

TOWN OF SAN ANSELMO

California

**Annual Financial Report
June 30, 2017**

Town Council

Kay Coleman	Mayor
Tom McInerney	Vice Mayor
Matt Brown	Member
John Wright	Member
Ford Greene	Member

Appointed Officials

Town Manager
David P. Donery

Finance & Administrative Services Director
Helen Yu-Scott

TOWN OF SAN ANSELMO

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95821

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of San Anselmo, California, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of San Anselmo, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of San Anselmo' basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 18, 2017 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports are to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 18, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

***As Prepared by Management
(unaudited)***

**Town of San Anselmo
Management's Discussion and Analysis
June 30, 2017**

This discussion and analysis of the Town's financial activities and performance provides an overview for the fiscal year ended June 30, 2017. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

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: Government-wide Financial Statements, Fund Financial Statements, and Notes to the Basic Financial Statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some of the revenue and expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenue related to uncollected taxes or 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 three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus both short-term inflows and outflows of spendable resources and 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 the statement of revenue, 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 19 individual governmental funds. In the governmental funds balance sheet, and the statement of revenue, expenditures, and changes in fund balances, information is presented separately for the following funds considered to be major funds:

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Management's Discussion and Analysis
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- General Fund
- Grants Fund
- Recreation Fund

General Fund: this fund is the primary operating fund of the Town. It is used to account for governmental funds that are not classified as special revenue, capital project or debt service funds, and includes the following funds:

- General Fund
- Emergency Reserve Fund
- Downtown Revitalization Fund
- Measure D Sales Tax Fund

Special Revenue Funds: these funds generally account for revenue derived from specific sources. These funds are required by statute or ordinance to finance particular functions or activities of government or are restricted as to their use, and include the following funds:

- Community Facilities Master Plan Fund
- Road Maintenance Fund
- Gas Tax Fund
- Library Services Fund
- Robson House Fund
- Special Events Fund
- Measure A Parks Fund
- Isabel Cook Complex Fund

Capital Project Funds: these funds are used to account for the acquisition or construction of capital facilities and include the following funds:

- Capital Reconstruction fund - accounts for revenue set aside for capital projects.
- Equipment Replacement fund - accounts for revenue set aside for equipment replacement.

Debt Service Fund: these funds are used to account for and accumulate financial resources to be used for principal and interest payments on the Town's long-term obligations, and include the following funds:

- Measure G Debt Service, Bond Series 2003
- Measure G Debt Service, Bond Series 2011
- Municipal Lease Fund

Proprietary Funds

The Town currently reports one Internal Service fund; the Insurance fund. This fund accounts for the premium payments as well as the self-insured portion of the Town's workers' compensation and liability insurance programs.

Fiduciary Funds

A fiduciary fund is used to account for assets held for the benefit of other individuals or entities. The Town currently acts as an agent on behalf of the Snack Shack.

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 follow the Basic Financial Statements.

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Management's Discussion and Analysis
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Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in addition to this discussion and analysis concerning the Town's budgetary to actual comparison schedules, its schedule of funding progress for the other postemployment benefits plan, and its cost-sharing multiple-employer defined benefits pension plan schedule, which is administered by CalPERS as trustee for the plan. This report presents combining nonmajor fund financial statements, which follow the required supplementary information section.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statement Highlights

- The Government-wide statement of net position, appearing as the first statement of the basic financial statements and summarized in Management's Discussion and Analysis, reports the Town's total assets to be \$32,792,931, deferred outflows of resources at \$1,705,698, total liabilities of \$18,523,937, deferred inflows of resources at \$515,204, and net position of \$15,459,488.
- The Town's total revenue for governmental funds of \$22,539,912 was offset by total expenses of \$21,129,787, resulting in an increase in governmental fund balances of \$1,410,125.
- The Town's capital assets totaled \$23,338,148, net of \$10,674,114 in accumulated depreciation.
- The Town's long-term debt and obligations totaled \$16,358,588 as of June 30, 2017, an increase of \$457,689 over the prior fiscal year. The net increase is a result of (1) \$1.6 million increase in compensated absences, net pension liability, and net OPEB liability and (2) \$1.1 million in payments made to reduce the general obligation bonds, pension obligation bonds, municipal lease, vehicle leases, and compensated absences.

Fund Financial Statement Highlights

At the close of fiscal year 2017, the Town's governmental funds reported a combined ending fund balance of \$6,982,007 as compared to \$5,571,882 as of June 30, 2016. This increase was due primarily to greater than expected revenue from property and sales taxes, as well as to lower than expected expenditures for salaries and benefits due to employee turnover during the year.

Accomplishments for 2016-17

- Storm Damage and Repair – Storms in January and February 2017 were declared disasters by Marin County, the State of California, and the Federal government. The Town received reimbursement from FEMA and Cal-EMA for a portion of staff overtime, the community sand bag station, and clean-up of downed trees and mudslides on public roads and Town property.
- Road Resurfacing – Work completed this year includes a number of curb ramps, paving on Sir Francis Drake (from Madrone Ave to Sais Ave), Bank Street, Arroyo Ave, Magnolia Ave (from Library Place to Cedar St), Cedar St (200' East of Magnolia Ave to Tamalpais Ave) and Avenue Del Norte.
- Pavement Maintenance – Permanent pavement repair of large potholes, crack sealing and/or slurry sealing took place along approximately 20 percent of the roads throughout San Anselmo.
- Drainage – Drainage improvements were made on Bella Vista at Sir Francis Drake and on Suffield Ave at Valley Road.
- Traffic Control - Installed four new traffic cameras for improved intersection performance and safety.

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- Safe Routes to Schools – Intersection improvements at Tamal and S. F. Drake; and pedestrian improvements on Arroyo Ave, The Alameda, Berkeley Ave, Broadmoor, and Veterans Place.
- Utility Projects – Issued permits, performed inspections and reviewed PG&E, MMWD, and RVSD projects in excess of \$3 million and 160 private sewer lateral projects in the public right of way.
- Sales Tax Measure – In November 2013 the voters of San Anselmo passed a one-half percent general sales tax increase for the purpose of repairing potholes, repaving roads, reducing traffic congestion, maintaining and improving sidewalks, drainage and street medians, preserving public safety and improving other general Town services, facilities, and infrastructure. The Measure D sales tax revenue was \$1,132,321 for 2016-17.
- Library Programming - The Library has been able to maintain the children's librarian, additional open hours and expanded services as mandated and thanks to the parcel tax. A number of new eServices were introduced including Ancestry.com, New York Times online, the Bay Area Consumer Checkbook online and Hoopla, a movie and music service. Bibliocommons, a new patron-friendly catalog interface was installed. The Library is open Monday through Saturday, for a total of 51 hours per week. Children's programs include toddler story times, French story times, Kiddo Crafternoons, Bookworms reading club, Teen Library Council, and the very successful Summer Reading Program. Adult programs include the Book Clubs, Art Talk Tuesdays, Tunstead Live, and special lectures. The Friends of the Library continue to provide financial support to the Library through their bookstore, Town Books.
- Community Events, Recreation and Volunteers – The Recreation Department develops programs, coordinates events, and manage facilities. In addition, the Department encourages and facilitates community events such as Music in the Park, and Beatles in the Park. The summer camp program is thriving with children of all ages enjoying camp at Memorial Park and other specialty sports and art camps. The Ross Valley Seniors program brings seniors together on a monthly basis to enjoy lunch, games and lectures. Parkside Preschool provides a full-time, full-service operation, giving parents a high quality, lower cost alternative for childcare.
- Grants – The Town has been successful in procuring significant grants for infrastructure improvements, including grants for sidewalks, bridge replacement, a Complete Street grant to pave Sir Francis Drake from Tunstead to Bolinas, a bike spine grant, and a Hub Reconfiguration Study grant.
- Technology – In a previous reporting period, the Planning Department's permit process was digitized via TrakIt software, streamlining the process and facilitating communication with the applicants and between departments. In 2016-17, the program was added onto with the implementation of E-TrakIt, which allows residents and contractors to apply for permits online. The Library was part of a significant project to improve Internet connectivity speed for patrons throughout the county. State library grants subsidized the project which is administered by CENIC (Corporation for Education Network Initiatives in California). Faster Internet and WiFi for use in the library has resulted in increased productivity and reliability and decreased frustration. The annual cost of the Internet will decrease from \$17,880 to \$8,265 per year. In 2016-17, the Town's Finance and Administration Department took on the Ross Valley Fire Department's finance function which required implementation of a separate financial software system and a new SQL server. The Corporation Yard, a previous technology dead zone, now has WiFi and boosted cell service, through a technology overhaul that included new cabling from the main building to the warehouse, installation of access points, cell phone boosters and a cloud based network management system.

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Government-wide Financial Statement Analysis

A condensed presentation of the Statement of Net Position is presented in the following table comparing last fiscal year to the most recently completed fiscal year:

Statement of Net Position Comparison of FY 2017 and FY 2016				
	June 30		Amount Change	Percent Change
	2017	2016		
<u>Assets</u>				
Current and other assets	\$ 9,454,783	\$ 7,564,438	\$ 1,890,345	25%
Capital assets, net	23,338,148	20,976,682	2,361,466	11%
Total assets	<u>32,792,931</u>	<u>28,541,120</u>	<u>4,251,811</u>	15%
<u>Deferred outflows</u>	<u>1,705,698</u>	<u>676,095</u>	<u>1,029,603</u>	152%
Totals	<u>34,498,629</u>	<u>29,217,215</u>	<u>5,281,414</u>	18%
<u>Liabilities</u>				
Current and other liabilities	1,955,674	1,581,077	374,597	24%
Noncurrent liabilities	<u>16,568,263</u>	<u>16,108,362</u>	<u>459,901</u>	3%
Total liabilities	<u>18,523,937</u>	<u>17,689,439</u>	<u>834,498</u>	5%
<u>Deferred inflows</u>	<u>515,204</u>	<u>602,608</u>	<u>(87,404)</u>	-15%
Totals	<u>19,039,141</u>	<u>18,292,047</u>	<u>747,094</u>	4%
<u>Net Position</u>				
Net investment in				
capital assets	16,886,075	13,291,345	3,594,730	27%
Restricted	2,143,354	1,251,931	891,423	71%
Unrestricted	<u>(3,569,941)</u>	<u>(3,618,108)</u>	<u>48,167</u>	-1%
Total net position	<u>\$ 15,459,488</u>	<u>\$ 10,925,168</u>	<u>\$ 4,534,320</u>	42%

Net position of \$15,459,488 at June 30, 2017 as compared to \$10,925,168 at the close of the prior fiscal year changed due to the following:

- Cash and investments of \$8,333,090 increased \$1,726,840 compared to the previous fiscal year mainly as a result of increased property tax and sales tax revenue, including Measure D sales tax.
- Receivables increased by \$160,215 also due largely to increased property tax and sales tax revenue.
- Net capital assets increased by \$2,361,466 due to additional infrastructure projects.
- Total liabilities increased by \$834,498 due in large part to increases in net pension and OPEB liability.
- Noncurrent liabilities of \$16,568,263 included the unfunded net pension liability, noncurrent portion of insurance claim liabilities, the noncurrent portion of long term debt, and the postemployment benefit plan obligation.

