

**TOWN OF TIBURON**  
*California*

---

**Annual Financial Report**  
**June 30, 2004**

**Town Council**

**Alice Fredericks**  
**Miles Berger**  
**Tom Gram**  
**Jeff Slavitz**  
**Paul Smith**

**Mayor**  
**Vice Mayor**  
**Member**  
**Member**  
**Member**

**Appointed Officials**

**Town Manager**  
***Alex McIntyre***

**Administrative Services Director**  
***Heidi Bigall***

**Assistant to the Town Manager/Town Clerk**  
***Diane Crane Iacopi***

## TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)</b> .....	3-9
<b>FINANCIAL STATEMENTS</b>	
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements	
Statement of Net Assets .....	10
Statement of Activities.....	11
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds.....	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Fiduciary Net Assets - Fiduciary Funds .....	16
Notes to the Financial Statements .....	17-34

**TABLE OF CONTENTS (continued)**

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress - Defined Benefit Pension Plan.....35

Statement of Revenues, Expenditures and Changes in Fund  
Balances - Budget and Actual - General and Special Revenue Funds .....36

**ADDITIONAL REPORTS**

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards .....37

## INDEPENDENT AUDITOR'S REPORT

**NICHOLSON  
&  
OLSON**  
LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS

729 Sunrise Avenue, Suite 303

Honorable Mayor  
Members of the Town Council  
Town of Tiburon, California

Roseville, California 95661

(916) 786-7997

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 Tiburon, California, as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

(916) 786-6536 Fax

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Tiburon, California, as of June 30, 2004, and the respective changes in financial position and cash flows, were applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor  
Members of the Town Council  
Tiburon, California

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tiburon's basic financial statements. The introductory section and other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nicholson & Olson*

Certified Public Accountants  
Roseville, California  
September 15, 2004

## Town of Tiburon Management's Discussion and Analysis

---

This discussion and analysis of the Town of Tiburon's financial activities and performance provides an overview for the fiscal year ended June 30, 2004. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

In this fiscal year, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures along with related interpretations*. The implementations of these new statements resulted in significant changes in the presentation of the financial statements. As a result, certain financial information is not comparable to prior years, and comparative information is not presented. However, comparative financial data will be provided in future years in the financial statements and in this discussion and analysis.

### **Government-Wide Highlights**

- The Government-Wide Statement of Net Assets appearing as the first statement of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the Town's assets to be \$53.1 million, liabilities of \$4.3 million and net assets of \$48.8 million
- Total Town revenues were \$7.7 million compared with total expenses of \$6.7 million, resulting in an increase in net assets for the fiscal year ended June 30, 2004 of \$1 million.
- The Town's net capital assets totaled \$39.6 million at June 30, 2004, representing 74% of the Town's total assets.
- The Town's long-term debt totaled \$3.5 million as of June 30, 2004, representing a decrease of \$440,000 from the prior year.

### **Fund Highlights**

At the close of fiscal year 2004, the Town's governmental funds reported a combined ending fund balance of \$12.7 million, which represents an increase of \$1,014,978.

**Town of Tiburon  
Management's 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 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements**

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

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

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Town of Tiburon  
Management's Discussion and Analysis**

---

**Governmental Funds**

Government funds: Most of the Town's basic services are included in government funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, there is additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship or differences between them.

Proprietary funds: Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide finance statements because those resources are not available to support the Town's own programs.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

**Required Supplementary Information**

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

**Town of Tiburon  
Management's Discussion and Analysis**

---

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As this is the first year that the Town has presented its financial statements in accordance with GASB Statement No. 34, Basic Financial Statement-Management's Discussion and Analysis – for State and Local Governments, thus, comparative information is not available. In future years, when prior-year information is available, comparative financial data will be included in this report.

**Net Assets**

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

<u>Description</u>	<u>Total Governmental Activities</u>
Cash and Investments	\$ 11,384,693
Capital Assets, Net	39,564,975
Other Assets	<u>2,149,277</u>
<b>Total Assets</b>	<b><u>\$ 53,098,945</u></b>
Long-term debt, net	\$ 3,461,242
Other liabilities	<u>846,781</u>
<b>Total Liabilities</b>	<b><u>\$ 4,308,023</u></b>
Invested in Capital	\$ 36,367,675
Restricted	4,104,679
Unrestricted	<u>8,318,568</u>
<b>Net Assets</b>	<b><u>\$ 48,790,922</u></b>

Net assets of \$48,790,922 at June 30, 2004 consist primarily of the following elements:

- Unrestricted cash and investments of \$6,865,487 and restricted cash and investments of \$4,519,206
- Cash held by trustees of \$491,862
- Accounts receivable of \$315,657
- Notes receivable/Due from other funds of \$1,351,501
- Net capital assets of \$39,564,975
- Accounts payable of \$463,827

**Town of Tiburon  
Management's Discussion and Analysis**

---

- Accrued liabilities of \$364,112
- Refundable deposits of \$36,842
- Net long-term debt totaling \$3,461,242

