

TOWN OF ATHERTON, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

Prepared by
FINANCE DEPARTMENT

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TOWN OF ATHERTON
Basic Financial Statements
For the Year Ended June 30, 2024

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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, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

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 opinions. 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 there is a substantial likelihood that, individually or in the aggregate, they would 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 February 5, 2025, 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
February 5, 2025

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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, 2024. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Atherton exceeded its liabilities at the end of the most recent fiscal year by \$99,089,900 (*net position*).
- The government's total net position increased by \$3,631,261. This includes total revenues of \$27,146,297 over total expenditures of \$23,515,036. Total revenues increased \$1,920,678 and there was an increase in total expenses of \$5,393,693. The town received higher total tax revenues of only \$225,178. This was due to the previous year the Town receiving \$931,066 in Library Tax revenue held in Trust. In the current year the Town only received \$526,086, this is a decrease of \$404,980 in Library tax revenue due to paying back a portion of advancement of Library funds. All other property taxes were higher than the previous year in the amount of \$406,266. This includes the VLF revenue. The Property Tax in lieu VLF received in the current year was \$947,113. This is a decrease of \$926,745 in revenue from the previous year amount received of \$1,873,858. This is a result of the VLF revenue shortfalls agencies are experiencing. There were higher other taxes revenues and franchise fees of \$89,924 and sales tax of \$133,968. Operating grants and contributions had an increase of \$501,943 This was due to an increase in receiving grant revenue reimbursement for capital project Middlefield bike lanes and CalTrain revenue train station remodel. There is reduction in Town Center donations as last fiscal year we received the Atherton Now close out funds of \$250,000. There was an increase in Police Donations of \$236,000 for a new Wellness Program. There was an increase in charges for services of \$176,583 and other revenues of \$122,464. Town investment earnings increased \$894,510 from prior year. The year had an increase in total expenses of \$5,393,693 of which a majority was attributed to an additional recognized pension expense increase of \$1,185,735, reduction in Net OPEB expense of \$895,891, increase in salaries/MOU, additional capital expenditures outlays, and depreciation \$2,000,614 and Capital Lease expense cost of \$861,871.
- The Town recorded a net pension liability of \$19,018,949 which is an increase of \$1,150,121 to last year. The Miscellaneous employee plan is \$6,793,214, an increase of \$427,797. The Safety plan is \$12,225,735, an increase of \$722,324.
- The Town recorded a net OPEB asset of \$510,726 This is a net change increase of \$83,794 from last fiscal year.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined fund balances of \$28,995,551 an increase of \$3,131,168 in comparison with the prior year. The majority of the increase is due to positive increase in revenues over expenditures and ramp up of allocations to Capital improvement fund for capital projects.
- 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 \$9,527,166 or 48 percent of total general fund expenditures of \$19,767,139. The Town has a fund balance policy of not dropping the unassigned fund balance below 15% of the actual annual operating expenditures and the Town balance well exceeds this amount.
- The unassigned General Fund balance decreased by \$1,528,362 compared to fiscal year 2022-2023. Key contributing factors included an increase of transfers out compared to the prior year and continue COP lease financing payments. Transfers out were \$5,890,000 compared to last fiscal year transfers out of \$4,529,037 from the General Fund. This transfer out of \$5,890,000 was for allocation to Capital Improvement fund for future capital improvement projects. There was an increase in General Fund revenues of \$1,980,006 and an increase in total expenditures of \$1,967,138 year over year. The main increase in General Fund expenses is due to the increase in operation expenses in the Planning department due to increase counter hours costs and working on updates to the 6th Cycle Housing Element state mandate. Increase in pension expense due to UAL increase from the discount rate adjustment from 7% to 6.8%. The General Fund maintained excess revenues over expenditures of \$4,701,541. The Town is ramping up on other Capital Improvement projects priorities and is evident in the transfer out of \$5,890,000 which resulted in a negative change in fund balance of \$1,188,459 for the fiscal year.

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 20-21 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 24-30 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 36-38 of this report.

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

The basic fiduciary fund financial statements can be found on page 40-41 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 43-75 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 78-81 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 86-92 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 \$99,089,900 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net position (80 percent) reflects its investment in capital assets of \$80,079,093 (e.g., land, buildings, vehicles, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. Capital Assets decreased \$404,120 due to depreciation expense on current capital assets and increase on capital addition of capital projects in design and construction phase. 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

	2024	2023
Current and other assets	\$ 41,781,567	\$ 37,670,760
Capital assets	84,896,326	85,300,446
Total assets	126,677,893	122,971,206
Deferred Outflow of Resources	10,224,907	11,331,021
Current liabilities	8,498,235	7,733,116
Noncurrent liabilities	24,066,759	23,984,893
Total liabilities	32,570,368	31,718,009
Deferred Inflow of Resources	5,242,532	7,125,579
Net Assets:		
Invested in capital assets, net of related debt	80,079,093	79,739,647
Restricted	16,266,017	11,946,390
Unrestricted	2,744,790	3,772,602
Total net position	\$ 99,089,900	\$ 95,458,639

An additional portion of the Town of Atherton net position \$16,266,017 (16.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$2,744,790 and is 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 an increase in net pension expense of \$1,185,735 and decrease in net OPEB expense of \$895,891 for the fiscal year 2023-24. 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 \$4,817,233 reduced net investment in Capital Assets to \$80,079,093. 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 reports positive balances for all three categories of net assets related to governmental activities. The prior fiscal year the Town reported positive balances for all three categories.

Governmental activities Governmental activities increased the Town of Atherton's net assets by \$3,631,261. The fiscal year 2023-24 included an increase in recognized pension expense of \$1,185,735. The prior year recognition of pension liabilities, deferred outflows, and deferred inflows of resources totaled \$12,010,559. Together with the recognized pension expense increases of \$1,185,735 in the fiscal year, this reflects a total adjustment of \$13,196,294 to the Total Net Position. For the Fiscal Year end the Town recognized a reduction in OPEB expense of \$895,891. 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 \$330,004 in the current fiscal year. The total Town Net Position is \$99,089,900. Without the recognition of pension and OPEB liabilities, the Town would have a total net position of \$112,616,198 for FY 2023-24. The Town had an increase in expenditures of \$5,393,693 across major funds and other governmental funds due to increase in pension expense and net decreased OPEB, as well as increase in state mandated cost expense for housing element update. There were increased asset cost additions as other capital project priorities are ramping up. 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

	2024	2023
Revenues:		
Program revenues:		
Charges for services	\$ 3,917,792	\$ 3,741,209
Operating grants and contributions	1,952,958	1,451,015
General revenues:		
Taxes	19,601,357	19,376,179
Investment earnings	1,400,485	505,975
Other revenues	273,705	151,241
Total revenues	27,146,297	25,225,619
Expenses:		
General government	3,730,374	3,379,255
Public works	7,316,808	5,349,654
Police	9,558,939	7,351,636
Building	1,241,972	1,105,653
Planning	1,666,943	935,145
Total expenses	23,515,036	18,121,343
Change in Net Position	3,631,261	7,104,276
Net assets - Beginning	95,458,639	88,354,363
Net assets - Ending	99,089,900	95,458,639

- Total Charges for services increased by \$176,583 during the year. The increase was primarily due to General Government, Building, Planning, Police, and Public Works charges for services. The Town saw a increase in General Government charges for services of \$25,087. This was due to the Town receiving \$25,500 more charges for Heritage Tree Damage fees. There was a decrease in charges for police services of \$24,262. Admin citations had a decrease of \$41,300 over last year. Other fines and forfeiture had an increase of \$8,434 over last year. Muni/vehicle code fines had an increase of \$2,613 and special service fee for police had a decrease of \$3,580. Total Building department charges for services had an increase of \$121,079. There was a slight increase in permits construction activity during the fiscal year. In March 2024, the Town increased its master fee schedule and majority of the increases were in the community development departments. Building Department revenues had an increase of \$153,543 within building permits, building plan check fees, and tree removal plan check fees from the previous year total of \$1,496,781. Zoning and planning fees saw an increase of \$25,148. Public Works total charges for service had an increase of \$29,531 The majority of the increase is due to C&D deposit forfeiture increase of \$148,600 from building construction deposits that were forfeited for construction time limit. There was \$847,200 in C&D forfeiture last year. The Town encroachment fees increased \$45,290 from the previous year of \$422,281. There was a reduction of \$35,700 for highway maintenance reimbursement we did not receive. Park revenue fees had an overall decrease of \$85,201 from the \$141,484 received in previous year. The Town currently does not have a full time Park Event Manager coupled with a slowdown in rental of park facilities.