**Town of San Anselmo
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General Government Functions

A condensed presentation of the Statement of Activities is presented in the following table comparing last fiscal year to the most recently completed fiscal year:

Statement of Activities Comparison of FY 2017 and 2016				
	June 30		Amount Change	Percent Change
	2017	2016		
<u>Revenue</u>				
Program revenue	\$ 3,575,586	\$ 2,625,088	\$ 950,498	36%
General revenue	17,762,708	16,591,366	1,171,342	7%
Total revenue	21,338,294	19,216,454	2,121,840	11%
<u>Expenses</u>				
General government	1,965,602	2,455,769	(490,167)	-20%
Public safety	7,819,570	7,342,739	476,831	6%
Planning/engineering	1,592,588	1,669,908	(77,320)	-5%
Public works/streets	1,570,132	1,789,591	(219,459)	-12%
Recreation, parks, library	2,933,582	3,309,923	(376,341)	-11%
Other	922,500	2,782,693	(1,860,193)	-67%
Total expenses	16,803,974	19,350,623	(2,546,649)	-13%
Change in Net Position	4,534,320	(134,169)	4,668,489	-3480%
Net Position - beginning	10,925,168	11,059,337	(134,169)	-1%
Net Position - end of year	\$ 15,459,488	\$ 10,925,168	\$ 4,534,320	42%

- Total expenses decreased \$2,546,649 in large part to accelerated depreciation of obsolete assets in prior year.
- Public safety expenses increased by \$476,831 due primarily to a one-time contribution towards the Central Marin Police Authority's Insurance Fund.

FINANCIAL ANALYSIS OF MAJOR GOVERNMENTAL FUNDS

General Fund

Total revenue and *transfers in* from other funds that comprise the general fund include (1) the Measure D Sales Tax fund, (2) the Emergency fund, and (3) the Downtown Revitalization fund. Total general fund No. 01 revenue exceeded budgeted revenue by \$1,191,446. This includes property tax exceeding the budgeted amount by \$605,882 and sales tax, exceeding the budget by \$642,178. Expenditures and *transfers out* for the general fund were \$59,216 less than the budgeted amount, mainly because of staff turnover and unfilled positions for part of the year.

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Recreation Fund

During fiscal year 2016-17, revenue in the recreation fund was collected in the amount of \$1,564,529, which was \$180,204 more than the budgeted amount. Expenditures for the year totaled \$1,439,969. Included in the expenditures was a transfer of \$33,371 to the General fund for the Recreation fund's share of the unfunded pension liability. The ending balance increased by \$124,560.

Isabel Cook Complex Fund

The Isabel Cook Complex fund had a negative beginning fund balance of (\$130,090). Revenue exceeded expenditures in fiscal year 2016-17 by \$45,512, bringing the ending fund balance to negative (\$84,578). This fund receives its revenue through rental income.

Grant Fund

The Grant fund's purpose is to track grant proceeds, mainly those associated with street resurfacing and other capital improvement projects. For fiscal year 2016-17, revenue exceeded expenditures by \$43,318.

Capital Assets and Debt Administration

Capital Assets - the Town's investment in capital assets at year end was \$23,338,148, net of depreciation; an increase of \$2,361,466 as compared with the previous fiscal year, primarily due to infrastructure improvements.

Long-term Debt and Obligations- the Town had \$16,358,588 outstanding in long-term debt and obligations (not including insurance claims). This is an increase of \$457,699 as compared to the prior fiscal year. This increase is primarily due to increased pension and OPEB liability.

ECONOMIC OUTLOOK AND BUDGET FOR 2017-2018

Revenue: The nationwide reduction in real estate activity has turned around and there are definite signs of economic recovery. Our secured property tax revenue is projected to show an increase over 2016-17 figures of 5%. Approximately 76% of our General fund revenue comes from property tax revenue.

There are some indicators that other activity is picking up as well. Revenue sources are showing steady increases, including franchise fees, construction permits, sales tax, and Educational Revenue Augmentation Funds (ERAF). While these increases are modest, they are an indicator that the economy is slowly improving.

Expenditures: The 2017-18 Town Budget represents the status quo in most Department budgets. Employee-related expenses make up approximately 70% of the Town expenditures, including the Fire and Police Departments. Town employees received a 3% increase in salary in the 2017-18 fiscal year. Effective July 1, 2015, the Town no longer pays any amount towards the employee portion of the defined benefit pension plan costs administered by CalPERS.

In 2006, the Town's miscellaneous bargaining unit, SEIU 1021, agreed to a two-tiered retirement plan for employees hired after February 1, 2007 and all new benefitted employees, including management and confidential, were affected. On January 1, 2013 the California Public Employees' Pension Reform Act of 2013 (PEPRA) went into effect. The pension reform bill impacts new public employees and establishes a cap on the amount of compensation that can be used to calculate a retirement benefit. In 2017-18, more than half of the Town's employees were enrolled in the two lower cost tiers.

In 2003, CalPERS combined all governmental agencies with less than 100 members into risk pools based on plan type. An Employer Side Fund was created to account for the difference between the funded status of the pool and the funded status of individual plans. The repayment of the Pension Obligation Bonds is reflected in the Expenditure Summary under General Fund Departments, Debt Service (Pension Obligation Bonds). Overall, the refinancing of the Town's Side Fund obligation is saving the Town approximately \$60,000 per year.

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In May 2014, the CalPERS Board adopted changes to the existing pooling structure policies and a new policy for allocating the pools' unfunded accrued liability. Due to unintended consequences resulting from the PEPRA changes and existing PERS policies on risk pools, changes were necessary to ensure the proper funding of the pools. In order to address the problem, CalPERS combined twelve risk pools into two, one for Safety and one for Miscellaneous and employer contributions toward the unfunded liability for plans in a risk pool will be collected for an estimated 30 years as dollar amounts instead of contribution rates expressed as a percentage of payroll. These lump sum payments are reflected in the Expenditure Summary under General Fund Departments, Debt Service (Pension Obligation Bonds).

In 2017-18, employer pension rates for the pension tiers are 11.675 % for the Tier 1 plan, 8.921% for the Tier 2 plan, and 6.533% for the PEPRA group. The reduction in rates from prior year is reflective of the new methodology of lump sum payments as opposed to percentage of salary.

The Town's experience with the Bay Cities Joint Powers Insurance Authority, our self-insurance pool, has remained fairly stable. Costs for Workers Compensation claims were as anticipated, but costs for liability claims were lower than anticipated. A fund transfer of \$200,000 to the Insurance Fund has been made to ensure that insurance reserves remain at the level deemed sufficient by the Bay Cities Joint Powers Insurance Authority to fund fully our outstanding claims going forward.

Grants: The proposed budget reflects a number of grants, some awarded in earlier years. Grants are accounted for in the Grant Fund with the majority requiring no matching funds by the Town. Figures below indicate the total amount of each grant. Actual budgeted expenditures for 2017-18 are, in many cases, less than the total amount of the grant since projects usually span multiple years. Grants include:

- Federal Safe Routes to Schools (various neighborhoods) grant with a total dollar amount of \$619,000 with a remaining amount of \$52,271.
- Bridge Preventative Maintenance Program for four bridges including the Center Blvd bridge at Lansdale, Bridge Street bridge, Sir Francis Drake Blvd bridge at Tunstead, and Barber Avenue bridge. The total amount of the grant award is \$1.2 million total with \$230,416 designated for this fiscal year.
- Caltrans and Marin County funding for the design and replacement of four bridges with an estimated dollar amount of \$10 million total with \$730,000 allocated for design this fiscal year.
- Low Impact Development (LID) Grant for Magnolia lot, Greenfield parklet and Corporation Yard debris pad in the amount of \$515,425.
- California Department of Water Resources grant in the amount of \$8.7 million for a flood mitigation project which is now being reallocated to the San Anselmo Flood Risk Protection projects with a total amount of \$1 million for this fiscal year.
- Zero Waste Grant, funding to work toward our goal of zero waste with a grant amount of \$21,080.
- Safe Pathways project on S.F. Drake and Butterfield, \$350,000 total and \$57,000 this year.
- CalRecycle grant for managing recycling and waste recovery, \$11,235 total.
- Bike Spine grant providing safe bike paths along school corridors, \$234,100 total and \$23,000 this year.
- One Bay Area Grant (OBAG) a Complete Streets Rehabilitation Project on Sir Francis Drake from the Hub to Bolinas Ave Street, \$1.1 million total and \$230,000 this year.
- Hub Reconfiguration Study to look at alternatives to improve traffic flow, \$309,000 total.

**Town of San Anselmo
Management's Discussion and Analysis
June 30, 2017**

Fiscal Challenges

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 older, outdated equipment.
- Restoring Town services that were previously 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.

Capital Project Commitments

The 7-Year Capital Improvement Plan (CIP) was prepared by staff in 2014-15 based on the 2014 Pavement Management Program Report that outlines the Pavement Condition Index (PCI) of Town streets. It was reviewed and recommended to the Town Council by the Capital Program Monitoring Committee. It was also reviewed by the Planning Commission for compliance with the California Environmental Quality Act and conformance with the Town's General Plan. Construction planning for 2017-18 is underway and reflected in the Road Maintenance Fund and Measure D Sales Tax Fund. The entire seven-year plan is available on the Town's website at: <http://ca-sananselmo2.civicplus.com/928/Planned-Pavement-Projects>

The budget includes a \$525,000 contribution to the Town's Road Maintenance Fund from the General Fund reflecting the Council's commitment to maintain the progress accomplished by the Town's Measure G bond program.

Budget Format

The operations of the Town are budgeted primarily in the Town's General Fund. Significant maintenance projects and other capital improvements are contained in the Capital Reconstruction Fund. Road and drainage improvement projects are funded through the Road Maintenance Fund and grants in the Grant Fund. The Recreation Fund accounts for most of the revenue and expenses related to recreation programs. The Library Tax Fund tracks expenditures related to the special Library services tax. The newly-established Sales Tax Fund tracks activity related to capital projects funded through the fund.

