

**TOWN OF SAN ANSELMO
STAFF REPORT
December 2, 2009**

For the Meeting of December 8, 2009

TO: Town Council

FROM: Janet Pendoley, Finance & Admin Services Director

SUBJECT: Annual Independent Audit Report for Fiscal Year ending June 30, 2009

RECOMMENDATION

That Council accept the following reports prepared by Odenberg, Ullakko, Muranishi (OUM) and Company, LLP, which comprise the Annual Independent Audit Report for the fiscal year ending June 30, 2009:

- Audited Basic Financial Statements and Required and Other Supplementary Information With Independent Auditor's Report;
- Single Audit Reports on Federal Award Programs;
- Agreed Upon Procedures (Gann Limit Compliance);
- Fiscal 2009 Report to Town Council (Management Letter).

BACKGROUND

OUM, Certified Public Accountants, have prepared the annual independent auditor's report and basic financial statements for the fiscal year ending June 30, 2009. Based on their examination of Town records and procedures, they have presented their findings in a Management Letter. In addition, as required by law they have tested and reported on compliance in the Gann Limit calculations. For fiscal year 2008-09 the Town expended federal funds (FEMA and U.S. Department of Transportation) in an amount over \$500,000; therefore, a single audit is also required.

This is the eighth year of the Town's contract with OUM to conduct the audit of the financial statements for the Town. Copies of the documents have been mailed to the homes of the Council members, Council members-elect, and the Treasurer. They are also included as part of the agenda packet available for public viewing on the Town's website. Scott Miller, a managing partner from OUM, will present the report to the Town Council on December 8, 2009. Following action by the Council, the document will be available for public viewing in the Finance Department for a period of 30 days and well as be posted on the Town's website.

Section I: BASIC FINANCIAL STATEMENTS

The basic financial statements include balance sheets and revenue and expenditure reports for each of the Town's funds, and notes on a number of items designated by the auditor. This section also includes government-wide financial statements as required by the Governmental Accounting Standards Board (GASB) Statement #34. Presented as a two-year comparative report, they provide a more comprehensive view of the Town's financial position and include such items as an expanded valuation of the Town's fixed assets, capitalization and depreciation of those assets, indebtedness related to those assets, and more accurate information on the debt service and employee benefit accruals. Beginning with this fiscal year, the government-wide statements also include the unfunded portion of the post-employment health care benefits obligation (OPEB) at \$120,891, as required by GASB Statement #45.

At the highest summary level, the government-wide statements show that the Town's assets total \$26,383,598 and liabilities total \$13,915,231. Net assets, calculated as the difference between assets and liabilities, total \$12,468,367. This represents a net increase from the prior year of \$2,033,772 and is primarily attributable to the Town's 2008-09 investment in capital improvement projects.

A key piece of data that the Town receives in the transmittal of the financial statements is the amount of the prior fiscal year General Fund "carryover", which is defined as the excess revenue realized as a result of comparing budgeted-to-actual levels of revenue and expenditures. At the time of the 2009-10 budget adoption, staff projected \$309,610 in carryover funds. As a result of the final closing of the 2008-09 books and confirmed in the audit process, that amount has been revised to \$344,505.

The Insurance Fund statements include the booking and reporting of the long term cost estimate for all insurance claims against the Town, including both workers compensation as well as general liability claims. The liability as of June 30, 2009, as estimated by Bay Cities Joint Powers Insurance Authority, is \$305,867, a decrease of \$188,798 from the previous fiscal year.

The Emergency Reserve Fund statements reflect a negative fund balance in the amount of (\$925,080). This results from the \$1,619,354 liability related to the outstanding principal due on the 15-year municipal lease for the fire station restoration. As the Town transfers General Fund monies over the next 14 years to pay off the debt, the fund balance will return to zero. Absent the lease liability at June 30, 2009, the fund balance would otherwise have been \$694,274.

The conclusion presented in the independent auditor's report resulting from OUM's audit of the Town's financial records is that the basic financial statements present fairly, in all material respects, the financial position of the Town as of June 30, 2009. The results of its operations and cash flows of its proprietary fund types for the fiscal year are in conformity with generally accepted accounting principles. This conclusion is known as a "clean audit."

Section II: SINGLE AUDIT REPORTS ON FEDERAL AWARD PROGRAMS

As indicated above, Single Audit Reports were required for 2008-09 due to the fact that the Town expended \$1,219,009 in federal award funds on the 2005 flood recovery activities (FEMA) as well as the Sir Francis Drake rail and walkway project, the Safe Routes to Schools project, and the Non-motorized Transportation Pilot Program project (U.S. Department of Transportation). The Schedule of Findings and Questioned Costs indicates that there was no material deficiencies identified.

Section III: AGREED UPON PROCEDURES (GANN LIMIT)

The auditors reviewed the Town's Gann Limit Worksheet for FY 08-09 for compliance with the Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution. The report indicates compliance with no exceptions.

Section IV: AUDITOR'S REPORT TO TOWN COUNCIL

The auditor's Report to Town Council contains a series of statements regarding various aspects of the Town's internal control structure. No material deficiencies or irregularities were identified in this section.

CONCLUSION

The annual audit reports outlined above provide the Council with an overview of the fiscal condition of the Town as of June 30, 2009. The recommended actions are to accept the auditor's report.

Respectfully submitted,



Janet Pendoley
Finance and Admin Services Director

Audit documents: Mailed to Council Members, Council Members-elect, and Treasurer

Public viewing on website: www.townofsananselmo.org

Available with public viewing agenda packets

Following Council action, available for viewing in the Finance Department
for 30 days