

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

* * * * *

JUNE 30, 2010

TOWN OF SAN ANSELMO
BASIC FINANCIAL STATEMENTS
AND REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	3
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities and Changes in Net Assets	14
 Governmental Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	16
Reconciliation of the Governmental Funds to the Government-Wide	
Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
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	19
Proprietary Funds:	
Statement of Net Assets (Deficit)	20
Statement of Revenues, Expenses and Changes in Net Assets	21
Statement of Cash Flows	22
 Notes To Basic Financial Statements	 23
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
 Budgetary Comparison Schedules:	
General Fund	Schedule 1
Major Special Revenue Funds	Schedules 2, 3 and 4
 PERS-Schedule of Funding Progress	 Schedule 5
OPEB-Schedule of Funding Progress	Schedule 5a
 <u>OTHER SUPPLEMENTARY INFORMATION</u>	
 COMBINING FUND FINANCIAL INFORMATION	
 Other Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	Schedule 6
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Nonmajor Governmental Funds	Schedule 7
Combining Balance Sheet - Other Special Revenue Funds	Schedule 8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Other Special Revenue Funds	Schedule 9
Combining Balance Sheet - Other Debt Service Funds	Schedule 10
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Other Debt Service Funds	Schedule 11
Combining Statement of Net Assets (Deficit) - Internal Service Funds	Schedule 12
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -	
Internal Service Funds	Schedule 13

November 10, 2010

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, 2010, 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, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2010, 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 Muravishi & Co LLP

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2010. 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 \$25,786,813, liabilities of \$13,288,217, and net assets of \$12,498,596. In comparing restated Net Assets as of June 30, 2009 at \$12,438,485, a net increase of \$60,111 was realized.
- Total Town revenues were \$15,763,714 compared with total expenses of \$15,703,603 resulting in an increase in net assets for the fiscal year ended June 30, 2010 of \$60,111.
- The Town's net capital assets, net of related debt, totaled \$8,746,471 at June 30, 2010. 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, in 2008-09 by an additional \$2,497,692, and in 2009-10 by an additional \$1,139,019 to bring the Town's net capital assets to \$8,746,471.
- The Town's long-term debt (including current portion and postemployment benefit obligation) totaled \$10,364,849 as of June 30, 2010, a decrease of \$76,892 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 2010, the Town's governmental funds reported a combined ending fund balance of \$3,807,889 as compared to \$4,402,273 as of June 30, 2009. This loss was due principally to the planned expenditures in the Traffic Congestion Relief fund as well as planned expenditures in the general fund of prior year carryover. The detailed components of Revenues and Expenditures can be found in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances.

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 \$7.3 million has been spent in flood recovery activities on Town-owned facilities since 2005. A total of \$3.3 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,

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

\$1.6 million, including transfers for the municipal loan payments, has been contributed to the flood recovery from the Town's General Fund.

- **Capital Projects** – Road paving projects were accomplished on Saunders Avenue and on San Anselmo Avenue, utilizing federal and local grant funding for Saunders Avenue. The Federal Non-Motorized Transportation Pilot Project grant funds were spent on in-crosswalk and overhead warning lights at the unsignalized intersections of Saunders and Madrone Avenues. Overhead lines on Greenfield Avenue were placed underground utilizing PG&E Rule 20A funds.
- **Flood Recovery** – Work is complete to reconstruct and improve the downtown Fire Station and to flood proof the Town Hall complex. Three home elevation projects in the community were completed with federal funding. The Town acted as the sponsor for these projects and homeowners received federal funding for a portion of their projects.
- **Disaster Preparedness** – The Get Ready program continues to be very successful, with a total of 850 citizens in the Ross Valley area trained. Eight additional San Anselmo residents participated in the two-day Citizens Emergency Response Team (CERT) preparedness program in the last year. In addition, a new program entitled Get Ready Fifth Grade was introduced to 265 students at the three public schools and the four private schools
- **Economic Development Subcommittee** – The subcommittee members has continued to work with the Town's five business associations to promote the San Anselmo business community. Picnics on the Plaza nights are planned by the group for six Friday nights in July and August.
- **Greenhouse Gas (GHG) Reduction** – Work has continued to reduce the Town's GHG emissions. The Town participated in the Marin Climate and Energy Partnership, a partnership of the 11 cities/towns, the County of Marin, the Marin Municipal Water District and the Transportation Authority of Marin, created to facilitate joint climate action planning and energy efficiency initiatives. In addition, the Town is a member of the Marin Hazardous and Solid Waste JPA, comprised of all Marin cities/town and the County. The JPA is currently working to implement the Zero Waste Feasibility Study, designed to reduce waste through increased recycling, reuse and public education. These programs will help the Town meet its State required emission reduction goals.
- **Special Library Services Tax** -The voters of San Anselmo approved a Special Library Services Tax of \$49 per parcel effective July 1, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

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:

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

- 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.

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

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

	2010			2009
	Governmental Activities	Business- Type Activities	Total	Governmental Activities
Cash and investments	\$ 6,675,795	\$ -	\$ 6,675,795	\$ 8,192,512
Capital assets, net	18,031,452	-	18,031,452	17,061,104
Other assets	1,079,566	-	1,079,566	1,129,982
Total assets	25,786,813	-	25,786,813	26,383,598
Current liabilities	3,174,036	-	3,174,036	3,658,127
Non-current liabilities	10,114,181	-	10,114,181	10,257,104
Total liabilities	13,288,217	-	13,288,217	13,915,231
Invested in capital assets, net	8,746,471	-	8,746,471	7,607,452
Restricted	603,831	-	603,831	653,643
Unrestricted	3,148,294	-	3,148,294	4,207,272
Net assets	\$ 12,498,596	-	\$ 12,498,596	\$ 12,468,367

Net assets of \$12,498,596 at June 30, 2010, consist primarily of the following elements.

ASSETS:

- Cash and investments of \$6,675,795 decreased \$1,516,717 from the prior year due primarily to the expenditure of funds carried over from the previous year. This includes \$408,613 from the Insurance Fund, \$249,768 from the Traffic Congestion Relief fund and \$422,321 from the General Fund. Additionally, \$176,794 was expended for repairs to the fire station.
- Net capital assets of \$18,031,452 increased \$970,348 due to capital improvements to Town buildings associated with flood recovery as well as infrastructure projects.
- Other assets of \$1,079,566, including accounts receivables, prepaid expense and net deferred charges, decreased \$50,416 over the prior year. This is attributable to the following facts: 1) accrued interest income for the period ending June 30, 2010 was \$21,581 less than in the previous year, 2) there was a reduction of \$86,000 in the outstanding accounts receivable in the Emergency Fund, 3) in the previous year the Insurance Fund had \$14,900 in accounts receivable whereas in 2009-10 there were no outstanding receivables in the Insurance Fund and 4) in 2009-210 receivables in the Supplemental Law Enforcement fund totaled approximately \$10,000 as compared to approximately \$45,000 in the previous year. Partially offsetting this reduction in accounts receivable was an increase in accrued sales tax of approximately \$112,000. The sales tax increase was due to the fact that in the previous year, May and June sales tax payments had not been accrued.

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

LIABILITIES:

- Current liabilities of \$3,174,036 decreased a net amount of \$484,091. 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.
- Non-current Liabilities of \$10,114,181, including the non-current portion of insurance claim liabilities, the non-current portion of long term debt, and the postemployment benefit obligation, decreased by \$142,923 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 \$247,220 unfunded postemployment benefit obligation, as newly required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which increased by \$126,329.

