

TOWN OF TIBURON
California

Annual Financial Report
June 30, 2005

Town Council

Miles Berger
Paul Smith
Alice Fredericks
Tom Gram
Jeff Slavitz

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

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NICHOLSON & OLSON

CERTIFIED PUBLIC ACCOUNTANTS

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Roseville, California 95661

(916) 786-7997

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental 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, 2005, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tiburon, California, as of June 30, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2006, on our consideration of the Town of Tiburon internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nicholson & Olson

Certified Public Accountants
Roseville, California
January 4, 2006

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, 2005. Please read this in conjunction with the Town's financial statements, which follow this discussion and analysis.

Last 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 implementation of these new statements resulted in significant changes in the presentation of the financial statements. As a result, last year there was no comparative analysis with previous years. This year's analysis provides a comparison of financial operations as compared to the previous fiscal year.

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 \$57.1 million, liabilities of \$3.95 million and net assets of \$53.1 million.
- Total Town revenues were \$13.1 million compared with total expenses of \$8.8 million, resulting in an increase in net assets for the fiscal year ended June 30, 2005 of \$4.3 million.
- The Town's net capital assets totaled \$53.1 million at June 30, 2005, representing 74% of the Town's total assets.
- The Town's long-term debt totaled \$3.5 million as of June 30, 2005, 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.

A new major fund was created in FY 2005 associated with the Lyford Cove Undergrounding Assessment District Construction. This fund ended the year with a balance of \$3.5 million.

**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 expenses reported in this statement may result in cash flows only in future fiscal periods, such as revenues related to uncollected taxes and interest expense incurred but not paid.

Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 the reader 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 financial 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 financial 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 and analysis, concerning the Town's budgetary comparison schedule, and schedule of funding progress for the Town employee's defined benefit pension plan.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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. As this is the second year of the Town being required to provide a Management Discussion and Analysis, comparative information for the past two years is provided.

Net Assets

The Town's Net Assets are summarized below and an analysis follows:

<u>Description</u>	Total Governmental Activities		Increase (Decrease)
	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	
Cash and investments	\$ 11,384,693	\$ 16,313,503	\$ 4,928,810
Capital assets, net	39,564,975	38,527,601	(1,037,374)
Other assets	<u>2,149,277</u>	<u>2,244,552</u>	<u>95,275</u>
Total Assets	53,098,945	57,085,656	3,986,711
Long-term debt	3,461,242	2,937,171	(524,071)
Other liabilities	<u>846,781</u>	<u>1,021,892</u>	<u>175,111</u>
Total Liabilities	4,308,023	3,959,063	(348,960)
Invested in capital assets	36,367,675	38,527,601	2,159,926
Restricted	4,104,679	502,727	(3,601,952)
Unrestricted	<u>8,318,568</u>	<u>14,096,265</u>	<u>5,777,697</u>
Net Assets	<u>\$ 48,790,922</u>	<u>\$ 53,126,593</u>	<u>\$ 4,335,671</u>

Net assets of \$53,126,593 at June 30, 2005 consist primarily of the following elements:

- Unrestricted cash and investments of \$7,901,679, and restricted cash and investments of \$8,411,824
- Cash held by trustees of \$502,727
- Accounts receivable of \$307,937
- Notes receivable/Due from other funds of \$1,344,344
- Capital assets of \$38,527,601 (net of \$19,143,337 depreciation)
- Accounts payable of \$268,727
- Accrued liabilities of \$727,040
- Refundable deposits of \$26,125
- Long-term debt totaling \$2,937,171

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Changes in Net Assets

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

	<u>Total Governmental Activities</u>
Revenues:	
Program Revenues:	
Charges for Services	\$ 2,577,783
General Revenues:	
Taxes	4,917,670
Intergovernmental	768,985
Investment Earnings	314,471
Franchise Fees	375,124
Grants/Contributions	3,781,368
Other	<u>399,288</u>
Total Revenues	13,134,689
 Expenses:	
General Government	2,637,361
Police Services	2,717,589
Public Works	1,402,783
Capital Improvement Projects	1,630,744
Debt Service	<u>410,541</u>
Total Expenses	<u>8,799,018</u>
 Change in Net Assets	 <u><u>\$ 4,335,671</u></u>

Net assets increased \$4,335,671 during the fiscal year ended June 30, 2005, which represents an increase of 8.8% over FY 2003-04. This is primarily due to the receipt of the Lyford Cove Undergrounding Assessment District Bond funds in March 2005. If this project was removed from this table, the Town's Net Assets would have increased \$1.4 million or 3%.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

General Fund

General Fund revenues of \$6,933,774 represent an increase of \$645,680 over the previous fiscal year. This increase was substantially due to a significant increase in the ERAF Refund and the restoration of the Vehicle License Fee backfill from the State.

