

**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, 2009**

**TOWN OF SAN ANSELMO**  
**BASIC FINANCIAL STATEMENTS**  
**AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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November 25, 2009

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, 2009, 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, 2009, 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

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as those statements relate to financial reporting requirements for postemployment benefit plans other than pension plans.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, 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 and OPEB schedules 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.

*Odeberg Ullakko Uurainen & Co CP*

**Town of San Anselmo**  
**Management's Discussion and Analysis**  
**June 30, 2009**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2009. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

**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 \$26,383,598 liabilities of \$13,915,231 and net assets of \$12,468,367. In comparing Net Assets as of June 30, 2008 at \$10,434,595, a net increase of \$2,033,772 was realized, which is primarily attributable to the Town's capital investment in infrastructure projects.
- Total Town revenues were \$17,537,012 compared with total expenses of \$15,503,240 resulting in an increase in net assets for the fiscal year ended June 30, 2009 of \$2,033,772.
- The Town's net capital assets, net of related debt, totaled \$7,607,452 at June 30, 2009. 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 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, in 2007-08 by an additional \$2,302,600, and in 2008-09 by an additional \$2,497,692 to bring the Town's net capital assets to \$7,607,452.
- The Town's long-term debt (including current portion and postemployment benefit obligation) totaled \$10,441,741 as of June 30, 2009, a decrease of \$355,785 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.

**Fund Highlights**

As of the close of fiscal year 2009, the Town's governmental funds reported a combined ending fund balance of \$4,402,273 as compared to \$4,728,678 as of June 30, 2008. This loss was due principally to the planned expenditure of the municipal lease proceeds in the Emergency Reserve Fund. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.

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**Management's Discussion and Analysis**  
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**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** – Work is nearly complete to reconstruct and improve the downtown Fire Station and to flood proof the Town Hall complex. To date over \$5.7 million has been spent in flood recovery activities on Town-owned facilities since 2005. A total of \$3.2 million has been received in reimbursement from Federal Emergency Management Agency (FEMA), the State Office of Emergency Services (OES) and the National Flood Insurance Program (NFIP). The Town has funded \$1.7 million of fire station reconstruction with a municipal lease. In addition, \$1,266,194 has been contributed to the flood recovery from the Town's General Fund.
- **Capital Projects** – The rail and walk repair on the bridge at Tunstead Avenue on Sir Francis Drake Boulevard was completed with federal and local grant funds.
- **Flood Recovery in Community** – Staff worked with residents to submit federal grant requests for individual home elevations. 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 a total of 650 citizens in the Ross Valley area trained. Seven additional San Anselmo residents participated in the two-day Citizens Emergency Response Team (CERT) preparedness program in the last year. The Town's Disaster Council continues to meet to address preparedness for an earthquake, fire, flood or other disaster.
- **Greenhouse Gas Reduction** – The Police Department has purchased two hybrid cars and two ultra low emission patrol vehicles. San Anselmo will be among the first to get four electric car charging stations for public use, thanks to a grant from Bay Area Air Quality Management District and Transportation Authority of Marin. The newly remodeled downtown Fire Station has solar panels, double-paned windows and energy efficient lighting. The Council approved the Town Greenhouse Gas Emission Inventory so that these reductions can be tracked in the future.

**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.

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**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 Reserve 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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- 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, other postemployment benefit obligation and PERS schedule of funding progress.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

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

	<b>2009</b>			<b>2008</b>
	Governmental Activities	Business-Type Activities	Total	Governmental Activities
Cash and investments	\$ 8,192,512	\$ -	\$ 8,192,512	\$ 9,493,741
Capital assets, net	17,061,104	-	17,218,539	14,932,909
Other assets	1,129,982	-	972,547	711,851
<b>Total assets</b>	<b>26,383,598</b>	<b>-</b>	<b>26,383,598</b>	<b>25,138,501</b>
Current liabilities	3,658,127	-	3,658,127	3,993,105
Non-current liabilities	10,257,104	-	10,257,104	10,710,801
<b>Total liabilities</b>	<b>13,915,231</b>	<b>-</b>	<b>13,915,231</b>	<b>14,703,906</b>
Invested in capital assets, net	7,607,452	-	7,607,452	5,109,760
Restricted	653,643	-	653,643	664,718
Unrestricted	4,207,272	-	4,207,272	4,660,117
<b>Net assets</b>	<b>\$ 12,468,367</b>	<b>-</b>	<b>\$ 12,468,367</b>	<b>\$ 10,434,595</b>

Net assets of \$12,468,367 at June 30, 2009, consist primarily of the following elements.

**ASSETS:**

- Cash and investments of \$8,192,512 decreased \$1,301,229 from the prior year due primarily to the expenditure of the \$1,700,000 municipal lease proceeds borrowed for the restoration, remodeling and expansion of the Town's downtown fire station.
- Net capital assets of \$17,061,104 increased \$2,128,195 due to capital improvements to Town buildings associated with flood recovery as well as infrastructure projects.
- Other assets of \$1,129,982, including accounts receivables, prepaid expense and net deferred charges, increased \$418,131 over the prior year, due primarily to the delayed fourth quarterly Sleepy Hollow contribution for fire services owed to the Town at year end.

**LIABILITIES:**

- Current liabilities of \$3,658,127 decreased a net amount of \$334,978. This change is the net result of increased accounts payable and accrued liabilities for several infrastructure projects currently in progress, but which are more than offset by decreased deposits payable and deferred revenue, the current portion of insurance claim liabilities, and the current portion of long term debt.

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- Non-current Liabilities of \$10,257,104, including the non-current portion of insurance claim liabilities, the non-current portion of long term debt, and the postemployment benefit obligation decreased \$453,697 due primarily to the retirement of debt related to the Town's general obligation bonds, municipal lease, 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. These decreases were offset in part by the addition of the \$120,891 unfunded postemployment benefit obligation, as newly required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**Changes in Net Assets**

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

	<b>2009</b>			<b>2008</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Governmental Activities</b>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for services	\$ 2,745,339	\$ -	\$ 2,745,339	\$ 2,966,057
Operating grants & contributions	182,478	-	182,478	166,888
Capital grants & contributions	2,969,995	-	2,969,995	2,358,873
<b>General Revenues:</b>				
Property and sales tax	8,709,539	-	8,709,539	8,735,713
Intergovernmental	379,228	-	379,228	388,117
Investment earnings	267,640	-	267,640	533,751
Franchise fees and other taxes	2,080,911	-	2,080,911	2,044,191
Other	201,882	-	201,882	197,898
Transfers	-	-	-	-
<b>Total revenues</b>	<b>17,537,012</b>	<b>-</b>	<b>17,537,012</b>	<b>17,391,488</b>
<b>Expenses:</b>				
General government	1,359,296	-	1,359,296	1,469,701
Public safety	8,658,916	-	8,658,916	8,032,542
Public works	1,940,422	-	1,940,422	1,734,179
Planning	856,318	-	856,318	796,652
Library	588,779	-	588,779	520,472
Parks and recreation	1,605,480	-	1,605,480	1,625,472
Interest on long-term debt	494,029	-	494,029	540,904
<b>Total expenses</b>	<b>15,503,240</b>	<b>-</b>	<b>15,503,240</b>	<b>14,719,922</b>
<b>Change in net assets</b>	<b>\$ 2,033,772</b>	<b>-</b>	<b>\$ 2,033,772</b>	<b>\$ 2,671,566</b>

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Net assets increased \$2,033,772 during fiscal year ended June 30, 2009 as compared to \$2,671,566 during the fiscal year ended June 30, 2008. Components of the change in net assets include:

- Charges for Services revenue of \$2,745,339, a net decrease of \$220,718, due primarily to a decline of planning and building, construction and road impact fees, and recreation fees collected from the previous year.
- Operating Grants and Contributions revenue of \$182,478, an increase of \$15,590 from the prior year as a result of the increase P.O.S.T training reimbursements.
- Capital grants and contributions revenue of \$2,969,995, an increase of \$611,122 due to State, Federal, and local infrastructure grants.
- Decreased revenue in the area of property taxes in the amount of \$26,174 due to a smaller increase in property tax collections and loss of the one-time 2006-07 Educational Revenue Augmentation Fund (ERAF) allocation.
- Increased revenue in Franchise and other tax revenue due to increased garbage, cable and utility franchise fee receipts.
- Decreased revenue from use of money and property due to interest rate decrease during 2008-09 from 2.9% to .9% and the Town's decision not to participate in the Tax Revenue Anticipation Note (TRAN) issuance for cash flow needs due to cost considerations.
- Increased total expenses of \$700,842 due principally to the COLA adjustments for employee positions and capital improvement projects.

