

**TOWN OF ATHERTON, CALIFORNIA**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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

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**TOWN OF ATHERTON**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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**Basic Financial Statements**  
**For the Year Ended June 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

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, California (Town), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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, 2022 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Maze & Associates*

Pleasant Hill, California  
May 18, 2023

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Atherton, we offer readers of the Town of Atherton's financial statements this narrative overview and analysis of the financial activities of the Town of Atherton for the fiscal year ended June 30, 2022. 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 \$88,354,363 (*net position*).
- The government's total net position increased by \$7,447,993. This includes total revenues of \$26,853,977 over total expenditures of \$19,405,984. Total revenues decreased \$491,860. The town received lower tax revenues of \$1,886,607. This was due to previous year the Town receiving \$5,391,725 in Library Tax revenue advancement for the Library project. In the current year the Town only received \$1,545,233. All other property taxes were higher than previous year in the amount of \$1,785,086. There were higher other taxes revenues franchise fees of about \$97,124 and sales tax of \$77,675. Operating grants and contributions had an increase of \$2,932,181. There was a decrease in charges for services of \$360,494 and a decrease in investment earnings of \$481,669. The year had an decrease in total expenses of \$1,391,647 of which a majority was attributed to an additional recognized pension expense reduction of \$3,799,016, reduction in Net OPEB expense of \$1,203,876, additional capital expenditures outlays, and Capital Lease expense cost of \$861,871,
- The Town recorded a net pension liability of \$12,239,533, which is a decrease of \$7,020,266 to last year. The Miscellaneous employee plan is \$3,297,589 and Safety is \$8,941,944.
- The Town recorded a net OPEB asset of \$93,344. This is a net change decrease of \$226,534 from last fiscal year.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$21,669,866, a decrease of \$6,505,023 in comparison with the prior year. Majority of the decrease is due to the construction project expenses of Town Center and the Library.
- The General Fund is the chief operating account of the Town. At the end of the current fiscal year, the unassigned fund balance for the general fund was \$10,247,022, or 47 percent of total general fund expenditures of \$21,616,937. The Town has a fund balance policy of not dropping the unassigned fund balance below 20% of the actual annual operating expenditures and the Town balance well exceeds this amount.
- The unassigned General Fund balance decreased by \$3,242,326 compared to fiscal year 2020-2021. Key contributing factors included an increase of transfers out compared to the prior year and COP lease financing. Transfers out were \$4,990,557 compared to last fiscal year transfers out of \$14,889,825 from the General Fund. There was a transfer out of \$4,990,557 during the year from the General Fund to the Facility Construction Capital Fund for the construction payment applications towards the new Town Center and for Bayfront Canal project funds. There was an increase in General Fund revenues of \$2,890,228 and an increase in total expenditures of \$6,258,801 year over year. The main increase in General Fund expenses is due to the Town making a \$5million additional discretionary payment toward the CalPERS Public Safety Classic Plan UAL. The General Fund maintained excess revenues over expenditures of \$840,709. The Town expended all its COP proceeds of \$7,680,000 toward the Town Center Project in Fiscal Year 2020-2021. With the inclusion of proceeds from San Mateo County of \$1,350,000 for Bayfront Canal project and the transfers out of \$4,990,557, this culminated in a negative change in fund balance of \$2,799,848 for the fiscal year.

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## 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 of 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 18-19 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*.

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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 22-31 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 34-36 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 pages 38-39 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 41-73 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund. Required supplementary information can be found on pages 76-79 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 82-88 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 \$88,354,363 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net position (88 percent) reflects its investment in capital assets of \$79,287,535 (e.g., land, buildings, vehicles, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. Capital Assets increased \$9,602,852 in the year as a majority of the increase was due to the continuing construction of the Town Center and Library projects. 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

	2022	2021
Current and other assets	\$ 33,126,079	\$ 41,081,684
Capital assets	85,575,807	75,972,955
<b>Total assets</b>	<b>118,701,886</b>	<b>117,054,639</b>
<b>Deferred Outflow of Resources</b>	<b>10,322,662</b>	<b>4,684,703</b>
Current liabilities	8,312,628	9,508,207
Noncurrent liabilities	19,363,563	26,212,638
<b>Total liabilities</b>	<b>27,676,191</b>	<b>35,720,845</b>
<b>Deferred Inflow of Resources</b>	<b>12,993,994</b>	<b>5,112,127</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	79,287,535	75,972,955
Restricted	7,911,509	11,616,684
Unrestricted	1,155,319	(6,683,269)
<b>Total net position</b>	<b>\$ 88,354,363</b>	<b>\$ 80,906,370</b>

An additional portion of the Town of Atherton net position \$7,911,509 (8.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$1,155,319 and are being used to meet the government's ongoing obligations. The implementation of GASB 75 during the fiscal year 2017-18 required the recognition of the entire net OPEB liability. This included a prior period adjustment to the net position in governmental activities and employee benefits fund for a total of \$9,738,515. This adjustment was in the unrestricted net position balance in the government-wide statement. There was a decrease in net pension expense of \$3,799,016 and net OPEB expense of \$1,203,876 for the fiscal year 2021-22. The Town procured Capital Lease financing in the amount of \$7,680,000 for the Town Center project in fiscal year 2019-20. The outstanding balance of \$6,288,272 reduced net investment in Capital Assets to \$79,287,535. These were additional adjustments in the unrestricted net position balance along with yearly changes in net pension and OPEB liabilities.

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. Prior fiscal year the Town reported positive balances for all two categories.

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**Governmental activities** Governmental activities increased the Town of Atherton's net assets by \$7,447,993. Fiscal year 2021-22 included a decrease in recognized pension expense of \$3,799,016. Implementation of GASB statements 68 and 71 in fiscal year 14/15 required the recognition of pension liabilities, deferred outflows, and deferred inflows of resources for pensions, which totaled \$15,992,123. Together the recognized pension expense decrease of \$3,799,016 in the fiscal year, this reflects a total adjustment of \$12,193,107 to the Total Net Position. For the Fiscal Year end the Town recognized a reduction in OPEB expense of \$1,203,876. With the addition of the OPEB pension asset, deferred outflows, and deferred inflows of resources for OPEB, this resulted in a total adjustment amount of \$2,624,414 in the current fiscal year. The total Town Net Position is \$88,354,363. Without the recognition of pension and OPEB liabilities, the Town would have a total net position of \$103,171,884 for FY 2021-22. Total governmental activities had lower property taxes of \$2,061,406, in the fiscal year due to the Library taxes are \$3,846,492 less than previous year. There was an increase in Sale Tax of \$77,675 and Other Taxes of \$97,124 from prior year. The Town had a decrease in charges for services of \$360,494, which was attributed to the Town receiving procurement and withdrawal fee in FY 2020-21 from Green Waste for new refuse contract, as well also receiving final surplus funds from Recology. In FY 2021-22 the Town only received the second withdrawal fee for refuse contract. An increase in operating grants of \$2,932,181 due to receipt of American Rescue Plan funds, and additional donations towards Town Center project. There was a decrease in investment earnings of \$481,669 over last year, mainly due to a fair market value adjustment higher than anticipated to investment income in the amount of \$626,847. There was also reduction in investments due to liquidity needs for Town Center construction. Market expectations decreased short term rates back to 2019 low rates for investments and with increase in interest rates in early 2022 there was an adjustment to fair market value. The Town had a decrease in expenditures of \$1,391,647 across major funds and other governmental funds due to decrease pension expense and net OPEB, decreased asset cost additions. The Town made a \$182,419 contribution toward its Net OPEB Obligation. The Town has contributed a combined \$2,525,954 during the previous seven fiscal years toward the OPEB trust for continued reduction of its unfunded liability.

Town of Atherton's Changes in Net Position

	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 3,862,802	\$ 4,223,296
Operating grants and contributions	4,217,283	1,285,102
General revenues:		
Taxes	19,013,849	20,900,456
Investment earnings	(443,819)	37,850
Other revenues	203,862	899,133
Total revenues	26,853,977	27,345,837
Expenses:		
General government	2,295,746	2,718,584
Public works	5,339,135	8,113,661
Police	10,157,445	8,195,298
Building	1,211,104	1,316,978
Planning	402,554	453,110
Total expenses	19,405,984	20,797,631
Change in Net Position	7,447,993	6,548,206
Net assets - Beginning	80,906,370	74,358,164
Net assets - Ending	\$ 88,354,363	\$ 80,906,370

- Charges for services decreased by \$360,494 during the year. The decrease was primarily due to General Government, Police, and Building charges for services. The Town saw a decrease in General Government charges for services of \$526,284. This was due to the Town receiving \$615,657 in prior year for procurement and withdrawal fees from new refuse hauler Greenwaste for Town withdrawal from SBWMA JPA. There was a decrease in charges for police services of \$74,932. Admin citations had a decrease of \$104,550 over last year. Other fines and forfeiture had an increase of \$11,231 over last year. Muni/vehicle code fines had an increase of \$4,509 and special service fee for police had an increase of \$8,788. Building department charges for services had a decrease of \$78,242. There was a slight decrease in permits construction activity in the latter part of the fiscal year. Building Department revenue slight decrease of \$78,242 in building permits, building plan check fees, and tree removal plan check fees from the previous year total of \$1,771,364. Zoning and planning fees saw an increase of \$56,957. Public Works charges for service had an increase of \$256,907. The majority of the increase is due to C&D deposit forfeiture increase of \$655,900 from building construction deposits that were forfeited for construction time limit. There was \$322,600 in C&D forfeiture last year. Town encroachment fees decreased \$63,782 from the previous year of \$654,992. Park revenue fees had an overall increase of \$98,573 from the \$97,147 received in previous year. This is a result of lifted pandemic restrictions and increased use of park rental facilities.

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- Operating grants and contribution increased overall by \$2,932,181 during the year. A majority of the increase was due to the Town receiving America Rescue Plan Fund (ARPA) of \$1,707,000 and the Town also received \$1,264,132 in donations toward the Town Center project. This is an increase of \$899,132 in donations in the year towards the Town Center. In the previous year, the Town received \$365,000 in donations from residents. The Town received \$18,932 more in Gas Tax and \$103,205 more in Measure A transportation tax funding for street projects. The Town also received a \$48,991 increase in Measure W transportation sales tax revenue for street projects. The Measure A and Measure W revenue is sales tax driven and is an indication of increase in sales tax due to lifting of COVID 19 measures.
  - Town-wide Taxes decreased by \$2,061,406 (10 percent) during the year. The decrease was mainly due to a reduction in secured property taxes for the Library a decrease of \$3,846,492. A big component of the decrease is due to the advancement of secured taxes for completion of Library project in prior year. ERAF revenue increased \$625,055 over the previous year for a total of \$2,488,713. There was an increase in sales tax by \$77,675 over the previous year, an indication of lessened COVID impact. There was a total \$97,124 increase in other taxes, which included \$46,465 increase in Document transfer tax to \$748,980 for the year. There was a \$61,042 increase in franchise fees for a total of \$969,422. The majority of the increase is due to receiving an additional payment for refuse franchise fee from prior year. Business license fees decreased by \$10,383.
  - Investment earnings are lower than last year by \$481,669. This was due to a reduction in investments due to liquidity needs, decrease in interest rates, and a major fair market value adjustment to investments higher than anticipated in the fiscal year of \$626,847, compared to the prior year adjustment of \$243,374.
  - Total Government Activities expenses decreased by \$1,391,647 (6.7 percent) during the year. The Town decrease was across major funds and other governmental funds due to decrease in pension expense, and net OPEB, decreased asset cost additions.

### **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 57 through 59 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 \$10,247,022, while total fund balance reached \$13,758,357. 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 47 percent of the total general fund expenditures of \$21,616,937, while total fund balance represents 63 percent of that same amount of total expenditures.

