

TOWN OF ATHERTON, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Prepared by
FINANCE DEPARTMENT

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TOWN OF ATHERTON
Basic Financial Statements
For the Year Ended June 30, 2015

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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, 2015, 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, 2015 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, 2015 that required a prior period adjustment to the financial statements, as discussed in Note 1I to the financial statements:

- *Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment for GASB Statement No. 27.*
- *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No 68.*

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 and other Required Supplementary Information 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 E. Associates

Pleasant Hill, California
December 4, 2015

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, 2015. 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 \$48,637,792 (*net position*). Of this amount, \$6,803,893 (*unrestricted position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$5,134,834. The decrease is due to the implementation of GASB 68 and 71 which requires the reporting of net pension liability. The town recorded a net pension liability of \$9,253,029. The Miscellaneous employee plan is \$2,716,530 and Safety is \$6,536,499. The town however did receive higher property tax, and other taxes revenues of about \$1,090,208, \$711,342 increase in charges for services, \$506,438 increase in operating grants, and an increase in total expenses of \$327,514 of which a majority was attributed to initial recognized pension expense of \$546,525.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$30,605,461, an increase of \$5,631,383 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$11,411,396, or 98.1 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 \$3,180,978 compared to fiscal year 2013-2014. Key Contributing factors include increase in general fund revenues of approximately \$1.6 million and the \$372,000 million transfer in from the Parcel Tax for Police Services, culminating in excess revenues over expenditures of \$3,239,337

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).

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 15-16 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 a major fund. Data from the other ten 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 18-24 of this report.

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 30-32 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 34 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 35-65 of this report.

Other information. Budgetary comparison statements for General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund can be found on pages 25-27 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 72-79 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 \$48,637,792 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net position (51 percent) reflects its investment in capital assets of \$24,899,393 (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

	2015	2014
Current and other assets	\$ 37,968,660	\$ 30,655,601
Capital assets	24,899,393	25,683,350
Total assets	62,868,053	56,338,951
Deferred Outflow of Resources	1,066,409	
Current liabilities	2,861,872	2,320,555
Noncurrent liabilities	9,544,975	245,770
Total liabilities	12,406,847	2,566,325
Deferred Inflow of Resources	2,889,823	
Net Assets:		
Invested in capital assets, net of related debt	24,899,393	25,683,350
Restricted	16,934,506	14,542,460
Unrestricted	6,803,893	13,546,816
Total net position	\$ 48,637,792	\$ 53,772,626

An additional portion of the Town of Atherton net position \$16,934,506 (35 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$6,803,893 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 decreased the Town of Atherton's net assets by \$5,134,834. The decrease was due to the implementation of GASB statements 68 and 71 which require the recognition of pension liabilities, deferred outflows and deferred inflows of resources for pensions. As a result of the implementation of these GASB statements, the Town made an adjustment of \$11,622,967 to the Total Net Position. Without the recognition of pension liabilities the Town would have a total net position of \$59,714,235 for FY 14/15. Total governmental activities had higher property taxes, sales tax, and other taxes for a combined total of \$1,090,208 in the fiscal year. The Town had an increase in charges for services of \$711,342 and operating grants and contributions of \$506,438 over last year. The Town had an increase in expenditures of \$327,514 across major funds and other governmental funds due to additional personnel in the police department, increased asset cost additions. The Town continued the reduction of its Net OPEB Obligation. During the fiscal year the Town contributed \$1.02 Million toward the OPEB trust for continued reduction of its unfunded liability. In prior year the Town contributed \$2 Million.

Town of Atherton's Changes in Net Position

	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 3,105,287	\$ 2,393,945
Operating grants and contributions	1,303,969	797,531
General revenues:		
Taxes	14,299,712	13,209,504
Investment earnings	170,573	308,907
Other revenues	161,453	168,453
Total revenues	19,040,994	16,878,340
Expenses:		
General government	3,124,009	3,415,919
Public works	3,175,505	3,311,300
Police	4,719,440	4,029,458
Building	1,308,035	1,224,190
Planning	225,872	244,480
Total expenses	12,552,861	12,225,347
Change in Net Position	6,488,133	4,652,993
Transfers		-
Net assets - Beginning	42,149,659	49,119,633
Net assets - Ending	48,637,792	53,772,626

- Charges for services increased by \$711,342 (29.7 percent) during the year. The increase was primarily due to C&D deposit forfeiture of \$450,672 from building construction deposits that were forfeited. The town received \$76,640 from vehicle registrations. Total park fees were \$77,686 higher than last year. The Town also received an increase of \$32,133 in Tennis revenue due to signing of Tennis services contract in October. Encroachments permit fees had an increase of \$10,595 than the previous year. Other fines and forfeitures had an increase of \$11,690 over last year. Zoning and planning fees increased \$33,684 over last year.
- Operating grants and contribution increased overall by \$506,438 during the year. The increase was primarily due to higher general government grants. The town finally received \$74,451 of state mandated reimbursements for costs incurred over several years. We received \$170,716 in Fed STP transportation funding for street projects. The Town received \$250,457 in donations from Atherton Now for the design phase for the Civic Center project. We received \$24,156 more in Measure A sales tax transportation funds for street projects. The Town received \$27,500 from Menlo-Atherton Little League for maintenance of tennis courts at the Holbrook-Palmer Park.
- Taxes increased by \$1,090,208 (8.2 percent) during the year. The increase was primarily due to \$632,281 of property tax, an increase of \$447,994 in sales tax, which was due to one-time sales transaction in the town. There was a total \$9,993 increase in other taxes which included franchise fees, document transfer tax, and business licenses.

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- Investment earnings are lower than last year by \$138,334. This was due to major fair market value adjustment to investments. Interest rates remain low however the Town continues to diversify its investments.
 - Total Government Activities expenses increased by \$327,514(2.6 percent) during the year. The Town had an increase in expenditures of \$327,514 across major funds and other governmental funds due to increase in operational expenditures for continued town level of services. There were two additional personnel added in the police department, increased capital asset outlay costs, and recognized pension expense. The Town continued the reduction of its Net OPEB Obligation. During the fiscal year the Town it contributed \$1.02 Million toward the OPEB trust for continued reduction of its unfunded liability.

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 6 on pages 48 through 50 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 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 \$11,411,396 while total fund balance reached \$13,670,955. As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 98.1 percent of the total general fund expenditures of \$11,621,729, while total fund balance represents 117 percent of that same amount of total expenditures.

Town of Atherton's general fund balance increased by \$3,239,337 during the current fiscal year. Key factors in the increase are as follows:

- The General Fund Revenue increased \$1,667,100 over prior year and there was \$154,909 decrease in General Fund operating expenditures.
- The CalPERS employer contribution rate increased slightly as total expense was \$81,914 than previous year.
- The Town eliminated the contract services for Arborist and Code Enforcement and added a full time Town Arborist and Code Enforcement officer.
- The Town made a \$1.02 Million contribution to towards the OPEB trust as the Town continues to reduce its OPEB liabilities. In the previous year the Town contributed \$2 Million towards the trust.
- Increase in property tax revenues in the amount of \$629,518.
- Decrease in other taxes (Franchise tax, Document Transfer Tax) in the amount of \$25,779.

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- Increase of sales tax in the amount of \$452,904 for one time sales.
 - Increase in Permits and Licenses (Business Licenses) in the amount of \$35,712.
 - Increase in Service Charges in the amount of \$159,655.
 - Increase in fine and forfeitures in the amount of \$462,907 mainly in C&D forfeitures.