- Operating grants and contribution increased by \$501,943 The Town received \$75,000 grant for organic waste recycling from CalRecycle and \$20,000 from ABAG for regional housing needs assessment for the housing element. There was a reduction in Town Center donations of \$251,000. A majority of the decrease was due to the Town receiving donation funds in the amount of \$46,000. The Town received \$297,000 in donations toward the Town Center project in the previous year. The Town received \$285,005 in CalTrain revenue grant reimbursement for the Atherton Station remodel. This is an increase of \$235,073 from the previous year. The Town received \$36,810 more in Gas Tax and \$27,846 less in Measure A transportation tax funding for street projects. The total amount received was \$497,086. The Town also received a \$34,442 decrease in Measure W transportation sales tax revenue for street projects. The total amount received was \$199,083. The Measure A and Measure W revenue are sales tax driven and are an indication of a slight decrease in sales tax.
- Town-wide Property Taxes increased by \$1,286 during the year. Total other property taxes had a total increase of \$406,266. The secured property taxes for the Library had a decrease of \$404,980 from the prior year. This is a result of the Town paying back the advancement of secured taxes for completion of the Library project. ERAF revenue increased \$324,540 over the previous year for a total of \$2,663,605. The Property Tax in Lieu of VLF had a decrease of \$926,745. The previous year's amount was \$1,873,858. There was an increase in sales tax of \$133,968 over the previous year. There was a total \$89,924 increase in other taxes, which included \$171,345 increase in Document transfer tax to \$677,899 for the year. There was a \$90,866 decrease in franchise fees for a total of \$972,543. The majority of the decrease is due to receiving four quarters of Cable franchise fee payments. The prior year we received an additional payment. There was an adjustment in refuse fees payments true up adjustment from an error in franchise fee overpayment on rate increases in first half of the year. Calwater franchise fee decreased \$9,650, an indication of water conservation measures. Business license fees increased by \$9,445.
- There was an increase in investment earnings of \$894,510 from the previous year. This was a result of an increase in investments earnings due to higher interest rates, and a fair market value positive adjustment to investments in the fiscal year of \$744,540. Compared to the previous year there was a minimal fair market value adjustment of \$80,911.
- Total Government Activities expenses increased by \$5,393,693 during the year. The Town increase was across major funds and other governmental funds due to the increase in pension expense and net decrease in OPEB. There was an increase in state mandated cost expense for housing element update and increased asset cost additions and depreciation as other capital project priorities are ramping up.

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, the unassigned fund balance of the general fund was \$9,527,166, while total fund balance reached \$12,729,534. 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 48 percent of the total general fund expenditures of \$19,767,139, while total fund balance represents 64 percent of that same amount of total expenditures.

The Town of Atherton's general fund balance decreased by \$1,188,459 during the current fiscal year. Key factors in the increase are as follows:

- The Council authorized the use of the General Fund unallocated reserve fund balance toward the Town Capital Improvement Program. With Council direction, the unallocated reserve balance can be appropriated towards operational use, for capital projects, or to pay down liabilities. There was also a transfer out of \$5,890,000 to the Capital Improvement Fund for future Town capital projects. In the previous year the total allocations from the General Fund were transfers out of \$4,529,037. The breakdown was \$1,189,037 to the Facility Construction Fund for final construction costs on the Town Center project and \$3,340,000 to the Capital Improvement fund for Town Capital Projects. The \$5,890,000 transfer out is an increase of \$1,360,963 in General Fund Transfer out proceeds from prior year. The priority focus is now on capital projects in the various Town master plans.
- The General Fund Revenue increased \$1,980,006 from the prior year and there was a \$1,967,138 increase in General Fund operating expenditures. The increase in expenditures was due to CalPERS normal cost increases. There were increases in equipment purchases for audio system upgrades, network security, Flock camera system, maintenance and rehab park pathways and playground, liability, health insurance, new wellness program, increase in operational expenses and facility maintenance within General government departments, Police, Planning, and Public Works departments. We are in the fourth-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 a new four-year Memorandum of Understanding (MOU) that began on July 1, 2023 and included salary increase and equity adjustments for the Atherton Police Officers Association. There were also salary increases for Town employees. In Fiscal Year 2023-24 the CPI increase for Town employees was 4%. The Atherton Police Officer Association in addition to CPI increases had one time equity adjustments to various positions in the MOU that ranged from 2.90% to 10%.
- The CalPERS employer contribution rate increased, as total expense was \$180,771 higher than the previous year. Public Safety had the highest employer contribution rate increase of 3.45% and the department was fully staffed. CalPERS continues to collect the unfunded liability as a dollar amount. The Town payment of the unfunded liability portion for the fiscal year decreased \$45,242 to \$1,223,001. The total CalPERS expense for the Town increased \$135,529.
- Total Property tax revenues increased by \$393,035. In the previous year property taxes increased by \$1,102,290. Secured property taxes increased \$1,023,654. Property Tax in Lieu of VLF had a decrease of \$926,745 from the previous year. This was due to there being a shortfall of VLF revenue of \$704,674. The VLF amount due for FY 2023/24 was \$1,651,448, but the Town received \$947,113. There is hope that the State FY 2025/26 budget will address this shortfall. ERAF revenue had an increase of \$324,540 for a total of \$2,663,605.
- Other taxes (Franchise tax & Document Transfer Tax) increased by \$80,479. A majority of the increase was in Document Transfer tax of \$171,345 over the previous year for a total amount of \$677,899, an indication of slight increase in the sale of properties. Cable fee decreased \$35,553 over the previous year for a total amount of \$133,468. This was a result of receiving standard four quarter payments for cable franchise fee. In the previous year an additional payment for cable franchise fee was received. There was an adjustment in refuse fees payments \$60,085 decrease true up from an error in franchise fee overpayment to the Town on rate increases in first half of year.
- Sales taxes increased by \$133,968 compared to the previous year for a total of \$434,106.
- The Business License fee increased by \$9,445 for a total of \$279,184.
- Fines and Forfeitures increased by \$178,954. A majority of the increase is due to the C&D time limit forfeiture of \$1,022,800 realized in the year. The amount in the previous year was \$874,200. Heritage Tree Damage Fee increased \$25,500 over the previous year amount of \$35,400.
- Service Charges increased by \$47,423. A majority of the increase is attributed to building permit fees, which were \$153,543 more than the previous year. Planning fees were \$17,732 more than the previous year. Building activity in the Town is at a somewhat slower pace than previous year. Encroachment permits saw an increase of \$45,290. Administrative code enforcement citations decreased \$41,300 for a total of \$71,800.
- Park revenue decreased by \$114,862 over previous year for an amount of \$61,461 as park rental activity decreased significantly as the Town does not have a full-time park event management contractor.

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- The Town saw an increase in miscellaneous revenue of \$304,104 over the previous year. This was due to the Town receiving donations of \$236,000 for Police Department wellness and nutrition program and additional training toward perishable skills. The Town also received \$100,000 in funding for a dedicated school resource officer at Menlo Atherton High School.

Special Tax Special Revenue Fund has a total fund balance of \$476,408, all of which is reserved for street and drainage facility maintenance. The Town no longer receives Parcel Tax revenue and only maintains residual funds from prior years. The Parcel Tax appropriated \$245,000 in funding to street maintenance projects. Due to a backlog in street maintenance projects in 2023 and 2024 of \$1,500,000, these funds are earmarked for slurry seal and overlay street maintenance projects. The Parcel Tax Fund also appropriated \$231,000 for drainage and green infrastructure plan implementation. There was an expenditure of \$3,437 on design services that began. The Town anticipates spending the residual monies in the special tax fund within our Town Capital Improvement Program in FY 2024-25.

Library Special Revenue Fund has a total fund balance of \$2,717,591 all of which is reserved for remainder of the library operation and construction residual pay back of funds. Revenue was lower than the previous year by \$404,980. This is a result of the Town paying back a portion of the advancement of secured taxes for completion of the Library project. The advancement of funds of \$5,391,725 was the amount received in FY 2021-22. The secured property taxes in FY 2023-24 were \$526,086 as these are excess funds held by San Mateo County Libraries (SMCL). 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 at the end of fiscal year 2025-26. The fund had \$298,912 in expenditures for Library in operations.

General Fund Budgetary Highlights

During the year, the revenue budget increased by a total of \$1,439,911 at mid-year. The following are the main components of the net increase:

- \$181,900 higher secured and unsecured property tax
- \$333,605 higher ERAF revenue.
- \$184,493 decrease in Property Tax in Lieu VLF
- \$88,000 higher total sales tax
- \$107,000 increase in planning revenue
- \$442,000 increase in building revenue
- \$276,000 higher total police revenue
- \$25,000 higher public works revenue
- \$133,000 decrease in park program revenue
- \$303,899 increase in miscellaneous revenue

During the year there was also a \$365,000 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$243,000 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.
- \$47,000 increase in the Inter-department for additional appropriations to maintain IT services support back to full onsite days. Due to the complexity of Town systems, required services, and networks support is required to maintain needs and Police Department projects,
- \$55,000 increase for police department operations for overtime. In prior years, the Department has been able to use funds from regular budgeted salaries since the Department was not fully staffed but maintained a budget for approved staffing levels. The Department overtime applies to a large portion to backfill to maintain the 2 +1 staffing model for each shift. Backfill is mainly attributed to filling in for sick time, required training, and other related absences such as vacation.

- \$20,000 increase for public works operations appropriation. The Town no longer had a Park Event Service management contract, and additional funds were needed to engage a part-time temporary employee to manage events at the park. The department released an RFP for Event Management Services.

Capital Assets and Debt Administration

Capital assets. The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2024, amounts to \$84,896,326 (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. In the previous fiscal year, the Town capitalized \$64.15 million for the new buildings of the Town Center and Library. Construction in progress increased by \$2,448,267. There are continued projects in progress for Traffic Safety improvements plan implementation, Park master plan projects, and Atherton train station improvements.