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Town of Atherton's general fund balance decreased by \$2,799,848 during the current fiscal year. Key factors in the decrease are as follows:

- The Council authorized the use of the General Fund unallocated reserve fund balance toward the construction of the Town Center project. With Council direction, the unallocated reserve balance can be appropriated towards operational use, for capital projects, or to pay down liabilities. There was a transfer out of \$4,990,557 to the Facility Construction Fund for construction costs on the Town Center. The project began in the summer of 2019 and with final completion close out items in Fiscal 2022-23. The previous year total allocations from the General Fund were \$14,889,825 to the Facility Construction Fund.
- The General Fund Revenue increased \$2,890,228 from the prior year and there was a \$6,258,801 increase in General Fund operating expenditures. The increase in expenditures was due to increase in unfunded CalPERS liability, equipment purchases, liability, and health insurance, increase in operational expenses within General government departments, Police, and Public Works departments. It was during the fiscal year that the City Council approved an additional discretionary payment of \$5 million towards the Town's Public Safety Classic members Unfunded Actuarial Liability. We are in the second-year payment of lease financing of Town Center as we paid \$861,871. It is a 10-year financing with a 5-year call option. There was an MOU salary increase for the Atherton Police Officers Association and Town employees. In Fiscal Year 2021-22 the CPI increase for Town employees was 2%. Atherton Police Officer Association and remainder Town employees began July 1, 2021.
- The CalPERS employer contribution rate had a slight decrease, as total expense was \$9,213 less than the previous year. CalPERS continues to collect the unfunded liability as a dollar amount. The Town payment of the unfunded liability portion for the fiscal year increased \$206,934 to \$1,400,819. The total CalPERS expense for the Town increased \$197,721. In April 2022, the Town made an additional discretionary payment of \$5 million to CalPERS toward the Classic Safety plan unfunded liability.
- Total Property tax revenues increased by \$1,763,766. In the previous year property taxes increased \$259,557. Secured property taxes increased \$645,943. Property Tax in Lieu of VLF had an increase of \$512,602 from the previous year. The VLF amount due was \$1,403,722, but the Town received \$1,264,027. This is a shortfall of \$139,695. The State FY 2023/24 budget will address this shortfall. ERAF revenue had an increase of \$625,055 for a total of \$2,488,713.
- Other taxes (Franchise tax & Document Transfer Tax) increased by \$107,507. A majority of the increase was in Document Transfer tax of \$46,465 over the previous year for a total amount of \$748,980. Franchise Garbage fee increased \$93,345 over the previous year for a total amount of \$434,648. This was due to receiving an additional payment for refuse franchise fee from prior year and also due to having the new franchisee for a full fiscal year.
- Sales taxes increased by \$77,675 compared to previous year for a total of \$305,010.
- Business License fee decreased by \$10,383 for a total of \$253,779.
- Fines and Forfeitures increased by \$447,987. A majority of the increase is due to C&D time limit forfeiture of \$655,900 realized in the year. The amount in previous year was \$322,600. Heritage Tree Damage Fee increased \$98,947 over previous year for an amount of \$136,260.
- Service Charges decreased by \$75,093. A majority of the decrease is attributed to building permit fees which were \$95,573 less than the previous year. Planning fees were \$57,469 more than the previous year. This could be a slight indication of a decrease in building activity permit after the increases in interest rates. Encroachment permits saw a decrease of \$63,782. Administrative code enforcement citations decreased \$104,550 for a total of \$10,300.
- Park revenue had an increase of \$93,331 over previous year for an amount of \$139,251 as park rentals are ramping back up.

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- The Town saw an increase in miscellaneous revenue of \$979,573 over previous year. This was due to the Town receiving America Rescue Plan funds of \$1,707,322.

**Special Tax Special Revenue Fund** has a total fund balance of \$1,006,313, all of which is reserved for street and drainage facility maintenance. The special Parcel tax was not renewed past fiscal year 2017-18. The Town no longer receives Parcel Tax revenue and only maintains residual funds from prior years. The Parcel Tax appropriated \$715,000 in funding to street maintenance projects. The total 2022 street maintenance projects budgets were \$1,125,000. The fund contributed \$293,428 towards street patching project for the year. The slurry seal and overlay street maintenance projects of \$400,000 did not begin until July 2022. The Town approach is to spend residual monies in the special tax fund within our Town Capital Improvement Program projects until it is depleted. The Town estimates to allocate \$245,000 of Parcel Tax to Road Maintenance and Drainage Improvements in Fiscal Year 2022-23.

**Library Special Revenue Fund** has a total fund balance of \$2,050,147 all of which is reserved for remainder of the library construction and operation. Revenue was lower than prior year by \$3,846,492 as advancement of future excess donor funds were remitted for the completion of the Library project. The advancement of funds of \$5,391,725 was amount received in prior year. The secured property taxes in FY 2021-22 was \$1,545,233 as these are excess funds held by San Mateo County Libraries (SMCL). As of 2012-2013 fiscal year, all donor funds are held in a separate trust for each city in the JPA. The Library JPA will retain any Excess Funds that it would otherwise restrict and hold for library purposes for the Atherton Library, until the amount of Excess Funds retained by the Library JPA equals the advancement amount. It is anticipated that the amount will be repaid in approximately 4 years. The Library fund is funding the new Library construction portion of the Town Civic Center. The fund had \$5,347,074 in expenditures for the construction costs for the Library project. The anticipated construction and contingency total costs for the new library is \$18,823,644. In fiscal year 2022-23 there are anticipated calculations of change order close out, project delays, and settlement costs on the project.

### **General Fund Budgetary Highlights**

During the year, the revenue budget increased by a total of \$2,105,599 at mid-year. The following are the main components of the net increase:

- \$215,000 higher secured property tax
- \$1,179,468 higher ERAF revenue.
- \$112,631 decrease in Property Tax in Lieu VLF
- \$206,000 higher Property Transfer Tax
- \$18,000 higher total sales tax
- \$21,000 higher Franchise Fees
- \$138,000 increase in building revenue
- \$51,500 higher total police revenue
- \$25,000 lower public works revenue
- \$70,000 increase in park program revenue
- \$115,000 increase in miscellaneous revenue

During the year there was also \$110,550 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$62,150 increase in the building department expenditures for building services contract. This was due to projected growth in building revenue as the contract is based on building revenue.

- \$8,000 increase in the administration department for engagement of consultant for assistance with district map boundaries and GIS shapefiles in preparation for 2022 November election.
- \$40,400 increase in the inter-department budget for a website refresh of \$14,000 for creation of department headers, content consulting for clean-up and navigation assistance, design guidance and layout updates as well as website training. There was an increased need of \$26,400 for rental cost for Administration and Community development trailers and Police department restroom trailer. This was due to the delay in relocation to 80 Fair Oaks Lane November 2021.

### Capital Assets and Debt Administration

**Capital assets.** The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2022 amounts to \$85,575,807 (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 \$10,899,735. This is attributed to continued projects in progress for the Town Center and Library construction phase, Traffic Safety improvements plan implementation, Park master plan projects, and Atherton train station improvements. The Town Center and Library construction phase comprises \$10.75 million of Town construction in progress.

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

	Governmental activities	
	2022	2021
Land	\$ 690,884	\$ 690,884
Construction in progress	65,224,734	54,324,999
Building	119,394	181,546
Other Improvements	167,122	194,609
Vehicles	366,349	280,495
Computer Equipment/Software	4,179	16,189
Furniture & Fixture	-	-
Machinery & Equipment	36,846	36,100
Infrastructure	18,966,299	20,248,133
Total Fixed Assets	85,575,807	75,972,955

Additional information about the Town's capital assets can be found in Note 5 on pages 55 through 57 in the financial statements.

**Long-term debt.** On June 1, 2020, the Town entered into Lease Agreements with the Public Property Financing Corporation of California, with assignment of the agreement to Capital One Public Financing for lease financing of \$7,680,000. This was cash flow lease financing for construction of the Town Center project. It is a ten (10) year financing with a five (5) year call option. The Town has made its two-yearly lease payments in the amount of \$1,699,800, of which includes \$1,389,117 toward principle. The Town is part of a Workers' Compensation self-insurance risk pool with The Cities Group Joint Powers Authority. Over the years the Town has had assessments to cover the negative workers' compensation reserve. This was due to existing liability claims against the Town's equity reserve. In the FY 2021-22 budget there was an appropriation of \$221,551 for replenishment of the Workers' Compensation Equity Reserve for 2021. This amount came from the Workers Compensation Fund residual balance in FY 2021/22. There is anticipation that replenishment of any future depleted reserves will come from the Workers Compensation fund. Over the past several years there has been a build-up of net assets in the fund to mitigate the depletion of the reserves and possibly offset any future additional assessments from Cities Group workers' compensation JPA.

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In Fiscal Year 2014-15, GASB 68 and 71 were implemented for Accounting and Financial Reporting for Pensions. This established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The net pension liability decreased \$7,020,26 over last fiscal year. As of FY 2021-22, the Town of Atherton reports a net pension liability of \$12,239,533 and is as follows:

Miscellaneous Employee Plan: \$3,297,589  
Safety Employees Plan: \$8,941,944

The Town reported a deferred outflow of resources of \$9,427,545 and deferred inflow of resources \$9,381,119.

In Fiscal Year 2017-18, GASB 74 and 75 were implemented for the Accounting and Financial Reporting for Postemployment Benefits Other than pensions. This establishes accounting and financial reporting requirements for governments whose employees are provided with OPEB benefits. It also includes requirements similar to pension reporting to address financial reporting for assets accumulated for the purpose of providing OPEB benefits. As of FY 2021-22, the Town of Atherton reports a net OPEB asset of \$93,344. This is a decrease of \$266,380 over last fiscal year. The decrease is due to other assumption changes based on Town service, discount rate, higher investment rate of return, growth, and health care trends.

The Town reported a deferred outflow of resources of \$895,117 and inflow of resources \$3,612,875 for OPEB.

Additional information on the Town of Atherton's outstanding debt can be found in note 7 and note 8 on pages 60-71 of this report.

**Economic Factors and Next Year's Budgets.** Property taxes are still the major revenue source for the Town and comprise 71% of the General Fund revenues. General Fund Property Taxes increased 13.3% from the previous year of \$13,250,437, an indication that slightly new property sales within the town continue. The Town's property tax consultant HdL projects that there will growth increase in sales prices, but also low inventory will taper of increases over time. From early estimates for FY 2022/23 assessed property values are projected to increase \$585 million or 4.5% over FY 2021/22. According to HdL, tax revenue is anticipated to level out at 4% to 5% over the next couple of years. Property value increases could be at the maximum 2% CPI, however the high value home prices and construction activity on limited inventory in the Town carry the increase in property tax revenue in the coming years. In previous years property tax increases have been budgeted between 4.5% to 5%.

As of FY 2022-23, the Town experienced a Net Taxable Assessed Value increase of 8.79% for a total value of \$14.22 Billion. Expectations for FY 2022-23 property tax revenues should show a conservative growth of 4.5% as the housing market prices in the Town continue to show increase. HDL Property Tax consultant suggests the Town in future years will be on the conservative assumption on property tax increases ranging from 4.5% to 5.5%. Other General Fund revenues for FY 2022-23 include conservative revenue assumptions and changes in the economy due to increased interest rates. It is important to note the Town's main source of revenue comes from property taxes. New construction and transfer sales of existing homes drive this increase. The median housing prices increased 15.44% to \$9,120,00. Most other General Fund revenues have seen steady increases over the years based on current trends.

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As the current fiscal year concludes, the Town is near the final acceptance of the Town Center project. For the current budget, financial assumptions include an increase in property tax revenue projections at approximately 4.5 percent. Building Department and Planning Department revenues are projected to increase by approximately 2.5 percent as construction activity levels off due to current interest rate increases. Staff believes residential improvements and razing of homes will continue as housing inventory is limited. Public Works revenue reflects a 2.5% increase due to slight building permit activity. All other revenue sources are budgeted between 1% to 2% percent. Franchise fees are budgeted at 2% percent based on FY 2021-22 levels. Park revenues project to increase as rentals for events pick up as we move further away from COVID-19 pandemic. We continue to monitor other Town revenues as we look to get back to normal pre-pandemic levels.

