TOWN OF MORAGA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED JUNE 30, 2010

Draft

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TOWN OF MORAGA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010, 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.

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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, 2010, 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.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 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.

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i through xiv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, combining general fund statements, combining capital project fund statements, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sacramento, CA
December 4, 2010

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TOWN OF MORAGA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. 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, 2010 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, 2010.

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 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.

THE TOWN AS A WHOLE

The Town's basic services are reported in Governmental activities, which include police, general administration, public works, planning, and parks and recreation. 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, and franchise fees.

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 2010.

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Table 1 contains a two-year comparison of the Town's assets and liabilities.

Table 1. Town of Moraga Net Assets for FY2009 and FY2010

	FY2009	FY2010	$ Change	% Change
Assets				
Current Assets	$ 7,897,871	$ 9,077,961	$1,180,090	14.9%
Noncurrent Assets	32,150,807	33,968,971	1,818,164	5.7%
Total Assets	**40,048,678**	**43,046,932**	**2,998,254**	**7.5%**
Liabilities				
Current liabilities	674,726	754,440	79,714	11.8%
Noncurrent liabilities	210,422	1,945,000	1,734,578	824.3%
Total Liabilities	**885,148**	**2,699,440**	**1,814,292**	**204.9%**
Net Assets				
Invested in capital	30,658,278	30,636,715	(21,563)	(0.1%)
Unrestricted	8,505,252	9,710,777	1,205,525	14.1%
Total Net Assets	**39,163,530**	**40,347,492**	**1,183,962**	**3.0%**
Total Liabilities and Net Assets	**$40,048,678**	**$43,046,932**	**$2,998,254**	**7.5%**

Cash and other Current Assets increased 14.9% ($1,180,090) in FY2010 over those in FY2009. This increase is attributable to an increase in cash balances in Special Revenue Funds and proceeds from the Certificates of Participation bond issuance. Current Liabilities increased $11.8% ($79,714) due to improvements in capturing accounts payable and a change in classification of compensated absences. Noncurrent Liabilities increased due to financing the purchase of 331 Rheem. This purchase was for the purpose of moving the Town's Corp Yard off the Hacienda grounds. The location is close to the Town Offices and Police Department located at 329 Rheem, providing a centralized City Hall. For a more complete discussion of the Town's long-term debt see page 18 in the Notes to the Financial Statements.

Net Assets increased by 3.0% ($1,183,962) in FY2010 over those in FY2009. This increase is reflective of the Town's conservative approach to financial management.

The Statement of Activities (page two of the Basic Financial Statements) presents information regarding revenues and expenses incurred by the Town as a whole during the FY2010. 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.

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Table 2. Town of Moraga Statement of Activities for FY2009 and FY2010

	FY2009	FY2010	$ Change	% Change
Functional Revenues:				
Charges for Services	$1,150,680	$ 967,582	$ (183,098)	(15.9%)
Operating Grants	379,519	110,000	(269,519)	(71.0%)
Capital Grants	958,016	1,729,067	771,051	80.5%
Total Functional Revenues	**2,488,215**	**2,806,649**	**318,434**	**12.8%**
General Revenues:				
Property Taxes	2,894,886	2,936,896	42,010	1.5%
Sales Taxes	944,820	976,416	31,596	3.3%
Franchise Fees	693,239	710,239	17,000	2.5%
Motor Vehicle License Fees	56,154	48,468	(7,686)	(13.7%)
Gas Tax	272,452	277,534	5,082	1.9%
NPDES Assessment	383,682	396,643	12,961	3.4%
Interest and Use of Property	345,365	263,151	(82,214)	(23.8%)
Other	230,818	195,572	(35,246)	(15.3%)
Total General Revenues	**5,821,416**	**5,804,919**	**(16,497)**	**(0.3%)**
Total Revenues	**8,309,631**	**8,611,568**	**301,937**	**3.6%**
Program Expenditures:				
General Administration	1,488,166	1,412,592	(75,574)	(5.1%)
Planning	673,332	547,238	(126,094)	(18.7%)
Public Safety	2,232,131	2,007,108	(225,023)	(10.1%)
Public Works	2,432,465	2,704,268	271,803	11.2%
Parks and Recreation	589,678	606,949	17,271	2.9%
Interest on Long Term Debt	--	3,453	3,453	100.0%
Total Expenditures	**7,415,772**	**7,281,608**	(134,164)	(1.8%)
Change in net Assets	**893,859**	**1,329,960**	**436,101**	**48.8%**
Net Assets, Beginning of the Year	**38,269,671**	**39,163,530**	**893,859**	**2.3%**
Prior Period Restatement		(145,998)	(145,998)	100.0%
Net Assets, End of the Year	**$39,163,530**	**$40,347,492**	**$1,183,962**	**3.0%**

Town Wide Revenues fall into two categories: functional (program) revenues and general revenues. Program revenues are those derived from specific town functions, such as charges for services and grants. Program revenues are used to offset the cost of providing services. Revenues not associated with a particular program are classified as general revenues, which may be used to finance any Town function or program. General revenues, such as property taxes, sales taxes and franchise fees, rather than by program revenues, principally support the main activities of the Town (see the Statement of Activities on page 2 of the Basic Financial Statements).

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Functional revenues increased 12.8% ($318,434) in FY20010 over those in FY2009. This increase is primarily attributable to variances in grant revenues. Grants are issued for specific purposes, often one-time projects, and are not necessarily comparable year to year. Charges for services declined 15.9% ($183,098) from FY2009 to FY2010 due to a reduction in the demand for services. In a slowing economy, development and residential improvements lessen, resulting in decreased demand for planning and engineering services. The Town had anticipated and prepared for this reduction in service demand. General revenues declined 0.3% ($16,497) in FY2010 from FY2009. This decrease is primarily attributable to a decline in interest earnings, property rents, and other revenues.

Town Wide Expenditures are categorized by the Town's main functions and include general administration, planning, public safety, public works, parks and recreation, and interest on long-term debt. 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 Budget and Actual General Fund Statement on page 8 of the Basic Financial Statements.

General Administration decreased 5.1% ($75,574) in FY2010 over FY2009, primarily due to the hiring of a regular Town Manager rather than paying the higher costs of the Interim Town Manager. Planning decreased 18.7% ($126,094) in FY2010 over FY2009, primarily due to higher contract services costs in FY2009 for the Moraga Center Specific Plan. Public Safety (Police) expenditures decreased 10.1% ($225,023) in FY2010 over FY2009, primarily due to staff reductions consisting of one less police officer and reduction of the community services officer position from full-time to part-time. Public Works expenditures increased 11.2% ($271,803) in FY2010 over FY2009. This increase is attributable to (a) maintenance costs for the new Corp Yard at 331 Rheem Boulevard, (b) increased utility costs, (c) increased contract costs, and (d) capital outlay. Parks and Recreation expenditures increased slightly due to increased programs. Interest on long-term debt is related to the recent purchase of 331 Rheem Boulevard.

