

TOWN OF ATHERTON, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Prepared by
FINANCE DEPARTMENT

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**TOWN OF ATHERTON
Basic Financial Statements
For the Year Ended June 30, 2010**

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Basic Financial Statements
For the Year Ended June 30, 2010**

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
Town of Atherton, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atherton as of and for the year ended June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Atherton at June 30, 2010, and the results of its operations and the cash flows of its proprietary fund types where applicable thereof, and budgetary comparisons for major general and special revenue funds for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note 9, the City implemented the provision of GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Post Employment Benefits other than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of the Town of Atherton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is required by the Government Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Atherton. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mare & Associates

September 28, 2010

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, 2010. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Town of Atherton exceeded its liabilities at the close of the most recent fiscal year by \$45,350,005 (*net assets*). Of this amount, \$6,116,042 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$357,236. The decrease is due to the implementation of GASB 45 to recognize OPEB obligation for retiree health care cost, anticipated refund of prior years' construction road impact fees, and two legal settlements.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$17,015,591, an increase of \$228,266 in comparison with the prior year. Of this amount, approximately 70.9 percent or \$12,056,696 is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, the unreserved, undesignated fund balance for the general fund was \$1,667,136, or 14.9 percent of total general fund expenditures.

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 Assets* presents information on all of the Town of Atherton's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 12-13 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 sixteen 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 State Grant Special Revenue Fund and Facilities Construction Capital Projects Fund as major funds. Data from the other eleven 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 16-23 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 26-28 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 30 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 31-53 of this report.

Other information. Budgetary comparison statement for General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund can be found on pages 20-23 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 56-63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets 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 \$45,350,005 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net assets (63.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town of Atherton uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Atherton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town's of Atherton Net Assets

	Governmental activities	
	2010	2009
Current and other assets	\$ 20,626,817	\$ 20,091,291
Capital assets	28,942,210	29,067,634
Total assets	49,569,027	49,158,925
Current liabilities	2,851,637	3,052,668
Noncurrent liabilities	1,367,385	399,016
Total liabilities	4,219,022	3,451,684
Net Assets:		
Invested in capital assets, net of related debt	28,862,718	29,067,634
Restricted	10,371,245	9,567,250
Unrestricted	6,116,042	7,072,357
Total net assets	\$ 45,350,005	\$ 45,707,241

An additional portion of the Town of Atherton net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$6,116,042 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities decreased the Town of Atherton's net assets by \$357,236. The decrease was due to first year implementation of GASB 45 to recognize annual required contribution for unfunded retiree health care cost, accrual of anticipated refund of prior years' construction road impact fees, and two legal settlements with former employees.

Town of Atherton's Changes in Net Assets

	Governmental activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 1,783,484	\$ 2,238,843
Operating grants and contributions	467,302	352,275
Capital Grants and Contributions	533,582	660,101
General revenues:		
Taxes	10,573,623	9,525,485
Investment earnings	159,331	414,398
Other revenues	146,396	397,704
Total revenues	13,663,718	13,588,806
Expenses:		
General government	2,525,526	2,032,385
Public works	4,739,450	4,618,784
Police	5,391,165	4,948,898
Building	1,183,081	1,013,971
Planning	181,732	284,479
Total expenses	14,020,954	12,898,517
Change in Net Assets	(357,236)	690,289
Transfers	-	-
Net assets - Beginning	45,707,241	45,016,952
Net assets - Ending	45,350,005	45,707,241

- Charges for services decreased by \$455,359 (20 percent) during the year. The decrease was primarily due to lower building department revenues of \$221,280.
- Operating grants and contribution increased by \$115,027 (33 percent) during the year. The increase was primarily due to classifying \$59,600 public safety sales tax (Prop172) as operating grant and contribution in FY 2010 whereas the same tax was classified as taxes in FY 2009.
- Capital grants and contributions decreased by \$126,519 (19 percent) during the year. The decrease was primarily due to the Town's decision on December 16, 2009, to stop collecting construction road impact fees.
- Taxes increased by \$1,048,138 (11 percent) during the year. The increase was primarily due to higher secured property tax of \$286,750, higher Excess ERAF of \$207,059 and no reduction of business license tax due to refund of prior years' tax.
- Investment earnings decreased by \$255,067 (62 percent) during the year. The decrease was primarily due to low interest environment.
- Other revenues decreased by \$251,308 (63 percent) during the year. The decrease was primarily due to one-time legal settlement income of \$150,000 in FY 2009.

-
- General Government expense increased by \$493,141 (24 percent) during the year. The increase was primarily due to a legal settlement of \$226,000 and GASB 45 annual required contribution of \$136,892.
 - Public Works expense increased by \$120,666 (5 percent) during the year. The increase was mostly due to GASB 45 annual required contribution of \$164,879.
 - Police expense increased by \$442,267 (9 percent) during the year. The increase was primarily due to a legal settlement of \$230,000 and GASB 45 annual required contribution of \$401,099
 - Building expense increased by \$169,110 (17 percent) during the year. The increase was primarily due to GASB 45 annual required contribution of \$110,410.
 - Planning expense decreased by \$102,747 (36 percent) during the year. The decrease was primarily due to near completion of zoning code update and housing element.

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.

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$17,015,591, an increase of \$228,266 in comparison with the prior year. Approximately 70.9 percent of this total amount constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or designated* to indicate that it is not available for new spending because it has already been committed for 1) to maintain a budget stabilization reserve (\$1,681,258), 2) to maintain an emergency disaster reserve (\$1,681,258), 3) to maintain a working capital reserve (\$560,419), 4) to maintain a Building Department operating reserve (\$1,030,636), and 5) to maintain a community tree and planting maintenance reserve (\$4,854).

General Fund The general fund is the chief operating fund of the Town of Atherton. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$1,667,136, while total fund balance reached \$6,626,031. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 14.9 percent of the total general fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balance of the Town of Atherton's general fund decreased by \$577,245 during the current fiscal year. Key factors in this decline are as follows:

- Implementation of GASB 45 to recognize OPEB liabilities for retiree health care cost of \$639,673
- Two legal settlements of \$456,000.

Special Tax Special Revenue Fund has a total fund balance of \$2,712,268, all of which is reserved for the street and drainage facility maintenance and polices services. Revenue and expense in the fund showed no significant variation from prior year.

Library Special Revenue Fund has a total fund balance of \$4,914,208, all of which is reserved for the library operation. Revenue was higher than prior year due to higher return of excess donor fund.

General Fund Budgetary Highlights

During the year there was a \$892,119 increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- \$230,000 for a legal settlement in the Police Department.
- \$82,238 of Public Works salary savings that did not occur.
- \$83,640 for fee study and High Speed Rail consultant.
- \$40,000 for temporary staffing help for Finance Department.
- \$178,916 for Police Department salary increase and vacation payout.
- \$134,321 for GASB 45 OPEB annual required contribution to achieve 100% funding.

During the year, the revenues budget increased by \$190,831. The increase was due to higher Excess ERAF revenue of \$200,000.

Capital Assets and Debt Administration

Capital assets. The Town of Atherton’s investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$28,862,718 (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. There was no significant increase in the Town of Atherton’s investment in capital assets for the current fiscal year.