Changes in Net Assets

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

	2010			2009
	Governmental Activities	Business-Type Activities	Total	Governmental Activities
Revenues:				
Program Revenues:				
Charges for services	\$ 2,848,186	\$ -	\$ 2,848,186	\$ 2,745,339
Operating grants & contributions	162,073	-	162,073	182,478
Capital grants & contributions	1,129,485	-	1,129,485	2,969,995
General Revenues:				
Property and sales tax	8,918,939	-	8,918,939	8,709,539
Intergovernmental	322,819	-	322,819	379,228
Investment earnings	147,795	-	147,795	267,640
Franchise fees and other taxes	2,008,428	-	2,008,428	2,080,911
Other	225,989	-	225,989	201,882
Transfers	-	-	-	-
Total revenues	15,763,714	-	15,763,714	17,537,012
Expenses:				
General government	1,415,408	-	1,415,408	1,359,296
Public safety	9,107,673	-	9,107,673	8,658,916
Public works	1,467,180	-	1,467,180	1,940,422
Planning	796,415	-	796,415	856,318
Library	730,938	-	730,938	588,779
Parks and recreation	1,692,826	-	1,692,826	1,605,480
Interest on long-term debt	493,163	-	493,163	494,029
Total expenses	15,703,603	-	15,703,603	15,503,240
Change in net assets	\$ 60,111	-	\$ 60,111	\$ 2,033,772

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

Net assets increased \$60,111 during fiscal year ended June 30, 2010 as compared to \$2,033,772 during the fiscal year ended June 30, 2009. Components of the change in net assets include:

- Charges for Services revenue of \$2,848,186, an increase of \$102,847, due primarily to an increase in recreation fees in the amount of \$54,821 due to a change in the accounting for deferred revenue as a result of new recreation software and an increase in the Sleepy Hollow Fire Protection District contribution in the amount of \$56,097.
- Operating Grants and Contributions revenue of \$162,073, a decrease of \$20,405 as a result of decreased grants relating to the library and public safety.
- Capital grants and contributions revenue of \$1,129,485, a decrease of \$1,840,510 due to fewer grants related to infrastructure improvements as compared to the previous year.
- Increased revenue in the area of property taxes in the amount of \$157,574 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 2009-10 from 0.9% to .56% 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 \$200,363 are mostly due to increased depreciation expense.

Analysis of Major Governmental Funds

General Fund

General Fund revenue for 2009-10 year, including transfers-in from other funds of \$208,484 totaled \$13,167,935 and fell short of the revised budget by \$80,167. The largest areas of reduced revenue were property taxes in the amount of \$126,322 and property tax in lieu of sales tax in the amount of \$95,158. These shortages were partially offset by an accounting change in the treatment of, sales tax revenue which resulted in sales tax revenue exceeding the budgeted amount by \$124,826.

General Fund expenditures for fiscal year 2009-10, including transfers-out to other funds of \$885,656, totaling \$13,299,050, exceeded the revised budget amount by \$1,478. In addition, at year end the contingency reserve had an unspent balance of \$212,559, which resulted in a total of \$293,558. A large portion of savings occurred in the streets and parks department due to employees being absent due to work related injuries and being compensated through the insurance fund rather than the general fund.

As mentioned above, the largest contributor to year end savings was the unspent contingency reserve in the amount of \$212,559. In large part, these funds were carried over from the prior year.

In summary, the net impact of revenue and expenditure levels for fiscal year 2009-10 resulted in additional resources at year end that exceeded the budgeted target by \$213,391.

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

Road Maintenance Fund

The Road Maintenance Fund received revenue from three major sources. First, Road Impact Fees for construction projects and refuse vehicles, totaling \$178,171 is revenue legally restricted for use in road improvement projects. Second, this fund received \$833 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, 2010 totaled \$1,794,335.

Recreation Fund

During 2009-10 program fees were collected in the amount of \$942,514. Additionally, this fund received a transfer from the general fund in the amount of \$9,500. Expenditures for the period totaled \$965,818, resulting in a decline in the reserve of \$13,804. The ending fund balance as of June 30, 2010 was \$50,032.

Emergency Reserve Fund

The Emergency Reserve Fund had a negative beginning balance of (\$925,080). The Town received \$24,904 for flood mitigation projects assisting local residents in home elevations. A transfer from the General Fund of \$158,517 was made to pay the municipal lease payments. Other financing of \$84,426 recognized the release of deferred revenue for the first year's principal on the municipal lease. Total receipts from all sources were \$267,847.

Expenditures associated with the flood totaled \$466,965, including \$81,814 for Town Hall flood mitigation work; \$176,794 for fire station building restoration construction costs; \$27,771 for the flood mitigation assistance for local residents; \$22,069 for claims consultant; and \$158,517 for the municipal lease principal and interest payments.

As of June 30, 2010, the Emergency Reserve Fund ending balance totaled a negative (\$1,124,198). This number reflects the expenditures for the fire station restoration. In order to provide the necessary cash flow for this project, the Town entered into a municipal lease agreement. 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, 2010 of \$1,534,927 has been recorded on the accompanying financial statements as deferred revenue.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Town's 2010-11 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. During this time of economic slowdown, the entire country is experiencing a reduction in real estate activities. Real estate growth in San Anselmo has slowed considerably as well. As a result, our property tax revenue is projected to show no increase over 2009-10. This zero percent change compares to a 3% growth rate in property tax last year, a 5% growth rate in 2008-09 and 7% in 2007-08. This is significant in that 73% of our General Fund revenue comes from property tax related revenue.

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

Town of San Anselmo
Management's Discussion and Analysis
June 30, 2010

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.

The proposed budget includes cuts in most Department budgets of 2% through reductions in overtime, training, services and supplies.

In 2006, the two bargaining units, San Anselmo Police Officers Association and the Service Employees International Union 1021 agreed to a two-tiered retirement plan for employees hired after February 1, 2007. In 2008-09 the two-tiered retirement plan saved the Town \$125,000 in retirement costs and in 2009-10 it saved an additional \$75,000. In 2010-11 it is projected that the two-tier retirement plan will save an additional \$50,000, making a cumulative savings over the first three years of \$575,000.

The Town's experience with the Bay Cities Joint Powers Insurance Authority, a self-insurance pool, has remained fairly stable. A fund transfer to the Insurance Fund has not been made to the Insurance Fund this year; rather, we are utilizing the fund balance to fund the insurance claims and premiums. The resulting ending balance is deemed sufficient by the Bay Cities Joint Powers Insurance Authority to fully fund our outstanding claims going forward.

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 2010-11.

The long-term fiscal challenges facing the Town continue to be:

- 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 in Streets and Parks maintenance.
- 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 2010-11 budget reflects funds for the following capital projects:

- Sidewalk improvements in the Wade Thomas School area, through a Safe Routes to Schools grant.
- Sidewalk improvements on Butterfield Road near Woodside Drive, through a Safe Paths to Schools grant.
- Curb ramp and detectable warning projects in conjunction with road and sidewalk work and stand-alone projects.
- Road paving in the Saunders neighborhood through the State Proposition 1B grant.
- Repairs to the Town Hall tower
- Reconstruction of the equipment shed at the hub, through a State Parks grant.

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 of San Anselmo
Management's Discussion and Analysis
June 30, 2010

Town's management staff has set the following joint goals for 2010-11, and the department head staff agreed to three joint work plan goals this year, as follows:

- Partner with the community to identify ways to share services with other government entities and utilize volunteer resources to provide enhanced community services with increased efficiency and reduced cost.
- Utilize technology in service delivery to improve efficiency and facilitate processes for customers, including enhancing and improving on-line services, permit tracking, records availability, etc.
- Ensure that Town operations utilize energy efficiency and green technology to reduce the Town's carbon footprint and meet State-mandated and local targets for greenhouse gas emission reductions, including preparing a Climate Action Plan, participating in zero waste planning, and utilizing best practices in purchasing and project planning.

The 2010-11 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, 2010**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,675,795	\$ -	\$ 6,675,795
Accounts and interest receivable	882,106	-	882,106
Other receivables	32,790	-	32,790
Prepays and other current assets	18,995	-	18,995
Total current assets	<u>7,609,686</u>	<u>-</u>	<u>7,609,686</u>
Noncurrent assets:			
Deferred charges, net	145,675	-	145,675
Capital assets, net	18,031,452	-	18,031,452
Total noncurrent assets	<u>18,177,127</u>	<u>-</u>	<u>18,177,127</u>
Total assets	<u>25,786,813</u>	<u>-</u>	<u>25,786,813</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	666,913	-	666,913
Deposits payable and deferred revenue	1,897,482	-	1,897,482
Claims liabilities	112,079	-	112,079
Current portion of long-term debt	497,562	-	497,562
	<u>3,174,036</u>	<u>-</u>	<u>3,174,036</u>
Noncurrent liabilities:			
Claims liabilities	246,897	-	246,897
Postemployment benefit obligation	247,220	-	247,220
Long-term debt, net	9,620,064	-	9,620,064
Total liabilities	<u>13,288,217</u>	<u>-</u>	<u>13,288,217</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,746,471	-	8,746,471
Restricted for:			
Debt service	603,831	-	603,831
Unrestricted	3,148,294	-	3,148,294
Total net assets	<u>\$ 12,498,596</u>	<u>\$ -</u>	<u>\$ 12,498,596</u>

