

TOWN OF TIBURON

California

Annual Financial Report
June 30, 2008

Town Council

Jeff Slavitz
Alice Fredericks
Miles Berger
Tom Gram
Richard Collins

Mayor
Vice Mayor
Member
Member
Member

Appointed Officials

Town Manager
Margaret Curran

Town Treasurer
William Osher

Town Attorney
Ann R. Danforth

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MARCELLO & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2701 COTTAGE WAY, SUITE 30 / SACRAMENTO, CA 95860 / (916) 979-9079

INDEPENDENT AUDITOR'S REPORT

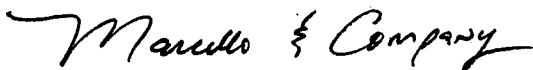
Honorable Mayor
Members of the Town Council
Town of Tiburon, California

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, 2008, 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. 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, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 2 through 9, and 29 through 30, are not a required part of the basic financial statements but are 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.



Certified Public Accountants
Sacramento, California
September 12, 2008

Town of Tiburon Management's Discussion and Analysis

As management of the Town of Tiburon, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follows this discussion and analysis.

Government-Wide Highlights

- The Government-Wide Statement of Net Assets appearing as the first report of the Basic Financial Statements and summarized in this Management Discussion and Analysis, show the Town's total assets exceeded its liabilities by \$53.1 million (net assets). Of this amount \$15.6 million may be used to meet the Town's ongoing obligations to the citizens and creditors of the Town.
- Total Town revenues were approximately \$10.5 million (general revenues of \$8.6 million and program revenues of \$1.9 million) compared with total expenses of \$9.5 million, resulting in an increase in net assets for the fiscal year ended June 30, 2008 of \$992,805.
- The Town's cash and investments totaled \$15 million, representing 27 percent of the Town's total assets.
- The Town's net capital assets totaled \$37.4 million at June 30, 2008, representing 70 percent of the Town's total assets. This represents an increase of \$350,150 over FY 2006-07, which is due to capital outlay exceeding depreciation expense.
- The Town's long-term debt obligation, which consists solely of compensated absences, totaled \$405,000 as of June 30, 2008, representing an increase of \$10,000 from the prior year.
- In prior years the Town included assets and liabilities of the local Special Assessment Districts on its financial statements. Since these Districts are autonomous, and the Town is not legally obligated for their bond issues, they have been removed from the Town's financial statements effective July 1, 2007, and are now presented on the Statement of Fiduciary Net Assets. As a result of this reclassification and removal of District debt obligations off of the Town's financial statements, net assets of the Town are restated as of July 1, 2007 to \$52,982,970.
- The fund balance of the General Fund at fiscal year end was \$10,157,342. This represents an increase of \$974,600 over the previous fiscal year. Of this amount, \$800,000 is reserved as a long-term receivable and \$3,305,094 is unreserved and undesignated. The remaining unreserved amount of \$6,052,248 has been designated for capital improvement projects including some of the following:
 - \$1,400,000 for Streets & Drainage projects
 - \$1,500,000 for a new Public Works Corporation Yard
 - \$800,000 for Town infrastructure improvements
 - \$675,000 for Park Development/Improvements

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 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: 1) Statement of Net Assets, and 2) 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.

Governmental 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 statement provides 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 a schedule subsequent to each governmental funds financial statement that reconciles it to the related government-wide financial statement.

Town of Tiburon Management's Discussion and Analysis

Proprietary Funds

Services for which the Town charges customers a fee in order to cover the cost of providing such services are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. Currently the Town does not have proprietary funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the municipality, such as Special Assessment Districts. Fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the Town's own programs. Since the Town is not obligated in any manner for special assessment bonds, the debt is not recorded in these financial statements. The Town acts as an agent for the property owners in collecting assessments and forwards such funds to bondholders, hence this activity is reported in the Agency funds.

Notes to the Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information other than this discussion and analysis concerning the Town's budgetary comparison schedules and its schedule of funding progress for its CalPERS defined benefit pension plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments*.

