | | | | | 91,904 | | | | | 192,535 |
| Designated | 273,623 | | 94,861 | | | (40,398) | | 156,315 | 3,619 | | 22,119 | 550,537 |
| Unreserved (deficit) | 273,623 | 100,631 | 94,861 | | | (40,398) | 91,904 | 156,315 | 3,619 | | (22,119) | (40,398) |
| Total fund balances | | | | | | | | | | | | 702,674 |
| Total liabilities and fund balances | \$ 274,435 | \$ 100,631 | \$ 514,076 | \$ - | \$ 1,911 | \$ (35,153) | \$ 95,202 | \$ 156,315 | \$ 3,619 | \$ 1,182 | \$ 22,119 | \$ 1,134,337 |

TOWN OF SAN ANSELMO

Other Special Revenue Funds

**Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2008**

| | Capital Reconstruction | Measure G Bond Proceeds | Traffic Congestion Relief | Gas Tax | Supplemental Law Enforcement Fund | Isabel Cook Center | Robson House | Equipment Replacement | Special Events | P.O.S.T. | Downtown Revitalization | Total Other Special Revenue Funds |
|--|------------------------|-------------------------|---------------------------|-----------|-----------------------------------|--------------------|--------------|-----------------------|----------------|----------|-------------------------|-----------------------------------|
| REVENUES | | | | | | | | | | | | |
| Use of money and property | - | - | \$ - | \$ - | \$ - | \$ 142,724 | \$ 42,594 | \$ - | \$ - | \$ - | \$ - | \$ 185,318 |
| Revenues from other agencies | 252,863 | - | 21,757 | 234,417 | 100,000 | - | - | 6,862 | - | 20,284 | - | 636,183 |
| Other revenue | 7,000 | - | 18,500 | - | - | - | - | - | - | - | 1,680 | 27,180 |
| Total revenues | 259,863 | - | 40,257 | 234,417 | 100,000 | 142,724 | 42,594 | 6,862 | - | 20,284 | 1,680 | 848,681 |
| EXPENDITURES | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| Public safety | - | - | - | - | 100,000 | - | - | - | - | - | - | - |
| Parks and recreation | - | - | - | - | - | 156,897 | 25,712 | - | 7,560 | 20,284 | 4,043 | 120,284 |
| Capital outlay | 356,971 | 19,458 | 70,091 | - | - | - | - | 231,486 | - | - | - | 194,212 |
| Debt service: | | | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - | - | - | 678,006 |
| Interest | - | - | - | - | - | - | - | 83,329 | - | - | - | 83,329 |
| Total expenditures | 356,971 | 19,458 | 70,091 | - | 100,000 | 156,897 | 25,712 | 314,815 | 7,560 | 20,284 | 4,043 | 1,075,831 |
| Excess of revenues over (under) expenditures | (97,108) | (19,458) | (29,834) | 234,417 | - | (14,173) | 16,882 | (307,953) | (7,560) | - | (2,363) | (227,150) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Capital lease agreements | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers in | 133,500 | 4,911 | - | - | - | - | - | 325,827 | - | - | - | 464,238 |
| Transfers out | - | - | (4,911) | (234,417) | - | - | - | - | - | - | - | (239,328) |
| Total other financing sources (uses) | 133,500 | 4,911 | (4,911) | (234,417) | - | - | - | 325,827 | - | - | - | 224,910 |
| Net change in fund balances | 36,392 | (14,547) | (34,745) | - | - | (14,173) | 16,882 | 17,874 | (7,560) | - | (2,363) | (2,240) |
| Fund balances, beginning of year | 237,231 | 115,178 | 129,606 | - | - | (26,225) | 75,022 | 138,441 | 11,179 | - | 24,482 | 704,914 |
| Fund balances, end of year | \$ 273,623 | \$ 100,631 | \$ 94,861 | \$ - | \$ - | \$ (40,398) | \$ 91,904 | \$ 156,315 | \$ 3,619 | \$ - | \$ 22,119 | \$ 702,674 |

TOWN OF SAN ANSELMO

Other Debt Service Funds

Other Debt Service Funds are used to account for financial resources to be used for payment for the Town's long-term debt. The Town's other debt service funds are:

Measure G Debt Service Funds - accounts for principal and interest payments of the Measure G General Obligation bonds.