TOWN OF SAN ANSELMO

Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue
					Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities:					
General government	\$ 1,415,408	\$ -	\$ 4,903	\$ -	\$ (1,410,505)
Public safety	9,107,673	1,161,549	127,422	16,202	(7,802,500)
Public works	1,467,180	640,031	-	1,113,283	286,134
Planning	796,415	78,593	-	-	(717,822)
Library	730,938	24,633	24,718	-	(681,587)
Parks and recreation	1,692,826	943,380	5,030	-	(744,416)
Interest on long-term debt	493,163	-	-	-	(493,163)
Total governmental activities	<u>15,703,603</u>	<u>2,848,186</u>	<u>162,073</u>	<u>1,129,485</u>	<u>(11,563,859)</u>
Business-type activities:					
	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (expense) revenue	<u>\$ 15,703,603</u>	<u>\$ 2,848,186</u>	<u>\$ 162,073</u>	<u>\$ 1,129,485</u>	<u>\$ (11,563,859)</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, 2010

Functions/Programs	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense) revenue	\$ (11,563,859)	\$ -	\$ (11,563,859)
General revenues:			
Property taxes	8,081,209	-	8,081,209
Sales taxes	837,730	-	837,730
Franchise and other taxes	2,008,428	-	2,008,428
Use of money and property	147,795	-	147,795
Revenues from other agencies	322,819	-	322,819
Other revenue	225,989	-	225,989
Transfers	-	-	-
Total general revenues and transfers	<u>11,623,970</u>	<u>-</u>	<u>11,623,970</u>
Change in net assets	60,111	-	60,111
Net assets, beginning of year	12,468,367	-	12,468,367
Prior period adjustment - Note 17	(29,882)	-	(29,882)
Net assets, end of year	<u>\$ 12,498,596</u>	<u>\$ -</u>	<u>\$ 12,498,596</u>

TOWN OF SAN ANSELMO

Governmental Funds

Balance Sheet

June 30, 2010

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance	Recreation	Emergency Reserve	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 1,635,542	\$ 1,811,146	\$ 200,501	\$ 381,774	\$ 1,207,413	\$ 5,236,376
Receivables:						
Accounts	540,357	7,444	1,245	70,471	262,589	882,106
Other	-	-	-	-	32,790	32,790
Prepays and other assets	3,677	-	1,224	-	-	4,901
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 2,179,576</u>	<u>\$ 1,818,590</u>	<u>\$ 202,970</u>	<u>\$ 452,245</u>	<u>\$ 1,502,792</u>	<u>\$ 6,156,173</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 162,350	\$ 24,255	\$ 45,702	\$ 41,516	\$ 158,563	\$ 432,386
Deposits payable and deferred revenue	251,404	-	107,236	1,534,927	22,331	1,915,898
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>413,754</u>	<u>24,255</u>	<u>152,938</u>	<u>1,576,443</u>	<u>180,894</u>	<u>2,348,284</u>
Fund balances						
Reserved for merchant parking	59,956	-	-	-	-	59,956
Reserved for SWARAC Downtown	1,616	-	-	-	-	1,616
Reserved - Other Debt Service Funds	-	-	-	-	603,831	603,831
Reserved - Capital projects	-	1,794,335	-	-	105,349	1,899,684
Unreserved:						
Designated (deficit) - Special Revenue Funds	-	-	20,000	(1,124,198)	663,507	(440,691)
Undesignated - General Fund	1,704,250	-	-	-	-	1,704,250
Undesignated (deficit) - Special Revenue Funds	-	-	30,032	-	(50,789)	(20,757)
Total fund balances	<u>1,765,822</u>	<u>1,794,335</u>	<u>50,032</u>	<u>(1,124,198)</u>	<u>1,321,898</u>	<u>3,807,889</u>
Total liabilities and fund balances	<u>\$ 2,179,576</u>	<u>\$ 1,818,590</u>	<u>\$ 202,970</u>	<u>\$ 452,245</u>	<u>\$ 1,502,792</u>	<u>\$ 6,156,173</u>

TOWN OF SAN ANSELMO

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

June 30, 2010

Total Fund Balances - Total Governmental Funds **\$ 3,807,889**

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	\$ 34,479	
1997 General Obligation Bonds	38,277	
2000 General Obligation Bonds	31,155	
2003 General Obligation Bonds	41,764	145,675

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

Nondepreciable	\$ 2,591,850	
Depreciable	21,907,341	
Less: accumulated depreciation	(6,467,739)	18,031,452

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.

(231,722)

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	\$ (1,615,000)	
1997 General Obligation Bonds	(2,815,000)	
2000 General Obligation Bonds	(2,180,000)	
2003 General Obligation Bonds	(2,370,000)	
California Energy Commission Loan	(5,486)	
Capital Leases	(153,820)	
Postemployment benefit obligation	(247,220)	
Due to Marin County	(82,474)	
Accrued compensated absences	(395,846)	
Due to insurance company for landslide repairs (Note 5)	(500,000)	(10,364,846)

Revenues in the statement of net assets that are unavailable as current financial resources are reported as deferred revenues in the governmental funds.

18,416

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

1,091,732

Net Assets of Governmental Activities

\$ 12,498,596

TOWN OF SAN ANSELMO**Governmental Funds****Statement of Revenues, Expenditures and Changes in Fund Balances****For the Fiscal Year Ended June 30, 2010**

	Major Funds					Total Governmental Funds
	General Fund	Road Maintenance	Recreation	Emergency Reserve	Other Governmental Funds	
REVENUES						
Property taxes	\$ 8,081,209	\$ -	\$ -	\$ -	\$ -	\$ 8,081,209
Sales taxes	837,730	-	-	-	-	837,730
Franchise and other taxes	2,008,428	-	-	-	-	2,008,428
Licenses and permits	508,434	-	-	-	-	508,434
Fines and forfeitures	251,755	-	-	-	-	251,755
Measure G levy	-	-	-	-	725,179	725,179
Use of money and property	35,281	833	-	-	111,681	147,795
Revenues from other agencies	150,557	-	-	24,904	701,892	877,353
Current services charges	962,831	178,171	938,776	-	1,647	2,081,425
Other revenue	123,225	-	3,738	84,426	14,600	225,989
Total revenues	12,959,450	179,004	942,514	109,330	1,554,999	15,745,297
EXPENDITURES						
Current:						
General government	1,341,891	-	-	-	1,530	1,343,421
Public safety	8,268,772	-	-	158,517	116,111	8,543,400
Public works	925,030	-	-	-	-	925,030
Planning & building	763,646	-	-	-	-	763,646
Library	576,221	-	-	-	-	576,221
Parks and recreation	448,854	-	965,818	-	142,003	1,556,675
Capital outlay	-	453,475	-	308,448	1,233,595	1,995,518
Debt service:						
Principal	82,476	-	-	-	394,855	477,331
Interest	6,503	-	-	-	475,607	482,110
Total expenditures	12,413,393	453,475	965,818	466,965	2,363,701	16,663,352
REVENUES OVER (UNDER) EXPENDITURES	546,057	(274,471)	(23,304)	(357,635)	(808,702)	(918,055)
OTHER FINANCING SOURCES (USES)						
Capital lease	-	-	-	-	237,944	237,944
Transfers in	208,484	400,000	9,500	158,517	317,639	1,094,140
Transfers out	(885,656)	-	-	-	(208,484)	(1,094,140)
Total other financing sources (uses)	(677,172)	400,000	9,500	158,517	347,099	237,944
Net change in fund balances	(131,115)	125,529	(13,804)	(199,118)	(461,603)	(680,111)
Fund balances, beginning of year	1,811,210	1,668,806	63,836	(925,080)	1,783,501	4,402,273
Prior period adjustment - Note 17	85,727	-	-	-	-	85,727
Fund balances, end of year	\$ 1,765,822	\$ 1,794,335	\$ 50,032	\$ (1,124,198)	\$ 1,321,898	\$ 3,807,889

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, 2010

Net Changes in Fund Balances - Total Governmental Funds **\$ (680,111)**

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	\$ 1,814,374	
Depreciation expense	<u>(728,417)</u>	1,085,957

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.