**Changes in Net Assets**

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

	<b>Total Governmental <u>Activities</u></b>
<b>Revenues:</b>	
Program revenues:	
Charges for Services	\$ 1,326,398
General Revenues:	
Taxes	4,004,326
Intergovernmental	674,332
Investment Earnings	180,483
Franchise Fees	348,446
Other	<u>1,140,494</u>
<b>Total Revenues</b>	<u><b>7,674,479</b></u>
 <b>Expenses:</b>	
General Government	1,076,316
Police Services	2,013,586
Community Development	1,031,774
Public Works	1,227,862
Capital Improvement Projects	819,119
Debt Service	<u>490,844</u>
<b>Total Expenses</b>	<u><b>6,659,501</b></u>
 <b>Change in Net Assets</b>	 <u><b>\$ 1,014,978</b></u>

Net assets increased \$1,014,978 during the fiscal year ended June 30, 2004.

**General Fund**

General Fund revenues of \$6,288,094 increased by \$99,617 since the previous fiscal year. General Fund expenditures of \$5,180,192 increased by \$329,740 over the previous fiscal year, due to an additional \$277,777 in capital projects and the remainder related to personnel costs.

**Town of Tiburon  
Management's Discussion and Analysis**

---

The General Fund balance at fiscal year end was \$7,232,983 of which \$2,613,732 was unreserved and undesignated; \$4,119,251 was unreserved and designated and \$500,000 was reserved.

**Analysis of All Governmental Funds**

The following schedule presents a summary of general, special revenues, and capital projects fund revenues and expenditures for the fiscal year ended June 30, 2004 and the amount of increases and decreases in relation to prior year revenues and expenditures.

	<b><u>Fiscal 2003</u></b>	<b><u>Fiscal 2004</u></b>	<b><u>Increase (Decrease)</u></b>
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	\$ 309,228	\$ 377,429	\$ 68,201
General Revenues			
Taxes - Property	2,109,183	2,241,311	132,128
Other Taxes	2,286,918	1,763,015	(523,903)
Franchise Fees	335,589	348,446	12,857
Fines and Forfeitures	209,582	217,466	7,884
Interest Earnings	235,640	180,483	(55,157)
Intergovernmental	1,338,782	674,332	(664,450)
License and Permits	817,365	948,969	131,604
Other Revenue	<u>966,418</u>	<u>923,028</u>	<u>(43,390)</u>
<b>Total Revenues</b>	<b><u>\$ 8,608,705</u></b>	<b><u>\$ 7,674,479</u></b>	<b><u>\$ (934,226)</u></b>
<b>Expenses:</b>			
Town Administration	\$ 1,245,524	\$ 1,076,316	\$ 169,208
Community Development	877,611	1,031,774	(154,163)
Public Safety	1,984,875	2,013,586	(28,711)
Public Works	1,169,086	1,227,862	(58,776)
Capital Projects	1,360,106	819,119	540,987
Debt Service: Principal	740,100	315,900	424,200
Interest	248,755	148,317	100,438
Other	<u>-</u>	<u>26,627</u>	<u>(26,627)</u>
<b>Total Expenses</b>	<b><u>\$ 7,626,057</u></b>	<b><u>\$ 6,659,501</u></b>	<b><u>\$ 966,556</u></b>

**Town of Tiburon  
Management's Discussion and Analysis**

---

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

The Town's adopted FY 2005 Municipal Budget projects a 4% decrease in overall revenues (and 8.4% in General Fund revenues) due primarily to the uncertainty surrounding the future of the State's budget. Given these revenue projections, the Town's spending will remain generally static over last year's; with an overall increase in General Fund expenditures of 9.7%. The most significant expenditure increase will be to the Town's employee retirement program, CalPERS, which the Town will be paying into for the first time in recent memory. Other notable changes include increases resulting from previously negotiated compensation packages for union-represented employees as well as increases in many of the Joint Powers Agreements (JPA).

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, investors, And creditors of the Town of Tiburon with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Tiburon, Administrative Services department, 1505 Tiburon Boulevard, Tiburon, CA 94920.

**FINANCIAL STATEMENTS**

**TOWN OF TIBURON**  
**Government-wide Financial Statements**  
**Statement of Net Assets**  
**June 30, 2004**

	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 11,384,693
Cash held by trustee	491,862
Accrued interest receivable	44,773
Other receivables	270,884
Notes receivable	1,341,758
Capital assets, net	<u>39,564,975</u>
 Total Assets	 <u>53,098,945</u>
<b>LIABILITIES</b>	
Accounts payable	463,827
Accrued liabilities	346,112
Deposits	36,842
Long-term liabilities:	
Due within one year	662,498
Due in more than one year	<u>2,798,744</u>
 Total Liabilities	 <u>4,308,023</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	36,367,675
Restricted	4,104,679
Unrestricted	<u>8,318,568</u>
 Total Net Assets	 <u><u>\$ 48,790,922</u></u>

*See accompanying notes to financial statements*

**TOWN OF TIBURON**  
**Government-wide Financial Statements**  
**Statement of Activities**  
**Year Ended June 30, 2004**