	Governmental activities	
	2024	2023
Land	\$ 690,884	\$ 690,884
Construction in progress	3,796,665	1,348,398
Building	62,512,565	64,154,616
Other Improvements	112,148	139,636
Vehicles	466,966	357,674
Computer Equipment/Software	361,795	365,532
Furniture & Fixture	389,976	435,855
Machinery & Equipment	166,720	151,151
Infrastructure	16,398,607	17,656,700
Total Fixed Assets	84,896,326	85,300,446

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 fourth-yearly lease payments in the amount of \$3,423,543 of which includes \$2,860,156 toward principle. In June 2025 the Town has a call option to pay off the remaining balance of the lease financing. It is anticipated that the option will not be exercised. 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 FY 2023-24 the Town did not have to replenish the Workers' Compensation Equity Reserve. The equity reserve amount was held at \$151,000. During the previous year there was an appropriation of \$62,325 for replenishment of the Workers' Compensation Equity Reserve for 2022. This amount came from the Workers Compensation Fund residual balance. It is expected 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.

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 increased \$1,150,121 over last fiscal year. As of FY 2023-24, the Town of Atherton reports a net pension liability of \$19,018,949 and is as follows:

Miscellaneous Employee Plan: \$6,793,214
Safety Employees Plan: \$12,225,735

The Town reported a deferred outflow of resources of \$9,211,764 and deferred inflow of resources \$3,389,109.

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 2023-24, the Town of Atherton reports a net OPEB asset of \$510,276. This is an increase of \$83,344 over last fiscal year. The Town just completed its GASB 78 OPEB Actuarial Report refresh as of June 30, 2024. The increase 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 \$1,013,143 and inflow of resources \$1,853,423 for OPEB.

Additional information on the Town of Atherton's outstanding debt can be found in note 7 and note 8 on page 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 2.4% to \$16,509,528 from the previous year of \$16,116,493. The property taxes show only a slight increase because of the occurrence of Property Tax VLF shortfall of \$704,674. If the Town received its full VLF revenue, then the total property increase would be 6.8% to \$17,214,202. This is an indication that there were new property sales and value growth within the town, and the importance of the protection of local property tax VLF is to the Town. The VLF shortfall is a State issue of insufficient funding in non-basic aid school districts and the failure of the State to backfill these local taxes.

The Town's property tax consultant HdL projects that there will be a slight decrease in growth due to a reduction in median sales prices and as fewer homes are for sale. 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 change of ownership and construction activity on limited inventory in the Town will carry the majority of the increase in property tax revenue in the coming years.

As of FY 2024-25, the Town experienced a Net Taxable Assessed Value increase of 6.50% for a total value of \$16.38 Billion. Expectations for FY 2024-25 property tax revenues should show a conservative growth of 4.5% as the housing market prices decrease and home sales trend downward. Interest rates are still high and fewer properties are being offered for sale, HDL Property Tax consultant suggests the Town in future years will be on the conservative assumption on property tax increases ranging from 4.0% to 5.5%. Other General Fund revenues for FY 2024-25 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 decreased by a negative 21.72% from the previous year to \$6,548,500. Most other General Fund revenues include conservative revenue assumptions and reflect current market assumptions.

For the current budget, financial assumptions include an increase in property tax revenue projections of approximately 4.5 percent. Revenue from activities in the Building, Planning and Public Works Departments comprise the majority of fee revenue for the Town. The recent completion of the user fee study in twelve years led to a recent increase in the Town fee schedule. Most fees were set at cost recovery. The revenue from Building, Planning and Public Works fees are projected to increase. These revenues are based on the current trend of building activity for residential improvements and new construction. Staff believes residential improvements and razing of homes will continue as housing inventory is limited. All other revenue sources are budgeted between 1.5% to 3% percent. Franchise fees are budgeted at 2% percent based on FY 2024-25 levels. Starting in 2025, the refuse franchise fees were reduced from 10% to 5% to support the ratepayer impact of the annual rate adjustments for refuse and thus will remain in effect until otherwise amended. We continue to monitor other Town revenues as we look to get back to normal pre-pandemic levels.

The Town focus is toward priority capital projects needs in the community. The Town received \$2,771,578 in ERAF for the Fiscal Year. This was an increase of \$271,578 from FY 2022-23. ERAF was earmarked in the FY 2024-25 budget as a contribution toward additional allocation for the Town Capital Improvement Projects. With new State guidelines issued to determine a school districts ERAF entitlement, the Town is conservatively setting ERAF at \$2.5 million as ERAF remains under threat at the State level. 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 leaseback financing, long term liabilities, and toward Town capital projects.

The Town's General Fund operating budget presents a plan for accomplishing the priorities of the City Council within existing resources and core strategy of financial stability in mind. The FY 2024/25 Operating Budget reflects a positive outlook. With the completion of the Holbrook Palmer Park Access and Circulation plan, the new focus is shifting to park playground improvements and park playground restrooms replacement and other capital infrastructure needs from Town Master Plans. The Town continues to implement current City Council goals and 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. 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 selections for programs and priorities, closely monitoring and controlling any discretionary spending. The Town has a tax-exempt lease for cash flow construction financing of the Town Center project. A key characteristic of a tax-exempt lease 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 COP amount was \$7.68 Million, resulting in an estimated annual debt service for FY 2023-24 of \$860,671 and is budgeted for FY 2024-25.

The General Fund continues to provide new funding capacity in the next several years for project priorities within the CIP Master Plans. Priority projects are derived from the Bicycle Pedestrian Master Plan, Drainage Master Plan, Green Infrastructure Plan, and Road Improvement Plan. The CIP program includes a \$4.45 million allocation of unallocated General Fund reserves as priority focus is to various Town master plan projects. This year's CIP recommends new appropriations of approximately \$7.35 million. The five largest single expenditures in the CIP include the Park plan improvements at \$2.05 million, Traffic Safety Improvement projects \$.6 Million, Drainage improvements \$2.79 Million, and \$1.455 Million Road Maintenance Program, and \$.275 Million for Bike & Pedestrian Improvements. This was a result of a review of our Financial Planning Model as we discussed our out year saving and spending plans based on Council priorities for the Unallocated General Fund Balance. The process helps in setting aside funding for paying down long-term pension liabilities, other one-time needs, 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 identify Drainage projects;
- Neighborhood Traffic Management plan; and
- Holbrook Palmer Park Playground and other park areas;

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. Traffic safety improvements are a priority as the Alameda de las Pulgas Traffic and Safety Improvements project is currently in the conceptual design phase. These are through grant funding. The El Camino Real Complete Streets Gap Closure Project planning study is underway and is anticipated to be completed in FY 2024/25. There will be an update to the Bicycle and Pedestrian Master Plan. Drainage improvements are another priority as upcoming projects include the Atherton Channel Assessment and Relining Upstream of Alameda de las Pulgas design and construction. There is the El Camino Real Long Term Drainage improvement solutions conceptual design, and Atherton Channel culvert and detention system improvements initiation of design. The Town continues its annual Road Maintenance and Rehabilitation program and strives to meet the maintenance of effort of SB1 street monies. 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 2023-24 the Town did not make any additional contributions to the OPEB trust to satisfy the minimum annual required contribution for future OPEB liabilities. Total Town contribution to the Trust over the years totals \$5,825,270. as of June 30, 2024. Beginning March 2023, the Town began paying the retiree health expenses entirely from the PARS Trust. The balance in the PARS Trust as of June 30, 2024 is \$8,668,925. The Town maintains a Net OPEB Asset of \$510,276.

CalPERS requires 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 \$431,925 for Miscellaneous Employees and \$791,076 for Public Safety, for a total of \$1,223,001 for the PERS unfunded accrued liability portion for FY 2023-24. The anticipated Town UAL portion for FY 2024-25 is \$1,000,841 for public safety and \$518,728 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 increased by \$1,150,121. 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, 7.0% in FY 2020/21 and 6.8% in FY 2022/23. 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%. 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. In November 2021, the CalPERS board reduced the discount rate to 6.8% and set it as the new baseline rate beginning July 2022. It was discussed that agency plans will likely see increases in both the normal costs and the accrued liabilities, resulting in higher required employer contributions. 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 2023/24 ending June 30, 2024, was 9.5%. The previous fiscal year had a 6.2% return on investment. This return of 6.2% in FY 2022/23 is reflective in the contribution rates and UAL for FY 2025/26. It is important to note that the investment returns for FY 2023/24 will be reflected in the June 30, 2024 actuarial valuation reports. Any gains and losses will impact employer contribution rates for public agencies in FY 2026/27. The CalPERS actuarial reports produce the incoming fiscal year's rates and UAL amounts, as well provides a projection for the second fiscal year as rates of return are factored in each year. Public Employees Retirement Fund (PERF) rates of return are reflective in CalPERS actuary reports two years after occurrence.

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. Pension liabilities continue to be a focus as the Finance Committee is currently reviewing whether the Town should contribute an Additional Discretionary Payment (ADP) towards the Town's Public Safety UAL. Optional ADP payments serve to reduce the Town's UAL and future required contributions. This can result in significant long-term savings. There will be an anticipated recommendation from the Finance Committee on whether to contribute an additional ADP amount to CalPERS during the 2025/26 budget cycle.

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.