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
(415) 258-4678

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF SAN ANSELMO
Government-wide Financial Statements
Statement of Net Position
June 30, 2017

	<u>Total Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 8,333,090
Receivables	1,061,141
Prepaid expenses	60,552
Total current assets	<u>9,454,783</u>
Noncurrent Assets	
Capital assets not being depreciated	2,591,850
Capital assets, net of depreciation	<u>20,746,298</u>
Total noncurrent assets	<u>23,338,148</u>
Total assets	<u>32,792,931</u>
Deferred Outflows of Resources	
Deferred pensions	<u>1,705,698</u>
Total assets and deferred outflows of resources	<u>34,498,629</u>
LIABILITIES	
Current Liabilities	
Payables	624,864
Accrued interest	100,456
Deposits	852,844
Deferred revenue	271,245
Insurance claims payable	<u>106,265</u>
Total current liabilities	<u>1,955,674</u>
Noncurrent Liabilities	
Due within one year	1,208,006
Due in more than one year	15,150,582
Insurance claims due in more than one year	<u>209,675</u>
Total noncurrent liabilities	<u>16,568,263</u>
Total liabilities	<u>18,523,937</u>
Deferred Inflows of Resources	
Deferred pensions	<u>515,204</u>
Total liabilities and deferred inflows of resources	<u>19,039,141</u>
NET POSITION	
Net investment in capital assets	16,886,075
Restricted	2,143,354
Unrestricted	<u>(3,569,941)</u>
Total net position	<u><u>\$ 15,459,488</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental Activities:					
General government	\$ 1,965,602	\$ -	\$ -	\$ -	\$ (1,965,602)
Public safety	7,819,570	-	123,083	-	(7,696,487)
Planning/engineering	1,592,589	127,608	-	-	(1,464,981)
Public works/streets	1,570,132	320,743	557,980	853,145	161,736
Recreation, parks, library	2,933,582	1,593,027	-	-	(1,340,555)
Depreciation	649,908	-	-	-	(649,908)
Debt service-interest	272,592	-	-	-	(272,592)
Totals	<u>\$ 16,803,974</u>	<u>\$ 2,041,378</u>	<u>\$ 681,063</u>	<u>\$ 853,145</u>	<u>(13,228,388)</u>

General Revenue

Property taxes	12,235,598
Sales taxes	3,113,552
Franchise fees	746,714
Property transfer taxes	109,848
Fines and forfeitures	124,079
Licenses and permits	1,025,720
Use of property and money	158,238
Other revenue	673,959
Transfers in (out)	(425,000)
Total	<u>17,762,708</u>
Change in Net Position	4,534,320
Net Position - beginning	<u>10,925,168</u>
Net Position - end of year	<u>\$ 15,459,488</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

TOWN OF SAN ANSELMO
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Recreation Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 5,273,646	\$ -	\$ 778,848	\$ 1,822,313	\$ 7,874,807
Receivables	587,674	402,502	-	67,112	1,057,288
Prepaid expenses	31,104	-	10,312	4,285	45,701
Total assets	<u>\$ 5,892,424</u>	<u>\$ 402,502</u>	<u>\$ 789,160</u>	<u>\$ 1,893,710</u>	<u>\$ 8,977,796</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payables	\$ 339,361	\$ 154,207	\$ 56,020	\$ 71,533	\$ 621,121
Cash overdraft	-	170,832	-	79,747	250,579
Deposits	848,739	-	-	4,105	852,844
Deferred revenue	-	-	271,245	-	271,245
Total liabilities	<u>1,188,100</u>	<u>325,039</u>	<u>327,265</u>	<u>155,385</u>	<u>1,995,789</u>
Fund Balances:					
Nonspendable	31,104	-	10,312	4,285	45,701
Restricted	355,764	77,463	451,583	1,258,544	2,143,354
Committed	-	-	-	-	-
Assigned	236,264	-	-	560,284	796,548
Unassigned	4,081,192	-	-	(84,788)	3,996,404
Total fund balances	<u>4,704,324</u>	<u>77,463</u>	<u>461,895</u>	<u>1,738,325</u>	<u>6,982,007</u>
Total liabilities and fund balances	<u>\$ 5,892,424</u>	<u>\$ 402,502</u>	<u>\$ 789,160</u>	<u>\$ 1,893,710</u>	<u>\$ 8,977,796</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

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

Total fund balances - governmental funds (page 14)	\$ 6,982,007
(1) Capital assets used in governmental activities are not financial resources and therefore, are not reported in the balance sheet.	23,338,148
(2) Long-term liabilities and obligations are not due and payable in the current period and therefore, are not reported in the balance sheet.	(16,358,588)
(3) Accrued interest payable on long-term debt reported in the statement of net position.	(100,456)
(4) Internal Service Funds are used by management to charge the cost of insurance to one fund. Those assets and liabilities are included in the statement of net position.	407,883
(5) Deferred outflows of resources reported in the statement of net position.	1,705,698
(6) Deferred inflows of resources reported in the statement of net position.	<u>(515,204)</u>
Net position of governmental activities (page 12)	<u><u>\$ 15,459,488</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Statement of Revenue, Expenditures, and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2017

REVENUE	General Fund	Grants Fund	Recreation Fund	Other Governmental Funds	Total Governmental Funds
Property taxes	\$ 11,398,139	\$ -	\$ -	\$ 837,459	\$ 12,235,598
Sales taxes	2,974,499	-	-	139,053	3,113,552
Other taxes	109,848	-	-	251,658	361,506
Franchise fees	746,714	-	-	-	746,714
Fines and forfeitures	124,079	-	-	-	124,079
Use of money and property	10,887	-	-	147,352	158,239
Intergovernmental and agency	123,083	1,156,718	-	254,406	1,534,207
Licenses and permits	1,025,720	-	-	-	1,025,720
Charges for services	133,448	-	1,564,529	343,401	2,041,378
Other revenue	132,075	-	-	2,449	134,524
Total revenue	<u>16,778,492</u>	<u>1,156,718</u>	<u>1,564,529</u>	<u>1,975,778</u>	<u>21,475,517</u>
 EXPENDITURES					
Current -					
Town administration	1,235,845	-	-	46,022	1,281,867
Nondepartmental	659,730	1,933	-	67,529	729,192
Public safety	7,819,570	-	-	-	7,819,570
Streets	838,175	1,111,467	-	886,381	2,836,023
Community development	1,555,324	-	-	60,265	1,615,589
Library	586,463	-	-	253,150	839,613
Parks and recreation	614,299	-	1,406,598	118,529	2,139,426
Capital projects	861,829	-	-	48,366	910,195
Debt service	484,791	-	-	984,126	1,468,917
Total expenditures	<u>14,656,026</u>	<u>1,113,400</u>	<u>1,406,598</u>	<u>2,464,368</u>	<u>19,640,392</u>
 Excess of Revenue					
Over (Under) Expenditures	<u>2,122,466</u>	<u>43,318</u>	<u>157,931</u>	<u>(488,590)</u>	<u>1,835,125</u>
 Other financing sources / (uses)					
Operating transfers in	287,778	-	-	776,617	1,064,395
Operating transfers (out)	<u>(1,201,617)</u>	<u>-</u>	<u>(33,371)</u>	<u>(254,407)</u>	<u>(1,489,395)</u>
Total other financing sources	<u>(913,839)</u>	<u>-</u>	<u>(33,371)</u>	<u>522,210</u>	<u>(425,000)</u>
 CHANGE IN FUND BALANCES					
Change in fund balances	1,208,627	43,318	124,560	33,620	1,410,125
Fund balances - beginning	<u>3,495,697</u>	<u>34,145</u>	<u>337,335</u>	<u>1,704,705</u>	<u>5,571,882</u>
Fund balances - end of year	<u>\$ 4,704,324</u>	<u>\$ 77,463</u>	<u>\$ 461,895</u>	<u>\$ 1,738,325</u>	<u>\$ 6,982,007</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Reconciliation of the Statement of Revenue, Expenditures, and Change in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

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

Change in fund balances - governmental funds (page 16)	\$ 1,410,125
 Capital assets	
(1) The acquisition of capital assets uses current financial resources but has no effect on net position.	2,108,172
(2) The cost of capital assets is allocated over their estimated useful lives and and reported as depreciation expense in the statement of activities.	(649,908)
(3) The accelerated depreciation of obsolete assets does not require the use of financial resources.	903,202
 Long-term liabilities and obligations	
(4) Principal payments against long-term liabilities and obligations use current resources but have no effect on net position.	1,111,295
 Measurement focus	
(5) Certain revenue and expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as revenue or expenditures in governmental funds.	
Change in compensated absences liability	(10,312)
Change in accrued other postemployment benefits (OPEB) liability	(97,719)
Net change in net pension liability, deferred outflows, and deferred inflows	(370,925)
 Internal Service funds	
(6) Internal service funds are used by management to charge the costs of insurance to internal funds. The net revenue (loss) is reported with governmental activities.	130,390
Change in net position of governmental activities (page 13)	<u><u>\$ 4,534,320</u></u>

The accompanying notes are an integral part of these financial statements

**TOWN OF SAN ANSELMO
Proprietary Funds
Statement of Net Position
June 30, 2017**

	Governmental Activities Internal Service Fund
Assets	
Cash and investments	\$ 708,862
Receivables	3,853
Prepaid expenses	14,851
Total assets	727,566
Liabilities	
Current liabilities:	
Payables	3,743
Claims payable - current	106,265
Total current liabilities	110,008
Noncurrent liabilities:	
Claims payable - due in more than one year	209,675
Total liabilities	319,683
Net Position	
Unrestricted	407,883
Total net position	\$ 407,883

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Proprietary Funds
Statement of Revenue, Expenses, and Change in Net Position
Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
Operating Revenue	
Charge for services	\$ -
Operating Expenses	
Insurance costs	<u>294,610</u>
Operating income (loss)	(294,610)
Transfers in	<u>425,000</u>
Change in Net Position	130,390
Net Position - beginning	<u>277,493</u>
Net Position - end of year	<u><u>\$ 407,883</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2017

CASH FLOWS PROVIDED BY (USED FOR)	Governmental Activities Internal Service Fund
Operating Activities	
Cash paid to vendors	\$ (285,861)
Cash paid for benefit claims	(13,334)
Net cash provided (used)	<u>(299,195)</u>
Noncapital Financing Activities	
Transfers in	<u>425,000</u>
Net cash provided (used)	<u>425,000</u>
Net Increase (Decrease) in Cash	125,805
Cash and cash equivalents - beginning	<u>583,057</u>
Cash and cash equivalents - end of year	<u><u>\$ 708,862</u></u>
Operating Activities Analysis	
Operating Income (Loss)	\$ (294,610)
Reconciliation adjustments:	
(Increase) decrease in receivables	(3,853)
(Increase) decrease in prepaid expenses	(299)
Increase (decrease) in payables	(4,707)
Increase (decrease) in claims	4,274
Net cash provided (used)	<u><u>\$ (299,195)</u></u>

The accompanying notes to financial statements are an integral part of this financial statement

TOWN OF SAN ANSELMO
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

	<u>Agency Fund</u>
Assets	
Cash and investments	<u>\$ 8,916</u>
Liabilities	
Deposits - Snack Shack food concession stand	<u>\$ 8,916</u>

The accompanying notes are an integral part of these financial statements

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

The notes to the financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Town as follows:

- Note 1 - Defining the Financial Reporting Entity
- Note 2 - Summary of Significant Accounting Policies
- Note 3 - Stewardship, Compliance and Accountability
- Note 4 - Cash and Investments
- Note 5 - Capital Assets
- Note 6 - Long-term Obligations
- Note 7 - Interfund Transfers
- Note 8 - Postemployment Benefits Other Than Pensions
- Note 9 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
- Note 10 - Jointly Governed Organizations
- Note 11 - Commitments and Contingencies
- Note 12 - Risk Management
- Note 13 - Subsequent Events
- Note 14 - New Pronouncements
- Note 15 - Fund Balance Designations Section of the Balance Sheet

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

Note 1 - Defining the Financial Reporting Entity

The Town of San Anselmo (the Town) was incorporated in 1907 under the laws of the State of California. San Anselmo operates under a Council-Manager form of government. The Town provides municipal services to its citizens including police, public works, community development and general administrative support. These financial statements present the financial status of the Town.

