



**TOWN OF MORAGA**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**TOWN OF MORAGA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

To The Honorable Mayor and Members of the Town Council  
Town of Moraga  
Moraga, California

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These basic 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 misstatements. 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga as of June 30, 2009, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, a year-end journal entry was made that misclassified cash and cash equivalents among funds; however, cash and cash equivalents in total was reported correctly. Accordingly, the financial statements for the year ended June 30, 2009 have been restated to correct the misclassification among the funds. The previously-issued auditor's report dated January 4, 2010 is not to be relied on because the previously-issued financial statements were materially misstated. This report replaces the previously-issued report dated January 4, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2010 on our consideration of the Town of Moraga's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting on compliance. 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.

The management's discussion and analysis on pages iii through xv is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Moraga's basic financial statements. The combining nonmajor fund financial statements, combining general fund statements, and combining capital project fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Town of Moraga. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sacramento, CA

January 4, 2010 except for Note 12, as to which the date is June 7, 2010

**TOWN OF MORAGA**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2009**

**INTRODUCTION**

The sections that follow offer readers an overview and analysis of the financial activities of the Town of Moraga for the fiscal year ending June 30, 2009. The Management Discussion and Analysis (MD&A) is intended to assist the reader in focusing on significant financial issues; provide an overview of the Town's financial activities and any changes in financial position; explain any material deviations from the financial plan (approved budget); and identify any issues or concerns about the Town's ability to address future challenges. This section should be read in conjunction with the Town's audited financial statements, which follow this section.

**OVERVIEW**

The Town of Moraga's financial statements for the year ended June 30, 2009 contain the following four elements:

- 1) Management Discussion and Analysis (MD&A) is a narrative overview and summary analysis of the financial activities of the Town for the year ended June 30, 2009.
- 2) Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. The Statement of Net Assets presents information on all of the Town's assets and liabilities; the Town's net assets are the difference of assets minus liabilities. The Statement of Activities summarizes how the Town's net assets have changed during the year.
- 3) Fund financial statements which show information in a traditional governmental fund-based reporting format, corresponding to the manner in which financial activities appear in the Town's Operating Budget and Capital Improvements Projects Budget and in the general ledger.
- 4) The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

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**THE TOWN AS A WHOLE**

The Town's basic services are reported in Governmental activities, which include police, general administration, public works, recreation, and planning. While these activities are supported in part by charges for services and grants, the majority of these activities are financed by property taxes, sales tax, motor vehicle license fees, franchise fees, and gas tax.

**The Statement of Net Assets** (page 1 of the Basic Financial Statements) summarizes the Town's assets and liabilities, with the difference of the two reported as net assets (rather than equity). The Statement of Net Assets is designed to provide information about the financial position of the Town as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting similar to the accounting model used by private sector firms. This statement is a snapshot of the Town's position at the end of the fiscal year 2009. The following table compares Net Assets for FY2009 and FY2008.

**Table 1. Town of Moraga Net Assets for FY2008 and FY2009**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Assets</b>				
Current Assets	7,382,828	7,897,871	515,043	7.0%
Noncurrent Assets	32,207,081	32,150,807	(56,274)	-0.2%
<b>Total Assets</b>	<b>39,589,909</b>	<b>40,048,678</b>	<b>458,769</b>	<b>1.2%</b>
<b>Liabilities</b>				
Current Liabilities	1,006,433	674,726	(331,707)	-33.0%
Noncurrent Liabilities	313,805	210,422	(103,383)	-32.9%
<b>Total Liabilities</b>	<b>1,320,238</b>	<b>885,148</b>	<b>(435,090)</b>	<b>-33.0%</b>
<b>Net Assets</b>				
Invested in Capital	30,258,389	30,658,278	399,889	1.3%
Unrestricted	8,011,282	8,505,252	493,970	6.2%
<b>Total Net Assets</b>	<b>38,269,671</b>	<b>39,163,530</b>	<b>893,859</b>	<b>2.3%</b>
<b>Total Liabilities and Net Assets</b>	<b>39,589,909</b>	<b>40,048,678</b>	<b>458,769</b>	<b>1.2%</b>

Net Assets increased by 2.3% in FY2009 over those in FY2008. Cash and other current assets increased by 7.0% over the prior fiscal year. The increase in cash and current assets can be attributed to: improvements in cash flow management; improvements in billing cost recovery charges; and greater staff efficiency in minimizing costs. Noncurrent assets (primarily capital assets) decreased by 0.2% from the previous fiscal year. Overall Total Net Assets increased by 2.3% primarily a result of the difference between increases in cash/cash equivalents and increases in liabilities. Current liabilities decreased by 33.0% as a result of prior year deferred revenue being recognized as revenue in the current year. Noncurrent liabilities were reduced by \$103,383 or 32.9% as a result of payment of a note payable related to the property at 329 Rheem Boulevard renovation project. Table 2 summarizes the changes in net assets between FY2007-08 and

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FT2008-09. For a more complete discussion of the Town's long-term debt see page 17 in the Notes to the Financial Statements.

**Table 2. Summary of Changes in Net Assets**

	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Revenues:</b>				
<b>Functional Revenues</b>				
Charges for Services	1,133,901	1,150,680	16,779	1.5%
Operating Grants and Contributions	599,347	379,519	(219,828)	-36.7%
Capital Grants and Contributions	1,000,001	958,016	(41,985)	-4.2%
<b>General Revenues</b>				
Property Taxes	2,975,223	2,894,886	(80,337)	-2.7%
Sales Taxes	1,028,004	944,820	(83,184)	-8.1%
Franchise Fees	659,421	693,239	33,818	5.1%
Motor Vehicle In Lieu	73,242	56,154	(17,088)	-23.3%
Gas Tax	329,735	272,452	(57,283)	-17.4%
Assessment	221,634	383,682	162,048	73.1%
One-Time Developer Fees	3,500,000		(3,500,000)	-100.0%
Interest and Use of Property	257,116	345,365	88,249	34.3%
Other	451,242	230,818	(220,424)	-48.8%
<b>Total Revenues</b>	<b>12,228,866</b>	<b>8,309,631</b>	<b>(3,919,235)</b>	<b>-32.0%</b>
<b>Program Expenses:</b>				
General Administration	1,509,936	1,488,166	(21,770)	-1.4%
Planning	880,282	673,332	(206,950)	-23.5%
Public Safety	2,522,333	2,232,131	(290,202)	-11.5%
Public Works	2,143,704	2,432,465	288,761	13.5%
Parks and Recreation	703,257	589,678	(113,579)	-16.2%
<b>Total Expenses</b>	<b>7,759,512</b>	<b>7,415,772</b>	<b>(343,740)</b>	<b>-4.4%</b>
<b>Change in Net Assets</b>	<b>4,469,354</b>	<b>893,859</b>	<b>(3,575,495)</b>	<b>-80.0%</b>
<b>Net Assets, Beginning of Year</b>	<b>33,800,317</b>	<b>38,269,671</b>	<b>4,469,354</b>	<b>13.2%</b>
<b>Net Assets, End of Year</b>	<b>38,269,671</b>	<b>39,163,530</b>	<b>893,859</b>	<b>2.3%</b>

**The Statement of Activities** (page 2 of the Basic Financial Statements) presents information regarding revenues and expenses incurred by the Town as a whole during the fiscal year 2009. All financial activities of the Town are recorded here, including operational costs, capital project costs, and special project costs. All revenues and expenses in all funds are included in this statement.

**Town Wide Expenses** are categorized by the Town's main functions and include general administration, planning, public safety, public works, and parks and recreation. These expenses include departmental costs across all funds, not just the General Fund. For a look at General Fund expenditures alone, please refer to the General Fund—Budget compared to Actual Revenue and Expenditure Statement on page 7 of the Basic Financial Statements. Table 3 presents a comparison of expenses by government functions for two fiscal years:

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**Table 3. Town-Wide Expenses for FY2008 and FY2009**

<b>Town Wide Expenses</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
General Administration	1,509,936	1,488,165	(21,771)	-1.4%
Planning	880,282	670,045	(210,237)	-23.9%
Public Safety	2,522,333	2,232,132	(290,201)	-11.5%
Public Works	2,143,704	2,435,752	292,048	13.6%
Parks and Recreation	703,257	589,678	(113,579)	-16.2%
<b>Total</b>	<b>7,759,512</b>	<b>7,415,772</b>	<b>(343,740)</b>	<b>-4.4%</b>

In FY2009 the Town continued to refine and centralize its revenues and expenditures into fewer account codes for ease of reporting and operations. Overall, government costs decreased by 4.4% from the prior year's activities. The Town implemented budget cuts in December 2008 in order to ensure a balanced budget. Several positions were eliminated in central administration and in the planning department which accounts for the majority of the changes for these two groups.

Public Works expenditures increased by \$292,048 or 13.6% over the prior fiscal year. This increase is due to increased costs for contract services and other operating costs. In the spring of fiscal year 07-08, the Town Council adopted Development Impact Fees which the Town began collecting during the current fiscal year.

Public Safety costs decreased 11.5% (\$290,201) for FY2009 in comparison to FY2008. The department experienced a number of workers' compensation cases which prevented hiring replacement officers and contributed to savings in this department. Expenses for other operational activities were also reduced due to the staffing issues.