The Prior Period Restatement is an adjustment to a capital grant receivable incorrectly recorded in FY2009. See Note 10 on page 23 of the Financial Statements.

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.

Property Taxes

Property tax revenue growth is limited by Proposition 13 to a maximum of 2.0%, or the annual change in the October California Consumer Price Index, whichever is less, 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 subject to Proposition 13 tax increase limits. Historically, property tax revenues have remained relatively flat suggesting that ownership turnovers are few and little new development occurs.

Table 3 provides a two-year comparison of Town Wide property tax revenues. Town Wide property tax revenues include ad valorem taxes received into the General Fund and special assessments paid into Special Revenue Funds. Refer to the individual fund statements for further detail.

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Table 3. Two-Year Comparison of Town Wide Property Tax Revenues

	FY2009	FY2010	$ Change	% Change
Secured	$1,535,130	$1,574,152	$ 39,022	2.5%
Unsecured	49,131	56,614	7,483	15.2%
Supplemental	44,862	14,824	(30,038)	(67.0%)
Unitary	18,319	20,725	2,406	13.1%
Property tax in lieu	1,247,444	1,270,581	23,137	1.9%
Total Property Tax Revenue	**$2,894,886**	**$2,936,896**	**$ 42,010**	1.5%

Total property tax revenue has increased 1.5% ($42,010) in FY2010 over FY2009. The Town of Moraga is generally known to be a very low growth area. When a home is sold, the appraised value upon which property taxes are calculated is reassessed. Thereafter property tax increases are limited by Proposition 13 and remain 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 5.32% 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 (5.32%) is $532.

Supplemental Property Taxes include any changes in the tax after the taxes were billed. 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 67% ($30,038). Given that the secured property tax revenues increased by 2.5% 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.

Sales Taxes

Sales and use tax is derived from the sales transactions located within the Town, a portion of sales from the County pool, and sales tax in-lieu. The economic outlook for sales tax revenues remains cautious as the State and the nation continue to pull out of the recession. Relative to other local governments, however, the Town's sales and use tax revenue changes have been modest.

Table 4 shows a two-year comparison of tax revenues received in this category.

Table 4. Two-Year Comparison of Town Wide Sales Tax Revenues

	FY2009	FY2010	$ Change	% Change
Sales and use tax	$658,573	$723,246	$ 64,673	9.8%
Public safety sales tax	50,712	50,620	(92)	(-0.2%)
Sales and use tax in lieu	235,535	202,550	(32,985)	(-14.0%)
Total Sales Tax Revenue	**$944,820**	**$976,416**	**$ 31,596**	**3.3%**

Overall, sales tax revenues increased 3.3% ($31,596) in FY2010 over FY2009. Sales tax revenues reported in the financial statements reflect the actual cash received by the Town. Actual cash payments to the Town often lag 2-3 months behind when retail sales are made. Unlike property tax, which is paid to the Town whether or not the County has received the payment, sales tax revenues are only paid to the Town after the State Board of Equalization has received payment from the merchant who collected the tax from the consumer. For this reason, comparing actual revenues year-to-year may or may not be indicative of economic trends in Moraga. In FY2010, there was a large payment of prior period's sales tax revenue that contributed to the increase in sales and use tax. The Town is prohibited by law from revealing information regarding individual taxpayers.

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Other Revenues

Table 2 summarizes other Town revenues including franchise fees, motor vehicle license fees, gas tax, NPDES, interest and use of property, and other revenues. Motor Vehicle License Fees decreased by 13.7% ($7,686) which may be attributable to a slowing economy in which fewer new cars are purchased. Older cars have lower vehicle license fees. Interest and use of property decreased 23.8% ($82,214) primarily due to reduced interest earnings and lower rental revenues. Other revenues decreased 15.3% ($35,246) due to a general decline in the economy as a whole.

Town Wide Summary

Considering the Town as a whole, revenue increased 3.6% ($301,937) while expenditures decreased 1.8% ($134,164). This reflects the Town's commitment to fiscal prudence and ability to respond to changes in the economic environment.

The Town Wide statements include all of the Town's funds and are 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, 2010.

MAJOR 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. State and Federal law requires the establishment of some funds for using certain taxes and grants. The Town Council establishes other funds to help control and manage money for particular purposes, such as the Capital Projects Fund.

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 relationship between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds can be found on pages four and six of the Financial Statements.

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 seven of the Basic Financial Statements. 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. The General Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances can be found on pages three and five, respectively, of the Financial Statements. The General Fund Statements includes the One-Time Developer Fee Fund and COPS (Community Oriented Policies Services) Fund.

The *Statement of Revenues, Expenditures, and Changes in Fund Balances; Budget and Actual; General Fund* on page eight of the Basic Financial Statements shows the variance between the actual operating results for the fiscal year and the amended budget. Actual revenues were higher than the budgeted estimate and actual expenditures were lower. After transfers in and out, the net revenues for the year were $388,961.

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Table 5 below provides a two-year comparison of the General Fund actual revenues and expenditures:

Table 5. FY 2009 and FY 2010 General Fund Actual Revenues and Expenditures

GENERAL FUND	FY 2009 Actual	FY 2010 Actual	$ Change	% Change
Revenues				
Property taxes	$ 2,894,886	$ 2,936,896	$ 42,010	1.5%
Sales taxes	944,820	976,416	31,596	3.3%
Franchise fees	693,239	710,239	17,000	2.5%
Charges for services	713,992	600,133	(113,859)	-15.9%
Other revenues	994,823	749,454	(245,369)	-24.7%
Total Operating Revenues	**6,241,760**	**5,973,138**	**(268,622)**	**(4.3%)**
Expenditures				
General government	1,345,160	1,253,101	(92,059)	(6.8%)
Planning	659,558	530,386	(129,172)	(19.6%)
Public safety	2,195,268	1,977,944	(217,324)	(9.9%)
Public works	1,565,105	1,631,708	66,603	4.3%
Parks and recreation	523,095	563,771	40,676	7.8%
Debt Service	82,690	-	(82,690)	(100.0%)
Capital Outlay	8,105	6,270	(1,835)	(22.6%)
Total Expenditures	**6,378,981**	**5,963,180**	**(415,801)**	**(6.5%)**
Revenues over(under) expenditures	**(137,221)**	**9,958**	**(127,263)**	**(9.3%)**
Transfers In(Out)	759,577	379,003	(380,574)	(50.1%)
Net	**622,356**	**388,961**	**(233,395)**	**(37.5%)**
Beginning Fund Balance	**4,088,869**	**4,711,225**	**622,356**	**15.2%**
Ending Fund Balance	**$4,711,225**	**$5,100,186**	**$388,961**	**8.3%**

Revenues decreased 4.3% (268,622) due to a decline in charges for services and other revenues. This decline is reflective of the slowing economy. Expenditures decreased 6.5% ($415,801) due to declines in general government, planning, and public safety operational costs. Additionally, FY2009 included the final payment on a promissory note ($82,690) issued in connection with the 329 Rheem Boulevard renovation project in December 2006. The Ending Fund Balance for the General Fund increased by 8.3% ($388,961).