Sales tax had an increase to \$305,011. It has remained static around \$315,000 over the past several years. Sales & Use tax projected a 3.5% increase in FY 2022-23 as we ramp back up from the slow down due to the COVID-19 pandemic. The Town continues to maintain residual funds from the Parcel Tax that will continue to be used toward capital projects. The Town is now turning focus toward in “save and spend” mode for priority capital projects as the Town Center project is completed. The Town received \$2,488,713 in ERAF for the Fiscal Year. This was an increase of \$625,055 from FY 2020-21. ERAF was earmarked in the FY 2021-22 budget as a contribution toward the Town center construction project. With new State guidelines issued to determine a school districts ERAF entitlement, it is anticipated ERAF at the level received of \$2.48 million in FY 2021-22 will remain static but caution is noted as ERAF remains under threat at the State level. There is a general consensus that even with the new State Guidelines, local agencies, counties, and districts will still receive Excess ERAF. The budget for FY 2022-23 was set at \$2.3 million. ERAF is considered a vital revenue component for the use on one-time capital projects, reduction of any long-term liabilities, and Town CIP projects and programs. The current use of ERAF is for debt service payments for the lease back financing for cash flow purposes for the Town Center project and toward Town capital projects.

The Town's General Fund operating budget presents a plan for accomplishing the goals and objectives of the City Council within existing resources and core strategy of financial stability in mind. The FY 2022/23 Operating Budget reflects a positive outlook, as within the next month the Town Center will be complete, and we move into the post pandemic phase. This budget reflects the final close out of a multi-year, multi-million-dollar construction project for new Town facilities. There is a renewed focus of capital infrastructure spending on Town Master Plans as we still have many long-term infrastructure needs. The Town continues to implement current City Council priorities focused upon reducing long-term liabilities, addressing capital project needs, and ensuring that operational needs are met. The Town is heavily reliant on property taxes. There is no certainty that the growth will continue at the same pace in recent years, especially with the increase in interest rates. As such the Town continues to explore revenue alternatives to the General Fund. We continue to keep our expenditures in line with our revenues and carefully review our choices for programs and priorities closely monitoring and controlling any discretionary spending. Staff seeks to ensure that the Town's fiscal position remains positive while continuing current programs, policies, and services. The Town entered into a tax-exempt lease for cash flow construction financing of the new Town Center. A key characteristic of a tax-exempt lease that distinguishes it from bond indebtedness is a non-appropriation clause. This is a fiscal funding requirement where payments of the lease are dependent upon an annual appropriation by the governing body. This requires that future revenues to the Town be appropriated via installment payments on the debt on an annual basis. The Council settled on a COP of \$7.68 Million, resulting in an estimated annual debt service for FY 2021-22 of \$861,000.

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Capital Improvement projects continue to be identified from the various master plans and residual funding remaining from the Town Parcel Tax is being used. CIP projects continue to be identified from the various master plans and residual funding remaining from the Town Parcel Tax is being used. This budget includes a \$3.34 million allocation from the Town Unallocated General Fund Balance toward the Town Capital Improvement Fund for CIP projects. This was a result of review of our Financial Planning Model as we discussed out year saving and spending plans based on Council priorities for the Unallocated General Fund Balance. The process will help in setting aside funding for paying down long-term pension liabilities, COP lease back financing, and capital improvement master plans. The Town will maintain its annual street maintenance, Neighborhood Traffic Management Action plans, work on Park Master Plan, continue to identify bike pedestrian and drainage maintenance projects. As we continue to review the out-year financial planning, the priorities for use of the Unallocated General Fund Balance will be determined.

During the current fiscal year there has been CIP focus on –

- Annual Road Maintenance and Rehabilitation program;
- Green Infrastructure- minor projects;
- Traffic Safety Improvements;;
- Bike Pedestrian and Drainage maintenance projects;  
Neighborhood Traffic Management plan;and
- Holbrook Palmer Park Access and Circulation Plan Project design;

The CIP program serves as a guide in prioritizing community needs through the identification of funding and projects that will be a major focus in the next 5 years. We continue to work on fostering partnerships with other agencies in fulfilling infrastructure needs. Included in the CIP is the improvement of Bike & Pedestrian improvement projects throughout Town as some include Watkins Avenue pedestrian improvements, Selby Lane improvements, and Fair Oaks Lane at Lloyd drive. Traffic and safety improvements along Alameda De Las Pulgas corridor as these improvements are through grant funding. There are Drainage Master Plan improvements for Atherton Channel assessment and relining upstream of Alameda De La Pulgas, evaluation of drainage of Stockbridge Avenue, Selby Lane, and Almendral Avenue intersections with El Camino. There is the continued design review of the former Atherton Station Building for integration into the new Town Center with the intention to go out to bid for project construction. The Park circulation plan is expected to go out to bid for construction to begin spring of 2023. The Town is also working on implementing minor projects from its Green Infrastructure plan mandate.

Paying down long-term liabilities is important to the Town's fiscal stability. During fiscal year 2021-22 the Town made an additional \$182,419 contribution into the OPEB trust to satisfy the minimum annual required contribution for future OPEB liabilities. Total Town contribution to the Trust as of June 30, 2022 is \$5,825,270. The balance in the PARS Trust as of June 30, 2022 is \$7,829,922

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CalPERS started requiring agencies to pay for their Unfunded Accrued Liabilities (UAL) as dollar amounts rather than a percentage of payroll. This was implemented to recover gains and losses of funded status of plans. Every fiscal year CalPERS invoices municipalities for the unfunded portion of their liabilities. The Town paid \$393,774 for Miscellaneous Employees and \$6,007,045 for Public Safety, for a total of \$6,400,819 for the PERS unfunded accrued liability portion for FY 2021-22. The anticipated Town UAL portion for FY 2022-23 is \$843,654 for public safety and \$468,226 for miscellaneous employees. The Town net pension liability is recorded and is based on contributions and investment earnings on the plan. The Town pension liability decreased by \$7,020,266. The CalPERS board implemented changes to the discount rates, with the discount rate being reduced to 7.375% beginning in FY 2018-19, then to 7.25% in FY 2019-20 and 7.0% in FY 2020-21. Agency plans likely saw increases in both the normal costs and the accrued liabilities, resulting in higher required employer contributions. The CalPERS Board went through its Asset Liability Management (ALM) review in calendar year 2021. The review included the discussion of portfolios with discount rates, adoption of new actuarial assumptions, and strategic asset allocation. The ALM process coincided with an exceptional year of investment returns. The CalPERS investment returns for FY 20-21 were 21.3%, This was 16.6% percent higher than FY 19-20 return of 4.7%. The double-digit return triggered the CalPERS Funding Risk Mitigation Policy. This policy reduces funding risk only after a great investment year. The 21.3% investment return fell within an additional investment return threshold required for a reduction in the discount rate. On November 2021, the CalPERS board reduced the discount rate to 6.8% and set is as the new baseline rate beginning July 2022. Analysis on future costs will continue to be a focus as we intend to meet long-term obligations and Town operating expenditures. The CalPERS investment returns for FY 2020-21 was 21.3%, This was 16.6% percent higher than FY 19-20 return of 4.7%. It is important to note that the investment returns for FY 2020-21 will be reflected in the June 30, 2021 actuarial valuation reports. Any gains and losses will be reflected in FY 2023-24 valuation reports as the first payment for Public Agencies.

The CalPERS preliminary investment returns for the FY 2021/22 ending June 30, 2022 were a negative 6.1%, a result of the recent tumultuous global market. This marks CalPERS first loss since the 2009 financial crisis. As a result of the negative returns, it is expected that employers will see an increase in their contribution rates in FY 2024/25. Cities can expect rates for their miscellaneous plans to increase 2% – 4% and safety plans may increase between 4% and 6%. The Town does not currently have any constraints on making its payments and is far better positioned than most agencies that are reliant on sales tax and transient occupancy tax revenues. OPEB liabilities were included in the financials for the first time in FY 2017-18 and the Town has a net asset of \$93,344. The Town will begin review of the possibility of using the PARS OPEB Trust to make payment on retiree health benefits.

### **Requests for Information**

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

**TOWN OF ATHERTON**

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

The Statement of Net Position and the Statement of Activities summarize all of the Town's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all of the Town's assets and liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the Town's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between Town funds have been eliminated.

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

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

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

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

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

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

TOWN OF ATHERTON  
STATEMENT OF NET POSITION  
JUNE 30, 2022

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 3)	\$31,518,459
Receivables:	
Taxes	491,575
Grants	22,116
Interest	27,957
Other	903,298
Prepaid expenses	69,330
Net OPEB Asset, due in more than one year (Note 8)	93,344
Capital assets (Note 5):	
Non-depreciable	65,915,618
Depreciable, net	19,660,189
Total Capital Assets	85,575,807
Total Assets	118,701,886
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions (Note 7)	9,427,545
Related to OPEB (Note 8)	895,117
Total Deferred Outflows of Resources	10,322,662
<b>LIABILITIES</b>	
Accounts payable	807,539
Accrued liabilities	307,866
Deposits payable	5,502,588
Deferred revenue	
Unearned revenue	20,916
Claims payable (Note 9)	
Due in less than one year	100,000
Compensated absences (Note 1G)	
Due in less than one year	532,830
Due in more than one year	433,888
Other Long term liabilities (Note 10)	
Due in less than one year	1,040,889
Due in more than one year	6,690,142
Net pension liability, due in more than one year (Note 7)	12,239,533
Total Liabilities	27,676,191
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions (Note 7)	9,381,119
Related to OPEB (Note 8)	3,612,875
Total Deferred Inflows of Resources	12,993,994
<b>NET POSITION (Note 6):</b>	
Net investment in capital assets	79,287,535
Restricted for:	
Streets and drainage maintenance and police services	1,435,556
Library operations	2,050,147
Public facilities constructions	313,171
Special revenue projects	2,044,200
Capital projects	2,068,435
Unrestricted	1,155,319
Total Net Position	\$88,354,363

See accompanying notes to financial statements

TOWN OF ATHERTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

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	\$2,295,746	\$214,164	\$1,994,301		(\$87,281)
Public works	5,339,135	1,572,918	964,779	\$1,247,911	(1,553,527)
Police	10,157,445	93,319	10,292		(10,053,834)
Building	1,211,104	1,693,122			482,018
Planning	402,554	289,279			(113,275)
Total Governmental Activities	<u>\$19,405,984</u>	<u>\$3,862,802</u>	<u>\$2,969,372</u>	<u>\$1,247,911</u>	<u>(11,325,899)</u>
General revenues:					
Taxes:					
Property taxes					16,736,658
Sales taxes					305,010
Other taxes					1,972,181
Total Taxes					19,013,849
Investment earnings					(443,819)
Miscellaneous					203,862
Total General Revenues					<u>18,773,892</u>
Change in Net Position					7,447,993
Net Position-Beginning					<u>80,906,370</u>
Net Position-Ending					<u>\$88,354,363</u>

See accompanying notes to financial statements

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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the Town in fiscal 2022. 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. The tax assessment is no longer collected. Fiscal year 2017-18 was the last year of collection. Residual funds remain.

**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.

**CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND**

Accounts for capital improvement construction costs and financing sources.

