

**TOWN OF ATHERTON, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Prepared by**  
**FINANCE DEPARTMENT**

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**TOWN OF ATHERTON**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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**TOWN OF ATHERTON**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Member of the City Council  
Town of Atherton, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Atherton (Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

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 as of June 30, 2013 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matters***

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had material effects on the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See note 1E to the financial statements for relevant disclosures.

The emphasis of these matters does not constitute a modification to our opinions.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements as a whole. The Supplemental Information as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 Supplemental Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Marc & Associates*

Pleasant Hill, California  
December 16, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Atherton, we offer readers of the Town of Atherton's financial statements this narrative overview and analysis of the financial activities of the Town of Atherton for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here.

### FINANCIAL HIGHLIGHTS

- The assets of the Town of Atherton exceeded its liabilities at the close of the most recent fiscal year by \$49,119,633 (*net position*). Of this amount, \$9,377,833 (*unrestricted position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,770,129. The increase is due to higher property tax, sales tax, and other taxes revenues and one time revenues of about \$534,081 from mitigation and settlement claims. The Town continues to realize savings from reorganization.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$21,273,137, an increase of \$4,419,595 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$5,885,706, or 56.1 percent of total general fund expenditures. The Town adopted a fund balance policy of not dropping the unassigned fund balance below 20% of the actual annual operating expenditures. The General Fund is the chief operating fund of the Town.
- The unassigned General Fund balance increased by \$2,365,301 compared to fiscal year 2011-2012. Key Contributing factors include increase in general fund revenues of approximately \$1 million and a decrease of expenditures of about \$1.1 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Atherton's basic financial statements. The Town of Atherton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Atherton's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Atherton's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of Atherton is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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Both of the government-wide financial statements distinguish functions of the Town of Atherton that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town of Atherton include general government, planning, building, public safety (Police), and public works.

The government-wide financial statements can be found on pages 16-17 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Atherton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Atherton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Atherton maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund, all of which are considered to be major funds. The Town of Atherton also elected to include Facilities Construction Capital Projects Fund as major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Atherton adopts an annual appropriated budget for its General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-26 of this report.

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**Proprietary funds.** The Town of Atherton maintains one type of proprietary funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town of Atherton various functions. The Town of Atherton uses internal service funds to account for its fleet of vehicles and equipment, workers' compensation liability, general and employment liabilities, and employee benefits including compensated absences and other post-employment benefits other than pension. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Atherton's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 32 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-57 of this report.

**Supplemental Information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found on pages 60-74 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Atherton, assets exceeded liabilities by \$49,119,633 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net position (54 percent) reflects its investment in capital assets of \$26,844,553 (e.g., land, buildings, vehicles, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town of Atherton uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Atherton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Atherton Net Position**

	Governmental activities	
	2013	2012
Current and other assets	\$ 25,196,360	\$ 21,652,560
Capital assets	26,844,553	28,835,793
<b>Total assets</b>	<b>52,040,913</b>	<b>50,488,353</b>
Current liabilities	2,256,584	2,287,495
Noncurrent liabilities	664,696	1,851,354
<b>Total liabilities</b>	<b>2,921,280</b>	<b>4,138,849</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	26,844,553	28,835,793
Restricted	12,897,247	10,633,181
Unrestricted	9,377,833	6,880,530
<b>Total net position</b>	<b>\$ 49,119,633</b>	<b>\$ 46,349,504</b>

An additional portion of the Town of Atherton net position \$12,897,247 (26 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$9,377,833 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Atherton is able to report positive balances for all three categories of net assets related to governmental activities. The same situation held true for the prior fiscal year.

**Governmental activities.** Governmental activities increased the Town of Atherton's net assets by \$2,770,129. The increase was due to higher property tax, other taxes, and other one-time revenue sources. The Net Asset increase was also due to reduction in expenditures across major funds and other government funds. Specifically the General Fund had a reduction in expenditures of about 1.1 million. The reorganization in FY 11-12 led to decrease in OPEB obligation contributions as well as savings in the payment of CalPERs Safety side fund resulting in a decrease in employer contribution rates.

Town of Atherton's Changes in Net Position

	2013	2012
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 2,181,472	\$ 2,111,785
Operating grants and contributions	715,797	727,577
<b>General revenues:</b>		
Taxes	12,056,392	11,124,655
Investment earnings	58,235	129,185
Other revenues	510,309	194,616
<b>Total revenues</b>	<b>15,522,205</b>	<b>14,287,818</b>
<b>Expenses:</b>		
General government	2,567,984	3,162,128
Public works	3,560,351	3,608,614
Police	5,198,013	5,322,561
Building	1,202,246	1,321,818
Planning	223,482	187,291
<b>Total expenses</b>	<b>12,752,076</b>	<b>13,602,412</b>
<b>Change in Net Position</b>	<b>2,770,129</b>	<b>685,406</b>
Transfers	-	-
Net assets - Beginning	46,349,504	45,664,098
Net assets - Ending	\$ 49,119,633	\$ 46,349,504

- Charges for services increased by \$69,687 (3.2 percent) during the year. The increase was primarily due to higher Measure M revenues of \$82,207. Measure M is the San Mateo County Vehicle Registration fee of \$10 levied on vehicles registered in the County. The funds help to maintain streets and improve traffic congestion.
- Operating grants and contribution decreased overall by \$11,780 during the year. The decrease was primarily due to lower general government grants. We did not receive the State Recycling grant and as well as the timing for ABAG grant funding reimbursement programs. Reimbursements occur after the expenses are incurred. There was also fewer post reimbursement than previous year.
- Taxes increased by \$931,737 (8.3 percent) during the year. The increase was primarily due to an increase of \$887,388 in property tax, a decrease \$18,272 in sales tax, and \$62,621 increase in other taxes which included franchise fees and document transfer tax.
- Investment earnings are down to last year due to fair market value adjustment of \$99,483 to investments as interest rates remain low. Without the fair market value adjustment interest earnings would be \$28,537 higher (22 percent) than last year. Miscellaneous revenue is higher by \$315,693 mainly due to one-time revenues received from Facebook in the amount of \$350,000 for mitigation.
- Total Government Activities expenses decreased by \$850,336 (6.2 percent) during the year. The decrease was primarily due to decrease in overall operational expenditures

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and continued savings from reorganization of Public Works and Building department. The Town also filled department head positions and made the miscellaneous employees' pension side fund payoff of which will result in a reduction in employer contribution rate in Fiscal Year 13-14.

### **Financial Analysis of the Government's Funds**

As noted earlier, the Town of Atherton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

From FY 2011, The Town adopted the provision of Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. Additional information can be found in Note 7 on pages 46-48 in the financial statements.

#### **Governmental funds:**

The focus of the Town of Atherton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Atherton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund** The general fund is the chief operating fund of the Town of Atherton. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,885,706 while total fund balance reached \$8,375,890. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56.1 percent of the total general fund expenditures while total fund balance represents 79.8 percent of that same amount.

The fund balance of the Town of Atherton's general fund increased \$2,155,529 by during the current fiscal year. Key factors in the increase are as follows:

- \$647,650 payment to CalPERS for paying off miscellaneous group retirement pension side fund. The payment of the CalPERS side fund for the Public Safety group reduced the employer retirement contribution rate. The payment of \$1,224,321 in prior fiscal year yielded an expense savings of \$209,988 in the current fiscal year.
- \$1,105,792 decrease in overall General Fund operational departments expenditures.
- Increase in property tax revenues in the amount of \$722,597

**Special Tax Special Revenue Fund** has a total fund balance of \$1,451,645, all of which is reserved for street and drainage facility maintenance and police services. Revenue in the fund showed no significant variation from prior year. Expenditures decreased by \$1,235,215. Fewer capital outlay expenditure compared to last year as we begin to ramp up with the implementation of Town Capital Improvement Program.

**Library Special Revenue Fund** has a total fund balance of \$7,341,403, all of which is reserved for the library operation. Revenue was higher than prior year by \$158,985 due to return of excess donor city funds of \$1,121,146. During the fiscal year the San Mateo County JPA changed how they remit funds to the cities. All donor funds will be held in a separate trust for each city in the JPA. Funds will be remitted to cities once they use up all existing funds. Current existing funds held by the Town are \$6,223,993.

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## General Fund Budgetary Highlights

During the year there was a \$126,000 decrease in appropriations between the original and final amended budget. Following are the main components of the decrease:

- \$100,030 decrease in Administration expenses due to reduction in other contract services budgeted for contract interim city manager. .
- \$1,120 and \$1,000 decrease for Finance and Planning Departments respectively.
- Building Department had a total net increase in expenditures of \$41,513. Included was a decrease of \$90,000 for building contract revenues and increase for technical services grading and drainage plan.
- \$18,300 decrease in expenditures for Public Works departments
- \$48,088 overall net decrease in Police Department expenditures

During the year, the revenue budget increased by \$967,102. The following are the main components of the increase:

- \$156,000 higher secured property tax
- \$197,000 higher ERAF revenue.
- \$90,000 higher unsecured tax
- \$65,874 higher property tax in lieu VLF
- \$49,600 higher property transfer tax
- \$31,000 higher total sales tax
- \$18,750 lower franchise tax garbage
- \$21,555 higher zoning and planning fees
- \$186,900 lower building department revenue.
- \$350,000 one-time revenue Facebook mitigation
- \$184,081 one-time revenue settlement claims.