<u>Functions/Programs</u>	<u>Operating Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 2,108,090	\$ 53,018	\$ -	\$ (2,055,072)
Public safety	2,013,586	20,392	-	(1,993,194)
Public works	1,227,862	1,252,988	-	25,126
Public improvements - capital outlay	819,119	401,501	22,802	(394,816)
Interest on long-term debt	174,944	174,944	-	-
Total governmental activities	<u>\$ 6,343,601</u>	<u>\$1,902,843</u>	<u>\$ 22,802</u>	<u>(4,417,956)</u>

General Revenues	
Property taxes	2,241,311
Other taxes	1,763,015
Franchises	348,446
Fines and penalties	217,466
Investment earnings	180,483
Intergovernmental	674,332
Other revenue	323,781
Total general revenues	<u>5,748,834</u>
Change in Net Assets	1,330,878
Net Assets - Beginning of Year	<u>47,460,044</u>
Net Assets - End of Year	<u>\$ 48,790,922</u>

See accompanying notes to financial statements

**TOWN OF TIBURON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

<b>ASSETS</b>	<b>General Fund</b>	<b>Tiburon St. Impact Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and investments	\$ 6,865,487	\$ 770,061	\$ 3,749,145	\$ 11,384,693
Cash held by trustee	89,296	-	402,566	491,862
Accrued interest receivable	30,101	2,767	11,905	44,773
Other receivables	232,669	-	38,215	270,884
Due from other funds	-	-	9,743	9,743
Notes receivable	500,000	-	841,758	1,341,758
<b>Total Assets</b>	<b>\$ 7,717,553</b>	<b>\$ 772,828</b>	<b>\$ 5,053,332</b>	<b>\$ 13,543,713</b>
 <b>LIABILITIES</b>				
Accounts payable	\$ 106,566	\$ 196,870	\$ 160,391	\$ 463,827
Accrued liabilities	346,112	-	-	346,112
Deposits	31,892	-	4,950	36,842
Due to other funds	-	-	9,743	9,743
<b>Total Liabilities</b>	<b>484,570</b>	<b>196,870</b>	<b>175,084</b>	<b>856,524</b>
 <b>EQUITY</b>				
Reserved	500,000	-	3,604,679	4,104,679
Unreserved - designated	4,119,251	-	-	4,119,251
Unreserved - undesignated	2,613,732	575,958	1,273,569	4,463,259
<b>Total Equity</b>	<b>7,232,983</b>	<b>575,958</b>	<b>4,878,248</b>	<b>12,687,189</b>
<b>Total Liabilities and Equity</b>	<b>\$ 7,717,553</b>	<b>\$ 772,828</b>	<b>\$ 5,053,332</b>	<b>\$ 13,543,713</b>

*See accompanying notes to financial statements*

**TOWN OF TIBURON**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2004**

**Fund Balance - Total Governmental Funds** **\$ 12,687,189**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Governmental capital assets	\$ 57,558,256	
Less: accumulated depreciation	<u>(17,993,281)</u>	39,564,975

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Accrued compensated absences	(263,942)	
Bonds payable	<u>(3,197,300)</u>	<u>(3,461,242)</u>

**Net Assets of Governmental Activities** **\$ 48,790,922**

**TOWN OF TIBURON**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	<u>General Fund</u>	<u>Tiburon St. Impact Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 2,241,277	\$ -	\$ 34	\$ 2,241,311
Other taxes	1,115,885	-	647,130	1,763,015
Franchises	348,446	-	-	348,446
Fines and penalties	217,466	-	-	217,466
Investment earnings	97,734	10,486	72,263	180,483
Intergovernment and agency	435,788	-	238,544	674,332
Licenses and permits	948,969	-	-	948,969
Charges for services	377,429	-	-	377,429
Other revenue	505,100	246,859	171,069	923,028
<b>Total Revenues</b>	<u>6,288,094</u>	<u>257,345</u>	<u>1,129,040</u>	<u>7,674,479</u>
<b>EXPENDITURES</b>				
Current -				
Town administration	1,023,875	-	-	1,023,875
Community development	806,074	-	225,700	1,031,774
Public safety	1,847,610	-	165,976	2,013,586
Public works	1,070,995	-	156,867	1,227,862
Legislative boards and commissions	52,441	-	-	52,441
Capital improvement projects	379,197	261,007	178,915	819,119
Debt service -				
Principal	-	-	315,900	315,900
Interest	-	-	148,317	148,317
Other	-	-	26,627	26,627
<b>Total Expenditures</b>	<u>5,180,192</u>	<u>261,007</u>	<u>1,218,302</u>	<u>6,659,501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,107,902</u>	<u>(3,662)</u>	<u>(89,262)</u>	<u>1,014,978</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,165,000	-	61,757	1,226,757
Operating transfers (out)	(1,165,000)	-	(61,757)	(1,226,757)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of all Revenues Over (Under) all Expenditures	<u>1,107,902</u>	<u>(3,662)</u>	<u>(89,262)</u>	<u>1,014,978</u>
Fund Balances - Beginning of Year	6,125,081	579,620	4,967,510	11,672,211
Fund Balances - End of Year	<u>\$ 7,232,983</u>	<u>\$ 575,958</u>	<u>\$ 4,878,248</u>	<u>\$ 12,687,189</u>

See accompanying notes to financial statements

**TOWN OF TIBURON**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,014,978**

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

Capital outlay is an expenditure in the government funds financial statements, but the costs of those assets is allocated over their estimated useful lives as depreciation expense in the Statement of Activities.

