

**Town
of
Atherton**
Atherton, California

*Basic Financial Statements
And Independent Auditors' Report*

For the year ended June 30, 2004

C&L
Caporicci & Larson
Certified Public Accountants

Town of Atherton

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of the Town of Atherton, California (Town), as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements 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 basic financial statements based on our audit.

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

In our opinion, such basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the Town adopted statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

As described in Note 4 to the basic financial statements, the Town has elected in accordance with Governmental Accounting Standards Board Statement No. 34 to defer recording and reporting of its major general infrastructure assets acquired prior to fiscal year 2003-2004. Recording and reporting by the City of these major general infrastructure assets is required by fiscal year 2006-2007.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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To the Honorable Mayor and Members of the City Council
of the Town of Atherton
Atherton, California
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capricci & Carson

Oakland, California
August 13, 2004

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, 2004. 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 \$ 13,579,703 (net assets). Of this amount, \$5,891,426 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$3,234,494. Approximately seventy-five percent of the increase is attributable to investments in capital assets.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$9,777,407, an increase of \$933,420 in comparison with the prior year. Approximately half of this total amount, 2,951,568, is available for spending at the Town's discretion (unreserved fund balance.)
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,391,589, or 33 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 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 a 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 reports 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 Town'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*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Atherton include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation.

The government-wide financial statements include not only the Town of Atherton itself (known as the *primary government*), but also the Atherton Channel District a legally separate special purpose district. Financial information these *component units* is reported separately from the financial information presented for the primary government itself. The Atherton Channel District, although legally separate, functions for all practical purposes as a department of the Town of Atherton, and therefore has been included as an integral part of the primary government.

The government-wide financial statement can be found on pages 11 through 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 eighteen individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special tax special revenue fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation individual fund data for each of these nonmajor 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 through 21 of this report.

Proprietary funds. The Town of Atherton maintains one type of proprietary fund type, internal service funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town of Atherton's various functions. The Town of Atherton uses internal service funds to account for its fleet of vehicles, for its management information systems and for certain administrative services activities. Because each of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23 through 26 of this report.

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

The basic fiduciary fund financial statements can be found on pages 27 and 28 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 29 through 48 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town of Atherton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 49 through 52 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 \$13,597,703 at the close of the most recent fiscal year.

The largest portion of the Town of Atherton's net assets consist of cash and cash equivalents (81 percent). The remaining net assets consist of investments in capital assets (e.g., land, buildings, machinery, and equipment). The majority of the Town's total net assets are consist of cash and cash equivalents because the Town has not yet made a retrospective accounting of its infrastructure assets that were acquired or constructed prior to FY 2003-04.

TOWN OF ATHERTON'S Net Assets

Invested in capital assets, net of related debt	\$ 3,969,309
Restricted for:	
Capital projects	404,424
Debt service	561,792
Special projects	2,770,752
Unrestricted	<u>5,891,426</u>
Total net assets	<u><u>\$ 13,597,703</u></u>

An additional portion of the Town of Atherton's net assets (27 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$5,891,426) may be used to meet the Town'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 in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town of Atherton' net assets by \$3.2 million. Of this \$2.4 million (75 percent) were a result of capital improvements that were accomplished with existing financial reserves. (The Town of Atherton funds its capital improvement program on a "pay as you go" basis). Favorable variances in certain revenue accounts and aggressive actions by the Town to reduce current-year expenditures also contributed to an increase in net assets.

Financial Analysis of the Town'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 \$9,777,407, an increase of \$933,420 in comparison with the prior year. Thirty percent of this total amount (\$2,951,568) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$956,208) 2) to provide for a contingency for economic uncertainty (\$3,000,000) and 3) to provide for a reserve for future building inspections (\$604,903).

The general fund is the chief operating fund of the Town of Atherton. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,391,589, while total fund balance reached \$6,057,378. 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. For the year ended June 30th, 2004 total general fund balance represented represents 83 percent of FY 2004 expenditures.

The fund balance of the general fund increased by \$772,745 for the 12 months ended June 30th, 2004. Key factors in this growth are as follows:

- A one-time refund of excess property tax contributions to the Educational Revenue Augmentation Fund by the San Mateo County Controller in the amount of \$185,000 as a result of excess contributions withheld by the Controller in previous fiscal years;
- Implementation of methods to improve the rate of compliance with the Town's business license ordinance thereby increasing business license tax collections by nearly \$300,000 in FY 2003-04;
- The decision by City Council to increase the Parcel Tax Levy and operating transfer to provide for additional financial reserves in anticipation of future diversions of local revenues by the State of California; and,
- Aggressive cost-containment efforts including the decision not to fill certain administrative and public safety positions that had been vacated as a means of offsetting rising health insurance and pension costs.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor: a \$61,000 reduction in estimated revenues offset by a reduction in appropriations \$41,000 and the recognition of higher than anticipated carry-over of fund-balance from the previous fiscal year.

During the year, however, revenues exceeded budgetary estimates by \$303,744 (a favorable variance of five percent of estimated revenues) and expenditures were less than appropriations, by \$94,482 (a favorable variance of 1.3 percent of general fund appropriations).

Capital Assets

Capital assets. The Town of Atherton's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$3,969,309 (net of accumulated depreciation). This investment in capital assets includes land, building and computers and telecommunications system, improvements, machinery and equipment, park facilities, a corporation yard, and roads. The total increase in the Town of Atherton's investment in capital assets for the current fiscal year was 1,004,446 (all of which were for governmental activities).