## Capital Assets and Debt Administration

**Capital assets.** The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$26,844,553 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. Construction in progress decreased by \$359,711. This is mainly due to retirement of library project in the park.

**Town of Atherton's Capital Assets  
(net of depreciation)**

	Governmental activities	
	2013	2012
Land	\$ 690,884	\$ 690,884
Construction in progress	73,683	433,394
Building	991,487	1,042,051
Other Improvements	414,504	449,224
Vehicles	297,456	368,439
Computer Equipment/Software	35,256	77,363
Furniture & Fixture	4,446	7,411
Machinery & Equipment	128,332	84,772
Infrastructure	24,208,505	25,682,255
Total Fixed Assets	<u>\$ 26,844,553</u>	<u>\$ 28,835,793</u>

Additional information about the Town's capital assets can be found in Note 5 on pages 43-45 in the financial statements.

**Long-term debt.** At the end of the current fiscal year, the Town of Atherton has total debt outstanding of \$107,000.

**Town of Atherton's Outstanding Debt**

	Governmental activities	
	2013	2012
Software capital lease	\$ -	\$ 24,330
Workers' compensation assessment	107,000	214,000
Total Debt	<u>\$ 107,000</u>	<u>\$ 238,330</u>

The Town of Atherton's reported \$107,000 of total debt during the current fiscal year.

- \$107,000 in assessment due to The Cities Group to cover negative workers' compensation reserve.

Additional information on the Town of Atherton's outstanding debt can be found in Note 6 on page 45 of this report.

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### **Economic Factors and Next Year's Budgets**

At the date of publication of this report, the majority of Town revenues for the coming fiscal year have not yet been received. Property taxes comprise 63.8% of the General Fund revenues and it appears that this will remain a stable source of revenue into the coming year. With the anticipated recovery in the economy and property sales within the town slightly on the rise, the Town can begin to understand the levels of property tax revenue expectations. As of now financial assumptions includes a steady increase in property tax revenue projections at 3 percent and we will monitor other Town revenues. There are only 3 counties in California that have Excess ERAF, and San Mateo County is one of them. There is anticipation that the Governor's upcoming budgets will reduce the excess ERAF to local agencies leading to changes in new school funding formula. The Town is aware and will budget ERAF revenues flat at \$700,000 and continue to monitor the situation. Building Department revenues show slight sign of increase. Franchise tax revenues and other charges for service remain stable.

The Town of Atherton also expects to monitor short term and long term expenditures. A new salary and benefit resolution for unrepresented staff was effective July 1, 2013. Employee pension member contribution of 7 percent was picked up by the employee. New caps in health care contributions were implemented for employees. A new Police MOU anticipated to be in effect in Fiscal Year 13/14. OPEB actuarial study was performed and revealed a decrease in annual required contribution. During the Fiscal Year the Town contributed \$1,299,316 towards a PARS irrevocable trust for future OPEB liabilities and reducing our Net OPEB obligation. CalPERS also will begin new amortization and rate smoothing policies in the next couple of years to recover gains and losses of funded status of plans. Analysis on future costs will continue to be a focus as we intend to meet long term obligations and Town operating expenditures. The goal is to continue to provide current level of services to the community and financial transparency.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Atherton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 91 Ashfield Road, Atherton, CA 94027 or [www.ci.atherton.ca.us](http://www.ci.atherton.ca.us).

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**TOWN OF ATHERTON**

**STATEMENT OF NET POSITION AND  
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize all of the Town's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all of the Town's assets and liabilities, as well as all its revenues and expenses.

This is known as the full accrual basis—the effect of all the Town's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Town funds have been eliminated.

The Statement of Net Position reports the difference between the Town's total assets and the Town's total liabilities, including all the Town's capital assets. The Statement of Net Position presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Town's net position, by subtracting total liabilities and deferred inflow of resources from total assets and deferred outflow of resources.

The Statement of Net Position summarizes the financial position of all of the Town's Governmental Activities in a single column, and the financial position of all of the Town's Business-Type Activities in a single column. These columns are followed by a Total column that presents the financial position of the entire Town.

The Town's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the Town's net position. It is also prepared on the full accrual basis, which means it includes all the Town's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Town's expenses, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of governmental program. The Town's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

These financial statements, along with the fund financial statements and footnotes, are called *Basic Financial Statements*.

TOWN OF ATHERTON  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 3)	\$24,930,841
Receivables:	
Taxes	80,077
Grants	30,005
Interest	11,558
Other	139,413
Prepaid expenses	4,466
Capital assets (Note 5):	
Non-depreciable	764,567
Depreciable, net	26,079,986
Total Capital assets	26,844,553
Total Assets	52,040,913
<b>LIABILITIES</b>	
Accounts payable	429,517
Accrued liabilities	314,484
Deposits payable	1,139,470
Unearned revenue	5,257
Compensated absences (Note 1G)	
Due in less than one year	260,856
Due in more than one year	226,324
Long-term obligations (Note 6)	
Due within one year	107,000
Net OPEB obligation (Note 9)	
Due in more than one year	438,372
Total Liabilities	2,921,280
<b>NET POSITION (Note 7)</b>	
Net investment in capital assets	26,844,553
Restricted for:	
Streets and drainage maintenance and police services	1,471,645
Library operations	7,341,403
Public facilities constructions	2,190,486
Special revenue projects	1,432,021
Capital projects	461,692
Unrestricted	9,377,833
Total Net Position	\$49,119,633

See accompanying notes to financial statements

TOWN OF ATHERTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
General government	\$2,567,984	\$83,223	\$5,464	(\$2,479,297)
Public works	3,560,351	502,609	509,532	(2,548,210)
Police	5,198,013	82,401	200,801	(4,914,811)
Building	1,202,246	1,316,742		114,496
Planning	223,482	196,497		(26,985)
<b>Total Governmental Activities</b>	<b>\$12,752,076</b>	<b>\$2,181,472</b>	<b>\$715,797</b>	<b>(9,854,807)</b>
<b>General revenues:</b>				
<b>Taxes:</b>				
Property taxes				10,539,358
Sales taxes				202,375
Other taxes				1,314,659
<b>Total Taxes</b>				<b>12,056,392</b>
Investment earnings				58,235
Miscellaneous				510,309
<b>Total General Revenues</b>				<b>12,624,936</b>
<b>Change in Net Position</b>				<b>2,770,129</b>
<b>Net Position-Beginning</b>				<b>46,349,504</b>
<b>Net Position-Ending</b>				<b>\$49,119,633</b>

See accompanying notes to financial statements

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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the Town in fiscal 2013. Individual non-major funds may be found in the Supplemental Section.

**GENERAL FUND**

The General Fund accounts for all the general revenues and financial resources of the Town not specifically levied or collected for the other Town funds, as well as the related expenditures.

**SPECIAL TAX SPECIAL REVENUE FUND**

Accounts for parcel tax assessments received from property owners to be used for maintenance of streets drainage and police services.

**LIBRARY SPECIAL REVENUE FUND**

Accounts for the property tax funds dedicated to the Town's library operations.

**FACILITIES CONSTRUCTION CAPITAL PROJECTS FUND**

Accounts for the funds dedicated to facilities construction.

TOWN OF ATHERTON  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and investments (Note 3)	\$9,808,586	\$1,476,108	\$7,345,139	\$2,190,486	\$1,867,469	\$22,687,788
Receivables:						
Taxes	46,912				33,165	80,077
Grants	9,139				20,866	30,005
Interest	11,558					11,558
Other	139,413					139,413
Due from other funds (Note 4)	20,715					20,715
Prepays	4,466					4,466
<b>Total Assets</b>	<b>\$10,040,789</b>	<b>\$1,476,108</b>	<b>\$7,345,139</b>	<b>\$2,190,486</b>	<b>\$1,921,500</b>	<b>\$22,974,022</b>
<b>LIABILITIES</b>						
Accounts payable	\$370,926	\$4,463	\$3,736		\$1,815	\$380,940
Accrued liabilities	127,640					127,640
Deposits payable	1,139,470					1,139,470
Claims payable	26,863					26,863
Due to other funds (Note 4)					20,715	20,715
Unearned revenue					5,257	5,257
<b>Total Liabilities</b>	<b>1,664,899</b>	<b>4,463</b>	<b>3,736</b>		<b>27,787</b>	<b>1,700,885</b>
<b>FUND BALANCES</b>						
Fund balance (Note 7):						
Nonspendable	4,466					4,466
Restricted		1,471,645	7,341,403		1,581,627	10,394,675
Committed	1,738,519					1,738,519
Assigned	747,199			\$2,190,486	312,086	3,249,771
Unassigned	5,885,706					5,885,706
<b>Total Fund Balances</b>	<b>8,375,890</b>	<b>1,471,645</b>	<b>7,341,403</b>	<b>2,190,486</b>	<b>1,893,713</b>	<b>21,273,137</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$10,040,789</b>	<b>\$1,476,108</b>	<b>\$7,345,139</b>	<b>\$2,190,486</b>	<b>\$1,921,500</b>	<b>\$22,974,022</b>

See accompanying notes to financial statements

TOWN OF ATHERTON  
Reconciliation of the  
GOVERNMENTAL FUNDS -- BALANCE SHEET  
with the  
STATEMENT OF NET POSITION  
JUNE 30, 2013

Total fund balances reported on the governmental funds balance sheet \$21,273,137

Amounts reported for Governmental Activities in the Statement of Net Position  
are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and  
therefore are not reported in the Governmental Funds. 26,510,086

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However they used by management to  
change the costs of certain activities, such as insurance and central services and maintenance  
to individual governmental funds. The net current assets of the Internal Service Funds are therefore  
included in the Governmental Activities in the following line items in the Statement of Net Position.