Capital outlay	\$ 1,641,499	
Depreciation expense	<u>(880,599)</u>	760,900

Repayment of long-term debt principal is an expenditure in the government funds financial statement, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of principal portion of long-term debt		<u>(445,000)</u>
--	--	------------------

**Change in Net Assets of Governmental Activities** **\$ 1,330,878**

*See accompanying notes to financial statements*

**TOWN OF TIBURON**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**

	Pt Tiburon CFD	Via Capistrano AD	Hillhaven Underground TPFFA	Cibrian Drive TPFFA	Peninsula Library JPA	Miraflores AD	Totals
<b>ASSETS</b>							
Cash and investments	\$ 112,807	\$ 10,021	\$ 108,776	\$ -	\$ 27,568	\$ 45	\$ 259,217
Accrued interest receivable	406	36	391	-	2,716	-	3,549
Other receivables	670	78	225	-	-	-	973
<b>TOTAL ASSETS</b>	<b>\$ 113,883</b>	<b>\$ 10,135</b>	<b>\$ 109,392</b>	<b>\$ -</b>	<b>\$ 30,284</b>	<b>\$ 45</b>	<b>\$ 263,739</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 30,284	\$ -	\$ 30,284
Other liabilities	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,284</b>	<b>-</b>	<b>30,284</b>
<b>Net Assets held in trust</b>	<b>113,883</b>	<b>10,135</b>	<b>109,392</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>233,455</b>
<b>TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST</b>	<b>\$ 113,883</b>	<b>\$ 10,135</b>	<b>\$ 109,392</b>	<b>\$ -</b>	<b>\$ 30,284</b>	<b>\$ 45</b>	<b>\$ 294,023</b>

See accompanying notes to financial statements

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

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 - Notes Receivable
- Note 6 - Capital Assets
- Note 7 - Long-Term Debt
- Note 8 - Interfund Loans
- Note 9 - Interfund Transfers
- Note 10 - Defined Benefit Pension Plan
- Note 11 - Post-Retirement Health Care Benefits
- Note 12 - Litigation
- Note 13 - Commitments and Contingencies
- Note 14 - Risk Management

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 1 - Defining the Financial Reporting Entity***

The Town of Tiburon (the Town) was incorporated in 1964 under the laws of the State of California. Tiburon 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 and its component unit. The component units are discussed in the following paragraphs and are included in the Town's reporting entity because the Town is financially accountable for their operations.

The Tiburon Redevelopment Agency (the Agency) was established by the Town as a separate legal entity in accordance with state law. The purpose of the Agency is to encourage new investment and reinvestment within legally designated redevelopment areas in partnership with property owners.

The Tiburon Public Facilities Financing Authority (the Authority) was established in 1990 pursuant to a Joint powers agreement between the Town and the Agency to assist in the clearance and rehabilitation of areas determined to be in a declining condition in the Town.

Although the component units are legally separate from the Town, they are reported on a blended basis as part of the primary government because their boards consists of members of the Town Council. The component unit financial statement may be obtained from the Town.

The Town participates in three (3) joint power agencies through formally organized and separate entities. The financial activities of the Belvedere-Tiburon Joint Recreation Committee, the Bay Cities Joint Powers Insurance Authority ("BCJPIA") and the Association of Bay Area Governments ("ABAG") are not included in the accompanying financial statements, because they are administered by governing boards which are separate from and independent of the Town.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**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 below:

A. Basis of Presentation

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 34 is effective in three phases based on the public institution's total annual revenues in the fiscal year ending after June 15, 1999. The Town adopted the provisions of this statement along with GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus (an amendment to GASB Statements No. 21 and No. 34)*, as of July 1, 2003. In June 2001, GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*, to reevaluate certain existing disclosure requirements in the context of reporting model statement No. 34. The Town adopted the provisions of Statement No. 38 as of July 1, 2003.

The Financial Statement presentation, required by GASB 34, 37, and No. 38 provides a comprehensive, entity-wide perspective of the Town's assets, liabilities, and replaces the fund-group perspective previously required. The Town now follows the "primary government's governmental activities" reporting requirements of GASB No. 34 that provides a comprehensive one-line look at the Town's financial activities.

B. Government-wide and Fund Financial Statements

The government-wide financial statement 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 revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 2 - Summary of Significant Accounting Policies (continued)***

**B. Government-wide and Fund Financial Statements (continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (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 contributors that are restricted to meeting the operational or capital requirements of a particular function or segment taxes, and other items not properly included among program revenues, are reported instead as general revenues.