Net Assets

Net Assets serve over time as a useful indicator of a government's financial position. In the case of the Town of Tiburon, total assets exceeded total liabilities by \$53,085,810 at June 30, 2008.

By far the largest portion of the Town of Tiburon's net assets (70.4 percent) reflects its investment in capital assets (e.g., land, buildings, roadways, drainage systems, and equipment). The Town of Tiburon uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

A comparison of Government-wide Net Assets for FY 2006-07 and FY 2007-08 are summarized below and an analysis follows:

Total Governmental Activities

	FY 2006-07	FY 2007-08	Dollar Increase (Decrease)	Percentage Increase (Decrease)
Assets				
Cash and Investments	\$14,847,315	\$ 14,922,850	\$ 75,535	0.5%
Capital Assets, net of depreciation	37,037,991	37,388,144	350,153	0.9%
Other Assets	1,602,051	2,055,733	453,682	2.8%
Total Assets	\$53,487,357	\$54,366,727	\$ 879,370	1.6%
Liabilities				
Compensated Absences	\$ 394,970	405,032	\$ 10,062	2.5%
Other liabilities	813,169	875,885	62,716	7.7%
Total Liabilities	\$ 1,208,139	\$ 1,280,917	\$ 72,778	6.0%
Net Assets				
Invested in Capital Assets	\$35,054,691	\$37,388,144	\$2,333,453	6.7%
Restricted	399,305	-	(399,305)	(100.0%)
Unrestricted, restated	17,528,974	15,697,666	(1,831,308)	(10.4%)
Total Net Assets	\$52,982,970	\$ 53,085,810	\$ 102,840	0.2%

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$37,388,144 represent the cost of these assets less any outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At June 30, 2008 the Town had no outstanding debt used to acquire those assets.

The remaining balance of unrestricted net assets of \$15,697,666 at June 30, 2008 may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

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

Changes in Net Assets

The Town's net assets increased by \$102,840 during the current fiscal year. The Town's net assets in the previous fiscal year had increased by \$582,372. The comparison of the two fiscal years is summarized below:

	Governmental Activities		Increase
	FY 2006-07	FY 2007-08	(Decrease)
Revenues:			
Program revenues:			
Charges for Services	\$ 2,548,511	\$ 2,221,778	(12.8%)
General Revenues:			
Taxes	4,844,340	5,096,090	5.2%
Intergovernmental	855,696	1,339,296	56.5%
Investment Earnings	734,284	620,530	(15.5%)
Franchise Fees	470,670	442,170	(6.1%)
Grants/Contributions	137,466	63,933	(53.5%)
Other	511,916	752,423	47.0%
Total Revenues	\$ 10,102,883	\$ 10,536,220	4.3%
Expenses:			
General Government	\$ 3,065,570	\$ 3,668,719	19.7%
Public Safety	3,013,828	3,006,962	(0.2%)
Public Works	2,383,707	1,504,218	(36.9%)
Capital Improvement Projects	947,520	2,253,481	137.8%
Debt Service	109,886	-	(100.0%)
Total Expenses	\$ 9,520,511	\$ 10,433,380	9.6%
Change in Net Assets	\$ 582,372	\$ 102,840	82.3%

As revenues exceeded expenditures by \$102,840 for the 2007-08 fiscal year, this amount then increases the Town's net assets over the previous fiscal year. This represents a two-tenths percent increase in net assets over FY 2006-07. Again, net assets indicate the Town's financial position over time, in this case over a one year operating cycle.

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

FUND FINANCIAL STATEMENT ANALYSIS

General Fund

During FY 2007-08, the Town received General Fund revenues of \$8,602,635, which represents an increase of \$543,320 over the previous fiscal year. The two-year comparison chart below illustrates the revenue categories that collectively attributed to the increase.