Special Tax Special Revenue Fund has a total fund balance of \$2,954,064, 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 \$318,431. There was less capital outlay expenditures compared to last year. We continue to save and spend in the special tax fund as we continue to roll forward in our Town Capital Improvement Program projects. During this fiscal year we changed the allocation for the Parcel Tax and General Fund to 80/20. \$372,000 is allocated to the General Fund and \$1,488,000 to the parcel tax fund for future capital projects.

Library Special Revenue Fund has a total fund balance of \$9,740,144, all of which is reserved for the library operation. Revenue was lower than prior year by \$15,950 due to return of excess donor city funds of \$1,275,786. As of 2012-2013 fiscal year, all donor funds are held in a separate trust for each city in the JPA. The town currently has \$3,701,918 in the SMCL Donor trust fund. Funds will be remitted to cities once they use up all existing funds. Current existing funds held by the Town are \$6,043,126.

General Fund Budgetary Highlights

During the year, the revenue budget increased by \$976,635. The following are the main components of the increase:

- \$200,227 higher secured property tax
- \$59,750 higher SB813 supplement income
- \$19,350 higher property tax in lieu VLF
- \$425,257 higher ERAF revenue.
- \$50,700 higher property transfer tax
- \$56,773 higher total sales tax
- \$7,325 higher franchise tax PG & E
- \$15,020 higher zoning and planning fees
- \$52,875 higher building department revenue
- \$26,923 higher total police revenue
- \$26,449 higher park program revenue
- \$35,986 higher revenue in miscellaneous, intergovernmental, and DPW revenue categories

During the year there was also a \$1,147,348 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

\$18,337 increase in building budget for the Town Arborist for the addition of a full time Town arborist in the fiscal year.

\$24,842 decrease in building department expenditures for contract code enforcement officer. This was for the addition of a full time Community Service/Code enforcement officer during the fiscal year and the elimination of the contract code enforcement.

\$44,899 increase in Contract building & Life Safety Services expenditure in building department.

\$75,000 increase in the Public Works department for additional expenditure for repairs at the Pavilion in Holbrook-Palmer Park.

Council approved \$1,020,000 contribution toward OPEB liability for continued payment towards the OPEB trust,

Capital Assets and Debt Administration

Capital assets. The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$24,899,393 (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 increased by \$737,287. This is mainly due to continue projects in progress for the Marsh Retaining wall, the Civic Center design phase, Bike/Pedestrian, Park, and Drainage master plans.

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

	Governmental activities	
	2015	2014
Land	690,884	690,884
Construction in progress	1,150,772	413,485
Building	890,358	940,922
Other Improvements	359,530	387,017
Vehicles	314,386	326,717
Computer Equipment/Software	47,837	86,532
Furniture & Fixture	(1)	1,481
Machinery & Equipment	131,667	95,537
Infrastructure	21,313,960	22,740,775
Total Fixed Assets	24,899,393	25,683,350

Additional information about the Town's capital assets can be found in Note 5 on pages 46 through 48 in the financial statements.

Long-term debt. At the end of the current fiscal year, the Town of Atherton has no total debt outstanding. The Town paid off its assessment due to The Cities Group to cover negative workers' compensation reserve. In the FY 2015-2016 budget, the Council approved an appropriation of \$631,241 to pay down the Town's current negative equity reserve. This was to mitigate any future additional assessments from Cities Group workers' compensation JPA.

Starting in Fiscal Year 2014-15, GASB 68 and 71 were implemented for Accounting and Financial Reporting for Pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. As of FY 2014-15 the Town of Atherton reports a net pension liability of \$9,253,029 and is as follows;

Miscellaneous Employee Plan: \$2,716,530
Safety Employees Plan: \$6,536,499

The Town reported a deferred outflow of resources of \$1,066,409 and deferred inflow of \$2,889,823.

Economic Factors and Next Year's Budgets

Property taxes comprise 61.4% of the General Fund revenues. Property Taxes increased 7.6% from the previous year of \$8,270,190, clearly showing that property sales within the town continue to be on the rise. The Town experienced a Net Taxable Assessed Value increase of 9.0% for a total value of \$8.7 Billion as of FY 2015-2016. Expectations for FY 2015/2016 property tax revenues should continue to show a slight growth as the housing market prices in the Town continue to increase. As of now financial assumptions includes an increase in property tax revenue projections at 4.6 percent, building and all other revenue sources are budgeted between 1-2.5 percent. We continue to monitor other Town revenues as they remain stable. The Town Parcel Tax revenue split was changed in FY 2014-15 and is contributing \$1.4 Million towards capital projects and \$372,000 towards police services. It remains a viable source for the community. The Town received \$1,125,000 in ERAF for the Fiscal Year and earmarked it as a contribution towards OPEB Liability in FY 2015-16 in the amount of \$680,684, and the paying down of the Workers' Compensation negative equity with a contribution of \$444,316. The Town continues to anticipate using ERAF for the paying down of long term liabilities, and/or contribution toward capital projects.

The Town's General Fund Operating Budget relies on continued fiscal prudence, recognizing the stabilizing development economy, while also taking into account the need to adjust resources in order to meet any rising demands for Town services and capital improvements. Through its conservative fiscal policies, the Town continues to maintain a high-level of service to its residents. While we look forward at ways to diversity our revenue base, it is important to recognize the impact that the loss or elimination of any singular significant revenue source will have on service delivery. Over the past several years the Town has taken steps to paying of Employee portion of pension contribution passing it on to the employee to contribute, and established caps in health care contribution. Effective January 1, 2016, per the Police MOU, the Town shall cease paying any portion of the employees' share, and the employees shall pay 100% of the employee share of the mandatory member contribution, presently 9% for sworn and 7% for civilian. Paying down long term liabilities is important to the Town's fiscal stability. During the fiscal year the Town made a \$1.02 million contribution into the OPEB trust for future OPEB liabilities and reduced our Net OPEB obligation. Total Town contribution to the Trust as of June 30, 2015 is \$4,319,316. The balance in the PARS Trust as of June 30, 2015 is \$4,625,891. A new OPEB actuarial study was completed in Fiscal Year 2014-15 and decreased our annual required contribution to \$390,517 by approximately \$160,169. CalPERS also began its new amortization and rate smoothing policies. Starting in FY 2015/16, CalPERS requires agencies to pay for their Unfunded Accrued Liabilities (UAL). This is to recover gains and losses of funded status of plans. CalPERS invoiced municipalities the unfunded portion of their liabilities. In July 2015, the Town paid \$116,323 for Miscellaneous Employees and \$325,906 for Public Safety, for a total of \$442,229 for the PERS unfunded accrued liability portion for FY 2015-16. Analysis on future costs will continue to be a focus as we intend to meet long term obligations and Town operating expenditures. With the implementation of GASB 68 and 71 the town is now required to record its net pension liability. Each fiscal year the Town will report the new net pension liability based on contributions and investment earnings on the plan. The goal is to continue to provide current level of services to the community and financial transparency. The Town has a capital improvement program that includes various Town infrastructure projects and requires various funding sources. Paying down long term liabilities and providing funding for capital projects will continue to be a priority. The Town will always be looking to consider new operating revenue sources in future years to continue to meet the high standard of services and programs that the community has come to expect and deserve.

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.

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*.