**Analysis of Major Governmental Funds**

**General Fund**

General Fund revenue for 2008-09 year, including transfers-in from other funds of \$214,960 totaled \$12,953,278 and fell short of the revised budget by \$175,796. The largest areas of reduced revenue were property transfer tax revenue in the amount of \$37,000, sales tax in the amount of \$18,500, business license tax revenue in the amount of \$30,000, planning, building and construction fees in the amount of \$45,000, and parking fine revenue in the amount of \$22,000.

General Fund expenditures for fiscal year 2008-09, including transfers-out to other funds of \$1,205,571, totaling \$13,187,945 fell below the revised budget amount by \$158,121. In addition, at year end the contingency reserve had an unspent balance of \$362,180, which resulted in a total of \$520,301. Conscious of the continuing financial uncertainty, all Town departments continued their belt-tightening strategies. These efforts resulted in savings in Administration, Legal Services, Non-Departmental, Planning & Building, Streets and Parks, and Town Council. These savings more than offset the Engineering, Library, Police and Recreation 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 Public Works Director position and in the streets department due to work-related injuries (funded through the Insurance Fund). The second significant factor was the additional savings in retirement costs as Tier 1 employees departed and Tier 2 employees

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were hired. These savings were slightly offset by the cost overruns in the areas of Office Supplies, Training and Publications, and Utilities.

As mentioned above, the largest contributor to year end savings was the unspent contingency reserve in the amount of \$362,180. In large part, these funds were carried over from 2007-08 and, during the January 2009 mid-year budget revision process, were intentionally set aside by the Council in anticipation of future funding uncertainties.

In summary, the net impact of revenue and expenditure levels for fiscal year 2008-09 resulted in additional resources at year end that exceeded the budgeted target by \$344,505. It compares to the \$309,610 projected at the time of the 2009-10 Adoption Budget which was set aside in the Contingency Reserve as part of the budget process in anticipation of the state's takeaway of an 8% property tax "loan." At this time, the funds will be placed in the contingency for future consideration. At the mid-year revision, the Council may choose to allocate some or all of the remaining \$34,895 for expenditure in 2009-10, to retain the funds in the contingency for unanticipated needs, or to simply allow the funds to remain as part of the ending balance, which at June 30, 2009 was \$1,811,210.

**Road Maintenance Fund**

The Road Maintenance Fund received revenue from three major sources. First, Road Impact Fees for construction projects and refuse vehicles, totaling \$208,276, is revenue legally restricted for use in road improvement projects. Second, this fund received \$3,856 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.

The Road Maintenance fund balance as of June 30, 2009 totaled \$1,668,806 and included the following reserves: Slurry Seal Projects \$278,919; Road Impact Fees \$1,076,935; Baldhill Road Improvements \$21,632; and General Fund contributions \$291,320.

**Recreation Fund**

During 2008-09 program fees were collected in the amount of \$883,955. Expenditures for the period totaled \$920,120, resulting in a decline in the reserve of \$36,165. On June 9, 2009 the Council authorized the transfer of General Fund monies in the amount of \$100,000 to eliminate any potential negative fund balance. As a result, the year end reserve as of June 30, 2009 was \$63,836.

**Emergency Reserve Fund**

The Emergency Reserve Fund had a negative beginning balance of (\$186,980). Total revenue for 2008-09 included reimbursement to the Town from FEMA and OES for all projects of \$414,083. In addition, the Town received \$503,042 for flood mitigation projects assisting local residents in home elevations. Interest earnings of \$2,486 were realized from the remaining loan proceeds of the Town's February 2008 municipal lease agreement. Other grant adjustment revenue totaled \$25,587 and a transfer from the General Fund of \$158,517 was made to pay the municipal lease payments. Other financing of \$80,646 recognized the release of deferred revenue for the first year's principal on the municipal lease. Total receipts from all sources was \$1,184,361.

Expenditures associated with the flood totaled \$1,922,461, including \$255,037 for Town Hall flood mitigation work; \$991,509 for fire station building restoration construction costs; \$503,043 for the flood mitigation assistance for local residents; \$14,355 for claims consultant; and \$158,517 for the municipal lease principal and interest payments.

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**Management's Discussion and Analysis**  
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As of June 30, 2009, the Emergency Reserve Fund ending balance totaled a negative (\$925,080). This number reflects the expenditures for the fire station restoration, the total cost of which was originally estimated at \$1,700,000. In order to provide the necessary cash flow for this project, the Town entered into a municipal lease agreement in that amount. The current negative fund balance 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 outstanding principal at June 30, 2009 of \$1.6 million has been recorded on the accompanying financial statements as deferred revenue.

**ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET**

The Town's 2009-10 budget continues Town services at current levels and maintains prudent reserve balances. In preparing the budget, staff analyzed revenue and expenditure trends, economic indicators and cost recovery ratios. The result is a budget that recognizes increased tax revenue, provides funds to cover the cost of ongoing operations, and maintains current programs and services.

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. In the ensuing years, Town staffing levels dropped from 63 regular employees to our current level of 55 (head count) and measures were taken to raise revenues and reduce expenditures.

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. Recovery from that winter continues into 2009-10.

In the last two years, 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.
- 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 2009-10 budget reflects funds for the following capital projects:

- Paving projects on Saunders Avenue and in the Saunders area neighborhood.
- Side walk improvements in the Wade Thomas School area.
- Crosswalk improvements at Saunders and Madrone Avenues.
- 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.

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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.

The Town department heads, in conjunction with the Town Manager, recommends three work plan items to undertake during the upcoming fiscal year. In recognition of our continuing efforts in these areas, the Town's management staff has set the following joint goals for 2009-10, and the department head staff agreed to three joint work plan goals this year, as follows:

- Continue to provide excellent customer service to the residents and business owners of San Anselmo through open and honest communication and ensuring follow through on all issues. We accomplish this by being good listeners, tolerant and empathetic to our customers' needs with a smile in our voice and a good sense of humor.
- Utilize technology to improve service delivery and efficiency, including tracking systems, records management, accounting and finance programs, etc.
- Ensure that Town operations utilize energy efficiency and green technology to reduce the Town's carbon footprint, including fleet management, purchasing, capital improvements and equipment purchases.

The 2009-10 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.