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**Town Wide Revenues** fall into two categories: functional or program revenues and general revenues. Revenues derived from specific Town functions are considered program revenues. For example, the program revenues for parks and recreation are the rental fees that are charged to users for use of the Town's various facilities as well as revenues from classes and workshops offered by the program. Revenues not associated with a particular program are classified as general revenues, which may be used to finance any Town function or program. The Statement of Activities (page 2) shows that the main functions of the Town are principally supported by general revenues, such as property taxes, sales taxes and franchise fees, rather than by program revenues. Table 4 compares the revenues by category from FY2008 to FY2009:

**Table 4. Comparison of Town-Wide Revenues**

<b>TOWN WIDE REVENUES</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
Charges for Services	1,133,901	1,150,680	16,779	1.5%
Operating Grants	599,347	379,519	(219,828)	-36.7%
Capital Grants	1,000,001	958,016	(41,985)	-4.2%
<b>Total Functional Revenue</b>	<b>2,733,249</b>	<b>2,488,215</b>	<b>(245,034)</b>	<b>-9.0%</b>
Property Taxes	2,938,034	2,903,536	(34,498)	-1.2%
Sales Taxes	1,028,004	944,820	(83,184)	-8.1%
Transfer Tax	110,431	47,504	(62,927)	-57.0%
Franchise Fees	659,421	693,239	33,818	5.1%
Gas Tax	329,735	272,452	(57,283)	-17.4%
Assessment	221,634	383,682	162,048	73.1%
One-Time Developer Fees	3,500,000	0	(3,500,000)	-100.0%
Property Rent		219,388	219,388	
Interest	257,116	125,977	(131,139)	-51.0%
Other	451,242	230,818	(220,424)	-48.8%
<b>Total General Revenues</b>	<b>9,495,617</b>	<b>5,821,416</b>	<b>(3,674,201)</b>	<b>-38.7%</b>
<b>Total All Revenues</b>	<b>12,228,866</b>	<b>8,309,631</b>	<b>(3,919,235)</b>	<b>-32.0%</b>

The table shows an overall decrease of \$245,034 in functional revenues and a decrease of \$3,674,201 in general revenues from the prior year. Charges for services represent the majority of the increase in functional revenues which were due to greater than expected permit fees for development and residential improvements. Grants represent the largest decrease in revenues. General Revenues decreased by 38.7% or \$3,674,201 due mostly to the receipt of One-Time Developer Fees in FY2008 that were not repeated in FY2009. If the One-Time Developer Fees are excluded from the totals, the decrease in general revenues is 2.9% from the prior year, or a reduction of about \$174,201 in general revenues. A small decrease in property tax revenues is primarily a result of the County's increase in administrative fees. Fees increased almost 25% from the prior year and are taken off the top prior to taxes being remitted to the Town. Increased revenues were also seen in charges for services, which were associated with planning and engineering fees and capital projects being charged cost recovery fees. Operating and Capital Grants will vary from year to year depending upon the grants awarded in any given year. In fiscal year 2009, the Town received a combined total of \$1,337,535 in operating and capital grants.

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**Property Taxes**

Property tax revenue growth is limited by Proposition 13 to a maximum of 2.0% per year for dwellings without an ownership change. When property changes ownership, the value is reassessed. Often that reassessment results in an increase in property taxes. However, the new assessed value is now limited to annual property tax increases of no greater than 2.0%. When there is greater turnover in ownership combined with development and growth, the Town expects property tax revenue to increase at more than the 2.0% base rate. When there are fewer turnovers and less development and growth, the Town expects property tax revenue to increase at closer to the 2.0% base. Table 5 shows the changes in revenues from FY2008 to FY2009:

**Table 5. Two-Year Comparison of Town Wide Property Tax Revenues**

<b>TOWN-WIDE PROPERTY TAX REVENUES</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
Secured	1,438,974	1,543,781	104,807	7.3%
Unsecured	43,327	49,131	5,804	13.4%
Supplemental	69,824	44,862	(24,962)	-35.8%
Unitary	16,967	18,319	1,352	8.0%
Property Tax in lieu of Sales Tax	1,206,210	1,247,444	41,234	3.4%
Lighting District Assessments	162,732	117,070	(45,662)	-28.1%
<b>Total Property Tax Revenue</b>	<b>2,938,034</b>	<b>3,020,606</b>	<b>82,572</b>	<b>2.8%</b>

*Property Taxes* in Moraga have generally exceeded the 2% growth limitation placed upon them by Proposition 13. This is due to home re-sales rather than new construction. The Town of Moraga is generally known to be a very low growth area. However, when a home is sold, the appraised value upon which property taxes are calculated is raised to market value. Thereafter the property tax is limited to 2% and remains limited until it is again sold. Property taxes are calculated at 1.0% of the assessed value of the property. The Town receives an average of 5.414% of the 1.0% of assessed value. Therefore, if a dwelling is assessed at \$1,000,000, the property tax (1.0%) is \$10,000, and the Town's share (5.414%) is \$541.40. This year's increase in property taxes of 2.8% is reflective of the Moraga housing market values that tend to be more stable in relation to bay area communities.

*Supplemental Property Taxes* include any changes in the tax after the taxes were billed. So, if a property is sold after the property taxes have been billed, the change in property tax liability will be paid to the Town under the supplemental property tax category. If a property changes ownership before the taxes are billed, then the taxes would come to the Town in the regular secured category. Supplemental taxes decreased by 35.8% or \$24,962. Given that the secured property tax revenues increased by 7.3% and supplemental taxes declined between the two fiscal years, it is likely that property sales and the associated taxes were recorded prior to the tax bills having been generated.

*Unitary Property Taxes* are those related to the right of way for utilities. The 8.0% increase in fiscal year 2009 is due to changes made in the kinds of properties taxed as well as the timing in which the taxes are received. Beginning in 2006-07, this category expanded to include both utilities and railroads.

*Sales Tax* revenues are received in three parts: general sales and use tax, public safety sales tax, and sales and use tax in lieu of motor vehicle license fees. Table 6 shows a comparison of tax revenues received in this category:

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**Table 6. Town-Wide Sales Tax Revenues for FY2008 and FY2009**

<b>TOWN WIDE SALES TAX REVENUES</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
Sales & Use Tax	732,322	658,573	(73,749)	-10.1%
Public Safety Sales Tax	54,969	50,712	(4,257)	-7.7%
Sales & Use Tax in Lieu of MVLF	240,713	235,535	(5,178)	-2.2%
<b>Total Sales Tax Revenue</b>	<b>1,028,004</b>	<b>944,820</b>	<b>-83,184</b>	<b>-8.1%</b>

Overall, sales tax revenues decreased by 8.1% or \$83,184. Sales and Use tax revenues decreased by \$73,749 or 10.1% over the past year. Sales and Use Tax In Lieu of Motor Vehicle License Fees (MVLF) decreased by \$5,178 or 2.2%. Sales and Use tax is derived from the sales transactions located within the Town and a portion of sales from the County pool. Beginning with this fiscal year, the economic outlook for sales tax revenues was cautious as the State and the nation experienced a deeper recession than previously expected. This revenue stream is particularly vulnerable to economic conditions and the Town is keenly aware of this fact. Relative to other local governments, however, the Town's sales and use tax revenue changes have been modest. Throughout the County jurisdictions have seen losses ranging from 2.2% to more than 20%, so this revenue stream is mirroring the economy where reduced car sales and other consumer spending have impacted these revenues.

In 2004 the State of California decided to reduce the Motor Vehicle License Fee, which stood to create extreme fiscal hardship on many local jurisdictions. The State substituted Sales and Use taxes to "replace" the losses to local governments. The swapping of sales and use taxes as well as property taxes became known as the "Triple Flip". Although other State redirections of local government revenues had ended (specifically ERAF), the Triple Flip was a State reallocation of the share of property tax, sales tax, and motor vehicle license fees between State and local governments. The involvement of three revenue sources led to the "Triple Flip" name. Motor Vehicle License Fees were reduced and made up by an additional share of Sales & Use Taxes in lieu of Motor Vehicle License Fees. The State also took a share of local Sales & Use Taxes, which were made up by the payment of Property Taxes in lieu of Sales Tax. As a result of this "Triple Flip" process, the mix of revenues has changed, making comparisons difficult. The net effect of these reallocations on the total revenues received by the Town has been minor.

Other revenues for the Town are summarized in Table 3, and include franchise fees, Gas Taxes, NPDES Assessments, One-time Developer Fees, interest earnings, and the transfer tax.

- Franchise fees increased by 5.1% in the current fiscal year due primarily to increased customer rates.
- Gas Taxes decreased by 17.4% due to the high cost of gasoline and reduced usage as a backlash to the higher prices.
- Town wide interest earnings decreased 51.0% due to reduced interest rates in the market.

Considering the Town as a whole, expenditures have decreased over last year by 4.4% and revenues have decreased by 32.0%. Removing the One-time Developer Fees from the overall revenues produces a much more accurate picture of the changes in revenues. With the elimination of the \$3.5 million settlement revenues, Town-wide revenues in FY2008 were \$8,728,866 compared to revenues of \$8,309,631 in FY2009. This decrease of \$419,235 represents a change of 4.8% across the two years. This includes all of the Town's funds and is an overview of the Town as one entity. The next section discusses individual funds and how they performed in the fiscal year ended June 30, 2009.

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**SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements (beginning on page 3 of the Basic Financial Statements) provide detailed information about the most significant funds. Some funds are required to be established by State law. However, the Town Council establishes many other funds to help control and manage money for particular purposes (e.g. Capital Project Funds) or to meet the legal responsibilities for using certain taxes and federal or state grants.

- Governmental funds: The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps determine what financial resources are available in the near future to finance the Town's programs. The reconciliation between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is found on page 5 of the Basic Financial Statements.
- Fiduciary funds: The Town is the trustee, or fiduciary, for the deposits held for facility rentals; engineering performance bonds; and third party payments related to development projects. All of the Town's fiduciary activities are reported in a separate *Statement of Fiduciary Net Assets* on page 6. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is, however, responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**General Fund**

The General Fund is the Town's discretionary account and functions as the general operating fund. General operating revenues, i.e. revenues without spending restrictions, are deposited into this fund. General operating costs, i.e. personnel, materials, etc., are paid from this fund. In the past, the Town recorded operating and capital grants in the General Fund. Beginning in FY2008, grant funds were recorded in capital or special revenue type funds.