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TOWN OF ATHERTON
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$35,029,686
Receivables:	
Taxes	193,138
Grants	179,876
Interest	8,243
Other	51,069
Prepaid expenses	
Net OPEB assets (Note 8)	2,506,648
Capital assets (Note 5):	
Non-depreciable	1,841,656
Depreciable, net	23,057,737
Total Capital assets	24,899,393
Total Assets	62,868,053
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 7)	1,066,409
LIABILITIES	
Accounts payable	904,397
Accrued liabilities	256,767
Deposits payable	1,368,085
Unearned revenue	
Compensated absences (Note 1G)	
Due in less than one year	332,623
Due in more than one year	291,946
Net pension liability (Note 7)	9,253,029
Total Liabilities	12,406,847
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 7)	2,889,823
NET POSITION (Note 6)	
Net investment in capital assets	24,899,393
Restricted for:	
Streets and drainage maintenance and police services	2,954,064
Library operations	9,740,144
Public facilities constructions	2,050,261
Special revenue projects	1,749,035
Capital projects	441,002
Unrestricted	6,803,893
Total Net Position	\$48,637,792

See accompanying notes to financial statements

TOWN OF ATHERTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
General government	\$3,124,009	\$77,885	\$84,952		(\$2,961,172)
Public works	3,175,505	983,940	562,239	\$448,673	(1,180,653)
Police	4,719,440	99,646	208,105		(4,411,689)
Building	1,308,035	1,649,940			341,905
Planning	225,872	293,876			68,004
Total Governmental Activities	\$12,552,861	\$3,105,287	\$855,296	\$448,673	(8,143,605)
General revenues:					
Taxes:					
Property taxes					12,149,559
Sales taxes					604,092
Other taxes					1,546,061
Total Taxes					14,299,712
Investment earnings					170,573
Miscellaneous					161,453
Total General Revenues					14,631,738
Change in Net Position					6,488,133
Net Position-Beginning, As Adjusted (Note 1I)					42,149,659
Net Position-Ending					\$48,637,792

See accompanying notes to financial statements

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Town in fiscal 2015. 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, 2015

	Major Funds			
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund
ASSETS				
Cash and investments (Note 3)	\$15,480,739	\$3,053,750	\$9,745,044	\$2,188,113
Receivables:				
Taxes	161,357			
Grants				
Interest	8,243			
Other	51,069			
Due from other funds (Note 4)	9,010			
	<u>\$15,710,418</u>	<u>\$3,053,750</u>	<u>\$9,745,044</u>	<u>\$2,188,113</u>
LIABILITIES				
Accounts payable	\$492,553	\$96,744	\$4,900	\$137,852
Accrued liabilities	181,767			
Deposits payable	1,365,143	2,942		
Due to other funds (Note 4)				
	<u>2,039,463</u>	<u>99,686</u>	<u>4,900</u>	<u>137,852</u>
FUND BALANCES				
Fund balance (Note 6):				
Nonspendable				
Restricted		2,954,064	9,740,144	
Committed	1,743,259			
Assigned	516,300			2,050,261
Unassigned	11,411,396			
	<u>13,670,955</u>	<u>2,954,064</u>	<u>9,740,144</u>	<u>2,050,261</u>
Total Fund Balances	<u>\$15,710,418</u>	<u>\$3,053,750</u>	<u>\$9,745,044</u>	<u>\$2,188,113</u>
Total Liabilities and Fund Balances	<u>\$15,710,418</u>	<u>\$3,053,750</u>	<u>\$9,745,044</u>	<u>\$2,188,113</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$2,142,677	\$32,610,323
31,781	193,138
179,876	179,876
	8,243
	51,069
	9,010
<u>\$2,354,334</u>	<u>\$33,051,659</u>
\$155,287	\$887,336
	181,767
	1,368,085
9,010	9,010
<u>164,297</u>	<u>2,446,198</u>
2,087,466	14,781,674
	1,743,259
102,571	2,669,132
	11,411,396
<u>2,190,037</u>	<u>30,605,461</u>
<u>\$2,354,334</u>	<u>\$33,051,659</u>

TOWN OF ATHERTON
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$30,605,461

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. 24,483,019

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	2,419,363
Net OPEB assets	2,506,648
Capital assets, net	416,374
Accounts payable	(17,061)
Compensated absences	(624,569)
Claims payable	(75,000)

DEFERRED INFLOWS AND OUTFLOWS

Deferred outflows related to pensions	1,066,409
Deferred inflows related to pensions	(2,889,823)

LONG-TERM LIABILITIES

The liability below is not due and payable in the current period and therefore is not reported in the Funds:
Net pension liability (9,253,029)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$48,637,792

See accompanying notes to financial statements

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TOWN OF ATHERTON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Major Funds			
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund
REVENUES				
Property taxes	\$8,899,708		\$1,275,786	
Special assessments		\$1,869,700		
Sales taxes	687,478			
Other taxes	1,289,256			
Measure A grants				
From other governmental agencies	105,216			
Permit and licenses	256,805			
Fines and forfeitures	517,403			
Service charges	2,460,324			
Use of money and property	168,249	19,016	66,061	\$16,976
Miscellaneous	104,627			250,457
Total Revenues	14,489,066	1,888,716	1,341,847	267,433
EXPENDITURES				
Current:				
General government	2,969,515	5,331		
Planning	225,872			
Building	1,353,487			
Police	5,656,160			
Public works	1,295,136	58,839		203,213
Non-departmental			38,559	
Capital outlay	121,559	178,742	117	364,544
Total Expenditures	11,621,729	242,912	38,676	567,757
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,867,337	1,645,804	1,303,171	(300,324)
Other Financing Sources (uses):				
Transfer in (Note 4)	372,000			155,403
Transfer (out) (Note 4)		(372,000)	(155,403)	
Total Other Financing Sources (uses)	372,000	(372,000)	(155,403)	155,403
Net change in fund balances	3,239,337	1,273,804	1,147,768	(144,921)
BEGINNING FUND BALANCES	10,431,618	1,680,260	8,592,376	2,195,182
ENDING FUND BALANCES	\$13,670,955	\$2,954,064	\$9,740,144	\$2,050,261

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$104,365	\$10,279,859
	1,869,700
	687,478
	1,289,256
339,098	339,098
576,080	681,296
	256,805
	517,403
	2,460,324
16,170	286,472
	355,084
<u>1,035,713</u>	<u>19,022,775</u>
	2,974,846
	225,872
	1,353,487
104,491	5,760,651
35,425	1,592,613
12,445	51,004
767,957	1,432,919
<u>920,318</u>	<u>13,391,392</u>
<u>115,395</u>	<u>5,631,383</u>
	527,403
	(527,403)
115,395	5,631,383
<u>2,074,642</u>	<u>24,974,078</u>
<u>\$2,190,037</u>	<u>\$30,605,461</u>

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, 2015

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	\$5,631,383
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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 capitalized expenditures are therefore added back to fund balance	770,548
Depreciation expense is deducted from the fund balance	(1,554,514)