Historically, the Town Council has established a policy on the use of "excess fund balance" or General 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

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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 FY2009. On June 24, 2009, the Council passed Resolution 46-2009, which relieved the General Fund of the loan established by previous resolutions. At the same time, the Council also approved 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 General Fund balance. Resolution 45-2009 provides for a General Fund Balance reserve of 50% of the operating budget. The operating budget is defined as total expenditures. This is a critical threshold to be used when developing budgets.

The General Fund Balance as of June 30, 2010, is as follows:

One-Time Developer Fees	$2,390,737
Street Improvements Reserve	147,675
General Fund Balance	2,561,774
Total	$5,100,186

One-Time Developer Fees are excluded from any calculations regarding the General Fund Balance because the Council has made it clear they do not want these monies used. Resolution 71-2010 reserved $150,000 to be used for funding street maintenance projects. The remaining unrestricted General Fund Balance as of June 30, 2010 is $2,561,774. This amount is 42.9% of the Actual Expenditures ($5,963,180) for the year ended June 30, 2010.

One-Time Developer Fee Fund

This fund was established to track extraordinary one-time developer fees negotiated on large development projects. At this time, the Palos Colorados 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 six 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. Because this fund is reported with the General Fund, any interest earnings on the balance are reported in General Fund. The FY2010 ending balance is this fund is $2,390,737.

Capital Projects Funds

Capital Projects Funds include the Community Facilities/Open Space Fund, the Asset Replacement Fund, the COP 329 Renovation Funds, various grant funds, and development impact fee 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. The balance in this fund as of June 30, 2010 is $8,106.

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 FY2009, this practice was suspended. Although expenditures continue to be made from this fund, further contributions from the General Fund have not. The Asset Replacement Fund had a fund balance at the end of FY2010 of $803,836.

The Federal Grants/Reimbursement Fund was created to record all revenues and expenditures related to grant funding for capital projects. This fund typically includes revenue from OES/FEMA and other federal and state transportation funds.

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Other Governmental Funds

Other governmental funds are summarized on pages three and five of the Basic Financial Statements and include the Gas Tax, Transportation Measure C, Park Dedication, Lighting District, Traffic Safety, NPDES, Asset Forfeiture 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 24-27 of the Required Supplemental Information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2010, the Town had $32.61 million invested in a broad range of capital assets including equipment, buildings, park facilities, road, bridges, and storm drains. See Note 3, page 17 of the financial statements, for further information.

Table 6 summarizes the Capital Assets net of accumulated depreciation.

Table 6. Capital Assets at Year-End
Net of Accumulated Depreciation
Governmental Activities

	FY2009	FY2010	$ Change	% Change
Non-Depreciable				
Land and easements	$10,003,951	$10,680,211	$676,260	6.76%
Construction in progress	1,719,048	2,386,532	667,484	38.83%
Depreciable (Net of Depreciation)				
Buildings and improvements	3,184,987	3,722,994	538,007	16.89%
Infrastructure	15,673,969	15,666,873	(7,096)	-0.05%
Equipment	163,123	155,105	(8,018)	-4.92%
Total Capital Assets, Net	**$30,745,078**	**$32,611,715**	**$ 1 ,866,637**	**6.07%**

Land, buildings and improvements both increased due to the purchase of 331 Rheem. This property is now being used primarily for the Public Works Corp Yard. Included in the building is an archive storage area that will ultimately house archived records from all Town Departments.

A sampling of the capital improvement projects undertaken during the fiscal year includes:

- Continued improvements to the Hacienda
- Continued improvements to the Library
- Began 329 Rheem elevator project
- Conducted 329 Rheem renovation study
- Completed Moraga Road Pavement Rehabilitation
- Completed Corliss Sidewalk project
- Continued ADA compliance program
- Continued repairs of creeks damaged in the 2006 storms
- Began Moraga Road Cape Seal project

The above projects were funded through various state and federal grants totaling $1.5 million, which includes the matching portions provided by internal resources. Internal resources (not including those resources used to match grants) used for construction included funding from the Asset Replacement Fund and Proposition 1B Fund.

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Debt

The 2006 Note Payable issued for the 329 Rheem remodel was retired in FY2010. At the end of FY2010, the Town had $2.2 million in debt, primarily attributable to the purchase of 331 Rheem. See Note 4, page 18 of the financial statements, for further information.

Table 7 summarizes the Town's debt.

Table 7. Outstanding Debt at Year-End
Governmental Activities

	FY2009	FY2010	$ Change	% Change
Note Payable--329 Rheem	$ 86,800	$ -	$ (86,800)	-100.0%
Note Payable--331 Rheem	-	450,000	450,000	100.0%
Certificates of Participation--331 Rheem purchase and 329 Rheem renovation	-	1,525,000	1,525,000	100.0%
Compensated Absences	213,679	246,789	33,110	15.5%
Total	**$ 300,479**	**$ 2,221,789**	**$ 1,921,310**	**639.4%**

The $450,000 note payable for 331 Rheem is a non-interest bearing note due on March 10, 2012. The Town expects the sale of other Town owned property to fund payment of the note. The Certificates of Participation are a twenty-year obligation and the debt service schedule is included in Note 4, page 18 of the financial statements.

The principal amount of the Certificates of Participation was allocated as follows:

331 Rheem Acquisition	$ 700,000.00
329 Rheem Renovation	650,000.00
Reserve Account	117,618.76
Underwriting/Delivery Costs	57,381.24
Total	**$1,525,000.00**

Accrued compensated absences are accruals of employee vacation and other leave time earned but unused as of June 30, 2010. The total number of employees earning this time has decreased since FY2009 and vacation and leave policies have not changed. However, the total liability to the Town has increased primarily due to high demands on staff. Many employees are unable to take all the vacation and leave time they earn each year due to heavy workloads that prohibit their being away from work.

SIGNIFICANT IMPACTS AND CHALLENGES

The Town is aware of its heavy dependence on property and sales taxes to fund services and programs. The lack of diverse revenue streams has been the topic of a study conducted by the Town's Revenue Enhancement Committee (REC). REC presented its report to the Town Council on November 18, 2009. The recommendations included:

- Complete an engineering study to update the assessment rates for the existing Lighting Assessment District.
- Develop a strong economic linkage between the Town, the business community and the St. Mary's College community.
- Define the scope and responsibility of an Economic Development Director.
- Enact a business license tax.
- Conduct further studies to determine infrastructure needs and potential funding sources.
- Continue to pursue grants at the local, state and federal levels.