TOWN OF SAN ANSELMO
Other Debt Service Funds
Combining Balance Sheet
June 30, 2008

| | Measure G 2003 | Measure G 2000 | Measure G 1997 | Measure G 1995 | Total Other Debt Service Funds |
|--|-------------------|-------------------|-------------------|-------------------|---|
| ASSETS | | | | | |
| Cash and investments | \$ 124,537 | \$ 157,607 | \$ 226,800 | \$ 143,968 | \$ 652,912 |
| Accounts receivable | 2,191 | 2,855 | 3,768 | 2,992 | 11,806 |
| Total assets | <u>\$ 126,728</u> | <u>\$ 160,462</u> | <u>\$ 230,568</u> | <u>\$ 146,960</u> | <u>\$ 664,718</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | | |
| Reserved for debt service | 126,728 | 160,462 | 230,568 | 146,960 | 664,718 |
| | - | - | - | - | - |
| Total fund balances | <u>126,728</u> | <u>160,462</u> | <u>230,568</u> | <u>146,960</u> | <u>664,718</u> |
| Total liabilities and fund balances | <u>\$ 126,728</u> | <u>\$ 160,462</u> | <u>\$ 230,568</u> | <u>\$ 146,960</u> | <u>\$ 664,718</u> |

TOWN OF SAN ANSELMO

Other Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2008

| | Measure G 2003 | Measure G 2000 | Measure G 1997 | Measure G 1995 | Total Other Debt Service Funds |
|--|-------------------|-------------------|-------------------|-------------------|---|
| REVENUES | | | | | |
| Measure G Levy | \$ 141,025 | \$ 187,256 | \$ 255,300 | \$ 148,372 | \$ 731,953 |
| Use of money and property | 3,466 | 3,936 | 5,729 | 3,937 | 17,068 |
| Total revenues | <u>144,491</u> | <u>191,192</u> | <u>261,029</u> | <u>152,309</u> | <u>749,021</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 500 | 500 | - | 530 | 1,530 |
| Debt service: | | | | | |
| Principal | 35,000 | 55,000 | 90,000 | 65,000 | 245,000 |
| Interest | 111,984 | 124,425 | 159,735 | 104,823 | 500,967 |
| Total expenditures | <u>147,484</u> | <u>179,925</u> | <u>249,735</u> | <u>170,353</u> | <u>747,497</u> |
| Excess of revenues over (under) expenditures | <u>(2,993)</u> | <u>11,267</u> | <u>11,294</u> | <u>(18,044)</u> | <u>1,524</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Debt proceeds | - | - | - | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (2,993) | 11,267 | 11,294 | (18,044) | 1,524 |
| Fund balances, beginning of year | 129,721 | 149,195 | 219,274 | 165,004 | 663,194 |
| Fund balances, end of year | <u>\$ 126,728</u> | <u>\$ 160,462</u> | <u>\$ 230,568</u> | <u>\$ 146,960</u> | <u>\$ 664,718</u> |

TOWN OF SAN ANSELMO

Internal Service Fund

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments within the same entity on a cost reimbursement basis.

Insurance Internal Service Fund - accounts for the self-insured portion of the Town's workers' compensation and liability insurance programs.

TOWN OF SAN ANSELMO
Internal Service Funds
Combining Statement of Net Assets (Deficit)
June 30, 2008

| | <u>Insurance</u> | <u>Total Internal Service Funds</u> |
|---|---------------------|---|
| <u>Assets</u> | | |
| ASSETS | | |
| Cash and investments | \$ 2,151,121 | \$ 2,151,121 |
| Accounts receivable | 10,842 | 10,842 |
| Prepaid expense | 13,133 | 13,133 |
| Total current assets | <u>2,175,096</u> | <u>2,175,096</u> |
| Capital assets, net | - | - |
| Total assets | <u>2,175,096</u> | <u>2,175,096</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 39,852 | 39,852 |
| Claims liabilities | 141,177 | 141,177 |
| Total current liabilities | <u>181,029</u> | <u>181,029</u> |
| Non-current liabilities: | | |
| Claims liabilities | 353,488 | 353,488 |
| Total liabilities | <u>534,517</u> | <u>534,517</u> |
| NET ASSETS (DEFICIT) | | |
| Invested in capital assets, net of related debt | - | - |
| Unrestricted | 1,640,579 | 1,640,579 |
| Total net assets (deficit) | <u>\$ 1,640,579</u> | <u>\$ 1,640,579</u> |

TOWN OF SAN ANSELMO

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2008

| | <u>Insurance</u> | <u>Total Internal Service Funds</u> |
|---------------------------------------|---------------------|---|
| REVENUES | | |
| Current service charges | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> |
| EXPENSES | | |
| Insurance premiums | 249,183 | 249,183 |
| Claims expense (reimbursements), net | <u>(68,200)</u> | (68,200) |
| Total expenses | <u>180,983</u> | 180,983 |
| Operating income (loss) | <u>(180,983)</u> | (180,983) |
| OTHER FINANCING SOURCES (USES) | | |
| Transfers in | 282,482 | 282,482 |
| Transfers out | - | - |
| | <u>282,482</u> | 282,482 |
| Change in net assets | 101,499 | 101,499 |
| Net assets, beginning of year | 1,539,080 | 1,539,080 |
| Net assets (deficit), end of year | <u>\$ 1,640,579</u> | \$ 1,640,579 |