Cash and investments	2,243,053
Capital assets, net	334,467
Accounts payable	(48,577)
Compensated absences	(487,180)
Claims payable	(159,981)
Net OPEB Obligation	(438,372)
Long term obligation	(107,000)
	(107,000)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$49,119,633

See accompanying notes to financial statements

TOWN OF ATHERTON  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$7,454,664		\$1,121,146		\$93,473	\$8,669,283
Special assessments		\$1,870,075				1,870,075
Sales taxes	277,631					277,631
Other taxes	1,143,679					1,143,679
Measure A grants					305,020	305,020
From other governmental agencies	58,825				361,737	420,562
Permit and licenses	170,980					170,980
Fines and forfeitures	69,244					69,244
Service charges	1,806,405					1,806,405
Use of money and property	91,591	8,194	43,586	\$15,101	9,183	167,655
Miscellaneous	600,844				100	600,944
<b>Total Revenues</b>	<b>11,673,863</b>	<b>1,878,269</b>	<b>1,164,732</b>	<b>15,101</b>	<b>769,513</b>	<b>15,501,478</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,575,573	5,233				2,580,806
Planning	223,482					223,482
Building	1,218,425					1,218,425
Police	5,182,529				100,000	5,282,529
Public Works	1,232,911	1,392			86,866	1,321,169
Non-departmental			52,756		10,319	63,075
Capital outlay	51,414	159,109			181,874	392,397
<b>Total Expenditures</b>	<b>10,484,334</b>	<b>165,734</b>	<b>52,756</b>		<b>379,059</b>	<b>11,081,883</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,189,529</b>	<b>1,712,535</b>	<b>1,111,976</b>	<b>15,101</b>	<b>390,454</b>	<b>4,419,595</b>
Other Financing Sources (uses):						
Transfer in (Note 3)	1,116,000			80,000	70,000	1,266,000
Transfer (out) (Note 3)	(150,000)	(1,116,000)				(1,266,000)
<b>Total Other Financing Sources (uses)</b>	<b>966,000</b>	<b>(1,116,000)</b>		<b>80,000</b>	<b>70,000</b>	
<b>Net change in fund balances</b>	<b>2,155,529</b>	<b>596,535</b>	<b>1,111,976</b>	<b>95,101</b>	<b>460,454</b>	<b>4,419,595</b>
<b>BEGINNING FUND BALANCES</b>	<b>6,220,361</b>	<b>875,110</b>	<b>6,229,427</b>	<b>2,095,385</b>	<b>1,433,259</b>	<b>16,853,542</b>
<b>ENDING FUND BALANCES</b>	<b>\$8,375,890</b>	<b>\$1,471,645</b>	<b>\$7,341,403</b>	<b>\$2,190,486</b>	<b>\$1,893,713</b>	<b>\$21,273,137</b>

See accompanying notes to financial statements

TOWN OF ATHERTON  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$4,419,595

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance	83,847
Retirements, net, are deducted from fund balance	(433,394)
Depreciation expense is deducted from the fund balance	(1,614,408)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Unavailable revenue - grant	(14,518)
Accrued liabilities in prior year	84,332

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	<u>244,675</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$2,770,129</u></u>
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See accompanying notes to financial statements

TOWN OF ATHERTON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$6,795,000	\$7,307,746	\$7,454,664	\$146,918
Sales taxes	204,400	235,400	277,631	42,231
Other taxes	1,029,500	1,060,350	1,143,679	83,329
Permits and licenses	160,000	160,000	170,980	10,980
Fines and forfeitures	55,000	55,000	69,244	14,244
From other governmental agencies	38,035	52,409	58,825	6,416
Service charges	1,769,250	1,599,155	1,806,405	207,250
Use of money and property	191,782	191,882	91,591	(100,291)
Other	40,700	588,826	600,844	12,018
<b>Total Revenues</b>	<u>10,283,667</u>	<u>11,250,768</u>	<u>11,673,863</u>	<u>423,095</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
City council	51,130	51,130	30,730	20,400
Administration	768,215	668,185	582,253	85,932
City attorney	204,100	204,100	153,840	50,260
Finance	681,783	680,663	586,209	94,454
Non-departmental	668,168	679,193	1,222,541	(543,348)
<b>General government total</b>	2,373,396	2,283,271	2,575,573	(292,302)
Planning	235,600	234,600	223,482	11,118
Building	1,161,218	1,202,731	1,218,425	(15,694)
Public works	1,417,432	1,399,132	1,232,911	166,221
Police	5,451,061	5,402,973	5,182,529	220,444
Capital outlay	179,100	169,100	51,414	117,686
<b>Total Expenditures</b>	<u>10,817,807</u>	<u>10,691,807</u>	<u>10,484,334</u>	<u>499,775</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(534,140)</u>	<u>558,961</u>	<u>1,189,529</u>	<u>630,568</u>
<b>OTHER FINANCING SOURCES USES</b>				
Transfer in (Note 4)	1,116,000	1,116,000	1,116,000	
Transfer (out) (Note 4)	(150,000)	(150,000)	(150,000)	
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$431,860</u>	<u>\$1,524,961</u>	2,155,529	<u>\$630,568</u>
Fund balance, beginning of year			<u>6,220,361</u>	
Fund balance, end of year			<u>\$8,375,890</u>	

See accompanying notes to financial statements

TOWN OF ATHERTON  
SPECIAL TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$1,860,000	\$1,860,000	\$1,870,075	\$10,075
Use of money and property	5,000	5,000	8,194	3,194
Total Revenues	<u>1,865,000</u>	<u>1,865,000</u>	<u>1,878,269</u>	<u>13,269</u>
EXPENDITURES:				
Current:				
General government	1,500	1,500	5,233	(3,733)
Public works	125,000	125,000	1,392	123,608
Capital outlay	<u>1,263,255</u>	<u>1,263,255</u>	<u>159,109</u>	<u>1,104,146</u>
Total Expenditures	<u>1,389,755</u>	<u>1,389,755</u>	<u>165,734</u>	<u>1,224,021</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	<u>(1,116,000)</u>	<u>(1,116,000)</u>	<u>(1,116,000)</u>	
Total Other Financing Sources (Uses)	<u>(1,116,000)</u>	<u>(1,116,000)</u>	<u>(1,116,000)</u>	
Net change in fund balance	<u>(\$640,755)</u>	<u>(\$640,755)</u>	596,535	<u>(\$1,237,290)</u>
Fund Balance, beginning of year			<u>875,110</u>	
Fund Balance, end of year			<u>\$1,471,645</u>	

See accompanying notes to financial statements

TOWN OF ATHERTON  
LIBRARY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$784,000	\$784,000	\$1,121,146	\$337,146
Use of money and property	40,000	40,000	\$43,586	3,586
Total Revenues	<u>824,000</u>	<u>824,000</u>	<u>1,164,732</u>	<u>340,732</u>
EXPENDITURES:				
Library Maintenance	<u>1,016,108</u>	<u>1,016,108</u>	<u>52,756</u>	<u>963,352</u>
Total Expenditures	<u>1,016,108</u>	<u>1,016,108</u>	<u>52,756</u>	<u>963,352</u>
NET CHANGES IN FUND BALANCE	<u>(\$192,108)</u>	<u>(\$192,108)</u>	1,111,976	<u>\$1,304,084</u>
BEGINNING FUND BALANCE			<u>6,229,427</u>	
ENDING FUND BALANCE			<u>\$7,341,403</u>	

See accompanying notes to financial statements

<b>PROPRIETARY FUNDS</b>
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Proprietary funds account for Town operations financed and operated in a manner similar to a private business enterprise. The intent of the Town is that the cost of providing goods and services be financed primarily through user charges.

**INTERNAL SERVICE FUND**

Accounts for special activities and services performed by a designated Town department on a cost reimbursement basis.

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2013

	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets	
Cash and investments (Note 3)	\$2,243,053
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	942,234
Less accumulated depreciation	(607,767)
Total capital assets	334,467
Total noncurrent assets	334,467
Total Assets	2,577,520
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	48,577
Compensated absences (Note 1F)	260,856
Long term obligation (Note 6)	107,000
Total current liabilities	416,433
Non-current liabilities:	
Compensated absences (Note 1F)	226,324
Net OPEB obligation (Note 9)	438,372
Claims payable (Note 10)	159,981
Total noncurrent liabilities	824,677
Total Liabilities	1,241,110
NET POSITION (Note 7)	
Net investment in capital assets	334,467
Unrestricted	1,001,943
Total Net Position	\$1,336,410