Loan proceeds related to capital leases	(237,944)
Repayment of long-term debt	477,331

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	(36,163)	
Change in employee benefits payable	(126,329)	
Change in accrued interest payable	<u>707</u>	(173,545)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the governmental funds 18,416

The net revenue (expense) of the internal service funds is reported with the governmental funds. (429,993)

Total Changes in Net Assets of Governmental Activities **\$ 60,111**

TOWN OF SAN ANSELMO
Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2010

	<u>Business-Type Activities-</u>	<u>Governmental Activities - Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and investments	\$ -	\$ 1,439,419
Accounts receivable	-	-
Prepaid expense	-	14,094
Total current assets	<u>-</u>	<u>1,453,513</u>
Noncurrent assets:		
Capital assets, net	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>1,453,513</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	-	2,805
Claims liabilities	-	112,079
Total current liabilities	<u>-</u>	<u>114,884</u>
Non-current liabilities:		
Claims liabilities	<u>-</u>	<u>246,897</u>
Total liabilities	<u>-</u>	<u>361,781</u>
NET ASSETS (DEFICIT)		
Unrestricted		1,091,732
Total net assets (deficit)	<u>\$ -</u>	<u>\$ 1,091,732</u>

TOWN OF SAN ANSELMO

Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

	Business-Type Activities-	Governmental Activities - Internal Service Funds
REVENUES		
Current service charges	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENSES		
Insurance premiums	-	267,211
Claims expense (reimbursements), net	-	162,782
Total expenses	<u>-</u>	<u>429,993</u>
Operating income (loss)	<u>-</u>	<u>(429,993)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Change in net assets	-	(429,993)
Net assets, beginning of year	-	1,521,725
Net assets (deficit), end of year	<u>\$ -</u>	<u>\$ 1,091,732</u>

TOWN OF SAN ANSELMO

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2010

	<u>Business-Type Activities-</u>	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interfund services provided	\$ -	\$ -
Cash paid to suppliers	-	(408,613)
Net cash used by operating activities	<u>-</u>	<u>(408,613)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in from other funds	-	-
Transfers out to other funds	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments - bonds	-	-
Interest paid	-	-
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	-	(408,613)
Cash and cash equivalents at beginning of year	<u>-</u>	<u>1,848,032</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 1,439,419</u>
Reconciliation of operating income to net cash provided (used)		
by operating activities:		
Operating income (loss)	\$ -	\$ (429,993)
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	-	13,975
Increase (decrease) in accounts payable and accrued liabilities	-	(45,704)
Increase (decrease) in claims liabilities	-	53,109
Net cash used by operating activities	<u>\$ -</u>	<u>\$ (408,613)</u>

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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, 2010 was 12,065.

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, 2010 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 6 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 23 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, 2010, the Town did not have any component units that met this criterion.

For each of the last several years, the Town's General Fund has struggled to balance its revenues and expenditures. The economic downturn has had a dramatic negative impact to the Town's revenues. The Town adopted a budget for fiscal year 2011, but may have mid-year amendments based on the further decline in revenues and some unanticipated costs in expenditures. The Town believes that success in increasing revenues and controlling costs is achievable, and that available cash and cash equivalents will provide adequate liquidity to fund the Town's operations through at least June 30, 2011.

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.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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, 2010.

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 is presented as a major fund 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.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

- **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.

The Town's only internal service fund at June 30, 2010 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,

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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.

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, 2010.

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, 2010.

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. Generally, 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).

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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:

	<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.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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.

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, 2010:

<u>Fiscal years ending June 30</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>
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	158,517	106,165	52,352
2016-2020	792,585	610,326	182,259
2021-2023	475,551	439,243	36,308
	<u>\$ 2,060,721</u>	<u>\$ 1,534,927</u>	<u>\$ 525,794</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:

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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.
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.

T. 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. The Town does not utilize encumbrance accounting.

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, 2010:

	Carrying Value	Fair Value
Cash in bank and on hand:		
Cash deposits	\$ 714,678	\$ 714,678
Petty cash	630	630
Pooled investments:		
Local Agency Investment Fund (LAIF)	5,960,487	5,970,284
Total cash and investments	\$ 6,675,795	\$ 6,685,592

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

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

Pooled demand deposits. The California Government Code requires California banks and savings and loans to secure a local agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of the agency's deposits. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes at least equal to 150% of an agency's deposits. The agency may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Cash deposits

The carrying amount of the Town's cash deposits totaled \$714,679 at June 30, 2010. Bank balances before reconciling items totaled \$978,201. 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)	\$ 5,970,284	\$ 5,970,284	\$ -	\$ -	\$ -
Total	\$ 5,970,284	\$ 5,970,284	\$ -	\$ -	\$ -

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)	\$ 5,970,284	\$ -	\$ -	\$ 5,970,284
Total	\$ 5,970,284	\$ -	\$ -	\$ 5,970,284

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

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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

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

Fair Value of Investments

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

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, 2010.

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).

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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

	June 30, 2009 (restated)	Increases	Decreases	June 30, 2010
Capital assets not being depreciated:				
Land	\$ 2,591,850	\$ -	\$ -	\$ 2,591,850
Construction in progress	1,860,962	-	(1,860,962)	-
Non-depreciable capital assets	<u>4,452,812</u>	<u>-</u>	<u>(1,860,962)</u>	<u>2,591,850</u>
Depreciable capital assets:				
Buildings and improvements	9,803,563	2,191,171	-	11,994,734
Equipment	2,761,305	430,290	(327,632)	2,863,963
Infrastructure	5,994,769	1,053,875	-	7,048,644
Depreciable capital assets	<u>18,559,637</u>	<u>3,675,336</u>	<u>(327,632)</u>	<u>21,907,341</u>
Less - accumulated depreciation for:				
Buildings and improvements	3,915,479	282,462	-	4,197,941
Equipment	1,466,651	206,164	(327,632)	1,345,183
Infrastructure	684,824	239,791	-	924,615
Accumulated depreciation	<u>6,066,954</u>	<u>728,417</u>	<u>(327,632)</u>	<u>6,467,739</u>
Depreciable capital assets, net	<u>12,492,683</u>	<u>2,946,919</u>	<u>-</u>	<u>15,439,602</u>
Total capital assets, net	<u>\$ 16,945,495</u>	<u>\$ 2,946,919</u>	<u>\$ (1,860,962)</u>	<u>\$ 18,031,452</u>

The beginning balances have been restated to correct the cost basis and record depreciation expense of library books (see Note 17-Prior period adjustment).

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

Governmental activities:	
General government	\$ 28,768
Public safety	230,741
Public works	272,984
Library	113,968
Parks and recreation	81,956
	<u>\$ 728,417</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.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

Changes in long-term obligations and debt for the fiscal year ended June 30, 2010 are as follows:

	June 30, 2009	Additions	Retirements/ Adjustments	June 30, 2010	Due in next fiscal year
General Obligation Bonds	\$ 9,280,000	\$ -	\$ 300,000	\$ 8,980,000	\$ 335,000
California Energy Commission Loan	16,217	-	10,731	5,486	5,486
Capital lease obligations	-	237,944	84,124	153,820	74,602
Compensated absences	359,683	59,967	23,804	395,846	-
Due to insurance JPA (a)	500,000	-	-	500,000	(a)
Due to County of Marin (b)	164,950	-	82,476	82,474	82,474
Post-employment health care benefits obligation (c)	120,891	126,329	-	247,220	-
	<u>\$ 10,441,741</u>	<u>\$ 424,240</u>	<u>\$ 501,135</u>	<u>\$ 10,364,846</u>	<u>\$ 497,562</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) agreed to pay \$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.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

Bonds and other debt payable at June 30, 2010, by individual issue, are as follows:

	Due Serially to Fiscal year Ending June 30,	Interest Rate	Principal Remaining
Bonds payable:			
General Obligation - Series 1995	2021	5.0%-6.0%	\$ 1,615,000
General Obligation - Series 1997	2023	3.9%-5.35%	2,815,000
General Obligation - Series 2000	2026	5.0%-8.0%	2,180,000
General Obligation - Series 2003	2029	2.5%-4.85%	2,370,000
			<u>\$ 8,980,000</u>
Other debt:			
California Energy Commission	2011	3.00%	\$ 5,486
Due to County of Marin	2011	3.87%	\$ 82,474
Capital lease obligations	2012	5.65%-6.9%	<u>\$ 153,820</u>

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

Fiscal year ending June 30,	General Obligation Bonds				California Energy Loan	Due to County of Marin	Capital Lease Obligations
	Series 1995	Series 1997	Series 2000	Series 2003			
2011	\$ 178,067	\$ 269,623	\$ 185,050	\$ 162,453	\$ 5,568	\$ 85,727	\$ 84,124
2012	183,070	273,185	186,425	165,152	-	-	84,124
2013	192,275	281,060	192,425	167,572	-	-	-
2014	190,805	283,230	193,050	169,702	-	-	-
2015	198,635	289,644	198,275	176,514	-	-	-
2016-2020	1,063,400	1,546,077	1,026,681	923,762	-	-	-
2021-2025	226,600	1,012,439	1,104,426	1,016,762	-	-	-
2026-2030	-	-	231,184	892,210	-	-	-
2031-2033	-	-	-	-	-	-	-
Total payments	2,232,852	3,955,258	3,317,516	3,674,127	5,568	85,727	168,248
Less - interest	(617,852)	(1,140,258)	(1,137,516)	(1,304,127)	(82)	(3,253)	(14,428)
	<u>\$ 1,615,000</u>	<u>\$ 2,815,000</u>	<u>\$ 2,180,000</u>	<u>\$ 2,370,000</u>	<u>\$ 5,486</u>	<u>\$ 82,474</u>	<u>\$ 153,820</u>