**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, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 8,192,512	\$ -	\$ 8,192,512
Accounts and interest receivable	921,500	-	921,500
Other receivables	19,102	-	19,102
Prepays and other current assets	31,945	-	31,945
Total current assets	<u>9,165,059</u>	<u>-</u>	<u>9,165,059</u>
<b>Noncurrent assets:</b>			
Deferred charges, net	157,435	-	157,435
Capital assets, net	17,061,104	-	17,061,104
Total noncurrent assets	<u>17,218,539</u>	<u>-</u>	<u>17,218,539</u>
Total assets	<u>26,383,598</u>	<u>-</u>	<u>26,383,598</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	1,108,709	-	1,108,709
Deposits payable and deferred revenue	2,058,914	-	2,058,914
Claims liabilities	97,297	-	97,297
Current portion of long-term debt	393,207	-	393,207
	<u>3,658,127</u>	<u>-</u>	<u>3,658,127</u>
<b>Noncurrent liabilities:</b>			
Claims liabilities	208,570	-	208,570
Postemployment benefit obligation	120,891	-	120,891
Long-term debt, net	9,927,643	-	9,927,643
Total liabilities	<u>13,915,231</u>	<u>-</u>	<u>13,915,231</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,607,452	-	7,607,452
Restricted for:			
Capital projects	-	-	-
Debt service	653,643	-	653,643
Unrestricted	4,207,272	-	4,207,272
Total net assets	<u>\$ 12,468,367</u>	<u>\$ -</u>	<u>\$ 12,468,367</u>

**TOWN OF SAN ANSELMO**

**Statement of Activities and Changes in Net Assets**

**For the Fiscal Year Ended June 30, 2009**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue</b>
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental activities:</b>					
General government	\$ 1,359,296	\$ -	\$ 5,682	\$ -	\$ (1,353,614)
Public safety	8,658,916	1,076,451	135,045	18,852	(7,428,568)
Public works	1,940,422	693,539	-	2,951,143	1,704,260
Planning	856,318	68,289	-	-	(788,029)
Library	588,779	23,105	36,751	-	(528,923)
Parks and recreation	1,605,480	883,955	5,000	-	(716,525)
Interest on long-term debt	494,029	-	-	-	(494,029)
Total governmental activities	<u>15,503,240</u>	<u>2,745,339</u>	<u>182,478</u>	<u>2,969,995</u>	<u>(9,605,428)</u>
<b>Business-type activities:</b>					
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (expense) revenue	<u>\$ 15,503,240</u>	<u>\$ 2,745,339</u>	<u>\$ 182,478</u>	<u>\$ 2,969,995</u>	<u>\$ (9,605,428)</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, 2009**

<b>Functions/Programs</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net (expense) revenue	\$ (9,605,428)	\$ -	\$ (9,605,428)
<b>General revenues:</b>			
Property taxes	7,923,635	-	7,923,635
Sales taxes	785,904	-	785,904
Franchise and other taxes	2,080,911	-	2,080,911
Use of money and property	267,640	-	267,640
Revenues from other agencies	379,228	-	379,228
Other revenue	201,882	-	201,882
<b>Transfers</b>	-	-	-
Total general revenues and transfers	11,639,200	-	11,639,200
Change in net assets	2,033,772	-	2,033,772
Net assets, beginning of year	10,434,595	-	10,434,595
Net assets, end of year	\$ 12,468,367	\$ -	\$ 12,468,367

**TOWN OF SAN ANSELMO**

**Governmental Funds**

**Balance Sheet**

**June 30, 2009**

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance	Recreation	Emergency Reserve	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments	\$ 2,057,863	\$ 1,847,342	\$ 226,404	\$ 642,974	\$ 1,569,897	\$ 6,344,480
Receivables:						
Accounts	431,790	4,161	1,404	156,754	312,455	906,564
Other	-	-	-	-	19,102	19,102
Prepays and other assets	9,906	-	6,439	-	2,467	18,812
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 2,499,559</u>	<u>\$ 1,851,503</u>	<u>\$ 234,247</u>	<u>\$ 799,728</u>	<u>\$ 1,903,921</u>	<u>\$ 7,288,958</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 413,979	\$ 182,697	\$ 8,530	\$ 105,454	\$ 117,111	\$ 827,771
Deposits payable and deferred revenue	274,370	-	161,881	1,619,354	3,309	2,058,914
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>688,349</u>	<u>182,697</u>	<u>170,411</u>	<u>1,724,808</u>	<u>120,420</u>	<u>2,886,685</u>
<b>Fund balances</b>						
Reserved for merchant parking	53,082	-	-	-	-	53,082
Reserved for SWARAC Downtown	1,616	-	-	-	-	1,616
Reserved - Other Debt Service Funds	-	-	-	-	653,643	653,643
Reserved - Capital projects	-	1,668,806	-	-	136,417	1,805,223
Unreserved:						
Designated (deficit) - Special Revenue Funds	-	-	-	(925,080)	1,018,362	93,282
Undesignated - General Fund	1,756,512	-	-	-	-	1,756,512
Undesignated (deficit) - Special Revenue Funds	-	-	63,836	-	(24,921)	38,915
Total fund balances	<u>1,811,210</u>	<u>1,668,806</u>	<u>63,836</u>	<u>(925,080)</u>	<u>1,783,501</u>	<u>4,402,273</u>
Total liabilities and fund balances	<u>\$ 2,499,559</u>	<u>\$ 1,851,503</u>	<u>\$ 234,247</u>	<u>\$ 799,728</u>	<u>\$ 1,903,921</u>	<u>\$ 7,288,958</u>

**TOWN OF SAN ANSELMO**

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

**June 30, 2009**

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**Total Fund Balances - Total Governmental Funds** **\$ 4,402,273**

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	\$ 38,271	
1997 General Obligation Bonds	41,745	
2000 General Obligation Bonds	33,363	
2003 General Obligation Bonds	<u>44,056</u>	157,435

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

Nondepreciable	4,452,812	
Depreciable	18,488,633	
Less: accumulated depreciation	<u>(5,880,341)</u>	17,061,104

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.

(232,429)

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	(1,690,000)	
1997 General Obligation Bonds	(2,925,000)	
2000 General Obligation Bonds	(2,245,000)	
2003 General Obligation Bonds	(2,420,000)	
California Energy Commission Loan	(16,217)	
Due to County of Marin for overpayment of traffic school and evidence fees	(164,950)	
Employee benefits payable	(120,891)	
Accrued compensated absences	(359,683)	
Due to insurance company for landslide repairs (Note 5)	<u>(500,000)</u>	(10,441,741)

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

1,521,725

**Net Assets of Governmental Activities**

**\$ 12,468,367**

**TOWN OF SAN ANSELMO****Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances**

For the Fiscal Year Ended June 30, 2009

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance	Recreation	Emergency Reserve	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 7,923,635	\$ -	\$ -	\$ -	\$ -	\$ 7,923,635
Sales taxes	785,904	-	-	-	-	785,904
Franchise and other taxes	2,080,911	-	-	-	-	2,080,911
Licenses and permits	542,227	-	-	-	-	542,227
Fines and forfeitures	136,578	-	-	-	-	136,578
Measure G levy	-	-	-	-	742,299	742,299
Use of money and property	121,902	3,856	-	2,486	139,396	267,640
Revenues from other agencies	177,690	-	-	917,125	1,703,092	2,797,907
Current services charges	883,322	208,276	883,955	-	-	1,975,553
Other revenue	86,149	-	-	106,233	9,500	201,882
<b>Total revenues</b>	<b>12,738,318</b>	<b>212,132</b>	<b>883,955</b>	<b>1,025,844</b>	<b>2,594,287</b>	<b>17,454,536</b>
<b>EXPENDITURES</b>						
Current:						
General government	1,256,132	-	-	14,355	1,530	1,272,017
Public safety	7,975,792	-	-	158,517	135,045	8,269,354
Public works	961,343	-	-	-	-	961,343
Planning & building	821,565	-	-	-	-	821,565
Library	549,776	-	-	-	-	549,776
Parks and recreation	417,766	-	920,120	-	159,794	1,497,680
Capital outlay	-	445,714	-	1,749,589	1,249,055	3,444,358
Debt service:						
Principal	-	-	-	-	357,737	357,737
Interest	-	-	-	-	489,078	489,078
<b>Total expenditures</b>	<b>11,982,374</b>	<b>445,714</b>	<b>920,120</b>	<b>1,922,461</b>	<b>2,392,239</b>	<b>17,662,908</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>755,944</b>	<b>(233,582)</b>	<b>(36,165)</b>	<b>(896,617)</b>	<b>202,048</b>	<b>(208,372)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	214,960	400,000	100,000	158,517	437,355	1,310,832
Transfers out	(1,205,571)	-	-	-	(223,294)	(1,428,865)
<b>Total other financing sources (uses)</b>	<b>(990,611)</b>	<b>400,000</b>	<b>100,000</b>	<b>158,517</b>	<b>214,061</b>	<b>(118,033)</b>
<b>Net change in fund balances</b>	<b>(234,667)</b>	<b>166,418</b>	<b>63,835</b>	<b>(738,100)</b>	<b>416,109</b>	<b>(326,405)</b>
Fund balances, beginning of year	2,045,877	1,502,388	1	(186,980)	1,367,392	4,728,678
<b>Fund balances, end of year</b>	<b>\$ 1,811,210</b>	<b>\$ 1,668,806</b>	<b>\$ 63,836</b>	<b>\$ (925,080)</b>	<b>\$ 1,783,501</b>	<b>\$ 4,402,273</b>