See accompanying notes to financial statements

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities- Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$1,442,615</u>
Total Operating Revenues	<u>1,442,615</u>
<b>OPERATING EXPENSES</b>	
Insurance	397,430
OPEB expense	582,526
Employee benefits earned	117,649
Depreciation	<u>121,062</u>
Total Operating Expenses	<u>1,218,667</u>
Operating Income	<u>223,948</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>20,727</u>
Total Nonoperating Revenues	<u>20,727</u>
Change in net position	244,675
<b>BEGINNING NET POSITION</b>	<u>1,091,735</u>
<b>ENDING NET POSITION</b>	<u><u>\$1,336,410</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Interdepartmental charges	\$1,442,615
Payments to suppliers	(1,997,391)
Cash Flows from Operating Activities	(554,776)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets, net	(93,777)
Principal payments on long term debt	(131,330)
Cash Flow from Capital and Related Financing Activities	(225,107)
<b>CASH FLOWS FORM INVESTING ACTIVITIES</b>	
Interest Income	20,727
Cash Flow from Investing Activities	20,727
Net Cash Flow	(759,156)
Cash and investments at beginning of period	3,002,209
Cash and investment at end of period	\$2,243,053
<b>Reconciliation of Operating Income to Cash Flows</b>	
from Operating Activities	
Operating income	\$223,948
Adjustments to reconcile operating income to cash flows	
from operating activities:	
Depreciation	121,062
Changes in assets and liabilities:	
Prepays	1,461
Accounts payable	48,577
Accrued liabilities	109,981
Compensated absences	86,903
Net OPEB obligation	(1,146,708)
Cash Flows from Operating Activities	(\$554,776)

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
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**FIDUCIARY FUNDS**

Agency funds are used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

TOWN OF ATHERTON  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$30,799</u>
Total Assets	<u><u>\$30,799</u></u>
LIABILITIES	
Deposits payable	<u>\$30,799</u>
Total Liabilities	<u><u>\$30,799</u></u>

See accompanying notes to financial statements

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

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

The Town of Atherton (the Town) was incorporated as a general law City in 1923 and is situated between the cities of Menlo Park and Redwood City on the Peninsula of the San Francisco Bay Area. The Town operates under the Mayor-Council-Manager form of government. There are five Council Members who serve overlapping terms of four years, and the Council, in turn, elects one of the Council Members to serve as Mayor for one year. The Town provides the following services: public safety (police), public works and streets, park, building and planning, and general administration services.

The financial statements and accounting policies of the Town conform with generally accepted accounting principles applicable to governments. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

**A. *Reporting Entity***

The financial statements of the Town of Atherton include the financial activities of the Town, as well as the Atherton Channel District, which are controlled by and dependent on the Town. Its financial activities has been aggregated and merged (termed “blended”) with those of the town in the accompanying financial statements.

The Atherton Channel District was established to assist in the maintenance and rehabilitation of the areas within the Town determined to be in the flood plain of the local stream. The District has all accounting and administrative functions performed by Town staff and the District receives property taxes to finance operations. The financial activities of the District have been included in the Atherton Channel District Capital Projects Fund in the accompanying basic financial statements.

**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 U.S.A.

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

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except where interfund services have been received or provided. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

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

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 and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

**C. Major Funds**

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

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

**General Fund** - Accounts for all the general revenues and financial resources of the Town not specifically levied or collected for the other Town funds, as well as the related expenditures.

**Special Tax Special Revenue Fund** – Accounts for parcel tax assessments received from property owners to be used for the maintenance of streets and drainage, and police services.

**Library Special Revenue Fund** - Accounts for property tax funds dedicated to the Town's library operations.

**Facilities Construction Capital Projects Fund** - Accounts for the funds dedicated to facilities construction.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

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

The Town also reports the following fund types:

**Internal Service Fund** - Accounts for special activities and services performed by a designated Town department for other departments on a cost reimbursement basis.

**Fiduciary Funds.** Agency Funds are used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

**D. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales taxes, gas taxes, charges for services, and interest revenue. Fines, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

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

The Town may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be 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.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

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

Certain indirect costs are included in program expenses reported for individual functions and activities.

**E. *Implementation of Governmental Accounting Standards Board Statements***

**GASB Statement No. 63** – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**F. *Property Tax***

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo levies, bills and collects property taxes and sewer charges for the Town; 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, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on January 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes not secured by real property. These taxes are liens on the person or company named on the tax bill. Property tax revenues are recognized by the Town in the fiscal year they are assessed provided they become available as defined above.

San Mateo County distributes property taxes to jurisdictions according to the “alternate method of property tax distribution” known as the Teeter Plan. Under this plan, the County remits 100% of the levied taxes to the appropriate jurisdictions by June 30 each year, pursuing delinquencies and keeping related late penalties to cover their costs.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

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

**G. *Compensated Absences***

Compensated absences comprise accrued compensated time-off, vacation and holiday pay for all regular employees; vacation and holiday pay for management employees. The Town's liability for compensated absences is recorded in Governmental Activities. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated (matured due to termination) are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

The changes of the compensated absences were as follows:

Beginning Balance	\$400,277
Additions	368,354
Payments	<u>(281,451)</u>
Ending Balance	<u>\$487,180</u>
Current Portion	<u>\$260,856</u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

**H. *Expenditures in Excess of Budget***

The funds below incurred expenditures in excess of their budgets in the amounts below for the year ended June 30, 2013:

Fund Name	Amount
Channel Drainage District Capital Projects Fund	\$8,048

**I. *Estimates and Assumptions***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**J. *New Fund***

During the current fiscal year, the Town established a new fund, the Measure M Special Revenue Fund.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

**A. *Budgets and Budgetary Accounting***

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the year commencing July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year's budget.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of resolution during a Town Council meeting in the month of June.
- The Town Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the Town Council. All other transfers must be approved by the Town Council. Any revisions that alter the total expenditures of any department must be approved by the Town Council. Expenditures are budgeted at, and may not legally exceed, the department level. Budgeted amounts shown are as originally adopted, or as amended by the Town Council during the year.
- Formal budgeting is employed as a management control device during the year for the general and certain special revenue funds.
- Budgets for the general and certain special revenue are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgets for capital projects are adopted on a project life basis.
- The following funds were not budgeted: Facilities Construction Capital Projects Fund, Storm Drainage Capital Project Fund.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 3 - CASH AND INVESTMENTS**

The Town's dependence on property tax receipts requires it to maintain significant cash reserves to finance operations during the remainder of the year. The Town receives property tax in November (5%), December (45%), March (5%), April (35%), May (5%) and June (5%). The Town pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Town's cash on deposit or first trust deed mortgage notes with a value of 150% of the Town's cash on deposit as collateral for these deposits. Under California Law, this collateral is held in an investment pool by an independent financial institution in the Town's name and places the Town ahead of general creditors of the institution pledging the collateral.

The Town's investments are carried at fair value, as required by generally accepted accounting principles. The Town adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year. In the Town's case, fair value equals fair market value, since all of the Town's investments are readily marketable.

**B. Classification**

Cash and investments are classified in the financial statements as shown below.

<i>Statement of Net Assets</i>	
Cash and investments available for operations	\$24,930,841
<i>Fiduciary Funds</i>	
Cash and investments available for operations	30,799
Total Cash and Investments	\$24,961,640

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$883
Cash in Bank	1,230,938
Investments	23,729,819
Total Cash and Investments	\$24,961,640

Cash and investments are used in preparing the Proprietary Fund statement of cash flows since that fund participates in the Town-wide cash and investment pool. That fund's equity in the pool is in substance a demand deposit which may be drawn down at any time.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**C. Investments Authorized by the California Government Code and the Town's Investment Policy**

The Town's Investment Policy and the California Government Code allow the Town to invest in the following provided the credit ratings of the issuers are acceptable to the Town; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the Town's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	No Limit
Repurchase Agreements	30 days	A / A-1	No Limit	No Limit
Commercial Paper	270 days	A / A-1	25%	5%
Medium Term Notes	5 years	AAA	5%	No Limit
Local Agency Investment Fund	N/A	N/A	50%	No Limit
Money Market Mutual Funds	N/A	AAAm	20%	No Limit

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the Town's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	\$600,000		\$511,915	\$1,111,915
U.S. Agency Securities		\$1,518,810	5,466,350	6,985,160
California Local Agency Investment Fund	10,984,269			10,984,269
Money Market Mutual Fund	3,527,329			3,527,329
<b>Total Investments</b>	<b>\$15,111,598</b>	<b>\$1,518,810</b>	<b>\$5,978,265</b>	<b>22,608,673</b>
Cash in Banks				1,230,938
Cash held by San Mateo County Library Trust Fund				1,121,146
Petty Cash				883
<b>Total Cash</b>				<b>2,352,967</b>
<b>Total Cash and Investments</b>				<b>\$24,961,640</b>

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**E. Credit Risk**

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. The Standard and Poor's investment ratings as of June 30, 2013 are as follows:

Investment Type	AAA	AAAm	Not Rated	Total
U.S. Agency Securities	\$6,985,160			\$6,985,160
U.S. Treasury Obligations			\$1,111,915	1,111,915
California Local Agency Investment Fund			10,984,269	10,984,269
Money Market Mutual Fund		\$3,527,329		3,527,329
Total Investments	<u>\$6,985,160</u>	<u>\$3,527,329</u>	<u>\$12,096,184</u>	<u>\$22,608,673</u>

**F. Concentration of Credit Risk**

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Entity-wide investments are as follows at June 30, 2013:

Major Fund	Issuer	Investment Type	Reported Amount
General Fund	Federal National Mortgage Association	Federal Agency Securities	\$1,294,375
General Fund	Federal Home Loan Mortgage Corporation	Federal Agency Securities	4,683,920

**G. Local Agency Investment Fund**

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporation. At June 30, 2013, these investments matured in an average of 278 days.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Interfund balances as of June 30, 2013, are as follows:

Due From Other Funds	Due To Other Funds	
General Fund	Supplemental Law Enforcement Services/ COPS Grant Special Revenue Fund	<u>\$ 20,715</u>