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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, 2010 were:

	General Fund	Road Maintenance	Non-Major Other Funds	Total
Merchant parking	\$ 59,956	\$ -	\$ -	\$ 59,956
SWARAC Downtown	1,616	-	-	1,616
Debt service	-	-	603,831	603,831
Measure G Bond Proceeds	-	-	20,928	20,928
Capital projects	-	1,794,335	84,421	1,878,756
	<u>\$ 61,572</u>	<u>\$ 1,794,335</u>	<u>\$ 709,180</u>	<u>\$ 2,565,087</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, 2010 were:

	General Fund	Road Maintenance	Recreation	Emergency Reserve	Non-Major Other Funds	Total
Capital reconstruction	\$ -	\$ -	\$ -	\$ -	\$ 176,792	\$ 176,792
Traffic Congestion Relief	-	-	-	-	254,777	254,777
Emergency reserve (A)	-	-	-	(1,124,198)	-	(1,124,198)
Equipment replacement	-	-	-	-	216,384	216,384
Recreation	-	-	20,000	-	-	20,000
Special events	-	-	-	-	(1,679)	(1,679)
Downtown revitalization	-	-	-	-	17,233	17,233
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ (1,124,198)</u>	<u>\$ 663,507</u>	<u>\$ (440,691)</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, 2010, \$1,534,927 remains as deferred revenue on the accompanying financial statements, and is therefore not included in fund balance as of June 30, 2010.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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, 2010 were as follows:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 208,484	\$ 885,656
Road Maintenance Fund	400,000	-
Recreation	9,500	-
Emergency Projects Fund	158,517	-
Total major governmental funds	776,501	885,656
Non-major Governmental Funds:		
Special revenue funds:		
Capital Reconstruction	45,000	-
Gas Tax	-	208,484
Equipment replacement	272,639	-
Total non-major governmental funds	317,639	208,484
Internal Service Funds:		
Insurance	-	-
Total internal service funds	-	-
Total All Funds:	\$ 1,094,140	\$ 1,094,140

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
Notes to Financial Statements
June 30, 2010

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 21.22% for non-safety employees and 34.48% 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 8.70% for non-safety employees and 15.85% 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 2010, the Town's annual pension cost of \$1,304,941 for CalPERS was equal to the Town's required and actual contributions. The Town also contributed \$923,468 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

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	\$ 1,255,808	100%	\$ -
6/30/2009	\$ 1,301,189	100%	\$ -
6/30/2010	\$ 1,304,941	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, 2010 amounted to \$693,273 (\$553,435 for OASDI and \$139,838 for Medicare) of which the Town paid one-half.

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

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, 2010 (a total of \$71,302 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 investment rate of return percentage of 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).

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

The Town has calculated and recorded the Net OPEB obligation, representing the difference between the ARC, amortization and contributions, as follows:

	<u>Police</u>	<u>Miscellaneous</u>	<u>Total</u>
Annual required contributions (ARC) and annual OPEB cost	\$ 80,523	\$ 113,977	\$ 194,500
Interest on OPEB	3,890	5,505	9,395
Adjustment to ARC	<u>(2,593)</u>	<u>(3,670)</u>	<u>(6,263)</u>
Annual ARC	\$ 81,820	\$ 115,812	\$ 197,632
Contributions made by Town	<u>(30,937)</u>	<u>(40,366)</u>	<u>(71,303)</u>
Increase in net OPEB obligation	50,883	75,446	126,329
Net OPEB obligations, beginning of year	<u>47,087</u>	<u>73,804</u>	<u>120,891</u>
Net OPEB obligations, end of year	<u><u>\$ 97,970</u></u>	<u><u>\$ 149,250</u></u>	<u><u>\$ 247,220</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2010 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>
06/30/08	N/A	N/A	N/A
06/30/09	\$ 187,900	35.7%	\$ 120,891
06/30/10	\$ 197,632	35.9%	\$ 247,220

Note: The Town will report three years of data in the above table as the information becomes available in subsequent years, in accordance with the requirements of GASB 45.

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

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for plan benefits.

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, 2010, the Town incurred costs of \$267,211 for coverage premiums and administration of the risk pools.

The Town had the following balances at June 30, 2010:

	Workers' Compensation	General Liability	Total
Outstanding claims, end of period	\$ 77,797	\$ 46,815	\$ 124,612
Incurred but not reported	193,170	45,589	238,759
Total liability for unpaid claims	<u>\$ 270,967</u>	<u>\$ 92,404</u>	<u>\$ 363,371</u>
Discounted liabilities	\$ 270,967	\$ 88,009	\$ 358,976
Current portion	82,181	29,898	112,079
Noncurrent portion	<u>\$ 188,786</u>	<u>\$ 58,111</u>	<u>\$ 246,897</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, 2010

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, 2010 was unavailable) is as follows:

Total assets	\$23,330,841
Total liabilities	<u>13,267,964</u>
Net assets	<u>\$10,062,877</u>
Total revenues	\$10,546,488
Total expenditures	<u>8,673,546</u>
Net income	<u>\$ 1,872,942</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, 2010 was \$3,910,288 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, 2010, 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, 2010

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,	
2011	\$ 63,387
2012	63,334
2013	63,291
2014	63,157
2015	63,127
2016-2020	315,126
2021-2022	125,624
	<u>757,046</u>
Less - interest	(195,553)
	<u><u>\$ 561,493</u></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, 2010

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. The Town has \$237,110 of grants receivable at June 30, 2010 from the prior year that the Town believes are valid claims, and therefore no allowance on these receivables has been deemed necessary by management.

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 was obligated to repair and stabilize the land and provide drainage for the property.

The Town incurred costs of \$750,003 for stabilization and drainage. Under the terms of the agreement, BCJPIA paid \$500,000 for the necessary repairs to the land. The Town will attempt 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 \$(1,124,198) at June 30, 2010, which will be eliminated as deferred revenue is recognized and from transfers from the general fund. The Isabel Cook Complex fund in the Other Special Revenue Funds group has a fund deficit at June 30, 2010 in the amount of \$(43,684) 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. The Special Events Fund has a deficit of (\$1,679) as of June 30, 2010. The 2010-2011 Adopted Budget includes a transfer from the general fund which will eliminate this deficit. The POST fund has a deficit of (\$7,105) as of June 30, 2010. This deficit occurred as the expected reimbursement from the state in the amount of \$7,105 was not received by August 31, 2010 and was therefore recorded as deferred revenue.

NOTE 15 – Excess of expenditures over appropriations:

For the fiscal year ended June 30, 2010, expenditures exceeded appropriations in the following funds:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund:			
Public Safety	\$ 8,222,896	\$ 8,268,772	\$ 45,876
Library	572,734	576,221	3,487

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

Town of San Anselmo
Notes to Financial Statements
June 30, 2010

NOTE 16 – Proposition 1A borrowing by the State of California:

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Town was \$512,372.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority (“California Communities”), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the 1A receivables and issued bonds (“Prop 1A Bonds”) to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The Town participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 17 – Prior period adjustment:

The Town recorded a prior period adjustment to increase the beginning general fund balance by \$85,727 to correct a prior year’s over-accrual related to debt payable to the County of Marin.