General Fund expenditures of \$5,823,952 increased by \$643,760 over the previous fiscal year. Almost half of this increase (\$297,000) was due to the Town once again paying the Employer portion of PERS retirement costs. Previously the Town was over funded and was not paying this portion of retirement costs. The remaining increase was due to increased costs of supplies and services along with salary increases granted to the Town's various employee units.

The General Fund balance at fiscal year end was \$8,242,805 of which \$3,070,588 was unreserved and undesignated, \$500,000 was reserved and \$4,672,217 unreserved and designated.

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, 2005 and the amount of increases and decreases in relation to prior year revenues and expenditures.

	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 377,429	\$ 523,465	\$ 146,036
General Revenues:			
Taxes - Property	2,241,311	2,558,901	317,590
Other Taxes	1,763,015	2,358,769	595,754
Franchise Fees	348,446	375,124	26,678
Fines and Forfeitures	217,466	297,778	80,312
Interest Earnings	180,483	314,471	133,988
Intergovernmental	674,332	768,985	94,653
License and Permits	948,969	1,097,803	148,834
Other Revenue	<u>923,028</u>	<u>1,124,393</u>	<u>201,365</u>
Total Revenues	7,674,479	9,419,689	1,745,210

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (concluded)

Analysis of All Governmental Funds (continued)

	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Increase (Decrease)</u>
Expenses:			
Town Administration	1,076,316	1,265,667	189,351
Community Development	1,031,774	1,121,694	89,920
Public Safety	2,013,586	2,467,589	454,003
Public Works	1,227,862	1,213,441	(14,421)
Capital Projects	819,119	1,441,401	622,282
Debt Services:			
Principal	315,900	515,920	200,020
Interest	148,317	126,407	(21,910)
Other	<u>26,627</u>	<u>284,134</u>	<u>257,507</u>
Total Expenses	<u>6,659,501</u>	<u>8,436,253</u>	<u>1,776,752</u>
 Excess of Revenues over Expenditures	 <u>\$ 1,014,978</u>	 <u>\$ 983,436</u>	 <u>\$ (31,542)</u>

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Town's adopted FY 2006 Municipal Budget projects a 8.9% decrease in overall revenues (and 7.9% in General Fund revenues) due primarily to the Town having received \$515,000 in a ERAF rebate in FY 2004, and only budgeting \$210,000 in FY 2006. 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 7.5%. Notable changes causing increases in projected expenditures are: previously negotiated compensation adjustments for union represented employees; an enhanced records management program; increased contractual legal services; as well as increases in many of the Joint Powers Agreements the Town participates in.

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, please contact the Town of Tiburon, Administrative Services Department, 1505 Tiburon Boulevard, Tiburon, California 94920.

FINANCIAL STATEMENTS

TOWN OF TIBURON
Government-wide Financial Statements
Statement of Net Assets
June 30, 2005

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 16,313,503
Cash held by trustee	502,727
Accrued interest receivable	89,544
Other receivables	307,937
Notes receivable	1,344,344
Capital assets, net	<u>38,527,601</u>
 Total Assets	 <u>57,085,656</u>
LIABILITIES	
Accounts payable	268,727
Accrued liabilities	727,040
Deposits	26,125
Long-term liabilities:	
Due within one year	438,300
Due in more than one year	<u>2,498,871</u>
 Total Liabilities	 <u>3,959,063</u>
NET ASSETS	
Invested in capital assets	38,527,601
Restricted	502,727
Unrestricted	<u>14,096,265</u>
 Total Net Assets	 <u>\$ 53,126,593</u>