TOWN OF ATHERTON  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2022

	Major Funds				
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
<b>ASSETS</b>					
Cash and investments (Note 3)	\$18,675,182	\$1,020,799	\$2,068,519	\$576,505	\$1,266,415
Receivables:					
Taxes	415,900				
Grants					22,116
Interest	27,957				
Other	895,248				
Prepays	69,330				
<b>Total Assets</b>	<b>\$20,083,617</b>	<b>\$1,020,799</b>	<b>\$2,068,519</b>	<b>\$576,505</b>	<b>\$1,288,531</b>
<b>LIABILITIES</b>					
Accounts payable	\$493,890	\$14,486	\$18,372	\$263,334	\$10,362
Accrued liabilities	307,866				
Unearned revenue	20,916				
Deposits payable	5,502,588				
<b>Total Liabilities</b>	<b>6,325,260</b>	<b>14,486</b>	<b>18,372</b>	<b>263,334</b>	<b>10,362</b>
<b>FUND BALANCES</b>					
Fund balance (Note 6):					
Nonspendable	69,330				
Restricted		1,006,313	2,050,147		
Committed	3,242,541				
Assigned	199,464			313,171	1,278,169
Unassigned	10,247,022				
<b>Total Fund Balances</b>	<b>13,758,357</b>	<b>1,006,313</b>	<b>2,050,147</b>	<b>313,171</b>	<b>1,278,169</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$20,083,617</b>	<b>\$1,020,799</b>	<b>\$2,068,519</b>	<b>\$576,505</b>	<b>\$1,288,531</b>

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$3,191,888	\$26,799,308
75,675	491,575
	22,116
	27,957
	895,248
	69,330
<u>\$3,267,563</u>	<u>\$28,305,534</u>
\$3,854	\$804,298
	307,866
	20,916
	5,502,588
<u>3,854</u>	<u>6,635,668</u>
3,231,384	69,330
	6,287,844
	3,242,541
32,325	1,823,129
	10,247,022
<u>3,263,709</u>	<u>21,669,866</u>
<u>\$3,267,563</u>	<u>\$28,305,534</u>

TOWN OF ATHERTON  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2022

Total fund balances reported on the governmental funds balance sheet \$21,669,866

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. 85,201,931

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However they are 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	4,719,151
Capital assets, net	373,876
Accounts receivable	8,050
Accounts payable	(3,241)
Compensated absences	(966,718)
Claims payable	(100,000)

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

The balances below are not due and payable in the current period and therefore not reported in the funds:

Deferred outflows related to pensions	9,427,545
Deferred inflows related to pensions	(9,381,119)
Deferred outflows related to OPEB	895,117
Deferred inflows related to OPEB	(3,612,875)

LONG-TERM ASSETS (LIABILITIES)

The Assets( liabilities) below are not counted in the current period and therefore is not reported in the Funds:

Other long term liabilities	(7,731,031)
Net OPEB asset (liabilities)	93,344
Net pension liability	<u>(12,239,533)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$88,354,363

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, 2022

	Major Funds				
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
<b>REVENUES</b>					
Property taxes	\$15,014,203		\$1,545,233		
Special assessments					
Sales taxes	305,010				
Other taxes	1,718,402				
Measure A grants					
From other governmental agencies	35,970				\$22,116
Permit and licenses	253,779				5,022
Fines and forfeitures	853,840				
Service charges	2,884,903				
Use of money and property	(380,946)	\$5,710	13,607	\$3,223	7,083
Miscellaneous	1,772,485	6,675		1,264,132	
<b>Total Revenues</b>	<b>22,457,646</b>	<b>12,385</b>	<b>1,558,840</b>	<b>1,267,355</b>	<b>34,221</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,857,061				
Planning	402,554				
Building	1,283,708				
Police	13,953,608				
Public works	1,906,331	293,428		887,370	
Non-departmental			161,955		
Capital outlay	351,804			9,870,298	1,545,002
Debt service:					
Principal	711,728				
Interest	150,143				
<b>Total Expenditures</b>	<b>21,616,937</b>	<b>293,428</b>	<b>161,955</b>	<b>10,757,668</b>	<b>1,545,002</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>840,709</b>	<b>(281,043)</b>	<b>1,396,885</b>	<b>(9,490,313)</b>	<b>(1,510,781)</b>
<b>Other Financing Sources (uses):</b>					
Proceeds from leases	1,350,000				
Transfers in (Note 4)				8,987,631	1,350,000
Transfers (out) (Note 4)	(4,990,557)		(5,347,074)		
<b>Total Other Financing Sources (uses)</b>	<b>(3,640,557)</b>		<b>(5,347,074)</b>	<b>8,987,631</b>	<b>1,350,000</b>
<b>Net change in fund balances</b>	<b>(2,799,848)</b>	<b>(281,043)</b>	<b>(3,950,189)</b>	<b>(502,682)</b>	<b>(160,781)</b>
<b>BEGINNING FUND BALANCES</b>	<b>16,558,205</b>	<b>1,287,356</b>	<b>6,000,336</b>	<b>815,853</b>	<b>1,438,950</b>
<b>ENDING FUND BALANCES</b>	<b>\$13,758,357</b>	<b>\$1,006,313</b>	<b>\$2,050,147</b>	<b>\$313,171</b>	<b>\$1,278,169</b>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$177,222	\$16,736,658
	305,010
	1,718,402
453,070	453,070
848,814	906,900
	258,801
	853,840
	2,884,903
17,850	(333,473)
180	3,043,472
<u>1,497,136</u>	<u>26,827,583</u>
	2,857,061
	402,554
	1,283,708
	13,953,608
54,072	3,141,201
	161,955
253,544	12,020,648
	711,728
	<u>150,143</u>
<u>307,616</u>	<u>34,682,606</u>
<u>1,189,520</u>	<u>(7,855,023)</u>
	1,350,000
	10,337,631
	<u>(10,337,631)</u>
	<u>1,350,000</u>
1,189,520	(6,505,023)
<u>2,074,189</u>	<u>28,174,889</u>
<u>\$3,263,709</u>	<u>\$21,669,866</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, 2022

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, current liabilities and current deferred outflows/inflows of resources 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 (\$6,505,023)

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	10,932,743
Depreciation expense is deducted from the fund balance	(1,396,012)

ACCRUAL OF NON-CURRENT ITEMS

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

Principal payments	(731,031)
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	1,203,876
Net pension liabilities and pension-related deferred outflows/inflows of resources	3,799,016

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>144,424</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$7,447,993</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$13,186,498	\$14,693,597	\$15,014,203	\$320,606
Sales taxes	267,000	285,000	305,010	20,010
Other taxes	1,481,000	1,708,000	1,718,402	10,402
Permits and licenses	260,000	264,000	253,779	(10,221)
Fines and forfeitures	117,000	236,000	853,840	617,840
From other governmental agencies	98,000	98,000	35,970	(62,030)
Service charges	2,677,825	2,967,225	2,884,903	(82,322)
Use of money and property	333,174	333,774	(380,946)	(714,720)
Other	1,745,700	1,745,700	1,772,485	26,785
	<u>20,166,197</u>	<u>22,331,296</u>	<u>22,457,646</u>	<u>126,350</u>
<b>EXPENDITURES:</b>				
Current:				
General government				
City council	50,356	50,356	41,767	8,589
Administration	1,010,558	1,013,058	1,079,487	(66,429)
City attorney	310,000	310,000	242,338	67,662
Finance	838,793	839,793	834,065	5,728
Non-departmental	698,991	739,391	656,604	82,787
	<u>2,908,698</u>	<u>2,952,598</u>	<u>2,854,261</u>	<u>98,337</u>
General government total				
Planning	303,183	303,183	402,554	(99,371)
Building	1,322,760	1,386,090	1,283,708	102,382
Public works	2,727,354	2,561,267	1,906,331	654,936
Police	8,912,195	13,937,195	13,953,608	(16,413)
Capital outlay	383,058	455,576	351,804	103,772
Debt Service	864,671	864,671	864,671	
	<u>17,421,919</u>	<u>22,460,580</u>	<u>21,616,937</u>	<u>843,643</u>
Total Expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>2,744,278</u>	<u>(129,284)</u>	<u>840,709</u>	<u>969,993</u>
<b>OTHER FINANCING SOURCES USES</b>				
Proceeds from leases			1,350,000	
Transfers (out) (Note 4)			(4,990,557)	(4,990,557)
	<u></u>	<u></u>	<u>(3,640,557)</u>	<u>(3,640,557)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$2,744,278</u>	<u>(\$129,284)</u>	<u>(2,799,848)</u>	<u>(\$2,670,564)</u>
<b>BEGINNING FUND BALANCES</b>				
			<u>16,558,205</u>	
<b>ENDING FUND BALANCES</b>				
			<u>\$13,758,357</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments				
Use of money and property			\$5,710	\$5,710
Other revenue			6,675	6,675
			<u>12,385</u>	<u>12,385</u>
Total Revenues			<u>12,385</u>	<u>12,385</u>
EXPENDITURES:				
Current:				
General government				
Public works	\$715,000	\$715,000	293,428	421,572
Capital outlay	180,000	180,000		180,000
	<u>895,000</u>	<u>895,000</u>	<u>293,428</u>	<u>601,572</u>
Total Expenditures	<u>895,000</u>	<u>895,000</u>	<u>293,428</u>	<u>601,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(895,000)</u>	<u>(895,000)</u>	<u>(281,043)</u>	<u>613,957</u>
Net change in fund balance	<u>(\$895,000)</u>	<u>(\$895,000)</u>	<u>(281,043)</u>	<u>\$613,957</u>
Fund Balance, beginning of year			<u>1,287,356</u>	
Fund Balance, end of year			<u>\$1,006,313</u>	

See accompanying notes to financial statements

TOWN OF ATHERTON  
LIBRARY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes			\$1,545,233	\$1,545,233
Use of money and property	100,000	100,000	13,607	(86,393)
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>1,558,840</u>	<u>1,458,840</u>
EXPENDITURES:				
Current:				
Library Maintenance	170,250	170,250	161,955	8,295
Total Expenditures	<u>170,250</u>	<u>170,250</u>	<u>161,955</u>	<u>8,295</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(70,250)</u>	<u>(70,250)</u>	<u>1,396,885</u>	<u>1,467,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	<u>(4,135,000)</u>	<u>(4,135,000)</u>	<u>(5,347,074)</u>	<u>(1,212,074)</u>
Total Other Financing Sources (Uses)	<u>(4,135,000)</u>	<u>(4,135,000)</u>	<u>(5,347,074)</u>	<u>(1,212,074)</u>
NET CHANGES IN FUND BALANCE	<u>(\$4,205,250)</u>	<u>(\$4,205,250)</u>	<u>(3,950,189)</u>	<u>\$255,061</u>
BEGINNING FUND BALANCE			<u>6,000,336</u>	
ENDING FUND BALANCE			<u>\$2,050,147</u>	

See accompanying notes to financial statements

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<b>PROPRIETARY FUNDS</b>
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**INTERNAL SERVICE FUNDS**

Internal Service Funds account for special activities and services performed by a designated Town department 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 revenue or expenses of the internal service fund is eliminated by netting them against the 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.