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Many of these recommendations have been put in place. The assessment rates for the Lighting Assessment District were analyzed, the engineer made recommendations on updates, and a ballot process was conducted. The result was an increase in lighting assessment rates that will allow the Lighting Assessment District Fund to operate in the black. An Economic Development Team, comprised of three volunteers, was formed and the team has begun work on revitalizing the Town's business community. The Revenue Enhancement Community Outreach to Neighborhoods (RECON) was commissioned by the Town Council to assess community knowledge of the Town's finances and revenue needs, and to gauge the community's willingness to support revenue enhancement measures. That process is ongoing.

While the Town addresses issues that it has some measure of control over, there exist external factors over which the Town has no control. Other government agencies have an influence on the financial health of the Town. In recent years, the voters have repeatedly passed propositions to prevent the State legislature from continuing to raid local revenues. Consequently, the State is limited in how much revenue it can take back from local government. The State may push down service responsibilities from the State level to the County or local levels. The Town's finances are impacted by Contra Costa County to the degree that the Town relies upon the County for services.

The Town contracts with the County for various services and these costs have been steadily increasing. Animal services increased 10.5% in FY2010 over FY2009. Police dispatch services include both the dispatch service and a contribution to an equipment replacement fund. In FY2010, staff negotiated with the County Sheriff to allow a portion of the payments made into the equipment replacement fund to be used for dispatch services. Total dispatch fees for FY2010 were $134,539, of which $99,948 was paid in cash and $34,591 was paid via a reallocation of amounts previously paid into the equipment replacement fund. Other police services provided by the County include: forensic services, jail services, Cal-ID, and ARIES. The County also handles signal and street light maintenance. Animal services, police dispatch, Cal-ID, and ARIES are flat contract amounts for the fiscal year. Booking fees, forensic services, and signal/street light maintenance services are billed per incident.

Table 8 shows the changes in these costs over the past two years.

Table 8. Contra Costa County Services

	FY2009	FY2010	$ Change	% Change
Animal services	76,944	85,016	8,072	10.5%
Police dispatch	99,948	134,539	34,591	34.6%
Cal-ID	14,431	15,089	658	4.6%
ARIES Maintenance	6,675	8,350	1,675	25.1%
Forensic services	5,345	7,139	1,794	33.6%
Jail services/booking fees	665	717	52	7.8%
Signal/street light maintenance	15,970	19,065	3,095	19.4%
Total County Services	**219,978**	**269,915**	**49,937**	**22.7%**

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. There is no industry in Moraga. It is 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 in both its values and its fiscal management.

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TOWN OF MORAGA
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010. Readers are encouraged to examine the MD&A, the Basic Financial Statements, Notes, and Supplemental Information that 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
Moraga, CA 94556

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TOWN OF MORAGA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	$ 7,845,225
Restricted cash	125,788
Accounts receivable	1,097,159
Accrued interest receivable	9,742
Prepaid assets	47
Total current assets	9,077,961
Noncurrent assets:	
Net Pension Asset (Note 7), net of accumulated amortization of $96,946	1,357,256
Capital assets (Note 3)	
Capital assets, not being depreciated	13,066,743
Capital assets, being depreciated, net of accumulated depreciation	19,544,972
Total capital assets, net	32,611,715
Total noncurrent assets	33,968,971
Total Assets	$ 43,046,932
LIABILITIES	
Current liabilities:	
Accounts payable & accrued liabilities	$ 356,851
Accrued payroll	117,085
Deferred revenue	445
Other liabilities	3,270
Certificates of participation less current portion (Note 4)	30,000
Accrued compensated absences - current (Note 4)	246,789
Total current liabilities	754,440
Noncurrent liabilities:	
Note payable less current portion (Note 4)	450,000
Certificates of participation less current portion (Note 4)	1,495,000
Total noncurrent liabilities	1,945,000
Total Liabilities	2,699,440
NET ASSETS	
Invested in capital assets, net of related debt	30,636,715
Unrestricted	9,710,777
Total Net Assets	40,347,492
Total Liabilities and Net Assets	$ 43,046,932

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

TOWN OF MORAGA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues			Net Revenue (Expense) and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
PRIMARY GOVERNMENT					
Governmental activities:					
General administration	$ 1,412,592	$ 8,569	$ -	$ 35,240	$ (1,368,783)
Planning	547,238	230,970	-	265,676	(50,592)
Public safety	2,007,108	110,398	100,000	-	(1,796,710)
Public works	2,704,268	407,342	10,000	1,381,805	(905,121)
Parks and recreation	606,949	210,303	-	46,346	(350,300)
Interest on long term debt	3,453	-	-	-	(3,453)
Total	7,281,608	967,582	110,000	1,729,067	(4,474,959)
Total primary government	$ 7,281,608	$ 967,582	$ 110,000	$ 1,729,067	$ (4,474,959)

General revenues:	
Taxes:	
Property taxes	$ 2,936,896
Sales taxes	976,416
Franchise taxes	710,239
Motor vehicle in-lieu	48,468
Gas Tax	277,534
Assessment	396,643
Interest and use of property	263,151
Other	195,572
Total general revenues and transfers	5,804,919
Change in net assets	1,329,960
Net assets, July 1, 2009	39,163,530
Prior period restatement (Note10)	(145,998)
Net assets, July 1, 2009 (restated)	39,017,532
Net assets, June 30, 2010	$ 40,347,492

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

TOWN OF MORAGA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 4,658,951	$ 2,014,729	$ 1,171,545	$ 7,845,225
Restricted cash	-	125,788	-	125,788
Accounts receivable	359,230	633,364	104,565	1,097,159
Interest receivable	7,534	617	1,591	9,742
Prepaid expenses	47	-	-	47
Due from other funds	454,589	-	-	454,589
TOTAL ASSETS	$ 5,480,351	$ 2,774,498	$ 1,277,701	$ 9,532,550
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued expenses	$ 259,810	$ 51,995	$ 45,046	$ 356,851
Accrued payroll	117,085	-	-	117,085
Deferred revenue	-	80,372	-	80,372
Other liabilities	3,270	-	-	3,270
Due to other funds	-	454,589	-	454,589
Total liabilities	380,165	586,956	45,046	1,012,167
FUND BALANCES:				
Reserved for:				
Debt service	-	1,975,000	-	1,975,000
Unreserved, undesignated, reported in:				
General fund	5,100,186	-	-	5,100,186
Capital projects fund	-	212,542	-	212,542
Special revenue funds	-	-	1,232,655	1,232,655
Total fund balances	5,100,186	2,187,542	1,232,655	8,520,383
TOTAL LIABILITIES AND FUND BALANCES	$ 5,480,351	$ 2,774,498	$ 1,277,701	