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TOWN OF ATHERTON

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

TOWN OF ATHERTON
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$40,148,464
Receivables:	
Taxes	769,819
Grants	75,000
Interest	176,739
Other	23,379
Prepaid expenses	77,890
Net OPEB Asset, due in more than one year (Note 8)	510,276
Capital assets (Note 5):	
Non-depreciable	4,487,549
Depreciable, net	80,408,777
Total Capital Assets	84,896,326
Total Assets	126,677,893
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 7)	9,211,764
Related to OPEB (Note 8)	1,013,143
Total Deferred Outflows of Resources	10,224,907
LIABILITIES	
Accounts payable	2,349,249
Accrued liabilities	606,705
Deposits payable	3,827,583
Deferred revenue	
Unearned revenue	9,900
Claims payable (Note 9)	
Due in less than one year	51,019
Compensated absences (Note 1G)	
Due in less than one year	585,323
Due in more than one year	488,676
Other Long term liabilities (Note 10)	
Due in less than one year	1,073,830
Due in more than one year	4,559,134
Net pension liability, due in more than one year (Note 7)	19,018,949
Total Liabilities	32,570,368
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 7)	3,389,109
Related to OPEB (Note 8)	1,853,423
Total Deferred Inflows of Resources	5,242,532
NET POSITION (Note 6):	
Net investment in capital assets	80,079,093
Restricted for:	
Streets and drainage maintenance and police services	1,261,839
Library operations	2,717,591
Public facilities constructions	591,855
Special revenue projects	3,035,476
Capital projects	8,659,256
Unrestricted	2,744,790
Total Net Position	\$99,089,900

See accompanying notes to financial statements

TOWN OF ATHERTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
General government	\$3,730,374	\$62,287	\$72,826		(\$3,595,261)
Public works	7,316,808	1,671,372	1,288,774	\$330,331	(4,026,331)
Police	9,558,939	168,479	261,027		(9,129,433)
Building	1,241,972	1,669,464			427,492
Planning	1,666,943	346,190			(1,320,753)
Total Governmental Activities	\$23,515,036	\$3,917,792	\$1,622,627	\$330,331	(17,644,286)
General revenues:					
Taxes:					
Property taxes					17,237,625
Sales taxes					434,106
Other taxes					1,929,626
Total Taxes					19,601,357
Investment earnings					1,400,485
Miscellaneous					273,705
Total General Revenues					21,275,547
Change in Net Position					3,631,261
Net Position-Beginning					95,458,639
Net Position-Ending					\$99,089,900

See accompanying notes to financial statements

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MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Town in fiscal 2024. 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, 2024

	Major Funds				
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
ASSETS					
Cash and investments (Note 3)	\$17,222,138	\$494,064	\$2,413,021	\$591,855	\$8,731,783
Receivables:					
Taxes	418,385		336,902		
Grants	75,000				
Interest	176,739				
Other	23,379				
Prepays	77,890				
Total Assets	\$17,993,531	\$494,064	\$2,749,923	\$591,855	\$8,731,783
LIABILITIES					
Accounts payable	\$819,809	\$17,656	\$32,332		\$1,260,200
Accrued liabilities	606,705				
Unearned revenue	9,900				
Deposits payable	3,827,583				
Total Liabilities	5,263,997	17,656	32,332		1,260,200
FUND BALANCES					
Fund balance (Note 6):					
Nonspendable	77,890				
Restricted		476,408	2,717,591		
Committed	2,965,071				
Assigned	159,407			\$591,855	7,471,583
Unassigned	9,527,166				
Total Fund Balances	12,729,534	476,408	2,717,591	591,855	7,471,583
Total Liabilities and Fund Balances	\$17,993,531	\$494,064	\$2,749,923	\$591,855	\$8,731,783

See accompanying notes to financial statements

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$5,117,171	\$34,570,032
14,532	769,819
	75,000
	176,739
	23,379
	<u>77,890</u>
<u>\$5,131,703</u>	<u>\$35,692,859</u>
\$123,123	\$2,253,120
	606,705
	9,900
	<u>3,827,583</u>
<u>123,123</u>	<u>6,697,308</u>
	77,890
4,975,290	8,169,289
	2,965,071
33,290	8,256,135
	<u>9,527,166</u>
<u>5,008,580</u>	<u>28,995,551</u>
<u>\$5,131,703</u>	<u>\$35,692,859</u>

TOWN OF ATHERTON
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2024

Total fund balances reported on the governmental funds balance sheet \$28,995,551

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. 84,429,358

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are not governmental funds. However they are used by management to charge 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	5,578,432
Capital assets, net	466,968
Accounts payable	(96,129)
Compensated absences	(1,073,999)
Claims payable	(51,019)

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	9,211,764
Deferred inflows related to pensions	(3,389,109)
Deferred outflows related to OPEB	1,013,143
Deferred inflows related to OPEB	(1,853,423)

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	(5,632,964)
Net OPEB asset (liabilities)	510,276
Net pension liability	(19,018,949)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$99,089,900

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, 2024

	Major Funds				
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
REVENUES					
Property taxes	\$16,509,528		\$526,086		
Special assessments					
Sales taxes	434,106				
Other taxes	1,650,442				
Measure A grants					
From other governmental agencies	125,027				\$503,541
Permit and licenses	279,184				3,701
Fines and forfeitures	1,153,947				
Service charges	2,755,147				
Use of money and property	1,178,448	\$8,421	4,275	\$10,087	148,818
Miscellaneous	382,851			46,000	
Total Revenues	24,468,680	8,421	530,361	56,087	656,060
EXPENDITURES					
Current:					
General government	3,280,597				
Planning	1,666,943				
Building	1,266,651				
Police	9,412,928				
Public works	2,499,546	78,695			
Non-departmental			298,912		
Capital outlay	779,803	3,437			3,389,679
Debt service:					
Principal	743,566				
Interest	117,105				
Total Expenditures	19,767,139	82,132	298,912		3,389,679
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,701,541	(73,711)	231,449	56,087	(2,733,619)
Other Financing Sources (uses):					
Proceeds from leases					
Transfers in (Note 4)				250,000	5,890,000
Transfers (out) (Note 4)	(5,890,000)				(250,000)
Total Other Financing Sources (uses)	(5,890,000)			250,000	5,640,000
Net change in fund balances	(1,188,459)	(73,711)	231,449	306,087	2,906,381
BEGINNING FUND BALANCES	13,917,993	550,119	2,486,142	285,768	4,565,202
ENDING FUND BALANCES	\$12,729,534	\$476,408	\$2,717,591	\$591,855	\$7,471,583

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$202,011	\$17,237,625
	434,106
	1,650,442
497,086	497,086
545,304	1,173,872
	282,885
	1,153,947
	2,755,147
87,212	1,437,261
<u>1,331,613</u>	<u>428,851</u>
	27,051,222
	3,280,597
	1,666,943
	1,266,651
	9,412,928
28,803	2,607,044
	298,912
353,389	4,526,308
	743,566
	<u>117,105</u>
<u>382,192</u>	<u>23,920,054</u>
<u>949,421</u>	<u>3,131,168</u>
	6,140,000
	<u>(6,140,000)</u>
949,421	3,131,168
<u>4,059,159</u>	<u>25,864,383</u>
<u>\$5,008,580</u>	<u>\$28,995,551</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, 2024

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	\$3,131,168
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

The capitalized expenditures are therefore added back to fund balance	2,525,694
Depreciation expense is deducted from the fund balance	(3,039,105)

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	1,057,178
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	895,891
Net pension liabilities and pension-related deferred outflows/inflows of resources	(1,185,735)

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	246,170
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$3,631,261
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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, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Property taxes	\$16,761,296	\$16,761,296	\$16,509,528	(\$251,768)
Sales taxes	321,100	321,100	434,106	113,006
Other taxes	1,762,000	1,762,000	1,650,442	(111,558)
Permits and licenses	283,600	283,600	279,184	(4,416)
Fines and forfeitures	1,086,100	1,086,100	1,153,947	67,847
From other governmental agencies	47,300	47,300	125,027	77,727
Service charges	2,992,340	3,109,540	2,755,147	(354,393)
Use of money and property	340,839	341,439	1,178,448	837,009
Other	113,000	113,000	382,851	269,851
Total Revenues	<u>23,707,575</u>	<u>23,825,375</u>	<u>24,468,680</u>	<u>643,305</u>
EXPENDITURES:				
Current:				
General government				
City council	64,015	64,015	46,958	17,057
Administration	1,323,578	1,411,078	1,331,887	79,191
City attorney	310,000	310,000	300,358	9,642
Finance	864,052	864,052	834,289	29,763
Non-departmental	817,499	864,499	765,905	98,594
General government total	<u>3,379,144</u>	<u>3,513,644</u>	<u>3,279,397</u>	<u>234,247</u>
Planning	1,647,179	1,766,546	1,666,943	99,603
Building	1,359,830	1,602,830	1,266,651	336,179
Public works	3,315,679	3,529,584	2,499,546	1,030,038
Police	8,986,916	9,290,044	9,412,928	(122,884)
Capital outlay	711,394	943,931	779,803	164,128
Debt Service	861,871	861,871	861,871	
Total Expenditures	<u>20,262,013</u>	<u>21,508,450</u>	<u>19,767,139</u>	<u>1,741,311</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,445,562</u>	<u>2,316,925</u>	<u>4,701,541</u>	<u>2,384,616</u>
OTHER FINANCING SOURCES USES				
Proceeds from leases				
Transfers (out) (Note 4)		(5,890,000)	(5,890,000)	
NET CHANGE IN FUND BALANCE	<u>\$3,445,562</u>	<u>(\$3,573,075)</u>	<u>(1,188,459)</u>	<u>\$2,384,616</u>
BEGINNING FUND BALANCES			<u>13,917,993</u>	
ENDING FUND BALANCES			<u>\$12,729,534</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, 2024