PENSION TRANSACTIONS

Payment of pension plan contributions is an expenditure in the governmental funds, but in the Statement of Net Position the payment is a deferred outflow.	546,524
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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>1,094,192</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$6,488,133</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES:				
Property taxes	\$8,168,042	\$8,874,126	\$8,899,708	\$25,582
Sales taxes	232,611	289,384	687,478	398,094
Other taxes	1,159,140	1,217,165	1,289,256	72,091
Permits and licenses	215,210	215,210	256,805	41,595
Fines and forfeitures	56,127	62,477	517,403	454,926
From other governmental agencies	39,124	61,584	105,216	43,632
Service charges	1,732,748	2,294,433	2,460,324	165,891
Use of money and property	276,286	276,436	168,249	(108,187)
Other	4,200	13,811	104,627	90,816
Total Revenues	11,883,488	13,304,626	14,489,066	1,184,440
EXPENDITURES:				
Current:				
General government				
City council	63,006	63,006	44,899	18,107
Administration	658,599	666,599	620,192	46,407
City attorney	204,100	204,100	162,205	41,895
Finance	641,195	642,295	614,036	28,259
Non-departmental	518,938	1,542,938	1,528,183	14,755
General government total	2,085,838	3,118,938	2,969,515	149,423
Planning	277,600	277,490	225,872	51,618
Building	1,342,585	1,380,917	1,353,487	27,430
Public works	1,620,340	1,624,690	1,295,136	329,554
Police	5,998,218	5,991,219	5,656,160	335,059
Capital outlay	144,060	222,735	121,559	101,176
Total Expenditures	11,468,641	12,615,989	11,621,729	844,837
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	414,847	688,637	2,867,337	2,178,700
OTHER FINANCING SOURCES USES				
Transfer in (Note 4)	372,000	372,000	372,000	
NET CHANGE IN FUND BALANCE	\$786,847	\$1,060,637	3,239,337	\$2,178,700
Fund balance, beginning of year			10,431,618	
Fund balance, end of year			<u>\$13,670,955</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$1,860,000	\$1,860,000	\$1,869,700	\$9,700
Use of money and property			19,016	19,016
Total Revenues	1,860,000	1,860,000	1,888,716	28,716
EXPENDITURES:				
Current:				
General government	1,500	1,500	5,331	(3,831)
Public works	250,000	259,083	58,839	200,244
Capital outlay	2,741,255	2,838,175	178,742	2,659,433
Total Expenditures	2,992,755	3,098,758	242,912	2,855,846
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	(372,000)	(372,000)	(372,000)	
Total Other Financing Sources (Uses)	(372,000)	(372,000)	(372,000)	
Net change in fund balance	(\$1,504,755)	(\$1,610,758)	1,273,804	\$2,884,562
Fund Balance, beginning of year			1,680,260	
Fund Balance, end of year			\$2,954,064	

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$1,150,000	\$1,150,000	\$1,275,786	\$125,786
Use of money and property	35,000	35,000	66,061	31,061
Total Revenues	<u>1,185,000</u>	<u>1,185,000</u>	<u>1,341,847</u>	<u>156,847</u>
EXPENDITURES:				
Library Maintenance	1,378,100	1,380,305	38,559	1,341,746
Capital Outlay			117	(117)
Total Expenditures	<u>1,378,100</u>	<u>1,380,305</u>	<u>38,676</u>	<u>1,341,629</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)			(155,403)	155,403
Total Other Financing Sources (Uses)			<u>(155,403)</u>	<u>155,403</u>
NET CHANGES IN FUND BALANCE	<u>(\$193,100)</u>	<u>(\$195,305)</u>	1,147,768	<u>\$1,343,073</u>
BEGINNING FUND BALANCE			<u>8,592,376</u>	
ENDING FUND BALANCE			<u>\$9,740,144</u>	

See accompanying notes to financial statements

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PROPRIETARY FUNDS

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, 2015

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets	
Cash and investments (Note 3)	\$2,419,363
Total current assets	2,419,363
Noncurrent Assets:	
Net OPEB assets	2,506,648
Capital assets (Note 5):	
Depreciable	1,173,261
Less accumulated depreciation	(756,887)
Total capital assets	416,374
Total noncurrent assets	2,923,022
Total Assets	5,342,385
LIABILITIES	
Current liabilities:	
Accounts payable	17,061
Compensated absences (Note 1G)	332,623
Total current liabilities	349,684
Non-current liabilities:	
Compensated absences (Note 1G)	291,946
Claims payable (Note 9)	75,000
Total noncurrent liabilities	366,946
Total Liabilities	716,630
NET POSITION (Note 6)	
Net investment in capital assets	416,374
Unrestricted	4,209,381
Total Net Position	\$4,625,755

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, 2015

	<u>Governmental Activities- Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	<u>\$2,347,843</u>
Total Operating Revenues	<u>2,347,843</u>
OPERATING EXPENSES	
Insurance	481,771
OPEB expense	409,084
Employee benefits earned	154,729
Depreciation	125,741
Supplies and maintenance	<u>100,545</u>
Total Operating Expenses	<u>1,271,870</u>
Operating Income	<u>1,075,973</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>18,219</u>
Total Nonoperating Revenues	<u>18,219</u>
Change in net position	1,094,192
BEGINNING NET POSITION	<u>3,531,563</u>
ENDING NET POSITION	<u><u>\$4,625,755</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Governmental Activities- Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental charges	\$1,312,564
Payments to suppliers	<u>(1,007,168)</u>
Cash Flows from Operating Activities	<u>305,396</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	<u>(125,750)</u>
Cash Flow from Capital and Related Financing Activities	<u>(125,750)</u>
CASH FLOWS FORM INVESTING ACTIVITIES	
Interest received	<u>18,219</u>
Cash Flow from Investing Activities	<u>18,219</u>
Net Cash Flow	197,865
Cash and investments at beginning of period	<u>2,221,498</u>
Cash and investment at end of period	<u><u>\$2,419,363</u></u>
Reconciliation of Operating Income to Cash Flows	
from Operating Activities	
Operating income	\$1,075,973
Adjustments to reconcile operating income to cash flows	
from operating activities:	
Depreciation	125,741
Changes in assets and liabilities:	
Other assets	(1,032,779)
Accounts payable	5,494
Accrued liabilities	35,947
Compensated absences	<u>95,020</u>
Cash Flows from Operating Activities	<u><u>\$305,396</u></u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

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, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$31,396</u>
Total Assets	<u><u>\$31,396</u></u>
LIABILITIES	
Deposits payable	<u>\$31,396</u>
Total Liabilities	<u><u>\$31,396</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (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.

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet reports 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 reports 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, 2015

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	\$529,549
Additions	411,555
Payments	<u>(316,535)</u>
Ending Balance	<u>\$624,569</u>
Current Portion	<u>\$332,623</u>

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

H. *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.

I. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement had a material impact on the Town's financial statements.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements (Continued)*

GASB Statement No. 69 – In 2014, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. This Statement did not have a material impact on the financial statements for the fiscal year 2015.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement had a material impact on the Town's financial statements.

As a result of the implementation of GASB Statements 68 and 71, the Town made an adjustment of \$11,622,967 to the beginning net position of its governmental activities.

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 the same department 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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. *Budgets and Budgetary Accounting (Continued)*

- 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 Town did not budget for the Storm Drainage Capital Project Fund.

B. *Expenditures in Excess of Budget*

The Major Funds below incurred expenditures in excess of their budgets in the amounts below for the year ended June 30, 2015:

Fund Name	Amount
Special Revenue Funds:	
Special Tax	
General government	\$3,831
Library	
Capital outlay	117

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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

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

Statement of Net Position

Cash and investments available for operations	\$35,029,686
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Fiduciary Funds

Cash and investments available for operations	31,396
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Total Cash and Investments	\$35,061,082
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Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$886
Cash in bank	1,361,916
Investments	33,698,280
Total Cash and Investments	\$35,061,082

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.

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	25%	No Limit
Repurchase Agreements	30 days	A / A-1	No Limit	No Limit
Medium-Term Corporate Notes	5 years	AA	30%	5%
Commercial Paper	270 days	A / A-1	25%	5%
Medium-term Notes	5 years	AA	5%	No Limit
Local Agency Investment Fund	N/A	N/A	50%	No Limit
Money Market Mutual Funds	N/A	AAAm	20%	No Limit
Negotiable and Non-Negotiable Certificate of Deposits	5 years	A-1+	10%	\$250,000

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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		\$3,016,645	\$1,001,020	\$4,017,665
U.S. Agency Securities	\$1,258,338	3,029,990	2,206,355	6,494,683
Corporate Notes	1,257,918	2,151,882	3,541,670	6,951,470
San Mateo County Investment Pool (SMCL Donor Trust Fund)	3,701,918			3,701,918
California Local Agency Investment Fund	12,439,976			12,439,976
Money Market Mutual Fund	92,568			92,568
Total Investments	\$18,750,718	\$8,198,517	\$6,749,045	33,698,280
Cash in Banks				1,361,916
Petty Cash				886
Total Cash				1,362,802
Total Cash and Investments				\$35,061,082

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, 2015 are as follows:

Investment Type	AAA	AAAm	AA	Not Rated	Exempt	Total
U.S. Treasury Obligations					\$4,017,665	\$4,017,665
U.S. Agency Securities	\$6,494,683					6,494,683
Corporate Notes	752,278		\$6,199,192			6,951,470
San Mateo County Investment Pool (SMCL Donor Trust Fund)				\$3,701,918		3,701,918
California Local Agency Investment Fund				12,439,976		12,439,976
Money Market Mutual Fund		\$92,568				92,568
Total Investments	\$7,246,961	\$92,568	\$6,199,192	\$16,141,894	\$4,017,665	\$33,698,280

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 3 - CASH AND INVESTMENTS (Continued)

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 and General Fund investments are as follows at June 30, 2015:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	U.S. Agency Securities	\$3,279,268
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	2,714,445

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, 2015, these investments matured in an average of 239 days.