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 JUNE 30, 2022

	Governmental Activities - Internal Service Funds
<b>ASSETS</b>	
Current assets	
Cash and investments (Note 3)	\$4,719,151
Receivables:	
Other	8,050
Total current assets	4,727,201
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	1,720,958
Less accumulated depreciation	(1,347,082)
Total capital assets	373,876
Total noncurrent assets	373,876
Total Assets	5,101,077
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	3,241
Compensated absences (Note 1G)	532,830
Claims payable (Note 9)	100,000
Total current liabilities	636,071
Non-current liabilities:	
Compensated absences (Note 1G)	433,888
Total noncurrent liabilities	433,888
Total Liabilities	1,069,959
<b>NET POSITION (Note 6):</b>	
Net investment in capital assets	373,876
Unrestricted	3,657,242
Total Net Position	\$4,031,118

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, 2022

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$2,080,375
Total Operating Revenues	2,080,375
OPERATING EXPENSES	
Insurance	734,911
OPEB expense	699,364
Employee benefits earned	275,349
Depreciation	157,407
Supplies and maintenance	95,314
Total Operating Expenses	1,962,345
Operating Income (Loss)	118,030
NONOPERATING REVENUES (EXPENSES)	
Interest income	26,394
Total Nonoperating Revenues	26,394
Change in net position	144,424
BEGINNING NET POSITION	3,886,694
ENDING NET POSITION	\$4,031,118

See accompanying notes to financial statements

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental charges	\$2,072,325
Payments to employees for benefits	(990,158)
Payments to suppliers	(844,199)
Cash Flows from Operating Activities	237,968
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	(223,528)
Cash Flow from Capital and Related Financing Activities	(223,528)
CASH FLOWS FORM INVESTING ACTIVITIES	
Interest received	26,394
Cash Flow from Investing Activities	26,394
Net Cash Flows	40,834
Cash and investments at beginning of period	4,678,317
Cash and investment at end of period	\$4,719,151
Reconciliation of Operating Income to Cash Flows from Operating Activities	
Operating income	\$118,030
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	157,407
Changes in assets and liabilities:	
Accounts receivable	(8,050)
Accounts payable	(47,548)
Compensated absences	(15,445)
Cash Flows from Operating Activities	\$237,968

See accompanying notes to financial statements

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

Town has only one type of Fiduciary Funds: Custodial Funds

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

**H-P PARK IMPROVEMENT FUND** donated for Holbrook-Palmer Park Foundation

**TREE COMMITTEE** Fund maintained for the Atherton Tree Committee

TOWN OF ATHERTON  
 FIDUCIARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2022

	Custodial Funds	
	H-P Park Improvement Fund	Tree Committee
ASSETS		
Cash and investments (Note 3)	\$6,557	\$26,440
Total Assets	6,557	26,440
NET POSITION		
Restricted for organizations	6,557	26,440
Total Net Position	\$6,557	\$26,440

See accompanying notes to financial statements

TOWN OF ATHERTON  
 FIDUCIARY FUND  
 STATEMENT OF CHANGES IN FIDUCIARY  
 NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Funds	
	H-P Park Improvement Fund	Tree Committee
ADDITIONS		
Interest income	\$37	\$148
Total additions	37	148
DEDUCTIONS		
Distributions		655
Total deductions		655
Change in net position	37	(507)
BEGINNING NET POSITION	6,520	26,947
ENDING NET POSITION	\$6,557	\$26,440

See accompanying notes to financial statements

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**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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 accompanying basic financial statements present the financial activity of the Town of Atherton, which is the primary government presented, along with the financial activities of its blended component unit Atherton Channel District, which is financially accountable, controlled by and dependent on the Town. Although it is separate legal entity, the blended component unit is in substance part of the Town's operations and is therefore reported as an integral part of the Town's 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 Standards 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, 2022**

**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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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. The tax assessment is no longer collected. Fiscal year 2017-18 was the last year of collection. Residual funds remain.

**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.

**Capital Improvement Capital Projects Fund** – Accounts for capital improvement construction costs and financing sources.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

**C. Major Funds (Continued)**

The Town also reports the following fund types:

**Internal Service Funds** - Accounts for equipment replacement, workers' compensation insurance, general liability and employee benefits provided to other departments on a cost reimbursement basis.

**Fiduciary Funds** – Custodial Funds account for assets held by the Town as an agent for Atherton Tree Committee and Holbrook-Palmer Park Foundation. 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, 2022**

**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, 2022**

**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 during fiscal year 2022 were as follows:

Beginning Balance	\$982,163
Additions	730,494
Payments	<u>(745,937)</u>
Ending Balance	<u>\$966,718</u>
Current Portion	<u><u>\$532,830</u></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. *Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

***J. OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by PARS Trust. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

***K. Leases***

As clarified by the Government Accounting Standards Board (GASB) Statement No. 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The Town recognizes lease receivables or liabilities with an initial, individual value of \$50,000 or more, based on the future lease payments remaining at the start of the lease.

The Town has no leases subject to GASB#87 for the fiscal year 2022.

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

The following Governmental Accounting Standards Board (GASB) pronouncement was effective in fiscal year 2022:

GASB Statement No. 87 – In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The provisions of this Statement were implemented during fiscal year 2022.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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 the 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.
- 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 does not budget for the Storm Drainage Capital Project Fund.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

**B. Expenditures in Excess of Budget**

The funds below incurred expenditures in excess of their budgets on the departmental level in the amounts below for the year ended June 30, 2022:

Fund Name	Amount
<b>General Fund</b>	
Administration	(\$66,429)
Planning	(99,371)
Police	(16,413)
<b>Nonmajor Special Revenue Funds:</b>	
County Measure A	
Public Works	(23,962)
Gas Tax	
Public Works	(6,579)
Refuse Rate Stabilization	
Public Works	(15,958)

**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, 2022**

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

**B. Classification**

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

<b>Statement of Net Position</b>	
Cash and investments available for operations	\$31,518,459
<b>Fiduciary Funds</b>	
Cash and investments available for operations	32,997
Total Cash and Investments	\$31,551,456

Cash and investments as of June 30, 2022 consist of the following:

Cash on hand	\$875
Cash in bank	522,388
Investments	31,028,193
Total Cash and Investment	\$31,551,456

Cash and investments are used in preparing the Proprietary Fund statement of cash flows since those funds participate in the Town-wide cash and investment pool. The fund 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	No Limit	25%
Repurchase Agreements	30 days	A / A-1	No Limit	No Limit
Medium-Term Corporate Notes	5 years	A	30%	5%
Commercial Paper	270 days	A / A-1	25%	5%
State Local Agency Investment Fund	N/A	N/A	50%	\$75M per account
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, 2022**

**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	Total
U.S. Treasuries	\$1,728,320	\$3,174,544	\$4,902,864
U.S. Agency Securities	2,958,278	2,424,442	5,382,720
Corporate Notes	1,917,981	1,254,845	3,172,826
California Local Agency Investment Fund	14,035,393		14,035,393
San Mateo County Investment Pool	1,555,974		1,555,974
Money Market Mutual Fund	1,978,416		1,978,416
Total Investments	<u>\$24,174,362</u>	<u>\$6,853,831</u>	31,028,193
Cash in banks			522,388
Petty cash			875
Total Cash			<u>523,263</u>
Total Cash and Investments			<u>\$31,551,456</u>

**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 (NRSRO). The Standard and Poor's investment ratings as of June 30, 2022 are as follows:

Investment Type	AAA <sub>m</sub>	AA+/AA/AA-	A+/A/A-	Not Rated	Total
U.S. Treasuries		\$4,902,864			\$4,902,864
U.S. Agency Securities		5,382,720			5,382,720
Corporate Notes		1,295,697	\$1,877,129		3,172,826
California Local Agency Investment Fund				\$14,035,393	14,035,393
San Mateo County Investment Pool				1,555,974	1,555,974
Money Market Mutual Fund	\$1,978,416				1,978,416
Total Investments	<u>\$1,978,416</u>	<u>\$11,581,281</u>	<u>\$1,877,129</u>	<u>\$15,591,367</u>	<u>\$31,028,193</u>

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

***F. Concentration of Credit Risk***

At June 30, 2022, the Town had one investment in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment funds, that represented 5% or more of total Entity-wide investments and General Fund investments. The one security is from the Federal Home Loan Bank in the amount of \$1,981,048.

***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, 2022, these investments matured in an average of 311 days.

***H. San Mateo County Investment Pool***

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. During fiscal year 2022, SMCIF released the funds to the Town for use towards the construction of the library and the balance is \$1,555,974 as of June 30, 2022.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

**I. Fair Value Hierarchy**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2022:

Investment Type	Level 1	Level 2	Total
<b>Investments by Fair Value Level:</b>			
U.S. Treasuries	\$4,902,864		\$4,902,864
U.S. Agency Securities		\$5,382,720	5,382,720
Corporate Notes		3,172,826	3,172,826
<b>Subtotal</b>	<b>\$4,902,864</b>	<b>\$8,555,546</b>	<b>13,458,410</b>
<b>Investments Measured at Amortized Cost:</b>			
Money Market Mutual Funds			1,978,416
<b>Investments Exempt from Fair Value Hierarchy</b>			
California Local Agency Investment Fund			14,035,393
San Mateo County Investment Pool			1,555,974
<b>Total Investments</b>			<b>\$31,028,193</b>

U.S. Treasury Notes, classified in Level 1 of the fair value hierarchy, are valued using quoted prices in active markets. U.S. Agency Securities and Corporate Notes, classified in Level 2 of the fair value hierarchy, are valued using quoted prices for a non-active market portfolio at fiscal year-end. These prices are obtained from various pricing sources by our custodian bank. Fair value is defined as the quoted market value on the last trading day of the period. Money market funds were reported at amortized cost.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 4 – INTERFUND TRANSACTIONS**

*A. 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, 2022 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
Facilities Construction Capital Projects Fund	General Fund	\$3,640,557 (A)
	Library Special Revenue Fund	5,347,074 (A)
Capital Improvement Capital Projects Fund	General Fund	1,350,000 (A)
		\$10,337,631

(A) Transfer used to fund capital projects

**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 acquisition 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 at \$5,000 for capital assets, except for infrastructure at \$100,000, 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, 2022**

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

**A. Current Year Capital Asset Activities**

<i>Governmental Funds</i>	Balance July 1, 2021	Additions	Retirement	Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$690,884				\$690,884
Construction in progress	54,324,999	\$10,899,735			65,224,734
Total non-depreciable capital assets	55,015,883	10,899,735			65,915,618
Capital assets being depreciated:					
Buildings	1,123,912		(\$305,150)		818,762
Other improvements	1,125,668				1,125,668
Computer equipment and software	338,597				338,597
Furniture and fixtures	34,798				34,798
Vehicles	23,434				23,434
Machinery and equipment	421,518	17,563			439,081
Infrastructure	62,930,637	61,918			62,992,555
Total depreciable capital assets	65,998,564	79,481	(305,150)		65,772,895
Less accumulated depreciation for:					
Buildings	942,366	15,679	(258,677)		699,368
Other improvements	931,059	27,487			958,546
Computer equipment and software	337,397	1,200			338,597
Furniture and fixture	34,798				34,798
Vehicles	23,434				23,434
Machinery and equipment	397,689	7,894			405,583
Infrastructure	42,682,504	1,343,752			44,026,256
Total accumulated depreciation	45,349,247	1,396,012	(258,677)		46,486,582
Depreciable capital assets, net	20,649,317	(1,316,531)	(46,473)		19,286,313
General capital assets, net	75,665,200	9,583,204	(46,473)		85,201,931
 <i>Internal Service Funds</i>					
Depreciable capital assets:					
Vehicles	1,106,986	223,527	(\$61,353)		1,269,160
Computer equipment	327,621				327,621
Other equipment	124,177				124,177
Total depreciable capital assets	1,558,784	223,527	(61,353)		1,720,958
Less: accumulated depreciation for					
Vehicles	826,491	137,673	(61,353)		902,811
Computer equipment	312,632	10,810			323,442
Other equipment	111,906	8,923			120,829
Total accumulated depreciation	1,251,029	157,406	(61,353)		1,347,082
Internal Service Funds capital assets, net	307,755	66,121			373,876
Total governmental activities capital assets, net	\$75,972,955	\$9,649,325	(\$46,473)		\$85,575,807

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**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:

Public works	\$1,390,791
Police	1,829
Building	<u>3,392</u>
Governmental activities subtotal	1,396,012
Internal Service Fund	<u>157,406</u>
Total	<u><u>\$1,553,418</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. 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, 2022**

**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 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 require 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 that 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, 2022**

**NOTE 6 – FUND BALANCES AND NET POSITIONS (Continued)**

**B. Fund Balances (Continued)**

Detailed classifications of the Town’s Fund Balances, as of June 30, 2022, are below:

	General Fund	Major Special Revenue Funds		Major Capital Projects Funds		Other Governmental Funds	Total
		Special Tax	Library	Facilities Construction	Capital Improvement		
Nonspendable:							
Prepays	\$69,330						\$69,330
Total Nonspendable	69,330						69,330
Restricted for:							
Street drainage and police services		\$1,006,313					1,006,313
Library operations			\$2,050,147				2,050,147
Measure A						\$879,552	879,552
Gas tax						356,497	356,497
Measure W						429,243	429,243
Measure M						231,378	231,378
Refuse Services						576,590	576,590
Supplemental Law Enforcement Services						183	183
Channel Drainage District						757,941	757,941
Total Restricted		1,006,313	2,050,147			3,231,384	6,287,844
Committed to:							
Emergency disaster	3,242,541						3,242,541
Total Committed	3,242,541						3,242,541
Assigned to:							
Tennis program	173,024						173,024
Building department operations						\$3,242,54	
Tree committee	26,440						26,440
Capital projects				\$313,171	\$1,278,169	32,325	1,623,665
Total Assigned	199,464			313,171	1,278,169	32,325	1,823,129
Unassigned	10,247,022						10,247,022
Total Unassigned	10,247,022						10,247,022
Total Fund Balances	\$13,758,357	\$1,006,313	\$2,050,147	\$313,171	\$1,278,169	\$3,263,709	\$21,669,866

**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 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 balance 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, 2022**

**NOTE 7 – PENSION PLAN**

**A. General Information about the Pension Plan**

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 Plan and additions to/deductions from the Plan's 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.