Two Year Comparison of General Fund Revenues

	FY 2006-07	FY 2007-08	Increase (Decrease)	Increase (Decrease)
Property Taxes	\$ 3,027,317	\$ 3,467,826	\$ 440,509	14.6%
Other Taxes	1,275,885	1,331,471	55,586	4.4%
Franchises	470,670	442,170	-28,500	-6.1%
Fines & Penalties	227,549	199,896	-27,653	-12.1%
Investment Earnings	443,483	404,773	-38,710	-8.7%
Intergovernmental	673,579	818,752	145,173	21.6%
Licenses & Permits	1,147,947	1,140,401	-7,546	-0.7%
Charges for Services	454,978	367,857	-87,121	-19.1%
Other Revenues	337,907	429,489	91,582	27.1%
Total	\$ 8,059,315	\$ 8,602,635	\$ 543,320	6.7%

General Fund expenditures were \$7,703,475 in FY 2007-08, which was an increase of \$314,055 over the previous fiscal year. This increase of 4.3% is due primarily to salary and benefit related increases.

Two Year Comparison of General Fund Expenditures

	FY2006-07	FY 2007-08	Increase (Decrease)	Increase (Decrease)
General Administration	\$ 1,536,732	\$ 1,701,856	\$ 165,124	10.7%
Community Development	1,076,605	1,196,891	120,286	11.1%
Public Safety	2,741,470	2,831,998	90,528	3.3%
Public Works	1,540,719	1,352,432	-188,287	-12.2%
Town Council/Commissions	38,041	35,864	-2,177	-5.7%
Capital Improvement Projects				
Projects	455,853	584,434	128,581	28.2%
Total	\$ 7,389,420	\$ 7,703,475	\$ 314,055	4.3%
Excess Revenues over Expenditures	\$ 699,895	\$ 899,160	\$ 229,265	34.2%

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

Analysis of Governmental Funds

The following schedule presents a two year comparison of the Total Governmental Funds revenues and expenditures for fiscal years 2006-07 and 2007-08, and the amount of increase or decrease.

	FY 2006-07	FY 2007-08	Increase (Decrease)
Revenues:			
Taxes - Property	\$ 3,027,317	\$ 3,508,658	\$ 481,341
Other Taxes	1,817,023	1,587,432	(229,591)
Franchise Fees	470,670	442,170	(28,500)
Fines and Forfeitures	227,549	199,896	(27,653)
Interest Earnings	734,284	620,530	(113,754)
Intergovernmental	855,696	1,339,296	483,600
License and Permits	1,147,947	1,140,401	(7,546)
Other Revenue	1,081,808	552,527	(529,281)
Charges for Services	740,589	1,145,310	404,721
Total Revenues	\$ 10,102,883	\$ 10,536,220	\$ 433,337
Expenditures:			
Town Administration	\$ 1,600,186	\$ 1,762,907	\$ 162,721
Community Development	1,083,680	1,201,891	118,211
Public Safety	2,867,896	2,917,966	50,070
Public Works	1,697,783	1,370,724	(327,059)
Legislative	53,346	36,446	(16,900)
Capital Projects	1,626,976	2,253,481	626,505
Debt Service: Principal	169,600	N/A	(169,600)
Interest	109,886	N/A	(109,886)
Other	43,919	N/A	(43,919)
Total Expenses	\$ 9,253,272	\$ 9,543,415	\$ 290,143
Excess of Revenues over Expenditures	\$ 849,611	\$ 992,805	\$ 143,194

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

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The Town of Tiburon was fortunate to end this audit year with a general fund operating surplus of slightly under \$900,000. The Town Council has taken a cautious approach to the current year's Municipal Budget. The economy remains unusually weak and the housing market continues to be sluggish. This has a negative effect on property taxes and perhaps more importantly on planning and building related revenues. The Town should end FY 2008-09 in a surplus position, but there may be financial challenges in FY 2009-10. Also of concern will be how the State of California balances its budget in FY 2009-10. Local Agencies were spared in the current year, but the outlook is perhaps less hopeful the year after.