H. San Mateo County Investment Fund

The Town's investment held under San Mateo Library Donor Trust Fund was invested by the San Mateo Library (Library) in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The Town reports its investment in SMCIF at the fair value amount provided by the Library. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The Town reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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, 2015, are as follows:

Due From Other Funds	Due To Other Funds	Amount
General Fund	Supplemental Law Enforcement Services/ COPS Grant Special Revenue Fund	\$9,010

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, 2015 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Special Tax Special Revenue Fund	\$372,000
Facilities Construction Capital Projects Fund	Library Special Revenue Fund	155,403
		\$527,403

(A) Transfer was used to fund General Fund activities

(B) Transfer used to fund capital projects

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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
Computer Equipment and Software	3 years
Furniture and fixtures	10 years
Vehicles	5 to 10 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, 2015

NOTE 5 - CAPITAL ASSETS (Continued)

A. Current Year Capital Asset Activities

<i>Governmental Funds</i>	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$690,884			\$690,884
Construction in progress	413,485	\$737,287		1,150,772
Total non-depreciable capital assets	<u>1,104,369</u>	<u>737,287</u>		<u>1,841,656</u>
Capital assets being depreciated:				
Buildings	1,934,299			1,934,299
Other improvements	1,125,668			1,125,668
Computer equipment and software	268,853			268,853
Furniture and fixtures	34,798			34,798
Vehicle	60,156			60,156
Machinery and equipment	352,024	33,261		385,285
Infrastructure	55,683,479			55,683,479
Total depreciable capital assets	<u>59,459,277</u>	<u>33,261</u>		<u>59,492,538</u>
Less accumulated depreciation for:				
Buildings	993,377	50,564		1,043,941
Other improvements	738,651	27,487		766,138
Computer equipment and software	232,317	19,932		252,249
Furniture and fixture	33,317	1,482		34,799
Vehicles	42,905	8,825		51,730
Machinery and equipment	313,390	19,409		332,799
Infrastructure	32,942,704	1,426,815		34,369,519
Total accumulated depreciation	<u>35,296,661</u>	<u>1,554,514</u>		<u>36,851,175</u>
Depreciable capital assets, net	<u>24,162,616</u>	<u>(1,521,253)</u>		<u>22,641,363</u>
General capital assets, net	<u>25,266,985</u>	<u>(783,966)</u>		<u>24,483,019</u>
 <i>Internal Service Funds</i>				
Depreciable capital assets:				
Vehicles	733,356	94,547	(\$20,318)	807,585
Computer equipment	241,499			241,499
Other equipment	92,974	31,203		124,177
Total depreciable capital assets	<u>1,067,829</u>	<u>125,750</u>	<u>(20,318)</u>	<u>1,173,261</u>
Less: accumulated depreciation for				
Vehicles	423,890	98,053	(20,318)	501,625
Computer equipment	191,503	18,763		210,266
Other equipment	36,071	8,925		44,996
Total accumulated depreciation	<u>651,464</u>	<u>125,741</u>	<u>(20,318)</u>	<u>756,887</u>
Internal Service Funds capital assets, net	<u>416,365</u>	<u>9</u>		<u>416,374</u>
Total governmental capital assets, net	<u>\$25,683,350</u>	<u>(\$783,957)</u>		<u>\$24,899,393</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

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	\$8,126
Public works	1,498,322
Building	7,381
Police	<u>40,685</u>
Governmental activities subtotal	1,554,514
Internal Service Fund	<u>125,741</u>
Total	<u><u>\$1,680,255</u></u>

NOTE 6 - 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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 6 - FUND BALANCES AND NET POSITIONS (Continued)

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. 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. Nonspendable amounts subject to Council commitments are included along with spendable resources.

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 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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 6 - FUND BALANCES AND NET POSITIONS (Continued)

B. Fund Balances (Continued)

Detailed classifications of the Town's Fund Balances, as of June 30, 2015, are below:

	General Fund	Major Special Revenue Funds		Facilities Construction Capital Projects Fund	Other Governmental Funds	Total
		Special Tax	Library			
Fund balances:						
Restricted for:						
Special tax special revenue fund		\$2,954,064				\$2,954,064
Library operations			\$9,740,144			9,740,144
Measure A					\$781,179	781,179
Gas tax					270,387	270,387
Supplemental law enforcement services / COPS Grant					150	150
Road impact fee					596,898	596,898
Evans Creative Design					45,686	45,686
Measure M					54,735	54,735
Channel Drainage District					338,431	338,431
Total Restricted		2,954,064	9,740,144		2,087,466	14,781,674
Committed to:						
Emergency disaster	\$1,743,259					1,743,259
Total Committed	1,743,259					1,743,259
Assigned to:						
Tennis program	77,150					77,150
Building department operations	434,296					434,296
Tree Committee	4,854					4,854
Capital projects				\$2,050,261	102,571	2,152,832
Total Assigned	516,300			2,050,261	102,571	2,669,132
Unassigned	11,411,396					11,411,396
Total Unassigned	11,411,396					11,411,396
Total Fund Balances	\$13,670,955	\$2,954,064	\$9,740,144	\$2,050,261	\$2,190,037	\$30,605,461

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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 – PENSION PLANS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Town's separate Safety and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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. However, as of July 1, 2013, Miscellaneous Plan employees started to pay their own portion of the required employee contribution rate of 7%. The Town and the Atherton Police Officers Association (APOA) adopted a new MOU on October 1, 2013. Effective on January 1, 2014, the Town's payment of the employee share of the mandatory member contribution for the CalPERS retirement benefit shall be 5%. Effective January 1, 2015, the Town's payment of the employee share of the mandatory member contribution shall be reduced to 2.5%. Effective January 1, 2016, the Town shall cease paying any portion of the employees' share, and the employees shall pay 100% of the employee share of the mandatory member contribution, presently 9% for sworn and 7% for civilian.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	6.6%
Required employer contribution rates	11.840%	6.7%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	12.25%
Required employer contribution rates	29.556%	12.25%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
Contributions - employer	\$154,972	\$4,332	\$576,880	\$8,010
Contributions - employee (paid by employer)	25,505		106,851	

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the Town reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$2,716,463
Miscellaneous - PEPRA	67
Safety	6,536,499
Total Net Pension Liability	\$9,253,029

The Town's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Town reported no liability for the Safety-PEPRA Plan as there were no members in the Plan as of June 30, 2013. The Town's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	Miscellaneous	Miscellaneous - PEPRA	Safety
Proportion - June 30, 2013	0.00348%	0.00%	0.00181%
Proportion - June 30, 2014	1.10991%	0.00%	0.17426%
Change - Increase (Decrease)	1.10643%	0.00%	0.17245%