**B. Transfers Between Funds**

With Town Council approval, resources may be transferred from one Town fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred	
General Fund	Special Tax Special Revenue Fund	\$1,116,000	(A)
Facilities Construction Capital Projects Fund	General Fund	80,000	(B)
Capital Improvement Capital Projects Fund	General Fund	70,000	(B)
		<u>\$1,266,000</u>	

(A) Transfer was used to fund General Fund activities

(B) Transfer was used to fund Capital projects

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 5 - CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The Town has recorded all its public domain (infrastructure) capital assets, which include streets and roads, curbs and gutters, traffic control devices, drainage systems and street lighting systems.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

The Town has set the capitalization threshold for reporting capital assets at \$5,000 and \$100,000 for infrastructure and a half year of depreciation is recorded in the year of acquisition. Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Town has assigned the useful lives listed below to capital assets:

Buildings	40 years
Other improvements	20 years
Vehicles	5 to 10 years
Computer Equipment & Software	3 years
Machinery and Equipment	5 to 20 years
Infrastructure	20 to 50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 5 - CAPITAL ASSETS (Continued)**

**A. Current Year Capital Asset Activities**

<i>Governmental activities</i>	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
<b>General Capital Assets</b>				
Capital assets not being depreciated:				
Land	\$690,884			\$690,884
Construction in progress	433,394	\$73,683	(\$433,394)	73,683
Total non-depreciable capital assets	<u>1,124,278</u>	<u>73,683</u>	<u>(433,394)</u>	<u>764,567</u>
Capital assets being depreciated:				
Buildings	1,934,299			1,934,299
Other improvements	1,125,668			1,125,668
Computer equipment and software	247,585			247,585
Furniture and Fixtures	34,798			34,798
Vehicle	60,156			60,156
Machinery and Equipment	415,994	10,164	(74,134)	352,024
Infrastructure	<u>55,683,479</u>			<u>55,683,479</u>
Total capital assets being depreciated	<u>59,501,979</u>	<u>10,164</u>	<u>(74,134)</u>	<u>59,438,009</u>
Less accumulated depreciation for:				
Buildings	892,248	50,564		942,812
Other improvements	676,444	34,720		711,164
Computer equipment and software	200,241	14,785		215,026
Furniture and Fixture	27,387	2,965		30,352
Vehicles	18,842	12,031		30,873
Machinery and Equipment	335,830	25,593	(74,134)	287,289
Infrastructure	<u>30,001,224</u>	<u>1,473,750</u>		<u>31,474,974</u>
Total accumulated depreciation	<u>32,152,216</u>	<u>1,614,408</u>	<u>(74,134)</u>	<u>33,692,490</u>
Net capital assets being depreciated	<u>27,349,763</u>	<u>(1,604,244)</u>		<u>25,745,519</u>
General capital assets, net	<u>\$28,474,041</u>	<u>(\$1,530,561)</u>	<u>(\$433,394)</u>	<u>\$26,510,086</u>
<b>Internal Service Funds</b>				
Depreciable capital assets:				
Vehicles	\$806,483	\$29,598	(\$170,291)	\$665,790
Computer Equipment	183,470			183,470
Other Equipment	38,931	64,179	(10,136)	92,974
Total depreciable capital assets	<u>1,028,884</u>	<u>93,777</u>	<u>(180,427)</u>	<u>942,234</u>
Less: accumulated depreciation for				
Vehicles	479,358	88,551	(170,292)	397,617
Computer Equipment	153,451	27,322		180,773
Other Equipment	34,323	5,189	(10,135)	29,377
Total accumulated depreciation	<u>667,132</u>	<u>121,062</u>	<u>(180,427)</u>	<u>607,767</u>
Internal Service Funds capital assets, net	<u>361,752</u>	<u>(27,285)</u>		<u>334,467</u>
Governmental capital assets, net	<u>\$28,835,793</u>	<u>(\$1,557,846)</u>	<u>(\$433,394)</u>	<u>\$26,844,553</u>

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 5 - CAPITAL ASSETS (Continued)**

**B. Capital Asset Contributions**

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

**C. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

General government	\$2,074
Public Works	1,545,256
Building	11,730
Police	55,348
	1,614,408
Governmental activities subtotal	1,614,408
Internal Service Fund	121,062
	121,062
Total	\$1,735,470

**NOTE 6 – LONG TERM OBLIGATIONS**

**A. Governmental Activity**

	Balance June 30, 2012	Retirements	Balance June 30, 2013	Current Portion
Software capital lease	\$24,330	\$24,330		
Workers' compensation assessment	214,000	107,000	\$107,000	\$107,000
Total	\$238,330	\$131,330	\$107,000	\$107,000

**B. Software Capital Lease**

In fiscal year 2009, the Town began preparation to install a new accounting software system. As part of the software license agreement, the Town agreed to pay \$24,330 per year, for five years which commenced in fiscal year 2009. As of June 30, 2013, the capital lease obligation was paid in full.

**C. Workers' Compensation Assessment**

During fiscal year 2010, the Town was informed that its workers' compensation insurance reserve with the Cities Group Joint Powers Authority was drawn to a negative. As a result, the Town had agreed to a special assessment in which the Town would make payments over the next four fiscal years to replenish the reserve.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 7 - FUND BALANCES AND NET POSITION**

**A. Net Position**

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

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the Town's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and Federal and State grant funds.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**B. Fund Balances**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Town to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as permanent funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Town Council which may be altered only by formal action of the Town Council. Encumbrances and nonspendable amounts subject to Council commitments are included along with spendable resources.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 7 - FUND BALANCES AND NET POSITIONS (Continued)**

**B. Fund Balances (Continued)**

*Assigned* fund balances are amounts constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Town Council or its designee and may be changed at the discretion of the Town Council or its designee. This category includes encumbrances; nonspendables, when it is the Town's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the Town's Fund Balances, as of June 30, 2013, are below:

	General Fund	Major Special Revenue Funds		Facilities Construction Capital Project Funds	Other Governmental Funds	Total
		Special Tax	Library			
Fund balances:						
Nonspendable:						
Prepays	\$4,466					\$4,466
Total Nonspendable	4,466					4,466
Restricted for:						
Special tax special revenue fund		\$1,471,645				1,471,645
Library operations			\$7,341,403			7,341,403
Measure A					\$369,471	369,471
Gas tax					140,607	140,607
Supplemental law enforcement services / COPS Grant					151	151
Road impact fee					774,040	774,040
Evans Creative Design					69,833	69,833
Measure M					77,919	77,919
Channel Drainage District					149,606	149,606
Total Restricted		1,471,645	7,341,403		1,581,627	10,394,675
Committed to:						
Emergency Disaster	1,738,519					1,738,519
Total Committed	1,738,519					1,738,519
Assigned to:						
Tennis program	13,434					13,434
Building department operations	728,911					728,911
Committee tree	4,854					4,854
Capital projects				\$2,190,486	312,086	2,502,572
Total Assigned	747,199			2,190,486	312,086	3,249,771
Unassigned	5,885,706					5,885,706
Total Unassigned	5,885,706					5,885,706
Total Fund Balances	\$8,375,890	\$1,471,645	\$7,341,403	\$2,190,486	\$1,893,713	\$21,273,137

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 7 - FUND BALANCES AND NET POSITION (Continued)**

**C. General Fund Committed Fund Balance for Emergency Disaster**

The Town Council has committed to set aside 15 percent of the actual annual General Fund operating expenditures specifically for emergency contingencies defined as a state of Federal and/or State of emergency or declaration of a local emergency as defined in Atherton's Municipal Code Section 2.44.010.

**D. General Fund Unassigned Fund Balance Policy**

The Town Council established the General Fund unassigned fund policy such that in no circumstances shall the total General Fund unassigned fund balance be less than 20% of the actual annual operating expenditures.

**NOTE 8 – PENSION PLAN**

**A. CalPERS Safety and Miscellaneous Employees Plans**

The Town participates in pension plans offered by California Public Employees Retirement System (CalPERS), an agent multiple employer defined benefit cost-sharing pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the separate Safety (police - sworn) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS; the Town contributes these amounts. The Plans' provisions and benefits in effect at June 30, 2013 are summarized below:

	<u>Safety (Police)</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly allowance	monthly allowance
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	9%	7%
Required employer contribution rates	26.416%	13.926%

Town's labor contracts (MOU) require the Town to pay the employees' contributions as well as employer's portion, except for the sworn officers, who is responsible for 2% of 9% after the Town makes 7% contribution for them. As of July 1, 2014, Miscellaneous Plan employees will pay their own portion of the required employee contribution rate of 7%.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 8 – PENSION PLAN (Continued)**

**A. CalPERS Safety and Miscellaneous Employees Plans (Continued)**

CalPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Town’s total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer pays annually to fund an employee’s projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CalPERS. The Town does not have a net pension obligation since it pays the actuarially required liability. Annual Pension Costs, representing the payment of all contributions required by CalPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety &amp; Miscellaneous Plan</i>			
June 30, 2011	\$1,322,447	100%	0
June 30, 2012	1,191,680	100%	0
June 30, 2013	981,473	100%	0

CalPERS uses the market related value method of valuing the Plan’s assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service, and annual retirement benefit increases are assumed to be 3.00%.