The Town's adopted FY 2008-09 Municipal Budget projects overall operating revenues of \$8,922,653 and expenditures of \$8,909,073 for a projected \$13,580 surplus. This represents a 0.2 percent increase in overall revenues and an increase of 1.5 percent in expenditures over the previous fiscal year. The General Fund Operating Budget authorizes \$7,448,233 in revenues and \$7,434,653 in expenditures.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF TIBURON
Government-wide Financial Statements
Statement of Net Assets
June 30, 2008

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 14,922,850
Interest receivable	108,710
Other receivables	306,694
Notes receivable	1,551,033
Deposit	89,296
Capital assets, net	<u>37,388,144</u>
 Total Assets	 <u>54,366,727</u>
LIABILITIES	
Accounts payable	221,278
Accrued liabilities	409,903
Deposits	244,704
Long-term liabilities:	
Compensated absences	<u>405,032</u>
 Total Liabilities	 <u>1,280,917</u>
NET ASSETS	
Invested in capital assets	37,388,144
Unrestricted	<u>15,697,666</u>
 Total Net Assets	 <u><u>\$ 53,085,810</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF TIBURON
Government-wide Financial Statements
Statement of Activities
Year Ended June 30, 2008

<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	\$ 3,668,719	\$ 10,325	\$ 63,933	\$ (3,594,461)
Public safety	3,006,962	44,845	-	(2,962,117)
Planning and public works	1,504,218	1,266,117	-	(238,101)
Public improvements	2,253,481	900,491	-	(1,352,990)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$10,433,380</u>	<u>\$2,221,778</u>	<u>\$ 63,933</u>	<u>(8,147,669)</u>

General Revenues	
Property taxes	3,508,658
Other taxes	1,587,432
Franchise fees	442,170
Fines and forfeitures	199,896
Investment earnings	620,530
Intergovernmental	1,339,296
Other revenue	<u>552,527</u>
Total General Revenues	<u>8,250,509</u>
Change in Net Assets -	
Governmental Activities	102,840
Net Assets - beginning, restated	<u>52,982,970</u>
Net Assets - end of year	<u>\$ 53,085,810</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

TOWN OF TIBURON
Balance Sheet
Governmental Funds
June 30, 2008

	<u>Other Governmental Funds</u>			Total Governmental Funds
	General Fund	Special Revenue	Capital Projects	
ASSETS				
Cash and investments	\$ 9,820,414	\$ 1,996,653	\$ 3,105,783	\$ 14,922,850
Cash held by trustee	89,296	-	-	89,296
Interest receivable	69,638	14,952	24,120	108,710
Other receivables	238,399	40,795	27,500	306,694
Notes receivable	800,000	663,411	87,622	1,551,033
	<u>\$ 11,017,747</u>	<u>\$ 2,715,811</u>	<u>\$ 3,245,025</u>	<u>\$ 16,978,583</u>
Total Assets				
	<u>\$ 11,017,747</u>	<u>\$ 2,715,811</u>	<u>\$ 3,245,025</u>	<u>\$ 16,978,583</u>
LIABILITIES				
Accounts payable	\$ 211,918	\$ 1,920	\$ 7,440	\$ 221,278
Accrued liabilities	409,903	-	-	409,903
Deposits	238,584	-	6,120	244,704
	<u>860,405</u>	<u>1,920</u>	<u>13,560</u>	<u>875,885</u>
Total Liabilities				
	<u>860,405</u>	<u>1,920</u>	<u>13,560</u>	<u>875,885</u>
FUND BALANCES				
Reserved	801,279	-	-	801,279
Unreserved - designated	5,784,196	-	-	5,784,196
Unreserved - undesignated	3,571,867	2,713,891	3,231,465	9,517,223
	<u>10,157,342</u>	<u>2,713,891</u>	<u>3,231,465</u>	<u>16,102,698</u>
Total Fund Balances				
	<u>10,157,342</u>	<u>2,713,891</u>	<u>3,231,465</u>	<u>16,102,698</u>
Total Liabilities and Fund Balances				
	<u>\$ 11,017,747</u>	<u>\$ 2,715,811</u>	<u>\$ 3,245,025</u>	<u>\$ 16,978,583</u>