For the year ended June 30, 2015, the Town recognized pension expense of \$546,524. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

<u>Miscellaneous</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$168,178	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	75,562	
Net differences between projected and actual earnings on plan investments		(\$912,858)
Total	<u>\$243,740</u>	<u>(\$912,858)</u>
<u>Miscellaneous - PEPRA</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$11,756	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$3,358)
Net differences between projected and actual earnings on plan investments		(22)
Total	<u>\$11,756</u>	<u>(\$3,380)</u>
<u>Safety</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$603,182	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	164,739	
Net differences between projected and actual earnings on plan investments		(\$1,973,585)
Total	<u>\$767,921</u>	<u>(\$1,973,585)</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

<u>Safety - PEPPRA</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$42,992	
Differences between actual and expected experience		
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		
Net differences between projected and actual earnings on plan investments		
Total	<u>\$42,992</u>	

\$826,108 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended</u>	<u>Miscellaneous Increase (Decrease) in Pension Expense</u>	<u>Miscellaneous - PEPPRA Increase (Decrease) in Pension Expense</u>	<u>Safety Increase (Decrease) in Pension Expense</u>
June 30			
2016	(\$201,227)	(\$1,205)	(\$434,561)
2017	(201,227)	(1,205)	(434,561)
2018	(206,626)	(966)	(446,327)
2019	(228,216)	(4)	(493,397)
	<u>(\$837,296)</u>	<u>(\$3,380)</u>	<u>(\$1,808,846)</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations of all plans were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS Membership Data for all Funds

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 7 - PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous	Miscellaneous - PEPRA	Safety
1% Decrease	6.50%	6.50%	-1.00%
Net Pension Liability	\$4,839,897	\$119	\$11,248,466
Current Discount Rate	7.50%	7.50%	
Net Pension Liability	\$2,716,463	\$67	\$6,536,499
1% Increase	8.50%	8.50%	1.00%
Net Pension Liability	\$954,215	\$24	\$2,654,039

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 - 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 2015.

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 which is assumed to no increase in the future. Any increase will be subject to Town Council approval.

Members of the APOA Police Officers, hired before October 1, 2013 but retired or will retire after October 1, 2013 - The Town pays up to a maximum of 90% of the Kaiser premium for any family status. This cap is assumed to increase at half the excess of the assumed rate of increase over 3% each year, with a minimum of 0%. Employees retiring from the Town and CalPERS concurrently with at least 5 years of service will receive the basic Public Employees Medical and Hospital Care Act (PEMHCA) minimum contribution by law. For calendar year 2014 it is \$119, \$122 in 2015. If they have 10 or more years of service, they are subject to a vesting schedule:

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

<u>Credit Years of Service</u>	<u>% of Town Contribution</u>
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20	100%

APOA employees retiring on disability from employment of the Town while in a job classification covered by this MOU and said disability arising from employment with the Town, shall receive the Town contribution 90% of Kaiser.

APOA Police Officers, hired on or after October 1, 2013 - The Town pays up to a maximum of the PEMHCA Minimum (\$119 in 2014, \$122 in 2015).

Teamsters and Confidential employees- (non-management, miscellaneous) hired before January 19, 2011 - The Town pays up to a maximum benefit of 95% of Blue Shield Access Plus basic/supplemental Bay Area/Sacramento HMO premiums. This applies to any medical coverage and any family status. After age 65, the Town pays only 95% of the reduced post age 65 premiums.

Teamsters and Confidential employees (non-management, miscellaneous) hired after January 19, 2011 - 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 premiums. If they have 10 or more years of service, they are subject to a vesting schedule

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 8 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2014 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 5.0% to 6.7% 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**

Plan Year Beginning	
January 1, 2015	6.7%
January 1, 2016	6.4%
January 1, 2017	6.1%
January 1, 2018	5.8%
January 1, 2019	5.5%
January 1, 2020	5.2%
January 1, 2021 and thereafter	5.0%

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, 2015

NOTE 8 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Funding Progress and Funded Status

In fiscal year 2015, the Town made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC) and Annual OPEB cost	\$390,517
Interest on the net OPEB Asset	(66,772)
Adjustment to annual required contribution	85,339
Annual OPEB Cost	409,084
Contributions made to:	
PARS irrevocable trust	1,020,000
Town's portion of current year benefits paid	424,363
Total contributions	1,444,363
Net OPEB Asset June 30, 2014	1,471,369
Net OPEB Asset June 30, 2015	\$2,506,648
Remaining amortization period	25 years

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

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Asset (Obligation)
6/30/2013	\$582,525	\$1,729,233	297%	(\$438,372)
6/30/2014	531,980	2,441,721	459%	1,471,369
6/30/2015	409,084	1,444,363	353%	2,506,648

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the plan was 46% funded. The Actuarial Accrued Liability (AAL) for benefits was \$7,594,463 and the Actuarial Value of Plan Asset was \$3,513,466 resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$4,080,997. The covered payroll (annual payroll of active employees covered by the plan) was \$3,987,649 and the ratio of UAAL to the covered payroll was 102% percent.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, 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 benefit.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 9 - 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 \$5,000 for property damage and \$5,000 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:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$39,503	\$159,981
Net change in claims liabilities	91,347	(24,555)
Claims paid	<u>(55,850)</u>	<u>(95,923)</u>
Ending balance	<u>\$75,000</u>	<u>\$39,503</u>
Claims liabilities due within a year	<u>\$75,000</u>	<u>\$39,503</u>

For the years ended June 30, 2015, 2014, and 2013, the amount of settlements did not exceed insurance coverage.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2015

NOTE 10 - 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. The Joint Powers Agreement is effective for the year ended June 30, 2015 and continues on a year to year basis until the parties agree to terminate the agreement or if a majority of the parties have withdrawn from the Cable Joint Powers pursuant to Section 6 of the agreement.

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 \$31,151 for the year ended June 30, 2015. 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, 2015

NOTE 10 - JOINT POWERS AUTHORITIES (Continued)

D. *Library Joint Powers Agreement (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 11 - 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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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

**SCHEDULE OF PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

	Miscellaneous 6/30/2015	Miscellaneous - PEPRA 6/30/2015
Plan's proportion of the Net Pension Liability (Asset)	0.04366%	0.00000%
Plan's proportion share of the Net Pension Liability (Asset)	\$2,716,463	\$67
Plan's Covered Employee Payroll	\$1,410,900	\$62,183
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	192.53%	0.11%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.03%	82.95%
	Safety 6/30/2015	
Plan's proportion of the Net Pension Liability (Asset)	0.10505%	
Plan's proportion share of the Net Pension Liability (Asset)	\$6,536,499	
Plan's Covered Employee Payroll	\$2,030,918	
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	321.85%	
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.42%	

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS*

SCHEDULE OF CONTRIBUTIONS

	Miscellaneous 2015	Miscellaneous - PEPRA 2015
Actuarially determined contribution	\$168,178	\$11,756
Contributions in relation to the actuarially determined contributions	(168,178)	(11,756)
Contribution deficiency (excess)	\$0	\$0

Covered-employee payroll	\$1,420,427	\$175,457
Contributions as a percentage of covered-employee payroll	11.84%	6.70%

	Safety 2015	Safety - PEPRA 2015
Actuarially determined contribution	\$603,182	\$42,992
Contributions in relation to the actuarially determined contributions	(603,182)	(42,992)
Contribution deficiency (excess)	\$0	\$0

Covered-employee payroll	\$2,040,809	\$350,956
Contributions as a percentage of covered-employee payroll	29.56%	12.25%