The Town participates in several Joint Powers Agreements (JPAs) with the following entities:

- Bay Cities Joint Powers Insurance Authority
- Central Marin Police Authority
- Hazardous Materials Spills Management JPA
- Marin Emergency Radio Authority
- Marin General Services Authority
- Marin Telecommunications Agency
- Ross Valley Fire Department JPA
- Ross Valley Paramedic Authority

The financial activities of the JPAs are not included in the accompanying financial statements because they are administered by governing boards which are separate from, and independent of the Town.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described as follows:

Financial Statements

The Town's basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The government-wide financial statements (ie, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment taxes.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

Fund Accounting

The accounts of the Town are organized on the basis of funds, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/equity, revenue, and expenditures or expenses, as appropriate. 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 funds are organized as follows:

Governmental Funds

The General Fund is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds are used to account for revenue and expenditures restricted to the acquisition or construction of major capital facilities (other than those financed by Proprietary or Trust funds).

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, governmental fund long-term debt, both principal and interest.

Internal Service Funds are used to account for interdepartmental operations where it is the stated intent that costs of providing services (insurance) to the departments of the Town on a continuing basis be financed or recovered primarily by charges to the user departments.

Fiduciary Funds

Agency Funds are used to account for assets administered by the Town in a trustee capacity or as an agent for other governments, primarily special assessment districts. Agency Funds are custodial in nature (assets and liabilities), and do not involve measurement of results of operations.

Major Funds

The Town's Major Funds are as follows:

General Fund - this fund is used to account for the general operations of the Town, and is used to account for all financial resources except those required to be accounted for in another fund.

Grants Fund - this fund is used to account for the intergovernmental grant funds received with expenditure restrictions such as to be used for roads, sidewalks, and capital improvement projects.

Recreation Fund - this fund is used to account for services provided to the community such as sports, leisure, arts and recreational activities and classes, and is funded by user fees.

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The government-wide financial statements are accounted for using the flow of economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental funds financial statements are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenue is recognized when it becomes both measurable and available to finance the expenditures of the current period (susceptible to accrual). Major revenue sources susceptible to accrual include substantially all property taxes, taxpayer-assessed taxes (such as sales and use, utility users, business license, transient occupancy, franchise fees and gasoline taxes), interest, special assessments levied, state and federal grants, and charges for current services. Revenue from licenses, permits, fines and forfeits is recorded as received. Expenditures are recorded when the related fund liability is incurred. Fiduciary Fund revenue and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

Deposits in financial institutions, money market funds, and the State Treasurer's investment pool are reported as cash and investments since funds can spend cash at any time without prior notice or penalty. All investments with fiscal agents are also considered cash equivalents if they are liquid. Investments are stated at fair value.

Receivables and Payables

Property, sales, and use taxes related to the current fiscal year are accrued as revenue and accounts receivable are considered available if received within 60 days of fiscal year end. Federal and State grants are considered receivable and accrued as revenue when reimbursable costs are incurred under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available. The Town considers these taxes available if they are received during the period when settlement of prior fiscal year accounts payable and payroll charges normally occur. Grants, entitlements or shared revenue are recorded as receivables and revenue in the general, special revenue, and capital projects funds when they are received or susceptible to accrual.

Balances representing lending/borrowing transactions between funds outstanding at the end of the fiscal year are reported as either "due to/due from other funds" (amounts due within one year), "advances to/from other funds" (non-current portions of interfund lending/borrowing transactions), or "loans to/from other funds" (long-term lending/borrowing transactions as evidenced by loan agreements).

Allowance for Doubtful Accounts

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

Capital Assets

Capital assets are reported in the government-wide statement of net position. Capital assets are stated at historical cost, when available and at estimated replacement cost when original cost was not available. Donated assets are stated at estimated market value at date of donation. The Town's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$10,000, with an estimated useful life in excess of two years. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. As permitted under GASB Statement No. 34, small governments are allowed to report infrastructure assets prospectively beginning in fiscal year 2003-04.

Compensated Absences

Compensated absences represent the vested portion of accumulated vacation and compensated time off with a maximum of 240 hours. The Town's method of calculating the liability is in accordance with GASB Statement No. 16, except that additional accruals for salary-related payments associated with the payment of compensated absences, for example, the employer's share of pension contributions, social security and medicare taxes, have not been accrued as that amount is not considered significant or material to the financial statements taken as a whole.

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the applicable statement of net position. Bond premiums, issuance costs and discounts are deferred and amortized over the life of the bond. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Net Position and Fund Balances

Net position designations are classified on the government-wide statement of net position as follows:

- Net Investment in capital assets - represents the Town's total investment in capital assets reduced by any outstanding debt used to acquire those assets.
- Restricted net position - includes resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net position - represents resources derived from sources without spending restrictions, are used for transactions relating to the general operations of the Town, and may be used at the discretion of those charged with governance to meet current expenses or obligations for any purpose.

Governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Town is bound to honor constraints on how specific amounts can be spent, as follows:

- Nonspendable - amounts that cannot be spent because they are either (a) legally or contractually required to be maintained intact or (b) not in spendable form such as long-term notes receivable.
- Restricted - amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.
- Committed - amounts that can be used only for the specific purposes determined by a *formal action* of the Town Council, to establish, modify or rescind a fund balance commitment.
- Assigned - amounts that are constrained by the government's *intent* to be used for specific purposes

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

but do not meet the criteria to be classified as restricted or committed, as determined by a formal action or policy of the Town Council or its appointed official.

- Unassigned - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Pensions

In government-wide financial statements, retirement plans are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the Town recognizes a net pension liability, which represents the Town's proportionate share of the excess of the total pension liability over the fiduciary net position (assets owned) of the pension reflected in the actuarial report provided by the California Public Employees Retirement System (CalPERS). The net pension liability is measured as of the Town's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

Property Tax Revenue

Property taxes in the State of California are administered for all local agencies at the County level and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

- Property Valuations - are established by the Assessor of Marin County for the secured and unsecured property tax rolls; the utility property tax roll is valued by the California State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13, adopted by the voters on June 6, 1978), properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increase to full value is allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations and is subject to annual reappraisal.
- Tax Levies - are limited to 1% of full assessed value which results in a tax rate of \$1.00 per \$100 assessed valuation under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

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- Tax Levy Dates - are attached annually on January 1, preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.
- Tax Collections - are the responsibility of the Marin County's tax collector. Taxes and assessments on secured and utility rolls, which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.
- Tax Levy Apportionments - due to the nature of the Town-wide maximum levy, it is not possible to identify general-purpose tax rates for specific entities. Under State legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by each County auditor-controller based primarily on the ratio that each agency represented of the total Town-wide levy for the three fiscal years prior to fiscal year 1979.
- Property Tax Administration Fees - the State of California fiscal year 1990-91 Budget Act authorized Counties to collect an administrative fee for its collection and distribution of property taxes.

Note 3 - Stewardship, Compliance and Accountability

Budgetary Information

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

1. The Town Manager submits to the Town Council a proposed draft budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. The Town Council reviews the proposed budget at special scheduled sessions which are open to the public. The Council also conducts a public hearing on the proposed budget to obtain comments from interested persons.
3. Prior to July 1, the budget is adopted through the passage of a resolution.
4. From the effective date of the budget, which is adopted and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various Town departments. The Town Council may amend the budget by resolution during the fiscal year. The Town Manager may authorize transfers from one object or purpose to another within the same department, and between departments within the General Fund. All appropriations lapse at year end.

Economic Dependency

In fiscal year 2016-17, the Town received 67% of its total general fund revenue from one source; property taxes. Any reduction in assessed property values or reductions in the Town's property tax share due to the State's ongoing budget issues could have serious consequences to the Town's operating budget.

Revenue Limitations Imposed By California Proposition 218

Proposition 218, which was approved by the voters in November 1996, regulates the Town's ability to impose, increase, and extend taxes, assessments, and fees. Any new, increased, or extended taxes,

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assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in future years by the voters.

Note 4 - Cash and Investments

The Town follows the practice of pooling cash and investments of all funds except for restricted funds required to be held by outside custodians, fiscal agents or trustees under the provisions of bond indentures. Cash and investments at June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position		
Cash and investments	\$	8,333,090
Statement of Fiduciary Net Assets		
Cash and investments		8,916
		8,916
	\$	8,342,006
Cash and Investments are comprised of the following:		
Deposits with financial institutions:		
checking accounts		5,561,568
Investment with Local Agency Investment Fund		2,780,438
		2,780,438
	\$	8,342,006

Investment in State Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the California State Treasurer. There is a five member Local Investment Advisory Board that is chaired by the State Treasurer. LAIF determines fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. LAIF is part of the Pooled Money Investment Account (PMIA) and under the control of the State Treasurer's Office, which is audited by the Bureau of State Audits on an annual basis. As of June 30, 2017, PMIA had approximately \$78.3 billion in investments. Audited financial statements of PMIA may be obtained from the California State Treasurer.

The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the maturity date and yield of each investment:

		<u>Maturity / Yield</u>
State investment pool (LAIF)	\$2,780,438	6 months average maturity, 0.92% yield

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Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the Town contains limitations on the amount that can be invested in any single issuer as follows: 30% to 40% for Bankers acceptances, 25% for Commercial paper, 30% for Negotiable certificates of deposit, 30% for Medium-term notes, and no limit for US Treasury obligations, US Agency obligations, Federal Instrumentalities, State of California Bonds and Registered Warrants, LAIF, Passbook savings account demand deposits, and Bonds, Notes, & Warrants of a local governmental agency within the State of California. There are no investments in any single issuer that represent 5% or more of total Town investments other than LAIF. Nearly 34% of the Town's cash and investments at year end were invested in LAIF.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government 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 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, other than the following provision for deposits: "the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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. At fiscal year end the Town had \$5,261,911 that was not covered by depository insurance but collateralized by either marketable securities, first trust deed mortgage notes, or a combination of both.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Note 5 - Capital Assets

The following is a summary of changes in the Town's capital assets as reported in the Governmental-wide financial statements:

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<u>Non-depreciable Assets</u>	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Land	\$ 2,591,850	\$ -	\$ -	\$ 2,591,850
<u>Depreciable Assets</u>				
Buildings and improvements	13,456,447	611,763	-	14,068,210
Furniture and equipment	1,217,342	-	-	1,217,342
Infrastructure	14,638,451	1,496,409	-	16,134,860
	29,312,240	2,108,172	-	31,420,412
<u>Accumulated Depreciation</u>	(10,927,408)	(649,908)	903,202	(10,674,114)
Depreciable assets, net	18,384,832	1,458,264	903,202	20,746,298
Total capital assets, net	\$ 20,976,682	\$ 1,458,264	\$ 903,202	\$ 23,338,148

Annual depreciation expense was charged to department functions and programs based upon their use of the related capital assets:

Engineering	\$ 292,809
Public safety fire dept.	839
Town administration	185,465
Parks	11,729
Recreation	14,067
Streets	144,999
	<u>\$ 649,908</u>

Note 6 - Long-term Obligations

The following is a summary changes in the Town's long-term debt and obligations as reported in the Government-wide financial statements:

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<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
2003 General Obligation	\$ 1,955,000	\$ -	\$ (90,000)	\$ 1,865,000	\$ 100,000
2011 General Obligation	4,260,000	-	(495,000)	3,765,000	515,000
2012 Pension Obligation	2,254,000	-	(405,000)	1,849,000	437,000
Municipal lease	938,426	-	(116,353)	822,073	121,809
Vehicle leases	31,911	-	(31,911)	-	-
Due to BCJPIA	500,000	-	-	500,000	-
Net pension liability	5,299,442	1,487,932	-	6,787,374	-
Net OPEB liability	535,636	97,719	-	633,355	-
Compensated absences	126,474	41,931	(31,619)	136,786	34,197
	<u>\$ 15,900,889</u>	<u>\$1,627,582</u>	<u>\$ (1,169,883)</u>	<u>\$16,358,588</u>	<u>\$ 1,208,006</u>

2003 General Obligation Bonds

On February 1, 2003, the Town issued \$2,565,000 of General Obligation Bonds to fund capital improvements to the Town's streets and storm drains. Interest is due semi-annually on February 1 and August 1, with principal payments due August 1 annually. Total annual payments are approximately \$180,000 increasing annually, with an average annual interest rate of 4.5%. The debt matures in fiscal year 2028-29. As of June 30, 2017, the outstanding balance was \$1,865,000.