	<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			\$8,421	\$8,421
Other revenue				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues			8,421	8,421
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Current:				
General government				
Public works	\$355,000	\$410,338	78,695	331,643
Capital outlay	230,000	249,900	3,437	246,463
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	585,000	660,238	82,132	578,106
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(585,000)</u>	<u>(660,238)</u>	<u>(73,711)</u>	<u>586,527</u>
Net change in fund balance	<u><u>(\$585,000)</u></u>	<u><u>(\$660,238)</u></u>	<u>(73,711)</u>	<u><u>\$586,527</u></u>
Fund Balance, beginning of year			<u>550,119</u>	
Fund Balance, end of year			<u><u>\$476,408</u></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, 2024

	<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	\$637,102	\$637,102	\$526,086	(\$111,016)
Use of money and property	<u>16,000</u>	<u>16,000</u>	<u>4,275</u>	<u>(11,725)</u>
Total Revenues	<u>653,102</u>	<u>653,102</u>	<u>530,361</u>	<u>(122,741)</u>
EXPENDITURES:				
Current:				
Library Maintenance	<u>643,250</u>	<u>647,104</u>	<u>298,912</u>	<u>348,192</u>
Total Expenditures	<u>643,250</u>	<u>647,104</u>	<u>298,912</u>	<u>348,192</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>9,852</u>	<u>5,998</u>	<u>231,449</u>	<u>225,451</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)				
Transfers (out) (Note 4)				
Total Other Financing Sources (Uses)				
NET CHANGES IN FUND BALANCE	<u>\$9,852</u>	<u>\$5,998</u>	231,449	<u>\$225,451</u>
BEGINNING FUND BALANCE			<u>2,486,142</u>	
ENDING FUND BALANCE			<u>\$2,717,591</u>	

See accompanying notes to financial statements

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PROPRIETARY FUNDS

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, 2024

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets	
Cash and investments (Note 3)	\$5,578,432
Total current assets	5,578,432
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	2,121,507
Less accumulated depreciation	(1,654,539)
Total capital assets	466,968
Total noncurrent assets	466,968
Total Assets	6,045,400
LIABILITIES	
Current liabilities:	
Accounts payable	96,129
Compensated absences (Note 1G)	585,323
Claims payable (Note 9)	51,019
Total current liabilities	732,471
Non-current liabilities:	
Compensated absences (Note 1G)	488,676
Total noncurrent liabilities	488,676
Total Liabilities	1,221,147
NET POSITION (Note 6):	
Net investment in capital assets	466,968
Unrestricted	4,357,285
Total Net Position	\$4,824,253

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, 2024

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	\$1,552,038
Total Operating Revenues	1,552,038
OPERATING EXPENSES	
Insurance	704,036
OPEB expense	76,719
Employee benefits earned	337,577
Depreciation	151,150
Supplies and maintenance	131,461
Total Operating Expenses	1,400,943
Operating Income (Loss)	151,095
NONOPERATING REVENUES (EXPENSES)	
Interest income	95,075
Total Nonoperating Revenues	95,075
Change in net position	246,170
BEGINNING NET POSITION	4,578,083
ENDING NET POSITION	\$4,824,253

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental charges	\$1,552,038
Payments to employees for benefits	(436,670)
Payments to suppliers	(758,365)
	357,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	(260,441)
	(260,441)
CASH FLOWS FORM INVESTING ACTIVITIES	
Interest received	95,075
	95,075
Net Cash Flows	191,637
Cash and investments at beginning of period	5,386,795
Cash and investment at end of period	\$5,578,432
Reconciliation of Operating Income to Cash Flows from Operating Activities	
Operating income	\$151,095
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	151,150
Changes in assets and liabilities:	
Accounts payable	88,703
Compensated absences	(22,374)
Cash Flows from Operating Activities	\$357,003

See accompanying notes to financial statements

FIDUCIARY FUNDS

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, 2024

	Custodial Funds		
	H-P Park Improvement Fund	Tree Committee	Total
ASSETS			
Cash and investments (Note 3)	\$6,752	\$27,229	\$33,981
Total Assets	6,752	27,229	33,981
NET POSITION			
Restricted for organizations	6,752	27,229	33,981
Total Net Position	\$6,752	\$27,229	\$33,981

See accompanying notes to financial statements

TOWN OF ATHERTON
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY
 NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2024

	Custodial Funds		Total
	H-P Park Improvement Fund	Tree Committee	
ADDITIONS			
Interest income	\$115	\$464	\$579
Total additions	115	464	579
DEDUCTIONS			
Distributions			
Total deductions			
Change in net position	115	464	579
BEGINNING NET POSITION	6,637	26,765	33,402
ENDING NET POSITION	\$6,752	\$27,229	\$33,981

See accompanying notes to financial statements

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TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024

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, 2024

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, 2024

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, 2024

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 2024 were as follows:

Beginning Balance	\$1,096,373
Additions	829,283
Payments	<u>(851,657)</u>
Ending Balance	<u>\$1,073,999</u>
Current Portion	<u><u>\$585,323</u></u>

The long-term portion of governmental activities compensated absences is liquidated primarily by the Employee Benefits Fund followed 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, 2024

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.

L. Subscription-Based Information Technology Arrangements (SBITAs) Accounting

As clarified by the Government Accounting Standards Board (GASB) Statement No. 96, a Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the Town initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. The Town recognizes SBITA liabilities with an initial, individual value of \$50,000 or more, based on the future SBITA payments remaining at the start of the contract.

Key estimates and judgments related to SBITAs include how the Town determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The Town uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the Town uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancellable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. *Subscription-Based Information Technology Arrangements (SBITAs) Accounting (Continued)*

The Town monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position.

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

The following Governmental Accounting Standards Board (GASB) pronouncement was effective in fiscal year 2024:

GASB 96 – Subscription-Based Information Technology Arrangements (SBITAs)

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. The Town has no SBITAs subject to GASB#96 for the fiscal year 2024.

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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

A. Budgets and Budgetary Accounting (Continued)

- 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.

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, 2024:

Fund Name	Amount
General Fund	
Police	(\$122,884)
 Nonmajor Special Revenue Funds:	
County Measure A	
Public Works	(15,875)
Gas Tax	
Public Works	(6,946)
County Measure W	
Public Works	(2,000)

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.

<p>TOWN OF ATHERTON NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2024</p>

<p>NOTE 3 – CASH AND INVESTMENTS (Continued)</p>

A. Policies

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

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

B. Classification

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

Statement of Net Position	
Cash and investments available for operations	\$40,148,464
Fiduciary Funds	
Cash and investments available for operations	33,981
Total Cash and Investments	\$40,182,445

Cash and investments as of June 30, 2024 consist of the following:

Cash on hand	\$875
Cash in bank	2,988,595
Investments	37,192,975
Total Cash and Investment	\$40,182,445

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.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	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

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	25 to 60 Months	Total
U.S. Treasuries	\$3,519,125	\$3,608,542	\$7,127,667
U.S. Agency Securities	3,038,808	1,355,715	4,394,523
Corporate Notes	2,579,493	2,213,655	4,793,148
California Local Agency Investment Fund	18,605,665		18,605,665
San Mateo County Investment Pool	2,162,099		2,162,099
Money Market Mutual Fund	109,873		109,873
Total Investments	\$30,015,063	\$7,177,912	37,192,975
Cash in banks			2,988,595
Petty cash			875
Total Cash			2,989,470
Total Cash and Investments			\$40,182,445

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 3 – CASH AND INVESTMENTS (Continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Standard and Poor’s investment ratings as of June 30, 2024 are as follows:

Investment Type	AAAm	AA+/AA/AA-	A+/A/A-	Not Rated	Total
U.S. Treasuries		\$7,127,667			\$7,127,667
U.S. Agency Securities		4,394,523			4,394,523
Corporate Notes		607,015	\$4,186,133		4,793,148
California Local Agency Investment Fund				\$18,605,665	18,605,665
San Mateo County Investment Pool				2,162,099	2,162,099
Money Market Mutual Fund	\$109,873				109,873
Total Investments	\$109,873	\$12,129,205	\$4,186,133	\$20,767,764	\$37,192,975

F. Concentration of Credit Risk

At June 30, 2024, the Town had four investments 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 four securities is from the Federal Home Loan Mortgage Association in the amount of \$2,293,353.