Notes to Schedule

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2%, depending on Age, Service and type of employment
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Retirement age	59 yrs. Misc., 54 yrs. Safety
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Atherton
Other Post-Employment Retirement Benefits
For the Fiscal Year Ended June 30, 2015
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>
July 1, 2011	\$0	\$7,599,453	(\$7,599,453)	0%
March 1, 2013	0	7,724,868	(7,724,868)	0%
July 1, 2014	3,513,466	7,594,463	(4,080,997)	46%

NON-MAJOR GOVERNMENTAL FUNDS

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 SHEET
JUNE 30, 2015

	SPECIAL REVENUE FUNDS					
	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Evans Creative Design	Measure M	Road Construction
ASSETS						
Cash and investment	\$765,365	\$270,387		\$45,686	\$54,735	\$596,898
Receivables:						
Taxes	31,536					
Grants			\$9,160			
Total Assets	<u>\$796,901</u>	<u>\$270,387</u>	<u>\$9,160</u>	<u>\$45,686</u>	<u>\$54,735</u>	<u>\$596,898</u>
LIABILITIES						
Accounts payable	\$15,722					
Due to other funds			\$9,010			
Total Liabilities	<u>15,722</u>		<u>9,010</u>			
FUND EQUITY						
Fund balances						
Restricted	781,179	\$270,387	150	\$45,686	\$54,735	\$596,898
Assigned						
Total Fund Balances	<u>781,179</u>	<u>270,387</u>	<u>150</u>	<u>45,686</u>	<u>54,735</u>	<u>596,898</u>
Total Liabilities and Fund Balances	<u>\$796,901</u>	<u>\$270,387</u>	<u>\$9,160</u>	<u>\$45,686</u>	<u>\$54,735</u>	<u>\$596,898</u>

CAPITAL PROJECT FUNDS

<u>Capital Improvement</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
\$41,264	\$30,156	\$338,186	\$2,142,677
		245	31,781
<u>170,716</u>			<u>179,876</u>
<u>\$211,980</u>	<u>\$30,156</u>	<u>\$338,431</u>	<u>\$2,354,334</u>
 \$139,565			 \$155,287 9,010
<u>139,565</u>			<u>164,297</u>
 72,415	 \$30,156	 \$338,431	 2,087,466 102,571
<u>72,415</u>	<u>30,156</u>	<u>338,431</u>	<u>2,190,037</u>
<u>\$211,980</u>	<u>\$30,156</u>	<u>\$338,431</u>	<u>\$2,354,334</u>

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS					
	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Evans Creative Design	Measure M	Road Construction
REVENUES						
Property taxes						
Measure A Grants	\$339,098					
From other agencies		\$223,141	\$104,305		\$76,640	
Use of money and property	6,076	1,975	185	\$362	280	\$4,731
Total Revenues	<u>345,174</u>	<u>225,116</u>	<u>104,490</u>	<u>362</u>	<u>76,920</u>	<u>4,731</u>
EXPENDITURES						
Current:						
Police			104,491			
Public Works	26,665	5,515				
Non-Departmental				12,445		
Capital Outlay	196,760	161,678		300	68,002	43
Total Expenditures	<u>223,425</u>	<u>167,193</u>	<u>104,491</u>	<u>12,745</u>	<u>68,002</u>	<u>43</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>121,749</u>	<u>57,923</u>	<u>(1)</u>	<u>(12,383)</u>	<u>8,918</u>	<u>4,688</u>
NET CHANGE IN FUND BALANCES	121,749	57,923	(1)	(12,383)	8,918	4,688
BEGINNING FUND BALANCES	<u>659,430</u>	<u>212,464</u>	<u>151</u>	<u>58,069</u>	<u>45,817</u>	<u>592,210</u>
ENDING FUND BALANCES	<u><u>\$781,179</u></u>	<u><u>\$270,387</u></u>	<u><u>\$150</u></u>	<u><u>\$45,686</u></u>	<u><u>\$54,735</u></u>	<u><u>\$596,898</u></u>

CAPITAL PROJECT FUNDS

<u>Capital Improvement</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
		\$104,365	\$104,365
\$171,994			339,098
	\$239	2,322	576,080
			16,170
<u>171,994</u>	<u>239</u>	<u>106,687</u>	<u>1,035,713</u>
			104,491
		3,245	35,425
335,165		6,009	12,445
			<u>767,957</u>
<u>335,165</u>		<u>9,254</u>	<u>920,318</u>
(163,171)	239	97,433	115,395
(163,171)	239	97,433	115,395
<u>235,586</u>	<u>29,917</u>	<u>240,998</u>	<u>2,074,642</u>
<u>\$72,415</u>	<u>\$30,156</u>	<u>\$338,431</u>	<u>\$2,190,037</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, 2015

SPECIAL REVENUE FUNDS						
	County Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A grants	\$250,000	\$339,098	\$89,098			
From other agencies				\$200,000	\$223,141	\$23,141
Use of money and property		6,076	6,076		1,975	1,975
Total Revenues	<u>250,000</u>	<u>345,174</u>	<u>95,174</u>	<u>200,000</u>	<u>225,116</u>	<u>25,116</u>
EXPENDITURES						
Current:						
Police						
Public Works	24,845	26,665	(1,820)	6,170	5,515	655
Non-departmental						
Capital Outlay	<u>405,000</u>	<u>196,760</u>	<u>208,240</u>	<u>161,678</u>	<u>161,678</u>	
Total Expenditures	<u>429,845</u>	<u>223,425</u>	<u>206,420</u>	<u>167,848</u>	<u>167,193</u>	<u>655</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(179,845)</u>	<u>121,749</u>	<u>301,594</u>	<u>32,152</u>	<u>57,923</u>	<u>25,771</u>
NET CHANGE IN FUND BALANCES	<u><u>(\$179,845)</u></u>	<u>121,749</u>	<u><u>\$301,594</u></u>	<u><u>\$32,152</u></u>	<u>57,923</u>	<u><u>\$25,771</u></u>
BEGINNING FUND BALANCES		<u>659,430</u>			<u>212,464</u>	
ENDING FUND BALANCES		<u><u>\$781,179</u></u>			<u><u>\$270,387</u></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	\$104,305	\$4,305				\$75,000	\$76,640	\$1,640
	185	185	\$300	\$362	\$62	280	280	
100,000	104,490	4,490	300	362	62	75,280	76,920	1,640
100,000	104,491	(4,491)	203,213		203,213			
			15,000	12,445	2,555			
				300	(300)	69,705	68,002	\$1,703
100,000	104,491	(4,491)	218,213	12,745	205,468	69,705	68,002	1,703
	(1)	(1)	(217,913)	(12,383)	205,530	5,575	8,918	3,343
	(1)	(\$1)	(\$217,913)	(12,383)	\$205,530	\$5,575	8,918	\$3,343
	151			58,069			45,817	
	\$150			\$45,686			\$54,735	

(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, 2015

	SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
	Road Construction		Variance Positive (Negative)	Capital Improvement		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes						
Measure A grants						
From other agencies				\$350,000	\$171,994	(\$178,006)
Use of money and property	\$3,615	\$4,731	\$1,116			
Total Revenues	<u>3,615</u>	<u>4,731</u>	<u>1,116</u>	<u>350,000</u>	<u>171,994</u>	<u>(178,006)</u>
EXPENDITURES						
Current:						
Police						
Public Works	594,000		594,000			
Non-departmental						
Capital Outlay		43	(43)	483,792	335,165	148,627
Total Expenditures	<u>594,000</u>	<u>43</u>	<u>593,957</u>	<u>483,792</u>	<u>335,165</u>	<u>148,627</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(590,385)</u>	<u>4,688</u>	<u>595,073</u>	<u>(133,792)</u>	<u>(163,171)</u>	<u>(29,379)</u>
NET CHANGE IN FUND BALANCES	<u>(\$590,385)</u>	<u>4,688</u>	<u>\$595,073</u>	<u>(\$133,792)</u>	<u>(163,171)</u>	<u>(\$29,379)</u>
BEGINNING FUND BALANCES		<u>592,210</u>			<u>235,586</u>	
ENDING FUND BALANCES		<u>\$596,898</u>			<u>\$72,415</u>	

<u>Channel Drainage District</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$95,100	\$104,365	\$9,265
<u>1,200</u>	<u>2,322</u>	<u>1,122</u>
<u>96,300</u>	<u>106,687</u>	<u>10,387</u>
12,500	3,245	9,255
<u>340,000</u>	<u>6,009</u>	<u>333,991</u>
<u>352,500</u>	<u>9,254</u>	<u>343,246</u>
<u>(256,200)</u>	<u>97,433</u>	<u>353,633</u>
<u>(\$256,200)</u>	<u>97,433</u>	<u>\$353,633</u>
	<u>240,998</u>	
	<u>\$338,431</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 and hosts the insurance costs for liability claims and property losses. The activities for this fund provides for costs to general liability insurance, employment practice insurance, and self-insured retention claim expense.