Major capital asset events during the current fiscal year included the following:

- Construction began and was completed on the new corporation yard (the cost of which was \$629,114);
- A variety of street construction projects completed at a cost of \$715,967;
- Construction in progress as of the end of the current fiscal year had reached \$1,034,000; and,
- Various building and system additions and improvements were completed in at a cost of approximately \$143,000.

TOWN OF ATHERTON'S Capital Assets

	Balance July 1, 2003	Additions	Retirements	Adjustments	Balance June 30, 2004
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 690,884	\$ -	\$ -	\$ -	\$ 690,884
Construction in progress	-	1,034,000	-	-	1,034,000
Total nondepreciable assets	<u>690,884</u>	<u>1,034,000</u>	<u>-</u>	<u>-</u>	<u>1,724,884</u>
Capital assets, being depreciated:					
Buildings	991,052	629,114	-	-	1,620,166
Other improvements	605,539	12,588	-	-	618,127
Vehicles	481,113	73,249	(29,264)	-	525,098
Equipment - computer	60,214	5,118	-	-	65,332
Equipment - furniture/equipment	372,662	53,723	(38,458)	-	387,927
Infrastructure	-	715,967	-	-	715,967
Total depreciable assets	<u>2,510,580</u>	<u>1,489,759</u>	<u>(67,722)</u>	<u>-</u>	<u>3,932,617</u>
Accumulated Depreciation:					
Buildings	-	(28,328)	-	(556,053)	(584,381)
Other improvements	-	(21,663)	-	(445,000)	(466,663)
Vehicles	(234,136)	(70,160)	29,265	-	(275,031)
Equipment - computer	(2,465)	(5,298)	-	(334,307)	(342,070)
Equipment - furniture/equipment	-	(24,050)	28,588	-	4,538
Infrastructure	-	(24,585)	-	-	(24,585)
Total accumulated depreciation	<u>(236,601)</u>	<u>(174,084)</u>	<u>57,853</u>	<u>(1,335,360)</u>	<u>(1,688,192)</u>
Depreciable assets, net	<u>2,273,979</u>	<u>1,315,675</u>	<u>(9,869)</u>	<u>(1,335,360)</u>	<u>2,244,425</u>
Governmental activities capital assets, net	<u>\$ 2,964,863</u>	<u>\$ 2,349,675</u>	<u>\$ (9,869)</u>	<u>\$ (1,335,360)</u>	<u>\$ 3,969,309</u>

Additional information on the Town of Atherton's capital assets can be found in note 4 of this report.

Economic Factors Affecting Subsequent Years

- FY 2004-05 will be the fourth and final year that the Atherton special municipal tax will remain in effect. Unless the special municipal tax is renewed prior to June 30th, 2005 or an alternative source of funding is identified, the Town the amount of discretionary revenues available to the town will decline by \$1.85 million (approximately 27 percent of total discretionary revenues).
- The assessed value of real and personal property will increase by 6.8 percent in calendar year 2004. However, Atherton's property taxes will decline by \$136,000 in FY 2004-05 as a result of:
- A \$153,000 increase in educational revenue augmentation fund shifts by the State of California; and,
- An assumption that a \$185,000 rebate from the County Controller's office received in FY 2003-04 will not reoccur in FY 2004-05.
- The permitted value of residential renovation and construction is expected to exceed \$100 million for the fourth consecutive year. As a result, the Building Department is expected to be fully self-supporting at current permit fee levels.
- Pension expenses for municipal employees will amount to 18 percent of covered payroll for miscellaneous employees and 36 percent for safety employees.
- Salary expenses will increase at levels consistent with expected changes in the consumer price index (approximately 3 percent per year).

All of these factors were considered in preparing the Town of Atherton's budget for Fiscal Year 2004-05.

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 Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Atherton Finance Department, 91 Ashfield Rd. Atherton, CA. 94027.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Atherton
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and investments in treasury	\$ 10,988,439
Receivables:	
Accounts	142,918
Interest	57,661
Miscellaneous	120
Capital assets:	
Non-depreciable	1,724,884
Depreciable, net	2,244,425
Total assets	<u>15,158,447</u>
LIABILITIES	
Accounts payable	216,856
Accrued payroll	255,394
Deposit payable	472,737
Claims payable	53,965
Compensated absence - due within one year	112,358
Compensated absences payable, due in more than one year	449,434
Total liabilities	<u>1,560,744</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,969,309
Restricted for:	
Capital projects	404,424
Debt service	561,792
Special projects	2,770,752
Unrestricted	5,891,426
Total net assets	<u>\$ 13,597,703</u>

See accompanying Notes to Basic Financial Statements.

Town of Atherton
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues				Total	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating	Capital	Governmental Activities		
			Grants and Contributions	Grants and Contributions			
Primary government:							
Governmental activities:							
General government	\$ 1,519,594	\$ 2,239,127	\$ 105,270	\$ -	\$ 2,344,397	\$ 824,803	
Public works administration	1,004,566	-	-	-	-	(1,004,566)	
Parks and recreation	508,610	220,688	-	-	220,688	(287,922)	
Police	3,768,698	79,144	22,118	-	101,262	(3,667,436)	
Parks maintenance	11,054	-	-	-	-	(11,054)	
Library maintenance	97,551	-	1,178	-	1,178	(96,373)	
Streets and public facilities	93,257	541,592	182,696	-	724,288	631,031	
Total governmental activities	\$ 7,003,329	\$ 3,080,551	\$ 311,262	\$ -	\$ 3,391,813	(3,611,516)	

General revenues and transfers:

Taxes:

Property taxes	5,520,609
Sales taxes	345,649
Other taxes	903,527
Total taxes	6,769,785

Investment earnings	79,980
Miscellaneous	6,115
Loss on disposal of assets	(9,870)

Total general revenues and transfers 6,846,010

Change in net assets 3,234,494

Net assets - beginning of year, as restated (Note 12) 10,363,209

Net assets - end of year \$ 13,597,703

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Town of Atherton
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds			Total
	General	Special Tax	Non-Major	
		Special Revenue	Governmental Funds	
ASSETS				
Cash and investments in treasury	\$ 6,726,339	\$ 989,824	\$ 2,851,895	\$ 10,568,058
Receivables:				
Accounts	142,835	-	83	142,918
Interest	57,661	-	-	57,661
Miscellaneous	120	-	-	120
Due from other funds	12,016	-	-	12,016
Total assets	\$ 6,938,971	\$ 989,824	\$ 2,851,978	\$ 10,780,773
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 99,497	\$ 26,601	\$ 83,156	\$ 209,254
Accrued payroll	255,394	-	-	255,394
Deposit payable	472,737	-	-	472,737
Claims payable	53,965	-	-	53,965
Due to other funds	-	-	12,016	12,016
Total liabilities	881,593	26,601	95,172	1,003,366
Fund Balances:				
Reserved for:				
Encumbrances	60,886	838,314	57,008	956,208
Special projects	-	-	1,865,020	1,865,020
Capital projects	-	-	399,708	399,708
Contingency	3,000,000	-	-	3,000,000
Future building inspection	604,903	-	-	604,903
Unreserved:				
Designated:				
Insurance	608,882	-	-	608,882
Undesignated, reported in:				
General fund	1,782,707	-	-	1,782,707
Special revenue funds	-	124,909	20,132	145,041
Capital project funds	-	-	414,938	414,938
Total fund balances	6,057,378	963,223	2,756,806	9,777,407
Total liabilities and fund balances	\$ 6,938,971	\$ 989,824	\$ 2,851,978	\$ 10,780,773

See accompanying Notes to Basic Financial Statements.

Town of Atherton
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds \$ 9,777,407

Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities were not current financial resources and therefore were not reported in the Governmental Funds Balance Sheet.

Non depreciable assets (Land and construction in progress)	1,724,884
Depreciable buildings, property, equipment and infrastructure, net	<u>2,244,425</u>
Total capital assets	<u>3,969,309</u>

Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets. 412,779

Compensated absence Payable were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Compensated absences - current portion	(112,358)
Compensated absences - non-current portion	<u>(449,434)</u>
Total long-term liabilities	<u>(561,792)</u>

Net Assets of Governmental Activities \$ 13,597,703

Town of Atherton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds			Total
	General	Special Tax Special Revenue	Non-Major Governmental Funds	
REVENUES:				
Property taxes	\$ 3,256,642	\$ -	\$ 466,912	\$ 3,723,554
Special assessments	-	1,835,796	-	1,835,796
Sales taxes	153,871	-	-	153,871
Measure A grants	-	-	191,779	191,779
Other taxes	922,798	-	-	922,798
Permits and licenses	1,861,413	-	-	1,861,413
Fines and forfeitures	71,230	-	-	71,230
From other agencies	214,164	-	247,757	461,921
Service charges	362,720	-	16,873	379,593
Use of money and property	(11,674)	-	27,987	16,313
Road impact fees	-	-	541,592	541,592
Other revenue	76,993	-	10,840	87,833
Total revenues	6,908,157	1,835,796	1,503,740	10,247,693
EXPENDITURES:				
Current:				
General government	1,555,792	-	-	1,555,792
Public works administration	1,625,901	-	-	1,625,901
Parks and recreation	508,610	-	-	508,610
Police	3,594,069	-	100,000	3,694,069
Parks maintenance	-	-	11,258	11,258
Library maintenance	-	-	97,551	97,551
Streets and public facilities	-	896,137	924,955	1,821,092
Total expenditures	7,284,372	896,137	1,133,764	9,314,273
REVENUES OVER (UNDER) EXPENDITURES	(376,215)	939,659	369,976	933,420
OTHER FINANCING SOURCES (USES):				
Transfers in	1,148,960	-	-	1,148,960
Transfers (out)	-	(871,879)	(277,081)	(1,148,960)
Total other financing sources (uses)	1,148,960	(871,879)	(277,081)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	772,745	67,780	92,895	933,420
FUND BALANCES:				
Beginning of year	5,284,633	895,443	2,663,911	8,843,987
End of year	\$ 6,057,378	\$ 963,223	\$ 2,756,806	\$ 9,777,407

See accompanying Notes to Basic Financial Statements.

Town of Atherton

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ 933,420
Governmental activities in the Statement of Activities and changes in Net Assets were reported differently because:	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	2,445,392
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds.	(98,627)
Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, loss on the disposal of capital assets was not reported as expenditure in Governmental Funds.	(9,870)
Payroll expense on compensated absences is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, compensated absences expense was not reported as expenditures in governmental funds.	(59,290)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	<u>23,469</u>
Change in Net Assets of Governmental Activities	<u>\$ 3,234,494</u>

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Internal Service Fund - This fund is used to account for special activities and services performed by a designated Town department for other departments on a cost reimbursement basis.