The accompanying notes are an integral part of these financial statements

TOWN OF TIBURON
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2008

Fund Balances - Total Governmental Funds (page 12) \$ 16,102,698

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	\$ 58,839,537	
Less: accumulated depreciation	<u>(21,451,393)</u>	37,388,144

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		<u>(405,032)</u>
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Net Assets of Governmental Activities (page 10) \$ 53,085,810

The accompanying notes are an integral part of these financial statements

TOWN OF TIBURON
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	Other Governmental Funds		Total Governmental Funds
		Special Revenue	Capital Projects	
REVENUES				
Property taxes	\$ 3,467,826	\$ 40,832	\$ -	\$ 3,508,658
Other taxes	1,331,471	255,211	750	1,587,432
Franchise fees	442,170	-	-	442,170
Fines and forfeitures	199,896	-	-	199,896
Investment earnings	404,773	73,676	142,081	620,530
Intergovernmental and agency	818,752	516,544	4,000	1,339,296
Licenses and permits	1,140,401	-	-	1,140,401
Charges for services	367,857	-	777,453	1,145,310
Other revenue	429,489	-	123,038	552,527
Total Revenues	<u>8,602,635</u>	<u>886,263</u>	<u>1,047,322</u>	<u>10,536,220</u>
EXPENDITURES				
Current -				
Town administration	1,701,856	3,444	57,607	1,762,907
Community development	1,196,891	-	5,000	1,201,891
Public safety	2,831,998	85,968	-	2,917,966
Planning and public works	1,352,432	15,710	2,582	1,370,724
Legislative boards/commissions	35,864	-	582	36,446
Capital improvement projects	584,434	406,783	1,262,264	2,253,481
Total Expenditures	<u>7,703,475</u>	<u>511,905</u>	<u>1,328,035</u>	<u>9,543,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>899,160</u>	<u>374,358</u>	<u>(280,713)</u>	<u>992,805</u>
OTHER FINANCING SOURCES				
Operating transfers in	1,100,000	-	-	1,100,000
Operating transfers (out)	(1,100,000)	-	-	(1,100,000)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	899,160	374,358	(280,713)	992,805
Fund Balances - beginning, restated	9,258,182	2,339,533	3,512,178	15,109,893
Fund Balances - end of year	<u>\$ 10,157,342</u>	<u>\$ 2,713,891</u>	<u>\$ 3,231,465</u>	<u>\$ 16,102,698</u>

The accompanying notes are an integral part of these 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, 2008

Net Change in Fund Balances -
Total Governmental Funds (page 14) \$ 992,805

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 and reported as depreciation expense in the Statement of Activities.

Capital outlay	318,097
Depreciation expense	(1,198,000)

Long-term Debt

Long-term compensated absences are reported in the Government-Wide Statement of Activities, but they do not require the use of current financial resources. The program expenses are adjusted for the current year net change.

(10,062)

Change in Net Assets of Governmental Activities (page 11) \$ 102,840

The accompanying notes are an integral part of these financial statements

TOWN OF TIBURON
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Tiburon Public Facilities Financing Authority	Del Mar Valley A/D	Stewart Drive A/D	Lyford Cove A/D	Other Assessment Districts	Peninsula Library JPA	Total
ASSETS							
Cash and investments	\$ 191,915	\$ 4,350,891	\$ 62,988	\$ 1,288,514	\$ 209,210	\$ 5,341	\$ 6,108,859
Cash held by trustee	193,751	-	105,194	-	-	-	298,945
Special assessments	-	-	1,270,000	-	327,500	-	1,597,500
Other receivables	2,298	35,215	1,024	11,906	2,003	5,173	57,619
Total Assets	387,964	4,386,106	1,439,206	1,300,420	538,713	10,514	8,062,923
LIABILITIES							
Accounts payable	-	-	-	3,975	-	2,848	6,823
Special assessments	-	-	1,270,000	-	319,000	-	1,589,000
Other liabilities	-	-	-	-	-	-	-
Total Liabilities	-	-	1,270,000	3,975	319,000	2,848	1,595,823
NET ASSETS							
Held in trust	<u>\$ 387,964</u>	<u>\$ 4,386,106</u>	<u>\$ 169,206</u>	<u>\$ 1,296,445</u>	<u>\$ 219,713</u>	<u>\$ 7,666</u>	<u>\$ 6,467,100</u>