2011 General Obligation Bonds

On April 21, 2011, the Town issued \$5,955,000 of General Obligation Bonds for the purpose of refunding the \$5,894,928 of outstanding 1995, 1997, and 2000 General Obligation Bonds. Interest is due semi-annually on February 1 and August 1, with principal payments due August 1 annually. Total annual payments are approximately \$670,000 increasing annually, with a current average annual interest rate of 3.2% that increases with time. The debt matures in fiscal year 2025-26. As of June 30, 2017, the outstanding balance was \$3,765,000.

2012 Pension Obligation Bonds

On May 29, 2012, the Town issued \$3,583,000 of Taxable Pension Obligation Bonds for the purpose of paying off the Town's outstanding "side fund" obligation due to the California's Public Retirement System. Principal and interest payments are due semi-annually each June 30 and December 31. Total annual payments are approximately \$500,000 increasing annually with an annual interest rate of 3.6%. The debt matures in fiscal year 2021-22. As of June 30, 2017, the outstanding balance was \$1,849,000.

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Future bond payment requirements consist of the following:

Year Ending					
June 30,	2003 Bonds	2011 Bonds	2012 Bonds	Interest	Total
2018	\$ 100,000	\$ 515,000	\$ 437,000	\$ 293,107	\$ 1,345,107
2019	110,000	545,000	470,000	257,103	1,382,103
2020	115,000	575,000	504,000	213,097	1,407,097
2021	125,000	620,000	211,000	173,484	1,129,484
2022	135,000	450,000	227,000	135,187	947,187
2023-27	845,000	1,060,000	-	327,669	2,232,669
2028-29	435,000	-	-	32,010	467,010
	<u>\$ 1,865,000</u>	<u>\$ 3,765,000</u>	<u>\$ 1,849,000</u>	<u>\$ 1,431,657</u>	<u>\$ 8,910,657</u>

Municipal Lease - Fire Station

On February 1, 2008, the Town entered into a 15 year site lease agreement with Municipal Asset Management, Inc. ("Corporation"), whereby the Town agrees to lease to the Corporation, the Town's Fire Station No. 19 ("property"), and the Corporation agrees to make available to the Town \$1,700,000 through an advanced rental payment agreement, which will enable the Town to finance the restoration, remodeling and expansion of the subject property. The Corporation agrees to lease the property back to the Town, and the Town agrees to make lease payments for use of the property. Payments are \$158,517 per year with an approximate interest rate of 4.5%. At year end, the outstanding balance was \$822,073.

Future minimum lease obligations and the net present value of the minimum lease payments consist of the following:

Year Ending	Net Present		Total
June 30,	Value	Interest	Payments
2018	\$ 121,809	\$ 36,708	\$ 158,517
2019	127,521	30,996	158,517
2020	133,500	25,017	158,517
2021	139,759	18,758	158,517
2022	146,312	12,205	158,517
2023	153,172	5,345	158,517
	<u>\$ 822,073</u>	<u>\$ 129,029</u>	<u>\$ 951,102</u>

Due to BCJPIA

In fiscal year 2003, the Town acquired a real estate parcel a cost of \$500,000 in connection with a settlement agreement, with terms stipulating that the Town repair and stabilize the land parcel with a prior landslide history. During fiscal years 2005 and 2006, the Town incurred costs of \$168,626 and \$581,377, respectively, to stabilize the land parcel. The Town's insurance carrier, Bay Cities Joint Powers Insurance Authority (BCJPIA), paid \$500,000 of the stabilization costs for which BCJPIA will be reimbursed by the Town in the eventual sale of the land. The Town has no plans to sell the property within the next fiscal year.

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Net Pension Liability – see Note 9

OPEB Medical Plan Liability – see Note 8

Compensated Absences

Town employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. No expenditure is reported for these accrued amounts in the governmental funds financial statements. However, in the statement of activities the expenditure is allocated to each function based on usage. Vested compensated absences payable in accordance with various collective bargaining agreements at year end was reported in the statement of net position in the amount of \$136,786 of which \$34,197 (25%) is estimated to be paid within the next fiscal year.

Note 7 - Interfund Transfers

Operating interfund transfers for the fiscal year comprise the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 287,778	\$ 1,201,617
Road Maintenance fund	400,000	-
Gasoline Tax fund	-	254,407
Recreation fund	-	33,371
Capital Reconstruction fund	25,000	-
Equipment Replacement fund	193,100	-
Municipal Lease fund	158,517	-
Internal Service fund - Insurance	425,000	-
	<u>\$ 1,489,395</u>	<u>\$ 1,489,395</u>

Note 8 - Postemployment Benefits Other Than Pensions

Plan Description

The Town provides retiree medical benefits to employees who retire from the Town at age 50 or later with at least 5 years of service and are eligible for a CalPERS pension. Eligible retirees are entitled to \$225 per month. This benefit continues for the life of the retiree and then for the life of a surviving spouse, as applicable.

Actuarial Method and Assumptions

The valuation was completed using the Entry Age Normal Cost Method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Discount Rate

Valuation results were computed at a 4.00% discount rate. 4.00% is a reasonable long-term assumption of the Town's expected return on its investments.

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Valuation Results and Accounting Requirements

The Actuarial Valuation of Postemployment Health Benefits report was prepared with a Valuation Date of June 30, 2017 to provide an estimate of the Town's liability for postemployment medical benefits attributable to past service rendered by current retirees and employees who are expected to receive the benefit. Public entities that sponsor postemployment benefits are required by Governmental Accounting Standards Board (GASB) Statement No. 45 to account for the cost of those benefits using accrual accounting rather than the more common pay-as-you-go accounting. This means that each employee's benefit will "accrue" throughout their working lifetime and that the Town will be required to show the annual accruals as a current year expense.

The amortization period and basis for developing payments was re-set effective July 1, 2014, following the transfer of active police employees to the Central Marin Police Authority and elimination of the unfunded AAL relating to those former employees. Collectively, the changes to the amortization period and method for developing the payments increased the annual required contribution relative to the prior approach.

The table below contains estimates of the present value of the cost of postemployment medical benefits attributable to past service rendered by current retirees and employees who are expected to receive the benefit. The estimates are based on the assumptions and methodology prescribed for Agencies that participate in the CalPERS administered California Employers' Retiree Benefit Trust Fund. The valuation results are based on a discount rate of 4.00%, assuming that the Town continues pay-as-you-go funding of the program. If the Town joins the CERBT Trust and contributes at least part of the Annual Required Contributions (ARC) each year, a higher discount rate may be possible. This could result in lower annual costs as reported under GASB 45.

A primary goal of GASB 45 is to require employers to recognize postemployment healthcare expense systematically over periods approximating employees' years of service. The Actuarial Accrued Liability represents the estimated present value of future benefits that are associated with past service rendered by employees and retirees. The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Actuarial Value of any Assets, as follows:

Present Value of Future Postemployment Healthcare Cost
Attributable to Past Service
As of June 30, 2017

	4% Discount Rate
Actives	\$ 677,170
Retirees and Spouses	1,902,028
Total Actuarial Accrued Liability	\$ 2,579,198
Actuarial Value of Assets	-
Unfunded Actuarial Accrued Liability	\$ 2,579,198

Projected Postemployment Health Benefit Costs

The following table provides a projection of the pay-as-you-go cost to provide postemployment benefits to current retirees and future retirees from the Town's current employees:

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Estimated annual pay-as-you-go cost

<u>Year</u>	<u>Estimated Amount</u>
2016/17	\$ 86,625
2017/18	90,146
2018/19	90,428
2019/20	90,537
2020/21	90,592
2021/22	90,660
2022/23	90,591
2023/24	90,455
2024/25	90,192
2025/26	90,006
2026/27	89,766
2027/28	89,917
2028/29	89,568
2029/30	88,923
2030/31	90,250

Benefit Costs under GASB 45

The Annual Required Contribution (ARC) consists of the Normal Cost plus the portion of the Unfunded Actuarial Accrued Liability that is to be amortized in the current year. The Normal Cost is the portion of the actuarial present value of future benefits that is allocated to the current year. An employer is allowed to commence amortization of the Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years. The amortization method used in this valuation is the level dollar method. The Plan's remaining period is 27 years. The following table provides disclosure of information regarding the Town's Annual OPEB Cost and Obligation.

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Calculation of the Annual Required Contributions
Pay-As-You-Go Basis FYE June 30, 2017

Funding Policy

Discount rate	4.00%
Amortization method	Level Dollar
Initial amortization period (in years)	30
Remaining period (in years)	27

Determination of Amortization Payment

Unfunded Actuarial Accrued Liability (UAAL)	\$ 2,579,198
Amortization Factor (based on 4.00% discount rate)	16.98277
Payment	146,144

Annual Required Contribution

Normal Cost (based on the Entry Age Normal Method)	\$ 103,369
Amortization of UAAL	151,871
Interest	-
Total ARC at fiscal year end	<u><u>\$ 255,240</u></u>

Calculation of the Annual OPEB Expense

ARC for the year	\$ 255,240
Interest on the Net OPEB obligation	21,425
Adjustment to ARC	<u>(32,802)</u>
Annual OPEB Cost	<u><u>243,863</u></u>

Calculation of Expected Contribution

Estimated payments on behalf of retirees	86,625
Estimated payments to OPEB trust	<u>59,519</u>
Total Expected Employer Contribution	<u><u>146,144</u></u>

Change in Net OPEB Obligation	97,719
Net OPEB Obligation - beginning of year	<u>535,636</u>
Net OPEB Obligation - end of year	<u><u>\$ 633,355</u></u>

Note 9 - Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

A. General Information about the Plan

Plan Description

The Town provides pension benefits to eligible employees through a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). 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. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report that can be found on the CalPERS website.

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Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50-55 with statutorily reduced benefits. Death benefits are the pre-retirement Optional Settlement 2W Death Benefit, and the post-retirement death benefit lump sum. The cost of living adjustments for each plan are applied as specified by the Public Employees Retirement Law.