General Fund Balance: Historically, the Town Council has established a policy on the use of "excess fund balance". In June 1999, the Town Council adopted resolution #21-99 which established that a threshold amount of \$1,250,000 be held in the general fund balance. This amount was to be adjusted on an annual basis by the amount of the consumer price index (CPI). Any amount in excess of the threshold plus CPI was to be transferred to the Community Facilities/Open Space Fund at the time of the audit approval.

In January 2004, the Town Council adopted resolution #05-2004 which altered the recipient of General Fund balance excess from the Community Facilities/Open Space Fund to the Asset Replacement Fund. Subsequently, in March 2005, the Town Council adopted resolution # 4-2005 which stated that once the Asset Replacement Fund had received \$724,597.02, the recipient of the General Fund balance above the CPI adjusted threshold would revert back to the Community Facilities/Open Space Fund. The amount the Asset Replacement Fund loaned to the Community Facilities/Open Space Fund for the purchase of the 329 Rheem Building was \$724,597.02. As of June 30, 2006, the balance due to the Asset Replacement Fund was \$112,274.02.

The issue of the outstanding loan was presented to the Council late in the fiscal year. Direction was given to develop a repayment plan so that the debt could be retired. On June 24, 2009, the Council passed Resolution #46-2009 which relieved the General Fund of the loan established by previous resolutions. The Council also approved on that same date, Resolution # 45-2009 which established a new policy related to the use of the General Fund balance and net revenues. That resolution also rescinded all prior resolutions that had established policies on the use of the

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General Fund balance. Table 7 shows the budgeted and actual results of operations for FY2008-09:

**Table 7. General Fund Budget to Actual for FY2009**

	<b>Amended Budget</b>	<b>Actual Amounts</b>	<b>Variance</b>
<b>Revenues</b>			
Taxes and assessments	4,161,919	4,532,945	371,026
Intergovernmental	329,520	465,960	136,440
Interest and Use of Property	303,792	327,877	24,085
Fines, Forfeitures and Penalties	34,550	53,126	18,576
Charges for Services	547,346	713,992	166,646
Other	89,897	147,860	57,963
<b>Total Revenues</b>	<b>5,467,024</b>	<b>6,241,760</b>	<b>774,736</b>
<b>Expenditures</b>			
General Government	1,313,653	1,345,160	31,507
Planning	644,552	659,558	15,006
Public Safety	2,315,770	2,195,268	(120,502)
Public Works	1,850,909	1,565,105	(285,804)
Parks and Recreation	533,949	523,095	(10,854)
Debt Service Principal	78,770	82,690	3,920
Capital Outlay	10,825	8,105	(2,720)
<b>Total Expenditures</b>	<b>6,748,428</b>	<b>6,378,981</b>	<b>(369,447)</b>
<b>Revenue Over (Under) Expenditures</b>	<b>(1,281,404)</b>	<b>(137,221)</b>	<b>1,144,183</b>
<b>Other Financial Sources (Uses)</b>			
Transfers In	1,249,130	1,037,955	(211,175)
Transfers Out	(141,373)	(278,378)	(137,005)
<b>Total Other Financial Sources (Uses)</b>	<b>1,107,757</b>	<b>759,577</b>	<b>(348,180)</b>
<b>Revenues Over (Under) Expenditures, Net of Other Financial Sources (Uses)</b>	<b>173,647</b>	<b>622,356</b>	<b>796,003</b>
<b>Fund Balance, July 1, 2008</b>	<b>4,088,869</b>	<b>4,088,869</b>	
<b>Fund Balance, June 30, 2009</b>	<b>3,915,222</b>	<b>4,711,225</b>	<b>796,003</b>

Actual revenues received were \$774,736 above the amended budget for the fiscal year. The additional revenues were a result of increased permit fees in both planning and public works/engineering. Property taxes and assessments were also greater than expected and this reflects the stability of the housing market values in the Town of Moraga. This year the Parks and Recreation department expanded its programs and the ever popular Triathlon and July 4<sup>th</sup> celebration both saw increased participation.

**TOWN OF MORAGA**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2009**

Overall, expenditures were \$369,447 less than budgeted and savings were seen in Public Safety and Public Works. The police department had lower than budgeted staffing levels as a result of injuries which was the main source of savings for this department. Savings in public works is a result of reduced use of consultant contracts and services and other operational savings. Overages in other departments were a result of increased costs for salaried positions in general government and increased legal and consultant costs for work completed on the Specific Plan.

This is the first year that the Town reported transfers in and out of various funds. In the past, expenditures were decentralized and recorded as direct costs to other funds. With the implementation of a centralized budget format, the accounting method also followed a centralized format resulting in transfers from other funds to the General Fund. Transfers into the General Fund were from the Gas Tax Fund, Measure C Fund, and the Asset Replacement Fund. Transfers into the General Fund were less than budgeted as a result of changes in expenditures and revenues that were generated by the General Fund. The net result of operations was \$796,003 of revenues over expenditures net of Other Sources resulting in a final fund balance of \$4.7 million.

#### **Developer Fee Fund**

This fund was established to track extraordinary one-time developer fees negotiated on large development projects. At this time, the Palos Colorado project is the only developer in this fund. The developer is expected to pay a total of \$17 million to the Town over the course of the next 6 years. Late in fiscal year 2007 the first receipt from Palos, \$250,000, arrived but earned only a small amount of interest because of its late arrival. In mid FY2008, the Town settled a legal issue with the developer and received \$3.5 million in payment of that settlement. Approximately \$1.4 million of those funds were used to pay off the outstanding liability with CalPERS for the miscellaneous and public safety labor groups. The fund ended the fiscal year with a fund balance of \$2,390,737.

#### **Transportation Measure C and Measure J Fund**

This fund is derived from a half-cent sales tax approved by the voters in 1988 (Measure C). The amount received by the Town represents our portion of the 18% of the total monies received by the Contra Costa Transportation Authority from the Measure C sales tax. The tax was approved for 20 years and ended in April 2009. The tax has been continued under Measure J and the Town anticipates continuing to receive those funds in upcoming years. Funds are restricted to transportation purposes and have been utilized by Moraga for transportation planning and street maintenance.

#### **Capital Projects Funds**

The Federal Grants/Reimbursements Fund, Asset Replacement Fund, and the Community Facilities/Open Space Fund are included in this category as are the various development impact fee funds established by Council in April 2008.

The Federal Grants/Reimbursement Fund was created to record all revenues and expenditures related to grant funding for capital projects. Typically this fund includes revenue from OES/FEMA and other federal and state transportation funds. The Community Facilities/Open Space Fund was created as the Town Center Fund in the early 1990's to set aside money for the eventual construction of Town owned offices and facilities. At the end of the 2006 fiscal year, the Community Facilities/ Open Space Fund was fully depleted and there have been no transactions since that time.

The Asset Replacement Fund was created in 1990-91 to set aside funds to replace assets as they age. Each year, funds are moved to the Asset Replacement from the General Fund operating budgets based on the assets and contributions listed in the Asset Replacement Fund. Near the end of the fiscal year, this practice was suspended in anticipation of the development of the FY2010

**TOWN OF MORAGA**  
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**For the Year Ended June 30, 2009**

budget and a new policy established through Resolution #46-2009. The Asset Replacement Fund had a fund balance at the end of fiscal year 2009 of \$923,448.

**Other Governmental Funds**

These funds are summarized on pages 3-4 of the Basic Financial Statements and include the Gas Tax, Park Dedication, Lighting District, Traffic Mitigation, Traffic Safety, Special Gifts, NPDES, Skatepark Maintenance, and Traffic Congestion Relief Funds. During FY2009 the Council authorized closing the Street Improvement Fund that had been used to record the solid waste franchise fee revenues. At the midyear review, the Council directed staff to begin recording revenues directly to the General Fund and to transfer the fund balance to the General Fund as part of the fiscal closing activities. The details for each of these funds can be found on pages 22-25 of the Supplemental Information.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2009 the Town had \$30.75 million invested in a broad range of capital assets, including police equipment, buildings, park facilities, roads, bridges, roads, and storm drains. See Table 8 below. This amount represents a net increase (including additions and deletions) of \$317,199 or 1.0%.

<b>Table 8. Capital Assets at Year-End (Net of Accumulated Depreciation)</b>				
<b>Governmental Activities</b>				
	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Non-Depreciable</b>				
Land and Easements	10,003,951	10,003,951	-	0.0%
Construction in Progress	555,043	1,719,048	1,164,005	209.7%
<b>Depreciable</b>				
Buildings and Improvements	3,265,831	3,184,987	(80,844)	-2.5%
Infrastructure	16,341,698	15,673,969	(667,729)	-4.1%
Equipment	261,356	163,123	(98,233)	-37.6%
<b>Total Capital Asset, Net</b>	<b>30,427,879</b>	<b>30,745,078</b>	<b>317,199</b>	<b>1.0%</b>

The following is a sampling of the capital improvement projects undertaken during the fiscal year:

- Installed Traffic Signal at Ascot and Moraga Road
- Installed New Crosswalk on Corliss Drive
- Completed Construction of Camino Pablo Pavement Rehabilitation
- Continued Repairs of Creeks Damaged in the 2006 Storms
- Continued Moraga Road Pavement Rehabilitation
- Continued Improvements to the Hacienda Building
- Began Repairs of Fire Damage to the Hacienda Building
- Continued Improvements and Upgrades to the Library Building
- Completed Annual ADA Compliance Construction

**TOWN OF MORAGA**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2009**

The above projects were funded through various state and federal grants totaling \$1.2 million, which includes the matching portions provided by internal resources. Internal resources (not including those resources used to match grants) used for construction totaled \$235,130 and included funding from the Asset Replacement Fund, Gas Tax Fund and Proposition 1B Fund.