The accompanying notes are an integral part of these financial statements

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

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 Obligations
- Note 8 - Special Assessment Debt Obligations
- Note 9 - Interfund Transfers
- Note 10 - Defined Benefit Pension Plan
- Note 11 - Postemployment Benefits Other Than Pensions
- Note 12 - Commitments and Contingencies
- Note 13 - Risk Management
- Note 14 - Restatement of Fund Balances

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

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 consist 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.

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.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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 reports 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.

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, 2008

Note 2 - Summary of Significant Accounting Policies (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.

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.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2008

Note 2 - Summary of Significant Accounting Policies (concluded)

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.

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.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

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.

Note 4 - Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 14,922,850
Statement of Fiduciary Net Assets:	
Cash and investments	6,108,859
Cash and investments with fiscal agents	<u>298,945</u>
Total cash and investments	<u>\$ 21,330,654</u>

Cash and investments as of June 30, 2008 are comprised of the following:

Deposits with financial institutions	\$ 474,074
Cash on hand	828
Investments	<u>20,855,752</u>
Total cash and investments	<u>\$ 21,330,654</u>

Investment in State Investment Pool

The Town is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Town's investment in this pool is reported in the accompanying financial statements at amounts based upon the Town's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 4 - Cash and Investments (continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of the fiscal year end, the weighted average maturity of the investments contained in the LAIF investment pool was approximately 7 months. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
State investment pool	\$ 20,556,807	7 months average maturity, 2.9% yield
Money Market	<u>298,945</u>	N/A - due on demand
Total	<u>\$ 20,855,752</u>	

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any single issuer beyond that stipulated by the California Government Code. There are no investments in any single issuer that represent 5% or more of total Town investments. Nearly 96% of the Town's investments at year end are in LAIF.

Custodial Credit Risk

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

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Town's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 5 - Notes Receivable

Notes receivable consist of the following at June 30, 2008.

Developer (Cecilia Place Senior Housing)	\$ 663,411
Current Employee	800,000
Former Employee	41,890
Marin County Housing Development Financing Corporation	<u>45,732</u>
	<u>\$1,551,033</u>

Developer (Cecilia Place Senior Housing)

At June 30, 2008 the Tiburon Redevelopment Agency (the Agency), a component unit of the Town of Tiburon, owned \$663,411 in notes receivable due from Cecilia Place Homes LP, a California limited partnership (the "Developer"). The two notes are secured by a Deed of Trust, bearing annual interest as defined below, and are due on March 31, 2027, as follows:

Notes receivable from Developer:	
Bears annual interest at 3%	\$ 439,149
Interest free	<u>224,262</u>
	<u>\$ 663,411</u>

In 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. In addition, the Agency loaned the Developer \$339,149 for pre-development 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%. This amount is recorded as a note receivable in the Tiburon Redevelopment Agency fund.

Current Employee

In conjunction with the October 2006 employment agreement between the Town of Tiburon and the Town Manager, the Town provided a second mortgage secured by a deed of trust on the Manager's primary residence in the amount of \$800,000. The loan is payable in monthly installments of interest only, and bears interest at the LAIF rate, up to a maximum annual rate of 5.5%. The loan shall be fully due and payable when (1) the property for which the loan is made is no longer the employee's primary residence, or (2) within six months of the employee's termination of employment. At June 30, 2008 the principal outstanding on the loan was \$800,000. This amount is recorded as a note receivable in the Town's General fund.