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

	Governmental activities	
	2010	2009
Land	690,884	690,884
Construction in progress	668,711	553,959
Building	1,069,338	1,063,273
Other Improvements	507,996	417,488
Vehicles	379,500	352,796
Computer Equipment/Software	167,014	234,604
Furniture & Fixture	10,376	13,341
Machinery & Equipment	114,298	111,697
Infrastructure	25,334,093	25,629,592
Total Fixed Assets	28,942,210	29,067,634

Additional information about the Town’s capital assets can be found in Note. 5 on pages 41 through 43 in the financial statements.

Long-term debt. At the end of the current fiscal year, the Town of Atherton has total debt outstanding of \$500,990.

Town of Atherton's Outstanding Debt

	Governmental activities	
	2010	2009
Software capital lease	\$72,990	-
Workers' compensation assessment	428,000	-
Total Debt	500,990	-

The Town of Atherton's reported \$500,990 of total debt during the current fiscal year.

- \$72,990 in capital lease with Springbrook Software for financial software licensing
- \$428,000 in assessment due to The Cities Group to cover negative workers' compensation reserve.

Additional information on the Town of Atherton's outstanding debt can be found in Note. 6 on pages 43-44 of this report.

Economic Factors and Next Year's Budgets

At the date of publication of this report, there is continuing uncertainty regarding Town revenues for the coming fiscal year and beyond. Property taxes comprise 68% of the General Fund operating revenues and it appears that this will remain a stable source of revenue into the coming year. However, due to the slower than anticipated recovery in the economy, the property tax revenue is projected to remain flat.

The Town expects to face some challenges in trying to maintain its moderate and responsible fiscal policies related to operating expenditures. The rising costs of employee salaries and benefits including health care and retirement costs, as well as unfunded retiree health care cost are factors that are challenging to the Town and remain a major impediment to continuing to provide the current level of services.

Requests for Information

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

TOWN OF ATHERTON

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets 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 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 Assets 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 Assets 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 assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Town's Governmental Activities in a single column, and the financial position of all 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 assets. 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 Assets is computed and reconciled with the Statement of Net Assets.

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

TOWN OF ATHERTON
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$20,319,506
Receivables:	
Taxes	73,792
Grants	98,781
Interest	14,299
Other	119,969
Prepaid expenses	470
Capital assets (Note 5):	
Non-depreciable	1,359,595
Depreciable, net	27,582,615
Total Capital assets	28,942,210
Total Assets	49,569,027
LIABILITIES	
Accounts payable	432,692
Accrued liabilities	1,052,588
Deposits payable	848,416
Compensated absences (Note 1F)	
Due in less than one year	386,611
Due in more than one year	358,052
Long-term debt (Note 6)	
Due within one year	131,330
Due in more than one year	369,660
Net OPEB obligation (Note 9)	
Due in more than one year	639,673
Total Liabilities	4,219,022
NET ASSETS (Note 7)	
Investment in capital assets, net of related debt	28,862,718
Restricted for:	
Streets and drainage maintenance and police services	2,712,268
Library operations	4,914,208
Public facilities constructions	1,761,123
Special revenue projects	847,744
Capital projects	135,902
Unrestricted	6,116,042
Total Net Assets	\$45,350,005

See accompanying notes to financial statements

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

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
General government	\$2,525,526	\$8,284	\$6,219		(\$2,511,023)
Public works	4,739,450	693,293	242,580	\$533,582	(3,269,995)
Police	5,391,165	48,068	218,503		(5,124,594)
Building	1,183,081	858,012			(325,069)
Planning	181,732	175,827			(5,905)
Total Governmental Activities	14,020,954	1,783,484	467,302	533,582	(11,236,586)
General revenues:					
Taxes:					
Property taxes					9,416,608
Sales taxes					112,985
Other taxes					1,044,030
Total Taxes					10,573,623
Investment earnings					159,331
Miscellaneous					146,396
Total general revenues					10,879,350
Change in Net Assets					(357,236)
Net Assets-Beginning					45,707,241
Net Assets-Ending					<u>\$45,350,005</u>

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 2010. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

SPECIAL TAX SPECIAL REVENUE FUND

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

LIBRARY SPECIAL REVENUE FUND

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

STATE GRANT SPECIAL REVENUE FUND

Accounts for various grant funds received for capital improvement projects including park grants.

FACILITIES CONSTRUCTION CAPITAL PROJECTS FUND

Accounts for the funds dedicated to facilities construction.

TOWN OF ATHERTON
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	Major Funds						
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	State Grant Special Revenue Fund	Facilities Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments (Note 3)	\$7,902,464	\$2,923,224	\$4,915,624		\$1,761,123	\$1,026,720	\$18,529,155
Receivables:							
Taxes	49,522					24,270	73,792
Grants	1,459					97,322	98,781
Interest	14,299						14,299
Other	119,284					685	119,969
Prepays	470						470
Due from other funds (Note 4)	16,450						16,450
Total Assets	\$8,103,948	\$2,923,224	\$4,915,624		\$1,761,123	\$1,148,997	\$18,852,916
LIABILITIES							
Accounts payable	\$163,971	\$192,661	\$1,416			\$37,787	\$395,835
Accrued liabilities	448,976					158	449,134
Deposits payable	830,121	18,295					848,416
Claims payable	26,863						26,863
Due to other funds (Note 4)						16,450	16,450
Deferred Revenue	7,986					92,641	100,627
Total Liabilities	1,477,917	210,956	1,416			147,036	1,837,325
FUND BALANCES							
Fund balance (Note 7)							
Reserved for:							
Prepays	470						470
Unreserved:							
Designated for:							
Budget Stabilization	1,681,258						1,681,258
Emergency Disaster	1,681,258						1,681,258
Working Capital Reserve	560,419						560,419
Building Department Operating Reserve	1,030,636						1,030,636
Community Tree and Planting Maintenance	4,854						4,854
Undesignated							
General Fund	1,667,136						1,667,136
Special Revenue Funds		2,712,268	4,914,208			868,330	8,494,806
Capital Projects Funds					\$1,761,123	133,631	1,894,754
Total Fund Balances	6,626,031	2,712,268	4,914,208		1,761,123	1,001,961	17,015,591
Total Liabilities and Fund Balances	\$8,103,948	\$2,923,224	\$4,915,624		\$1,761,123	\$1,148,997	\$18,852,916

See accompanying notes to financial statements

TOWN OF ATHERTON
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total fund balances reported on the governmental funds balance sheet \$17,015,591

Amounts reported for Governmental Activities in the Statement of Net Assets
 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. 28,452,927

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and Investment	1,790,351
Capital assets, net	489,283
Accounts payable and other liabilities / contracts payable	(36,857)
Compensated absences	(744,663)
Claims Payable	(44,504)
Net OPEB Obligation	(639,673)
Long term debt	(500,990)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	100,627
Accrued liabilities	(532,087)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$45,350,005