**Debt**

At year-end, the Town had a note outstanding in the amount of \$86,800 compared to \$169,490 the prior year, reduction of 48.8%. The loan was made for the purchase and remodel of the Town Offices. The loan will be paid in full by the end of the fiscal year 2010. In addition to the note payable, the Town had \$213,679 in long-term liability for compensated absences. This represents a reduction of \$16,220 from the prior year, or 7.1% less than in 2008. Vacated positions due to retirements and other terminations contributed to the reduction of this liability.

**Table 9. Outstanding Debt, Year-End  
Governmental Activities**

	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Change</b>	<b>% Change</b>
Note Payable	169,490	86,800	(82,690)	-48.8%
Compensated Absences	229,899	213,679	(16,220)	-7.1%
<b>Total Outstanding Debt</b>	<b>399,389</b>	<b>300,479</b>	<b>(98,910)</b>	<b>-24.8%</b>

Noncurrent liabilities include a loan from Bank of the West for the remodel of the town-owned property located at 329 Rheem Boulevard and accrued compensated absences. The loan will be paid in full by fiscal year 2010. Accrued compensated absences are employee accruals of vacation and other leave time earned but unused as of June 30, 2009.

**TRENDS IN REVENUES AND EXPENDITURES**

The Town is aware of its heavy dependency on property and sales taxes to fund services and programs. The lack of diverse revenue streams has become an item of concern and the Town, during the latter part of the fiscal year, appointed a Revenue Enhancement Committee to study the various revenue options available to the Town. The Committee's report due in November 2009 will outline several recommendations to the Council for future consideration and possible implementation. Although much of the revenue growth over the past few years has been largely through aggressive efforts to increase cost recovery activities and rates heavy dependence on cost recovery activities cannot be sustained and is unwise as this source is vulnerable to general economic conditions. When some of the larger projects are completed, revenues from this source will diminish.

Other governmental agencies also have an influence on the financial health of the Town. Proposition 1A and Proposition 65, which passed in 2004, provide some measure of protection to local government against State "take aways". Proposition 1A restricts state authority to reduce major local tax revenues, but does allow for limited, short-term shifting of local property taxes. Proposition 65 allows the State to modify major local tax revenues for the fiscal benefit of the State only with the approval of the State's voters. Although the State is limited in how much revenue it can take back from local government, other local agencies, such as the County also impact the Town's finances to the degree that the Town relies upon the County for services.

**TOWN OF MORAGA**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2009**

The Town contracts with the County for various services such as police dispatch, animal services, and extended library hours. Costs for these services continue to rise from year to year as the County passes inflationary costs on to its customers. The following table (Table 9) shows the changes in these costs over the past two years:

**Table 10. Changes in Costs for Contracted Services**

<b>CONTRA COSTA COUNTY SERVICES</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>\$ Increase</b>	<b>% Increase</b>
<b>Animal Services</b>	68,620	76,944	8,324	14.0%
<b>Police Dispatch</b>	98,471	99,948	1,477	1.5%
<b>Library Extended Hours</b>	70,850	77,800	6,950	10.1%
<b>TOTAL</b>	237,941	254,692	16,751	7.5%

The Town also depends upon the County for forensic services, jail services (the Town pays booking fees), and signals and street light maintenance. These are important services to the Town, and so the Town's budgeting process plans for these increases along with the normal increases to the Town's operational costs. Charges from other agencies are part of the mix that impacts the Town's efforts to balance its budget from year to year. With the economy also adding stresses to global finances, the Town will remain diligent in its efforts to fend off deficits projected for upcoming years.

Despite what happens at the State and County levels, the Town's community is relatively stable. Moraga is not growing or changing very fast. There has been little economic development and with the exception of the pending Palos Colorados development, little new housing. There is no industry in Moraga; it is basically a bedroom community. And like other bedroom communities, it will continue to attract those people interested in a small, safe, family-friendly environment. That, along with the superb reputation of its school district, makes Moraga a unique community conservative both in its values and its fiscal management.

**SUMMARY**

In this document we have attempted to provide the reader with a narrative overview and analysis of the Town's financial statements for the fiscal year ending June 30, 2009. Readers are encouraged to examine both the MD&A and the Basic Financial Statements and the Supplemental Information which follow.

Questions concerning any information provided in this report or requests for additional financial information should be directed to:

Town of Moraga  
Administrative Services Department  
2100 Donald Drive  
P.O. Box 188  
Moraga, CA 94556

**TOWN OF MORAGA  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
<i>Current assets:</i>	
Cash and cash equivalents (Note 2)	\$ 6,412,356
Accounts receivable	1,463,364
Accrued interest receivable	22,151
Total current assets	7,897,871
<i>Noncurrent assets:</i>	
Net Pension Asset (Note 7), net of accumulated amortization of \$48,473	1,405,729
Capital assets (Note 3)	
Capital assets, not being depreciated	11,722,999
Capital assets, being depreciated, net of accumulated depreciation	19,022,079
Total noncurrent assets	32,150,807
<b>Total Assets</b>	<b>\$ 40,048,678</b>
<b><u>LIABILITIES</u></b>	
<i>Current liabilities:</i>	
Accounts payable & accrued liabilities	\$ 449,618
Accrued payroll	96,872
Deferred revenue	34,075
Other liabilities	4,104
Accrued compensated absences - current (Note 4)	3,257
Note payable - current (Note 4)	86,800
Total current liabilities	674,726
<i>Noncurrent liabilities:</i>	
Accrued compensated absences (Note 4)	210,422
<b>Total Liabilities</b>	<b>885,148</b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	30,658,278
Unrestricted	8,505,252
<b>Total Net Assets</b>	<b>39,163,530</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 40,048,678</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net Revenue (Expense) and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General administration	\$ 1,488,166	\$ 4,122	\$ 278,886	\$ 27,106	\$ (1,178,052)
Planning	673,332	330,784	-	-	(342,548)
Public safety	2,232,131	129,263	100,000	-	(2,002,868)
Public works	2,432,465	486,270	-	922,275	(1,023,920)
Parks and recreation	<u>589,678</u>	<u>200,241</u>	<u>633</u>	<u>8,635</u>	<u>(380,169)</u>
Total	<u>7,415,772</u>	<u>1,150,680</u>	<u>379,519</u>	<u>958,016</u>	<u>(4,927,557)</u>
Total primary government	<u>\$ 7,415,772</u>	<u>\$ 1,150,680</u>	<u>\$ 379,519</u>	<u>\$ 958,016</u>	<u>\$ (4,927,557)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes				\$ 2,894,886	
Sales taxes				944,820	
Franchise taxes				693,239	
Motor vehicle in-lieu				56,154	
Gas Tax				272,452	
Assessment				383,682	
Interest and use of property				345,365	
Other				<u>230,818</u>	
<b>Total general revenues and transfers</b>				<u>5,821,416</u>	
<b>Change in net assets</b>				<u>893,859</u>	
<b>Net assets, July 1, 2008</b>				<u>38,254,001</u>	
Prior period restatement (Note11)				<u>15,670</u>	
<b>Net assets, July 1, 2008 (restated)</b>				<u>38,269,671</u>	
<b>Net assets, June 30, 2009</b>				<u>\$ 39,163,530</u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 4,520,863	\$ 1,334,686	\$ 556,807	\$ 6,412,356
Accounts receivable	387,799	763,977	311,588	1,463,364
Interest receivable	19,590	1,044	1,517	22,151
Due from other funds	177,604	-	-	177,604
<b>TOTAL ASSETS</b>	<b>\$ 5,105,856</b>	<b>\$ 2,099,707</b>	<b>\$ 869,912</b>	<b>\$ 8,075,475</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	\$ 293,655	\$ 123,007	\$ 32,956	\$ 449,618
Accrued payroll	96,872	-	-	96,872
Deferred revenue	-	34,075	-	34,075
Other liabilities	4,104	-	-	4,104
Due to other funds	-	-	177,604	177,604
Total liabilities	394,631	157,082	210,560	762,273
 <b>FUND BALANCES:</b>				
<b>Reserved for:</b>				
Encumbrances	85,132	85,513	-	170,645
<b>Unreserved, undesignated, reported in:</b>				
General fund	4,626,093	-	-	4,626,093
Capital projects fund	-	1,857,112	-	1,857,112
Special revenue funds	-	-	659,352	659,352
Total fund balances	4,711,225	1,942,625	659,352	7,313,202
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,105,856</b>	<b>\$ 2,099,707</b>	<b>\$ 869,912</b>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$17,923,551	30,745,078
Net pension asset is not capitalized and and is therefore not reported in the Governmental Funds	1,405,729
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(213,679)
Notes payable	(86,800)
Net assets of governmental activities	<b>\$ 39,163,530</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 4,532,945	\$ -	\$ 656,134	\$ 5,189,079
Intergovernmental	465,960	794,044	137,499	1,397,503
Interest and use of property	327,877	9,097	8,391	345,365
Fines, forfeitures and penalties	53,126	-	40,724	93,850
Charges for services	713,992	15,564	18,700	748,256
Other revenue	<u>147,860</u>	<u>386,704</u>	<u>1,014</u>	<u>535,578</u>
<b>Total Revenues</b>	<u>6,241,760</u>	<u>1,205,409</u>	<u>862,462</u>	<u>8,309,631</u>
<b><u>EXPENDITURES</u></b>				
Current operations:				
General administration	1,345,160	-	-	1,345,160
Planning	659,558	-	3,287	662,845
Public safety	2,195,268	-	-	2,195,268
Public works	1,565,105	-	183,563	1,748,668
Parks and recreation	523,095	-	46	523,141
Debt service: Principal	82,690	-	-	82,690
Capital outlay	<u>8,105</u>	<u>1,214,637</u>	<u>-</u>	<u>1,222,742</u>
<b>Total expenditures</b>	<u>6,378,981</u>	<u>1,214,637</u>	<u>186,896</u>	<u>7,780,514</u>
<b>Revenues over (under) expenditures</b>	<u>(137,221)</u>	<u>(9,228)</u>	<u>675,566</u>	<u>529,117</u>
<b>Other financing sources (uses)</b>				
Transfers in	913,061	222,645	-	1,135,706
Transfers out	<u>(153,484)</u>	<u>(399,503)</u>	<u>(582,719)</u>	<u>(1,135,706)</u>
<b>Total other financing sources (uses)</b>	<u>759,577</u>	<u>(176,858)</u>	<u>(582,719)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>622,356</u>	<u>(186,086)</u>	<u>92,847</u>	<u>529,117</u>
<b>Fund balance, July 1, 2008</b>	<u>4,088,869</u>	<u>2,144,583</u>	<u>534,963</u>	<u>6,768,415</u>
<b>Prior period adjustments (Note 11)</b>	-	(15,872)	31,542	15,670
<b>Fund balance, July 1, 2008 (restated)</b>	<u>4,088,869</u>	<u>2,128,711</u>	<u>566,505</u>	<u>6,784,085</u>
<b>Fund balance, June 30, 2009</b>	<u>\$ 4,711,225</u>	<u>\$ 1,942,625</u>	<u>\$ 659,352</u>	<u>\$ 7,313,202</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA  
RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:

Net change in fund balance - total governmental funds	\$ 529,117
Governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:	
Capital assets purchases capitalized	1,214,041
Depreciation expense	(896,842)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
Loan payments	82,690
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Net pension asset amortization expense	(48,473)
Accrued compensated absences	<u>13,326</u>
Change in net assets of governmental activities	<u>\$ 893,859</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 651,071
Interest receivable	<u>398</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>651,469</u></b>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 78,081
Deposits	279,771
Deposits in trust	<u>293,617</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>651,469</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b><u>Revenues</u></b>				
Taxes and assessments	\$ 4,033,866	\$ 4,161,919	\$ 4,532,945	\$ 371,026
Intergovernmental	309,440	329,520	465,960	136,440
Interest and use of property	251,365	303,792	327,877	24,085
Fines, forfeitures and penalties	16,500	34,550	53,126	18,576
Charges for services	621,030	547,346	713,992	166,646
Other	<u>132,455</u>	<u>89,897</u>	<u>147,860</u>	<u>57,963</u>
<b>Total revenues</b>	<u>5,364,656</u>	<u>5,467,024</u>	<u>6,241,760</u>	<u>774,736</u>
<b><u>Expenditures</u></b>				
General government	1,269,234	1,313,653	1,345,160	(31,507)
Planning	642,049	644,552	659,558	(15,006)
Public safety	2,310,226	2,315,770	2,195,268	120,502
Public works	1,813,267	1,850,909	1,565,105	285,804
Parks and recreation	531,920	533,949	523,095	10,854
Debt service principal	78,770	78,770	82,690	(3,920)
Capital outlay	<u>400</u>	<u>10,825</u>	<u>8,105</u>	<u>2,720</u>
<b>Total expenditures</b>	<u>6,645,866</u>	<u>6,748,428</u>	<u>6,378,981</u>	<u>369,447</u>
<b>Revenues over (under) expenditures</b>	<u>(1,281,210)</u>	<u>(1,281,404)</u>	<u>(137,221)</u>	<u>1,144,183</u>
<b><u>Other financial sources (uses)</u></b>				
Transfers in	1,249,130	1,249,130	1,037,955	(211,175)
Transfers out	<u>(55,740)</u>	<u>(141,373)</u>	<u>(278,378)</u>	<u>(137,005)</u>
<b>Total other financial sources (uses)</b>	<u>1,193,390</u>	<u>1,107,757</u>	<u>759,577</u>	<u>(348,180)</u>
<b>Revenues over (under) expenditures, net of of other financial sources (uses)</b>	<u>(87,820)</u>	<u>(173,647)</u>	<u>622,356</u>	<u>796,003</u>
<b>Fund balance, July 1, 2008</b>	<u>4,088,869</u>	<u>4,088,869</u>	<u>4,088,869</u>	<u>-</u>
<b>Fund balance, June 30, 2009</b>	<u>\$ 4,001,049</u>	<u>\$ 3,915,222</u>	<u>\$ 4,711,225</u>	<u>\$ 796,003</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Moraga was incorporated November 1974. The Town operates under a Council-Manager form of government and provides the following services: Public safety (police), highways and streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

**A. The Reporting Entity**

The financial statements of the Town of Moraga have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**B. Basis of Presentation**

The Town's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include the activities of the overall Town government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between governmental and business-type activities of the Town. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into five major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town, designated by management, or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All remaining governmental funds are aggregated and reported as nonmajor funds in a single column, regardless of their fund type.

The funds of the financial reporting entity are described below:

Governmental funds

*General Fund*

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

*Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

*Capital Project Funds*

Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital projects other than those financed by enterprise funds.

Fiduciary funds (not included in government-wide statements)

*Agency Fund*

The Agency Fund is a clearing type fund for the collection of taxes or deposits held in trust, on behalf of individuals, private organizations and other governments. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Major Funds

The Town reported the following major governmental funds in the accompanying financial statements:

*General Fund*

The Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital Projects Fund*

The fund used to account for major capital improvement projects under Town Management.

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

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All Governmental Funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- (b) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town defines available to be within 60 days of year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds for governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

Those revenues susceptible to accrual include taxes, intergovernmental revenues, interest and charges for services.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the Town may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets are available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Property tax revenue is recognized in the fiscal year for which the tax and assessment are levied. The County of Contra Costa levies, bills and collects property taxes and special assessments for the Town. Under the County's "Teeter Plan," the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, becomes a lien on those dates and becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Town in the fiscal year they are assessed.

**D. Cash and Cash Equivalents**

The Town maintains a cash and investments pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Investments held at June 30, 2009 with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be stated at fair value are stated at cost or amortized cost.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Accounts and Interest Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts. Any doubtful accounts at June 30, 2009 were not considered material. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines and other fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Any doubtful accounts at June 30, 2009 were not considered material.

**F. Capital Assets**

The accounting treatment over property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets with an historical cost over \$1,000 are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets.

With the implementation of GASB Statement 34, the Town has recorded all its public domain (infrastructure) capital assets, which include streets, bridges, roads, storm drains, and parks.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings, Grounds, Improvements	40 - 50 years
Equipment	5 years
Infrastructure	7 - 100 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**G. Accumulated Compensated Absences**

Compensated absences are comprised of unused vacation leave and compensatory time off, which are accrued as earned. No compensation is payable for sick leave. The Town's liability for compensated absences is determined annually. The portion expected to be permanently liquidated is recorded in the governmental funds and are recorded as fund liabilities. The long-term portion is recorded in the statement of net assets.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Interfund Transactions**

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds are eliminated in the Statement of Net Assets.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**I. Equity Classifications**

Government-wide Statements

Net Assets are the excess of all the Town's assets over all its liabilities, regardless of fund. Net Assets are divided into three categories under GASB Statement 34. These categories apply only to Net Assets, which is determined at the Government-wide level, and are described below:

- (a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Reserve for encumbrances represents the portion of fund balance set aside for open purchase orders.

Reserves for supplies, advances, land held for redevelopment, and notes and loans receivable are the portions of fund balances set aside to indicate these items do not represent available, spendable resources even though they are an asset of the Fund.

Reserve for debt service is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

	<u>Total</u>
Statement of net assets:	
Cash and investments	\$ 6,412,356
Fiduciary funds:	
Cash and investments	<u>651,071</u>
Total cash and investments	<u>\$ 7,063,427</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 550
Deposits with financial institutions	637,035
Investments	<u>6,425,842</u>
Total cash and investments	<u>\$ 7,063,427</u>

Authorized Investments of the Town

The table below identifies the investment types that are authorized for the Town by the California Government Code (or the Town's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Town's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Bank savings accounts and demand deposits (collateralized or insured)	N/A	25%	10%
Certificates of deposit (collateralized or insured)	2 years	25%	10%
U.S. Treasury Securities	5 years	None	None
Federal agency obligations	5 years	50%	20%
Local Agency Investment Fund (LAIF)	N/A	None	None
Banker's Acceptances	180 days	20%	10%
Commercial Paper (rated A1 or greater)	270 days	20%	10%
Negotiable Certificates of Deposit	2 years	25%	10%
Medium term corporate notes ( rated AA or greater)	5 years	25%	10%

Disclosure 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. One of the ways that the Town's interest rate risk is mitigated is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Information about the sensitivity of the fair values of the Town's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity as of June 30, 2009:

Investment type	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Area Investment Fund (LAIF)	\$ 6,425,842	\$ -	\$ 6,425,842

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Town has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations.

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. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

Investment type	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Area Investment Fund (LAIF)	\$ 6,425,842			Not rated

Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Town holds no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investment.

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 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 investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 government 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's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2009, the Town's bank balances were \$659,833, of which \$250,000 was insured.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

Investment in State and County 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 LAIF 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 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 is recorded on an amortized cost basis.