**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, 2009**

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**Net Changes in Fund Balances - Total Governmental Funds** **\$ (326,405)**

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	\$2,722,195	
Depreciation expense	<u>(594,003)</u>	2,128,192

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	440,214
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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	36,464	
Change in employee benefits payable	(120,891)	
Change in accrued interest payable	<u>6,811</u>	(89,376)

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

<u>(118,854)</u>
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**Total Changes in Net Assets of Governmental Activities** **\$ 2,033,772**

**TOWN OF SAN ANSELMO**  
**Proprietary Funds**  
**Statement of Net Assets (Deficit)**  
**June 30, 2009**

	<u>Business-Type Activities-</u>	<u>Governmental Activities - Internal Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ -	\$ 1,848,032
Accounts receivable		14,936
Prepaid expense	-	13,133
Total current assets	<u>-</u>	<u>1,876,101</u>
Noncurrent assets:		
Capital assets, net	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>1,876,101</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	-	48,509
Claims liabilities	-	97,297
Total current liabilities	<u>-</u>	<u>145,806</u>
Non-current liabilities:		
Claims liabilities	-	208,570
Total liabilities	<u>-</u>	<u>354,376</u>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted		1,521,725
Total net assets (deficit)	<u>\$ -</u>	<u>\$ 1,521,725</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**

	Business-Type Activities-	Governmental Activities - Internal Service Funds
<b>REVENUES</b>		
Current service charges	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
<b>EXPENSES</b>		
Insurance premiums	-	239,728
Claims expense (reimbursements), net	-	(2,841)
Total expenses	<u>-</u>	<u>236,887</u>
Operating income (loss)	<u>-</u>	<u>(236,887)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	118,033
Transfers out	<u>-</u>	<u>-</u>
	<u>-</u>	<u>118,033</u>
Change in net assets	-	(118,854)
Net assets, beginning of year	-	1,640,579
Net assets (deficit), end of year	<u>\$ -</u>	<u>\$ 1,521,725</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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from interfund services provided	\$ -	\$ -
Cash paid to suppliers	-	(421,122)
Net cash used by operating activities	<u>-</u>	<u>(421,122)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers in from other funds	-	118,033
Transfers out to other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>118,033</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments - bonds	-	-
Interest paid	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	-	(303,089)
Cash and cash equivalents at beginning of year	-	2,151,121
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 1,848,032</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ -	\$ (236,887)
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	-	(4,094)
Increase (decrease) in accounts payable and accrued liabilities	-	8,657
Increase (decrease) in claims liabilities	-	(188,798)
Net cash used by operating activities	<u>\$ -</u>	<u>\$ (421,122)</u>

**Town of San Anselmo**  
**Notes to Financial Statements**  
**June 30, 2009**

**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, 2009 was 12,644.

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, 2009 the Town's staff was comprised of 55 regular employees (head count) 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, 2009, 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. Business-type activities are financed generally through user fees. The Town had no fiduciary activities or business-type activities at June 30, 2009.

**Town of San Anselmo**  
**Notes to Financial Statements**  
**June 30, 2009**

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

**Town of San Anselmo**  
**Notes to Financial Statements**  
**June 30, 2009**

The Town's only internal service fund at June 30, 2009 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.

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.

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**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, 2009.

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, 2009.

**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:

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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**  
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**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, 2009:

<u>Fiscal years ending June 30</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
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	158,517	101,410	57,107
2015-2019	792,585	582,991	209,594
2020-2023	634,068	572,743	61,325
	<u>\$ 2,219,238</u>	<u>\$ 1,619,354</u>	<u>\$ 599,884</u>

**R. Post-Employment Health Care Benefits**

During the year ended June 30, 2009, the Town implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions by State and Local Government Employers*. The Town provides health care benefits for 27 retired employees. Substantially all of the Town's employees may become eligible for those benefits if they reach the normal retirement age, are eligible for medical coverage, and actually retire from the Town. See Note 10 for disclosures related to post-employment health care benefits.

**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.

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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.

**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, 2009:

	<u>Carrying Value</u>	<u>Fair Value</u>
<b>Non-categorized:</b>		
Cash in bank and on hand:		
Cash deposits	\$ 63,008	\$ 63,008
Petty cash	630	630
Pooled investments:		
Local Agency Investment Fund (LAIF)	<u>8,128,874</u>	<u>8,139,963</u>
Total cash and investments	<u>\$ 8,192,512</u>	<u>\$ 8,203,601</u>

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

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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 \$63,008 at June 30, 2009. Bank balances before reconciling items totaled \$23,337. 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)	\$ 8,139,963	\$ 8,139,963	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 8,139,963</b>	<b>\$ 8,139,963</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*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.

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Fiscal Year End	
			AAA	Not Rated
State investment pool (LAIF)	\$ 8,139,963	\$ -	\$ -	\$ 8,139,963
<b>Total</b>	<b>\$ 8,139,963</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,139,963</b>

**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.

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*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.

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". The Town's Investments are carried at a value not materially different from fair value at June 30, 2009.

**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).

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**June 30, 2009**

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

	June 30, 2008	Increases	Decreases	June 30, 2009
Capital assets not being depreciated:				
Land	\$ 2,591,850	\$ -	\$ -	\$ 2,591,850
Construction in progress	868,149	992,813	-	1,860,962
Non-depreciable capital assets	<u>3,459,999</u>	<u>992,813</u>	<u>-</u>	<u>4,452,812</u>
Depreciable capital assets:				
Buildings and improvements	9,451,117	352,446	-	9,803,563
Equipment	2,719,811	35,365	(64,875)	2,690,301
Infrastructure	4,646,810	1,347,959	-	5,994,769
Depreciable capital assets	<u>16,817,738</u>	<u>1,735,770</u>	<u>(64,875)</u>	<u>18,488,633</u>
Less - accumulated depreciation for:				
Buildings and improvements	3,653,912	261,567	-	3,915,479
Equipment	1,191,964	146,564	(58,490)	1,280,038
Infrastructure	498,952	185,872	-	684,824
Accumulated depreciation	<u>5,344,828</u>	<u>594,003</u>	<u>(58,490)</u>	<u>5,880,341</u>
Depreciable capital assets, net	<u>11,472,910</u>	<u>1,141,767</u>	<u>(6,385)</u>	<u>12,608,292</u>
Total capital assets, net	<u>\$ 14,932,909</u>	<u>\$ 2,134,580</u>	<u>\$ (6,385)</u>	<u>\$ 17,061,104</u>

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

Governmental activities:	
General government	\$ 50,748
Public safety	208,792
Public works	226,668
Library	25,839
Parks and recreation	81,956
	<u>\$ 594,003</u>

The Town has no business-type activities.

**NOTE 4 – Long-term debt:**

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.