The accounts of the Town are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures 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.

In the fund financial statements in this report, the various funds are grouped into six generic funds within three broad fund types. They are as follows:

**Governmental Funds**

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

**Fund Accounting**

*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 revenues 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.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 2 - Summary of Significant Accounting Policies (continued)***

**B. Government-wide and Fund Financial Statements (continued)**

**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, and other funds. Agency Funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations.

*Trust Funds* are used to account for assets held by the government in a trustee capacity.

**C. Basis of Accounting and Measurement Focus**

Basis of accounting refers to when revenues 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 reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

In the fund financial statements, all Governmental Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become 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 gas taxes), interest, special assessments levied, state and federal grants and charges for current services. Revenues from licenses, permits, fines and forfeits are recorded as received. Expenditures are recorded when the related fund liability is incurred.

Fiduciary Fund revenues and expenses or expenditures (as appropriate) are recognized on the basis consistent with the fund's accounting measurement objective.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 2 - Summary of Significant Accounting Policies (continued)***

C. Basis of Accounting and Measurement Focus (continued)

All Governmental Funds 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 (net current assets) is considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of "available spendable resources" during a period.

The government-wide financial statement is accounted for on a 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 balance sheets.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. 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 revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Cash and Investments

Cash and investments held in the Town'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.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 2 - Summary of Significant Accounting Policies (continued)**

F. Receivables and Payables

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). Advances and loans to other funds are offset by a fund balance reserve in applicable Governmental Funds to indicate they are not available for appropriation, and are not expendable available financial resources.

Property taxes - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transaction taxes on real property. Local government may impose special taxes (except on real property) with the approval of 66.67% of the qualified electors.

All property taxes are collected and allocated by the County of Marin to the various taxing entities. Property taxes are determined annually as of January 1 and attach as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10, respectively.

Property, sales, use, and utility user taxes related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of 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 assets. 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 revenues are recorded as receivables and revenues in the General, Special Revenue and Capital Projects Funds when they are received or susceptible to accrual.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 2 - Summary of Significant Accounting Policies (continued)***

**G. 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.

**H. Capital Assets**

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are stated at historical cost, when available, and at estimated replacement cost when original cost was not available. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

Donated assets are stated at estimated market value at date of donation.

**I. Compensated Absences**

Compensated absences represent the vested portion of accumulated vacation and sick leave. In accordance with GASB Statement No. 16, the liability for accumulated leave includes all salary-related payments that are directly and incrementally connected with leave payments to employees. In governmental fund types, the cost of vacation and sick leave benefits is recognized when payments are made to employees. Upon termination, 100% of vacation leave is paid.

**K. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. 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.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 2 - Summary of Significant Accounting Policies (concluded)***

L. Net Assets

The Town's net assets are classified as follows:

- Invested in capital assets, net of related debt - This represents the Town's total investment in capital assets reduced by any outstanding debt for these assets.
- Restricted net assets - Restricted net assets include resources that the Town is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted net assets - Unrestricted net assets represent resources derived from sources without spending restrictions. These resources are used for transactions relating the general operations of the Town, and may be used at the discretion of the governing board to meet current expenses for any purpose.

***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.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 3 - Stewardship, Compliance and Accountability (continued)**

Deficit Fund Equity

At June 30, 2004, certain funds had deficit fund equity balances as follows:

Fund	Deficit Balance
<i>Special Revenue Funds</i>	
Police Supplemental Law Enforcement	\$ 741
<i>Capital Projects Funds</i>	
Del Mar Valley Construction	840
Property Tax Development	3,003

**Note 4 - Cash and Investments**

Cash and investments comprise the following:

Cash deposits	\$ 173,006
Cash with fiscal agent	491,862
Investments	<u>11,482,878</u>
	12,147,746
Less fiduciary funds cash and investments	<u>(271,191)</u>
	<u>\$ 11,876,555</u>

The Town follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on average maintained balances. Earnings from cash with fiscal agents are credited directly to the related fund.

Cash Deposits

At year-end the total bank balance was \$394,132. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC), \$294,132 was uninsured yet collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code, but not in the Town's name.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 4 - Cash and Investments (continued)**

Cash with Fiscal Agent

Certain funds are required to be held by outside fiscal agents under the provisions of various bonds issues.

Investments

The Town's investments consist entirely of funds on deposit with the State of California Local Agency Investment Fund (LAIF). The investments with LAIF are not classified as to credit risk due to their diverse nature. All monies deposited with LAIF are stated at cost, which approximates fair value.

**Note 5 - Notes Receivable**

Notes receivable consist of the following at June 30, 2004.