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

TOWN OF MORAGA
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances—governmental funds	$ 8,520,383
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 $18,861,950	32,611,715
Net pension asset is not capitalized and and is therefore not reported in the Governmental Funds net of accumulated amortization of $96,946	1,357,256
Certain grant receivables are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	79,927
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(246,789)
Notes payable	(450,000)
Certificates of participation	(1,525,000)
Net assets of governmental activities	$ 40,347,492

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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, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes and assessments	$ 4,623,551	$ -	$ 674,177	$ 5,297,728
Intergovernmental	398,453	1,221,469	412,531	2,032,453
Interest and use of property	254,918	2,487	5,746	263,151
Fines, forfeitures and penalties	24,937	-	54,090	79,027
Charges for services	600,133	32,542	10,402	643,077
Other revenue	71,146	113,997	1,501	186,644
Total Revenues	5,973,138	1,370,495	1,158,447	8,502,080
EXPENDITURES				
Current operations:				
General administration	1,253,101	-	-	1,253,101
Planning	530,386	-	-	530,386
Public safety	1,977,944	-	-	1,977,944
Public works	1,631,708	78,794	197,002	1,907,504
Parks and recreation	563,771	-	118	563,889
Debt service:				
Principal	-	86,800	-	86,800
Interest	-	3,453	-	3,453
Capital outlay	6,270	2,824,116	-	2,830,386
Total expenditures	5,963,180	2,993,163	197,120	9,153,463
Revenues over (under) expenditures	9,958	(1,622,668)	961,327	(651,383)
Other financing sources (uses)				
Proceeds from debt issuance	-	2,004,562	-	2,004,562
Transfers in	379,640	9,021	-	388,661
Transfers out	(637)	-	(388,024)	(388,661)
Total other financing sources (uses)	379,003	2,013,583	(388,024)	2,004,562
Net change in fund balance	388,961	390,915	573,303	1,353,179
Fund balance, July 1, 2009	4,711,225	1,942,625	659,352	7,313,202
Prior period adjustments (Note 10)	-	(145,998)	-	(145,998)
Fund balance, July 1, 2009 (restated)	4,711,225	1,796,627	659,352	7,167,204
Fund balance, June 30, 2010	$ 5,100,186	$ 2,187,542	$ 1,232,655	$ 8,520,383

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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, 2010

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	$ 1,353,179
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	2,805,036
Depreciation expense	(938,399)
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	86,800
The issuances of loans and capital leases are recognized as other financing sources in the governmental funds, however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.	(1,975,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	79,927
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)
Change in accrued compensated absences	(33,110)
Change in net assets of governmental activities	$ 1,329,960

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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, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 699,582
Accounts receivable	2,901
Interest receivable	344
TOTAL ASSETS	$ 702,827
LIABILITIES	
Accounts payable	$ 46,236
Deposits	346,454
Deposits in trust	310,137
TOTAL LIABILITIES	$ 702,827

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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, 2010

	Original Budget	Amended Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes and assessments	$ 1,562,793	$ 1,570,715	$ 1,575,440	$ 4,725
Property tax - in lieu	1,279,564	1,270,501	1,270,581	80
Sales and use tax	642,950	623,565	723,246	99,681
Sales tax - public safety	42,400	29,839	50,620	20,781
Sales and use tax - in lieu	217,481	202,550	202,550	-
Franchise fees	666,949	667,862	710,239	42,377
Real property transfer fees	30,767	55,000	73,628	18,628
Motor vehicle license fees	36,774	22,114	48,468	26,354
Planning and permits	258,600	259,285	232,374	(26,911)
Homeowner's property tax relief	-	-	17,247	17,247
Interest	92,000	47,536	32,701	(14,835)
Property rentals	216,392	195,773	222,217	26,444
Parks and recreation	185,800	221,239	249,659	28,420
Police services	77,980	55,133	62,879	7,746
Public works services	390,380	330,565	396,146	65,581
Grants	-	100,000	100,000	-
Other	5,500	3,000	5,143	2,143
Total revenues	5,706,330	5,654,677	5,973,138	318,461
Expenditures				
General government	1,255,929	1,271,079	1,253,101	17,978
Planning	484,860	531,485	530,386	1,099
Public safety	2,044,816	2,169,103	1,977,944	191,159
Public works	1,684,649	1,660,734	1,631,708	29,026
Parks and recreation	499,343	522,797	563,771	(40,974)
Capital outlay	-	-	6,270	(6,270)
Total expenditures	5,969,597	6,155,198	5,963,180	192,018
Revenues over (under) expenditures	(263,267)	(500,521)	9,958	510,479
Other financial sources (uses)				
Transfers in	671,000	671,000	379,640	(291,360)
Transfers out	-	-	(637)	(637)
Total other financial sources (uses)	671,000	671,000	379,003	(291,997)
Revenues over (under) expenditures, net of of other financial sources (uses)	407,733	170,479	388,961	218,482
Fund balance, July 1, 2009	4,088,869	4,088,869	4,711,225	-
Fund balance, June 30, 2010	$ 4,496,602	$ 4,259,348	$ 5,100,186	$ 218,482

Draft

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

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.

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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.

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.

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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.

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, 2010 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.

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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, 2010 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, 2010 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.

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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.

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.

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NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

		Total
Statement of net assets:		
Cash and investments	$	7,845,225
Restricted cash		125,788
Fiduciary funds:		
Cash and investments		699,582
Total cash and investments	$	8,670,595

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	$	500
Deposits with financial institutions		318,390
Deposits with trustee		125,788
Investments		8,225,917
Total cash and investments	$	8,670,595

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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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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.

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, 2010:

	Remaining Maturity		
Investment type	12 months or less	1-5 years	Fair Value
Local Area Investment Fund (LAIF)	$ 8,225,917	$ -	$ 8,225,917

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.

		Rating as of Fiscal Year End		
Investment type	Total	S&P	Moody's	N/A
Local Area Investment Fund (LAIF)	$ 8,225,917			Not rated

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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, 2010, the Town's bank balances were $697,907, all of which was insured.

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.