See accompanying notes to financial statements

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

	Major Funds						Total Governmental Funds
	General Fund	Special Tax Revenue Fund	Library Special Revenue Fund	State Grant Special Revenue Fund	Facilities Construction Capital Projects Fund	Other Governmental Funds	
REVENUES							
Property taxes	\$6,588,719		\$900,000			\$73,402	\$7,562,121
Special assessments		\$1,854,487					1,854,487
Sales taxes	172,585						172,585
Other taxes	826,998						826,998
Measure A grants						224,222	224,222
From other governmental agencies	64,096					675,121	739,217
Permit and licenses	217,032						217,032
Fines and forfeitures	42,899						42,899
Service charges	1,512,547					9,060	1,521,607
Use of money and property	253,055	19,039	30,808		\$13,309	6,242	322,453
Road Impact Fee						88,848	88,848
Miscellaneous	89,618	1,984				115,892	207,494
Total Revenues	9,767,549	1,875,510	930,808		13,309	1,192,787	13,779,963
EXPENDITURES							
Current:							
General government	2,576,842	1,474					2,578,316
Planning	195,255						195,255
Building	1,068,429						1,068,429
Police	5,359,631					100,112	5,459,743
Public Works	1,945,964	160,571			63	538,274	2,644,872
Non-departmental			37,080			9,968	47,048
Capital outlay	62,271	686,909				808,854	1,558,034
Total Expenditures	11,208,392	848,954	37,080		63	1,457,208	13,551,697
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,440,843)	1,026,556	893,728		13,246	(264,421)	228,266
Other Financing Sources (uses):							
Transfer in (Note 4)	863,598			\$10,846			874,444
Transfer (out) (Note 4)		(780,863)			(82,735)	(10,846)	(874,444)
Total Other Financing Sources (uses)	863,598	(780,863)		10,846	(82,735)	(10,846)	
Net change in fund balances	(577,245)	245,693	893,728	10,846	(69,489)	(275,267)	228,266
BEGINNING FUND BALANCES	7,203,276	2,466,575	4,020,480	(10,846)	1,830,612	1,277,228	16,787,325
ENDING FUND BALANCES	\$6,626,031	\$2,712,268	\$4,914,208		\$1,761,123	\$1,001,961	\$17,015,591

See accompanying notes to financial statements

TOWN OF ATHERTON
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets 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 \$228,266

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance	1,718,209
Retirements, net, are deducted from fund balance	(54,804)
Depreciation expense is deducted from the fund balance	(1,779,752)

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):

Compensated absences	827,762
Deferred Revenue	(125,689)
Accrued liabilities	(252,388)

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 Asset - All Internal Service Funds	<u>(918,840)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$357,236)</u></u>
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See accompanying notes to financial statements

TOWN OF ATHERTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<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	\$6,086,500	\$6,460,594	\$6,588,719	\$128,125
Sales taxes	215,000	106,698	172,585	65,887
Other taxes	695,000	795,000	826,998	31,998
Permits and licenses	150,000	225,000	217,032	(7,968)
Fines and forfeitures	19,525	19,525	42,899	23,374
From other governmental agencies	27,895	27,895	64,096	36,201
Service charges	1,502,125	1,326,464	1,512,547	186,083
Use of money and property	315,348	205,348	253,055	47,707
Other	24,286	59,986	89,618	29,632
Total Revenues	<u>9,035,679</u>	<u>9,226,510</u>	<u>9,767,549</u>	<u>541,039</u>
EXPENDITURES:				
Current:				
General government				
City council	22,382	22,382	13,784	8,598
Administration	794,560	805,388	807,275	(1,887)
City attorney	423,000	461,000	454,304	6,696
Finance	531,584	615,145	816,927	(201,782)
Non-departmental	433,477	536,984	484,552	52,432
General government total	2,205,003	2,440,899	2,576,842	(135,943)
Planning	196,257	196,257	195,255	1,002
Building	1,012,547	1,068,155	1,068,429	(274)
Public works	1,783,425	1,951,656	1,945,964	5,692
Police	5,040,639	5,473,023	5,359,631	113,392
Capital outlay	78,671	78,671	62,271	16,400
Total Expenditures	<u>10,316,542</u>	<u>11,208,661</u>	<u>11,208,392</u>	<u>136,212</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,280,863)</u>	<u>(1,982,151)</u>	<u>(1,440,843)</u>	<u>541,308</u>
OTHER FINANCING SOURCES USES				
Transfer in (Note 4)	780,863	863,598	863,598	
NET CHANGE IN FUND BALANCE	<u>(\$500,000)</u>	<u>(\$1,118,553)</u>	<u>(\$577,245)</u>	<u>541,308</u>
Fund balance, beginning of year			7,203,276	
Fund balance, end of year			<u>\$6,626,031</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$1,858,000	\$1,858,000	\$1,854,487	(\$3,513)
Use of money and property			19,039	19,039
Other Revenue			1,984	1,984
Total Revenues	<u>1,858,000</u>	<u>1,858,000</u>	<u>1,875,510</u>	<u>17,510</u>
EXPENDITURES:				
Current:				
General government	1,500	21,500	1,474	20,026
Public works	75,000	215,229	160,571	54,658
Capital outlay	<u>2,859,806</u>	<u>1,695,789</u>	<u>686,909</u>	<u>1,008,880</u>
Total Expenditures	<u>2,936,306</u>	<u>1,932,518</u>	<u>848,954</u>	<u>1,083,564</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	<u>(780,863)</u>	<u>(780,863)</u>	<u>(780,863)</u>	
Total Other Financing Sources (Uses)	<u>(780,863)</u>	<u>(780,863)</u>	<u>(780,863)</u>	
Net change in fund balance	<u>(1,859,169)</u>	<u>(855,381)</u>	245,693	<u>(1,101,074)</u>
Fund Balance, beginning of year			<u>2,466,575</u>	
Fund Balance, end of year			<u>\$2,712,268</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$625,000	\$625,000	\$900,000	\$275,000
Use of money and property	20,000	20,000	30,808	10,808
Total Revenues	645,000	645,000	930,808	285,808
EXPENDITURES:				
Library Maintenance	46,888	51,888	37,080	14,808
Total Expenditures	46,888	51,888	37,080	14,808
NET CHANGES IN FUND BALANCE	598,112	593,112	893,728	300,616
BEGINNING FUND BALANCE			4,020,480	
ENDING FUND BALANCE			\$4,914,208	

See accompanying notes to financial statements

TOWN OF ATHERTON
STATE GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From other agencies				
Use of money and property				
Other revenue				
Total Revenues				
EXPENDITURES				
Current:				
Public Works				
Capital outlay				
Total Expenditures				
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4)			\$10,846	(\$10,846)
Total Other Financing Sources (Uses)			10,846	(10,846)
NET CHANGE IN FUND BALANCES			10,846	(10,846)
BEGINNING FUND BALANCE			(10,846)	
ENDING FUND BALANCE				

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PROPRIETARY FUNDS

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

INTERNAL SERVICE FUND

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

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets	
Cash and investments (Note 3)	\$1,790,351
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	1,082,462
Less accumulated depreciation	(593,179)
Total capital assets	489,283
Total noncurrent assets	489,283
Total Assets	2,279,634
LIABILITIES	
Current liabilities:	
Accounts payable	36,857
Compensated absences (Note 1F)	386,611
Long-term debt (Note 6)	131,330
Total current liabilities	554,798
Non-current liabilities:	
Compensated absences (Note 1F)	358,052
Long-term debt (Note 6)	369,660
Net OPEB obligation (Note 9)	639,673
Claims payable (Note 10)	44,504
Total noncurrent liabilities	1,411,889
Total Liabilities	1,966,687
NET ASSETS (Note 7)	
Invested in capital assets	489,283
Unrestricted	(176,336)
Total Net Assets	\$312,947