Developer (Cecilia Place Senior Housing)	\$ 643,185
Town Manager	500,000
Past Employee	57,140
Marin County Housing Development Financing Corporation	<u>151,176</u>
	<u>\$ 1,351,501</u>

Developer (Cecilia Place Senior Housing)

At June 30, 2004 the Agency has \$643,185 in notes receivable due from Cecilia Place Homes Limited Partnership, a California limited partnership (the "Developer"). The notes are secured by a Deed of Trust, bear annual interest as defined and are due on March 31, 2027. The notes consist of the following:

Notes receivable from Developer:	
Bears annual interest at 3%	\$ 439,149
Interest free	<u>204,036</u>
	<u>\$ 643,185</u>

In fiscal 1997, the Ecumenical Association for Housing completed the Cecilia Place Senior Housing Improvement Project. The Agency's Housing Set-Aside Fund funded a portion of the site and building construction improvements of the project.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 5 - Notes Receivable (continued)***

Developer (Cecilia Place Senior Housing) (continued)

In addition, the Agency loaned the Developer \$339,149 for predevelopment and construction costs (the "Original Loan"). The Original Loan bears simple interest at 3% per annum, commencing on March 31, 1997, and is due thirty years after that date. The Agency later modified the Original Loan. In the First Modification to the Development, Disposition and Loan agreement ("DDLA"), the Agency increased the Original Loan amount by \$412,373 (the "Supplemental Component"), which increased the principal amount of the loan to \$751,522. The Supplemental Component was not intended to bear interest. The Second Amendment to the DDLA amended the interest rate provisions to make \$100,000 of the Supplemental Component bear interest at 3%.

Related Party

In conjunction with the hiring of the Town Manager in September 2000, the Town provided a second mortgage secured by a deed of trust on the Town Manager's primary residence in the amount of \$277,916. Effective September 1, 2002, the Loan was amended whereby the Town refinanced the existing first and second deeds of trust, and a portion of a third deed of trust, up to a maximum total amount of \$500,000. The amended loan is secured by a first deed of trust, and is payable in monthly (interest only) installments. The loan bears interest at the LAIF rate (up to a maximum of 5%) in effect for May and November of each year, and will be adjusted July 1<sup>st</sup> and January 1<sup>st</sup>, respectively, of each year. The rate at June 30, 2003 was 1.7%. The loan shall be fully due and payable when (1) the property for which the loan is made is no longer the Town Manager's primary residence, or (2) within six months of the Town Manager's termination of employment. At June 30, 2004 the principal outstanding on the note was \$500,000. This amount is recorded as a note receivable from related party in the General Fund.

Past Employee

On June 30, 1987, the Town loaned \$89,500 to the then Assistant Town Clerk for the purpose of assisting with the purchase of a low and moderate income residence in Tiburon. Under terms of the note collateralized by a first deed of trust, the debt is payable in monthly installments including interest at 5.55% per annum for thirty (30) years. At June 30, 2004, the principal outstanding on the note was \$57,140. This amount is recorded as a note receivable in the Low and Moderate Income Housing Capital Projects Fund.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 5 - Notes Receivable (continued)**

Marin County Housing Development Financing Corporation

During the fiscal year ended June 30, 1992, the Town advanced the Marin County Housing Development Financing Corporation (the "Corporation") \$300,000 collateralized by a deed of trust, for construction of three (3) additional housing units in the Bradley House complex. In March 1993, the Town and the Corporation finalized the \$300,000 loan agreement, which called for varying annual payments beginning December 31, 1992 through December 31, 2009. These annual payments increased from \$22,006 to \$33,005 at various dates over the term of the loan agreement. The note bore interest at rates ranging from 3.965% to 11.550%. On March 24, 2003, the promissory note was amended, whereby the note bears interest at 5.25%, or 2% above the Local Agency Investment Fund rate, whichever is higher, and is adjusted monthly. At June 30, 2004 the principal outstanding on the note was \$151,176. This amount is recorded as a note receivable in the Low and Moderate Income Housing Capital Projects Fund.

**Note 6 - Capital Assets**

A summary of changes in the Governmental Activities follows:

<u>Capital Assets</u>	<u>July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2004</u>
Land	\$ 637,186	\$ 3,653,039	\$ -	\$ 4,290,225
Building and improvements	4,951,340	-	-	4,951,340
Furniture and equipment	2,214,988	136,055	-	2,351,043
Infrastructure	-	45,965,648	-	45,965,648
	<u>7,803,514</u>	<u>49,754,742</u>	-	<u>57,558,256</u>
Less accumulated depreciation	-	(17,993,281)	-	(17,993,281)
	<u>\$ 7,803,514</u>	<u>\$ 31,761,461</u>	<u>\$ -</u>	<u>\$ 39,564,975</u>

**Note 7 - Long-Term Debt**

Changes in long-term obligations and debt for the fiscal year ended June 30, 2004 are as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2004</u>
Compensated absences	\$ 258,653	\$ 5,289	\$ -	\$ 263,942
Bonds payable	895,000	-	130,000	765,000
Special assessment debt	2,748,200	-	315,900	2,432,300
	<u>\$ 3,901,853</u>	<u>\$ 5,289</u>	<u>\$ 445,900</u>	<u>\$ 3,461,242</u>

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 7 - Long-Term Debt (continued)**

Bonds and special assessments debt payable at June 30, 2004 by individual issue, are as follows:

<u>Bonds payable:</u>	<u>To Year</u>	<u>Rate</u>	<u>Balance June 30, 2004</u>
Mark-Roos Local Bond Pooling Act (Tiburon Public Facilities 1996) (1)	2015	5.11% - 6.00%	<u>\$ 765,000</u>

(1) These bonds are collateralized by the revenues received by the Tiburon Public Facilities Financing Authority ("TPFFA")

Special Assessment Debt:

Linda Vista Assessment District, 1994-2	2011	4.50% - 6.50%	\$ 40,300
Gilmartin Drive Assessment District (Refunding, 1993-1)	2007	6.32% - 6.70%	595,000
Main Street Assessment District	2020	6.30%	377,000
Stewart Drive Assessment District	2029	3.25% - 5.30%	<u>1,420,000</u>
			<u>\$ 2,432,300</u>

Annual requirements to amortize all bonds and special assessment debt obligations outstanding as of June 30, 2004 are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>TPFFA Bonds</u>	<u>Special Assessment Bonds</u>
2005	\$ 185,081	\$ 411,431
2006	181,930	414,645
2007	163,705	328,489
2008	136,140	145,324
2009	133,850	143,955
2010-2014	77,250	705,818
2015-2019	16,200	654,581
2020-2024	-	568,455
2025-2029	-	<u>570,118</u>
	<u>894,156</u>	<u>3,942,816</u>
Less interest	<u>(129,156)</u>	<u>(1,510,516)</u>
Balance as of June 30, 2004	<u>\$ 765,000</u>	<u>\$ 2,432,300</u>

Other Special Assessment Districts:

For the other special assessment and community facilities districts' bonds listed below, the Town acts as an agent in the collection of the bond repayment assessment, and accordingly unpaid principal balances at June 30, 2004 are not included in the Town's General Long-Term Debt Account Group.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 7 - Long-Term Debt (continued)**

Other Special Assessment Districts: (continued)

The unpaid balances at June 30, 2004 are as follows:

	<u>Due Serially to Year</u>	<u>Interest Rate</u>	<u>Principal Remaining</u>
Point Tiburon Community Facilities District 1985, Refunding Series 1990-1	2008	4.22% - 5.05%	\$ 542,000
Via Capistrano Assessment District, 1990-1	2015	4.79% - 5.05%	136,000
Hillhaven Undergrounding Assessment District, 1990-2	2006	4.33% - 4.80%	109,000
			<u>\$ 787,000</u>

**Note 8 - Interfund Loans**

Due From/Due to Other Funds comprise the following:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 9,743	\$ -
Public Facilities Financing	-	5,999
Police Supplemental Law Enforcement	-	741
Property Development Tax	-	3,003
	<u>\$ 9,743</u>	<u>\$ 9,743</u>

Occasionally, individual funds overdraw their share of the pooled cash resulting in a cash overdraft. The above overdrafts have not been recorded as a fund liability with offsetting receivables in other funds.

**Note 9 - Interfund Transfers**

Operating transfers comprise the following:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 1,165,000	\$ 1,165,000
Capital Project Funds:		
Del Mar Valley Construction	23,886	-
Lyford Cove A. D.	37,871	-
Debt Service Funds:		
Del Mar Valley A. D.	-	23,886
Lyford Cove A. D.	-	37,871
	<u>\$ 1,226,757</u>	<u>\$ 1,226,757</u>

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 10 - Defined Benefit Pension Plan***

Plan Description

The Town of Tiburon contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS annual financial report may be obtained from their Executive Office, 400 "P" Street, Sacramento, California 95814.

Funding Status and Progress

Non-safety participants are required to contribute 7% of their annual covered salary, while public safety employees are required to contribute 9% of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account. The Town is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the Town are established and may be amended by PERS.

Annual Pension Cost

For 2004, the Town's annual pension cost of \$ 212,165 for PERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 8.25% investment rate of return (net of administrative expenses) and b) projected annual salary increases of 3.75%. Both a) and b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial excess assets is being amortized as a level percentage of projected payroll on a closed basis.

The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued.

Significant actuarial assumptions used in the 2002 valuation to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

**Note 10 - Defined Benefit Pension Plan (continued)**

Historical trend information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

<u>Fiscal Year</u>	<u>Combined Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 177,299	100%	\$ -0-
6/30/03	199,164	100%	-0-
6/30/04	212,165	100%	-0-

**Note 11 - Post-Retirement Health Care Benefits**

The Town sponsors health care benefits to certain retired employees until they become eligible for Medicare Benefits. Employees of the Town may become eligible for these benefits when they reach normal retirement age while working for the Town. The Town recognizes the cost of providing these benefits by expensing the monthly insurance premiums. Post-Retirement benefits paid by the Town for the year totaled \$6,361.

**Note 12 - Litigation**

The Town has been named in various claims and lawsuits in the normal course of business, including litigation with the Marin Emergency Radio Authority. The Town is vigorously defending these actions. The amount of liability, if any, at June 30, 2004, with respect to these actions cannot be ascertained.