Town of Atherton
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Governmental Activities Internal Service Funds
ASSETS	
Current assets:	
Cash and investments	\$ 420,381
Noncurrent assets:	
Capital assets:	
Depreciable, net	281,950
Total assets	<u>702,331</u>
LIABILITIES	
Current liabilities:	
Accounts payable	7,602
Total liabilities	<u>7,602</u>
NET ASSETS	
Invested in capital assets, net of related debt	281,950
Unrestricted	412,779
Total net assets	<u>\$ 694,729</u>

See accompanying Notes to Basic Financial Statements.

Town of Atherton
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2004

	Governmental Activities Internal Service Funds
OPERATING REVENUES:	
Service charges	\$ 430,662
Total operating revenues	<u>430,662</u>
OPERATING EXPENSES:	
Risk management	168,997
Depreciation	75,458
Supplies and maintenance	162,738
Total operating expenses	<u>407,193</u>
OPERATING INCOME (LOSS)	<u>23,469</u>
Change in net assets	23,469
NET ASSETS:	
Beginning of the year	<u>671,260</u>
End of the year	<u>\$ 694,729</u>

See accompanying Notes to Basic Financial Statements.

Town of Atherton
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/other funds	\$ 430,662
Cash payments to suppliers for goods and services	(351,344)
Net cash provided (used) by operating activities	<u>79,318</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Repayment of payables to other funds	(55,854)
Net cash provided (used) by noncapital financing activities	<u>(55,854)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition or disposal of fixed assts	(78,368)
Net cash provided (used) by capital and related financing activates	<u>(78,368)</u>
Net increase (decrease) in cash and cash equivalents	(54,904)
CASH AND CASH EQUIVALENTS:	
Beginning of year	475,285
End of year	<u>\$ 420,381</u>
RECONCILIATION OF OPERATING INCOME TO NET	
CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 23,469
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	75,458
Changes in assets and liabilities:	
Accounts payable	(19,609)
Total adjustments	<u>55,849</u>
Net cash provided (used) by operating activities	<u>\$ 79,318</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

Town of Atherton
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 128,762
Total assets	<u>\$ 128,762</u>
LIABILITIES	
Accounts payable	\$ 2,668
Deposits payable	<u>126,094</u>
Total liabilities	<u>\$ 128,762</u>

Town of Atherton
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Atherton, California, (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

The Town was incorporated 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 created by charter in 1923 and provides the following services: public safety (police), public works and streets, park services, and general administration services.

The Town is governed by a five-member council elected by Town residents. The Town is legally separate and fiscally independent, which means it can issue debt, set and modify budgets and fees and sue or be sued. The accompanying basic financial statements include the financial activities of the Town, the primary government, and its component units.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The following is a brief review of the blended component unit included in the accompanying basic financial statements of the Town in which the Council functions as the governing board:

The Atherton Channel District (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.

The above component unit is included in the Town's basic financial statements using the blended method since the governing body of this component unit is substantially the same as the governing body of the Town and this component unit provides services entirely to the Town. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the Town. The Town does not have any component units that are discretely presented. Financial information for the component unit may be obtained from the Town's Finance Department.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Town's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of the governmental activities for the Town, the primary government, accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets and related current year infrastructure asset additions and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Town and are presented in the following three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The Town applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) and Statements Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins, (ARB) of the Committee on Accounting Procedure.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Town has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property taxes, charges for services, federal and state grants, sales tax, and interest. Expenditures are recognized in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

The Town's proprietary funds represent Internal Service funds of which have been combined with the governmental activities in the government-wide financial statements.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements normally include a Statement of Net Assets and a Statement of Changes in Fiduciary Net Assets. The Town's fiduciary funds represent agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. As a result, a statement of Changes in Fiduciary Net Assets is not presented in this report.

C. Recognition of Interest Liability

In the government-wide financial statements, interest payable of long-term debt is recognized as the liability is incurred for governmental fund types and business type activities.

In the fund financial statements, proprietary fund types recognize the interest payable when the liability is incurred.

D. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Town's policy is to apply restricted net assets first.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments

The Town pools cash and investments from all sources, for the purpose of increasing income through investment activities. Interest income on investments is allocated on the basis of average month-end cash and investment balances in each fund. Cash and cash equivalents represent cash and investments and restricted cash and investments with an original maturity term of three months or less. Pooled cash and investments allocated to proprietary fund types are considered cash and cash equivalents since specific investments held in the Town's pooled cash and investments are not allocated to each fund.

The Town invests in the California Local Agency Investment Fund ("LAIF"), which is part of the Pooled Money Investment Account operated by the California State Treasurer. LAIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio. A portion of LAIF's investments are in structured notes and asset-backed securities. As of June 30, 2004 LAIF had invested 1.603% of its funds in such securities.

The Town also invests in the San Mateo County Investment Fund ("SMCPIF"), which is part of the Pooled Money Investment Account operated by the San Mateo County Treasurer. SMCPIF funds are invested in high quality money market securities and are managed to insure the safety of the portfolio.

LAIF and SMCPIF determines fair value on its investment portfolio based on market quotations for these securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

In accordance with GASB Statement No. 31, highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Town policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	40 Years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years
Infrastructure	20-50 years

In June 1999, the GASB issued GASB Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the Town has elected to defer the inclusion of all prior period infrastructure capital assets to fiscal year 2007. Only the infrastructure which resulted from current year activities has been included in the current basic financial statements. In accordance with GASB Statement No. 34, the Town may defer infrastructure assets acquired prior to the current year for a period not to exceed 4 years after the date of implementation of GASB Statement No. 34.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

The Town defines infrastructure as the basic physical assets that allow the Town to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the proprietary funds as part of the asset cost.

G. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the Town's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources.

H. Property Taxes

San Mateo County assesses properties, bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding March 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. Unsecured tax is due as of January 1 lien date and becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property.

