

MEMORANDUM

TO: Town Manager, Mayor, and Town Council

FROM: George T. Warman, Jr., Director of Administrative Services /
Town Treasurer

DATE: April 27, 2011

SUBJECT: Town of Corte Madera Audited Financial Statements June 30, 2010

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Attached are the Town of Corte Madera Audited Financial Statements for the year ending June 30, 2010. These statements comply with Governmental Accounting Standards Board Statement No. 34 (GASB 34) and will not be comparable to any prior statements issued for the years ending June 30, 1983 through and including June 30, 2002. Similarly, the statements issued prior to the year ending June 30, 1983 were not comparable to those of the 20-year period from June 30, 1983 through June 30, 2002.

Municipal financial statements issued prior to June 30, 1983, were based on each entity's fund structure and allowed encumbrances to be expensed during the year obligated rather than expensed when earned. Starting June 30, 1983, municipal financial statements have followed a standardized fund and account grouping structure to provide uniformity to municipal financial reporting. Encumbrances were required to be expended during the period earned rather than when obligated. Another important change was the inclusion of component units (Sanitary District No. 2) in the financial statements. The revisions of GASB 34 that were effective with municipal financial statements issued beginning June 30, 2003 (for Corte Madera) have revised the presentation of the standardized fund grouping structure and now require the capitalization and depreciation of all infrastructure and other fixed assets. Previously, infrastructure and other fixed assets were only capitalized and depreciated in Proprietary Funds (enterprise or business like governmental operations). Additionally, internal transactions of the reporting entity are eliminated on the consolidated Balance Sheet (Statement of Net Assets on page 19 of the attached Financial Statements) and on the consolidated Income Statement (Statement of Activities on pages 20 and 21 of the attached Financial Statements). The changes of GASB 34 are to the reporting format and not to governmental accounting.

The above discussion is very generalized and oversimplifies all the countless changes in governmental accounting, reporting, disclosure, and financial statement formatting and presentation, that have transpired over the past years beginning between the First and Second World Wars (approximately between 1920 to 1940). Below I will explain the sections of the revised Financial Statements' presentation.

Independent Auditor's Report – Page 1

Self-explanatory.

Management's Discussion and Analysis – Pages 3 – 16

This section provides a good overview of the Town's finances. The "Economic Factors and Next Year's Budget and Rates" section on pages 12-16 discusses the current Budget – Fiscal Year 2010-2011 as it was adopted on June 24, 2010.

Basic Financial Statements – Pages 17 – 21

The consolidated Statement of Net Assets on page 19 is presented on the accrual basis and is as comparable to the Balance Sheet of a private business entity as deemed possible by the GASB. The Statement of Activities on pages 20 and 21 distinguishes between program generated revenue and tax generated revenue and their comparative support of the Town's functions/programs. This is intended to be comparable to the Income Statement of a private business.

The segregation of revenue on the Statement of Activities on pages 20 and 21 can be cross-referenced to the "Combined Schedule of Revenues" on pages 96 and 97. This should assist those familiar with the Town Budget in understanding the Statement of Activities.

Fund Financial Statements – Pages 23 – 40

Although the presentation of funds has been restructured, this section is similar to past financial statements. Pages 25, 26, 29, and 31 are reconciliations of the fund-based statements to the Statement of Net Assets (page 19) and Statement of Activities (pages 20 and 21). These reconciliations will probably be confusing to those not familiar with "accountantese".

Notes to Basic Financial Statements – Pages 41 – 73

Most of this material is going to be very familiar.

Combining and Individual Fund Statements and Schedules and Capital Assets – Governmental Activities – Pages 75 – 94

This section includes all individual fund statements except those of the major funds, which include the General Fund and Special Storm Drainage Tax Fund, and the Proprietary funds. The statements of the General Fund and Special Storm Drainage Tax Fund, are on pages 24, 27, 32, and 33. The individual fund statements of the Proprietary Funds are on pages 34-40. This information was presented in the prior format although the sequence of presentation has been changed to emphasize major funds as opposed to minor funds.

Town Prepared Supplementary Schedules – Pages 95 – 108

This new section includes some of the schedules contained previously in the “Statistical Information” section of the reports of fiscal years 2003, 2004 and 2005.

Statistical Section – Pages 109 – 141

This new section includes all the remaining schedules contained previously in the “Statistical Information” section of the reports of fiscal years 2003, 2004 and 2005 as well as many new schedules. Pages 122 and 123 include the Largest Local Secured Taxpayers and page 124 is the Schedule of Top 40 Retail Businesses. Page 137 lists Principal employers. Pages 138 and 139 are a schedule of Full-time Equivalent Town Employees by Function and Program. The many new schedules are a requirement of the GASB.