**Note 13 - Commitments and Contingencies**

The Town receives funding from a number of federal, state and local grant programs, principally the Community Development Block Grants. 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 these federal, state and local grant revenues is not assured in the future.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 13 - Commitments and Contingencies (continued)***

On November 5, 1996, California voters approved Proposition 218 which limited the ability of the state's local governments to impose, increase, and extend taxes, assessments, and fees. This applies to all taxes, assessments, and fees enacted or increased on or before January 1, 1995. The Town is resolved to set forth procedures for bringing existing and new assessments, taxes, and fees into conformity with this law.

***Note 14 - Risk Management***

General liability

The Town participates in the Association of Bay Area Governments ("ABAG"), a Joint Exercise of Power Agency. ABAG PLAN provides the Town with \$7 million of coverage for general liability claims, in excess of \$50,000 of loss per occurrence (claim). For those claims below \$50,000 per occurrence, the Town is self-insured. ABAG hold umbrella liability coverage up to \$7 million per single occurrence. Plan members may receive rebates when so declared by ABAG, or in the event excess liability claims exceed available resources members may be required to make additional contributions. The Town's contribution to the ABAG PLAN for the fiscal year ended June 30, 2004 was \$91,016.

ABAG PLAN is a self-insured, risk-sharing pool comprised of 29 member local agencies and cities in the San Francisco-Oakland Metropolitan Bay Area. The governing body includes one person from each member city or town and there is an annual election for the executive committee positions.

Financial statements may be obtained from ABAG, 101 Eighth Street, P. O. Box 250, Oakland, California 94604.

Workers' compensation

The Town participates in a joint powers agreement through the Bay Cities Joint Powers Insurance Authority (BCJPIA). The Town currently reports all of its workers' compensation related risk management activities in its General Fund (Self-Insurance Reserve). Claims 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 by an agreement between certain public agencies in the San Francisco Bay Area to provide workers' compensation coverage. BCJPIA is governed by a Board of Directors which is comprised of officials appointed by each member city or town.

**TOWN OF TIBURON**  
**Notes to Financial Statements**  
**June 30, 2004**

***Note 14 - Risk Management (continued)***

Workers' compensation (continued)

The workers' compensation fund is self-insured for the first \$250,000 of loss per accident; excess coverage policy is provided by an outside insurance carrier up to statutory limits.

The Town currently reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. During the year ended June 30, 2004, the Town paid \$53,677 for current year coverage and did not receive a rebate from the program.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF TIBURON**  
**Schedule of Funding Progress**  
**Defined Benefit Pension Plan**  
**Year Ended June 30, 2004**

**Miscellaneous Plan**

	Actuarial Valuation Date - Year Ended		
	June 30, 2002	June 30, 2001	June 30, 2000
Actuarial Value of Assets	\$ 5,963,108	\$ 6,383,153	\$ 6,178,280
Actuarial Accrued Liability (AAL)	5,219,695	4,674,406	3,982,211
Underfunded (Overfunded) AAL (UAAL)	(743,413)	(1,708,747)	(2,196,069)
Funded Ratio	114.2%	136.6%	155.1%
Covered Payroll	1,546,502	1,176,913	1,072,123
UAAL as a Percentage of Covered Payroll	-48.1%	-145.2%	-204.8%

**Safety Plan**

	Actuarial Valuation Date - Year Ended		
	June 30, 2002	June 30, 2001	June 30, 2000
Actuarial Value of Assets	\$ 6,015,142	\$ 6,319,269	\$ 6,055,939
Actuarial Accrued Liability (AAL)	5,266,787	4,874,018	4,405,808
Underfunded (Overfunded) AAL (UAAL)	(748,355)	(1,445,251)	(1,650,131)
Funded Ratio	114.2%	129.7%	137.5%
Covered Payroll	917,516	778,876	771,559
UAAL as a Percentage of Covered Payroll	-81.6%	-185.6%	-213.9%

*Note - Details of the defined benefit pension plan can be found in Note 13 of the financial statements.*

*See independent auditor's report*

**TIBURON STREET IMPACT FUND**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	10,486
-	-	-
-	-	-
282,000	282,000	246,859
<u>282,000</u>	<u>282,000</u>	<u>257,345</u>
-	-	-
-	-	-
-	-	-
-	-	-
282,000	282,000	261,007
-	-	-
-	-	-
<u>282,000</u>	<u>282,000</u>	<u>261,007</u>
-	-	(3,662)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	(3,662)
579,620	579,620	579,620
<u>\$ 579,620</u>	<u>\$ 579,620</u>	<u>\$ 575,958</u>

**ADDITIONAL REPORTS**

**REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor  
Members of the Town Council  
Town of Tiburon, California

We have audited the financial statements of the Town of Tiburon as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Town of Tiburon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Tiburon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Town Council, federal awarding agencies, and the Office of the Controller of the State of California and is not intended to be and should not be used by persons other than these specified parties.

*Nicholson & Olson*

Certified Public Accountants  
September 15, 2004