Property tax revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 90 days after the close of the current period.

Property taxes levied are recorded as revenue when received, in the fiscal year of the levy, because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Post Employment Benefits Other Than Pensions

The Town provides post-retirement health care benefits to all employee groups with 20 years of service as required by current association and management agreements. The Town records premium payments on a "pay-as-you-go" basis.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Town management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Assets

Government-Wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Financial Statements

Reservation of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

L. Implementation of New GASB Pronouncements

In 2004, the Town adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*
- Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Implementation of New GASB Pronouncements

GASB Statement No. 34 is a new financial reporting requirement for local governments in the United States. The Town has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 addresses selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction - Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance - related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

2. CASH AND INVESTMENTS

A. Demand Deposits

At June 30, 2004, the carrying amount of the Town's cash deposits was \$496,052. Bank balances of the three Town bank accounts before reconciling items total \$444,316, of which \$100,000 is insured by the FDIC.

All pooled certificates of deposit and bank balances are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure local agency deposits by pledging first trust deed mortgage notes having a value of 150% of a local agency's deposits. The Town may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments

The Town pools its cash and investments of all funds for investing.

The Town's investments are limited to that allowable under State statutes and as incorporated into the Town's Investment Policy. Based on the California Government Code, the Town has adopted a conservative Investment Policy that limits the Town to only invest in the following:

Local Agency Investment Fund (State of California)
San Mateo County Investment Pool
Certificates of Deposit

Local Agency Investment Fund

The Town invests in the Local Agency Investment Fund (LAIF), a State of California external investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The Town's investments with LAIF at June 30, 2004, included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes - Debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities - Generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2004, the Town had \$3,475,251 invested in LAIF, which had invested 1.603% of the pooled investment funds in Structured Notes and Asset-Backed Securities. The LAIF fair value factor of 0.9983841770 was used to calculate the fair value of the investments in LAIF.

San Mateo County Pooled Investment Fund

The Town invests in the San Mateo County Pooled Investment Fund (SMCPIF), an external investment pool. The pool determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

San Mateo County Pooled Investment Fund, Continued

The Town's investments with the pool at June 30, 2004 include a portion of the pooled funds invested with LAIF.

As of June 30, 2004, the Town had \$7,145,198 invested in the pool. The SMCIF fair value factor of 0.9938240000 was used to calculate the fair value of the investments in LAIF.

C. Credit Risk

In accordance with GASB Statement No. 3, demand deposits are classified as to custodial risk by three categories as follows:

Demand Deposits

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization - Investments in LAIF and SMCIF are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

D. Summary of Cash and Investments

The following is a summary of pooled cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets		Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities			
Cash and investments	\$ 10,988,439	\$ 128,762	\$ 11,117,201	
Total cash and investments	\$ 10,988,439	\$ 128,762	\$ 11,117,201	

Pooled demand deposits and investments were classified by risk category as follows at June 30, 2004:

	Category		Fair Value
	1	Uncategorized	
City Treasury:			
Demand Deposits:			
Cash Deposits	\$ 496,052	\$ -	\$ 496,052
Petty Cash	-	700	700
Total demand deposits	496,052	700	496,752
Investments:			
Local Agency Investment Funds	-	3,475,251	3,475,251
San Mateo County Pooled Investment Funds	-	7,145,198	7,145,198
Total investments	-	10,620,449	10,620,449
Total demand deposits and investments	\$ 496,052	\$ 10,621,149	\$ 11,117,201

The Town did not have Risk Category 2 and 3 demand deposits or investments as of June 30, 2004.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES

Fund Financial Statements

At June 30, 2004, the Fund Financial Statements show the following receivables:

Accounts Receivable

As of June 30, 2004, accounts receivable consists of the following items:

Property tax	\$	43,337
Motor vehicle license fee		33,987
Franchise fee		19,271
Other accounts receivable		<u>46,323</u>
Total accounts receivable	\$	<u><u>142,918</u></u>

4. CAPITAL ASSETS

In accordance with GASB Statement No. 34 the Town has reported all capital assets including infrastructure acquired in the current year in the Government-Wide Statement of Net Assets. The Town has elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation has been recorded. The Town has elected to use the deferral period for the retroactive reporting of infrastructure values (infrastructure constructed or acquired prior to July 1, 2003) as provided for by GASB Statement No. 34. The plan is to report these values by June 30, 2007.

Capital assets include land, buildings, and equipment used in Town operations. Infrastructure includes roads, bridges, curbs, sidewalks, drainage systems, street and traffic lights, park improvements and other improvements used by all citizens.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2003	Additions	Retirements	Adjustments	Balance June 30, 2004
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 690,884	\$ -	\$ -	\$ -	\$ 690,884
Construction in progress	-	1,034,000	-	-	1,034,000
Total nondepreciable assets	<u>690,884</u>	<u>1,034,000</u>	<u>-</u>	<u>-</u>	<u>1,724,884</u>
Capital assets, being depreciated:					
Buildings	991,052	629,114	-	-	1,620,166
Other improvements	605,539	12,588	-	-	618,127
Vehicles	481,113	73,249	(29,264)	-	525,098
Equipment - computer	60,214	5,118	-	-	65,332
Equipment - furniture/equipment	372,662	53,723	(38,458)	-	387,927
Infrastructure	-	715,967	-	-	715,967
Total depreciable assets	<u>2,510,580</u>	<u>1,489,759</u>	<u>(67,722)</u>	<u>-</u>	<u>3,932,617</u>
Accumulated Depreciation:					
Buildings	-	(28,328)	-	(556,053)	(584,381)
Other improvements	-	(21,663)	-	(445,000)	(466,663)
Vehicles	(234,136)	(70,160)	29,265	-	(275,031)
Equipment - computer	(2,465)	(5,298)	-	(334,307)	(342,070)
Equipment - furniture/equipment	-	(24,050)	28,588	-	4,538
Infrastructure	-	(24,585)	-	-	(24,585)
Total accumulated depreciation	<u>(236,601)</u>	<u>(174,084)</u>	<u>57,853</u>	<u>(1,335,360)</u>	<u>(1,688,192)</u>
Depreciable assets, net	<u>2,273,979</u>	<u>1,315,675</u>	<u>(9,869)</u>	<u>(1,335,360)</u>	<u>2,244,425</u>
Governmental activities capital assets, net	<u>\$ 2,964,863</u>	<u>\$ 2,349,675</u>	<u>\$ (9,869)</u>	<u>\$ (1,335,360)</u>	<u>\$ 3,969,309</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2003 are as follows:

General Government	\$ 31,291
Public Works Administration	32,320
Police	85,889
Streets and Public Facilities	<u>24,584</u>
Total depreciation expense	<u>\$ 174,084</u>

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. COMPENSATED ABSENCES

The Town's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees are allowed to accrue compensatory time. The total amount of the accrued liability is recorded in the Government-wide Financial Statements and charges for compensated absences expense is charged to the various program activities.

Summary of changes in compensated absences for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003	Additions	Retirements	Balance June 30, 2004	Due within one year	Due in more than one year
Governmental Activities	\$ 502,502	\$ 73,310	\$ (14,020)	\$ 561,792	\$ 112,358	\$ 449,434
Total	\$ 502,502	\$ 73,310	\$ (14,020)	\$ 561,792	\$ 112,358	\$ 449,434

6. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2004, the Town had the following short-term receivables and payables:

	Due From Other Funds	
	General Fund	Total
Governmental Funds		
Non-major Governmental Funds	\$ 12,016	\$ 12,016
Total	\$ 12,016	\$ 12,016

The Town has recorded due from/due to all funds requiring cash at June 30, 2004. The short-term loans will be repaid during fiscal year 2005.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. INTERFUND TRANSACTIONS, Continued

B. Interfund Transfers

Transfers during the fiscal year ended June 30, 2004, comprised the following:

		Transfers Out		Total
		Special Tax Special Revenue	Non-major Governmental Funds	
Transfers In	Governmental Funds			
	General Fund	\$ 871,879	\$ 277,081	\$ 1,148,960
	Total	\$ 871,879	\$ 277,081	\$ 1,148,960

7. OTHER REQUIRED FUND DISCLOSURES

Fund Deficits

At June 30, 2004, the State Park Grants fund had a deficit of \$5,663. The deficit in the State Park Grants will be recovered from future revenues.

8. EMPLOYEE RETIREMENT PLANS

Plan Description - The Town contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, CA 95814.

Funding Policy - Active plan members are required by state statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The Town makes the contributions required of Town employees on their behalf and for their account, which amounted to \$332,797 for the year ended June 30, 2004.

The Town, as employer, is required to contribute an actuarially determined payment that is reflected as a percentage of annual covered payroll for miscellaneous and safety employees. The Contribution rate for fiscal 2004 was 5.733% for miscellaneous and 18.002% for safety employees.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. EMPLOYEE RETIREMENT PLANS, Continued

Annual Pension Cost - For fiscal year 2004 the Town's annual pension costs of \$451,373 for PERS was equal to the Town's required contribution. The required contribution was determined as a part of the June 30, 2002, actuarial valuation using the entry age method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases that range from 3.75% to 14.20% for miscellaneous and 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 3.75% per year cost-of-living adjustments for retirees. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. The average remaining amortization period at June 30, 2002, was 10 years for miscellaneous and 14 years for safety employees for prior and current service unfunded liabilities.

THREE YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 352,054	100%	\$ -
6/30/2003	250,541	100%	-
6/30/2004	451,373	100%	-

9. RISK MANAGEMENT

A. Risk Pool

The Town belongs to ABAG Plan Corporation, which covers general liability claims in an amount up to \$7,000,000. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met, ABAG Plan becomes responsible for payment of all claims up to the limit. Other coverage includes Risk Property Coverage of \$100,000,000 for property and \$50,000,000 for boiler and machinery with a deductible of \$5,000 for property damage and \$10,000 for auto/vehicle damage, and Public Official Bond insurance of \$1,000,000 with a deductible of \$5,000. During the fiscal year ended June 30, 2004, the Town contributed \$99,550 for current year coverage and received a refund of \$0 of prior year excess contributions.

The Cities Group covers workers' compensation claims up to \$250,000 each and has coverage above that limit to a maximum of \$6,900,000. The Town has no deductible for the claims. During the fiscal year ended June 30, 2004, the Town contributed \$ 78,500 for current year coverage.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. RISK MANAGEMENT, Continued

A. Risk Pool, Continued

Each risk pool is governed by a board consisting of representatives from member municipalities. The board controls the operations of each risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. The Town's contributions to each risk pool equal the ratio of the Town's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

B. Liability for Uninsured Claims

Municipalities are required to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims. The Town's liability for uninsured claims based on claims experience was computed as follows:

	Liability	Current Year	Claims	Liability
	Balance	Claims and	Payments for	Balance
	July 1	Changes in	Current and	June 30
		Estimates	Prior Fiscal	
			Years	
2001-02	\$ 35,398	\$ 50,000	\$ (31,906)	\$ 53,492
2002-03	53,492	-	(53,492)	-
2003-04	-	101,052	(47,087)	53,965

10. JOINT VENTURES

The Town participates in several active joint ventures through formally organized and 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 (JPA), including selection of management and approval of operating budgets, independent of any influence by each member beyond representation on each 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.