See accompanying notes to financial statements

TOWN OF TIBURON
Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2005

<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	\$ 2,637,361	\$ 9,479	\$ -	\$ (2,627,882)
Public safety	2,717,589	19,310	-	(2,698,279)
Public works	1,402,783	1,434,689	-	31,906
Public improvements - capital outlay	1,630,744	703,764	3,781,368	2,854,388
Interest on long-term debt	410,541	410,541	-	-
Total governmental activities	<u>\$ 8,799,018</u>	<u>\$2,577,783</u>	<u>\$ 3,781,368</u>	<u>(2,439,867)</u>

General Revenues	
Property taxes	2,558,901
Other taxes	2,358,769
Franchises	375,124
Fines and penalties	297,778
Investment earnings	314,471
Intergovernmental	768,985
Other revenue	101,510
Total general revenues	<u>6,775,538</u>
Change in Net Assets	4,335,671
Net Assets - Beginning of Year	<u>48,790,922</u>
Net Assets - End of Year	<u>\$ 53,126,593</u>

See accompanying notes to financial statements

TOWN OF TIBURON
Balance Sheet
Governmental Funds
June 30, 2005

ASSETS	General Fund	State Gas Tax Fund	Tiburon St. Impact Fund	Lyford Cove Debt Service Fund
Cash and investments	\$ 7,901,679	\$ 320,959	\$ 994,603	\$ 3,514,358
Cash held by trustee	89,296	-	-	-
Accrued interest receivable	34,935	2,237	7,082	24,938
Other receivables	306,937	-	-	-
Due from other funds	-	-	-	-
Notes receivable	500,000	-	-	-
Total Assets	\$ 8,832,847	\$ 323,196	\$ 1,001,685	\$ 3,539,296
 LIABILITIES				
Accounts payable	\$ 28,522	\$ 4,053	\$ 200,806	\$ -
Accrued liabilities	542,445	184,595	-	-
Deposits	19,075	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	590,042	188,648	200,806	-
 EQUITY				
Reserved	500,000	-	-	3,539,296
Unreserved - designated	4,672,217	-	-	-
Unreserved - undesignated	3,070,588	134,548	800,879	-
Total Equity	8,242,805	134,548	800,879	3,539,296
Total Liabilities and Equity	\$ 8,832,847	\$ 323,196	\$ 1,001,685	\$ 3,539,296

See accompanying notes to financial statements

TOWN OF TIBURON
Balance Sheet
Governmental Funds
June 30, 2005

ASSETS	General Fund	State Gas Tax Fund	Tiburon St. Impact Fund	Lyford Cove Debt Service Fund
Cash and investments	\$ 7,901,679	\$ 320,959	\$ 994,603	\$ 3,514,358
Cash held by trustee	89,296	-	-	-
Accrued interest receivable	34,935	2,237	7,082	24,938
Other receivables	306,937	-	-	-
Due from other funds	-	-	-	-
Notes receivable	500,000	-	-	-
Total Assets	<u>\$ 8,832,847</u>	<u>\$ 323,196</u>	<u>\$ 1,001,685</u>	<u>\$ 3,539,296</u>
LIABILITIES				
Accounts payable	\$ 28,522	\$ 4,053	\$ 200,806	\$ -
Accrued liabilities	542,445	184,595	-	-
Deposits	19,075	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>590,042</u>	<u>188,648</u>	<u>200,806</u>	<u>-</u>
EQUITY				
Reserved	500,000	-	-	3,539,296
Unreserved - designated	4,672,217	-	-	-
Unreserved - undesignated	3,070,588	134,548	800,879	-
Total Equity	<u>8,242,805</u>	<u>134,548</u>	<u>800,879</u>	<u>3,539,296</u>
Total Liabilities and Equity	<u>\$ 8,832,847</u>	<u>\$ 323,196</u>	<u>\$ 1,001,685</u>	<u>\$ 3,539,296</u>

See accompanying notes to financial statements

TOWN OF TIBURON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005

Fund Balance - Total Governmental Funds \$ 17,536,163

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

Capital Assets

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

Governmental capital assets	57,670,938
Less: accumulated depreciation	(19,143,337)

Long-term Debt Obligations

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	(255,791)
Bonds payable	(556,000)
Special assessment debt	(2,125,380)
	<u>(2,125,380)</u>