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Changes in long-term obligations and debt for the fiscal year ended June 30, 2009 are as follows:

	June 30, 2008	Additions	Retirements	June 30, 2009	Due in next fiscal year
General Obligation Bonds	\$ 9,550,000	\$ -	\$ 270,000	\$ 9,280,000	\$ 300,000
California Energy Commission Loan	26,633	-	10,416	16,217	10,731
Capital lease obligations	77,321	-	77,321	-	-
Compensated absences	396,146	556,728	593,191	359,683	-
Due to insurance JPA (a)	500,000	-	-	500,000	(a)
Due to County of Marin (b)	247,426	-	82,476	164,950	82,476
Post-employment health care benefits obligation (c)	-	120,891	-	120,891	-
	<u>\$ 10,797,526</u>	<u>\$ 677,619</u>	<u>\$ 1,033,404</u>	<u>\$ 10,441,741</u>	<u>\$ 393,207</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.
- (c) See Note 10 regarding disclosures related to the Town's post-employment health care benefits obligation.

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Bonds and other debt payable at June 30, 2009, by individual issue, are as follows:

	Due Serially to Fiscal year Ending June 30,	Interest Rate	Principal Remaining
<b>Bonds payable:</b>			
General Obligation - Series 1995	2021	5.0%-6.0%	\$ 1,690,000
General Obligation - Series 1997	2023	3.9%-5.35%	2,925,000
General Obligation - Series 2000	2026	5.0%-8.0%	2,245,000
General Obligation - Series 2003	2029	2.5%-4.85%	2,420,000
			<u>\$ 9,280,000</u>
<b>Other debt:</b>			
California Energy Commission	2011	3.00%	<u>\$ 16,217</u>
Due to County of Marin	2011	3.87%	<u>\$ 164,950</u>

The minimum annual payments on the bonds, California Energy loan 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
	Series 1995	Series 1997	Series 2000	Series 2003		
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	190,805	283,230	193,050	169,702	-	-
2015-2019	1,042,835	1,513,610	1,013,580	909,650	-	-
2020-2024	445,800	1,334,550	1,087,651	993,980	-	-
2025-2029	-	-	459,335	1,105,618	-	-
2030-2033	-	-	-	-	-	-
Total payments	2,405,282	4,215,583	3,500,941	3,833,554	16,706	174,706
Less - interest	(715,282)	(1,290,583)	(1,255,941)	(1,413,554)	(489)	(9,756)
	<u>\$ 1,690,000</u>	<u>\$ 2,925,000</u>	<u>\$ 2,245,000</u>	<u>\$ 2,420,000</u>	<u>\$ 16,217</u>	<u>\$ 164,950</u>

**Town of San Anselmo**  
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**NOTE 5 -- 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, 2009 were:

	General Fund	Road Maintenance	Non-Major Other Funds	Total
Merchant parking	\$ 53,082	\$ -	\$ -	\$ 53,082
SWARAC Downtown	1,616	-	-	1,616
Debt service	-	-	653,643	653,643
Capital projects	-	1,668,806	136,417	1,805,223
	<u>\$ 54,698</u>	<u>\$ 1,668,806</u>	<u>\$ 790,060</u>	<u>\$ 2,513,564</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, 2009 were:

	General Fund	Road Maintenance	Recreation	Emergency Reserve	Non-Major Other Funds	Total
Capital reconstruction	\$ -	\$ -	\$ -	\$ -	\$ 240,945	\$ 240,945
Traffic Congestion Relief	-	-	-	-	577,908	577,908
Emergency reserve (A)	-	-	-	(925,080)	-	(925,080)
Equipment replacement	-	-	-	-	175,945	175,945
Special events	-	-	-	-	2,728	2,728
Downtown revitalization	-	-	-	-	20,836	20,836
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (925,080)</u>	<u>\$ 1,018,362</u>	<u>\$ 93,282</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 being recognized over the term of the lease, and as of June 30, 2009, \$1,619,354 remains as deferred revenue on the accompanying financial statements, and is therefore not included in fund balance as of June 30, 2009.

**Town of San Anselmo**  
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**NOTE 6 – 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, 2009 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Governmental Funds:</b>		
General Fund	\$ 214,960	\$ 1,205,571
Road Maintenance Fund	400,000	-
Recreation	100,000	-
Emergency Projects Fund	158,517	-
Total major governmental funds	<u>873,477</u>	<u>1,205,571</u>
<b>Non-major Governmental Funds:</b>		
Special revenue funds:		
Capital Reconstruction	144,000	6,334
Isabel Cook Center	35,000	-
Gas Tax	-	214,960
Equipment replacement	258,355	2,000
Total non-major governmental funds	<u>437,355</u>	<u>223,294</u>
<b>Internal Service Funds:</b>		
Insurance	118,033	-
Total internal service funds	<u>118,033</u>	<u>-</u>
<b>Total All Funds:</b>	<u><b>\$ 1,428,865</b></u>	<u><b>\$ 1,428,865</b></u>

**NOTE 7 – 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**  
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Funding policy

The Town provides a two tier retirement plan. Tier one includes employees hired before February 1, 2007. Participation in this tier requires a contribution 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 20.259% for non-safety employees and 35.217% for police employees, of annual covered payroll. For employees hired on or after February 1, 2007 participation in tier two requires a contribution of 7% (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 8.634% for non-safety employees and 15.191% 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 2009, the Town's annual pension cost of \$1,301,189 for CalPERS was equal to the Town's required and actual contributions. The Town also contributed \$915,956 toward the Ross Valley Fire Service's annual pension cost. The required contribution was determined as part of the June 30, 2007 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

	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2007	\$ 1,189,090	100%	\$ -
6/30/2008	\$ 1,255,808	100%	\$ -
6/30/2009	\$ 1,301,189	100%	\$ -

**NOTE 8 – 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, 2009 amounted to \$683,617 (\$544,358 for OASDI and \$139,259 for Medicare) of which the Town paid one-half.

**Town of San Anselmo**  
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**NOTE 9 – 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 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 10 – Post-retirement health benefits:**

Plan Description

During the fiscal year ended June 30, 2009, the Town implemented GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions by State and Local Governmental Employers*. This statement establishes uniform financial reporting standards for employers providing postemployment benefits. The provisions of this statement are applied on a prospective basis.

The Town provides medical insurance benefits under the CalPERS health plan to eligible retirees and dependents in accordance with various labor agreements. Employees are eligible for retiree health benefits if they retire from the Town on or after age 50 (unless disabled) and are eligible for a PERS pension.

Funding Policy

The Town's policy is to fund these benefits on a pay-as-you-go basis, and paid \$225 per retiree for the fiscal year ended June 30, 2009 (a total of \$67,010) to the plan. The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount which was determined as part of a July 1, 2008 actuarial valuation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years.

The Town's OPEB unfunded actuarial accrued liability as of July 1, 2008, the date of the most recent actuarial valuation, was a total of \$1,747,300 (\$658,400 for Police employees and \$1,088,900 for Miscellaneous employees). This OPEB obligation has been adjusted by i) an annual inflation percentage of 3.5 percent based on the assumptions of the actuarial valuation, and ii) the 8 percent increase in participants from July 1, 2008 to June 30, 2009 which results in an OPEB obligation at June 30, 2009 of \$1,808,455 (\$681,444 for Police employees and \$1,127,011 for Miscellaneous employees). The Town has calculated and recorded the Net OPEB obligation, representing the difference between the ARC, amortization and contributions, as follows:

**Town of San Anselmo**  
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	<u>Police</u>	<u>Miscellaneous</u>	<u>Total</u>
Annual required contributions (ARC) and annual OPEB cost	\$ 77,800	\$ 110,100	\$ 187,900
Contributions made by Town	<u>(30,713)</u>	<u>(36,296)</u>	<u>(67,009)</u>
Increase in net OPEB obligation	47,087	73,804	120,891
Net OPEB obligations, beginning of year	-	-	-
Net OPEB obligations, end of year	<u>\$ 47,087</u>	<u>\$ 73,804</u>	<u>\$ 120,891</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2009 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/07	N/A	N/A	N/A
06/30/08	N/A	N/A	N/A
06/30/09	\$ 187,900	35.7%	\$ 120,891

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation, if any, is required for the current fiscal year and each of the two preceding fiscal years. The fiscal year ended June 30, 2009 is the first year of implementation of the Town's post-retirement health care plan accounted for and reported in accordance with the requirements of GASB 45. Accordingly, three-year data is not available and will be shown when such data becomes available.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of plan benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions include a 5 percent investment rate of return, covered payroll increases of 3.5% per year, and an inflation rate of 3.25% per year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years.