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, 2024, these investments matured in an average of 217 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 2024, the library is holding on to these funds in Atherton trust fund account, \$2,162,099 as of June 30, 2024.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Treasuries	\$7,127,667		\$7,127,667
U.S. Agency Securities		\$4,394,523	4,394,523
Corporate Notes		4,793,148	4,793,148
Subtotal	<u>\$7,127,667</u>	<u>\$9,187,671</u>	16,315,338
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			109,873
Investments Exempt from Fair Value Hierarchy			
California Local Agency Investment Fund			18,605,665
San Mateo County Investment Pool			<u>2,162,099</u>
Total Investments			<u><u>\$37,192,975</u></u>

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, 2024

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, 2024 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund	\$250,000 (A)
Capital Improvement Capital Projects Fund	General Fund	5,890,000 (A)
		\$6,140,000

(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, 2024

NOTE 5 – CAPITAL ASSETS (Continued)

A. Current Year Capital Asset Activities

<i>Governmental Funds</i>	Balance June 30, 2023	Additions	Balance June 30, 2024
Capital assets not being depreciated:			
Land	\$690,884		\$690,884
Construction in progress	1,348,398	\$2,448,267	3,796,665
Total non-depreciable capital assets	2,039,282	2,448,267	4,487,549
Capital assets being depreciated:			
Buildings	65,668,477		65,668,477
Other improvements	1,125,668		1,125,668
Computer equipment and software	723,366	41,688	765,054
Furniture and fixtures	493,593		493,593
Vehicles	23,434		23,434
Machinery and equipment	569,123	35,739	604,862
Infrastructure	62,992,555		62,992,555
Total depreciable capital assets	131,596,216	77,427	131,673,643
Less accumulated depreciation for:			
Buildings	1,513,860	1,642,052	3,155,912
Other improvements	986,033	27,487	1,013,520
Computer equipment and software	357,835	45,425	403,260
Furniture and fixture	57,738	45,879	103,617
Vehicles	23,434		23,434
Machinery and equipment	417,973	20,170	438,143
Infrastructure	45,335,856	1,258,092	46,593,948
Total accumulated depreciation	48,692,729	3,039,105	51,731,834
Depreciable capital assets, net	82,903,487	(2,961,678)	79,941,809
General capital assets, net	84,942,769	(513,411)	84,429,358
<i>Internal Service Funds</i>			
Depreciable capital assets:			
Vehicles	1,409,268	260,441	1,669,709
Computer equipment	327,621		327,621
Other equipment	124,177		124,177
Total depreciable capital assets	1,861,066	260,441	2,121,507
Less: accumulated depreciation for			
Vehicles	1,051,593	151,150	1,202,743
Computer equipment	327,620		327,620
Other equipment	124,176		124,176
Total accumulated depreciation	1,503,389	151,150	1,654,539
Internal Service Funds capital assets, net	357,677	109,291	466,968
Total governmental activities capital assets, net	\$85,300,446	(\$404,120)	\$84,896,326

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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	\$2,993,051
Police	39,106
General Government	6,948
Governmental activities subtotal	3,039,105
Internal Service Fund	151,150
Total	\$3,190,255

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, 2024

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, 2024

NOTE 6 – FUND BALANCES AND NET POSITIONS (Continued)

B. Fund Balances (Continued)

Detailed classifications of the Town’s Fund Balances, as of June 30, 2024, 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	\$77,890						\$77,890
Total Nonspendable	77,890						77,890
Restricted for:							
Street drainage and police services		\$476,408					476,408
Library operations			\$2,717,591				2,717,591
Measure A						\$1,763,046	1,763,046
Gas tax						532,595	532,595
Measure W						785,431	785,431
Measure M						196,514	196,514
Refuse Services						543,133	543,133
Supplemental Law Enforcement Services						188	188
Channel Drainage District						1,154,383	1,154,383
Total Restricted		476,408	2,717,591			4,975,290	8,169,289
Committed to:							
Emergency disaster	2,965,071						2,965,071
Total Committed	2,965,071						2,965,071
Assigned to:							
Tennis program	132,178						132,178
Building department operations							
Tree committee	27,229						27,229
Capital projects				\$591,855	\$7,471,583	33,290	8,096,728
Total Assigned	159,407			591,855	7,471,583	33,290	8,256,135
Unassigned	9,527,166						9,527,166
Total Unassigned	9,527,166						9,527,166
Total Fund Balances	\$12,729,534	\$476,408	\$2,717,591	\$591,855	\$7,471,583	\$5,008,580	\$28,995,551

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 15% of the actual annual operating expenditures.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024

NOTE 7 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (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, 2024, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-67 or 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	7.00%	8.25%
Required employer contribution rates	12.63%	8.00%
	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55 or older	50-57 or older
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	14.50%
Required employer contribution rates	29.09%	14.50%

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 \$1,223,001 in fiscal year 2024.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 7 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (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, 2024, the contributions to the Plan were as follows:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Contributions - employer	\$581,444	\$106,051	\$1,137,718	\$271,221
Contributions - employee	102,851	140,014	161,359	406,368

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

As of June 30, 2024, 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	\$6,793,214
Safety - Classic & PEPRA	12,225,735
Total Net Pension Liability	<u>\$19,018,949</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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2022 and 2023 were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2022	0.13604%	0.16741%
Proportion - June 30, 2023	0.13585%	0.16356%
Change - Increase (Decrease)	<u>-0.00019%</u>	<u>-0.00385%</u>

TOWN OF ATHERTON NOTES TO BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2024
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NOTE 7 – PENSION PLAN (Continued)
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B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2024, the Town recognized pension expense of \$3,282,169. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous - Classic & PEPR

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$687,495	
Differences between actual and expected experience	347,034	(\$53,833)
Changes in assumptions	410,137	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(41,780)
Change in employer proportion	10,302	(126,820)
Net differences between projected and actual earnings on plan investments	1,099,883	
Total	\$2,554,851	(\$222,433)

Safety - Classic & PEPR

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,408,939	
Differences between actual and expected experience	897,594	(\$76,844)
Changes in assumptions	713,510	
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	1,919,732	(450,829)
Change in employer proportion	44,050	(2,639,003)
Net differences between projected and actual earnings on plan investments	1,673,088	
Total	\$6,656,913	(\$3,166,676)
Grand total	\$9,211,764	(\$3,389,109)

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 7 – PENSION PLAN (Continued)

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

\$2,096,434 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, 2024. 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	Safety	Total
	Amortization Amount	Amortization Amount	Amortization Amount
2025	\$467,841	\$543,109	\$1,010,950
2026	316,272	305,065	621,337
2027	829,248	1,186,426	2,015,674
2028	31,562	46,698	78,260
	<u>\$1,644,923</u>	<u>\$2,081,298</u>	<u>\$3,726,221</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by Entry Age, Service, and type of employment
Investment Rate of Return	6.90% (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 generational mortality improvements using Society of Actuaries Scale 80% of Scale MP 2020. For more details on this table, please refer to the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2022 valuation were based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. 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, 2024

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 6.90%. 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. Using historical for all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

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 (a, b)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	0.59%
Total	<u>100%</u>	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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	5.90% \$9,947,404	5.90% \$20,082,454
Current Discount Rate Net Pension Liability	6.90% \$6,793,214	6.90% \$12,225,735
1% Increase Net Pension Liability	7.90% \$4,197,045	7.90% \$5,802,308

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, 2024

NOTE 8 – POST EMPLOYMENT 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 (\$157 in 2024).

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, 2024

NOTE 8 – POST EMPLOYMENT 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, 2024:

Active employees	41
Retirees receiving benefit payments	<u>40</u>
Total	<u><u>81</u></u>

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, 2024 included an implicit subsidy liability of \$1,583,334.

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, 2024 Measurement Date
Valuation Date	• June 30, 2024
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	• 6.30%, based on PARS investment allocation Moderate
Inflation	• 2.30% per annum
Payroll Increases	• 2.80% annual increases
Medical Trend	• Pre-65: 6.00% for 2024 • Post-65: 5.30% in 2024 decreasing to an ultimate rate of 3.94% by 2075
Mortality	• CalPERS 2020 Scale MP-2020

Change of Assumptions – Effective with the June 30, 2024 valuation date (2024 Measurement date) the inflation rate was reduced from 2.50% to 2.30%. In addition, the Discount Rate and Long Term Expected Rate of Return on Investment increased from 6.00% to 6.30%.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 8 – POST EMPLOYMENT 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	Moderate
Equity	48.20%
Fixed income	45.00%
REITS	1.80%
Cash	5.00%
Total	100.00%

The expected long-term real rate of return of the OPEB Trust is 6.30% as of June 30, 2024. 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, 2024, the annual money-weighted rate of return on investments, net of investment expense, was (10.18%). 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, 2024

NOTE 8 – POST EMPLOYMENT 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, 2021 Measurement Date	\$7,889,811	\$8,316,743	(\$426,932)
Changes Recognized for the Measurement Period:			
Service Cost	109,425		109,425
Interest on the total OPEB liability	464,265		464,265
Changes in benefit terms			
Differences between expected and actual experience	754,624		754,624
Changes of assumptions	(536,468)		(536,468)
Net investment income		822,383	(822,383)
Contributions			
Employer - Town's contribution			
Employer - implicit subsidy		98,564	(98,564)
Benefit payments	(424,444)	(424,444)	
Implicit subsidy credit	(98,564)	(98,564)	
Administrative expenses		(45,757)	45,757
Net changes	268,838	352,182	(83,344)
Balance at June 30, 2022 Measurement Date	<u>\$8,158,649</u>	<u>\$8,668,925</u>	<u>(\$510,276)</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>106.3%</u>	

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%
(5.30%)	(6.30%)	(7.30%)
<u>\$339,263</u>	<u>(\$510,276)</u>	<u>(\$1,227,551)</u>

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
(5.80%)	(6.80%)	(7.80%)
<u>(\$1,250,638)</u>	<u>(\$510,276)</u>	<u>\$349,681</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

For the year ended June 30, 2024, the Town recognized negative OPEB expense of \$895,891. At June 30, 2024, 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	\$943,258	(\$589,027)
Changes of assumptions		(1,264,396)
Net differences between projected and actual earnings on plan investments	69,885	-
Total	\$1,013,143	(\$1,853,423)

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	Amortization
Ended June 30	
2025	(\$664,566)
2026	(221,615)
2027	(9,911)
2028	2,921
2029	33,053
Remaining	19,838
Total	(\$840,280)

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, 2024

NOTE 9 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

Alliant Insurance Services covers employment theft up to \$2,000,000 for each claim and in the aggregate and the Town’s deductible is \$10,000 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:

	2024	2023
Beginning balance	\$62,590	\$100,000
Net change in claims liabilities	35,743	(948)
Claims paid	(47,314)	(36,462)
Ending balance	\$51,019	\$62,590
Claims liabilities due within a year	\$51,019	\$62,590

For the years ended June 30, 2024, 2023, and 2022 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, 2023	Retirements	Balance at June 30, 2024	Due Within One Year	Due in More Than One Year
Direct borrowings:					
San Mateo County Bayfront Canal Loan	\$1,129,343	(\$313,612)	\$815,731	\$313,815	\$501,916
Town Center Project Capital Lease	5,560,799	(743,566)	4,817,233	760,015	4,057,218
Total	\$6,690,142	(\$1,057,178)	\$5,632,964	\$1,073,830	\$4,559,134

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

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, 2024, the outstanding amount on the loan is \$815,731.