Net Assets of Governmental Activities \$ 53,126,593

See accompanying notes to financial statements

TOWN OF TIBURON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	General Fund	State Gas Tax Fund	Tiburon St. Impact Fund	Lyford Cove Debt Service Fund
REVENUES				
Property taxes	\$ 2,558,901	\$ -	\$ -	\$ -
Other taxes	1,086,586	175,389		373,574
Franchises	375,124			
Fines and penalties	297,778			
Investment earnings	163,117	5,805	19,008	24,938
Intergovernment and agency	617,441	-	-	-
Licenses and permits	1,097,803	-	-	-
Charges for services	379,261	-	-	-
Other revenue	357,763	21,131	515,162	-
Total Revenues	<u>6,933,774</u>	<u>202,325</u>	<u>534,170</u>	<u>398,512</u>
EXPENDITURES				
Current -				
Town administration	1,096,930	-	-	-
Community development	924,029	-	-	-
Public safety	2,371,333	-	-	-
Public works	1,196,443	-	-	-
Legislative boards and commissions	31,978	-	-	-
Capital improvement projects	203,239	235,805	309,249	-
Debt service -				
Principal	-			
Interest	-			
Other	-			121,376
Total Expenditures	<u>5,823,952</u>	<u>235,805</u>	<u>309,249</u>	<u>121,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,109,822</u>	<u>(33,480)</u>	<u>224,921</u>	<u>277,136</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,169,370	7,050		73,693
Operating transfers (out)	(1,269,370)			(322,533)
Contributions from property owners	-			3,511,000
Total Other Financing Sources	<u>(100,000)</u>	<u>7,050</u>	<u>-</u>	<u>3,262,160</u>
Excess (Deficiency) of all Revenues Over (Under) all Expenditures	1,009,822	(26,430)	224,921	3,539,296
Fund Balances - Beginning of Year	7,232,983	160,978	575,958	-
Fund Balances - End of Year	<u>\$ 8,242,805</u>	<u>\$ 134,548</u>	<u>\$ 800,879</u>	<u>\$ 3,539,296</u>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,558,901
723,220	2,358,769
	375,124
	297,778
101,603	314,471
151,544	768,985
-	1,097,803
144,204	523,465
230,337	1,124,393
<u>1,350,908</u>	<u>9,419,689</u>

135,516	1,232,446
197,665	1,121,694
96,256	2,467,589
16,998	1,213,441
1,243	33,221
693,108	1,441,401

515,920	515,920
126,407	126,407
162,758	284,134
<u>1,945,871</u>	<u>8,436,253</u>

<u>(594,963)</u>	<u>983,436</u>
------------------	----------------

531,222	1,781,335
(189,432)	(1,781,335)
204,000	3,715,000
<u>545,790</u>	<u>3,715,000</u>

(49,173)	4,698,436
4,867,808	12,837,727
<u>4,818,635</u>	<u>\$ 17,536,163</u>

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, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 4,698,436**

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

Capital Assets

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

Capital outlay 202,955

Long-term Debt Payments

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 (565,720)

Change in Net Assets of Governmental Activities **\$ 4,335,671**

See accompanying notes to financial statements

TOWN OF TIBURON
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Pt Tiburon CFD TPFPA	Via Capistrano AD TPFPA	Hillhaven Underground TPFFA	Cibrian Drive TPFFA	Peninsula Library JPA	Miraflores AD	Totals
ASSETS							
Cash and investments	\$ 120,278	\$ 12,253	\$ 10,070	\$ -	\$ (2,014)	\$ 45	\$ 140,632
Accrued interest receivable	1,525	176	755	-	2,716	-	5,172
Other receivables	-	-	-	-	20,030	-	20,030
TOTAL ASSETS	\$ 121,803	\$ 12,429	\$ 10,825	\$ -	\$ 20,732	\$ 45	\$ 165,834
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 21,550	\$ -	\$ 21,550
Other liabilities	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	21,550	-	21,550
Net Assets held in trust	121,803	12,429	10,825	-	(818)	45	144,284
TOTAL LIABILITIES AND NET ASSETS HELD IN TRUST	\$ 121,803	\$ 12,429	\$ 10,825	\$ -	\$ 20,732	\$ 45	\$ 165,834

See accompanying notes to financial statements

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

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 Transfers
- Note 9 - Defined Benefit Pension Plan
- Note 10 - Post-Retirement Health Care Benefits
- Note 11 - Commitments and Contingencies
- Note 12 - Risk Management

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

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, 2005

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, 2004. 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, 2004.