**Funded Status and Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents three-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for plan benefits.

**Town of San Anselmo**  
**Notes to Financial Statements**  
**June 30, 2009**

**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 Excess Liability Program.

During the fiscal year ended June 30, 2009, the Town incurred costs of \$239,727 for coverage premiums and administration of the risk pools.

The Town had the following balances at June 30, 2009:

	Workers’ Compensation	General Liability	Total
Outstanding claims, end of period	\$ 64,959	\$ 28,871	\$ 93,830
Incurred but not reported	171,621	43,774	215,395
Total liability for unpaid claims	<u>\$ 236,580</u>	<u>\$ 72,645</u>	<u>\$ 309,225</u>
Discounted liabilities	\$ 236,580	\$ 69,287	\$ 305,867
Current portion	67,599	29,698	97,297
Noncurrent portion	<u>\$ 168,981</u>	<u>\$ 39,589</u>	<u>\$ 208,570</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**  
**Notes to Financial Statements**  
**June 30, 2009**

Audited financial statements may be obtained from the Bay Cities Joint Powers Insurance Authority at 1831 K Street, Sacramento, CA 95811. Condensed unaudited financial information of BCJPIA at and for the fiscal year ended June 30, 2009 (audited information for the year ended June 30, 2009 was unavailable) is as follows:

Total assets	\$ 22,789,374
Total liabilities	<u>14,599,439</u>
Net assets	<u>\$ 8,189,935</u>
Total revenues	\$ 10,255,328
Total expenditures	<u>10,377,153</u>
Net income	<u>\$ (121,825)</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, 2009 was \$3,773,138 for operations and \$66,202 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, 2009, the tax was \$42 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**  
**June 30, 2009**

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,	
2010	\$ 63,350
2011	63,387
2012	63,334
2013	63,291
2014	63,157
2015-2019	315,305
2020-2021	188,571
	<u>820,396</u>
Less - interest	(225,155)
	<u>\$ 595,241</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, 2009**

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 \$925,080 at June 30, 2009, 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, 2009 in the amount of \$24,921 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, 2009, expenditures exceeded appropriations in the following funds:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<b>General Fund:</b>			
Library	\$ 541,509	\$ 549,776	\$ 8,267
<b>Emergency Reserve Fund:</b>			
Public Safety	-	14,355	14,355

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**(BUDGETARY INFORMATION,  
PENSION FUNDING AND  
OPEB FUNDING)**

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**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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 7,721,384	\$ 7,881,384	\$ 7,923,635	\$ 42,251
Sales taxes	804,407	804,407	785,904	(18,503)
Franchise and other taxes	2,084,312	2,084,312	2,080,911	(3,401)
Licenses and permits	699,386	574,386	542,227	(32,159)
Fines and forfeitures	151,316	151,316	136,578	(14,738)
Earnings on investments	102,048	102,048	121,902	19,854
Revenues from other agencies	105,762	200,714	177,690	(23,024)
Current services charges	371,932	1,003,007	883,322	(119,685)
Other revenue	50,500	87,237	86,149	(1,088)
Total revenues	<u>12,091,047</u>	<u>12,888,811</u>	<u>12,738,318</u>	<u>(150,493)</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,337,279	1,340,262	1,256,132	84,130
Public safety	7,369,906	8,015,981	7,975,792	40,189
Public works	975,275	975,275	961,343	13,932
Planning & Building	824,827	842,827	821,565	21,262
Library	502,820	541,509	549,776	(8,267)
Parks and recreation	424,641	424,641	417,766	6,875
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>11,434,748</u>	<u>12,140,495</u>	<u>11,982,374</u>	<u>158,121</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>656,299</u>	<u>748,316</u>	<u>755,944</u>	<u>7,628</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	240,263	240,263	214,960	(25,303)
Transfers out	<u>(1,026,271)</u>	<u>(1,205,571)</u>	<u>(1,205,571)</u>	<u>-</u>
Total other financing sources (uses)	<u>(786,008)</u>	<u>(965,308)</u>	<u>(990,611)</u>	<u>(25,303)</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>\$ (129,709)</u>	<u>\$ (216,992)</u>	<u>(234,667)</u>	<u>\$ (17,675)</u>
Fund balances, beginning of year			<u>2,045,877</u>	
Fund balances, end of year			<u>\$ 1,811,210</u>	

**TOWN OF SAN ANSELMO**

**Major Special Revenue Funds**

**Budgetary Comparison Schedule**

**For the Fiscal Year Ended June 30, 2009**

	Road Maintenance			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	5,000	5,000	3,856	(1,144)
Revenues from other agencies	-	-	-	-
Current services charges	313,600	313,600	208,276	(105,324)
Other revenue	-	-	-	-
Total revenues	<u>318,600</u>	<u>318,600</u>	<u>212,132</u>	<u>(106,468)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	843,511	843,511	445,714	397,797
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>843,511</u>	<u>843,511</u>	<u>445,714</u>	<u>397,797</u>
Excess of revenues over (under) expenditures	<u>(524,911)</u>	<u>(524,911)</u>	<u>(233,582)</u>	<u>291,329</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	400,000	400,000	400,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (124,911)</u>	<u>\$ (124,911)</u>	<u>166,418</u>	<u>\$ 291,329</u>
Fund balances, beginning of year			<u>1,502,388</u>	
Fund balances, end of year			<u>\$ 1,668,806</u>	

**TOWN OF SAN ANSELMO**  
**Major Special Revenue Funds - Recreation Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2009**

	Recreation			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Revenues from other agencies	-	10,000	-	(10,000)
Current services charges	1,019,998	1,019,998	883,955	(136,043)
Other revenue	-	-	-	-
Total revenues	<u>1,019,998</u>	<u>1,029,998</u>	<u>883,955</u>	<u>(146,043)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	1,019,998	1,029,998	920,120	109,878
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,019,998</u>	<u>1,029,998</u>	<u>920,120</u>	<u>109,878</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(36,165)</u>	<u>(36,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	100,000	100,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 100,000</u>	<u>63,835</u>	<u>\$ (36,165)</u>
Fund balances, beginning of year			<u>1</u>	
Fund balances, end of year			<u>\$ 63,836</u>	

**TOWN OF SAN ANSELMO**

**Major Special Revenue Funds - Emergency Reserve Fund**

**Budgetary Comparison Schedule**

**For the Fiscal Year Ended June 30, 2009**

	Emergency Reserve			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	3,000	3,000	2,486	(514)
Revenues from other agencies	692,489	692,489	917,125	224,636
Current services charges	-	-	-	-
Other revenue	-	80,646	106,233	25,587
Total revenues	<u>695,489</u>	<u>776,135</u>	<u>1,025,844</u>	<u>249,709</u>
<b>EXPENDITURES</b>				
General government	-	-	14,355	(14,355)
Public safety	-	158,517	158,517	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	1,842,081	1,842,081	1,749,589	92,492
Flood repairs	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,842,081</u>	<u>2,000,598</u>	<u>1,922,461</u>	<u>78,137</u>
Excess of revenues over (under) expenditures	<u>(1,146,592)</u>	<u>(1,224,463)</u>	<u>(896,617)</u>	<u>327,846</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease agreements (A)	-	-	-	-
Transfers in	-	158,517	158,517	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>158,517</u>	<u>158,517</u>	<u>-</u>
Net change in fund balances	<u><u>\$(1,146,592)</u></u>	<u><u>\$ (1,065,946)</u></u>	<u><u>(738,100)</u></u>	<u><u>\$ 327,846</u></u>
Fund balances, beginning of year			<u>(186,980)</u>	
Fund balances, end of year			<u><u>\$ (925,080)</u></u>	