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, 2015

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
ASSETS					
Current Assets:					
Cash and investments	\$294,285	\$159,560	\$521,526	\$1,443,992	\$2,419,363
Other					
Total Current Assets	<u>294,285</u>	<u>159,560</u>	<u>521,526</u>	<u>1,443,992</u>	<u>2,419,363</u>
Non-Current Assets:					
Net OPEB assets				2,506,648	2,506,648
Capital assets:					
Depreciable	1,173,261				1,173,261
Less: accumulated depreciation	<u>(756,887)</u>				<u>(756,887)</u>
Net Capital Asset	416,374				416,374
Total noncurrent assets	<u>416,374</u>			<u>2,506,648</u>	<u>2,923,022</u>
Total Assets	<u>710,659</u>	<u>159,560</u>	<u>521,526</u>	<u>3,950,640</u>	<u>5,342,385</u>
LIABILITIES					
Current liabilities					
Accounts payable	14,457		1,703	901	17,061
Claims payable			75,000		75,000
Compensated absences				332,623	332,623
Total current liabilities	<u>14,457</u>		<u>76,703</u>	<u>333,524</u>	<u>424,684</u>
Noncurrent liabilities					
Compensated absences				291,946	291,946
Total noncurrent liabilities				<u>291,946</u>	<u>291,946</u>
Total Liabilities	<u>14,457</u>		<u>76,703</u>	<u>625,470</u>	<u>716,630</u>
NET POSITION					
Net investment in capital assets	416,374				416,374
Unrestricted	<u>279,828</u>	<u>159,560</u>	<u>444,823</u>	<u>3,325,170</u>	<u>4,209,381</u>
Total Net Position	<u>\$696,202</u>	<u>\$159,560</u>	<u>\$444,823</u>	<u>\$3,325,170</u>	<u>\$4,625,755</u>

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Equipment Replacement</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability</u>	<u>Employee Benefits</u>	<u>Total</u>
OPERATING REVENUES					
Charges for services	\$181,636	\$270,857	\$348,021	\$1,547,329	\$2,347,843
Total Operating Revenues	<u>181,636</u>	<u>270,857</u>	<u>348,021</u>	<u>1,547,329</u>	<u>2,347,843</u>
OPERATING EXPENSES					
Insurance		223,761	258,010		481,771
OPEB expense				409,084	409,084
Employee benefits earned				154,729	154,729
Depreciation	125,741				125,741
Supplies and maintenance	100,545				100,545
Total Operating Expenses	<u>226,286</u>	<u>223,761</u>	<u>258,010</u>	<u>563,813</u>	<u>1,271,870</u>
Operating Income (Loss)	<u>(44,650)</u>	<u>47,096</u>	<u>90,011</u>	<u>983,516</u>	<u>1,075,973</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	2,514	1,271	3,149	11,285	18,219
Total Nonoperating Revenues (Expenses)	<u>2,514</u>	<u>1,271</u>	<u>3,149</u>	<u>11,285</u>	<u>18,219</u>
Change in Net Position	(42,136)	48,367	93,160	994,801	1,094,192
BEGINNING NET POSITION	<u>738,338</u>	<u>111,193</u>	<u>351,663</u>	<u>2,330,369</u>	<u>3,531,563</u>
ENDING NET POSITION	<u>\$696,202</u>	<u>\$159,560</u>	<u>\$444,823</u>	<u>\$3,325,170</u>	<u>\$4,625,755</u>

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from other funds	\$181,636	\$270,857	\$348,021	\$512,050	\$1,312,564
Payments to vendors	<u>(88,541)</u>	<u>(223,761)</u>	<u>(220,360)</u>	<u>(474,506)</u>	<u>(1,007,168)</u>
Cash Flows from Operating Activities	<u>93,095</u>	<u>47,096</u>	<u>127,661</u>	<u>37,544</u>	<u>305,396</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	<u>(125,750)</u>				<u>(125,750)</u>
Cash Flows (used for) Capital and Related Financing Activities	<u>(125,750)</u>				<u>(125,750)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>2,514</u>	<u>1,271</u>	<u>3,149</u>	<u>11,285</u>	<u>18,219</u>
Cash Flows from Investing Activities	<u>2,514</u>	<u>1,271</u>	<u>3,149</u>	<u>11,285</u>	<u>18,219</u>
Net Cash Flows	(30,141)	48,367	130,810	48,829	197,865
Cash and investments at beginning of period	<u>324,426</u>	<u>111,193</u>	<u>390,716</u>	<u>1,395,163</u>	<u>2,221,498</u>
Cash and investments at end of period	<u>\$294,285</u>	<u>\$159,560</u>	<u>\$521,526</u>	<u>\$1,443,992</u>	<u>\$2,419,363</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income	(\$44,650)	\$47,096	\$90,011	\$983,516	\$1,075,973
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	125,741				125,741
Compensated absences				95,020	95,020
Change in assets and liabilities:					
Other assets	2,500			(\$1,035,279)	(1,032,779)
Accounts payable	9,504		1,703	(5,713)	5,494
Accrued liability			<u>35,947</u>		<u>35,947</u>
Cash Flows from Operating Activities	<u>\$93,095</u>	<u>\$47,096</u>	<u>\$127,661</u>	<u>\$37,544</u>	<u>\$305,396</u>

AGENCY FUNDS

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, 2015

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
<hr/> <u>H-P Park Improvement Fund</u> <hr/>				
ASSETS				
Cash and investments	\$6,068	\$48		\$6,116
Total assets	<u>\$6,068</u>	<u>\$48</u>		<u>\$6,116</u>
LIABILITIES				
Deposits payable	\$6,068	\$48		\$6,116
Total liabilities	<u>\$6,068</u>	<u>\$48</u>		<u>\$6,116</u>
<hr/> <u>Tree Committee</u> <hr/>				
ASSETS				
Cash and investments	\$25,080	\$200		\$25,280
Total assets	<u>\$25,080</u>	<u>\$200</u>		<u>\$25,280</u>
LIABILITIES				
Deposits payable	\$25,080	\$200		\$25,280
Total liabilities	<u>\$25,080</u>	<u>\$200</u>		<u>\$25,280</u>
<hr/> <u>All Agency Funds</u> <hr/>				
ASSET				
Cash and investments	\$31,148	\$248		\$31,396
Total assets	<u>\$31,148</u>	<u>\$248</u>		<u>\$31,396</u>
LIABILITIES				
Deposits payable	\$31,148	\$248		\$31,396
Total liabilities	<u>\$31,148</u>	<u>\$248</u>		<u>\$31,396</u>