Former Employee

In June 1987, the Town loaned \$89,500 to the then Assistant Town Clerk for the purpose of assisting with the purchase of a *low-to-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, 2008, the principal outstanding on the note was \$41,890. This amount is recorded as a note receivable in the Town's Low and Moderate Income Housing Capital Projects fund.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

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 11.55%. 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, 2008 the principal balance outstanding on the note was \$45,732. This amount is recorded as a note receivable in the Low and Moderate Income Housing Capital Projects fund.

Note 6 - Capital Assets

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

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2008</u>
<i>Nondepreciable Assets:</i>				
Land	\$ 4,087,952	\$ -	\$ -	\$ 4,087,952
<i>Depreciable Assets:</i>				
Building and improvements	5,105,220	241,500	-	5,346,720
Furniture and equipment	2,643,164	76,597	(40,000)	2,759,761
Infrastructure	<u>46,645,104</u>	<u>-</u>	<u>-</u>	<u>46,645,104</u>
	58,841,440	318,097	(40,000)	58,839,537
Accumulated depreciation	<u>(20,293,393)</u>	<u>(1,198,000)</u>	<u>40,000</u>	<u>(21,451,393)</u>
<i>Capital Assets, net</i>	<u>\$ 38,188,047</u>			<u>\$ 37,388,144</u>

Note 7 - Long-Term Debt Obligations

Changes in long-term obligations for the year ended June 30, 2008 are as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>June 30, 2008</u>
Compensated absences	<u>\$ 394,970</u>	<u>\$ 10,062</u>	<u>\$ -</u>	<u>\$ 405,032</u>

Note 8 - Special Assessment Debt Obligations

At June 30, 2008, special assessment improvement bonds outstanding for all assessment districts totaled \$12,154,176. Since the Town is not obligated in any manner for the special assessment bonds, the debt is not recorded in these financial statements. Since the Town acts as an agent for the property owners in collecting assessments and bond proceeds, and forwarding such funds to the bondholders and construction vendors, this activity is reported in the Agency Funds.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 9 - Interfund Transfers

Operating Interfund transfers comprise the following:

Fund	Transfers In	Transfers Out
General Fund (between 6 sub-funds)	\$1,100,000	\$1,100,000

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

The Town's annual pension cost of \$685,007 for PERS was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.25% to 14.45% depending on age, service, and type of employment, (c) an inflation rate of 3.0%, (d) a payroll growth rate of 3.25%, and (e) individual salary growth - a merit scale varying by duration of employment coupled with an assumed annual inflation growth rate of 3.00% and an annual production growth of 0.25%.

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). The Schedule of Funding Progress on page 29 shows that both plans were underfunded as of June 30, 2007. Information for the year ending June 30, 2008 has not been released by the Plan Actuary.

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 2006 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, 2008

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>
6/30/06	\$639,460	100%	\$ -0-
6/30/07	668,043	100%	-0-
6/30/08	685,007	100%	-0-

Note 11 - Postemployment Benefits Other Than Pensions

The Town provides certain health care benefits to qualified 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. Postemployment benefits paid by the Town for the year totaled \$12,964. In accordance with Governmental Accounting Standards Board Statements No. 43 and 45, starting in fiscal year 2008-2009 the Town will be required to report the actuarial accrued liability for the estimated future expenditures for postemployment benefits other than pension plans, and the actuarial value of the plan assets. The Town is in the process of obtaining an actuarial determination and has advance funded this plan with \$150,000 pending the final actuarial report.

Note 12 - Commitments and Contingencies

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

Note 13 - 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, 2008 was \$71,190.

TOWN OF TIBURON
Notes to Financial Statements
June 30, 2008

Note 13 - Risk Management (continued)

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, Post Office 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, 2008, the Town paid \$87,676 for current year coverage and did not receive a rebate from the program. Financial statements may be obtained from BCJPIA, 1831 K Street, Sacramento, California 95814.