As required by State law, effective July 1, 2005, the Town’s Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CalPERS to join new State-wide pools. One of the conditions of entry to these pools was that the Town true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CalPERS. The Town satisfied its Miscellaneous and Safety Plans unfunded liabilities by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Safety Plan’s Side Fund liability of \$1,224,321 was paid off in fiscal 2012. The balance of the Miscellaneous Plan’s Side Fund liability of \$647,650 was paid off during fiscal 2013.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 8 – PENSION PLAN (Continued)**

**A. CalPERS Safety and Miscellaneous Employees Plans (Continued)**

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The latest available actuarial values of the above State-wide pools (which differs from market value) and funding progress were set forth as follow. The information presented below relates to the State-wide pools as a whole, of which the Town is one of the participating employers.

**State-Wide Safety Plan:**

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$9,721,675,347	\$8,027,158,724	\$1,694,516,623	82.6%	\$973,814,168	174.0%
2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%
2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%

The Town's Safety Plan represents approximately 0.18%, 0.19%, and 0.23%, of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered projected payroll of ; \$2,046,298, \$2,053,560 and \$2,283,199 for those years.

**State-Wide Miscellaneous Plan:**

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$3,104,798,222	\$2,758,511,101	\$346,287,121	88.8%	\$742,981,488	46.6%
2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%
2011	3,619,835,876	3,203,214,899	416,620,977	88.5%	759,263,518	54.9%

The Town's Miscellaneous Plan represents approximately 0.08%, 0.08%, and 0.08%, of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered projected payroll of \$3,098,116, \$2,943,836, and \$2,600,243 for those years.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 8 – PENSION PLAN (Continued)**

The Town's Safety and Miscellaneous Plans funding status is as follows as of June 30, 2011:

	June 30, 2011	
	Safety	Miscellaneous
Present Value of Projected Benefits	\$33,540,817	\$16,920,109
Entry Age Normal Accrued Liability	28,919,573	14,126,030
Plan's Actuarial Value of Assets (AVA)	\$24,306,400	\$12,225,847
Unfunded Liability (AVA Basis) [(2) - (3)]	\$4,613,173	\$1,900,183
Funded Ratio (AVA Basis) [(3) / (2)]	84.1%	86.6%
Plan's Market Value of Assets (MVA)	\$21,722,502	\$10,943,760
Unfunded Liability (MVA Basis) [(2) - (6)]	7,197,071	3,182,270
Funded Ratio	75.1%	77.5%

Audited annual financial statements and ten year trend information are available from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

**B. Public Employees' Pension Reform Act (PEPRA)**

Assembly Bill (AB) 340 pension reform created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation period, as well as new contribution requirements for new employees hired on or after January 1, 2013 who meet the definition of new member under PEPRA.

The Table below provides information on the benefit formula compensation information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for any safety and miscellaneous employees that meet the definition of a new member under PEPRA.

Benefit Formula	Safety 2.7% at Age 57	Miscellaneous 2% at Age 62
Final Compensation Period	3 Year Final Compensation	3 Year Final Compensation
Employer Contribution Rate as a percentage payroll	12.25% of Reportable Compensation	6.70% of Reportable Compensation
Member Contribution Rate as a percentage of payroll	12.25% of Reportable Compensation	6.50% of Reportable Compensation

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS**

During fiscal year 2010, the Town implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing other postemployment benefits (OPEB). The Town's Employee Benefits Fund holds assets set aside for the payment of Town's OPEB obligations.

By Town Council resolution, the Town provides certain medical benefits for employees and dependents who retire directly from the Town at fifty years or older and who are vested in the California Public Employees Retirement System (CalPERS). The Town participates in the CalPERS health care plan which is governed under the California Public Employees Health and Medical Care Act (PEMCHA). Required retiree medical plan contributions are also governed by PEMCHA for member agencies.

The Town of Atherton participates in the CalPERS medical program. Retirees who qualify for a CalPERS pension are entitled to employer paid CalPERS medical benefits as described below. The Town does not pay for dental, vision or other health and welfare benefits for retirees. Employees who retire from the Town, receive a PERS pension and continue their CalPERS medical coverage are eligible to receive the benefit described below. This benefit continues throughout the life of the retiree, surviving spouse.

**Management employees (non-represented), hired before July 1, 2009** - The Town pays 100% of premiums for any medical coverage and any family status.

**Management employees (non-represented), hired between July 1, 2009 and June 30, 2013** – The Town pays up to a maximum of the single employee Kaiser premium regardless of family status. A spouse or dependent is only covered if the employee's premium is less than this maximum. After age 65, the Town pays up to a maximum of the reduced post age 65 single employee Kaiser premium.

**Management employees (non-represented), hired on or after July 1, 2013** – The Town pays the minimum benefit, which is \$115 per month as of 2013.

**APOA Police officers** - For police officers, the Town pays 100% of premiums for any medical coverage and any family status. However, this is subject to a maximum monthly benefit of \$1,247.06 which is assumed to not increase in the future. Any increase will be subject to Town Council approval.

**APOA Miscellaneous employees** - The Town pays up to a maximum of 90% of Blue Shield HMO premiums. The 90% of Blue Shield maximum applies to any medical coverage and any family status. After age 65, the Town pays only 90% of the reduced post age 65 premiums.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**A. Funding Policy and Actuarial Assumptions**

The annual required contribution (ARC) was determined as part of a March 1, 2013 actuarial valuation using the entry age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 6.00% investment rate of return, 3.25% projected annual salary increase, and 5.5% to 7.3% health cost inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. During fiscal 2012, the Town joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by Public Agency Retirement Services (PARS). The irrevocable trust is administered by PARS, and managed by an appointed board not under the control of the Town Council. The trust is not considered a component unit by the Town and has been excluded from these financial statements. Separately issued financial statements for PARS may be obtained from PARS at 4350 Von Karman Ave., Suite 200, Newport Beach, CA 92660.

The following annual healthcare trend rates were used in the valuation, assuming that there will not be any significant changes in the medical plan design:

**Annual CalPERS Medical Premium Rate  
Trend Rate Assumption**

<b>Plan Year Beginning</b>	
January 1, 2013	7.3%
January 1, 2014	7.0%
January 1, 2015	6.7%
January 1, 2016	6.4%
January 1, 2017	6.1%
January 1, 2018	5.8%
January 1, 2019 and thereafter	5.5%

Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. This valuation is based on a closed 30-year amortization of the Unfunded Actuarial Accrued Liability as a level percentage of payroll; increasing each year as payroll increases.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**B. Funding Progress and Funded Status**

In fiscal year 2013, the Town made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC) and Annual OPEB cost	\$573,188
Interest on the net OPEB obligation	95,105
Adjustment to annual required contribution	<u>(85,768)</u>
Annual OPEB Cost	<u>582,525</u>
Contributions made:	
PARS irrevocable trust	1,299,316
Town's portion of current year premiums paid	<u>429,917</u>
Total contributions	<u>1,729,233</u>
Net OPEB Obligation June 30, 2012	<u>1,585,080</u>
Net OPEB Obligation June 30, 2013	<u><u>\$438,372</u></u>
Remaining amortization period	27

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2011	\$878,596	\$228,508	26%	\$1,290,008
6/30/2012	613,854	328,090	53%	1,585,008
6/30/2013	573,188	1,729,233	302%	438,372

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2009, July 1, 2011 and March 1, 2013 actuarial study is presented below:

Actuarial Valuation Date	Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
January 1, 2009	\$0	\$7,599,453	(\$7,599,453)	0%
July 1, 2011	0	7,599,453	(7,599,453)	0%
March 1, 2013	0	7,724,868	(7,724,868)	0%

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 10 - RISK MANAGEMENT**

**A. Coverage**

The Town is a member of the Association of Bay Area Governments (ABAG), which provides general liability coverage of \$5,000,000 above the Town's deductible of \$25,000 per occurrence, risk property insurance of \$100,000 above the Town's deductible of \$10,000 for property damage and \$10,000 for auto / vehicle damage. ABAG is governed by a board consisting of representatives from member municipalities. The board controls the operations of ABAG, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

Audited financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94604-2050.

Alliant Insurance Services covers employment theft up to \$1,000,000 for each claim and in the aggregate and the Town's deductible is \$5,000 per claim.

The Cities Group covers workers' compensation claims up to \$1,000,000 each for miscellaneous employees, up to \$1,500,000 each for safety officers, and has coverage above that limit to a maximum of \$10,000,000. The Town has no deductible for the claims.

Audited financial statements may be obtained from Cities Group, address, P.O. Box 111, Burlingame, CA 94011-0111.

**B. Uninsured Claims**

The Town's liability for uninsured claims, including estimated claims incurred but not reported, was estimated by management based on prior years claims experience and was computed as follows as of June 30:

	2013	2012
Beginning balance	\$50,000	\$40,775
Net change in claims liabilities	240,792	27,768
Claims paid	(130,811)	(18,543)
Ending balance	\$159,981	\$50,000
Claims liabilities due within a year	\$159,981	\$50,000

For the years ended June 30, 2013, 2012, and 2011, the amount of settlements did not exceed insurance coverage.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 11 – JOINT POWERS AUTHORITIES**

The Town participates in joint ventures discussed below through separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the Town's responsibility and the Town does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

**A. *Town/County Association of Governments of San Mateo County (C/CAG)***

Town/County Association of Governments of San Mateo County was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The Town's contribution to C/CAG was \$31,212 for the year ended June 30, 2013. Financial statements may be obtained by mailing a request to the City San Carlos, 600 Elm Street, San Carlos, CA 94070.