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NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

Governmental activities:	Balance July 1, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Capital asset, not being depreciated:					
Land and easements	$ 10,003,951	$ 676,260	$ -	$ -	$ 10,680,211
Construction in progress	1,719,048	1,592,928	-	(925,444)	2,386,532
Total capital assets, not being depreciated	11,722,999	2,269,188	-	(925,444)	13,066,743
Capital assets, being depreciated:					
Buildings and improvements	4,084,529	498,740	-	132,742	4,716,011
Roadway and related	26,683,065	-	-	673,574	27,356,639
Storm drains	3,078,067	-	-	-	3,078,067
Parks and recreation	2,002,577	-	-	46,346	2,048,923
Equipment and furniture	1,097,392	37,108	-	72,782	1,207,282
Total capital assets, being depreciated	36,945,630	535,848	-	925,444	38,406,922
Accumulated depreciation:					
Buildings and improvements	(899,542)	(93,475)	-	-	(993,017)
Roadway and related	(13,354,237)	(618,234)	-	-	(13,972,471)
Storm drains	(1,988,423)	(47,154)	-	-	(2,035,577)
Parks and recreation	(747,080)	(61,628)	-	-	(808,708)
Equipment and furniture	(934,269)	(117,908)	-	-	(1,052,177)
Total accumulated depreciation	(17,923,551)	(938,399)	-	-	(18,861,950)
Governmental activities capital assets, net	$ 30,745,078	$ 1,866,637	$ -	$ -	$ 32,611,715

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

Governmental Activities:	
General Administration	$ 110,814
Planning	13,872
Public safety	45,082
Public Works	696,599
Parks and recreation	72,032
Total governmental activities depreciation expense	$ 938,399

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, 2010:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Current Portion
Note payable	$ 86,800	$ -	$ (86,800)	$ -	$ -
Note payable	-	450,000	-	450,000	-
Certificates of Participation	-	1,525,000	-	1,525,000	30,000
Compensated Absences	213,679	281,768	(248,658)	246,789	246,789
Governmental activities long-term liabilities	$ 300,479	$ 2,256,768	$ (335,458)	$ 2,221,789	$ 276,789

Note Payable

The Town signed a promissory note for $450,000 in connection with the 331 Rheem Boulevard acquisition. The note is non-interest bearing.

Future annual payments on the note payable are as follows:

For the Year Ending, June 30	Principal	Interest
2012	$ 450,000	$ -

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2010 Certificates of Participation - Town Hall Improvement Project

Certificates of Participation were executed and delivered pursuant to a trust agreement dated February 1, 2010 by and among the Town, the AGAB Finance Authority for Nonprofit Corporations (AGAB) and U.S. Bank, National Association (the Trustee) for the purposes of (a) financing a portion of the acquisition of real property located at 331 Rheem Boulevard in the Town and (b) the seismic upgrading and remodeling of the Town Hall located at 329 Rheem Boulevard. The Town is obligated to make base rental payments under a facility lease dated February 1, 2010 by and between the Town and AGAB according to the following debt service schedule:

For the Year Ending, June 30	Principal	Interest
2011	$ 30,000	$ 33,566
2012	55,000	59,219
2013	60,000	55,769
2014	60,000	55,769
2015	60,000	53,969
2016-2020	345,000	236,844
2021-2025	410,000	163,694
2026-2030	505,000	70,188
Total	$ 1,525,000	$ 729,018

NOTE 4: LONG-TERM LIABILITIES (CONTINUED)

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, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	454,589

Balances recorded as Due to/from other funds resulted from loans made to cover operating cash deficits which are expected to be reimbursed upon receipt of grant reimbursements.

Interfund transfers

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

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Transfer From	Transfer To	Amount
General Fund	Capital Projects Fund	$ 637
Nonmajor Governmental Funds	General Fund	379,640
	Capital Projects Fund	8,384
		$ 388,661

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 $1,675 in administrative fees to the Town for the year ended June 30, 2010.

Condensed audited financial statements of the Lamorinda Fee and Financing Authority at June 30, 2010 are as follows. Complete financial statements of the JPA are available at the Town of Moraga office.

Total Assets	$	221,907
Total Liabilities		-
Total Revenue		16,274
Total Expenditures		3,765
Change in Net Assets		12,509
Total Net Assets		221,907

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.

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The Plans' provisions and benefits in effect for the year ended June 30, 2010, are summarized as follows:

	Safety Plan	Miscellaneous Plan
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	55
Required employer contribution rates	12.781%	8.134%

Funding Policy

Participating employees are required to contribute seven percent of their salary to CalPERS. The Town historically has paid 5% of the 7% employee required portion. The Town is required to contribute at an actuarially determined rate. The contribution rates (stated as a percentage of current year covered payroll) in effect for the year ended June 30, 2010, are summarized as follows:

	Safety Plan	Miscellaneous Plan
Required employer contribution rates	12.781%	8.134%

NOTE 7 - RETIREMENT PLANS (CONTINUED)

Annual Pension Cost

The required contribution for year ended June 30, 2010 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 valuation date	June 30, 2007
Actuarial cost method	Entry Age Actuary Cost Method
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%

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Three Year Trend Information for PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 325,325	100%	-
2009	289,561	100%	-
2010	260,212	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.

Safety Plan Schedule of Funded Status and Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
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%	72,308,836	81.4%
June 30, 2008	504,295,839	438,674,996	65,620,843	87.0%	77,903,428	84.2%

Miscellaneous Plan Schedule of Funded Status and Funding Progress

Actuarial Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liabilities (UL)	Funded Ratio	Annual Covered Payroll	UL As a % of Payroll
June 30, 2006	2,754,396,608	2,492,266,176	302,747,651	90.5%	699,897,835	37.5%
June 30, 2007	2,611,746,790	2,391,434,447	220,312,343	91.6%	665,522,859	33.1%
June 30, 2008	2,780,280,768	2,547,323,278	232,957,490	91.6%	688,606,681	33.8%

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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, 2010 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:

	Participating Cities' Total Coverage	Deductible (Town Portion)
All risk fire and property	$ 1,000,000,000	$ 5,000
Boiler and machinery	50,000,000	5,000
Liability	29,000,000	10,000
Auto-physical damage	250,000	2,000
Worker's compensation	150,000,000	0

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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 by any significant amount.

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.

NOTE 10: PRIOR PERIOD ADJUSTMENT

During the year, it was discovered that prior year grant receivables had been overstated in the amount of $145,998 due to grant expenditures being disallowed. To correct this error, beginning fund balance of the Capital Projects Fund has been decreased by $145,998.

NOTE 11: SUBSEQUENT EVENTS

Government Accounting Standards Board Statement No. 54

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective to this statements is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Application of this statement is effective for the Town's fiscal year ending June 30, 2011.