The Town also recorded a prior period adjustment to reduce beginning net assets by \$115,609 on the government-wide statement of activities and changes in net assets to reflect a net adjustment related to prior years’ acquisitions and depreciation of library books. The prior period adjustment had no effect on the governmental funds financial statements. The net effect on the government-wide financial statements for the prior period adjustment was a follows:

County of Marin debt	\$ 85,727
Library books adjustment	<u>(115,609)</u>
Net effect on government-wide net assets	<u>\$ (29,882)</u>

NOTE 18 – Subsequent events:

The Town has evaluated subsequent events through November 10, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

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

* * * * *

TOWN OF SAN ANSELMO

General Fund

**Statement of Revenues, Expenditures , and Changes in Fund Balances -
Budget and Actual**

For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 8,091,531	\$ 8,207,531	\$ 8,081,209	\$ (126,322)
Sales taxes	832,904	712,904	837,730	124,826
Franchise and other taxes	2,143,135	2,103,135	2,008,428	(94,707)
Licenses and permits	517,640	477,640	508,434	30,794
Fines and forfeitures	241,034	241,034	251,755	10,721
Earnings on investments	127,955	37,955	35,281	(2,674)
Revenues from other agencies	153,207	153,207	150,557	(2,650)
Current services charges	989,220	989,220	962,831	(26,389)
Other revenue	78,803	114,929	123,225	8,296
Total revenues	<u>13,175,429</u>	<u>13,037,555</u>	<u>12,959,450</u>	<u>(78,105)</u>
EXPENDITURES				
Current:				
General government	1,354,074	1,401,074	1,341,891	59,183
Public safety	8,222,896	8,222,896	8,268,772	(45,876)
Public works	958,440	958,440	925,030	33,410
Planning & Building	767,435	781,435	763,646	17,789
Library	536,608	572,734	576,221	(3,487)
Parks and recreation	468,834	468,834	448,854	19,980
Capital outlay	-	-	-	-
Debt service:				
Principal	82,476	82,476	82,476	-
Interest	6,503	6,503	6,503	-
Total expenditures	<u>12,397,266</u>	<u>12,494,392</u>	<u>12,413,393</u>	<u>80,999</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>778,163</u>	<u>543,163</u>	<u>546,057</u>	<u>2,894</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	210,546	210,546	208,484	(2,062)
Transfers out	(876,156)	(885,656)	(885,656)	-
Total other financing sources (uses)	<u>(665,610)</u>	<u>(675,110)</u>	<u>(677,172)</u>	<u>(2,062)</u>
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>\$ 112,553</u>	<u>\$ (131,947)</u>	<u>(131,115)</u>	<u>\$ 832</u>
Fund balances, beginning of year			<u>1,811,210</u>	
Prior Period Adjustment - Note 17			85,727	
Fund balances, end of year			<u>\$ 1,765,822</u>	

TOWN OF SAN ANSELMO

Major Special Revenue Funds

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2010

	Road Maintenance			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	1,000	1,000	833	(167)
Revenues from other agencies	-	-	-	-
Current services charges	213,600	213,600	178,171	(35,429)
Other revenue	-	-	-	-
Total revenues	<u>214,600</u>	<u>214,600</u>	<u>179,004</u>	<u>(35,596)</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	892,343	892,343	453,475	438,868
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>892,343</u>	<u>892,343</u>	<u>453,475</u>	<u>438,868</u>
Excess of revenues over (under) expenditures	<u>(677,743)</u>	<u>(677,743)</u>	<u>(274,471)</u>	<u>403,272</u>
OTHER FINANCING SOURCES (USES)				
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>\$ (277,743)</u>	<u>\$ (277,743)</u>	<u>125,529</u>	<u>\$ 403,272</u>
Fund balances, beginning of year			<u>1,668,806</u>	
Fund balances, end of year			<u>\$ 1,794,335</u>	

TOWN OF SAN ANSELMO
Major Special Revenue Funds - Recreation Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Recreation			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Revenues from other agencies	-	-	-	-
Current services charges	989,539	989,539	938,776	(50,763)
Other revenue	-	1,196	3,738	2,542
Total revenues	<u>989,539</u>	<u>990,735</u>	<u>942,514</u>	<u>(48,221)</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	989,539	999,039	965,818	33,221
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>989,539</u>	<u>999,039</u>	<u>965,818</u>	<u>33,221</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(8,304)</u>	<u>(23,304)</u>	<u>(15,000)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	9,500	9,500	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>9,500</u>	<u>9,500</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 1,196</u>	<u>(13,804)</u>	<u>\$ (15,000)</u>
Fund balances, beginning of year			<u>63,836</u>	
Fund balances, end of year			<u>\$ 50,032</u>	

TOWN OF SAN ANSELMO
Major Special Revenue Funds - Emergency Reserve Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2010

	Emergency Reserve			Variance with Final - Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Franchise and other taxes	-	-	-	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Use of money and property	-	-	-	-
Revenues from other agencies	189,446	189,446	24,904	(164,542)
Current services charges	-	-	-	-
Other revenue	84,427	84,427	84,426	(1)
Total revenues	<u>273,873</u>	<u>273,873</u>	<u>109,330</u>	<u>(164,543)</u>
EXPENDITURES				
General government	-	-	-	-
Public safety	158,517	158,517	158,517	-
Public works	-	-	-	-
Planning	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital outlay	549,446	549,446	308,448	240,998
Flood repairs	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>707,963</u>	<u>707,963</u>	<u>466,965</u>	<u>240,998</u>
Excess of revenues over (under) expenditures	<u>(434,090)</u>	<u>(434,090)</u>	<u>(357,635)</u>	<u>76,455</u>
OTHER FINANCING SOURCES (USES)				
Capital lease agreements (A)	-	-	-	-
Transfers in	158,517	158,517	158,517	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>158,517</u>	<u>158,517</u>	<u>158,517</u>	<u>-</u>
Net change in fund balances	<u>\$ (275,573)</u>	<u>\$ (275,573)</u>	<u>(199,118)</u>	<u>\$ 76,455</u>
Fund balances, beginning of year			<u>(925,080)</u>	
Fund balances, end of year			<u><u>\$ (1,124,198)</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]
6/30/2006	\$ 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	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.830%
6/30/2009			*** Information not available ***			
6/30/2010			*** Information not available ***			

Safety 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]
6/30/2006	\$ 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	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	112.992%
6/30/2009			*** Information not available ***			
6/30/2010			*** 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, 2008 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)

Using the most recent actuarial valuation dated July 1, 2008, the following is the funded status of the OPEB plan as of the actuarial date:

<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, 2010

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 607,519	\$ 599,894	\$ 1,207,413
Receivables:			
Accounts	258,652	3,937	262,589
Other taxes	32,790	-	32,790
Prepays and other assets	-	-	-
Total assets	<u>\$ 898,961</u>	<u>\$ 603,831</u>	<u>\$ 1,502,792</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 158,563	\$ -	\$ 158,563
Deposits payable and deferred revenue	22,331	-	22,331
Total liabilities	<u>180,894</u>	<u>-</u>	<u>180,894</u>
Fund balances:			
Reserved	105,349	603,831	709,180
Designated	663,507	-	663,507
Unreserved (deficit)	(50,789)	-	(50,789)
Total fund balances	<u>718,067</u>	<u>603,831</u>	<u>1,321,898</u>
Total liabilities and fund balances	<u>\$ 898,961</u>	<u>\$ 603,831</u>	<u>\$ 1,502,792</u>

TOWN OF SAN ANSELMO

Nonmajor Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Measure G levy	\$ -	\$ 725,179	\$ 725,179
Use of money and property	109,535	2,146	111,681
Revenues from other agencies	701,892	-	701,892
Current services charges	1,647	-	1,647
Other revenue	14,600	-	14,600
Total revenues	<u>827,674</u>	<u>727,325</u>	<u>1,554,999</u>
EXPENDITURES			
Current:			
General government	-	1,530	1,530
Public safety	116,111	-	116,111
Parks and recreation	142,003	-	142,003
Capital outlay	1,233,595	-	1,233,595
Debt service:			
Principal	94,855	300,000	394,855
Interest	-	475,607	475,607
Total expenditures	<u>1,586,564</u>	<u>777,137</u>	<u>2,363,701</u>
REVENUES OVER (UNDER) EXPENDITURES	(758,890)	(49,812)	(808,702)
OTHER FINANCING SOURCES (USES)			
Capital lease agreements	237,944	-	237,944
Transfers in	317,639	-	317,639
Transfers out	(208,484)	-	(208,484)
Total other financing sources (uses)	<u>347,099</u>	<u>-</u>	<u>347,099</u>
Net change in fund balances	(411,791)	(49,812)	(461,603)
Fund balances, beginning of year	1,129,858	653,643	1,783,501
Fund balances, end of year	<u>\$ 718,067</u>	<u>\$ 603,831</u>	<u>\$ 1,321,898</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, 2010