**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)	Actuarial Accrued Liability % of Covered Payroll [(A-B)/C]
6/30/2005	\$ 2,891,460,651	\$ 2,588,713,000	\$ 302,747,651	89.5%	\$ 755,046,679	40.097%
6/30/2006	\$ 2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.458%
6/30/2007	\$ 2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.104%
6/30/2008			*** Information not available ***			
6/30/2009			*** Information not available ***			

**Safety Plan:**

Valuation Date	Accrued Liability (A)	Value of Assets (B)	(Excess Assets) [(A)-(B)]	Funded Ratio [(B)/(A)]	Covered Payroll	Actuarial Accrued Liability % of Covered Payroll [(A-B)/C]
6/30/2005	\$ 1,325,510,754	\$ 1,105,298,221	\$ 220,212,533	83.4%	\$ 161,446,071	136.400%
6/30/2006	\$ 1,473,284,852	\$ 1,252,059,468	\$ 262,170,432	85.0%	\$ 177,088,890	148.045%
6/30/2007	\$ 1,648,159,522	\$ 1,422,143,105	\$ 226,016,417	86.3%	\$ 200,537,256	112.705%
6/30/2008			*** Information not available ***			
6/30/2009			*** Information not available ***			

\*The actuarial value of assets, liabilities and covered payroll are obtained from the Town of San Anselmo's annual actuarial reports received from CalPERS. The Town retirement plans for miscellaneous and safety employees are part of the CalPERS risk pool for cities and other government entities that have less than 100 active employees. Actuarial valuations performed covers the entire risk pool and not just the Town of San Anselmo; therefore, standalone information of the schedule of the funding progress for the Town's miscellaneous and safety employees is no longer available. The information for fiscal years after June 30, 2005 is not available and therefore is not included in the above analysis.

**TOWN OF SAN ANSELMO**

**Other Post-retirement Benefits**

**Schedule of Funding Progress (Unaudited)**

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<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability (A)</u>	<u>Actuarial Value of Assets (B)</u>	<u>Unfunded Liability/ (Excess Assets) [(A)-(B)]</u>	<u>Funded Ratio [(B)/(A)]</u>	<u>Covered Payroll (C)</u>	<u>Actuarial Accrued Liability % of Covered Payroll [(A-B)/C]</u>
7/1/2008	\$ 1,747,300	\$ -	\$ 1,747,300	0.0%	\$ 3,725,600	46.900%

Note: Three-year funding progress data will be shown when three year's funding progress data becomes available.

**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, 2009**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 922,194	\$ 647,703	\$ 1,569,897
Receivables:			
Accounts	306,515	5,940	312,455
Other taxes	19,102	-	19,102
Prepays and other assets	2,467	-	2,467
Total assets	<u>\$ 1,250,278</u>	<u>\$ 653,643</u>	<u>\$ 1,903,921</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 117,111	\$ -	\$ 117,111
Deposits payable and deferred revenue	3,309	-	3,309
Total liabilities	<u>120,420</u>	<u>-</u>	<u>120,420</u>
<b>Fund balances:</b>			
Reserved	136,417	653,643	790,060
Designated	1,018,362	-	1,018,362
Unreserved (deficit)	(24,921)	-	(24,921)
Total fund balances	<u>1,129,858</u>	<u>653,643</u>	<u>1,783,501</u>
Total liabilities and fund balances	<u>\$ 1,250,278</u>	<u>\$ 653,643</u>	<u>\$ 1,903,921</u>

**TOWN OF SAN ANSELMO****Nonmajor Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2009**

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Measure G levy	\$ -	\$ 742,299	\$ 742,299
Use of money and property	132,162	7,234	139,396
Revenues from other agencies	1,703,092	-	1,703,092
Other revenue	9,500	-	9,500
Total revenues	<u>1,844,754</u>	<u>749,533</u>	<u>2,594,287</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	1,530	1,530
Public safety	135,045	-	135,045
Parks and recreation	159,794	-	159,794
Capital outlay	1,249,055	-	1,249,055
Debt service:			
Principal	87,737	270,000	357,737
Interest	-	489,078	489,078
Total expenditures	<u>1,631,631</u>	<u>760,608</u>	<u>2,392,239</u>
REVENUES OVER (UNDER) EXPENDITURES	213,123	(11,075)	202,048
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital lease agreements	-	-	-
Transfers in	437,355	-	437,355
Transfers out	(223,294)	-	(223,294)
Total other financing sources (uses)	<u>214,061</u>	<u>-</u>	<u>214,061</u>
Net change in fund balances	427,184	(11,075)	416,109
Fund balances, beginning of year	702,674	664,718	1,367,392
Fund balances, end of year	<u>\$ 1,129,858</u>	<u>\$ 653,643</u>	<u>\$ 1,783,501</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, 2009

	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
Cash and investments	\$ 265,189	\$ 47,948	\$ 424,246	\$ (19,102)	\$ (45,116)	\$ (31,572)	\$ 90,696	\$ 175,945	\$ 3,624	\$ (13,000)	\$ 23,336	\$ 922,194
Receivables:												
Accounts	-	-	239,293	-	45,116	8,898	-	-	-	13,208	-	306,515
Other taxes	-	-	-	19,102	-	-	-	-	-	-	-	19,102
Prepaid expense	-	-	-	-	-	-	2,377	-	-	-	-	2,467
Total assets	\$ 265,189	\$ 47,948	\$ 663,539	\$ -	\$ -	\$ (22,674)	\$ 93,073	\$ 175,945	\$ 3,624	\$ 298	\$ 23,336	\$ 1,250,278

LIABILITIES AND FUND BALANCES

Liabilities:												
Accounts payable and accrued liabilities	\$ 24,244	-	\$ 85,631	-	-	\$ 2,247	\$ 1,295	-	\$ 896	\$ 298	\$ 2,500	\$ 117,111
Deposits payable and deferred revenue	-	-	-	-	-	-	3,309	-	-	-	-	3,309
Total liabilities	24,244	-	85,631	-	-	2,247	4,604	-	896	298	2,500	120,420
Fund balances:												
Reserved	-	47,948	-	-	-	-	88,469	-	-	-	-	136,417
Designated	240,945	-	577,908	-	-	-	-	175,945	2,728	-	20,836	1,018,362
Unreserved (deficit)	-	-	-	-	-	(24,921)	-	-	-	-	-	(24,921)
Total fund balances	240,945	47,948	577,908	-	-	(24,921)	88,469	175,945	2,728	-	20,836	1,129,858
Total liabilities and fund balances	\$ 265,189	\$ 47,948	\$ 663,539	\$ -	\$ -	\$ (22,674)	\$ 93,073	\$ 175,945	\$ 3,624	\$ 298	\$ 23,336	\$ 1,250,278

**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, 2009**

	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
<b>REVENUES</b>												
Use of money and property												132,162
Revenues from other agencies	23,000		1,311,235	214,960	100,000	89,568	42,594	18,852		35,045		1,703,092
Other revenue	7,000										2,500	9,500
Total revenues	30,000		1,311,235	214,960	100,000	89,568	42,594	18,852		35,045	2,500	1,844,754
<b>EXPENDITURES</b>												
Current:												
Public safety					100,000					35,045		135,045
Parks and recreation						109,091	46,029		891		3,783	159,794
Capital outlay	200,344	52,683	828,188					167,840				1,249,055
Debt service:												
Principal								87,737				87,737
Interest												
Total expenditures	200,344	52,683	828,188		100,000	109,091	46,029	255,577	891	35,045	3,783	1,631,631
Excess of revenues over (under) expenditures	(170,344)	(52,683)	483,047	214,960		(19,523)	(3,435)	(236,725)	(891)		(1,283)	213,123
<b>OTHER FINANCING SOURCES (USES)</b>												
Capital lease agreements												
Transfers in	144,000					35,000		288,355				437,355
Transfers out	(6,334)			(214,960)				(2,000)				(223,294)
Total other financing sources (uses)	137,666			(214,960)		35,000		256,355				214,061
Net change in fund balances	(32,678)	(52,683)	483,047			15,477	(3,435)	19,630	(891)		(1,283)	427,184
Fund balances, beginning of year	273,623	100,631	94,861			(40,398)	91,904	156,315	3,619		22,119	702,674
Fund balances, end of year	240,945	47,948	577,908			(24,921)	88,469	175,945	2,728		20,836	1,129,858