A. City/County Association of Governments (C/CAG)

C/CAG was established under a 1990 Joint Exercise of Powers Agreement between the Town, the County and a majority of cities and towns within the County for the purpose of developing State mandated plans. Members of C/CAG pay their pro rata share of the total annual contributions required based on the member's 1990 population. Financial statements for C/CAG may be obtained by mailing a request to the Town of San Carlos, 666 Elm Street, San Carlos, CA 94070.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. JOINT VENTURES, Continued

B. South Bayside Waste Management Authority (Authority)

The Authority is a joint powers agreement formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the San Carlos Transfer Station and the San Mateo Recyclery; and the planning, administration, review, monitoring and enforcement and reporting of solid waste and recyclable material within the Authorities service area.

Members of the 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 the residents and businesses of each member agency.

C. Alcohol Violation Temporary Housing Authority (AVTHA)

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

D. Library Joint Powers Agreement

In December 1998, the Town joined with the County and ten other municipalities in the County to Coordinate and expand library services throughout the County, including those in the Town.

Property tax revenues in excess of the JPA's costs of maintaining the library are remitted to the Town and are deposited into the Library special revenue fund. Expenditure of Library Special Revenue funds are subject to the approval of the Library JPA.

11. COMMITMENTS AND CONTINGENCIES

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.

Town of Atherton
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. RESTATEMENT OF PRIOR PERIOD BALANCES

A. Statements

During the fiscal year 2004, the Town implemented GASB Statement No. 34 which resulted in the following adjustments.

	Net Assets as Previously Reported	GASB 34 Adjustments		Net Assets as Restated
		Capital Assets	Long-Term Debt	
Net assets	\$ 9,515,247	\$ 1,350,464	\$ (502,502)	\$ 10,363,209

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REQUIRED SUPPLEMENTARY INFORMATION

Town of Atherton
 Required Supplementary Information
 For the year ended June 30, 2004

PUBLIC EMPLOYEE RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS

SAFETY PLAN

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$ 10,622,460	\$ 12,656,995	\$ (2,034,535)	119.2%	\$ 1,417,909	(143.49)%
2001	12,591,251	13,113,182	(521,931)	104.1%	1,499,735	(34.80)%
2002	13,981,721	12,469,898	1,511,823	89.2%	1,609,221	93.95%

MISCELLANEOUS PLAN

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2000	\$ 3,758,923	\$ 5,217,584	\$ (1,458,661)	138.8%	\$ 1,208,846	(120.67)%
2001	4,437,505	5,444,094	(1,006,589)	122.7%	1,683,469	(59.79)%
2002	5,175,328	5,236,789	(61,461)	101.2%	2,155,176	(2.85)%

Town of Atherton
Required Supplementary Information
For the year ended June 30, 2004

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Fund
General Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 3,035,934	\$ 3,205,983	\$ 3,256,642	\$ 50,659
Sales taxes	200,640	151,029	153,871	2,842
Other taxes	882,115	755,615	922,798	167,183
Permits and licenses	1,541,673	1,541,673	1,861,413	319,740
Fines and forfeitures	70,000	58,802	71,230	12,428
From other agencies	139,000	141,878	214,164	72,286
Services charges	445,900	409,477	362,720	(46,757)
Use of money and property	347,300	330,017	(11,674)	(341,691)
Other revenue	3,000	9,939	76,993	67,054
Total revenues	6,665,562	6,604,413	6,908,157	303,744
EXPENDITURES:				
Current:				
General government	1,579,602	1,570,496	1,555,792	14,704
Public works administration	1,759,627	1,746,311	1,625,901	120,410
Parks and recreations	451,568	448,979	508,610	(59,631)
Police	3,629,233	3,613,068	3,594,069	18,999
Total expenditures	7,420,030	7,378,854	7,284,372	94,482
REVENUES OVER (UNDER) EXPENDITURES	(754,468)	(774,441)	(376,215)	398,226
OTHER FINANCING SOURCES (USES):				
Transfers in	1,149,000	1,149,000	1,148,960	(40)
Total other financing sources (uses)	1,149,000	1,149,000	1,148,960	(40)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ 394,532	\$ 374,559	772,745	\$ 398,186
FUND BALANCES:				
Beginning of year			5,284,633	
End of year			<u>\$ 6,057,378</u>	

Town of Atherton
Required Supplementary Information
For the year ended June 30, 2004

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Fund
Special Tax Fund

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Special assessments	\$ 1,770,000	\$ 1,858,000	\$ 1,835,796	\$ (22,204)
Total revenues	<u>1,770,000</u>	<u>1,858,000</u>	<u>1,835,796</u>	<u>(22,204)</u>
EXPENDITURES:				
Current:				
Streets and public facilities	1,037,167	1,037,167	896,137	141,030
Total expenditures	<u>1,037,167</u>	<u>1,037,167</u>	<u>896,137</u>	<u>141,030</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>732,833</u>	<u>820,833</u>	<u>939,659</u>	<u>118,826</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(222,629)	(222,629)	(871,879)	(649,250)
Total other financing sources (uses)	<u>(222,629)</u>	<u>(222,629)</u>	<u>(871,879)</u>	<u>(649,250)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ 510,204</u>	<u>\$ 598,204</u>	<u>67,780</u>	<u>\$ (530,424)</u>
FUND BALANCES:				
Beginning of year			<u>895,443</u>	
End of year			<u>\$ 963,223</u>	