Allocation of Interest Income Among Funds

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest. Interest is allocated quarterly based on the average cash balances of the previous quarter in each fund receiving interest.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009, was as follows:

<b>Governmental activities:</b>	<b>Balance July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2009</b>
<u>Capital asset, not being depreciated:</u>				
Land and easements	\$ 10,003,951	\$ -	\$ -	\$ 10,003,951
Construction in progress	<u>555,043</u>	<u>1,164,005</u>	<u>-</u>	<u>1,719,048</u>
Total capital assets, not being depreciated	<u>10,558,994</u>	<u>1,164,005</u>	<u>-</u>	<u>11,722,999</u>
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	4,084,529	-	-	4,084,529
Roadway and related	26,668,670	14,395	-	26,683,065
Storm drains	3,078,067	-	-	3,078,067
Parks and recreation	1,973,588	28,989	-	2,002,577
Equipment and furniture	<u>1,090,740</u>	<u>6,652</u>	<u>-</u>	<u>1,097,392</u>
Total capital assets, being depreciated	<u>36,895,594</u>	<u>50,036</u>	<u>-</u>	<u>36,945,630</u>
<u>Accumulated depreciation:</u>				
Buildings and improvements	(818,698)	(80,844)	-	(899,542)
Roadway and related	(12,750,053)	(604,184)	-	(13,354,237)
Storm drains	(1,941,268)	(47,155)	-	(1,988,423)
Parks and recreation	(687,306)	(59,774)	-	(747,080)
Equipment and furniture	<u>(829,384)</u>	<u>(104,885)</u>	<u>-</u>	<u>(934,269)</u>
Total accumulated depreciation	<u>(17,026,709)</u>	<u>(896,842)</u>	<u>-</u>	<u>(17,923,551)</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 30,427,879</u></b>	<b><u>\$ 317,199</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,745,078</u></b>

Depreciation was charged to functions based on their usage of the related assets as follows:

Governmental Activities:	
General Administration	\$ 95,414
Planning	11,654
Public safety	45,159
Public Works	677,558
Parks and recreation	<u>67,057</u>
Total governmental activities depreciation expense	<b><u>\$ 896,842</u></b>

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 4: LONG-TERM LIABILITIES**

Governmental Activities

The following is a summary of long-term debt transactions related to governmental activities of the Town of the year ended June 30, 2009:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Note payable	\$ 169,490	\$ -	\$ (82,690)	\$ 86,800	\$ 86,800
Compensated Absences	<u>229,899</u>	<u>307,750</u>	<u>(323,970)</u>	<u>213,679</u>	<u>3,257</u>
Governmental activities long-term liabilities	<u>\$ 399,389</u>	<u>\$ 307,750</u>	<u>\$ (406,660)</u>	<u>\$ 300,479</u>	<u>\$ 90,057</u>

Note Payable

The Town signed a promissory note for \$408,060 in connection with the 329 Rheem Boulevard renovation project in December 2005. Principal and interest on the note at 4.910% are due semi-annually for five years in June and December. Interest expense was \$7,353 for the year ended June 30, 2009.

Future annual payments on the note payable are as follows:

<u>For the Year Ending, June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 86,800	\$ 3,196

Compensated Absences

The liability for compensated absences is the accrued liability for earned but unused vacation which will be paid to employees upon separation for the Town's service. Compensated absences is liquidated by the general fund.

**NOTE 5: INTERFUND TRANSACTIONS**

Due to/from other funds

The composition of interfund balances as of June 30, 2009 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Transportation Measure C Fund	\$ 177,604

Balances recorded as Due to/from other funds resulted from loans made to cover operating cash deficits.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)**

Interfund transfers

The following schedule briefly summarizes the Town's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ <u>153,484</u>
Nonmajor Governmental Funds	General Fund	513,558
	Capital Projects Fund	<u>69,161</u>
		\$ <u>582,719</u>
Capital Projects Fund	General Fund	\$ <u>399,503</u>

Transfers were primarily used to fund activities and the acquisition of capital assets acquired by the funds.

**NOTE 6 - LAMORINDA FEE AND FINANCING AUTHORITY**

The Town of Moraga entered into a Joint Powers Agreement with the Cities of Lafayette and Orinda, to administer an adopted sub-regional transportation and traffic impact fee for the Lamorinda region under the authority of the Contra Costa County half cent sales tax measure adopted in 1988. The fees collected under the Authority from new construction are used to mitigate increased traffic in the region. The Authority paid \$3,648 in administrative fees to the Town for the year ended June 30, 2009.

Condensed audited financial statements of the Lamorinda Fee and Financing Authority at June 30, 2009 are as follows. Complete financial statements of the JPA are available at the Town of Moraga office.

Total Assets	\$ 209,398
Total Liabilities	-
Total Revenue	183,242
Total Expenditures	3,648
Change in Net Assets	179,594
Total Net Assets	209,398

**NOTE 7: RETIREMENT PLANS**

Public Employee Retirement System (PERS) - A defined benefit plan

The Town contributes to the California Public Employee's Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Town's employees participate in the separate Safety (police) and Miscellaneous (all other) Employee Plans. Eligible employees who retire at or after age 55, with a minimum of five years of credited service, are entitled to a monthly retirement benefit based upon compensation, years of credited service and retirement age. CalPERS also provides limited death, disability and survivor benefits. Benefit provisions and all other requirements are established by State statute and Town ordinances. Copies of the CalPERS annual financial report may be obtained from their office at 400 P Street, Sacramento, CA 95814.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

Funding Policy

Participating employees are required to contribute seven percent of their salary to CalPERS. The Town historically has paid 4% of the 7% employee required portion per resolution 14 – 98. Effective January 19, 2001, the Town adopted a resolution to pay 5% of the 7% of the employee required contribution. In addition, the Town's contract with CalPERS was amended to provide membership for part-time employees, which has been part of the Social Security System.

The Plans' provisions and benefits in effect for the year ended June 30, 2009, are summarized as follows:

	<u>Safety Plan</u>	<u>Miscellaneous Plan</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	55
Required employer contribution rates	12.882%	8.018%

Annual Pension Cost

The required contribution for fiscal year 2008/2009 was determined as part of the June 30, 2007 actuarial valuation. The significant actuarial assumptions used in the valuation of the plan are as follows:

Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll
Average remaining period	13 Years as of the Valuation Date for Safety Police Plan, 16 Years for Miscellaneous Plan
Asset valuation method	15 Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation rate	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

<b>Three Year Trend Information for PERS</b>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	439,020	100%	-
2008	498,203	100%	-
2009	376,636	100%	-

Funded Status and Funding Progress

The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 7 - RETIREMENT PLANS (CONTINUED)**

Safety Plan Schedule of Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll</u>
June 30, 2005	742,247,338	646,358,708	95,888,630	87.1%	115,062,820	83.3%
June 30, 2006	534,135,011	460,948,462	73,186,549	86.3%	84,179,637	86.9%
June 30, 2007	462,354,459	403,484,775	58,869,684	87.3%	7,238,836	81.4%

Miscellaneous Plan Schedule of Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
June 30, 2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
June 30, 2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%
June 30, 2007	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

Net Pension Asset

In June 2008 the Town contributed \$1,454,202 to their Net Pension Obligation. This created a net pension asset in the government-wide financial statements. The net pension asset was funded from developer fee revenue. The net pension asset is amortized over a 30 year amortization period, which began in 2009. Amortization expense for the year ended June 30, 2009 was \$48,473.

**NOTE 8: RISK MANAGEMENT**

Insurance coverage

The Town purchases its insurance through Municipal Pooling Authority (MPA), formerly Contra Coast Municipal Risk Management Insurance Authority (CCMRMIA)

The following is a summary of coverage:

	<u>Participating Cities' Total Coverage</u>	<u>Deductible (Town Portion)</u>
All risk fire and property	\$ 350,000,000	\$ 5,000
Boiler and machinery	90,000,000	5,000
Liability	19,000,000	10,000
Auto-physical damage	250,000	2,000
Worker's compensation	150,000,000	0

The total coverage includes the Town's deductible, the portion underwritten by MPA and the portion underwritten by other insurance companies. Management believed such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the federal and state government. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

**TOWN OF MORAGA  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 10: SUBSEQUENT EVENT**

On July 28, 2009, the California legislature and Governor Arnold Schwarzenegger passed the state budget and approved a provision allowing the state to borrow 8% of the amount of property tax revenue apportioned to cities, counties, and special districts. Under the provision, the state will be required to repay those obligations by June 13, 2013. The provision also created an option for California local public agencies to relieve the burden of loaning the state property tax revenue. The provision, called Proposition 1A Securitization, authorizes the California Statewide Communities Development Authority ("California Communities") to purchase the receivable due to local agencies from the State. In a simultaneous transaction, California Communities will issue bonds and remit the cash proceeds to the participating local public agencies. To offset the shortages related to the borrowing of property taxes, the Town has elected to participate in the Proposition 1A Securitization program.

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

During the year, it was discovered that in the prior year an account was erroneously classified as an accrued liability instead of reimbursement income. To correct this error, beginning fund balance of the Park Dedication Fund has been increased by \$31,542.

During the year, it was discovered that prior year receivables had been overstated in the amount of \$15,872. To correct this error, beginning fund balance of the Capital Projects Fund has been decreased by \$15,872.

**NOTE 12: CORRECTION OF AN ERROR**

It was discovered that the previously reported balance of cash and cash equivalents in the individual funds were misstated for the year ended June 30, 2009. However, cash and cash equivalents reported for the Town in total was correct. This misclassification was due to one year-end closing journal entry and not a reflection of normal processing of transactions throughout the year. Accordingly, the financial statements for the year ended June 30, 2009 have been corrected and reissued. No adjustment to ending net assets or ending fund balance for the year ended June 30, 2009 was required.