**Plan Description** – All qualified permanent and probationary employees are eligible to participate in the Town's separate Safety and Miscellaneous (all other) Employee Pension Rate Plans. The Town's Safety and Miscellaneous Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by CalPERS. PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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

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 are responsible for 2% of 9% after the Town makes a 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, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

**A. General Information about the Pension Plans (Continued)**

During the fiscal year 2018-2019, the Town adopted amendments with CalPERS that allows sharing of additional employer costs passed to the employees. The Town implemented a cost sharing within the pension plans among Public Safety and Local Miscellaneous employees. This included Public Safety sworn staff picking up the employers CalPERS share of 3% and 1% for Miscellaneous employees. These are the maximum under CalPERS law for the passing on of costs of the employer’s share. These were amendment changes to the contract between the Board of Administration California Public Employees’ Retirement System and The Town as proposed changes in Section 20516 (Employees Sharing Additional Costs). Increase in employee contribution rates results in a respective decrease in employer contribution rates. The Plan’s provisions and benefits in effect at June 30, 2022, are summarized as follows:

	<b>Miscellaneous</b>	
	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	52-67 older	52-67 or older
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7.25%	7.25%
Required employer contribution rates	11.06%	7.73%

	<b>Safety</b>	
	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	50-55 or older	50-57 or older
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	13.75%
Required employer contribution rates	25.59%	13.98%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town’s required contribution for the unfunded liability was \$1,400,819 in fiscal year 2022. During April 2022, in an effort to reduce the Town’s unfunded actuarial liabilities and future required contributions, the Town made an Additional Discretionary Payment (ADP) of \$5,000,000 to CalPERS to be applied toward the Classic Safety Plan Unfunded Liability.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

**A. General Information about the Pension Plans (Continued)**

**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 the Plan 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. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

For the year ended June 30, 2022, the contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Contributions - employer	\$529,899	\$75,538	\$6,234,446	\$236,458
Contributions - employee	114,047	84,964	127,483	342,933

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

As of June 30, 2022, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous - Classic & PEPRA	\$3,297,589
Safety - Classic & PEPRA	8,941,944
Total Net Pension Liability	<u>\$12,239,533</u>

The Town’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 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 plan relative to the projected contributions of all participating employers, actuarially determined. The Town’s proportionate shares of the net pension liability for the Plan as of June 30, 2020 and 2021 were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.12799%	0.20805%
Proportion - June 30, 2021	0.17367%	0.25479%
Change - Increase (Decrease)	<u>0.04568%</u>	<u>0.04674%</u>

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

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

For the year ended June 30, 2022, the Town recognized pension expense of \$3,277,325. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous - Classic & PEPR

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$605,437	
Differences between actual and expected experience	369,789	
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$245,069)
Change in employer proportion	110,819	(17,526)
Net differences between projected and actual earnings on plan investments		(2,878,621)
Total	<u>\$1,086,045</u>	<u>(\$3,141,216)</u>

Safety - Classic & PEPR

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$6,470,904	
Differences between actual and expected experience	1,527,723	
Changes in assumptions		
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(\$917,727)
Change in employer proportion	342,873	
Net differences between projected and actual earnings on plan investments		(5,322,176)
Total	<u>\$8,341,500</u>	<u>(\$6,239,903)</u>
Grand total	<u>\$9,427,545</u>	<u>(\$9,381,119)</u>

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

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

\$7,076,341 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Miscellaneous Amortization Amount	Safety Amortization Amount	TOTAL Amortization Amount
2023	(\$581,151)	(\$801,841)	(\$1,382,992)
2024	(613,569)	(932,308)	(1,545,877)
2025	(670,385)	(1,170,569)	(1,840,954)
2026	(795,503)	(1,464,589)	(2,260,092)
	(\$2,660,608)	(\$4,369,307)	(\$7,029,915)

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age, Service, and type of employment
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

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

**Discount Rate** – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rates of return by asset class.

**For Miscellaneous and Safety Plan**

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive		0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%		-0.92%
Total	<u>100%</u>		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 7 – PENSION PLAN (Continued)**

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

**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 the Plan, calculated using the discount rate for the 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:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease Net Pension Liability	6.15% \$6,092,216	6.15% \$15,571,670
Current Discount Rate Net Pension Liability	7.15% \$3,297,589	7.15% \$8,941,944
1% Increase Net Pension Liability	8.15% \$987,310	8.15% \$3,496,443

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

**NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS**

**A. General Information about the Town’s Other Post Employment Benefit (OPEB) Plan and the OPEB Trust Fund**

**OPEB Trust Plan Administrator** – The City Manager is the Town’s appointed plan administrator to act on behalf of the Town. The Public Agency Retirement Services (PARS) administers the trust for the Town’s retiree healthcare benefit plan.

**Plan Description** – The Town’s Post Employment Benefit Plan is an agent multiple-employer defined benefit OPEB plan. 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).

**Benefits Provided** – 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 and surviving spouse.

**Management Employees (non-represented), hired before adoption of Management Resolution on November 17, 2010** - The Town pays 100% of premiums for any medical coverage and any family status.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**A. General Information about the Town’s Other Post Employment Benefit (OPEB) Plan and the OPEB Trust Fund (Continued)**

**Management Employees (non-represented), hired after adoption of November 17, 2010 and before 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.

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.

**Management Employees (non-represented), hired on or after July 1, 2013** - The Town pays the CalPERS minimum benefit.

**APOA Police Officers, retired before October 1, 2013** - The Town pays a maximum monthly benefit of \$1,247.06 which is assumed to not increase in the future. 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 be exempt from this cap.

**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%. This assumption is based on the language in Resolution 13-37, page 8, Paragraph C. a., and assumes that the same language will continue in years after 2016. 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. If they have 10 or more years of service, they are subject to a vesting schedule.

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 90% of the Town contribution of Kaiser.

**APOA Police Officers, hired on or after October 1, 2013** – The Town pays up to a maximum of the PEMHCA Minimum (\$149 in 2022, \$151 in 2023).

**APOA Miscellaneous Employees** – The Town pays the same benefit as for APOA Officers. It has been assumed that this benefit will continue after 2016.

**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.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**A. General Information about the Town’s Other Post Employment Benefit (OPEB) Plan and the OPEB Trust Fund (Continued)**

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active employees	39	
Retirees receiving benefit payments	41	
Total	80	

To comply with Actuarial Standard of Practice No. 6 (ASOP 6), the actuarial valuation includes an implicit subsidy liability. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. As a result of the required ASOP 6, the Town’s Actuarial Accrued Liability at June 30, 2022 included an implicit subsidy liability of \$1,064,907.

**B. Net OPEB Liability (Asset)**

**Actuarial Methods and Assumptions** – The Town’s net OPEB liability and total OPEB liability were determined by an actuarial valuation based on the following dates, actuarial methods and assumptions:

Actuarial Assumptions	• June 30, 2022 Measurement Date
Valuation Date	• June 30, 2022
Actuarial Cost Method	• Entry Age Normal
Contribution Policy	• The Town intends to contribute the full ADC to the PARS trust each year
Discount Rate and Long Term Expected Rate of Return on Investment	• 6.00%, based on PARS investment allocation Moderate
Inflation	• 2.50% per annum
Payroll Increases	• 2.80% annual increases
Medical Trend	• Pre-65: 6.50% for 2022 and 2023 • Post-65: 5.40% in 2023 decreasing to an ultimate rate of 3.94% by 2075
Mortality	• CalPERS 2020 Scale MP-2020

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**B. Net OPEB Liability (Asset) (Continued)**

**OPEB Trust Investment Policy** - PARS offers different investment portfolios as part of the investment vehicle. The Town has elected to invest pre-funded contributions using a Moderate Index Plus portfolio. The investment objective of this strategy is to provide current income and moderate capital appreciation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.25%	4.66%
Fixed income	45.00%	1.06%
REITS	1.75%	3.98%
Cash	5.00%	-0.33%
Total	100.00%	

The expected long-term real rate of return of the OPEB Trust is 6.00% as of June 30, 2022. This rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense are developed for each major asset class.

The above table shows the target asset allocation in the PARS Trust Moderate investment policy.

**Discount Rate** – The discount rate is based on a blend of (a) the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**OPEB Trust Annual Money-Weighted Rate of Return** – For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was (11.17%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**C. Changes in Net OPEB Liability (Asset)**

The changes in the net OPEB liability follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2020 Measurement Date	\$8,999,682	\$8,866,492	\$133,190
Changes Recognized for the Measurement Period:			
Service Cost	261,221		261,221
Interest on the total OPEB liability	483,322		483,322
Changes in benefit terms			
Differences between expected and actual experience	(1,404,646)		(1,404,646)
Changes of assumptions	(7,409)		(7,409)
Net investment income		(986,583)	986,583
Contributions			
Employer - Town's contribution		594,061	(594,061)
Employer - implicit subsidy			
Benefit payments	(444,395)	(444,395)	
Implicit subsidy credit	(151,197)		
Administrative expenses		(48,456)	48,456
Net changes	(1,263,104)	(1,036,570)	(226,534)
Balance at June 30, 2021 Measurement Date	\$7,736,578	\$7,829,922	(\$93,344)
Plan fiduciary net position as a percentage of the total OPEB liability		101.2%	

The OPEB plan does not issue separate financial statements.

**D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB 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 discount rate:

Net OPEB Liability (Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(5.00%)	(6.00%)	(7.00%)
\$787,752	(\$93,344)	(\$826,812)

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as discussed above:

Net OPEB Liability (Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
(\$823,843)	(\$93,344)	\$765,268

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Town recognized negative OPEB expense of \$1,203,876. At June 30, 2022, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$315,348	(\$1,315,529)
Changes of assumptions		(2,297,346)
Net differences between projected and actual earnings on plan investments	579,769	
Total	\$895,117	(\$3,612,875)

The deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future fiscal years as part of OPEB expense as follows:

Year Ended June 30	Amortization
2023	(\$929,441)
2024	(921,962)
2025	(654,653)
2026	(211,702)
Total	(\$2,717,758)

**NOTE 9 – RISK MANAGEMENT**

**A. Coverage**

The Town is a member of Pooled Liability Assurance Network (PLAN), which provides general liability coverage of \$5,000,000 above the Town’s deductible of \$25,000 per occurrence, risk property insurance of \$500,000 above the Town’s deductible of \$5,000 for property damage and \$5,000 for auto / vehicle damage. PLAN is governed by a board consisting of representatives from member municipalities. The board controls the operations of PLAN, 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 PLAN Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 9 – RISK MANAGEMENT (Continued)**

**A. Coverage (Continued)**

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:

	2022	2021
Beginning balance	\$66,426	\$60,930
Net change in claims liabilities	85,260	(19,504)
Claims paid	(51,686)	25,000
Ending balance	\$100,000	\$66,426
Claims liabilities due within a year	\$100,000	\$66,426

For the years ended June 30, 2022, 2021, and 2020 the amount of settlements did not exceed insurance coverage.