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities- Internal Service Funds
OPERATING REVENUES	
Charges for services	<u>\$1,435,271</u>
Total Operating Revenues	<u>1,435,271</u>
OPERATING EXPENSES	
Insurance	653,358
OPEB expense	832,969
Supplies and maintenance	18,294
Employee benefits earned	744,663
Depreciation	<u>114,271</u>
Total Operating Expenses	<u>2,363,555</u>
Operating Income	<u>(928,284)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>9,444</u>
Total Nonoperating Revenues	<u>9,444</u>
Income Before Transfers	(918,840)
Change in net assets	<u>(918,840)</u>
BEGINNING NET ASSETS	<u>1,231,787</u>
ENDING NET ASSETS	<u><u>\$312,947</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental charges	\$1,435,271
Payments to suppliers	(447,865)
Cash Flows from Operating Activities	987,406
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	(105,194)
Cash Flow from Capital and Related Financing Activities	(105,194)
 CASH FLOWS FORM INVESTING ACTIVITIES	
Interest Income	9,444
Cash Flow from Investing Activities	9,444
Net Cash Flow	891,656
Cash and investments at beginning of period	898,695
Cash and investment at end of period	\$1,790,351
 Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities	
Operating income	(\$928,284)
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	114,271
Compensated absences	744,663
Changes in assets and liabilities:	
Accounts payable	(104,081)
Accrued liabilities	(24,330)
Long term debt	500,990
Net OPEB obligation	639,673
Claims payable	44,504
Cash Flows from Operating Activities	\$987,406

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

TOWN OF ATHERTON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	<u>\$31,705</u>
Total Assets	<u><u>\$31,705</u></u>
LIABILITIES	
Deposits payable	<u>\$31,705</u>
Total Liabilities	<u><u>\$31,705</u></u>

See accompanying notes to financial statements

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

The Town’s Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

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

Government-wide Statements: The Statement of Net Assets 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 fiscal year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

C. Major Funds

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

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

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

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

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

State Grant Special Revenue Fund - Accounts for various grant funds received for capital improvement projects including park grants.

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

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town also reports the following fund types:

Fiduciary Funds. Agency Funds are used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statement, 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 assets 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.

The Town follows Statements and Interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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 Assets.

The changes of the compensated absences were as follows:

Beginning Balance	\$827,762
Additions	351,748
Payments	<u>(434,847)</u>
Ending Balance	<u>\$744,663</u>
Current Portion	<u>\$386,611</u>

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Expenditures in Excess of Budget

The funds below incurred expenditures in excess of their budgets in the amounts below for the year ended June 30, 2010:

Fund Name	Amount
General Fund:	
General Government	\$135,943
Building	274
Road Construction Special Revenue Fund	159,136
Channel Drainage District Capital Project Fund	35,380

H. Closed Funds

During the fiscal year ended June 30, 2010, the Town closed State Grant Special Revenue Fund and Police on the Street Special Revenue Fund.

I. New Fund

During the fiscal year ended June 30, 2010, the Town recategorized Evans Creative Design Fund from an agency fund type to a special revenue fund type.

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 City Manager submits to the City 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 City Council as part of the adoption of subsequent year's budget.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of resolution during a City Council meeting in the month of June.
- The City Manager is authorized to transfer budget appropriations within departments in conformance with the adopted policies set by the City Council. All other transfers must be approved by the City Council. Any revisions that alter the total expenditures of any department must be approved by the City Council. Expenditures are budgeted at, and may not legally exceed, the department level for the General Fund and the fund level for Special Revenue and Capital Projects Funds. Budgeted amounts shown are as originally adopted, or as amended by the City Council during the year.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

- Formal budgeting is employed as a management control device during the year for the general and certain special revenue funds.

The following funds were not budgeted for:

- Police on the Street Special Revenue Fund
 - Evans Creative Design Special Revenue Fund
 - Storm Drainage Capital Projects Fund
 - Facilities Construction Capital Projects Fund
- 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.

NOTE 3 - CASH AND INVESTMENTS

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

A. Policies

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

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

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

<i>Statement of Net Assets</i>	
Cash and investments available for operations	\$20,319,506
<i>Fiduciary Funds</i>	
Cash and investments available for operations	31,705
Total Cash and Investments	\$20,351,211

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

Cash on hand	\$973
Cash in Bank	1,020,985
Investments	19,329,253
Total Cash and Investments	\$20,351,211

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

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

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

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

D. Interest Rate Risk

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasury Obligations	\$502,225	\$1,004,550		\$1,506,775
U.S. Agency Securities	3,513,125	1,006,720	\$2,515,945	7,035,790
San Mateo County Investment Fund	1,218,184			1,218,184
California Local Agency Investment Fund	9,508,704			9,508,704
Money Market Mutual Fund	59,800			59,800
Total Investments	<u>14,802,038</u>	<u>2,011,270</u>	<u>2,515,945</u>	<u>19,329,253</u>
Cash in Banks				1,020,985
Petty Cash				<u>973</u>
Total Cash				<u>1,021,958</u>
Total Cash and Investments				<u><u>\$20,351,211</u></u>

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual Standard and Poor's investment ratings as of June 30, 2010 are as follows:

Investment Type	AAA	AAAm-G	Not Rated	Total
U.S. Agency Securities	7,035,790			\$7,035,790
U.S. Treasury Obligations			\$1,506,775	1,506,775
San Mateo County Investment Fund			1,218,184	1,218,184
California Local Agency Investment Fund			9,508,704	9,508,704
Money Market Mutual Fund		\$59,800		59,800
Total Investments	<u>\$7,035,790</u>	<u>\$59,800</u>	<u>\$12,233,663</u>	<u>\$19,329,253</u>

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Concentration of Credit Risk

Investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment fund that represent 5% or more of total Entity-wide investments are as follows at June 30, 2010:

Major Fund	Issuer	Investment Type	Reported Amount
General Fund	Federal National Mortgage Association	Federal Agency Securities	\$3,016,575
General Fund	Federal Home Loan Bank	Federal Agency Securities	1,511,405
General Fund	Federal Farm Credit Bank	Federal Agency Securities	2,003,905

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, 2010, these investments matured in an average of 203 days.