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Gasoline Tax</u>	<u>Transportation Measure C Fund</u>	<u>Park Dedication</u>	<u>Lighting District</u>	<u>Traffic Mitigation</u>	<u>Traffic Safety</u>
<b><u>ASSETS</u></b>						
Cash and equivalents	\$ 7,653	\$ -	\$ 119,145	\$ 184,011	\$ -	\$ 97,074
Accounts receivable	24,333	251,790	-	-	-	2,811
Interest receivable	-	-	416	723	-	296
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 31,986</u></b>	<b><u>\$ 251,790</u></b>	<b><u>\$ 119,561</u></b>	<b><u>\$ 184,734</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 100,181</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 32,956	\$ -	\$ -
Due to other funds	-	177,604	-	-	-	-
Total liabilities	-	177,604	-	32,956	-	-
Fund balances	31,986	74,186	119,561	151,778	-	100,181
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 31,986</u></b>	<b><u>\$ 251,790</u></b>	<b><u>\$ 119,561</u></b>	<b><u>\$ 184,734</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 100,181</u></b>

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>National Pollution Discharge Elimination System District</b>	<b>Traffic Congestion</b>	<b>Asset Forfeiture</b>	<b>Total</b>
<b><u>ASSETS</u></b>				
Cash and equivalents	\$ 36,466	\$ 101,326	\$ 11,132	\$ 556,807
Accounts receivable	-	32,654	-	311,588
Interest receivable	40	-	42	1,517
Due from other funds	-	-	-	-
<b>Total assets</b>	<b><u>\$ 36,506</u></b>	<b><u>\$ 133,980</u></b>	<b><u>\$ 11,174</u></b>	<b><u>\$ 869,912</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 32,956
Due to other funds	-	-	-	177,604
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>210,560</u></b>
<b>Fund balances</b>	<b><u>36,506</u></b>	<b><u>133,980</u></b>	<b><u>11,174</u></b>	<b><u>659,352</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 36,506</u></b>	<b><u>\$ 133,980</u></b>	<b><u>\$ 11,174</u></b>	<b><u>\$ 869,912</u></b>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Gasoline Tax</u>	<u>Transportation Measure C Fund</u>	<u>Park Dedication</u>	<u>Lighting District</u>	<u>Traffic Mitigation</u>	<u>Traffic Safety</u>
<b><u>REVENUES</u></b>						
Taxes and assessment	\$ 272,452	\$ -	\$ -	\$ 165,743	\$ -	\$ -
Intergovernmental	-	819	-	-	-	-
Interest	239	-	2,055	3,310	-	2,318
Fines, forfeitures and penalties	-	-	-	-	-	40,724
Charges for services	-	-	18,700	-	-	-
Other revenue	-	-	1,014	-	-	-
<b>Total revenues</b>	<u>272,691</u>	<u>819</u>	<u>21,769</u>	<u>169,053</u>	<u>-</u>	<u>43,042</u>
<b><u>EXPENDITURES</u></b>						
Planning	-	3,287	-	-	-	-
Public works	-	-	-	182,643	-	-
Parks and recreation	-	-	46	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>3,287</u>	<u>46</u>	<u>182,643</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>272,691</u>	<u>(2,468)</u>	<u>21,723</u>	<u>(13,590)</u>	<u>-</u>	<u>43,042</u>
<b>Other financing sources (uses)</b>						
Operating transfers out	<u>(250,000)</u>	<u>(15,210)</u>	<u>-</u>	<u>-</u>	<u>(43,951)</u>	<u>(75,000)</u>
<b>Total other financing sources (uses)</b>	<u>(250,000)</u>	<u>(15,210)</u>	<u>-</u>	<u>-</u>	<u>(43,951)</u>	<u>(75,000)</u>
<b>Net change in fund balance</b>	<u>22,691</u>	<u>(17,678)</u>	<u>21,723</u>	<u>(13,590)</u>	<u>(43,951)</u>	<u>(31,958)</u>
<b>Fund balances (deficits) - July 1, 2008</b>	<u>9,295</u>	<u>91,864</u>	<u>66,296</u>	<u>165,368</u>	<u>43,951</u>	<u>132,139</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>31,542</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - June 30, 2009</b>	<u>\$ 31,986</u>	<u>\$ 74,186</u>	<u>\$ 119,561</u>	<u>\$ 151,778</u>	<u>\$ -</u>	<u>\$ 100,181</u>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>National Pollution Discharge Elimination System District</u>	<u>Traffic Congestion</u>	<u>Asset Forfeiture</u>	<u>Total</u>
<b><u>REVENUES</u></b>				
Taxes and assessment	\$ 217,939	\$ -	\$ -	\$ 656,134
Intergovernmental	-	136,680	-	137,499
Interest	169	74	226	8,391
Fines, forfeitures and penalties	-	-	-	40,724
Charges for services	-	-	-	18,700
Other revenue	-	-	-	1,014
<b>Total revenues</b>	<u>218,108</u>	<u>136,754</u>	<u>226</u>	<u>862,462</u>
<b><u>EXPENDITURES</u></b>				
Planning	-	-	-	3,287
Public works	920	-	-	183,563
Parks and recreation	-	-	-	46
<b>Total expenditures</b>	<u>920</u>	<u>-</u>	<u>-</u>	<u>186,896</u>
<b>Revenues over (under) expenditures</b>	<u>217,188</u>	<u>136,754</u>	<u>226</u>	<u>675,566</u>
<b>Other financing sources (uses)</b>				
Operating transfers out	<u>(198,558)</u>	<u>-</u>	<u>-</u>	<u>(582,719)</u>
<b>Total other financing sources (uses)</b>	<u>(198,558)</u>	<u>-</u>	<u>-</u>	<u>(582,719)</u>
<b>Net change in fund balance</b>	<u>18,630</u>	<u>136,754</u>	<u>226</u>	<u>92,847</u>
<b>Fund balances (deficits) - July 1, 2008</b>	<u>17,876</u>	<u>(2,774)</u>	<u>10,948</u>	<u>534,963</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,542</u>
<b>Fund balances - June 30, 2009</b>	<u>\$ 36,506</u>	<u>\$ 133,980</u>	<u>\$ 11,174</u>	<u>\$ 659,352</u>

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2009**

	<u>General Fund</u>	<u>Developer Fee Fund</u>	<u>COPS/AVA Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 2,086,741	\$ 2,390,737	\$ 43,385	\$ 4,520,863
Accounts receivable	340,998	-	46,801	387,799
Interest receivable	19,398	-	192	19,590
Due from other funds	<u>177,604</u>	<u>-</u>	<u>-</u>	<u>177,604</u>
<b>Total Assets</b>	<b><u>\$ 2,624,741</u></b>	<b><u>\$ 2,390,737</u></b>	<b><u>\$ 90,378</u></b>	<b><u>\$ 5,105,856</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 284,832	\$ -	\$ 8,823	\$ 293,655
Accrued payroll	96,872	-	-	96,872
Other liabilities	4,104	-	-	4,104
Total liabilities	<u>385,808</u>	<u>-</u>	<u>8,823</u>	<u>394,631</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	85,132	-	-	85,132
Fund balance, unreserved, and undesignated	<u>2,153,801</u>	<u>2,390,737</u>	<u>81,555</u>	<u>4,626,093</u>
Total fund balance	<u>2,238,933</u>	<u>2,390,737</u>	<u>81,555</u>	<u>4,711,225</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,624,741</u></b>	<b><u>\$ 2,390,737</u></b>	<b><u>\$ 90,378</u></b>	<b><u>\$ 5,105,856</u></b>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Developer Fee Fund</u>	<u>COPS/AVA Fund</u>	<u>Total</u>
<b><u>REVENUES</u></b>				
Taxes and assessments	\$ 4,532,945	\$ -	\$ -	\$ 4,532,945
Intergovernmental	365,960	-	100,000	465,960
Interest	327,685	-	192	327,877
Fines, forfeitures and penalties	53,126	-	-	53,126
Charges for services	713,992	-	-	713,992
Other revenue	147,860	-	-	147,860
<b>Total Revenues</b>	<u>6,141,568</u>	<u>-</u>	<u>100,192</u>	<u>6,241,760</u>
<b><u>EXPENDITURES</u></b>				
Current Operations:				
General Administration	1,345,160	-	-	1,345,160
Planning	659,558	-	-	659,558
Public safety	2,185,899	-	9,369	2,195,268
Public works	1,565,105	-	-	1,565,105
Parks and recreation	523,095	-	-	523,095
Debt Service: Principal	82,690	-	-	82,690
Capital Outlay	8,105	-	-	8,105
<b>Total expenditures</b>	<u>6,369,612</u>	<u>-</u>	<u>9,369</u>	<u>6,378,981</u>
<b>Revenues over (under) expenditures</b>	<u>(228,044)</u>	<u>-</u>	<u>90,823</u>	<u>(137,221)</u>
<b>Other financing sources (uses)</b>				
Transfers in	934,183	-	103,772	1,037,955
Transfers out	(122,869)	-	(155,509)	(278,378)
Total other financing sources (uses)	<u>811,314</u>	<u>-</u>	<u>(51,737)</u>	<u>759,577</u>
<b>Net change in fund balance</b>	<u>583,270</u>	<u>-</u>	<u>39,086</u>	<u>622,356</u>
<b>Fund balance, July 1, 2008</b>	<u>1,655,663</u>	<u>2,390,737</u>	<u>42,469</u>	<u>4,088,869</u>
<b>Fund balance, June 30, 2009</b>	<u>\$ 2,238,933</u>	<u>\$ 2,390,737</u>	<u>\$ 81,555</u>	<u>\$ 4,711,225</u>