**NOTE 10 – LONG TERM LIABILITIES**

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period.

The City’s debt issues and transactions are summarized below and discussed in detail thereafter.

**A. Current Year Transactions and Balances**

	Balance at June 30, 2021	Additions	Retirements	Balance at June 30, 2022	Due Within One Year	Due in More Than One Year
<b>Direct borrowings:</b>						
San Mateo County Bayfront Canal Loan	\$108,980	\$1,350,000	(\$16,221)	\$1,442,759	\$313,416	\$1,129,343
Town Center Project Capital Lease	7,000,000		(711,728)	6,288,272	727,473	5,560,799
Total	\$7,108,980	\$1,350,000	(\$727,949)	\$7,731,031	\$1,040,889	\$6,690,142

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 10 – LONG TERM LIABILITIES (Continued)**

**B. *San Mateo County Bayfront Canal Loan (Direct Borrowing)***

The Town of Atherton entered into a \$165,000 loan agreement for the Bayfront Canal and Atherton Channel Collaborative Memorandum of Understanding between the City of Redwood City, City of Menlo Park, Town of Atherton, and the County of San Mateo.

San Mateo County Resolution Number 075608 adopted on December 5, 2017, authorized the president of the Board of Supervisors to execute a loan agreement between the Town of Atherton and the County that provides a \$165,000 loan to the Town of Atherton for the planning design, and environmental permitting for the Bayfront Canal and Atherton Channel Flood Management and Restoration Project. This amount is the proportionate share of the costs of planning, design, and environmental permitting services for the Bayfront Canal and Atherton Channel Flood Management and Restoration Project. The loan in the amount of \$165,000 is to finance the Town's obligation pursuant to the MOU, with said loan being repaid over a ten (10) year period.

On December 9, 2022 the Town of Atherton entered into a sublease with the County of San Mateo for the construction of the Bayfront Canal Restoration Project related to the San Mateo County Intra-County Lease Agreement. The County loaned the Town of Atherton \$1,350,000 for the Town's portion of the construction costs of the Bayfront Canal Project. The loan is to be repaid over a five (5) year period through reduction of Atherton property taxes remittance from the County for a fix amount of \$148,500 on April 15 and December 15 annually. As of June 30, 2022, the outstanding amount on the loan is \$1,442,759.

**C. *Town Center Project Capital Lease Agreement (Direct Borrowing)***

On June 1, 2020, the Town entered into Lease Agreements with the Public Property Financing Corporation of California, which subsequently assigned the Agreement to Capital One Public Funding LLC (Assignee), under which the Town leased certain land and improvements initially consisting generally of the Holbrook-Palmer Park and the land on which the Town Center Project will be located, for which the Assignee made a one-time up-front lease payment to the Town in the amount of \$7,680,000.

Simultaneously, the Town will lease back from the Assignee with annual lease payments over a lease term of 10 years, at a fixed interest rate of 2.20% per year. The Sublease is secured by the leased property. The Sublease is repayable in semi-annual payments beginning December 1, 2020 through June 1, 2030. The pledge of repayment is from the General Fund.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

**NOTE 10 – LONG TERM LIABILITIES (Continued)**

**D. Debt Services Requirements**

Annual debt service requirements are shown below for all long-term debt with specified repayment terms:

Year ending June 30	San Mateo County Bayfront Canal Loan		Town Center Project Capital Lease		Total
	Principal	Interest	Principal	Interest	
2023	\$313,416	\$1,081	\$727,473	\$134,398	\$1,176,368
2024	313,612	885	743,566	118,305	1,176,368
2025	313,815	683	760,015	101,856	1,176,369
2026	314,016	482	776,828	85,044	1,176,370
2027	179,221	277	794,012	67,859	1,041,369
2028 - 2030	8,679	71	2,486,378	96,625	2,591,753
Total	<u>\$1,442,759</u>	<u>\$3,479</u>	<u>\$6,288,272</u>	<u>\$604,087</u>	<u>\$8,338,597</u>

**NOTE 11 – JOINT POWERS AUTHORITIES**

The Town participates in joint ventures discussed below through separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the Town's responsibility and the Town does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture. The Joint Powers Agreement is effective for the year ended June 30, 2018 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 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 \$22,894 for the year ended June 30, 2022. Financial statements may be obtained by mailing a request to the City of San Carlos, 600 Elm Street, San Carlos, CA 94070.

**B. 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.

**TOWN OF ATHERTON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2022**

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

**C. Library Joint Powers Agreement (JPA)**

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.

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

**NOTE 12 – CONTINGENT LIABILITIES**

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation that 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 that may be disallowed by the granting agencies, cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

**NOTE 13 – SUBSEQUENT EVENT**

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-21. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy approved by the CalPERS Board in 2015, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the CalPERS Board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.80% (net of investment expense, but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the CalPERS Board. These new assumptions will be reflected in the CalPERS GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

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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**

Prepared for Town of Atherton, a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal years ending June 30, 2015 through 2021  
Last 10 Years\*

**SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Measurement Date	Miscellaneous							
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.04366%	0.10574%	0.11181%	0.11522%	0.11852%	0.12379%	0.12799%	0.17367%
Plan's proportion share of the Net Pension Liability (Asset)	\$2,716,530	\$2,901,033	\$3,884,053	\$4,542,046	\$4,466,539	\$4,957,053	\$5,398,568	\$3,297,589
Plan's Covered Payroll	\$1,473,083	\$1,595,884	\$1,772,771	\$1,912,587	\$2,040,240	\$2,127,834	\$2,314,721	\$2,320,927
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	184.41%	181.78%	219.10%	237.48%	218.92%	232.96%	233.23%	142.08%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	83.03%	78.28%	73.20%	75.39%	75.39%	75.17%	73.24%	82.62%

  

Measurement Date	Safety							
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Plan's proportion of the Net Pension Liability (Asset)	0.10505%	0.18865%	0.19496%	0.19379%	0.19992%	0.20325%	0.20805%	0.25479%
Plan's proportion share of the Net Pension Liability (Asset)	\$6,536,499	\$7,773,056	\$10,097,455	\$11,579,520	\$11,730,572	\$12,687,811	\$13,861,231	\$8,941,944
Plan's Covered Payroll	\$2,030,918	\$2,391,765	\$2,488,471	\$2,414,626	\$2,608,708	\$2,672,010	\$2,668,668	\$3,004,022
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	321.85%	324.99%	405.77%	479.56%	449.67%	474.84%	519.41%	297.67%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.46%	78.52%	73.96%	71.74%	71.74%	72.10%	70.82%	82.62%

\* - Fiscal year 2015 was the 1st year of implementation.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF CONTRIBUTIONS**

Prepared for Town of Atherton, a Cost-Sharing Multiple-Employer Defined Pension Plan  
As of fiscal year ending June 30, 2022  
Last 10 Years\*  
**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year Ended June 30	<b>Miscellaneous</b>							
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Actuarially determined contribution	\$179,934	\$150,616	\$305,597	\$349,365	\$416,994	\$480,181	\$510,812	\$211,663
Contributions in relation to the actuarially determined contributions	(179,934)	(150,616)	(305,597)	(349,365)	(416,994)	(480,181)	(510,812)	(605,437)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$393,774)
Covered payroll	<u>\$1,595,884</u>	<u>\$1,772,771</u>	<u>\$1,912,587</u>	<u>\$2,040,240</u>	<u>\$2,127,834</u>	<u>\$2,314,721</u>	<u>\$2,320,927</u>	<u>\$4,610,367</u>
Contributions as a percentage of covered payroll	11.27%	8.50%	15.98%	17.12%	19.60%	20.74%	22.01%	13.13%
Fiscal Year Ended June 30	<b>Safety</b>							
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Actuarially determined contribution	\$646,174	\$466,548	\$849,073	\$939,476	\$1,042,632	\$1,202,924	\$1,359,480	\$463,859
Contributions in relation to the actuarially determined contributions	(646,174)	(466,548)	(849,073)	(939,476)	(1,042,632)	(1,202,924)	(1,359,480)	(6,470,904)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,007,045)
Covered payroll	<u>\$2,391,765</u>	<u>\$2,488,471</u>	<u>\$2,414,626</u>	<u>\$2,608,708</u>	<u>\$2,672,010</u>	<u>\$2,668,668</u>	<u>\$3,004,022</u>	<u>\$4,610,367</u>
Contributions as a percentage of covered payroll	27.02%	18.75%	35.16%	36.01%	39.02%	45.08%	45.26%	140.36%

\* Fiscal year 2015 was the 1st year of implementation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**

Retiree Healthcare OPEB Plan - Agent Multiple Employer  
Last 10 fiscal years\*

Measurement Date	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
<b>Total OPEB Liability</b>					
Service Cost	\$257,258	\$167,493	\$175,867	\$215,662	\$261,221
Interest	755,515	610,002	623,286	622,420	483,322
Changes in benefit terms					
Differences between expected and actual experience	(574,495)	(11,091)	558,111	(18,835)	(1,404,646)
Changes of assumptions	(2,299,690)		(849,626)	(1,698,656)	(7,409)
Benefit payments		(401,170)	(466,422)	(419,991)	(444,395)
Implicit subsidy credit		(85,496)	(91,325)	(137,858)	(151,197)
<b>Net change in total OPEB liability</b>	(1,861,412)	279,738	(50,109)	(1,437,258)	(1,263,104)
<b>Total OPEB liability - beginning</b>	12,532,328	10,269,746	10,487,049	10,436,940	8,999,682
<b>Total OPEB liability - ending (a)</b>	\$10,670,916	\$10,549,484	\$10,436,940	\$8,999,682	\$7,736,578
<b>Plan fiduciary net position</b>					
Employer - Town's contributions	\$493,288	\$747,885	\$672,323	\$566,672	\$594,061
Employer - implicit subsidy		85,496	91,325	137,858	
Net investment income	380,626	417,827	322,036	1,432,366	(986,583)
Administrative expense	(15,183)	(33,395)	(38,683)	(44,195)	(48,456)
Benefit payments		(401,170)	(466,422)	(419,991)	(444,395)
Implicit subsidy credit		(85,496)	(91,325)	(137,858)	(151,197)
Other miscellaneous income/(expense)	(54,026)	(85,496)			
<b>Net change in plan fiduciary net position</b>	804,705	645,651	489,254	1,534,852	(1,036,570)
<b>Plan fiduciary net position - beginning</b>		5,855,635	6,842,386	7,331,640	8,866,492
<b>Plan fiduciary net position - ending (b)</b>	\$804,705	\$6,501,286	\$7,331,640	\$8,866,492	\$7,829,922
Net OPEB liability (Asset) - ending (a)-(b)	\$9,866,211	\$4,048,198	\$3,105,300	\$133,190	(\$93,344)
Plan fiduciary net position as a percentage of the total OPEB liability	7.5%	61.6%	70.2%	98.5%	101.2%
Covered-employee payroll	\$4,648,758	\$4,799,843	\$4,983,389	\$4,410,693	\$5,142,900
Net OPEB liability as a percentage of covered-employee payroll	212.23%	84.34%	62.31%	3.02%	-1.82%

\* Fiscal year 2018 was the first year of implementation for GASB 75

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS**  
 Retiree Healthcare OPEB Plan - Agent Multiple Employer  
 Last 10 fiscal years\*