**B. *South Bayside Waste Management Authority (Authority)***

The Authority is a joint powers agreement formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the San Carlos Transfer Station and the San Mateo Recyclery; and the planning, administration, review, monitoring, enforcement and reporting of solid waste and recyclable material within the Authority service area. Members of Authority include 11 municipalities located on the mid and lower Peninsula as well as certain unincorporated areas within the County. The Authority is controlled by a 12-member board consisting of one representative from each community. Through the operation of franchise agreements, Recology San Mateo County provides refuse and recyclable materials collection and disposal services for the benefit of residents and business of each member agency.

**C. *Alcohol Violation Temporary Housing Authority (AVTHA)***

AVTHA was established between the County and most of the cities and towns in the County to provide temporary housing and counseling to persons accused of alcohol related law violations. AVTHA contracts with an operator to provide such services. The costs of operating the temporary housing are allocated to each member based on alcohol related arrests occurring within each member's jurisdiction. Financial statements for AVTHA may be obtained by mailing a request to Redwood City, 801 Marshall Street, Suite 600, Redwood City, California 94063.

**D. *Library Joint Powers Agreement***

In 1999, the Town joined with the County and ten other municipalities in the County to coordinate and expand library services throughout the County, including those in the Town.

**Town of Atherton**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the year ended June 30, 2013**

**NOTE 11 – JOINT POWERS AUTHORITIES (Continued)**

Property tax revenues in excess of the JPA's costs of maintaining the library are remitted to the Town and are deposited into the Library Special Revenue Fund. Expenditures of this fund are subject to the approval of the Library JPA.

**NOTE 12 - CONTINGENT LIABILITIES**

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

The Town participates in Federal and State grant programs. When required, these programs are audited in accordance with the provisions of the Federal Single Audit Act as amended and applicable State requirements. These programs are also subjected to further examination by the grantors, and the amount, if any, of expenditures which may be disallowed by the granting agencies, cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

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<b>NON-MAJOR GOVERNMENTAL FUNDS</b>
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**SPECIAL REVENUE FUNDS**

**COUNTY MEASURE A FUND** accounts for funds received from the County of San Mateo Measure A funds for local transportation purposes.

**GAS TAX FUND** accounts for funds received from the State of California for road improvement.

**SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND/COPS GRANT FUND** accounts for grant funds for police services.

**EVANS CREATIVE DESIGN FUND** accounts for funds received from the Evans estate.

**MEASURE M FUND** accounts for funds received from the Congestion Management Agency for San Mateo County.

**ROAD CONSTRUCTION FUND** accounts for costs recovered from applicants for accelerated wear and tear to the Town's road as a result of construction projects.

**CAPITAL PROJECTS FUNDS**

**CAPITAL IMPROVEMENT FUND** accounts for capital improvement construction costs and financing sources.

**STORM DRAINAGE FUND** accounts for the operation and maintenance costs of drainage systems in the Town.

**CHANNEL DRAINAGE DISTRICT** accounts for tax revenues collected and channel maintenance costs.

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013

SPECIAL REVENUE FUNDS						
	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Evans Creative Design	Measure M	Road Construction
<b>ASSETS</b>						
Cash and investment	\$341,762	\$140,607		\$69,833	\$79,734	\$774,040
Receivables:						
Taxes	27,709					
Grants			\$20,866			
Total Assets	<u>\$369,471</u>	<u>\$140,607</u>	<u>\$20,866</u>	<u>\$69,833</u>	<u>\$79,734</u>	<u>\$774,040</u>
<b>LIABILITIES</b>						
Accounts payable					\$1,815	
Due to other funds			\$20,715			
Unearned revenue						
Total Liabilities			<u>20,715</u>		<u>1,815</u>	
<b>FUND EQUITY</b>						
Fund balances						
Restricted	\$369,471	\$140,607	151	\$69,833	77,919	\$774,040
Assigned						
Total Fund Balances	<u>369,471</u>	<u>140,607</u>	<u>151</u>	<u>69,833</u>	<u>77,919</u>	<u>774,040</u>
Total Liabilities and Fund Balances	<u>\$369,471</u>	<u>\$140,607</u>	<u>\$20,866</u>	<u>\$69,833</u>	<u>\$79,734</u>	<u>\$774,040</u>

CAPITAL PROJECT FUNDS

<u>Capital Improvement</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
\$282,504	\$29,582	\$149,407	\$1,867,469
		5,456	33,165
			20,866
<u>\$282,504</u>	<u>\$29,582</u>	<u>\$154,863</u>	<u>\$1,921,500</u>
			\$1,815
			20,715
		\$5,257	5,257
		5,257	27,787
\$282,504	\$29,582	149,606	1,581,627
282,504	29,582	149,606	312,086
<u>282,504</u>	<u>29,582</u>	<u>149,606</u>	<u>1,893,713</u>
<u>\$282,504</u>	<u>\$29,582</u>	<u>\$154,863</u>	<u>\$1,921,500</u>

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Evans Creative Design	Measure M	Road Construction
<b>REVENUES</b>						
Property taxes						
Measure A Grants	\$305,020					
From other agencies		\$186,378	\$91,286		\$82,207	
Use of money and property	1,665	873	106	\$502	458	\$4,591
Other revenues				100		
<b>Total Revenues</b>	<b>306,685</b>	<b>187,251</b>	<b>91,392</b>	<b>602</b>	<b>82,665</b>	<b>4,591</b>
<b>EXPENDITURES</b>						
Current:						
Police			100,000			
Public Works	25,844	5,508				34,966
Non-Departmental Capital Outlay		161,678		10,319	4,746	
<b>Total Expenditures</b>	<b>25,844</b>	<b>167,186</b>	<b>100,000</b>	<b>10,319</b>	<b>4,746</b>	<b>34,966</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>280,841</b>	<b>20,065</b>	<b>(8,608)</b>	<b>(9,717)</b>	<b>77,919</b>	<b>(30,375)</b>
<b>Other Financing Sources (uses):</b>						
Transfer in						
<b>Total Other Financing Sources (uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<b>280,841</b>	<b>20,065</b>	<b>(8,608)</b>	<b>(9,717)</b>	<b>77,919</b>	<b>(30,375)</b>
<b>BEGINNING FUND BALANCES</b>	<b>88,630</b>	<b>120,542</b>	<b>8,759</b>	<b>79,550</b>		<b>804,415</b>
<b>ENDING FUND BALANCES</b>	<b>\$369,471</b>	<b>\$140,607</b>	<b>\$151</b>	<b>\$69,833</b>	<b>\$77,919</b>	<b>\$774,040</b>

CAPITAL PROJECT FUNDS

<u>Capital Improvement</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
		\$93,473	\$93,473
\$1,866			305,020
	\$207	781	361,737
			9,183
			100
<u>1,866</u>	<u>207</u>	<u>94,254</u>	<u>769,513</u>
			100,000
		20,548	86,866
15,450			10,319
			181,874
<u>15,450</u>		<u>20,548</u>	<u>379,059</u>
<u>(13,584)</u>	<u>207</u>	<u>73,706</u>	<u>390,454</u>
<u>70,000</u>			<u>70,000</u>
<u>70,000</u>			<u>70,000</u>
56,416	207	73,706	460,454
<u>226,088</u>	<u>29,375</u>	<u>75,900</u>	<u>1,433,259</u>
<u>\$282,504</u>	<u>\$29,582</u>	<u>\$149,606</u>	<u>\$1,893,713</u>

TOWN OF ATHERTON  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SPECIAL REVENUE FUNDS

	County Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Property taxes						
Measure A grants	\$250,000	\$305,020	\$55,020			
From other agencies				\$200,000	\$186,378	(\$13,622)
Use of money and property		1,665	1,665		873	873
Other revenue						
<b>Total Revenues</b>	<u>250,000</u>	<u>306,685</u>	<u>56,685</u>	<u>200,000</u>	<u>187,251</u>	<u>(12,749)</u>
<b>EXPENDITURES</b>						
Current:						
Police						
Public Works	26,245	25,844	401	6,170	5,508	662
Non-departmental						
Capital Outlay	10,000		10,000	161,678	161,678	
<b>Total Expenditures</b>	<u>36,245</u>	<u>25,844</u>	<u>10,401</u>	<u>167,848</u>	<u>167,186</u>	<u>662</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>213,755</u>	<u>280,841</u>	<u>46,284</u>	<u>32,152</u>	<u>20,065</u>	<u>(13,411)</u>
Other Financing Sources (uses):						
Transfer in						
<b>Total Other Financing Sources (uses)</b>						
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$213,755</u>	<u>280,841</u>	<u>\$67,086</u>	<u>\$ 32,152</u>	<u>20,065</u>	<u>(\$12,087)</u>
<b>BEGINNING FUND BALANCES</b>		<u>88,630</u>			<u>120,542</u>	
<b>ENDING FUND BALANCES</b>		<u>\$369,471</u>			<u>\$140,607</u>	

SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services / COPS Grants			Evans Creative Design Fund			Measure M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$91,286	(\$8,714)					\$82,207	\$82,207
	106	106	\$600	\$502	(\$98)	\$458	\$458	
			200	100	(100)			
100,000	91,392	(8,608)	800	602	(198)	458	82,665	82,207
100,000	100,000							
			14,415	10,319	4,096	40,000	4,746	35,254
\$100,000	100,000		14,415	10,319	4,096	40,000	4,746	35,254
	(8,608)	(8,608)	(13,615)	(9,717)	(4,294)	(39,542)	77,919	46,953
	(8,608)	<u>(\$8,608)</u>	<u>(\$13,615)</u>	(9,717)	<u>(\$4,294)</u>	<u>(\$39,542)</u>	77,919	<u>\$46,953</u>
	8,759			79,550				
	<u>\$151</u>			<u>\$69,833</u>			<u>\$77,919</u>	