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TOWN OF MORAGA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Gasoline Tax	Transportation Measure C Fund	Park Dedication	Lighting District	Traffic Safety
ASSETS					
Cash and equivalents	$ 273,666	$ 169,056	$ 132,042	$ 165,748	$ 112,156
Accounts receivable	27,748	26,958	-	-	7,705
Interest receivable	232	308	172	216	173
Due from other funds	-	-	-	-	-
Total assets	$ 301,646	$ 196,322	$ 132,214	$ 165,964	$ 120,034
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ -	$ -	$ 42	$ 45,004	$ -
Due to fiduciary funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	42	45,004	-
Fund balances	301,646	196,322	132,172	120,960	120,034
Total Liabilities and Fund Balances	$ 301,646	$ 196,322	$ 132,214	$ 165,964	$ 120,034

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TOWN OF MORAGA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	National Pollution Discharge Elimination System District	Traffic Congestion	Asset Forfeiture	Total
ASSETS				
Cash and equivalents	$ 67,010	$ 240,634	$ 11,233	$ 1,171,545
Accounts receivable	1,254	40,900	-	104,565
Interest receivable	218	257	15	1,591
Due from other funds	-	-	-	-
Total assets	$ 68,482	$ 281,791	$ 11,248	$ 1,277,701
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	$ -	$ -	$ -	$ 45,046
Due to fiduciary funds	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	45,046
Fund balances	68,482	281,791	11,248	1,232,655
Total Liabilities and Fund Balances	$ 68,482	$ 281,791	$ 11,248	$ 1,277,701

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TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Gasoline Tax	Transportation Measure C Fund	Park Dedication	Lighting District	Traffic Safety
REVENUES					
Taxes and assessment	$ 277,534	$ -	$ -	$ 165,124	$ -
Intergovernmental	-	265,676	-	-	-
Interest	510	1,100	826	1,060	763
Fines, forfeitures and penalties	-	-	-	-	54,090
Charges for services	-	-	10,402	-	-
Other revenue	-	-	1,501	-	-
Total revenues	278,044	266,776	12,729	166,184	54,853
EXPENDITURES					
Public works	-	-	-	197,002	-
Parks and recreation	-	-	118	-	-
Total expenditures	-	-	118	197,002	-
Revenues over (under) expenditures	278,044	266,776	12,611	(30,818)	54,853
Other financing uses					
Operating transfers out	(8,384)	(144,640)	-	-	(35,000)
Total other financing uses	(8,384)	(144,640)	-	-	(35,000)
Net change in fund balance	269,660	122,136	12,611	(30,818)	19,853
Fund balances - July 1, 2009	31,986	74,186	119,561	151,778	100,181
Fund balances - June 30, 2010	$ 301,646	$ 196,322	$ 132,172	$ 120,960	$ 120,034

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TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	National Pollution Discharge Elimination System District	Traffic Congestion	Asset Forfeiture	Total
REVENUES				
Taxes and assessment	$ 231,519	$ -	$ -	$ 674,177
Intergovernmental	-	146,855	-	412,531
Interest	457	956	74	5,746
Fines, forfeitures and penalties	-	-	-	54,090
Charges for services	-	-	-	10,402
Other revenue	-	-	-	1,501
Total revenues	231,976	147,811	74	1,158,447
EXPENDITURES				
Public works	-	-	-	197,002
Parks and recreation	-	-	-	118
Total expenditures	-	-	-	197,120
Revenues over (under) expenditures	231,976	147,811	74	961,327
Other financing uses				
Operating transfers out	(200,000)	-	-	(388,024)
Total other financing uses	(200,000)	-	-	(388,024)
Net change in fund balance	31,976	147,811	74	573,303
Fund balances - July 1, 2009	36,506	133,980	11,174	659,352
Fund balances - June 30, 2010	$ 68,482	$ 281,791	$ 11,248	$ 1,232,655

Draft

TOWN OF MORAGA
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2010

	General Fund	Developer Fee Fund	COPS/AVA Fund	Total
ASSETS				
Cash and cash equivalents	$ 2,130,488	$ 2,390,737	$ 137,726	$ 4,658,951
Accounts receivable	345,256	-	13,974	359,230
Interest receivable	7,390	-	144	7,534
Due from other funds	454,589	-	-	454,589
Prepaid expenses	47	-	-	47
Total Assets	$ 2,937,770	$ 2,390,737	$ 151,844	$ 5,480,351
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued expenses	$ 255,641	$ -	$ 4,169	$ 259,810
Accrued payroll	117,085	-	-	117,085
Other liabilities	3,270	-	-	3,270
Total liabilities	375,996	-	4,169	380,165
FUND BALANCES:				
Reserved for:				
Encumbrances	29,541	-	-	29,541
Fund balance, unreserved, and undesignated	2,532,233	2,390,737	147,675	5,070,645
Total fund balance	2,561,774	2,390,737	147,675	5,100,186
Total liabilities and fund balances	$ 2,937,770	$ 2,390,737	$ 151,844	$ 5,480,351

Draft

TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Developer Fee Fund	COPS/AVA Fund	Total
REVENUES				
Taxes and assessments	$ 4,623,551	$ -	$ -	$ 4,623,551
Intergovernmental	298,453	-	100,000	398,453
Interest	254,358	-	560	254,918
Fines, forfeitures and penalties	24,937	-	-	24,937
Charges for services	600,133	-	-	600,133
Other revenue	71,146	-	-	71,146
Total Revenues	5,872,578	-	100,560	5,973,138
EXPENDITURES				
Current Operations:				
General Administration	1,253,101	-	-	1,253,101
Planning	530,386	-	-	530,386
Public safety	1,924,299	-	53,645	1,977,944
Public works	1,631,708	-	-	1,631,708
Parks and recreation	563,771	-	-	563,771
Capital Outlay	6,270	-	-	6,270
Total expenditures	5,909,535	-	53,645	5,963,180
Revenues over (under) expenditures	(36,957)	-	46,915	9,958
Other financing sources (uses)				
Transfers in	379,640	-	19,206	398,846
Transfers out	(19,843)	-	-	(19,843)
Total other financing sources	359,797	-	19,206	379,003
Net change in fund balance	322,840	-	66,121	388,961
Fund balance, July 1, 2009	2,238,934	2,390,737	81,554	4,711,225
Fund balance, June 30, 2010	$ 2,561,774	$ 2,390,737	$ 147,675	$ 5,100,186

Draft

TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 2010

	Community Facilities/ Open Space Fund	Asset Replacement Fund	Federal Grant/ Reimbursement	Prop 1 B	Comcast Grant Unrestricted
Assets					
Cash and equivalents	$ 8,106	$ 803,836	$ 3,529	$ 156,632	$ 164,925
Restricted cash	-	-	-	-	-
Accounts receivable	-	-	624,604	-	-
Interest receivable	-	-	-	280	-
Total assets	8,106	803,836	628,133	156,912	164,925
Liabilities and Fund Balances					
Accounts payable	-	-	51,995	-	-
Deferred Revenue	-	-	80,372	-	-
Due to other funds	-	-	454,589	-	-
Total liabilities	-	-	586,956	-	-
Fund balances	8,106	803,836	41,177	156,912	164,925
Total liabilities and fund balances	$ 8,106	$ 803,836	$ 628,133	$ 156,912	$ 164,925

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TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND (CONTINUED)
JUNE 30, 2010