<b>Fiscal Year Ended June 30,</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Actuarially determined contribution	\$693,890	\$419,511	\$435,103	\$465,571	\$519,144
Contributions in relation to the actuarially determined contribution	493,288	833,381	763,648	704,530	594,061
Contribution deficiency (excess)	\$200,602	(\$413,870)	(\$328,545)	(\$238,959)	(\$74,917)
Covered-employee payroll	\$4,648,758	\$4,799,843	\$4,983,389	\$4,410,693	\$5,142,900
Contributions as a percentage of covered-employee payroll	10.61%	17.36%	15.32%	15.97%	11.55%

\* Fiscal year 2018 was the first year of implementation for GASB 75

**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION**  
 Retiree Healthcare OPEB Plan - Agent Multiple Employer  
 Methods and Assumptions for Actuarially Determined Contribution

Actuarial Cost Method	• Entry Age Normal
Contribution Policy	• The Town intends to contribute the full ADC to the PARS trust each year
Discount Rate and Long Term Expected Rate of Return on Investment	• 6.00%, based on PARS investment allocation Moderate
Inflation	• 2.50% per annum
Payroll Increases	• 2.80% annual increases
Medical Trend	• Pre-65: 6.50% for 2022 and 2023 • Post-65: 5.40% in 2023 decreasing to an ultimate rate of 3.94% by 2075
Mortality	• CalPERS 2020 Scale MP-2020

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**SUPPLEMENTARY INFORMATON**

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

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

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

**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.

**REFUSE RATE STABILIZATION FUND** accounts for the surplus of refuse fees.

**CAPITAL PROJECTS FUNDS**

**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, 2022

SPECIAL REVENUE FUNDS

	<u>County Measure A</u>	<u>Gas Tax</u>	<u>Supplemental Law Enforcement Services</u>	<u>Measure M</u>
<b>ASSETS</b>				
Cash and investment	\$846,957	\$330,422	\$183	\$231,378
Receivables:				
Taxes	36,449	26,075		
Total Assets	<u>\$883,406</u>	<u>\$356,497</u>	<u>\$183</u>	<u>\$231,378</u>
<b>LIABILITIES</b>				
Accounts payable	\$3,854			
Total Liabilities	<u>3,854</u>			
<b>FUND EQUITY</b>				
Fund balances				
Restricted	879,552	\$356,497	\$183	\$231,378
Assigned				
Total Fund Balances	<u>879,552</u>	<u>356,497</u>	<u>183</u>	<u>231,378</u>
Total Liabilities and Fund Balances	<u>\$883,406</u>	<u>\$356,497</u>	<u>\$183</u>	<u>\$231,378</u>

<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>		
<u>Refuse Rate Stabilization</u>	<u>County Measure W</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
\$584,807	\$409,907	\$32,325	\$755,909	\$3,191,888
(8,217)	19,336		2,032	75,675
<u>\$576,590</u>	<u>\$429,243</u>	<u>\$32,325</u>	<u>\$757,941</u>	<u>\$3,267,563</u>
				\$3,854
				3,854
\$576,590	\$429,243	\$32,325	\$757,941	3,231,384 32,325
<u>576,590</u>	<u>429,243</u>	<u>32,325</u>	<u>757,941</u>	<u>3,263,709</u>
<u>\$576,590</u>	<u>\$429,243</u>	<u>\$32,325</u>	<u>\$757,941</u>	<u>\$3,267,563</u>

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2022

SPECIAL REVENUE FUNDS

	<u>County Measure A</u>	<u>Gas Tax</u>	<u>Supplemental Law Enforcement Services</u>	<u>Measure M</u>
REVENUES				
Property taxes				
Measure Grants	\$453,070			
From other agencies		\$308,577		\$75,804
Use of money and property	4,738	1,848	\$1	1,294
Miscellaneous			180	
Total Revenues	<u>457,808</u>	<u>310,425</u>	<u>181</u>	<u>77,098</u>
EXPENDITURES				
Current:				
Police				
Public Works	23,962	6,579		
Capital Outlay	13,085	174,478		40,225
Total Expenditures	<u>37,047</u>	<u>181,057</u>		<u>40,225</u>
NET CHANGE IN FUND BALANCES	420,761	129,368	181	36,873
BEGINNING FUND BALANCES	<u>458,791</u>	<u>227,129</u>	<u>2</u>	<u>194,505</u>
ENDING FUND BALANCES	<u><u>\$879,552</u></u>	<u><u>\$356,497</u></u>	<u><u>\$183</u></u>	<u><u>\$231,378</u></u>

<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECTS FUNDS</u>		
<u>Refuse Rate Stabilization</u>	<u>County Measure W</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
			\$177,222	\$177,222
				453,070
\$261,301	\$203,132			848,814
3,271	2,291	\$180	4,227	17,850
				180
<u>264,572</u>	<u>205,423</u>	<u>180</u>	<u>181,449</u>	<u>1,497,136</u>
15,958			7,573	54,072
			25,756	253,544
<u>15,958</u>			<u>33,329</u>	<u>307,616</u>
248,614	205,423	180	148,120	1,189,520
327,976	223,820	32,145	609,821	2,074,189
<u>\$576,590</u>	<u>\$429,243</u>	<u>\$32,325</u>	<u>\$757,941</u>	<u>\$3,263,709</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, 2022

SPECIAL REVENUE FUNDS						
	County Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A grants	\$370,000	\$453,070	\$83,070			
From other agencies				\$325,461	\$308,577	(\$16,884)
Use of money and property		4,738	4,738		1,848	1,848
Miscellaneous						
Total Revenues	370,000	457,808	87,808	325,461	310,425	(15,036)
EXPENDITURES						
Current:						
Police						
Public Works		23,962	(23,962)		6,579	(6,579)
Non-departmental						
Capital Outlay	325,000	13,085	311,915	300,000	174,478	125,522
Total Expenditures	325,000	37,047	287,953	300,000	181,057	118,943
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources						
NET CHANGE IN FUND BALANCES	\$45,000	420,761	\$375,761	\$25,461	129,368	\$103,907
BEGINNING FUND BALANCES		458,791			227,129	
ENDING FUND BALANCES		\$879,552			\$356,497	

SPECIAL REVENUE FUNDS

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Supplemental Law Enforcement Services			Measure M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$155,000		(\$155,000)	\$75,000	\$75,804	\$804
146	\$1	(145)	1,294	1,294	
	180	\$180			
155,146	181	(154,965)	76,294	77,098	804
			152,641	40,225	112,416
			152,641	40,225	112,416
<u>\$155,146</u>	181	<u>(\$154,965)</u>	<u>(\$76,347)</u>	36,873	<u>\$113,220</u>
	2			194,505	
	<u>\$183</u>			<u>\$231,378</u>	

(Continued)

TOWN OF ATHERTON  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

SPECIAL REVENUE FUNDS						
	Refuse Rate Stabilization			County Measure W		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure grants						
From other agencies		\$261,301	\$261,301	\$145,000	\$203,132	\$58,132
Use of money and property		3,271	3,271		2,291	2,291
Miscellaneous						
Total Revenues		264,572	264,572	145,000	205,423	60,423
EXPENDITURES						
Current:						
Police						
Public Works		15,958	(15,958)			
Non-departmental						
Capital Outlay				100,000		100,000
Total Expenditures		15,958	(15,958)	100,000		100,000
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources						
NET CHANGE IN FUND BALANCES		248,614	\$248,614	\$45,000	205,423	\$160,423
BEGINNING FUND BALANCES		327,976			223,820	
ENDING FUND BALANCES		\$576,590			\$429,243	

## 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, 2022

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$675,768	\$1,865,150	\$785,958	\$1,392,275	\$4,719,151
Receivables:					
Other	8,050				8,050
Total Current Assets	683,818	1,865,150	785,958	1,392,275	4,727,201
Non-Current Assets:					
Capital assets:					
Depreciable	1,720,958				1,720,958
Less: accumulated depreciation	(1,347,082)				(1,347,082)
Net Capital Asset	373,876				373,876
Total noncurrent assets	373,876				373,876
Total Assets	1,057,694	1,865,150	785,958	1,392,275	5,101,077
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	3,241				3,241
Claims payable			100,000		100,000
Compensated absences				532,830	532,830
Total current liabilities	3,241		100,000	532,830	636,071
Noncurrent liabilities					
Compensated absences				433,888	433,888
Total noncurrent liabilities				433,888	433,888
Total Liabilities	3,241		100,000	966,718	1,069,959
Net investment in capital assets	373,876				373,876
Unrestricted	680,577	1,865,150	685,958	425,557	3,657,242
Total Net Position	\$1,054,453	\$1,865,150	\$685,958	\$425,557	\$4,031,118

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2022

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
OPERATING REVENUES					
Charges for services	\$278,312	\$543,972	\$296,677	\$961,414	\$2,080,375
Total Operating Revenues	278,312	543,972	296,677	961,414	2,080,375
OPERATING EXPENSES					
Insurance		386,548	348,363		734,911
OPEB expense				699,364	699,364
Employee benefits earned				275,349	275,349
Depreciation	157,407				157,407
Supplies and maintenance	95,314				95,314
Total Operating Expenses	252,721	386,548	348,363	974,713	1,962,345
Operating Income (Loss)	25,591	157,424	(51,686)	(13,299)	118,030
NONOPERATING REVENUES (EXPENSES)					
Interest income	3,780	10,431	4,396	7,787	26,394
Total Nonoperating Revenues (Expenses)	3,780	10,431	4,396	7,787	26,394
OTHER FINANCING SOURCES (USES)					
Transfers in					
Total Other Financing Sources (Uses)					
Change in Net Position	29,371	167,855	(47,290)	(5,512)	144,424
BEGINNING NET POSITION	1,025,082	1,697,295	733,248	431,069	3,886,694
ENDING NET POSITION	<u>\$1,054,453</u>	<u>\$1,865,150</u>	<u>\$685,958</u>	<u>\$425,557</u>	<u>\$4,031,118</u>

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2022

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from other funds	\$270,262	\$543,972	\$296,677	\$961,414	\$2,072,325
Payments to employees for benefits				(990,158)	(990,158)
Payments to vendors	(134,288)	(386,548)	(323,363)		(844,199)
Cash Flows from Operating Activities	<u>135,974</u>	<u>157,424</u>	<u>(26,686)</u>	<u>(28,744)</u>	<u>237,968</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets, net	(223,528)				(223,528)
Cash Flows (used for) Capital and Related Financing Activities	<u>(223,528)</u>				<u>(223,528)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	3,780	10,431	4,396	7,787	26,394
Cash Flows from Investing Activities	<u>3,780</u>	<u>10,431</u>	<u>4,396</u>	<u>7,787</u>	<u>26,394</u>
Net Cash Flows	(83,774)	167,855	(22,290)	(20,957)	40,834
Cash and investments at beginning of period	759,542	1,697,295	808,248	1,413,232	4,678,317
Cash and investments at end of period	<u>\$675,768</u>	<u>\$1,865,150</u>	<u>\$785,958</u>	<u>\$1,392,275</u>	<u>\$4,719,151</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income	\$25,591	\$157,424	(\$51,686)	(\$13,299)	\$118,030
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	157,407				157,407
Compensated absences				(15,445)	(15,445)
<b>Change in assets and liabilities:</b>					
Accounts receivable	(8,050)				(8,050)
Accounts payable	(38,974)		(8,574)		(47,548)
Claims payable			33,574		33,574
Cash Flows from Operating Activities	<u>\$135,974</u>	<u>\$157,424</u>	<u>(\$26,686)</u>	<u>(\$28,744)</u>	<u>\$237,968</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Town of Atherton, California, as of and for the year ended June 30, 2022, and have issued our report thereon dated January 10, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated January 10, 2023, which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze & Associates*

Pleasant Hill, California  
January 10, 2023