**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, 2009**

	Measure G 2003	Measure G 2000	Measure G 1997	Measure G 1995	Total Other Debt Service Funds
<b>ASSETS</b>					
Cash and investments	\$ 121,875	\$ 150,879	\$ 218,449	\$ 156,500	\$ 647,703
Accounts receivable	1,161	1,380	1,985	1,414	5,940
Total assets	<u>\$ 123,036</u>	<u>\$ 152,259</u>	<u>\$ 220,434</u>	<u>\$ 157,914</u>	<u>\$ 653,643</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>					
Reserved for debt service	123,036	152,259	220,434	157,914	653,643
	-	-	-	-	-
Total fund balances	<u>123,036</u>	<u>152,259</u>	<u>220,434</u>	<u>157,914</u>	<u>653,643</u>
Total liabilities and fund balances	<u>\$ 123,036</u>	<u>\$ 152,259</u>	<u>\$ 220,434</u>	<u>\$ 157,914</u>	<u>\$ 653,643</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, 2009**

	Measure G 2003	Measure G 2000	Measure G 1997	Measure G 1995	Total Other Debt Service Funds
<b>REVENUES</b>					
Measure G Levy	\$ 146,455	\$ 172,252	\$ 242,515	\$ 181,077	\$ 742,299
Use of money and property	1,256	1,595	2,666	1,717	7,234
Total revenues	<u>147,711</u>	<u>173,847</u>	<u>245,181</u>	<u>182,794</u>	<u>749,533</u>
<b>EXPENDITURES</b>					
Current:					
General government	500	500	-	530	1,530
Debt service:					
Principal	40,000	60,000	100,000	70,000	270,000
Interest	110,903	121,550	155,315	101,310	489,078
Total expenditures	<u>151,403</u>	<u>182,050</u>	<u>255,315</u>	<u>171,840</u>	<u>760,608</u>
Excess of revenues over (under) expenditures	<u>(3,692)</u>	<u>(8,203)</u>	<u>(10,134)</u>	<u>10,954</u>	<u>(11,075)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
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	(3,692)	(8,203)	(10,134)	10,954	(11,075)
Fund balances, beginning of year	126,728	160,462	230,568	146,960	664,718
Fund balances, end of year	<u>\$ 123,036</u>	<u>\$ 152,259</u>	<u>\$ 220,434</u>	<u>\$ 157,914</u>	<u>\$ 653,643</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, 2009**

	<u>Insurance</u>	<u>Total Internal Service Funds</u>
<b><u>Assets</u></b>		
<b>ASSETS</b>		
Cash and investments	\$ 1,848,032	\$ 1,848,032
Accounts receivable	14,936	14,936
Prepaid expense	13,133	13,133
Total current assets	<u>1,876,101</u>	<u>1,876,101</u>
Capital assets, net	-	-
Total assets	<u>1,876,101</u>	<u>1,876,101</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	48,509	48,509
Claims liabilities	97,297	97,297
Total current liabilities	<u>145,806</u>	<u>145,806</u>
Non-current liabilities:		
Claims liabilities	208,570	208,570
Total liabilities	<u>354,376</u>	<u>354,376</u>
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	-	-
Unrestricted	1,521,725	1,521,725
Total net assets (deficit)	<u>\$ 1,521,725</u>	<u>\$ 1,521,725</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, 2009**

---

	Insurance	Total Internal Service Funds
<b>REVENUES</b>		
Current service charges	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
<b>EXPENSES</b>		
Insurance premiums	239,728	239,728
Claims expense (reimbursements), net	(2,841)	(2,841)
Total expenses	<u>236,887</u>	<u>236,887</u>
Operating income (loss)	<u>(236,887)</u>	<u>(236,887)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	118,033	118,033
Transfers out	-	-
	<u>118,033</u>	<u>118,033</u>
Change in net assets	(118,854)	(118,854)
Net assets, beginning of year	1,640,579	1,640,579
Net assets (deficit), end of year	<u>\$ 1,521,725</u>	<u>\$ 1,521,725</u>

TOWN OF SAN ANSELMO, CALIFORNIA

SINGLE AUDIT REPORTS ON FEDERAL AWARDS PROGRAMS

\* \* \* \* \*

JUNE 30, 2009

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

**JUNE 30, 2009**

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November 25, 2009

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, 2009. 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, 2009.

**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, 2009, and have issued our report thereon dated November 25, 2009. 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 Ullatko Umanishi & Co LLP

**TOWN OF SAN ANSELMO, CALIFORNIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Program Description</u>	<u>Program CFDA Number</u>	<u>Expenditures</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
Passed through State of California Governor's Office of Emergency Services Disaster Summary for FEMA-1628-DR, California Public Assistance Grants	97.036	\$ 255,037
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
Passed through State of California Governor's Office of Emergency Services Disaster Summary for Flood Mitigation Assistance 07	97.029	<u>503,043</u>
Subtotal U.S. Department of Homeland Security		<u>758,080</u>
 <b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through California Department of Transportation STPLX 5159-007	20.205	434,818
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through California Department of Transportation Safe Routes to Schools	20.205	3,615
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through California Department of Transportation Non-motorized Transportation Pilot Program	20.205	<u>22,496</u>
Subtotal U.S. Department of Transportation		<u>460,929</u>
 <b>GRAND TOTAL</b>		 <b>\$ <u>1,219,009</u></b>

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, 2009.

November 25, 2009

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, 2009 and have issued our report thereon dated November 25, 2009. 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 Ullakko Murainshin: 6UP

TOWN OF SAN ANSELMO, CALIFORNIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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:
- CFDA Number/Name of Federal Program
- |        |                                  |
|--------|----------------------------------|
| 97.029 | FEMA Flood Mitigation Assistance |
| 20.205 | CalTrans STPLX 5159-007          |
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, 2009**

November 25, 2009

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, 2009. 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.

*Odeberg Ollakko Murawski & Co LLP*

TOWN OF SAN ANSELMO

APPROPRIATIONS LIMIT WORKSHEET

FISCAL YEAR ENDED JUNE 30, 2009

A	Fiscal 2008 Appropriations Limit	\$7,442,386
B	Inflation Factor	1.0429
	Population Factor	1.0103
	Adjustment Factor	1.0536
C	Fiscal 2009 Appropriations Limit	<u>\$ 7,841,610</u>

November 25, 2009

To the Town Council of  
the Town of San Anselmo:

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 Town of San Anselmo for the year ended June 30, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2009. Professional standards also require that we communicate to you the following information related to our audit.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of San Anselmo are described in Note 1 to the financial statements. As described in Note 10 to the financial statements, the Town of San Anselmo changed accounting policies related to post-retirement health care benefits by adopting Statement of Governmental Accounting Standards (GASB Statement) Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions by State and Local Government Employers*, in 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimates affecting the financial statements were management's estimates of the depreciable lives of capital assets, the collectability of receivables, claims liabilities, and postemployment benefit obligations.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*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 25, 2009.

Town Council of  
the Town of San Anselmo  
November 25, 2009  
Page 2

*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 Council and management of 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 Ullakotturamishi & Co LLP