The Plan's provisions and benefits are summarized as follows:

	Prior to February 1, 2007	February 1, 2007 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2% @ 55	2% @ 62
Benefit vesting schedule	5 years svc	5 years svc	5 year svc
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	55	62
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	2.0%
Required employee contribution rates	7.947%	6.891%	6.308%
Required employer contribution rates	11.634%	8.880%	6.555%

Contributions

The Town makes contributions required as the employer. Employee members are required to make contributions of their annual covered salary in an amount depending upon date of hire. The contribution requirements of the plan are established and may be amended by CalPERS. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2017, employer pension plan contributions were \$533,161.

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

As of June 30, 2017, the Town reported a net pension liability for its Proportionate Share of the Net Pension Liability of the CalPERS Public Agency Cost-Sharing Plan as follows:

Total pension liability	\$ 25,205,447
Fiduciary net position	18,418,073
Net pension liability	6,787,374

The Town's net pension liability of its Plan with CalPERS is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016 (measurement

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date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was 0.078439%. For the year ended June 30, 2017, the Town recognized pension expense of \$904,086.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,708	\$ 3,828
Changes of assumptions	-	158,074
Differences between projected and actual investment earnings	822,724	-
Change in employer's proportion	333,105	-
Differences between employer's share of contributions	-	353,302
Pension contributions subsequent to the measurement date	533,161	-
Totals	<u>\$ 1,705,698</u>	<u>\$ 515,204</u>

Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense as follows:

<u>Fiscal Year Ending June 30:</u>	
2018	\$ 4,790
2019	53,903
2020	385,544
2021	213,095

C. Actuarial Assumptions

The total pension liability for this plan's actuarial valuation was determined using the following actuarial assumptions:

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Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 15.0% (1)
Investment Rate of Return	7.5% (2)

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

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

D. Discount Rate

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each asset class. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges, and manages those asset class allocations within their policy ranges. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses. The asset allocation has an expected long-term blended rate of return of 7.5 percent.

Asset Class	Allocation
Global Equity	51.00%
Global Fixed Income	20.00%
Inflation Sensitive Assets	6.00%
Private Equity	10.00%
Real Assets	12.00%
Other	0.00%
Liquid Assets	1.00%
	100.00%

E. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the unfunded net pension liability calculated using the discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Discount Rate -1% 6.65%	Current Discount Rate 7.65%	Discount Rate +1% 8.65%
Net Pension Liability	\$ 10,180,812	\$ 6,787,374	\$ 3,982,865

Note 10 - Jointly Governed Organizations

Central Marin Police Authority

The Central Marin Police Authority is a full service public safety and dispatch agency for the communities of Corte Madera, Larkspur, San Anselmo and portions of Greenbrae. The communities consolidated police services on January 1, 2013 after two years of planning and public discussion. The Central Marin Police Authority was formed under a Joint Powers Agreement (JPA) between the Town of Corte Madera, City of Larkspur and the Town of San Anselmo. Two members from each City/Town Council sit on and represent the Central Marin Police Council. Overall management of the Police Authority is the function of the Management Committee comprised of the City and Town Managers of each jurisdiction. Operational function of the Authority is assigned to the Chief of Police.

Hazardous Materials Spills Management Authority

This multi-agency and multi-jurisdictional agency responds to hazardous materials emergencies. The annual budget is determined by the Marin County Fire Chief's Association and is allocated on a jurisdiction percent of population based on the County of Marin's current census data. Financial statements may be obtained by

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

mailing a request to the Hazardous Materials Response Team, c/o San Rafael Fire Department, 1039 C Street, San Rafael, CA 94901.

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 pay a pro-rata share of MERA's operations costs and debt service through year 2022, which are projected at \$64,000 per year.

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. 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 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. Financial statements may be obtained by mailing a request to the Marin Telecommunications Agency at Marin County Auditor-Controller, County of Marin, Room 225, San Rafael, CA 94903.

Ross Valley Fire Department

The Ross Valley Fire Department (the "Department") was created in 1982. An Amended and Restated Joint Powers Agreement was entered into effective July 1, 2010, between the Town of Fairfax, Town of San Anselmo and the Sleepy Hollow Fire Protection District ("Sleepy Hollow"), to provide fire protection, emergency medical and related services within their respective jurisdictions. On July 1, 2012, the Department entered into a First Amendment to the Amended and Restated Joint Powers Agreement to admit the Town of Ross as a member. Primary funding for the Department is through contributions from the member agencies. The Department is governed by an eight voting member Board of Directors, consisting of, two from the Fairfax Town Council, two from the San Anselmo Town Council, two from Sleepy Hollow Fire Protection District, and two from Ross Town Council. The Department is administered by the Town Manager (Executive Officer) and shall rotate among Fairfax, San Anselmo, and Ross for two year terms, or such other terms as may be determined by the Board. 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

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

well as supervision by County fire department superior officers to render the paramedic service. RVPA's operations are financed by its members, through a tax on each residential unit and an equivalent tax for commercial property. The tax is \$63.00 (including a \$.50 administrative fee) per living unit and per 1,500 square feet of structure on parcels in non-residential use. Financial statements may be obtained by mailing a request to the City of Larkspur, 400 Magnolia Avenue, Larkspur, CA 94939.

Note 11 - Commitments and Contingencies

The Town receives funding from a number of federal, state and local grant programs. These programs are subject to financial and compliance review by grantors. Accordingly, the Town's compliance with applicable grant requirements will be determined at some future date. Expenditures, if any, which may be disallowed by the granting agencies, cannot be determined at this time. The Town does not expect the undeterminable amounts of disallowed expenditures, if any, to materially affect the financial statements. Receipt of this federal, state and local grant revenue is not assured in the future.

Note 12 - Risk Management

The Town participates in a joint powers agreement through the Bay Cities Joint Powers Insurance Authority (BCJPIA) which is a workers compensation and general liability risk pool. The Town currently reports all of its risk management activities in its Internal Service Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. BCJPIA was created as a California Public Agency by an agreement between certain public agencies in the San Francisco Bay Area to provide vehicle, general liability, and workers compensation coverage. BCJPIA is governed by a Board of Directors which is comprised of officials appointed by each member town, city or agency.

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 \$25,000 to \$1,000,000 per occurrence. This is the Primary Liability Program. The BCJPIA annually 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 Liability Program provides risk sharing pool coverage for its members of \$1,000,000 up to \$28,000,000 per occurrence. The workers' compensation fund is self-insured for the first \$150,000 of loss per accident; excess coverage policy is provided by an outside insurance carrier up to statutory limits. Financial statements may be obtained from BCJPIA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

Note 13 - Subsequent Events

The management of the Town has reviewed the results of operations for the period from its year end June 30, 2017 through November 6, 2017, the date the draft financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

Note 14 - New Pronouncements

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

The Governmental Accounting Standards Board (GASB) has released the following new pronouncements, which can read in their entirety at <http://www.gasb.org>.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Effective Date: The requirements of this Statement are effective for periods beginning after June 15, 2017. This Statement sets new reporting requirements for government employer OPEB plans, whether or not funded, and replaces GASB 45. Because it follows Statement 68 (the new pension accounting standard) very closely, the required calculations and terms may be familiar.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. (Issued 11/16)

GASB Statement No. 84, *Fiduciary Activities*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. (Issued 01/17)

GASB Statement No. 85, *Omnibus 2017*

Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 03/17)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. (Issued 05/17)

GASB Statement No. 87, *Leases*

Effective Date: For reporting periods beginning after December 15, 2019. (Issued 06/17)

TOWN OF SAN ANSELMO
Notes to Financial Statements
June 30, 2017

Note 15 - Fund Balance Designations Section of the Balance Sheet

Fund Balances	General Fund	Major Funds	Nonmajor Governmental Funds	Total
Nonspendable:	\$ 31,104	\$ 10,312	\$ 4,285	\$ 45,701
Restricted for:				
Measure D sales tax	355,764	-	-	355,764
Grants projects	-	77,463	-	77,463
Recreation	-	451,583	-	451,583
Library	-	-	91,153	91,153
Measure A Marin County parks	-	-	256,957	256,957
Measure G debt service	-	-	185,397	185,397
Measure G 2011 debt service	-	-	725,037	725,037
Total restricted fund balances	<u>355,764</u>	<u>529,046</u>	<u>1,258,544</u>	<u>2,143,354</u>
Committed to:	-	-	-	-
Assigned:				
Emergency reserve	111,142	-	-	111,142
Downtown projects	125,122	-	-	125,122
Community Facilities Master Plan	-	-	57,435	57,435
Road maintenance	-	-	274,557	274,557
Robson house	-	-	63,224	63,224
Special events	-	-	21,796	21,796
Capital Reconstruction	-	-	91,207	91,207
Equipment replacement	-	-	52,065	52,065
Total assigned fund balances	<u>236,264</u>	<u>-</u>	<u>560,284</u>	<u>796,548</u>
Unassigned:	<u>4,081,192</u>	<u>-</u>	<u>(84,788)</u>	<u>3,996,404</u>
Total Fund Balances	<u>\$ 4,704,324</u>	<u>\$ 539,358</u>	<u>\$ 1,738,325</u>	<u>\$ 6,982,007</u>

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

TOWN OF SAN ANSELMO
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
As of June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability

The proportion (percentage) of the collective net pension liability represents the Town's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The proportionate share (dollar amount) of the collective net pension liability represents the Town's share of the cost-sharing plan assets offset against the actuarial determined collective pension liability.

The employer's covered-employee payroll represents the payroll of employees that are provided with pensions through the plan.

Schedule of Contributions

The employer's contributions to the plan is actuarially determined or based on statutory or contractual requirements which comprise the following: (1) the agent employer's actuarially determined contribution to the pension plan (its statutorily/contractually required contribution), (2) the employer's actual contributions, the difference between the actual and actuarially determined contributions (its statutorily/contractually required contributions), and (3) a ratio of the actual contributions divided by covered-employee payroll.

TOWN OF SAN ANSELMO
Required Supplementary Information
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (unaudited)
Last 3 Fiscal Years

Schedule of the Town's Proportionate Share of the Plan's Net Pension Liability	2017	2016	2015
Town's proportion of the net pension liability	0.07844%	0.07721%	0.06400%
Town's proportionate share of the net pension liability	\$ 6,787,374	\$ 5,299,442	\$ 4,002,425
Town's covered-employee payroll *	\$ 2,418,737	\$ 2,435,975	\$ 2,236,414
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	281%	218%	179%
Plan fiduciary net position as a percentage of the total pension liability	74%	78%	79%

* for the fiscal year ending on the measurement date

Schedule of the Town's Contributions

Contractually required employer contribution	\$ 533,161	\$ 466,182	\$ 359,492
Contributions in relation to the contractually required employer contribution	<u>533,161</u>	<u>466,182</u>	<u>359,492</u>
Contribution (excess) deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll **	\$ 2,598,726	\$ 2,418,737	\$ 2,435,975
Contributions as a percentage of covered-employee payroll	21%	19%	15%

** for the fiscal year ending on the date shown

TOWN OF SAN ANSELMMO
Required Supplementary Information
Schedule of Funding Progress (unaudited)
Other Postemployment Benefits Plan
As of June 30, 2017

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

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Net Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(a-b)/c]
July 1, 2011	\$ 1,941,900	\$ -	\$ 1,941,900	0%	\$ 4,068,100	47.7%
June 30, 2014	\$ 1,628,827	\$ -	\$ 1,628,827	0%	\$ 1,999,530	81.5%
June 30, 2017	\$ 2,536,423	\$ -	\$ 2,536,423	0%	\$ 2,595,055	97.7%

TOWN OF SAN ANSELMO
Required Supplementary Information
Budgetary Comparison Information
Year Ended June 30, 2017

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

- Prior to the close of each fiscal year, 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 revenue and expenditures.
- Public hearings are conducted at Town Council meetings to obtain taxpayer comments prior to adoption of the budget in June.
- Prior to July 1, the budget is legally adopted for all governmental fund types through Council approved resolution.
- The Town Manager is authorized to transfer budget amounts within and between funds as deemed desirable and necessary in order to meet the Town's needs; however, revisions that alter the total expenditures must be approved by the Town Council. Formal budgetary integration is employed as a management control device during the year for the governmental type funds.
- Budgets for the governmental type funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts presented are as originally adopted and as further amended by the Town Council.