H. San Mateo County Investment Fund

The Town is a voluntary participant 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 SMCIF. 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 corporation. At June 30, 2010, these investments matured in an average of 1 year.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. Interfund balances as of June 30, 2010, are as follows:

Due From Other Funds	Due To Other Funds	
General Fund	Special Revenue Fund: Supplemental Law Enforcement Services/ COPS Grant Traffic congestion relief Capital Improvement Capital Project Funds	\$1,453 10,134 4,863 <u>\$16,450</u>

B. Transfers Between Funds

With City 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, 2010 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Special Tax Special Revenue Fund	\$780,863 (A)
	Facilities Construction Capital Projects Fund	82,735 (B)
State Grant Special Revenue Fund	Capital Improvement Capital Projects Fund	10,846 (C)
		<u>\$874,444</u>

- (A) Transfer was used to fund Police services
- (B) Transfer was used to fund Capital projects
- (C) Transfer was used to close out funds

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 5 - CAPITAL ASSETS

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

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

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

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

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

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 5 - CAPITAL ASSETS (Continued)

A. Current Year Capital Asset Activities

<i>Governmental activities</i>	Balance July 1, 2009	Additions	Retirements	Transfers	Balance June 30, 2010
General Capital Assets					
Capital assets not being depreciated:					
Land	\$690,884				\$690,884
Construction in progress	553,959	\$489,791	(\$54,804)	(\$320,235)	668,711
Total non-depreciable capital assets	1,244,843	489,791	(54,804)	(320,235)	1,359,595
Capital assets being depreciated:					
Buildings	1,843,678	53,575			1,897,253
Other improvements	1,007,712	127,806	(9,850)		1,125,668
Computer equipment and software	187,893				187,893
Furniture & Fixture	79,312				79,312
Vehicle		11,847		20,220	32,067
Machinery & Equipment	418,923	13,786	(10,260)	6,000	428,449
Infrastructure	50,525,000	1,021,404		294,015	51,840,419
Total capital assets being depreciated	54,062,518	1,228,418	(20,110)	320,235	55,591,061
Less accumulated depreciation for:					
Buildings	780,405	47,510			827,915
Other improvements	590,224	37,298	(9,850)		617,672
Computer equipment and software	98,853	54,359			153,212
Furniture & Fixture	65,971	2,965			68,936
Vehicles		3,066			3,066
Machinery & Equipment	307,226	23,636	(10,260)		320,602
Infrastructure	24,895,408	1,610,918			26,506,326
Total accumulated depreciation	26,738,087	1,779,752	(20,110)		28,497,729
Net capital assets being depreciated	27,324,431	(551,334)		320,235	27,093,332
General capital assets, net	\$28,569,274	(\$61,543)	(\$54,804)		\$28,452,927
Internal Service Funds					
Depreciable capital assets:					
Vehicles	878,792	83,423	(102,154)		860,061
Computer Equipment	194,953	27,448		(38,931)	183,470
Other Equipment				38,931	38,931
Total depreciable capital assets	1,073,745	110,871	(102,154)		1,082,462
Less: accumulated depreciation for					
Vehicles	525,996	80,043	(96,477)		509,562
Computer Equipment	49,389	30,527		(28,779)	51,137
Other Equipment		3,701		28,779	32,480
Total accumulated depreciation	575,385	114,271	(96,477)		593,179
Internal Service Funds capital assets, net	498,360	(3,400)	(5,677)		489,283
Governmental capital assets, net	\$29,067,634	(\$64,943)	(\$60,481)		\$28,942,210

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

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 be accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

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

General government	\$14,026
Public Works	1,683,036
Building	50,475
Police	<u>32,215</u>
Governmental activities subtotal	1,779,752
Internal Service Fund	<u>114,271</u>
Total	<u><u>\$1,894,023</u></u>

NOTE 6 – LONG TERM DEBT

A. Long Term Obligations

	Balance June 30, 2009	Additions	Balance June 30, 2010	Current Portion
Governmental Activity Debt:				
Software capital lease	<u>\$72,990</u>	\$72,990	<u>\$72,990</u>	\$24,330
Workers' compensation assessment	<u>428,000</u>	428,000	<u>428,000</u>	107,000
Total Governmental Activity Debt	<u><u>\$500,990</u></u>	<u><u>\$500,990</u></u>	<u><u>\$500,990</u></u>	<u><u>\$131,330</u></u>

B. Software capital lease

In fiscal year 2009, the Town began preparation to install a new accounting software system. As part of the software license agreement, the Town agreed to pay \$24,330 per year, for five years commenced fiscal year 2009.

C. Workers' Compensation Assessment

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 6 – LONG TERM DEBT (Continued)

D. Debt Service Requirements

At June 30, 2010, the Software capital lease along with the Workers' compensation assessment payments to maturity were as follows:

Year ending June30,	Amount
2011	\$131,330
2012	131,330
2013	131,330
2014	107,000
Total	<u>\$500,990</u>

NOTE 7 - FUND BALANCES AND NET ASSETS

A. Net Assets

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

Invested in Capital Assets, net of related debt describes the portion of Net Assets 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 Assets 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 Assets which is not restricted to use.

B. Fund Balance Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds, or represent fund balance of assets not available for expenditures. The Town cannot modify or remove these reserves, which are described below:

Reserve for prepaid expenses represents the portion of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

C. Fund Balance Designations

Portions of unreserved fund balance may be designated to indicate tentative plans for financial resource use in a future period. Such plans or intentions are subject to change and may not result in expenditure. At June 30, 2010, designations included the following:

Designated for budget stabilization reserve represents the portions of fund balance set aside for economic uncertainty, known or anticipated future obligations.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 7 - FUND BALANCES AND NET ASSETS (Continued)

Designated for emergency disaster reserve represents the portions of fund balance set aside for unforeseen expenditures such as natural disaster or catastrophic accidents.

Designated for working capital reserve represents the portion of fund balance set aside for sufficient cash flow needs.

Designated for building department operating reserve represents the portion of fund balance set aside for future building department operations needs.

Designated for community tree planting and maintenance reserve represents the portion of fund balance set aside for planting and maintenance of community trees.

D. Fund Equity

Fund equity consists of reserved and unreserved amounts. Reserved fund equity represents that portion of a fund balance or retained earnings which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects.

E. Fund Deficit

As of June 30, 2010 the Capital Improvement Capital Projects Fund had a fund deficit in the amount of \$658, which is expected to be eliminated by future revenues.

NOTE 8 – PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

The Town participates in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit cost-sharing pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the separate Safety (police - sworn) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Town contributes these amounts. The Plans' provisions and benefits in effect at June 30, 2010 are summarized below:

	<u>Safety (Police)</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly allowance	monthly allowance
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	9%	7%
Required employer contribution rates	31.661%	13.103%

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 8 – PENSION PLAN (Continued)

Town's labor contracts (MOU) require the town to pay the employees' contributions as well as employer's portion, except for the sworn officers, who is responsible for 2% of 9% after the Town makes 7% contribution for them.

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety & Miscellaneous Plan</i>			
June 30, 2008	\$946,555	100%	\$0
June 30, 2009	1,238,268	100%	0
June 30, 2010	1,416,695	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service, and annual retirement benefit increases are assumed to be 3.25%.