	Capital Reconstruction	Measure G Bond Proceeds	Traffic Congestion Relief	Gas Tax	Supplemental Law Enforcement Fund	Isabel Cook Center	Robson House	Equipment Replacement	Special Events	P.O.S.T.	Downtown Revitalization	Total Other Special Revenue Funds
ASSETS												
Cash and investments	\$ 165,992	\$ 20,928	\$ 174,478	\$ (10,625)	\$ (10,854)	\$ (41,456)	\$ 84,850	\$ 216,384	\$ (1,674)	\$ (7,737)	\$ 17,233	\$ 607,519
Receivables:												
Accounts	12,000		234,554	-	-	-	4,361	-	-	7,737	-	258,652
Other taxes	-		-	21,936	10,854	-	-	-	-	-	-	32,790
Prepaid expense	-		-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 177,992</u>	<u>\$ 20,928</u>	<u>\$ 409,032</u>	<u>\$ 11,311</u>	<u>\$ -</u>	<u>\$ (41,456)</u>	<u>\$ 89,211</u>	<u>\$ 216,384</u>	<u>\$ (1,674)</u>	<u>\$ -</u>	<u>\$ 17,233</u>	<u>\$ 898,961</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities	\$ 1,200	\$ -	\$ 154,255	\$ -	\$ -	\$ 2,228	\$ 880	\$ -	\$ -	\$ -	\$ -	\$ 158,563
Deposits payable and deferred revenue	-	-	-	11,311	-	-	3,910	-	5	7,105	-	22,331
Total liabilities	<u>1,200</u>	<u>-</u>	<u>154,255</u>	<u>11,311</u>	<u>-</u>	<u>2,228</u>	<u>4,790</u>	<u>-</u>	<u>5</u>	<u>7,105</u>	<u>-</u>	<u>180,894</u>
Fund balances:												
Reserved	-	20,928	-	-	-	-	84,421	-	-	-	-	105,349
Designated	176,792	-	254,777	-	-	-	-	216,384	(1,679)	-	17,233	663,507
Unreserved (deficit)	-	-	-	-	-	(43,684)	-	-	-	(7,105)	-	(50,789)
Total fund balances	<u>176,792</u>	<u>20,928</u>	<u>254,777</u>	<u>-</u>	<u>-</u>	<u>(43,684)</u>	<u>84,421</u>	<u>216,384</u>	<u>(1,679)</u>	<u>(7,105)</u>	<u>17,233</u>	<u>718,067</u>
Total liabilities and fund balances	<u>\$ 177,992</u>	<u>\$ 20,928</u>	<u>\$ 409,032</u>	<u>\$ 11,311</u>	<u>\$ -</u>	<u>\$ (41,456)</u>	<u>\$ 89,211</u>	<u>\$ 216,384</u>	<u>\$ (1,674)</u>	<u>\$ -</u>	<u>\$ 17,233</u>	<u>\$ 898,961</u>

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, 2010

	Capital Reconstruction	Measure G Bond Proceeds	Traffic Congestion Relief	Gas Tax	Supplemental Law Enforcement Fund	Isabel Cook Center	Robson House	Equipment Replacement	Special Events	P.O.S.T.	Downtown Revitalization	Total Other Special Revenue Funds
REVENUES												
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,941	\$ 42,594	\$ -	\$ -	\$ -	\$ -	\$ 109,535
Revenues from other agencies	5,000	-	363,200	208,484	100,000	-	-	16,202	-	9,006	-	701,892
Current services charges	-	-	-	-	-	-	-	-	1,647	-	-	1,647
Other revenue	14,600	-	-	-	-	-	-	-	-	-	-	14,600
Total revenues	19,600	-	363,200	208,484	100,000	66,941	42,594	16,202	1,647	9,006	-	827,674
EXPENDITURES												
Current:												
Public safety	-	-	-	-	100,000	-	-	-	-	16,111	-	116,111
Parks and recreation	-	-	-	-	-	85,704	46,642	-	6,054	-	3,603	142,003
Capital outlay	128,753	27,020	686,331	-	-	-	-	391,491	-	-	-	1,233,595
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	94,855	-	-	-	94,855
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	128,753	27,020	686,331	-	100,000	85,704	46,642	486,346	6,054	16,111	3,603	1,586,564
Excess of revenues over (under) expenditures	(109,153)	(27,020)	(323,131)	208,484	-	(18,763)	(4,048)	(470,144)	(4,407)	(7,105)	(3,603)	(758,890)
OTHER FINANCING SOURCES (USES)												
Capital lease agreements	-	-	-	-	-	-	-	237,944	-	-	-	237,944
Transfers in	45,000	-	-	-	-	-	-	272,639	-	-	-	317,639
Transfers out	-	-	-	(208,484)	-	-	-	-	-	-	-	(208,484)
Total other financing sources (uses)	45,000	-	-	(208,484)	-	-	-	510,583	-	-	-	347,099
Net change in fund balances	(64,153)	(27,020)	(323,131)	-	-	(18,763)	(4,048)	40,439	(4,407)	(7,105)	(3,603)	(411,791)
Fund balances, beginning of year	240,945	47,948	577,908	-	-	(24,921)	88,469	175,945	2,728	-	20,836	1,129,858
Fund balances, end of year	\$ 176,792	\$ 20,928	\$ 254,777	\$ -	\$ -	\$ (43,684)	\$ 84,421	\$ 216,384	\$ (1,679)	\$ (7,105)	\$ 17,233	\$ 718,067

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, 2010

	Measure G 2003	Measure G 2000	Measure G 1997	Measure G 1995	Total Other Debt Service Funds
ASSETS					
Cash and investments	\$ 111,122	\$ 142,128	\$ 205,519	\$ 141,125	\$ 599,894
Accounts receivable	908	914	1,312	803	3,937
Total assets	<u>\$ 112,030</u>	<u>\$ 143,042</u>	<u>\$ 206,831</u>	<u>\$ 141,928</u>	<u>\$ 603,831</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Reserved for debt service	112,030	143,042	206,831	141,928	603,831
	-	-	-	-	-
Total fund balances	<u>112,030</u>	<u>143,042</u>	<u>206,831</u>	<u>141,928</u>	<u>603,831</u>
Total liabilities and fund balances	<u>\$ 112,030</u>	<u>\$ 143,042</u>	<u>\$ 206,831</u>	<u>\$ 141,928</u>	<u>\$ 603,831</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, 2010

	Measure G 2003	Measure G 2000	Measure G 1997	Measure G 1995	Total Other Debt Service Funds
REVENUES					
Measure G Levy	\$ 148,430	\$ 174,228	\$ 246,041	\$ 156,480	\$ 725,179
Use of money and property	491	480	681	494	2,146
Total revenues	<u>148,921</u>	<u>174,708</u>	<u>246,722</u>	<u>156,974</u>	<u>727,325</u>
EXPENDITURES					
Current:					
General government	500	500		530	1,530
Debt service:					
Principal	50,000	65,000	110,000	75,000	300,000
Interest	109,427	118,425	150,325	97,430	475,607
Total expenditures	<u>159,927</u>	<u>183,925</u>	<u>260,325</u>	<u>172,960</u>	<u>777,137</u>
Excess of revenues over (under) expenditures	<u>(11,006)</u>	<u>(9,217)</u>	<u>(13,603)</u>	<u>(15,986)</u>	<u>(49,812)</u>
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,006)	(9,217)	(13,603)	(15,986)	(49,812)
Fund balances, beginning of year	123,036	152,259	220,434	157,914	653,643
Fund balances, end of year	<u>\$ 112,030</u>	<u>\$ 143,042</u>	<u>\$ 206,831</u>	<u>\$ 141,928</u>	<u>\$ 603,831</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, 2010

	<u>Insurance</u>	<u>Total Internal Service Funds</u>
<u>Assets</u>		
ASSETS		
Cash and investments	\$ 1,439,419	\$ 1,439,419
Accounts receivable	-	-
Prepaid expense	14,094	14,094
Total current assets	<u>1,453,513</u>	<u>1,453,513</u>
Capital assets, net	-	-
Total assets	<u>1,453,513</u>	<u>1,453,513</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,805	2,805
Claims liabilities	112,079	112,079
Total current liabilities	<u>114,884</u>	<u>114,884</u>
Non-current liabilities:		
Claims liabilities	246,897	246,897
Total liabilities	<u>361,781</u>	<u>361,781</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	-	-
Unrestricted	1,091,732	1,091,732
Total net assets (deficit)	<u>\$ 1,091,732</u>	<u>\$ 1,091,732</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, 2010

	Insurance	Total Internal Service Funds
REVENUES		
Current service charges	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENSES		
Insurance premiums	267,211	267,211
Claims expense (reimbursements), net	<u>162,782</u>	<u>162,782</u>
Total expenses	<u>429,993</u>	<u>429,993</u>
Operating income (loss)	<u>(429,993)</u>	<u>(429,993)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Change in net assets	(429,993)	(429,993)
Net assets, beginning of year	1,521,725	1,521,725
Net assets (deficit), end of year	<u>\$ 1,091,732</u>	<u>\$ 1,091,732</u>