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, 2024

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	
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	8,679	71	811,577	50,294	870,621
2029			829,531	32,341	861,872
2030			845,270	13,990	859,260
Total	<u>\$815,731</u>	<u>\$1,513</u>	<u>\$4,817,233</u>	<u>\$351,384</u>	<u>\$5,985,861</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 \$20,749 for the year ended June 30, 2024. 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, 2024

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.

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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 2023
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	6/30/2022	6/30/2023
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%	0.13604%	0.13585%
Plan's proportion share of the Net Pension Liability (Asset)	<u>\$2,716,530</u>	<u>\$2,901,033</u>	<u>\$3,884,053</u>	<u>\$4,542,046</u>	<u>\$4,466,539</u>	<u>\$4,957,053</u>	<u>\$5,398,568</u>	<u>\$3,297,589</u>	<u>\$6,365,417</u>	<u>\$6,793,214</u>
Plan's Covered Payroll	<u>\$1,473,083</u>	<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>	<u>\$2,537,827</u>
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%	138.07%	267.68%
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%	90.49%	77.97%
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	6/30/2022	6/30/2023
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%	0.16741%	0.16356%
Plan's proportion share of the Net Pension Liability (Asset)	<u>\$6,536,499</u>	<u>\$7,773,056</u>	<u>\$10,097,455</u>	<u>\$11,579,520</u>	<u>\$11,730,572</u>	<u>\$12,687,811</u>	<u>\$13,861,231</u>	<u>\$8,941,944</u>	<u>\$11,503,411</u>	<u>\$12,225,735</u>
Plan's Covered Payroll	<u>\$2,030,918</u>	<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>	<u>\$3,274,919</u>
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%	249.51%	373.31%
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%	86.61%	74.87%

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, 2024
Last 10 Years

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Miscellaneous									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$179,934	\$150,616	\$305,597	\$349,365	\$416,994	\$480,181	\$510,812	\$211,663	\$667,245	\$687,495
Contributions in relation to the actuarially determined contributions	(179,934)	(150,616)	(305,597)	(349,365)	(416,994)	(480,181)	(510,812)	(605,437)	(667,245)	(687,495)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$393,774)	\$0	\$0
Covered payroll	\$1,595,884	\$1,772,771	\$1,912,587	\$2,040,240	\$2,127,834	\$2,314,721	\$2,320,927	\$4,610,367	\$2,537,827	\$2,696,555
Contributions as a percentage of covered payroll	11.27%	8.50%	15.98%	17.12%	19.60%	20.74%	22.01%	13.13%	26.29%	25.50%
Fiscal Year Ended June 30	Safety									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$646,174	\$466,548	\$849,073	\$939,476	\$1,042,632	\$1,202,924	\$1,359,480	\$463,859	\$1,330,515	\$1,408,939
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)	(1,330,515)	(1,408,939)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,007,045)	\$0	\$0
Covered payroll	\$2,391,765	\$2,488,471	\$2,414,626	\$2,608,708	\$2,672,010	\$2,668,668	\$3,004,022	\$4,610,367	\$3,274,919	\$3,572,478
Contributions as a percentage of covered payroll	27.02%	18.75%	35.16%	36.01%	39.02%	45.08%	45.26%	140.36%	40.63%	39.44%

REQUIRED SUPPLEMENTARY INFORMATION

**RETIREE HEALTHCARE OPEB PLAN- AGENT MULTIPLE EMPLOYER
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS –
LAST 10 YEARS***

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	6/30/2023	6/30/2024
Total OPEB Liability							
Service Cost	\$257,258	\$167,493	\$175,867	\$215,662	\$261,221	\$105,341	\$109,425
Interest	755,515	610,002	623,286	622,420	483,322	451,942	464,265
Changes in benefit terms							
Differences between expected and actual experience	(574,495)	(11,091)	558,111	(18,835)	(1,404,646)	224,199	754,624
Changes of assumptions	(2,299,690)		(849,626)	(1,698,656)	(7,409)		(536,468)
Benefit payments		(401,170)	(466,422)	(419,991)	(444,395)	(628,249)	(424,444)
Implicit subsidy credit		(85,496)	(91,325)	(137,858)	(151,197)		(98,564)
Net change in total OPEB liability	(1,861,412)	279,738	(50,109)	(1,437,258)	(1,263,104)	153,233	268,838
Total OPEB liability - beginning	12,532,328	10,269,746	10,487,049	10,436,940	8,999,682	7,736,578	7,889,811
Total OPEB liability - ending (a)	\$10,670,916	\$10,549,484	\$10,436,940	\$8,999,682	\$7,736,578	\$7,889,811	\$8,158,649
Plan fiduciary net position							
Employer - Town's contributions	\$493,288	\$747,885	\$672,323	\$566,672	\$594,061	\$626,765	
Employer - implicit subsidy		85,496	91,325	137,858			98,564
Net investment income	380,626	417,827	322,036	1,432,366	(986,583)	532,619	822,383
Administrative expense	(15,183)	(33,395)	(38,683)	(44,195)	(48,456)	(44,314)	(45,757)
Benefit payments		(401,170)	(466,422)	(419,991)	(444,395)	(628,249)	(424,444)
Implicit subsidy credit		(85,496)	(91,325)	(137,858)	(151,197)		(98,564)
Other miscellaneous income/(expense)	(54,026)	(85,496)					
Net change in plan fiduciary net position	804,705	645,651	489,254	1,534,852	(1,036,570)	486,821	352,182
Plan fiduciary net position - beginning		5,855,635	6,842,386	7,331,640	8,866,492	7,829,922	8,316,743
Plan fiduciary net position - ending (b)	\$804,705	\$6,501,286	\$7,331,640	\$8,866,492	\$7,829,922	\$8,316,743	\$8,668,925
Net OPEB liability (Asset) - ending (a)-(b)	\$9,866,211	\$4,048,198	\$3,105,300	\$133,190	(\$93,344)	(\$426,932)	(\$510,276)
Plan fiduciary net position as a percentage of the total OPEB liability	7.5%	61.6%	70.2%	98.5%	101.2%	105.4%	106.3%
Covered-employee payroll	\$4,648,758	\$4,799,843	\$4,983,389	\$4,410,693	\$5,142,900	\$5,737,638	\$6,262,322
Net OPEB liability as a percentage of covered-employee payroll	212.23%	84.34%	62.31%	3.02%	-1.82%	-7.44%	-8.15%

* 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*

Fiscal Year Ended June 30,	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	\$693,890	\$419,511	\$435,103	\$465,571	\$519,144	\$142,708	\$119,709
Contributions in relation to the actuarially determined contribution	493,288	833,381	763,648	704,530	594,061	626,765	98,564
Contribution deficiency (excess)	\$200,602	(\$413,870)	(\$328,545)	(\$238,959)	(\$74,917)	(\$484,057)	\$21,145
Covered-employee payroll	\$4,648,758	\$4,799,843	\$4,983,389	\$4,410,693	\$5,142,900	\$5,737,638	\$6,262,322
Contributions as a percentage of covered-employee payroll	10.61%	17.36%	15.32%	15.97%	11.55%	10.92%	1.57%

* 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	• 6.30%, based on PARS investment allocation Moderate
Inflation	• 2.30% per annum
Payroll Increases	• 2.80% annual increases
Medical Trend	• Pre-65: 6.00% for 2024 • Post-65: 5.30% in 2024 decreasing to an ultimate rate of 3.94% by 2075
Mortality	• CalPERS 2020 Scale MP-2020

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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, 2024