As required by State law, effective July 1, 2005, the Town's Miscellaneous and Safety Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the Town true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Town satisfied its Miscellaneous and Safety Plans unfunded liabilities by agreeing to contribute to the Side Fund through an addition to its normal contribution rates. The balance of the Miscellaneous Plan's Side Fund was \$793,507 at June 30, 2010, which will be repaid over the next 10 years. The balance of the Safety Plan's Side Fund was \$1,543,496 at June 30, 2010, which will be repaid over the next 7 years.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 8 – PENSION PLAN (Continued)

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

State-Wide Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.8%	\$754,730,438	155.7%
2007	7,986,055,176	6,826,599,459	1,159,455,717	85.5%	831,607,658	139.4%
2008	8,700,467,733	7,464,927,716	1,235,540,017	85.8%	914,840,596	135.1%

The Town's Safety Plan represents approximately 0.24%, 0.25%, and 0.27% of the State-wide pool for the years ended June 30, 2008, 2007, and 2006, respectively, based on covered projected payroll of \$2,220,450, \$2,098,737 and \$2,096,174 for those years.

State-Wide Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2006	\$2,754,396,608	\$2,492,226,176	\$262,170,432	90.5%	\$699,897,835	37.5%
2007	2,611,746,790	2,391,434,447	220,312,343	91.6%	665,522,859	33.1%
2008	2,780,280,768	2,547,323,278	232,957,490	91.6%	688,606,681	33.8%

The Town's Miscellaneous Plan represents approximately 0.37%, 0.39%, and 0.34% of the State-wide pool for the years ended June 30, 2008, 2007, and 2006, respectively, based on covered projected payroll of \$2,572,293; \$2,595,095 and \$2,365,430 for those years.

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS

During fiscal year 2010, the Town implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes uniform financial reporting standards for employers providing other postemployment benefits (OPEB). The provisions of this statement are applied prospectively and do not affect prior years financial statements. Required disclosures are presented below. The Town's Employee Benefits Fund holds assets set aside for the payment of Town's OPEB obligations.

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

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

Management employees - For management employees, the Town pays 100% of premiums for any medical coverage and any family status. This is subject to a phase-in over four calendar years (2009 through 2012) from 85% to 100% for pre-age 65 premiums.

Police officers - For police officers, the Town pays 100% of premiums for any medical coverage and any family status. However, this is subject to a maximum monthly benefit of \$1,247.06. Any increase will be subject to City Council approval.

APOA miscellaneous employees - For APOA miscellaneous employees, the Town pays up to a maximum of 90% of Blue Shield premiums. The same four years phase-in applies as for management retirees, except that the phase-in also applies to post-age 65 benefits. The 90% of Blue Shield maximum applies to any medical coverage and any family status. After age 65, the Town pays only 90% of the reduced post age 65 premiums.

Teamsters - Teamsters receive the same benefits as APOA, except that the maximum benefit is 95% rather than 90% of Blue Shield premiums.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included 4.00% investment rate of return, 3.25% projected annual salary increase, and 5.5% to 8.2% health cost inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

Annual CalPERS Medical Premium Rate	
Trend Rate Assumption	
for the Plan Year	
<u>Beginning</u>	
January 1, 2010	8.2%
January 1, 2011	7.9%
January 1, 2012	7.6%
January 1, 2013	7.3%
January 1, 2014	7.0%
January 1, 2015	6.7%
January 1, 2016	6.4%
January 1, 2017	6.1%
January 1, 2018	5.8%
January 1, 2019 and thereafter	5.5%

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 9 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Funding Progress and Funded Status

In fiscal year 2009, the Town made contributions toward the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC) and Annual OPEB cost	\$813,147
Contributions made:	
Town's portion of current year premiums paid	<u>173,474</u>
Contributions less than the ARC	<u>639,673</u>
Net OPEB Obligation June 30, 2009	<u> </u>
Net OPEB Obligation June 30, 2010	<u><u>\$639,673</u></u>

The Plan's annual required contributions and actual contributions for the year ended June 30, 2010 is set forth below:

Fiscal Year	Annual Required Contribution (ARC)	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2010	\$813,147	\$173,474	21%	\$639,673

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

Year Ended	Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
6/30/2010	\$0	\$7,750,968	(\$7,750,968)	0%

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 10 - RISK MANAGEMENT

A. Coverage

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

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

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

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

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

B. Uninsured Claims

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

	<u>2010</u>	<u>2009</u>
Beginning balance	\$302,249	\$154,306
Net change in claims liabilities	44,504	147,943
Claims paid	<u>(302,249)</u>	<u> </u>
Ending balance	<u>\$44,504</u>	<u>\$302,249</u>
Claims liabilities due within a year	<u>\$44,504</u>	<u>\$154,306</u>

For the years ended June 30, 2010, 2009, 2008, the amount of settlements did not exceed insurance coverage.

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 11 – JOINT POWERS AUTHORITIES

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

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

Town/County Association of Governments of San Mateo County was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The Town's contribution to C/CAG was \$31,272 for the year ended June 30, 2010. Financial statements may be obtained by mailing a request to the City San Carlos, 600 Elm Street, San Carlos, CA 9407

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

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

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

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

D. *Library Joint Powers Agreement*

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

Town of Atherton
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2010

NOTE 11 – JOINT POWERS AUTHORITIES (Continued)

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

NOTE 12 - CONTINGENT LIABILITIES

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

The Town participates in Federal and State grant programs. These programs have been audited by the Town's independent accountants in accordance with the provisions of the Federal Single Audit Act as amended in 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors, and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

NOTE 13 – PROPOSITION 1A SECURITIZATION

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes apportioned to the City. The state is required to repay the \$442,363 it borrowed from the Town plus interest by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program, administered by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the Town receives cash equal to its share of State borrowings and forgoes interest it otherwise would have received from the State on the unpaid borrowings.

California Communities simultaneously purchased the Proposition 1A receivables from the Town and other participants and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the Town received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the Town equal the book value of state borrowings and no gain or loss was incurred.

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

TENNIS FUND accounts for revenues earned and expenditures incurred for the Holbrook-Palmer Park tennis operations.

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

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

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

POLICE ON THE STREET FUND accounts for private donations from citizens for police services.

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

TRAFFIC CONGESTION RELIEF FUND accounts for funds received from Proposition 42 for transportation congestion relief program.

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

CAPITAL PROJECTS FUNDS

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

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

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

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2010

SPECIAL REVENUE FUNDS					
	Tennis	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Police on the Street
ASSETS					
Cash and investment	\$20,059	\$70,695	\$136,493		
Receivables					
Taxes					
Grants				\$9,938	
Other	\$685				
Total Assets	\$20,744	\$70,695	\$136,493	\$9,938	
LIABILITIES					
Accounts payable		\$1,390			
Accrued liabilities	\$158				
Due to other funds				\$1,453	
Deferred revenue					
Total Liabilities	158	1,390		1,453	
FUND EQUITY					
Fund balances					
Unreserved, undesignated:					
Special Revenue Fund	\$20,586	69,305	136,493	\$8,485	
Capital Projects Fund					
Total Fund Balances	20,586	69,305	136,493	8,485	
Total Liabilities and Fund Balances	\$20,744	\$70,695	\$136,493	\$9,938	