TOWN OF SAN ANSELMO
Required Supplementary Information
Budgetary Comparison Information (unaudited)
General Fund No. 01
Year Ended June 30, 2017

<i>Resources (inflows)</i>	Budget Amounts (unaudited)		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Property taxes	\$ 10,792,257	\$ 10,792,257	\$ 11,398,139	\$ 605,882
Sales taxes	1,200,000	1,200,000	1,842,178	642,178
Other taxes	95,000	95,000	109,848	14,848
Franchise fees	737,000	737,000	746,714	9,714
Fines and forfeitures	146,000	146,000	124,079	(21,921)
Use of money and property	111,000	111,000	10,887	(100,113)
Intergovernmental and agency	-	-	123,083	123,083
Licenses and permits	1,062,000	1,062,000	1,025,720	(36,280)
Charges for services	132,000	132,000	127,608	(4,392)
Other revenue	80,000	92,766	129,339	36,573
Transfers in	365,904	365,904	287,778	(78,126)
Amounts Available for Appropriation	<u>14,721,161</u>	<u>14,733,927</u>	<u>15,925,373</u>	<u>1,191,446</u>
 <i>Charges to Appropriations (outflow)</i>				
Town administration	1,206,031	1,228,524	1,235,845	(7,321)
Non-departmental	692,622	692,622	659,730	32,892
Public safety	7,626,515	7,815,348	7,819,570	(4,222)
Streets	764,420	804,420	838,175	(33,755)
Community development	1,470,268	1,540,768	1,553,300	(12,532)
Library	605,964	618,730	586,463	32,267
Parks and recreation	666,086	666,086	614,299	51,787
Capital projects	-	-	-	-
Debt service	484,891	484,891	484,791	100
Transfers out	1,193,517	1,201,617	1,201,617	-
Total Charges to Appropriations	<u>14,710,314</u>	<u>15,053,006</u>	<u>14,993,790</u>	<u>59,216</u>
 <i>Surplus (Deficit)</i>	 <u>\$ 10,847</u>	 <u>\$ (319,079)</u>	 <u>\$ 931,583</u>	 <u>\$ 1,250,662</u>

TOWN OF SAN ANSELMO
Required Supplementary Information
Budgetary Comparison Information (unaudited)
Grants Fund No. 14
Year Ended June 30, 2017

	Budget Amounts (unaudited)		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows)				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Franchise fees	-	-	-	-
Fines and penalties	-	-	-	-
Investment earnings	-	-	-	-
Intergovernmental and agency	5,616,801	5,616,801	1,156,718	(4,460,083)
Licenses and permits	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Transfers in	-	-	-	-
Amounts Available for Appropriation	5,616,801	5,616,801	1,156,718	(4,460,083)
Charges to Appropriations (outflow)				
Town administration	-	-	-	-
Non-departmental	-	-	1,933	(1,933)
Public safety	-	-	-	-
Streets	5,379,459	5,379,459	1,111,467	4,267,992
Community development	-	-	-	-
Library	-	-	-	-
Parks and recreation	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Transfers out	-	-	-	-
Total Charges to Appropriations	5,379,459	5,379,459	1,113,400	4,266,059
Surplus (Deficit)	\$ 237,342	\$ 237,342	\$ 43,318	\$ (194,024)

TOWN OF SAN ANSELMO
Required Supplementary Information
Budgetary Comparison Information (unaudited)
Recreation Fund No. 21
Year Ended June 30, 2017

	Budget Amounts (unaudited)		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows)				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Franchise fees	-	-	-	-
Fines and penalties	-	-	-	-
Investment earnings	-	-	-	-
Intergovernmental and agency	-	-	-	-
Licenses and permits	-	-	-	-
Charges for services	1,384,325	1,384,325	1,564,529	180,204
Other revenue	-	-	-	-
Transfers in	-	-	-	-
Amounts Available for Appropriation	1,384,325	1,384,325	1,564,529	180,204
Charges to Appropriations (outflow)				
Town administration	-	-	-	-
Non-departmental	-	-	-	-
Public safety	-	-	-	-
Streets	-	-	-	-
Community development	-	-	-	-
Library	-	-	-	-
Parks and recreation	1,467,199	1,467,199	1,406,598	60,601
Capital projects	-	-	-	-
Debt service	-	-	-	-
Transfers out	33,371	33,371	33,371	-
Total Charges to Appropriations	1,500,570	1,500,570	1,439,969	60,601
Surplus (Deficit)	\$ (116,245)	\$ (116,245)	\$ 124,560	\$ 240,805

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF SAN ANSELMO
General Fund
Combining Balance Sheet
June 30, 2017**

	<u>General Fund</u>	<u>Sales Tax Measure D Fund</u>	<u>Emergency Reserve Fund</u>	<u>Downtown Revitalization Fund</u>	<u>Totals</u>
ASSETS					
Cash and investments	\$ 4,845,321	\$ 299,208	\$ 111,142	\$ 17,975	\$ 5,273,646
Receivables	435,174	152,500	-	-	587,674
Prepaid expenses	31,104	-	-	-	31,104
Total Assets	<u>\$ 5,311,599</u>	<u>\$ 451,708</u>	<u>\$ 111,142</u>	<u>\$ 17,975</u>	<u>\$ 5,892,424</u>
LIABILITIES					
Payables	\$ 243,417	\$ 95,944	\$ -	\$ -	\$ 339,361
Cash overdraft	-	-	-	-	-
Deposits	848,739	-	-	-	848,739
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>1,092,156</u>	<u>95,944</u>	<u>-</u>	<u>-</u>	<u>1,188,100</u>
FUND BALANCES					
Nonspendable	31,104	-	-	-	31,104
Restricted	-	355,764	-	-	355,764
Committed	-	-	-	-	-
Assigned	107,147	-	111,142	17,975	236,264
Unassigned	4,081,192	-	-	-	4,081,192
Total Fund Balances	<u>4,219,443</u>	<u>355,764</u>	<u>111,142</u>	<u>17,975</u>	<u>4,704,324</u>
				-	
Total Liabilities and Fund Balances	<u>\$ 5,311,599</u>	<u>\$ 451,708</u>	<u>\$ 111,142</u>	<u>\$ 17,975</u>	<u>\$ 5,892,424</u>

TOWN OF SAN ANSELMO

General Fund

Combining Statement of Revenue, Expenditures and Change in Fund Balances

Year Ended June 30, 2017

Page 2 of 2

	General Fund	Sales Tax Measure D Fund	Emergency Reserve Fund	Downtown Revitalization Fund	Totals
REVENUE					
Property taxes	\$ 11,398,139	\$ -	\$ -	\$ -	\$ 11,398,139
Sales taxes	1,842,178	1,132,321	-	-	2,974,499
Other taxes	109,848	-	-	-	109,848
Franchise fees	746,714	-	-	-	746,714
Fines and forfeitures	124,079	-	-	-	124,079
Use of money and property	10,887	-	-	-	10,887
Intergovernmental and agency	123,083	-	-	-	123,083
Licenses and permits	1,025,720	-	-	-	1,025,720
Charges for services	127,608	-	-	5,840	133,448
Other revenue	129,339	-	-	2,736	132,075
Total Revenue	<u>15,637,595</u>	<u>1,132,321</u>	<u>-</u>	<u>8,576</u>	<u>16,778,492</u>
EXPENDITURES					
Current -					
Town administration	1,235,845	-	-	-	1,235,845
Nondepartmental	659,730	-	-	-	659,730
Public safety	7,819,570	-	-	-	7,819,570
Streets	838,175	-	-	-	838,175
Community development	1,553,300	-	2,024	-	1,555,324
Library	586,463	-	-	-	586,463
Parks and recreation	614,299	-	-	-	614,299
Capital projects	-	861,829	-	-	861,829
Debt service	484,791	-	-	-	484,791
Total Expenditures	<u>13,792,173</u>	<u>861,829</u>	<u>2,024</u>	<u>-</u>	<u>14,656,026</u>
Excess Revenue over (under) Expenditures	<u>1,845,422</u>	<u>270,492</u>	<u>(2,024)</u>	<u>8,576</u>	<u>2,122,466</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	287,778	-	-	-	287,778
Operating transfers (out)	(1,201,617)	-	-	-	(1,201,617)
Total Other Financing Sources	<u>(913,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(913,839)</u>
CHANGE IN FUND BALANCES	931,583	270,492	(2,024)	8,576	1,208,627
Fund Balances - Beginning	3,287,860	85,272	113,166	9,399	3,495,697
Fund Balances - End of Year	<u>\$ 4,219,443</u>	<u>\$ 355,764</u>	<u>\$ 111,142</u>	<u>\$ 17,975</u>	<u>\$ 4,704,324</u>

TOWN OF SAN ANSELMO
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

Special Revenue Funds									
	Community			Isabel				Total	
	Facilities	Road	Gasoline	Library	Cook	Robson	Special	Marin Cty	Special
	Master	Maintenance	Tax	Tax	Community	House	Events	Parks	Revenue
	Plan	Fund	Fund	Fund	Center	Fund	Fund	Measure A	Funds
ASSETS									
Cash & investments	\$ 57,435	\$ 322,187	\$ -	\$ 89,567	\$ 110	\$ 70,585	\$ 23,360	\$ 209,838	\$ 773,082
Receivables	-	6,831	-	1,603	-	-	-	47,119	55,553
Prepaid expenses	-	1,805	-	2,060	210	210	-	-	4,285
Total Assets	\$ 57,435	\$ 330,823	\$ -	\$ 93,230	\$ 320	\$ 70,795	\$ 23,360	\$ 256,957	\$ 832,920
LIABILITIES									
Accounts payable	\$ -	\$ 54,461	\$ -	\$ 17	\$ 5,151	\$ 3,256	\$ 1,564	\$ -	\$ 64,449
Cash overdraft	-	-	-	-	79,747	-	-	-	79,747
Deposits	-	-	-	-	-	4,105	-	-	4,105
Deferred revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	-	54,461	-	17	84,898	7,361	1,564	-	148,301
FUND BALANCES									
Nonspendable	-	1,805	-	2,060	210	210	-	-	4,285
Restricted	-	-	-	91,153	-	-	-	256,957	348,110
Committed	-	-	-	-	-	-	-	-	-
Assigned	57,435	274,557	-	-	-	63,224	21,796	-	417,012
Unassigned	-	-	-	-	(84,788)	-	-	-	(84,788)
Totals	57,435	276,362	-	93,213	(84,578)	63,434	21,796	256,957	684,619
Total Liabilities and Fund Balances	\$ 57,435	\$ 330,823	\$ -	\$ 93,230	\$ 320	\$ 70,795	\$ 23,360	\$ 256,957	\$ 832,920