	Comcast Grant Restricted	COP 329 Rheem Renovations	Public Safety Impact Fees	Local Transportation Impact Fees	Storm Drain Impact Fees
Assets					
Cash and equivalents	$ 204,204	$ 625,239	$ 2,122	$ 1,483	$ 22,654
Restricted cash	-	125,788	-	-	-
Accounts receivable	8,760	-	-	-	-
Interest receivable	-	273	3	2	31
Total assets	212,964	751,300	2,125	1,485	22,685
Liabilities and Fund Balances					
Accounts payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund balances	212,964	751,300	2,125	1,485	22,685
Total liabilities and fund balances	$ 212,964	$ 751,300	$ 2,125	$ 1,485	$ 22,685

Draft

TOWN OF MORAGA
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND (CONTINUED)
JUNE 30, 2010

	General Government Facilities Impact Fees	Park Development Impact Fees	Traffic Mitigation	Total
Assets				
Cash and equivalents	$ 12,602	$ 9,397	$ -	$ 2,014,729
Restricted cash	-	-	-	125,788
Accounts receivable	-	-	-	633,364
Interest receivable	16	12	-	617
Total assets	12,618	9,409	-	2,774,498
Liabilities and Fund Balances				
Accounts payable	-	-	-	51,995
Deferred Revenue	-	-	-	80,372
Due to other funds	-	-	-	454,589
Total liabilities	-	-	-	586,956
Fund balances	12,618	9,409	-	2,187,542
Total liabilities and fund balances	$ 12,618	$ 9,409	$ -	$ 2,774,498

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TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Community Facilities/ Open Space Fund	Asset Replacement Fund	Federal Grant/ Reimbursement	Prop 1 B	Comcast Grant Unrestricted
Revenues					
Intergovernmental	$ -	$ -	$ 1,221,469	$ -	$ -
Interest income	-	-	(167)	1,636	-
Charges for services	-	-	-	-	-
Other revenue	10,000	-	68,757	-	-
Total revenues	10,000	-	1,290,059	1,636	-
Expenditures					
Public works	-	-	-	-	-
Capital outlay	-	2,333	1,526,224	120,559	-
Debt service:					
Principal	-	86,800	-	-	-
Interest	-	3,453	-	-	-
Total expenditures	-	92,586	1,526,224	120,559	-
Revenues over (under) expenditures	10,000	(92,586)	(236,165)	(118,923)	-
Other financial sources (uses)					
Transfers in	-	-	70,575	-	-
Transfers out	-	(27,026)	-	(34,238)	-
Proceeds from debt issuance	-	-	-	-	-
Total other financial sources (uses)	-	(27,026)	70,575	(34,238)	-
Net change in fund balance	10,000	(119,612)	(165,590)	(153,161)	-
Fund balance (deficit), July 1, 2009	(1,894)	923,448	352,765	310,073	164,925
Prior period adjustment	-	-	(145,998)	-	-
Fund balance (deficit), July 1, 2009 (restated)	(1,894)	923,448	206,767	310,073	164,925
Fund balance, June 30, 2010	$ 8,106	$ 803,836	$ 41,177	$ 156,912	$ 164,925

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TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	Comcast Grant Restricted	COP 329 Rheem Renovation	Public Safety Impact Fees	Local Transportation Impact Fees	Storm Drain Impact Fees
Revenues					
Intergovernmental	$ -	$ -	$ -	$ -	$ -
Interest income	-	532	9	6	92
Charges for services	-	-	1,433	1,002	15,306
Other revenue	35,240	-	-	-	-
Total revenues	35,240	532	1,442	1,008	15,398
Expenditures					
Public works	-	78,794	-	-	-
Capital outlay	-	1,175,000	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,253,794	-	-	-
Revenues over (under) expenditures	35,240	(1,253,262)	1,442	1,008	15,398
Other financial sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Proceeds from debt issuance	-	2,004,562	-	-	-
Total other financial sources (uses)	-	2,004,562	-	-	-
Net change in fund balance	35,240	751,300	1,442	1,008	15,398
Fund balance (deficit), July 1, 2009	177,724	-	683	477	7,287
Prior period adjustment	-	-	-	-	-
Fund balance (deficit), July 1, 2009 (restated)	177,724	-	683	477	7,287
Fund balance, June 30, 2010	$ 212,964	$ 751,300	$ 2,125	$ 1,485	$ 22,685

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TOWN OF MORAGA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

	General Government Facilities Impact Fees	Park Development Impact Fees	Traffic Mitigation	Total
Revenues				
Intergovernmental	$ -	$ -	$ -	$ 1,221,469
Interest income	51	38	290	2,487
Charges for services	8,514	6,287	-	32,542
Other revenue	-	-	-	113,997
Total revenues	8,565	6,325	290	1,370,495
Expenditures				
Public works	-	-	-	78,794
Capital outlay	-	-	-	2,824,116
Debt service:				
Principal	-	-	-	86,800
Interest	-	-	-	3,453
Total expenditures	-	-	-	2,993,163
Revenues over (under) expenditures	8,565	6,325	290	(1,622,668)
Other financial sources (uses)				
Transfers in	-	-	637	71,212
Transfers out	-	-	(927)	(62,191)
Proceeds from debt issuance	-	-	-	2,004,562
Total other financial sources (uses)	-	-	(290)	2,013,583
Net change in fund balance	8,565	6,325	-	390,915
Fund balance (deficit), July 1, 2009	4,053	3,084	-	1,942,625
Prior period adjustment	-	-	-	(145,998)
Fund balance (deficit), July 1, 2009 (restated)	4,053	3,084	-	1,796,627
Fund balance, June 30, 2010	$ 12,618	$ 9,409	$ -	$ 2,187,542

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TOWN OF MORAGA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Disbursements/ Expenditures
Department of Homeland Security			
Direct Programs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		$ 47,416
Total Department of Homeland Security			47,416
Department of Transportation			
Pass-through programs from the CA State Department of Transportation:			
Highway Planning and Construction	20.205	HSIPL-5415 (007)	28,343
Highway Planning and Construction	20.205	STPL-5415 (008)	393,823
Highway Planning and Construction	20.205	ER-4433 (009)	4,711
ARRA : Highway Planning and Construction	20.205	ESPL-5415 (010)	593,886
Total Department of Transportation			1,020,763
Department of Housing and Urban Development			
Pass-Through programs from Contra Costa County - Department of Conservation and Development			
ARRA: Community Development Block Grants/Entitlement Grants	14.218	09-12CDBGR	23,825
Total Department of Housing and Urban Development			23,825
Total expenditures of federal awards			$ 1,092,004

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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, 2010

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.

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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, 2010, which collectively comprise the Town of Moraga's basic financial statements and have issued our report thereon dated December 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* 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, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Draft

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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'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*.

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

This report is intended solely for the information and use of management, the Town Council, the Board of Trustees 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
December 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, 2010. 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.

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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, 2010.

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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
December 4, 2010

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TOWN OF MORAGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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: 20.205 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

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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

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