SPECIAL REVENUE FUNDS

CAPITAL PROJECT FUNDS

<u>Road Construction</u>	<u>Traffic Congestion Relief</u>	<u>Evans Creative Design</u>	<u>Capital Improvement</u>	<u>Strom Drainage</u>	<u>Channel Drainage District</u>	<u>Total Nonmajor Governmental Funds</u>
\$517,969		\$106,708	\$12,271	\$33,670	\$128,855	\$1,026,720
	\$18,918		87,384		5,352	24,270
						97,322
						685
<u>\$517,969</u>	<u>\$18,918</u>	<u>\$106,708</u>	<u>\$99,655</u>	<u>\$33,670</u>	<u>\$134,207</u>	<u>\$1,148,997</u>
			9,679		\$26,718	\$37,787
	\$10,134		4,863			158
			87,384		5,257	16,450
	10,134		101,926		31,975	92,641
\$517,969	\$8,784	\$106,708	(2,271)	\$33,670	102,232	868,330
517,969	8,784	106,708	(2,271)	33,670	102,232	133,631
<u>517,969</u>	<u>8,784</u>	<u>106,708</u>	<u>(2,271)</u>	<u>33,670</u>	<u>102,232</u>	<u>1,001,961</u>
<u>\$517,969</u>	<u>\$18,918</u>	<u>\$106,708</u>	<u>\$99,655</u>	<u>\$33,670</u>	<u>\$134,207</u>	<u>\$1,148,997</u>

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	Tennis	County Measure A	Gas Tax	Supplemental Law Enforcement Services/ COPS Grant	Police on the Street
REVENUES					
Property taxes					
Measure A Grants		\$224,222			
From Other Agencies			\$129,404	\$100,982	
Service Charge	\$9,060				
Use of money and property	160	291	489	214	\$2
Road Impact Fees					
Other revenues					
Total Revenues	<u>9,220</u>	<u>224,513</u>	<u>129,893</u>	<u>101,196</u>	<u>2</u>
EXPENDITURES					
Current					
Police				100,000	112
Public Works	16,279	275,982	19,710		
Non-Departmental					
Capital Outlay		12,553			966
Total Expenditures	<u>16,279</u>	<u>288,535</u>	<u>19,710</u>	<u>100,000</u>	<u>1,078</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,059)</u>	<u>(64,022)</u>	<u>110,183</u>	<u>1,196</u>	<u>(1,076)</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)					
Total other financing sources and uses					
NET CHANGE IN FUND BALANCES	<u>(7,059)</u>	<u>(64,022)</u>	<u>110,183</u>	<u>1,196</u>	<u>(1,076)</u>
BEGINNING FUND BALANCES	<u>27,645</u>	<u>133,327</u>	<u>26,310</u>	<u>7,289</u>	<u>1,076</u>
ENDING FUND BALANCES	<u>\$20,586</u>	<u>\$69,305</u>	<u>\$136,493</u>	<u>\$8,485</u>	

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS			Total Nonmajor Governmental Funds
Road Construction	Traffic Congestion Relief	Evans Creative Design	Capital Improvement	Storm Drainage	Channel Drainage District	
					\$73,402	\$73,402
	\$67,750		\$376,985			224,222
\$3,878	161	784	(884)	\$250	897	675,121
88,848						9,060
		115,892				6,242
						88,848
						115,892
92,726	67,911	116,676	376,101	250	74,299	1,192,787
						100,112
2,008	122,725			3,600	97,970	538,274
		9,968				9,968
326,883			468,452			808,854
328,891	122,725	9,968	468,452	3,600	97,970	1,457,208
(236,165)	(54,814)	106,708	(92,351)	(3,350)	(23,671)	(264,421)
			(10,846)			(10,846)
			(10,846)			(10,846)
(236,165)	(54,814)	106,708	(103,197)	(3,350)	(23,671)	(275,267)
754,134	63,598		100,926	37,020	125,903	1,277,228
\$517,969	\$8,784	\$106,708	(\$2,271)	\$33,670	\$102,232	\$1,001,961

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, 2010

SPECIAL REVENUE FUNDS

	Tennis			County Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A grants				\$205,000	\$224,222	\$19,222
From other agencies						
Service charges	\$12,500	\$9,060	(\$3,440)			
Use of money and property	100	160	60		291	291
Road impact fee						
Other revenue						
Total Revenues	12,600	9,220	(3,380)	205,000	224,513	19,513
EXPENDITURES						
Current						
General Government						
Police						
Public Works	23,198	16,279	6,919	162,801	275,982	(113,181)
Capital Outlay				175,526	12,553	162,973
Total Expenditures	23,198	16,279	6,919	338,327	288,535	49,792
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,598)	(7,059)	(10,299)	(133,327)	(64,022)	(30,279)
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
Total other financing sources (uses)						
NET CHANGE IN FUND BALANCES	(10,598)	(7,059)	3,539	(133,327)	(64,022)	69,305
BEGINNING FUND BALANCES		27,645			133,327	
ENDING FUND BALANCES		<u>\$20,586</u>			<u>\$69,305</u>	

SPECIAL REVENUE FUNDS

Gas Tax			Supplemental Law Enforcement Services / COPS Grants			Road Construction		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$100,000	\$129,404	\$29,404	\$100,000	\$100,982	\$982			
	489	489		214	214	\$58,824	\$3,878 88,848	\$3,878 30,024
100,000	129,893	29,893	100,000	101,196	1,196	58,824	92,726	33,902
126,310	19,710	106,600	100,000	100,000		169,755	2,008 326,883	(2,008) (157,128)
126,310	19,710	106,600	100,000	100,000		169,755	328,891	(159,136)
(26,310)	110,183	(76,707)		1,196	1,196	(110,931)	(236,165)	193,038
(26,310)	110,183	136,493		1,196	1,196	(110,931)	(236,165)	193,038
	26,310			7,289			754,134	
	<u>\$136,493</u>			<u>\$8,485</u>			<u>\$517,969</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, 2010

	SPECIAL REVENUE FUND			CAPITAL PROJECTS FUND		
	Traffic Congestion Relief		Variance Positive (Negative)	Capital Improvement		Variance Positive (Negative)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes						
Measure A grants						
From other agencies	(\$60,000)	\$67,750	\$127,750	\$1,113,168	\$376,985	(\$736,183)
Service charges						
Use of money and property		161	161		(\$884)	(\$884)
Road impact fee						
Other revenue						
Total Revenues	(60,000)	67,911	127,911	1,113,168	376,101	(737,067)
EXPENDITURES						
Current						
General Government						
Police						
Public Works	123,598	122,725	873			
Capital Outlay				1,187,860	468,452	\$719,408
Total Expenditures	123,598	122,725	873	1,187,860	468,452	719,408
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(183,598)	(54,814)	127,038	(74,692)	(92,351)	(1,456,475)
OTHER FINANCING SOURCES (USES)						
Transfers (out)					(10,846)	\$10,846
Total other financing sources (uses)					(10,846)	10,846
NET CHANGE IN FUND BALANCES	(183,598)	(54,814)	127,038	(74,692)	(103,197)	(1,445,629)
BEGINNING FUND BALANCES		63,598			100,926	
ENDING FUND BALANCES		<u>\$8,784</u>			<u>(\$2,271)</u>	

CAPITAL PROJECTS FUND

Channel Drainage District

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(\$82,000)	\$73,402	\$155,402
	897	897
<u>(82,000)</u>	<u>74,299</u>	<u>156,299</u>
62,590	97,970	(35,380)
<u>62,590</u>	<u>97,970</u>	<u>(35,380)</u>
<u>(144,590)</u>	<u>(23,671)</u>	<u>191,679</u>
<u>(144,590)</u>	<u>(23,671)</u>	<u>191,679</u>
	<u>125,903</u>	
	<u>\$102,232</u>	

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INTERNAL SERVICE FUNDS

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

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

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

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

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

GENERAL LIABILITY FUND accounts for other liabilities including employment liabilities.