TOWN OF SAN ANSELMO, CALIFORNIA

SINGLE AUDIT REPORTS ON FEDERAL AWARDS PROGRAMS

* * * * *

JUNE 30, 2008

TOWN OF SAN ANSELMO, CALIFORNIA
SINGLE AUDIT REPORTS ON FEDERAL AWARDS PROGRAMS

JUNE 30, 2008

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November 14, 2008

Honorable Mayor and
Members of the Town Council of
the Town of San Anselmo, California

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

We have audited the compliance of the Town of San Anselmo, California (the "Town") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in the Town's internal control that might be significant deficiencies or material weaknesses as defined below.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Town as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the members of the Town Council, management, and others within the Town, and the officials of applicable federal grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Odeberg Utkokkumunishi & Co LLP

**TOWN OF SAN ANSELMO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

| <u>Program Description</u> | <u>Program CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------------------|---------------------|
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| Passed through State of California Governor's Office of Emergency Services Disaster Summary for FEMA-1646-DR, California | | |
| Public Assistance Grants | 97.036 | \$ 15,015 |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| Passed through State of California Governor's Office of Emergency Services Disaster Summary for FEMA-1628-DR, California | | |
| Public Assistance Grants | 97.036 * | <u>384,756</u> |
| Subtotal U.S. Department of Homeland Security | | <u>399,771</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Passed through Natural Resources Conservation Service Emergency Watershed Protection | | |
| | 10.904 | <u>396,045</u> |
| TOTAL | | <u>\$ 795,816</u> |

* This amount includes \$69,747 of costs incurred subsequent to the approved dates of completion granted by Federal Emergency Management Agency (FEMA) and/or the Office of Emergency Services. The Town has submitted requests for extensions on the approved dates of completion. As of this report date, the Town has not received any of the \$399,771 claimed from the U.S. Department of Homeland Security, and amounts to be reimbursed by FEMA, if any, are subject to final inspection procedures.

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF SAN ANSELMO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - Summary of significant accounting policies:

General

The Schedule of Expenditures of Federal and State Awards presents the activity of all federally funded programs of the Town of San Anselmo, California (the "Town"). The reporting entity is defined in Note 1 to the Town's basic financial statements.

Basis of accounting

The Schedule of Expenditures of Federal and State Awards is presented on the modified accrual basis of accounting. Under this basis, revenues are recognized when they become susceptible to accrual, which means both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred and grant eligible reimbursements have been satisfied by the Town.

NOTE 2 - Direct and pass-through programs:

Direct programs represent programs where the grantor federal agency remits federal funds directly to the Town. Pass-through programs represent programs where the grantor federal agency remits funds to another government agency and that agency enters into a subrecipient agreement with the Town and then reimburses the Town with federal grant funds. The Town did not receive or expend any funds related to direct programs during the fiscal year ended June 30, 2008.

For the fiscal year ended June 30, 2008, the Town expended funds related to Federal Emergency Management Assistance (FEMA) grants administered by the U.S Department of Homeland Security, which were passed through the State of California Governor's Office of Emergency Services. The FEMA-1628-DR event relates to flooding in the downtown area of the Town caused by December 2005 and January 2006 storms, whereby mud and debris from the flood caused unsafe conditions and threatened public health and safety when flood waters entered the Town's police station and town council chambers. Project worksheets were prepared to fund the temporary relocation and repair of the police station and town council chambers. The FEMA-1646-DR event relates to emergency slide repairs on Allyn Avenue.

The Town also received a grant from the U.S. Department of Agriculture, passed through the Natural Resources Conservation Service, for the San Anselmo Streambank Emergency Watershed Protection project, which was created to assist the Town in relieving hazards and damages caused by the January 2006 storms.

November 14, 2008

Honorable Mayor and
Members of the Town Council of
the Town of San Anselmo, California

**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**

We have audited the basic financial statements of the Town of San Anselmo, California (the "Town") as of and for the fiscal year ended June 30, 2008 and have issued our report thereon dated November 14, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 audits, 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*.