Reconciliation of Audited Financial Statements to Town and District Budgets – Pages 96 – 105

The Town and District budgets are presented on the modified accrual basis of accounting. For many years, each budget has described the method of accounting utilized in the budget on page S1 (previously S3). In an oversimplified statement, the modified accrual basis of accounting can be described as a checkbook. The bottom line result is cash available for expenditure. This result is what governmental decision-makers need to know.

On pages 96-105 are three schedules that consolidate the Audited Financial Statements onto five pages. They are the Combined Schedule of Revenues--on pages 96 and 97, the Combined Schedule of Expenditures--on pages 100 and 101, and the Combined Schedule of Changes in Fund Balances on page 103. The Reconciliation of Revenues on page 99, the Reconciliation of Expenditures on page 102, and the Reconciliation of Changes in Fund Balances on page 105, reconcile the Audited Financial Statements to the modified accrual basis of accounting applied to all fund types in the Town and District budgets.

Below I will reconcile the far right column of page 105 of the Audited Financial Statements with the “Estimated Opening Balances of Adopted Budget FY 2010-2011 on pages S2, GG16, and SF1” of the Adopted Budget. The “Rounded Actual Opening Balances Adopted Budget FY2010-2011” are in the third column on the right for comparison purposes.

	Finance Department Summary Report June 30, 2010	Estimated Opening Balances Adopted Budget FY2010-2011 Pages S2, GG16, and SF1	Rounded Actual Opening Balances Adopted Budget FY2010-2011
General Fund:			
Reserved or designated for:			
Operations	(3,325,271)		
Equipment Replacement	3,258,908		
Street Impact Fees	153,996		
Park & Rec Facility Capital Fees	423,476		
Receivable Traffic Improvement	77,790	Receivable	Receivable
Inventory	3,183	Inventory	Inventory
Petty Cash	<u>500</u>	<u>Cash On Hand</u>	<u>Cash On Hand</u>
Total General Fund	<u>592,582</u>	<u>614,000</u>	<u>511,000</u>
Capital Projects Funds			
Capital Maintenance Funds:			
Capital Maintenance	0	0	0
Gas Tax	95,870	110,000	96,000
Traffic Congestion Relief	109,422	111,000	109,000
TAM Sales Tax Override	79,503	80,000	79,000
Storm Drainage Tax	689,447	780,000	689,000
State Proposition 1B	377,589	379,000	378,000
Capital Improvement Funds:			
Capital Improvement	0	0	0
Affordable Housing	9,835	In Suspense	In Suspense
Traffic Improvement	<u>(77,790)</u>	<u>Receivable</u>	<u>Receivable</u>
Total Capital Projects Funds	<u>1,283,876</u>	<u>1,460,000</u>	<u>1,351,000</u>
Enterprise Funds:			
Sewer	5,229,671	4,653,000	5,230,000
Park Madera	<u>(1,335,063)</u>	<u>(1,363,000)</u>	<u>(1,335,000)</u>
Total Enterprise Funds	<u>3,894,608</u>	<u>3,290,000</u>	<u>3,895,000</u>
Internal Service Funds:			
	<u>230,280</u>	<u>230,000</u>	<u>230,000</u>
TOTALS	<u>6,001,346</u>	<u>5,594,000</u>	<u>5,987,000</u>

The actual variance between the Estimated Opening Balances and the Rounded Actual Opening Balances is a positive of \$393,000. This was primarily caused by the timing of progress on Capital Projects.

George T. Warman, Jr.
Director of Administrative Services/
Town Treasurer

ATTACHMENT: Table of Opening Balances Dated October 19, 2010 posted on the Town Website.

**TABLE of FY 2010 - 2011
OPENING BALANCES
ESTIMATED and ACTUAL**

	Estimated Opening Balances Adopted Budget <u>Pages S2, GG16, and SF1</u>	Rounded Actual Opening <u>Balances</u>	<u>Variance</u>
TOWN:			
General Fund	(2,645,000)	(2,748,000)	(103,000)
Equipment Replacement Fund	3,259,000	3,259,000	0
Storm Drainage Tax Fund	780,000	689,000	(91,000)
Gas Tax Funds	680,000	662,000	(18,000)
Park Madera Center	(1,363,000)	(1,335,000)	28,000
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TOTAL TOWN	711,000	527,000	(184,000)
SEWER FUND:	4,653,000	5,230,000	577,000
SELF-INSURANCE FUNDS:	230,000	230,000	0

George T. Warman, Jr.
Director of Administrative Services/
Town Treasurer
October 19, 2010

[Click Here to Read the Entire Audited Financial Statement](#)