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

TOWN OF A THERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
ASSETS					
Current Assets:					
Cash and investments	\$459,775	\$509,076	\$80,747	\$740,753	\$1,790,351
Total Current Assets	<u>459,775</u>	<u>509,076</u>	<u>80,747</u>	<u>740,753</u>	<u>1,790,351</u>
Non-Current Assets:					
Capital assets:					
Depreciable	1,082,462				1,082,462
Less: accumulated depreciation	(593,179)				(593,179)
Net Capital Asset	<u>489,283</u>				<u>489,283</u>
Total noncurrent assets	<u>489,283</u>				<u>489,283</u>
Total Assets	<u><u>949,058</u></u>	<u><u>509,076</u></u>	<u><u>80,747</u></u>	<u><u>740,753</u></u>	<u><u>2,279,634</u></u>
LIABILITIES					
Current liabilities					
Accounts payable	\$36,857				\$36,857
Accrued liability					
Compensated absences				\$386,611	386,611
Long-term debt - due within one year	24,330	\$107,000			131,330
Total current liabilities	<u>61,187</u>	<u>107,000</u>		<u>386,611</u>	<u>554,798</u>
Noncurrent liabilities					
Compensated absences				358,052	358,052
Long-term debt	48,660	321,000			369,660
Net OPEB obligations				639,673	639,673
Claims Payable			\$44,504		44,504
Total noncurrent liabilities	<u>48,660</u>	<u>321,000</u>	<u>44,504</u>	<u>997,725</u>	<u>1,411,889</u>
Total Liabilities	<u>109,847</u>	<u>428,000</u>	<u>44,504</u>	<u>1,384,336</u>	<u>1,966,687</u>
NET ASSETS					
Invested in capital assets	489,283				489,283
Unrestricted	349,928	81,076	36,243	(643,583)	(176,336)
Total Net Assets (Deficit)	<u><u>\$839,211</u></u>	<u><u>\$81,076</u></u>	<u><u>\$36,243</u></u>	<u><u>(\$643,583)</u></u>	<u><u>\$312,947</u></u>

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
OPERATING REVENUES					
Charges for services	\$123,281	\$153,248	\$226,937	\$931,805	\$1,435,271
Total Operating Revenues	123,281	153,248	226,937	931,805	1,435,271
OPERATING EXPENSES					
Insurance		461,747	191,611		653,358
OPEB expense				832,969	832,969
Supplies and maintenance	18,294				18,294
Other contractual services					
Employee benefits earned				744,663	744,663
Depreciation	114,271				114,271
Total Operating Expenses	132,565	461,747	191,611	1,577,632	2,363,555
Operating Income (Loss)	(9,284)	(308,499)	35,326	(645,827)	(928,284)
NONOPERATING REVENUES (EXPENSES)					
Interest income	3,176	3,107	917	2,244	9,444
Total Nonoperating Revenues (Expenses)	3,176	3,107	917	2,244	9,444
Income Before Transfers	(6,108)	(305,392)	36,243	(643,583)	(918,840)
Change in Net Assets	(6,108)	(305,392)	36,243	(643,583)	(918,840)
BEGINNING NET ASSETS	845,319	386,468			1,231,787
ENDING NET ASSETS (DEFICIT)	\$839,211	\$81,076	\$36,243	(\$643,583)	\$312,947

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from other funds	\$123,281	\$153,248	\$226,937	\$931,805	\$1,435,271
Payments to vendors	(73,715)	(33,747)	(147,107)	(193,296)	(447,865)
Cash Flows from Operating Activities	49,566	119,501	79,830	738,509	987,406
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(105,194)				(105,194)
Cash Flows from Capital and Related Financing Activities	(105,194)				(105,194)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	3,176	3,107	917	2,244	9,444
Cash Flows from Investing Activities	3,176	3,107	917	2,244	9,444
Net Cash Flows	(52,452)	122,608	80,747	740,753	891,656
Cash and investments at beginning of period	512,227	386,468			898,695
Cash and investments at end of period	\$459,775	\$509,076	\$80,747	\$740,753	\$1,790,351
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$9,284)	(\$308,499)	\$35,326	(\$645,827)	(\$928,284)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	114,271				114,271
Compensated absences				744,663	744,663
Change in assets and liabilities:					
Accounts payable	(104,081)				(104,081)
Accrued liability	(24,330)				(24,330)
Long term liabilities	72,990	428,000			500,990
Net OPEB obligation				639,673	639,673
Claims payable			44,504		44,504
Cash Flows from Operating Activities	\$49,566	\$119,501	\$79,830	\$738,509	\$987,406

AGENCY FUNDS

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

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

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

TREE COMMITTEE – Fund maintained for the Tree Committee.

TOWN OF ATHERTON
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<hr/> <u>Evans Creative Design Fund</u> <hr/>				
ASSETS				
Cash and investments	\$116,166		\$116,166	
Total assets	<u>\$116,166</u>		<u>\$116,166</u>	
LIABILITIES				
Deposits payable	\$116,166		\$116,166	
Total liabilities	<u>\$116,166</u>		<u>\$116,166</u>	
<hr/> <u>Lindenwood Gate Trust</u> <hr/>				
ASSETS				
Cash and investments	\$249		249	
Total assets	<u>\$249</u>		<u>\$249</u>	
LIABILITIES				
Deposits payable	\$249		\$249	
Total liabilities	<u>\$249</u>		<u>\$249</u>	
<hr/> <u>H-P Park Improvement Fund</u> <hr/>				
ASSETS				
Cash and investments	\$3,956	\$1,919		\$5,875
Total assets	<u>\$3,956</u>	<u>\$1,919</u>		<u>\$5,875</u>
LIABILITIES				
Deposits payable	\$3,956	\$1,919		\$5,875
Total liabilities	<u>\$3,956</u>	<u>\$1,919</u>		<u>\$5,875</u>

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
<u>Tree Committee</u>				
ASSETS				
Cash and investments	\$24,907	\$923		\$25,830
Total assets	<u>\$24,907</u>	<u>\$923</u>		<u>\$25,830</u>
LIABILITIES				
Accounts payable	\$169		\$169	
Deposits payable	\$24,738	\$1,092		\$25,830
Total liabilities	<u>\$24,907</u>	<u>\$1,092</u>	<u>\$169</u>	<u>\$25,830</u>
<u>All Agency Funds</u>				
ASSET				
Cash and investments	\$145,278	\$2,842	\$116,415	\$31,705
Total assets	<u>\$145,278</u>	<u>\$2,842</u>	<u>\$116,415</u>	<u>\$31,705</u>
LIABILITIES				
Accounts payable	\$169		\$169	
Deposits payable	\$145,109	\$3,011	\$116,415	\$31,705
Total liabilities	<u>\$145,278</u>	<u>\$3,011</u>	<u>\$116,584</u>	<u>\$31,705</u>

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