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND  
JUNE 30, 2009**

	<b>Community Facilities/ Open Space Fund</b>	<b>Asset Replacement Fund</b>	<b>Federal Grant/ Reimbursement</b>	<b>Prop 1 B</b>	<b>Comcast Grant Unrestricted</b>
<b><u>Assets</u></b>					
Cash and equivalents	\$ -	\$ 658,056	\$ -	\$ 318,417	\$ 164,925
Accounts receivable	-	-	763,977	-	-
Interest receivable	-	-	-	1,024	-
Due from other funds	-	<u>265,392</u>	-	-	-
<b>Total assets</b>	<u>-</u>	<u>923,448</u>	<u>763,977</u>	<u>319,441</u>	<u>164,925</u>
<b><u>Liabilities and Fund Balances</u></b>					
Accounts payable	-	-	113,639	9,368	-
Deferred Revenue	-	-	34,075	-	-
Due to other funds	<u>1,894</u>	-	<u>263,498</u>	-	-
Total liabilities	<u>1,894</u>	<u>-</u>	<u>411,212</u>	<u>9,368</u>	<u>-</u>
Fund balances (deficit)	<u>(1,894)</u>	<u>923,448</u>	<u>352,765</u>	<u>310,073</u>	<u>164,925</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 923,448</u>	<u>\$ 763,977</u>	<u>\$ 319,441</u>	<u>\$ 164,925</u>

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND (CONTINUED)  
JUNE 30, 2009**

	<b>Comcast Grant Restricted</b>	<b>Street Improvements</b>	<b>Public Safety Impact Fees</b>	<b>Local Transportation Impact Fees</b>	<b>Storm Drain Impact Fees</b>
<b><u>Assets</u></b>					
Cash and equivalents	\$ 177,724	\$ -	\$ 682	\$ 476	\$ 7,278
Accounts receivable	-	-	-	-	-
Interest receivable	-	-	1	1	9
Due from other funds	-	-	-	-	-
<b>Total assets</b>	<b><u>177,724</u></b>	<b><u>-</u></b>	<b><u>683</u></b>	<b><u>477</u></b>	<b><u>7,287</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
Accounts payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund balances (deficit)</b>	<b><u>177,724</u></b>	<b><u>-</u></b>	<b><u>683</u></b>	<b><u>477</u></b>	<b><u>7,287</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 177,724</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 683</u></b>	<b><u>\$ 477</u></b>	<b><u>\$ 7,287</u></b>

**TOWN OF MORAGA  
COMBINING BALANCE SHEET  
CAPITAL PROJECTS FUND (CONTINUED)  
JUNE 30, 2009**

	<b>General Government Facilities Impact Fees</b>	<b>Park Impact Fees</b>	<b>Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>Assets</u></b>			
Cash and equivalents	\$ 4,048	\$ 3,080	\$ 1,334,686
Accounts receivable	-	-	763,977
Interest receivable	5	4	1,044
Due from other funds	<u>-</u>	<u>-</u>	<u>265,392</u>
<b>Total assets</b>	<u>4,053</u>	<u>3,084</u>	<u>2,365,099</u>
<b><u>Liabilities and Fund Balances</u></b>			
Accounts payable	-	-	123,007
Deferred Revenue	-	-	34,075
Due to other funds	<u>-</u>	<u>-</u>	<u>265,392</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>422,474</u>
Fund balances (deficit)	<u>4,053</u>	<u>3,084</u>	<u>1,942,625</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,053</u>	<u>\$ 3,084</u>	<u>\$ 2,365,099</u>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Community Facilities/ Open Space Fund</b>	<b>Asset Replacement Fund</b>	<b>Federal Grant/ Reimbursement</b>	<b>Prop 1 B</b>	<b>Comcast Grant Unrestricted</b>
<b>Revenues</b>					
Intergovernmental	\$ -	\$ -	\$ 794,044	\$ -	\$ -
Interest income	-	-	1,613	7,464	-
Charges for services	-	-	-	-	-
Other revenue	-	-	80,712	-	278,886
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>876,369</u>	<u>7,464</u>	<u>278,886</u>
<b>Expenditures</b>					
Capital outlay	-	3,666	1,113,580	97,391	-
<b>Total expenditures</b>	<u>-</u>	<u>3,666</u>	<u>1,113,580</u>	<u>97,391</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(3,666)</u>	<u>(237,211)</u>	<u>(89,927)</u>	<u>278,886</u>
<b>Other financial sources</b>					
Transfers in	-	55,740	518,312	-	-
Transfers out	-	(383,575)	(73,300)	-	(113,961)
<b>Total other financial sources</b>	<u>-</u>	<u>(327,835)</u>	<u>445,012</u>	<u>-</u>	<u>(113,961)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>(331,501)</u>	<u>207,801</u>	<u>(89,927)</u>	<u>164,925</u>
<b>Fund balance (deficit), July 1, 2008</b>	<u>(1,894)</u>	<u>1,254,949</u>	<u>160,836</u>	<u>400,000</u>	<u>-</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>(15,872)</u>	<u>-</u>	<u>-</u>
<b>Fund balance transfer</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit), July 1, 2008 (restated)</b>	<u>(1,894)</u>	<u>1,254,949</u>	<u>144,964</u>	<u>400,000</u>	<u>-</u>
<b>Fund balance (deficit), June 30, 2009</b>	<u>\$ (1,894)</u>	<u>\$ 923,448</u>	<u>\$ 352,765</u>	<u>\$ 310,073</u>	<u>\$ 164,925</u>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Comcast Grant Restricted</b>	<b>Street Improvements</b>	<b>Public Safety Impact Fees</b>	<b>Local Transportation Impact Fees</b>	<b>Storm Drain Impact Fees</b>
<b>Revenues</b>					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	1	1	9
Charges for services	-	-	682	476	7,278
Other revenue	27,106	-	-	-	-
<b>Total revenues</b>	<u>27,106</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
<b>Expenditures</b>					
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues over (under) expenditures</b>	<u>27,106</u>	<u>-</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
<b>Other financial sources</b>					
Transfers in	150,618	-	-	-	-
Transfers out	-	(330,692)	-	-	-
<b>Total other financial sources</b>	<u>150,618</u>	<u>(330,692)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>177,724</u>	<u>(330,692)</u>	<u>683</u>	<u>477</u>	<u>7,287</u>
<b>Fund balance (deficit), July 1, 2008</b>	<u>-</u>	<u>330,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance transfer</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit), July 1, 2008 (restated)</b>	<u>-</u>	<u>330,692</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit), June 30, 2009</b>	<u>\$ 177,724</u>	<u>\$ -</u>	<u>\$ 683</u>	<u>\$ 477</u>	<u>\$ 7,287</u>

**TOWN OF MORAGA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUND (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Government Facilities Impact Fees</b>	<b>Park Impact Fees</b>	<b>Total</b>
<b><u>Revenues</u></b>			
Intergovernmental	\$ -	\$ -	\$ 794,044
Interest income	5	4	9,097
Charges for services	4,048	3,080	15,564
Other revenue	-	-	386,704
<b>Total revenues</b>	<u>4,053</u>	<u>3,084</u>	<u>1,205,409</u>
<b><u>Expenditures</u></b>			
Capital outlay	-	-	1,214,637
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>1,214,637</u>
<b>Revenues over (under) expenditures</b>	<u>4,053</u>	<u>3,084</u>	<u>(9,228)</u>
<b><u>Other financial sources</u></b>			
Transfers in	-	-	724,670
Transfers out	-	-	(901,528)
<b>Total other financial sources</b>	<u>-</u>	<u>-</u>	<u>(176,858)</u>
<b>Net change in fund balance</b>	<u>4,053</u>	<u>3,084</u>	<u>(186,086)</u>
<b>Fund balance (deficit), July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>2,144,583</u>
<b>Prior period adjustment</b>	<u>-</u>	<u>-</u>	<u>(15,872)</u>
<b>Fund balance transfer</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance (deficit), July 1, 2008 (restated)</b>	<u>-</u>	<u>-</u>	<u>2,128,711</u>
<b>Fund balance (deficit), June 30, 2009</b>	<u>\$ 4,053</u>	<u>\$ 3,084</u>	<u>\$ 1,942,625</u>

**TOWN OF MORAGA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<b>Environmental Protection Agency</b>		
DHS Disaster Grants - Public Assistance	97.036	\$ 69,604
<b>U.S. Department of Transportation</b>		
Highway Planning and Construction	20.205	<u>657,338</u>
<b>Total expenditures of federal awards</b>		<b>\$ <u>726,942</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**TOWN OF MORAGA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE A—BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Moraga and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

The Honorable Mayor and Members of the Town Council  
Town of Moraga, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moraga, as of and for the year ended June 30, 2009, which collectively comprise the Town of Moraga's basic financial statements and have issued our report thereon dated January 4, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Moraga's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Town of Moraga's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Moraga's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Moraga's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Moraga's financial statements that is more than inconsequential will not be prevented or detected by the Town of Moraga's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Moraga's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Compliance and Other Matters (Continued)

We noted certain matters that we reported to management of the Town of Moraga in a separate letter dated January 4, 2010.

This report is intended solely for the information and use of management, the audit committee, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these parties.

Sacramento, California  
January 4, 2010

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133

The Honorable Mayor and Members of the Town Council  
Town of Moraga, California

### Compliance

We have audited the compliance of the Town of Moraga with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of Moraga's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Moraga's management. Our responsibility is to express an opinion on the Town of Moraga's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Moraga's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Moraga's compliance with those requirements.

In our opinion, the Town of Moraga complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of Town of Moraga is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Moraga's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Moraga's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California  
January 4, 2010

**TOWN OF MORAGA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Major programs are as follows:	
20.200 Highway Research and Highway Planning and Construction	
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Findings relating to the financial statements which are required to be reported in accordance with Generally Accepted Government Auditing Standards.	None
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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Findings and questioned costs for Federal Awards, which includes audit findings and defined in Section 510(a).	None
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