TOWN OF SAN ANSELMO
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	<u>Capital Project Funds:</u>			<u>Debt Service Funds:</u>			<u>Total</u>	<u>Total</u>	<u>Total</u>
	<u>Capital</u>	<u>Equipment</u>	<u>Total</u>	<u>Measure G</u>	<u>Measure G</u>	<u>Municipal</u>			
	<u>Reconstruction</u>	<u>Replacement</u>	<u>Project</u>	<u>Debt Svc</u>	<u>Debt Svc</u>	<u>Lease</u>	<u>Service</u>	<u>Revenue</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>2003</u>	<u>2011</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
ASSETS									
Cash & investments	\$ 94,806	\$ 55,550	\$ 150,356	\$ 182,688	\$ 716,187	\$ -	\$ 898,875	\$ 773,082	\$ 1,822,313
Receivables	-	-	-	2,709	8,850	-	11,559	55,553	67,112
Prepaid expenses	-	-	-	-	-	-	-	4,285	4,285
Total Assets	\$ 94,806	\$ 55,550	\$ 150,356	\$ 185,397	\$ 725,037	\$ -	\$ 910,434	\$ 832,920	\$ 1,893,710
LIABILITIES									
Accounts payable	\$ 3,599	\$ 3,485	\$ 7,084	\$ -	\$ -	\$ -	\$ -	\$ 64,449	\$ 71,533
Cash overdraft	-	-	-	-	-	-	-	79,747	79,747
Deposits	-	-	-	-	-	-	-	4,105	4,105
Deferred revenue	-	-	-	-	-	-	-	-	-
Total Liabilities	3,599	3,485	7,084	-	-	-	-	148,301	155,385
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	4,285	4,285
Restricted	-	-	-	185,397	725,037	-	910,434	348,110	1,258,544
Committed	-	-	-	-	-	-	-	-	-
Assigned	91,207	52,065	143,272	-	-	-	-	417,012	560,284
Unassigned	-	-	-	-	-	-	-	(84,788)	(84,788)
Totals	91,207	52,065	143,272	185,397	725,037	-	910,434	684,619	1,738,325
Total Liabilities and Fund Balances	\$ 94,806	\$ 55,550	\$ 150,356	\$ 185,397	\$ 725,037	\$ -	\$ 910,434	\$ 832,920	\$ 1,893,710

TOWN OF SAN ANSELMO
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures and Change in Fund Balances
Year Ended June 30, 2017

Special Revenue Funds:									
	Community			Isabel				Total	
	Facilities	Road	Gasoline	Library	Cook	Robson	Special	Marin Cty	
	Master	Maintenance	Tax	Tax	Community	House	Events	Parks	
	Plan	Fund	Fund	Fund	Center	Fund	Fund	Measure A	
								Revenue	
								Funds	
REVENUE									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	251,658	-	-	-	139,053	390,711
Franchises	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Use of money and property	-	635	-	-	100,104	45,000	-	1,613	147,352
Intergovernmental and agency	-	-	254,406	-	-	-	-	-	254,406
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	312,924	-	-	-	-	22,658	-	335,582
Other revenue	-	2,449	-	-	-	-	-	-	2,449
Total Revenue	-	316,008	254,406	251,658	100,104	45,000	22,658	140,666	1,130,500
EXPENDITURES									
Current -									
Town administration	-	-	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-
Streets	-	854,166	-	-	-	-	-	-	854,166
Community development	-	-	-	-	54,592	-	-	-	54,592
Library	-	-	-	253,150	-	-	-	-	253,150
Parks and recreation	-	-	-	-	-	33,741	27,711	57,077	118,529
Capital projects	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-
Total Expenditures	-	854,166	-	253,150	54,592	33,741	27,711	57,077	1,280,437
Excess Revenue over (under) Expenditures	-	(538,158)	254,406	(1,492)	45,512	11,259	(5,053)	83,589	(149,937)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	400,000	-	-	-	-	-	-	400,000
Operating transfers (out)	-	-	(254,407)	-	-	-	-	-	(254,407)
Total Other Financing Sources	-	400,000	(254,407)	-	-	-	-	-	145,593
CHANGE IN FUND BALANCES									
	-	(138,158)	(1)	(1,492)	45,512	11,259	(5,053)	83,589	(4,344)
Fund Balances - Beginning	57,435	414,520	1	94,705	(130,090)	52,175	26,849	173,368	688,963
Fund Balances - End of Year	\$ 57,435	\$ 276,362	\$ -	\$ 93,213	\$ (84,578)	\$ 63,434	\$ 21,796	\$ 256,957	\$ 684,619

TOWN OF SAN ANSELMO
Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures and Change in Fund Balances
Year Ended June 30, 2017

	<u>Capital Project Funds</u>			<u>Debt Service Funds:</u>			<u>Total Debt Service Funds</u>	<u>Total Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital</u>	<u>Equipment</u>	<u>Total</u>	<u>Measure G</u>	<u>Measure G</u>	<u>Municipal</u>			
	<u>Reconstruction</u>	<u>Replacement</u>	<u>Capital</u>	<u>Debt Svc</u>	<u>Debt Svc</u>	<u>Lease</u>			
<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>2003</u>	<u>2011</u>	<u>Fund</u>				
REVENUE									
Property taxes	\$ -	\$ -	\$ -	\$ 197,763	\$ 639,696	\$ -	\$ 837,459	\$ -	\$ 837,459
Other taxes	-	-	-	-	-	-	-	390,711	390,711
Franchises	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	147,352	147,352
Intergovernmental and agency	-	-	-	-	-	-	-	254,406	254,406
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	7,819	-	7,819	-	-	-	-	335,582	343,401
Other revenue	-	-	-	-	-	-	-	2,449	2,449
Total Revenue	7,819	-	7,819	197,763	639,696	-	837,459	1,130,500	1,975,778
EXPENDITURES									
Current -									
Town administration	-	46,022	46,022	-	-	-	-	-	46,022
Nondepartmental	-	67,529	67,529	-	-	-	-	-	67,529
Public safety	-	-	-	-	-	-	-	-	-
Streets	-	32,215	32,215	-	-	-	-	854,166	886,381
Community development	-	5,673	5,673	-	-	-	-	54,592	60,265
Library	-	-	-	-	-	-	-	253,150	253,150
Parks and recreation	-	-	-	-	-	-	-	118,529	118,529
Capital projects	48,366	-	48,366	-	-	-	-	-	48,366
Debt service	-	-	-	180,040	645,569	158,517	984,126	-	984,126
Total Expenditures	48,366	151,439	199,805	180,040	645,569	158,517	984,126	1,280,437	2,464,368
Excess Revenue over (under) Expenditures	(40,547)	(151,439)	(191,986)	17,723	(5,873)	(158,517)	(146,667)	(149,937)	(488,590)
OTHER FINANCING SOURCES (USES)									
Operating transfers in	25,000	193,100	218,100	-	-	158,517	158,517	400,000	776,617
Operating transfers (out)	-	-	-	-	-	-	-	(254,407)	(254,407)
Total Other Financing Sources	25,000	193,100	218,100	-	-	158,517	158,517	145,593	522,210
CHANGE IN FUND BALANCES	(15,547)	41,661	26,114	17,723	(5,873)	-	11,850	(4,344)	33,620
Fund Balances - Beginning	106,754	10,404	117,158	167,674	730,910	-	898,584	688,963	1,704,705
Fund Balances - End of Year	\$ 91,207	\$ 52,065	\$ 143,272	\$ 185,397	\$ 725,037	\$ -	\$ 910,434	\$ 684,619	\$ 1,738,325

APPENDIX A

TOWN OF SAN ANSELMO
California

Single Audit Report

Year Ended
June 30, 2017

TOWN OF SAN ANSELMO

Single Audit Report

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, 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, 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, 2017, and the related notes to the financial statements, which collectively comprise Town of San Anselmo's basic financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Marcello & Company

Certified Public Accountants
Sacramento, California
October 18, 2017

MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 Cottage Way, Suite 30 / Sacramento, California 95825

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards

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

Report on Compliance for Each Major Federal Program

We have audited the Town of San Anselmo's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of San Anselmo as of and for the year ended June 30, 2017, and have issued our report thereon dated October 18, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcello & Company

Certified Public Accountants
Sacramento, California
October 18, 2017

TOWN OF SAN ANSELMO, CALIFORNIA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION (DOT)		
Highway Planning & Construction (Federal-Aid Highway Program) Passed through the State of California		
Caltrans Nokomis Avenue Bridge BRLS-5159 (017)	20.205	\$ 108,128
Caltrans Madrone Avenue Bridge BRLS-5159 (018)	20.205	89,593
Caltrans Center Avenue Bridge BRLS-5159 (019)	20.205	<u>9,369</u>
Subtotal		207,090
Safe Routes to School SRTSLN-5159 (020)	20.205	444,396
Bridge Preventive Maintenance grant BPMP-5159 (022)	20.205	<u>125,935</u>
	SUBTOTAL CFDA No. 20.205	<u>777,421</u>
Total Expenditures of Federal Awards		<u>\$ 777,421</u>

TOWN OF SAN ANSELMO, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the expenditures for all federal award programs received by the Town of San Anselmo, California (Town). The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position or change in net position of the Town.

Note 2 - Summary of Significant Accounting Policies

The federal award expenditures reported in the Schedule are prepared from records maintained by the Town for federal funds and reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, when applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - De Minimis Cost Rates

The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Pass-through

Federal awards passed through the State of California are identified on the Schedule.

Note 5 - Subrecipients

There were no subrecipients of federal awards this year.

Note 6 - Catalog of Federal Domestic Assistance Numbers

The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information, and the Office of Management and Budget's CFDA.

TOWN OF SAN ANSELMO, CALIFORNIA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: *Unmodified Opinion*
2. Internal controls examined during the audit of the financial statements:
 - a. Material weaknesses identified? *None disclosed*
 - b. Significant deficiencies identified? *None disclosed*
3. Noncompliance material to the financial statements identified during the audit? *None disclosed*
4. Internal control over major programs examined during the audit of the financial statements:
 - a. Material weaknesses identified? *None disclosed*
 - b. Significant deficiencies identified? *None disclosed*
5. Type of auditor's report issued on compliance for major programs: *Unmodified Opinion*
6. Any audit findings relating to major programs disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? *None disclosed*
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	DOT Highway Planning & Construction (Federal-Aid Highway Program)
8. Dollar threshold used to distinguish between Type A and Type B programs? *\$750,000*
9. Auditee qualifies as a low-risk auditee? *No. There was not a Single Audit in the prior 2 years.*

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year: *None disclosed*
Prior Year: *None disclosed*

SECTION III - MAJOR FEDERAL PROGRAMS FINDINGS AND QUESTIONED COSTS

Current Year: *None disclosed*
Prior Year: *None disclosed*