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, 2005

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, 2005

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, 2005

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, 2005

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, 2005

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, 2005

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, 2005

Note 3 - Stewardship, Compliance and Accountability (continued)

Deficit Fund Equity

At June 30, 2005, certain funds had deficit fund equity balances as follows:

Fund	Deficit Balance
<i>Capital Projects Funds</i>	
Hawthorne/Pilgrim UAD	\$ 8,118
Downtown Art Project	3,592
Storm Water Run-off	1,791
Tiburon Long-Range Planning	1,473

Note 4 - Cash and Investments

Cash and investments comprise the following:

Cash deposits	\$ 262,780
Cash with fiscal agent	502,727
Investments	<u>16,191,355</u>
	16,956,862
Less fiduciary funds cash and investments	<u>(140,632)</u>
	<u>\$ 16,816,230</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 \$435,817. Of the bank balance, \$100,000 was covered by the Federal Depository Insurance Corporation (FDIC), \$335,817 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, 2005

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, 2005.

Developer (Cecilia Place Senior Housing)	\$ 663,411
Town Manager	500,000
Past Employee	54,595
Marin County Housing Development Financing Corporation	126,338
	<u>\$1,344,344</u>

Developer (Cecilia Place Senior Housing)

At June 30, 2005 the Agency has \$663,411 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	224,262
	<u>\$ 663,411</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, 2005

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 1st and January 1st, respectively, of each year. The rate at June 30, 2004 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, 2005 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, 2005, the principal outstanding on the note was \$54,595. 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, 2005

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, 2004, 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, 2005 the principal outstanding on the note was \$126,338. 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, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2005</u>
Land	\$ 4,290,225	\$ -	90,273	\$ 4,199,952
Building and improvements	4,951,340	153,880	-	5,105,220
Furniture and equipment	2,351,043	49,075	-	2,400,118
Infrastructure	45,965,648	-	-	45,965,648
	57,558,256	202,955	90,273	57,670,938
Less accumulated depreciation	(17,993,281)	(1,150,056)	-	(19,143,337)
	<u>\$ 39,564,975</u>	<u>\$ (947,101)</u>	<u>\$ 90,273</u>	<u>\$ 38,527,601</u>

Note 7 - Long-Term Debt

Changes in long-term obligations and debt for the fiscal year ended June 30, 2005 are as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2004</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2005</u>
Compensated absences	\$ 263,942	\$ -	\$ 8,151	\$ 255,791
Bonds payable	765,000	-	209,000	556,000
Special assessment debt	2,432,300	-	306,920	2,125,380
	<u>\$ 3,461,242</u>	<u>\$ -</u>	<u>\$ 524,071</u>	<u>\$ 2,937,171</u>

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

Note 7 - Long-Term Debt (continued)

Bonds and special assessments debt payable at June 30, 2005 by individual issue, are as follows:

<u>Bonds payable:</u>	<u>To Year</u>	<u>Rate</u>	<u>Balance June 30, 2005</u>
Mark-Roos Local Bond Pooling Act (Tiburon Public Facilities 1996) (1)	2015	5.11% - 6.00%	\$ <u>556,000</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%	\$ 36,200
Gilmartin Drive Assessment District (Refunding, 1993-1)	2007	6.32% - 6.70%	350,180
Main Street Assessment District	2020	6.30%	364,000
Stewart Drive Assessment District	2029	3.25% - 5.30%	<u>1,375,000</u>
			<u>\$ 2,125,380</u>

Annual requirements to amortize all bonds and special assessment debt obligations outstanding as of June 30, 2005 are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>TPFFA Bonds</u>	<u>Special Assessment Bonds</u>
2006	\$ 182,218	\$ 414,645
2007	168,849	328,489
2008	136,140	145,324
2009	133,850	143,955
2010	14,800	147,408
2011-2015	45,650	695,606
2016-2020	-	568,455
2021-2025	-	517,385
2026-2029	-	<u>570,118</u>
	<u>681,507</u>	<u>3,531,385</u>
Less interest	<u>(125,507)</u>	<u>(1,406,005)</u>
Balance as of June 30, 2005	<u>\$ 556,000</u>	<u>\$ 2,125,380</u>

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

Note 7 - Long-Term Debt (concluded)

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, 2005 are not included in the Town's General Long-Term Debt Account Group.