This report is intended solely for the information of the members of the Town Council, management, and others within the Town, and the officials of the applicable grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Odeberg Olkko Muraiski = 6000P

TOWN OF SAN ANSELMO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

A. Financial statements

- | | |
|--|---------------------|
| 1. Type of auditors' report issued | Unqualified |
| 2. Internal control over financial reporting: | |
| Material weaknesses identified? | ___ Yes __X__ No |
| Reportable conditions identified not considered to be material weaknesses? | ___ Yes __X__ No |
| Noncompliance material to financial statements noted? | ___ Yes __X__ No |

B. Federal awards

- | | |
|---|---------------------|
| 1. Internal control over major programs: | |
| Material weaknesses identified? | ___ Yes __X__ No |
| Reportable condition identified not considered to be a material weakness? | ___ Yes __X__ No |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? | ___ Yes __X__ No |
| 4. Identification of major programs: | |
| <u>CFDA Number/Name of Federal Program</u> | |
| 97.036 FEMA Public Assistance | |
| 10.904 Emergency Watershed Protection | |
| 5. Dollar threshold used to distinguish between Type A and Type B Programs | \$300,000 |
| 6. Auditee qualifies as low-risk auditee? | ___ Yes __X__ No |

SECTION II - FINANCIAL STATEMENTS FINDINGS

None Noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

TOWN OF SAN ANSELMO
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

* * * * *

JUNE 30, 2008

November 14, 2008

To The Honorable Mayor and
Members of the Town Council of
the Town of San Anselmo, California

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures enumerated below related to the Appropriations Limit worksheet No. 6 of the Town of San Anselmo, California for the fiscal year ended June 30, 2008. These procedures, which were agreed to by the Town of San Anselmo, California and the League of California Cities (as presented in the League publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the Town of San Anselmo, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The Town of San Anselmo, California management is responsible for the Appropriations Limit worksheet No. 6. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets Nos. 1 through 7 and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Town Council. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the Town Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet No. 6, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit worksheet No. 6 to the other worksheets described in No. 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet No. 6 to the prior year appropriations limit adopted by the Town Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit worksheet No. 6. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by Article XIII-B of the California Constitution.

This report is intended solely for the information and use of the Town Council and management of the Town of San Anselmo, California and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Oseberg Ullakko Muravishi, CPA

TOWN OF SAN ANSELMO
APPROPRIATIONS LIMIT WORKSHEET
FISCAL YEAR ENDED JUNE 30, 2008

| | | |
|---|----------------------------------|---------------------|
| A | Fiscal 2007 Appropriations Limit | \$7,058,886 |
| B | Inflation Factor | 1.0442 |
| | Population Factor | 1.0097 |
| | Adjustment Factor | 1.0543 |
| C | Fiscal 2008 Appropriations Limit | <u>\$ 7,442,386</u> |

TOWN OF SAN ANSELMO

REPORT TO TOWN COUNCIL

For The Fiscal Year Ended June 30, 2008

2008 REPORT TO TOWN COUNCIL

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| Required Communications with Town Council | 1 |
| Observations and Recommendations | 3 |

2008 REPORT TO TOWN COUNCIL

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of San Anselmo ("Town") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 29, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies and Estimates

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements. We believe management has selected and applied significant accounting policies appropriately and consistently with those of the prior year. Significant management estimates impacting the financial statements include the collectability of receivables and depreciation expense.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Town's board members and management of the Town of San Anselmo and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Odeberg Ullakko Muraiski, CPA

OBSERVATIONS AND RECOMMENDATIONS

In planning and performing our audit of the basic financial statements of the Town for the fiscal year ended June 30, 2008, we considered the Town's internal control over accounting and financial reporting to plan our auditing procedures for the purpose of expressing our opinions on the financial statements, and not to provide assurance on internal control. However, during our audit, we noted certain matters involving internal control over accounting and financial reporting and other operational matters that are presented for your consideration. This does not affect our report dated November 14, 2008 on the basic financial statements of the Town. Our comments and recommendations, all of which have been discussed with management, are intended to improve internal control, accounting and financial reporting or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

Observation: Our audit procedures revealed that the Town does not have a formal corporate code of conduct, or anti-fraud policy.

Recommendation: Although not a requirement, we suggest as a matter of "best practices" that an anti-fraud policy be developed which communicates to all employees the organizational position and policy on matters such as the following:

- Risks that the organization faces from fraud, abuse, and other forms of misconduct;
- Definitions of misconduct, including fraud and abuse;
- Employee's responsibility to report suspected misconduct (including an established reporting mechanism, such as a member of the Board, a consultant or advisor, hotline service, etc.);
- Organizational responsibility to investigate;
- Disciplinary action for violations.

The aim of an anti-fraud policy statement is to establish ground rules which clarify that fraud will not be tolerated and spell out the consequences of fraud. We further suggest that the policy on misconduct be acknowledged and signed by each employee upon hire as evidence that they understand the policy.

Response: Town staff agrees that an ethics, code of conduct, or anti-fraud policy would support the Town's commitment to protecting its revenue, property, reputation and other assets, and to establish guidelines for the investigation and handling of allegations of fraud or abuse, should they occur. Town staff will seek Town Council direction in initiating a process to establish such a policy during the next fiscal year.