TOWN OF SAN ANSELMO, CALIFORNIA

SINGLE AUDIT REPORTS ON FEDERAL AWARDS PROGRAMS

* * * * *

JUNE 30, 2010

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

JUNE 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	1-2
Schedule of Expenditures of Federal Awards	3
Notes to the Schedule of Expenditures of Federal Awards	4
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-6
Schedule of Findings and Questioned Costs	7
I. Summary of Auditors' Results	
A. Financial Statements	7
B. Federal Awards	7
II. Financial Statement Findings	8
III. Federal Award Findings and Questioned Costs	8
IV. Prior Year Findings	8

November 10, 2010

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

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

Compliance

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 could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010. 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 identified in the accompanying schedule of findings and questioned costs 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 of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the compliance 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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, 2010, and have issued our report thereon dated November 10, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Odeberg Ullakko Muravishi & Co LLP

**TOWN OF SAN ANSELMO, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Program Description</u>	<u>Program CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF JUSTICE		
Office of Justice Programs: Police RIMS Software - 2009-SB-B9-0336	16.804	\$ 12,679
Office of Justice Programs: Police Vests - OMB # 1121-0235	16.804	<u>2,707</u>
Subtotal U.S. Department of Justice		<u>\$ 15,386</u>
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through State of California Governor's Office of Emergency Services Disaster Summary for FEMA-1628-DR, California		
Public Assistance Grants	97.036	81,814
U.S. DEPARTMENT OF HOMELAND SECURITY		
Passed through State of California Governor's Office of Emergency Services Disaster Summary for Flood Mitigation Assistance 07 - OES 041-64434 PJ05		
	97.029	<u>27,771</u>
Subtotal U.S. Department of Homeland Security		<u>109,585</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through State of California Department of Transportation ARRA Stimulus Grant: Saunders Project - ESPL-5159(014)		
	20.205.024	216,699
Safe Routes to Schools - SRTSL 5159(013)	20.205	4,670
Non-motorized Transportation Pilot Program - NMTPL 5159(012)	20.205	<u>159,262</u>
Subtotal U.S. Department of Transportation		<u>380,631</u>
TOTAL		<u><u>\$ 505,602</u></u>

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, 2010.

November 10, 2010

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 (the "Town"), as of and for the fiscal year ended June 30, 2010, which collectively comprise Town's basic financial statements and have issued our report thereon dated November 10, 2010. 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 opinions 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Odeberg Ullakko Muravishi - COLP

TOWN OF SAN ANSELMO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 |
| Significant deficiencies 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 |
| Significant deficiencies identified not considered to be a material weakness? | ___ Yes __X__ No |
| 2. Type of auditors' report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? | ___ Yes __X__ No |
| 4. Identification of major programs: | |
| <u>CFDA Number/Name of Federal Program</u> | |
| 20.205 Department of Transportation Cluster | |
| 5. Dollar threshold used to distinguish between Type A and Type B Programs | \$300,000 |
| 6. Auditee qualifies as low-risk auditee? | __X__ Yes ___ No |

SECTION II - FINANCIAL STATEMENTS FINDINGS

None Noted

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

SECTION IV - PRIOR YEAR FINDINGS

None Noted

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

* * * * *

JUNE 30, 2010

November 10, 2010

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, 2010. 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 Ullakko Muravishi - Co LLP

TOWN OF SAN ANSELMO

APPROPRIATIONS LIMIT WORKSHEET

FISCAL YEAR ENDED JUNE 30, 2010

A	Fiscal 2009 Appropriations Limit	\$7,841,610
B	Inflation Factor	1.0062
	Population Factor	1.0081
	Adjustment Factor	1.0144
C	Fiscal 2010 Appropriations Limit	<u>\$ 7,954,139</u>

November 10, 2010

To the Town Council
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, 2010. 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 June 3, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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. No new accounting policies were adopted and the application of existing policies was not changed during 2010. 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 depreciable lives of capital assets, the collectability of receivables, claims liabilities, and other postemployment obligation benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant 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. The attached schedule summarizes corrected and uncorrected misstatements of the financial statements. Management has determined that the effects of uncorrected misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. 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 10, 2010.

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 Ullakko Muravishi & Co LLP

Town of San Anselmo
June 30, 2010

#	Account	Debit	Credit
Corrected Adjustments			
Government-Wide			
1	04.61.03 Fixed Assets - Equipment	134,498.00	
	04.62.00 Investment in Fixed Assets		134,498.00
	<i>To adjust fixed assets to reflect that balance on the Fixed Asset Listing.</i>		
2	04.61.03 Equipment	308,904.00	
	04.62.00 Investment in Fixed Assets (Prior Period Adjustment)		308,904.00
	Unrestricted Net Assets (Prior Period Adjustment)	424,513.00	
	Accumulated Depreciation		424,513.00
	04.62.00 Investment in Fixed Assets / Accumulated Depreciation	237,900.00	
	04.61.03 Equipment		237,900.00
	<i>To adjust 2010 beginning fixed asset and accumulated depreciation.</i>		
3	04.62.00 Investment in Fixed Assets	134,505.00	
	04.61.03 Equipment		134,505.00
	Depreciation Expense	87,787.00	
	Accumulated Depreciation		87,787.00
	04.62.00 Investment in Fixed Assets / Accumulated Depreciation	113,825.00	
	04.61.03 Equipment		113,825.00
	<i>To adjust current year equipment balance and depreciation expense related to books and other Library assets.</i>		
Fund Statements			
General Fund			
4	01.20.00 Accounts Payable	85,727.00	
	01.23.00 Fund Balance (Prior Period Adjustment)		85,727.00
	<i>To reverse accrual to County of Marin that was duplicated.</i>		
Non-Major Fund			
5	80.56.609 POST Revenue	7,105.00	
	80.21.00 Deferred Revenue		7,150.00
	<i>To adjust revenue that is unavailable.</i>		
6	50.95.43.10 Lease Purchase	237,944.00	
	50.58.891 Capital Lease Obligation		237,944.00
	<i>To record other financing resources for capital leases.</i>		
Uncorrect Adjustments			
Government-Wide			
1	LAIF - regular (98-21-758)	9,797.70	
	Unrealized Gain		9,797.70
	<i>To adjust LAIF investment to fair market value</i>		
2	Depreciation Expense	17,858.00	
	Accumulated Depreciation		17,858.00
	<i>To true up depreciation expense related to opened Fire Station</i>		
Fund Statements			
General Fund			
3	01.11.20.01 Outside Services	11,869.00	
	01.20.00 Accounts Payable		11,869.00
	<i>To record an expenditure for June election fees</i>		
Recreation Fund			
4	Revenue	31,135.00	
	21.21.00 Deferred Revenue		31,135.00
	<i>To record deferred revenue for unearned revenue</i>		

To Town Council
and Management of Town of San Anselmo

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of San Anselmo as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

We have noted below certain recommendations for management's considerations (2010-1 through 2010-4).

This communication is intended solely for the information and use of management, the Town Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Odenberg Ullakko Muranishi & Co LLP

San Francisco

November 10, 2010

MANAGEMENT RECOMMENDATIONS

2010-1 Journal Entry Numbering and Completeness:

Observation: Through the examination of the non-recurring journal entries, we noted that a few manual journal entry numbers were either skipped or duplicated.

Recommendation: We recommend that the Town devise a policy to ensure the all internal journal entry numbers are accounted for to ensure completeness.

Town's Response: The Town will implement a log that will list all journal entry numbers and their purpose.

2010-2 Journal Entry Review:

Observation: During the audit, it was noted that journal entries do not show evidence of a reviewer.

Recommendation: We recommend that someone other than the preparer review and approve journal entries and initial and date the support for entries to document the approval. This process would improve controls over adjustments to the general ledger and ensure financial accounts are accurately stated.

Town's Response: The Town Treasurer has agreed to review and sign journal entries on a quarterly basis.

2010-3 Long Outstanding Checks:

Observation: During the audit, it was noted that the Company had a number of old outstanding checks.

Recommendation: We recommend that the Company establish a policy for long outstanding checks in line with California State Escheat law for unclaimed property.

Town's Response: The Town will comply with state law using information provided regarding escheat law.

2010-4 Library Assets (Fixed Assets):

Observation: During the audit, it was noted that library assets (i.e. books, DVDs, etc) had not been depreciated in prior years. It was also noted that the value of library assets were being adjusted to an estimated fair value instead of recording additions at cost.

Recommendation: We recommend that library assets be depreciated over the estimated useful lives. We also recommend that expenditures for library assets be considered additions to fixed assets.

Town's Response: The Town will depreciate library materials using 15 years for the estimated useful life. Expenditures for library assets will be added to the fixed asset listing.