(Continued)

TOWN OF ATHERTON  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUND</u>		
	<u>Road Construction</u>			<u>Capital Improvement</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Property taxes						
Measure A grants						
From other agencies					\$1,866	\$1,866
Use of money and property	\$3,600	\$4,591	\$991			
Other revenue						
Total Revenues	<u>3,600</u>	<u>4,591</u>	<u>991</u>		<u>1,866</u>	<u>1,866</u>
EXPENDITURES						
Current:						
Police						
Public Works	225,000	34,966	190,034			
Non-departmental						
Capital Outlay				\$70,000	15,450	54,550
Total Expenditures	<u>225,000</u>	<u>34,966</u>	<u>190,034</u>	<u>70,000</u>	<u>15,450</u>	<u>54,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(221,400)</u>	<u>(30,375)</u>	<u>(189,043)</u>	<u>(70,000)</u>	<u>(13,584)</u>	<u>(52,684)</u>
Other Financing Sources (uses):						
Transfer in				(70,000)	70,000	(140,000)
Total Other Financing Sources (uses)				<u>(70,000)</u>	<u>70,000</u>	<u>(140,000)</u>
NET CHANGE IN FUND BALANCES	<u><u>(\$221,400)</u></u>	<u><u>(30,375)</u></u>	<u><u>(\$189,043)</u></u>	<u><u>(\$140,000)</u></u>	<u><u>56,416</u></u>	<u><u>(\$52,684)</u></u>
BEGINNING FUND BALANCES		<u>804,415</u>			<u>226,088</u>	
ENDING FUND BALANCES		<u><u>\$774,040</u></u>			<u><u>\$282,504</u></u>	

CAPITAL PROJECTS FUND

Channel Drainage District

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$82,000	\$93,473	\$11,473
	781	781
<u>82,000</u>	<u>94,254</u>	<u>12,254</u>
12,500	20,548	(8,048)
<u>12,500</u>	<u>20,548</u>	<u>(8,048)</u>
<u>69,500</u>	<u>73,706</u>	<u>20,302</u>
<u>\$69,500</u>	73,706	<u>\$20,302</u>
	<u>75,900</u>	
	<u>\$149,606</u>	

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## INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the Town on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund is eliminated by netting them against operations of the other Town departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

**EQUIPMENT REPLACEMENT FUND** accounts for the financing of replacement equipment within the Town such as vehicles and computer software.

**WORKERS' COMPENSATION INSURANCE FUND** accounts for the financing of the Town's outstanding worker's compensation liability.

**GENERAL LIABILITY FUND** accounts for other liabilities including employment liabilities.

**EMPLOYEE BENEFITS FUND** accounts for financing the liabilities for compensated absences and other post-employment benefits other than pension for Town General Fund departments.

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF NET POSITION  
JUNE 30, 2013

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$465,923	\$190,620	\$312,738	\$1,273,772	\$2,243,053
Total Current Assets	<u>465,923</u>	<u>190,620</u>	<u>312,738</u>	<u>1,273,772</u>	<u>2,243,053</u>
Non-Current Assets:					
Capital assets:					
Depreciable	942,234				942,234
Less: accumulated depreciation	<u>(607,767)</u>				<u>(607,767)</u>
Net Capital Asset	<u>334,467</u>				<u>334,467</u>
Total noncurrent assets	<u>334,467</u>				<u>334,467</u>
Total Assets	<u>800,390</u>	<u>190,620</u>	<u>312,738</u>	<u>1,273,772</u>	<u>2,577,520</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	39,623		8,954		48,577
Claims payable			159,981		159,981
Compensated absences				260,856	260,856
Long-term debt - due within one year		<u>107,000</u>			<u>107,000</u>
Total current liabilities	<u>39,623</u>	<u>107,000</u>	<u>168,935</u>	<u>260,856</u>	<u>576,414</u>
Noncurrent liabilities					
Compensated absences				226,324	226,324
Net OPEB obligations				<u>438,372</u>	<u>438,372</u>
Total noncurrent liabilities				<u>664,696</u>	<u>664,696</u>
Total Liabilities	<u>39,623</u>	<u>107,000</u>	<u>168,935</u>	<u>925,552</u>	<u>1,241,110</u>
<b>NET POSITION</b>					
Invested in capital assets	334,467				334,467
Unrestricted	<u>426,300</u>	<u>83,620</u>	<u>143,803</u>	<u>348,220</u>	<u>1,001,943</u>
Total Net Position	<u>\$760,767</u>	<u>\$83,620</u>	<u>\$143,803</u>	<u>\$348,220</u>	<u>\$1,336,410</u>

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$124,830	\$60,745	\$301,642	\$955,398	\$1,442,615
Total Operating Revenues	124,830	60,745	301,642	955,398	1,442,615
<b>OPERATING EXPENSES</b>					
Insurance		67,394	330,036		397,430
OPEB expense				582,526	582,526
Employee benefits earned				117,649	117,649
Depreciation	121,062				121,062
Total Operating Expenses	121,062	67,394	330,036	700,175	1,218,667
Operating Income (Loss)	3,768	(6,649)	(28,394)	255,223	223,948
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	3,251	1,904	1,048	14,524	20,727
Total Nonoperating Revenues (Expenses)	3,251	1,904	1,048	14,524	20,727
Change in Net Position	7,019	(4,745)	(27,346)	269,747	244,675
BEGINNING NET POSITION (DEFICIT)	753,748	88,365	171,149	78,473	1,091,735
ENDING NET POSITION	<u>\$760,767</u>	<u>\$83,620</u>	<u>\$143,803</u>	<u>\$348,220</u>	<u>\$1,336,410</u>

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from other funds	\$124,830	\$60,745	\$301,642	\$955,398	\$1,442,615
Payments to vendors	39,623	(67,394)	(209,640)	(1,759,980)	(1,997,391)
<b>Cash Flows from Operating Activities</b>	<b>164,453</b>	<b>(6,649)</b>	<b>92,002</b>	<b>(804,582)</b>	<b>(554,776)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets, net	(93,777)				(93,777)
Principal payments on long term debt	(24,330)	(107,000)			(131,330)
<b>Cash Flows (used for) Capital and Related Financing Activities</b>	<b>(118,107)</b>	<b>(107,000)</b>			<b>(225,107)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	3,251	1,904	1,048	14,524	20,727
<b>Cash Flows from Investing Activities</b>	<b>3,251</b>	<b>1,904</b>	<b>1,048</b>	<b>14,524</b>	<b>20,727</b>
<b>Net Cash Flows</b>	<b>49,597</b>	<b>(111,745)</b>	<b>93,050</b>	<b>(790,058)</b>	<b>(759,156)</b>
Cash and investments at beginning of period	416,326	302,365	219,688	2,063,830	3,002,209
Cash and investments at end of period	<u>\$465,923</u>	<u>\$190,620</u>	<u>\$312,738</u>	<u>\$1,273,772</u>	<u>\$2,243,053</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income	\$3,768	(\$6,649)	(\$28,394)	\$255,223	\$223,948
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	121,062				121,062
Compensated absences				86,903	86,903
<b>Change in assets and liabilities:</b>					
Prepays			1,461		1,461
Accounts payable	39,623		8,954		48,577
Accrued liability			109,981		109,981
Net OPEB obligation				(1,146,708)	(1,146,708)
<b>Cash Flows from Operating Activities</b>	<b><u>\$164,453</u></b>	<b><u>(\$6,649)</u></b>	<b><u>\$92,002</u></b>	<b><u>(\$804,582)</u></b>	<b><u>(\$554,776)</u></b>

<b>AGENCY FUNDS</b>
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Agency Funds account for assets held by a governmental unit in the capacity of agent for individuals, governmental entities, and non-public organizations.

The Agency Funds used to account for monies held by the Town in a fiduciary capacity are as follows:

**H-P PARK IMPROVEMENT FUND** – Fund donated for Holbrook-Palmer Park improvement.

**TREE COMMITTEE** – Fund maintained for the Tree Committee.

TOWN OF ATHERTON  
 AGENCY FUNDS  
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<hr/> <u>H-P Park Improvement Fund</u> <hr/>				
ASSETS				
Cash and investments	\$5,958	\$42		\$6,000
Total assets	<u>\$5,958</u>	<u>\$42</u>		<u>\$6,000</u>
LIABILITIES				
Deposits payable	\$5,958	\$42		\$6,000
Total liabilities	<u>\$5,958</u>	<u>\$42</u>		<u>\$6,000</u>
<hr/> <u>Tree Committee</u> <hr/>				
ASSETS				
Cash and investments	\$24,626	\$173		\$24,799
Total assets	<u>\$24,626</u>	<u>\$173</u>		<u>\$24,799</u>
LIABILITIES				
Deposits payable	\$24,626	\$173		\$24,799
Total liabilities	<u>\$24,626</u>	<u>\$173</u>		<u>\$24,799</u>
<hr/> <u>All Agency Funds</u> <hr/>				
ASSET				
Cash and investments	\$30,584	\$215		\$30,799
Total assets	<u>\$30,584</u>	<u>\$215</u>		<u>\$30,799</u>
LIABILITIES				
Deposits payable	\$30,584	\$215		\$30,799
Total liabilities	<u>\$30,584</u>	<u>\$215</u>		<u>\$30,799</u>