Note 14 - Restatement of Fund Balances

The effect of reclassifying and removing Special Assessment (A.D.) debt obligation funds from the Town's financial statements to the Statement of Fiduciary Net Assets, as discussed in Note 8, is as follows:

Total general fund and other governmental fund balances, as previously reported:	\$15,636,197
Transfer A.D. debt funds to statement of fiduciary net assets	<u>(526,304)</u>
Total general and other governmental fund balances, as restated (page 14)	<u>\$15,109,893</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TIBURON
Required Supplementary Information
Schedule of Funding Progress - Defined Benefit Pension Plan
Year Ended June 30, 2008

Pooled Report Format

Since the Town has less than 100 active members in each plan, it is required by CalPERS to participate in a risk pool. The following actuary valuation reports the activity of the risk pool as a whole, and not the specific activity of individual members such as the Town of Tiburon.

Miscellaneous Plan - 2% at 55 Risk Pool	Actuarial Valuation Date - Year Ended		
	June 30, 2005	June 30, 2006	June 30, 2007
Accrued Liabilities (AL)	\$ 2,891,460,651	\$ 2,754,396,608	\$ 2,611,746,790
Actuarial Value of Assets (AVA)	\$ 2,588,713,000	\$ 2,492,226,176	\$ 2,391,434,447
Unfunded Liabilities (UL)	\$ 302,747,651	\$ 262,170,432	\$ 220,312,343
Funded Ratio (AVA/AL)	89.5%	90.50%	91.6%
Annual Covered Payroll	\$ 755,046,679	\$ 699,897,835	\$ 665,522,859
UL As a % of Payroll	40.1%	37.5%	33.1%
 <u>Safety Plan - 3% at 55 Risk Pool</u>			
Accrued Liabilities (AL)	\$ 1,325,510,754	\$ 1,473,284,852	\$ 1,648,159,522
Actuarial Value of Assets (AVA)	\$ 1,105,298,221	\$ 1,252,059,468	\$ 1,422,143,105
Unfunded Liabilities (UL)	\$ 220,212,533	\$ 221,225,384	\$ 226,016,417
Funded Ratio (AVA/AL)	83.4%	85.0%	86.3%
Annual Covered Payroll	\$ 161,446,071	\$ 177,088,890	\$ 200,537,256
UL As a % of Payroll	136.4%	124.9%	112.7%

Note - Details of the defined benefit pension plan can be found in Note 10 of the financial statements. Information for the year ending June 30, 2008 has not been released by the Plan Actuary.

TOWN OF TIBURON
Required Supplementary Information
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2008

	GENERAL FUND		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
REVENUES			
Property taxes	\$ 3,065,085	\$ 3,065,085	\$ 3,467,826
Other taxes	1,233,250	1,233,250	1,331,471
Franchise fees	441,550	441,550	442,170
Fines and forfeitures	169,400	169,400	199,896
Investment earnings	375,000	375,000	404,773
Intergovernmental and agency	708,525	708,525	818,752
Licenses and permits	989,700	989,700	1,140,401
Charges for services	356,600	356,600	367,857
Other revenue	340,197	340,197	429,489
Total Revenues	<u>7,679,307</u>	<u>7,679,307</u>	<u>8,602,635</u>
EXPENDITURES			
Current -			
Town administration	1,235,011	1,270,011	1,701,856
Community development	402,668	402,668	1,196,891
Public safety	2,949,068	2,949,068	2,831,998
Planning and public works	2,469,428	2,574,928	1,352,432
Legislative boards and commissions	47,000	47,000	35,864
Capital improvement projects	1,351,800	1,422,360	584,434
Total Expenditures	<u>8,454,975</u>	<u>8,666,035</u>	<u>7,703,475</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(775,668)</u>	<u>(986,728)</u>	<u>899,160</u>
OTHER FINANCING SOURCES			
Operating transfers in	-	1,100,000	1,100,000
Operating transfers (out)	-	(1,100,000)	(1,100,000)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(775,668)</u>	<u>(986,728)</u>	<u>899,160</u>
Fund Balances - Beginning, restated	<u>9,258,182</u>	<u>9,258,182</u>	<u>9,258,182</u>
Fund Balances - End of Year	<u>\$ 8,482,514</u>	<u>\$ 8,271,454</u>	<u>\$ 10,157,342</u>