The unpaid balances at June 30, 2005 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%	\$ 442,000
Via Capistrano Assessment District, 1990-1	2015	4.79% - 5.05%	128,000
Hillhaven Undergrounding Assessment District, 1990-2	2006	4.33% - 4.80%	68,000
Lyford Cove Utility Undergrounding Assessment District, 2005	2035	2.25% - 5.10%	3,800,000
			<u>\$ 4,438,000</u>

Note 8 - Interfund Transfers

Operating transfers comprise the following:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 1,169,370	\$ 1,269,370
Special Revenue Fund:		
State Traffic Congestion Relief	-	7,050
State Gasoline Tax	7,050	-
Capital Project Funds:		
Del Mar Valley Construction	46,883	-
Lyford Cove A. D.	280,322	-
Hawthorne/Pilgrim UAD	24,017	-
Tiburon Long-Range Planning	100,000	-
Debt Service Funds:		
Del Mar Valley A. D.	-	46,883
Hawthorne/Pilgrim UAD	-	24,018
Lyford Cove Construction	73,693	322,533
Lyford Cove A. D.	80,000	111,481
	<u>\$ 1,781,335</u>	<u>\$ 1,781,335</u>

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

Note 9 - 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 2005, the Town's annual pension cost of \$ 501,099 for PERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: a) 7.75% investment rate of return (net of administrative expenses) and b) projected annual salary increases of 3.25%. Both a) and b) included an inflation component of 3.0%. 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 2003 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, 2005

Note 9 - 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>
6/30/03	\$ 199,164	100%	-0-
6/30/04	212,165	100%	-0-
6/30/05	501,099	100%	-0-

Note 10 - 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 \$2,400.

Note 11 - 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.

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.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2005

Note 12 - 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, 2005 was \$82,877.

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.

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, 2005, the Town paid \$67,510 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, 2005

<u>Miscellaneous Plan</u>	Actuarial Valuation Date - Year Ended		
	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
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%

<u>Safety Plan</u>	Actuarial Valuation Date - Year Ended		
	<u>June 30, 2002</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
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

TOWN OF TIBURON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2005

	GENERAL FUND		
	Original Budget	Final Budget	Actual
REVENUES			
Property taxes	\$ 1,966,150	\$ 1,966,150	\$ 2,558,901
Other taxes	1,092,500	1,092,500	1,086,586
Franchises	372,000	372,000	375,124
Fines and penalties	230,000	230,000	297,778
Investment earnings	120,000	120,000	163,117
Intergovernment and agency	290,000	290,000	617,441
Licenses and permits	849,050	849,050	1,097,803
Charges for services	279,000	279,000	379,261
Other revenue	161,500	161,500	357,763
Total Revenues	5,360,200	5,360,200	6,933,774
EXPENDITURES			
Current -			
Town administration	1,011,180	1,011,180	1,096,930
Community development	1,011,343	1,011,343	924,029
Public safety	2,418,993	2,418,993	2,371,333
Public works	1,134,224	1,134,224	1,196,443
Legislative boards and commissions	37,500	37,500	31,978
Capital improvement projects	208,000	208,000	203,239
Total Expenditures	5,821,240	5,821,240	5,823,952
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(461,040)	(461,040)	1,109,822
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	1,169,370
Operating transfers (out)	-	-	(1,269,370)
Other	-	-	-
Total Other Financing Sources (Uses)	-	-	(100,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(461,040)	(461,040)	1,009,822
FUND BALANCES - BEGINNING OF YEAR	5,954,725	5,954,725	7,232,983
FUND BALANCES - END OF YEAR	\$ 5,493,685	\$ 5,493,685	\$ 8,242,805

See independent auditor's report

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, 2005, and have issued our report thereon dated January 4, 2006. 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
January 4, 2006