SPECIAL REVENUE FUNDS

	County Measure A	Gas Tax	Supplemental Law Enforcement Services	Measure M
ASSETS				
Cash and investment	\$1,768,740	\$525,995	\$188	\$198,321
Receivables:				
Taxes		14,532		
Other				
Total Assets	<u>\$1,768,740</u>	<u>\$540,527</u>	<u>\$188</u>	<u>\$198,321</u>
LIABILITIES				
Accounts payable	\$5,694	\$7,932		\$1,807
Total Liabilities	<u>5,694</u>	<u>7,932</u>		<u>1,807</u>
FUND EQUITY				
Fund balances				
Restricted	1,763,046	532,595	\$188	196,514
Assigned				
Total Fund Balances	<u>1,763,046</u>	<u>532,595</u>	<u>188</u>	<u>196,514</u>
Total Liabilities and Fund Balances	<u>\$1,768,740</u>	<u>\$540,527</u>	<u>\$188</u>	<u>\$198,321</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>
\$548,507	\$887,747	\$33,290	\$1,154,383	\$5,117,171
				14,532
<u>\$548,507</u>	<u>\$887,747</u>	<u>\$33,290</u>	<u>\$1,154,383</u>	<u>\$5,131,703</u>
\$5,374	\$102,316			\$123,123
5,374	102,316			123,123
\$543,133	\$785,431	\$33,290	\$1,154,383	4,975,290
				33,290
<u>543,133</u>	<u>785,431</u>	<u>33,290</u>	<u>1,154,383</u>	<u>5,008,580</u>
<u>\$548,507</u>	<u>\$887,747</u>	<u>\$33,290</u>	<u>\$1,154,383</u>	<u>\$5,131,703</u>

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE FUNDS			
	County Measure A	Gas Tax	Supplemental Law Enforcement Services	Measure M
REVENUES				
Property taxes				
Measure Grants	\$497,086			
From other agencies		\$373,395		
Use of money and property	30,146	8,965	\$3	\$3,379
Miscellaneous				
Total Revenues	527,232	382,360	3	3,379
EXPENDITURES				
Current:				
Public Works	15,875	6,946		
Capital Outlay	37,718	193,633		20,914
Total Expenditures	53,593	200,579		20,914
NET CHANGE IN FUND BALANCES	473,639	181,781	3	(17,535)
BEGINNING FUND BALANCES	1,289,407	350,814	185	214,049
ENDING FUND BALANCES	\$1,763,046	\$532,595	\$188	\$196,514

<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>
			\$202,011		\$202,011
	\$199,083				497,086
(17,826)	15,130	\$567	19,674		572,478
					60,038
<u>(17,826)</u>	<u>214,213</u>	<u>567</u>	<u>221,685</u>		<u>1,331,613</u>
	2,000		3,982		28,803
	97,444		3,680		353,389
	99,444		7,662		382,192
(17,826)	114,769	567	214,023		949,421
560,959	670,662	32,723	940,360		4,059,159
<u>\$543,133</u>	<u>\$785,431</u>	<u>\$33,290</u>	<u>\$1,154,383</u>		<u>\$5,008,580</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, 2024

SPECIAL REVENUE FUNDS						
	County Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A grants	\$430,000	\$497,086	\$67,086			
From other agencies				\$375,000	\$373,395	(\$1,605)
Use of money and property		30,146	30,146		8,965	8,965
Miscellaneous						
Total Revenues	430,000	527,232	97,232	375,000	382,360	7,360
EXPENDITURES						
Current:						
Public Works		15,875	(15,875)		6,946	(6,946)
Non-departmental						
Capital Outlay	994,021	37,718	956,303	450,000	193,633	256,367
Total Expenditures	994,021	53,593	940,428	450,000	200,579	249,421
OTHER FINANCING SOURCES (USES)						
NET CHANGE IN FUND BALANCES	(\$564,021)	473,639	\$1,037,660	(\$75,000)	181,781	\$256,781
BEGINNING FUND BALANCES		1,289,407			350,814	
ENDING FUND BALANCES		\$1,763,046			\$532,595	

SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services			Measure M			Refuse Rate Stabilization		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$160,000		(\$160,000)	\$75,000		(\$75,000)		(\$27,174)	(\$27,174)
146	\$3	(143)	3,379	\$3,379			9,348	9,348
<u>160,146</u>	<u>3</u>	<u>(160,143)</u>	<u>78,379</u>	<u>3,379</u>	<u>(75,000)</u>		<u>(17,826)</u>	<u>(17,826)</u>
			<u>135,000</u>	<u>20,914</u>	<u>114,086</u>			
			<u>135,000</u>	<u>20,914</u>	<u>114,086</u>			
<u>\$160,146</u>	<u>3</u>	<u>(\$160,143)</u>	<u>(\$56,621)</u>	<u>(17,535)</u>	<u>\$39,086</u>		<u>(17,826)</u>	<u>(\$17,826)</u>
	<u>185</u>			<u>214,049</u>			<u>560,959</u>	
	<u>\$188</u>			<u>\$196,514</u>			<u>\$543,133</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, 2024

SPECIAL REVENUE FUNDS			
County Measure W			
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes			
Measure grants			
From other agencies	\$145,000	\$199,083	\$54,083
Use of money and property		15,130	15,130
Miscellaneous			
Total Revenues	145,000	214,213	69,213
EXPENDITURES			
Current:			
Public Works		2,000	(2,000)
Non-departmental			
Capital Outlay	270,000	97,444	172,556
Total Expenditures	270,000	99,444	170,556
OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(\$125,000)	114,769	\$239,769
BEGINNING FUND BALANCES		670,662	
ENDING FUND BALANCES		\$785,431	

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, 2024

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
ASSETS					
Current Assets:					
Cash and investments	\$1,083,182	\$1,990,463	\$673,976	\$1,830,811	\$5,578,432
Receivables:					
Other					
Total Current Assets	<u>1,083,182</u>	<u>1,990,463</u>	<u>673,976</u>	<u>1,830,811</u>	<u>5,578,432</u>
Non-Current Assets:					
Capital assets:					
Depreciable	2,121,507				2,121,507
Less: accumulated depreciation	<u>(1,654,539)</u>				<u>(1,654,539)</u>
Net Capital Asset	<u>466,968</u>				<u>466,968</u>
Total noncurrent assets	<u>466,968</u>				<u>466,968</u>
Total Assets	<u>1,550,150</u>	<u>1,990,463</u>	<u>673,976</u>	<u>1,830,811</u>	<u>6,045,400</u>
LIABILITIES					
Current liabilities					
Accounts payable	58,809	36,825	495		96,129
Claims payable			51,019		51,019
Compensated absences				585,323	585,323
Total current liabilities	<u>58,809</u>	<u>36,825</u>	<u>51,514</u>	<u>585,323</u>	<u>732,471</u>
Noncurrent liabilities					
Compensated absences				488,676	488,676
Total noncurrent liabilities				<u>488,676</u>	<u>488,676</u>
Total Liabilities	<u>58,809</u>	<u>36,825</u>	<u>51,514</u>	<u>1,073,999</u>	<u>1,221,147</u>
Net investment in capital assets					
Unrestricted	<u>466,968</u>				<u>466,968</u>
	<u>1,024,373</u>	<u>1,953,638</u>	<u>622,462</u>	<u>756,812</u>	<u>4,357,285</u>
Total Net Position	<u>\$1,491,341</u>	<u>\$1,953,638</u>	<u>\$622,462</u>	<u>\$756,812</u>	<u>\$4,824,253</u>

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
OPERATING REVENUES					
Charges for services	\$495,500	\$102,275	\$509,462	\$444,801	\$1,552,038
Total Operating Revenues	495,500	102,275	509,462	444,801	1,552,038
OPERATING EXPENSES					
Insurance		147,300	556,736		704,036
OPEB expense				76,719	76,719
Employee benefits earned				337,577	337,577
Depreciation	151,150				151,150
Supplies and maintenance	131,461				131,461
Total Operating Expenses	282,611	147,300	556,736	414,296	1,400,943
Operating Income (Loss)	212,889	(45,025)	(47,274)	30,505	151,095
NONOPERATING REVENUES (EXPENSES)					
Interest income	18,461	33,925	11,486	31,203	95,075
Total Nonoperating Revenues (Expenses)	18,461	33,925	11,486	31,203	95,075
OTHER FINANCING SOURCES (USES)					
Change in Net Position	231,350	(11,100)	(35,788)	61,708	246,170
BEGINNING NET POSITION	1,259,991	1,964,738	658,250	695,104	4,578,083
ENDING NET POSITION	\$1,491,341	\$1,953,638	\$622,462	\$756,812	\$4,824,253

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from other funds	\$495,500	\$102,275	\$509,462	\$444,801	\$1,552,038
Payments to employees for benefits				(436,670)	(436,670)
Payments to vendors	(80,078)	(110,475)	(567,812)		(758,365)
Cash Flows from Operating Activities	415,422	(8,200)	(58,350)	8,131	357,003
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(260,441)				(260,441)
Cash Flows (used for) Capital and Related Financing Activities	(260,441)				(260,441)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	18,461	33,925	11,486	31,203	95,075
Cash Flows from Investing Activities	18,461	33,925	11,486	31,203	95,075
Net Cash Flows	173,442	25,725	(46,864)	39,334	191,637
Cash and investments at beginning of period	909,740	1,964,738	720,840	1,791,477	5,386,795
Cash and investments at end of period	<u>\$1,083,182</u>	<u>\$1,990,463</u>	<u>\$673,976</u>	<u>\$1,830,811</u>	<u>\$5,578,432</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income	\$212,889	(\$45,025)	(\$47,274)	\$30,505	\$151,095
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	151,150				151,150
Compensated absences				(22,374)	(22,374)
Change in assets and liabilities:					
Accounts payable	51,383	36,825	495		88,703
Claims payable			(11,571)		(11,571)
Cash Flows from Operating Activities	415,422	(8,200)	(58,350)	8,131	357,003

**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, 2024, and have issued our report thereon dated February 5, 2025.

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 financial statement. 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 February 5, 2025, 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
February 5, 2025