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Town of Atherton
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue				
	Tennis	Transportation	Gas Tax	Supplement Law Enforcement Services	Police on the Street
ASSETS					
Cash and investments in treasury	\$ 11,867	\$ 145,636	\$ 45,101	\$ 11,153	\$ 4,455
Receivables (net of allowances):					
Accounts	-	-	-	-	-
Total assets	\$ 11,867	\$ 145,636	\$ 45,101	\$ 11,153	\$ 4,455
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balance:					
Reserved:					
Encumbrances	-	15,300	-	10,854	-
Special projects	-	130,336	45,101	-	-
Capital projects	-	-	-	-	-
Undesignated	11,867	-	-	299	4,455
Total fund balance	11,867	145,636	45,101	11,153	4,455
Total liabilities and fund balance	\$ 11,867	\$ 145,636	\$ 45,101	\$ 11,153	\$ 4,455

Special Revenue				Capital Project				
COPS Grant	Road Construction	State Park Grants	Library	General Fund Project	Storm Drainage	Channel Drainage District	Park Playground Improvement	Relief Grant
\$ 12,174	\$ 699,920	\$ 6,353	\$ 1,077,243	\$ 302,896	\$ 48,225	\$ 405,374	\$ 1,309	\$ 1,514
-	-	-	-	-	-	83	-	-
\$ 12,174	\$ 699,920	\$ 6,353	\$ 1,077,243	\$ 302,896	\$ 48,225	\$ 405,457	\$ 1,309	\$ 1,514
\$ -	\$ 67,500	\$ -	\$ 1,330	\$ -	\$ -	\$ 1,033	\$ -	\$ -
-	-	12,016	-	-	-	-	-	-
-	67,500	12,016	1,330	-	-	1,033	-	-
-	18,750	3,000	-	-	4,388	4,716	-	-
-	613,670	-	1,075,913	-	-	-	-	-
-	-	-	-	-	-	399,708	-	-
12,174	-	(8,663)	-	302,896	43,837	-	1,309	1,514
12,174	632,420	(5,663)	1,075,913	302,896	48,225	404,424	1,309	1,514
\$ 12,174	\$ 699,920	\$ 6,353	\$ 1,077,243	\$ 302,896	\$ 48,225	\$ 405,457	\$ 1,309	\$ 1,514

(Continued)

Town of Atherton
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2004

	<u>Capital Projects</u>	
	Facilities Construction	Total Non-Major Governmental Funds
ASSETS		
Cash and investments in treasury	\$ 78,675	\$ 2,851,895
Receivables (net of allowances):		
Accounts	-	83
Total assets	<u>\$ 78,675</u>	<u>\$ 2,851,978</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 13,293	\$ 83,156
Due to other funds	-	12,016
Total liabilities	<u>13,293</u>	<u>95,172</u>
Fund Balance:		
Reserved:		
Encumbrances	-	57,008
Special projects	-	1,865,020
Capital projects	-	399,708
Undesignated	65,382	435,070
Total fund balance	<u>65,382</u>	<u>2,756,806</u>
Total liabilities and fund balance	<u>\$ 78,675</u>	<u>\$ 2,851,978</u>

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Town of Atherton

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2004

	Special Revenue				
	Tennis	Transportation	Gas Tax	Supplemental Law Enforcement Services	Police on the Street
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Measure A grants	-	191,779	-	-	-
From other agencies	-	-	146,243	-	-
Service charges	16,873	-	-	-	-
Use of money and property	-	-	-	-	-
Road impact fees	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	16,873	191,779	146,243	-	-
EXPENDITURES:					
Current:					
Police	-	-	-	-	-
Park maintenance	11,258	-	-	-	-
Library maintenance	-	-	-	-	-
Streets and public facilities	-	41,556	25,507	-	-
Total expenditures	11,258	41,556	25,507	-	-
REVENUES OVER (UNDER) EXPENDITURES	5,615	150,223	120,736	-	-
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(4,291)	(19,315)	(202,240)	-	-
Total other financing sources (uses)	(4,291)	(19,315)	(202,240)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,324	130,908	(81,504)	-	-
FUND BALANCES:					
Beginning of year	10,543	14,728	126,605	11,153	4,455
End of year	\$ 11,867	\$ 145,636	\$ 45,101	\$ 11,153	\$ 4,455

Special Revenue				Capital Projects				
COPS Grant	Road Construction	State Parks Grant	Library	General Fund Project	Storm Drainage	Channel Drainage District	Park Playground Improvement	Relief Grant
\$ -	\$ -	\$ -	\$ 421,950	\$ -	\$ -	\$ 44,962	\$ -	\$ -
-	-	-	-	-	-	-	-	-
100,000	-	-	-	-	-	-	-	1,514
-	-	-	-	-	-	-	-	-
416	-	-	18,342	-	-	9,229	-	-
-	541,592	-	-	-	-	-	-	-
-	-	-	9,340	-	-	-	1,500	-
100,416	541,592	-	449,632	-	-	54,191	1,500	1,514
100,000	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	97,551	-	-	-	-	-
-	532,638	300	-	47,256	-	47,277	29,149	-
100,000	532,638	300	97,551	47,256	-	47,277	29,149	-
416	8,954	(300)	352,081	(47,256)	-	6,914	(27,649)	1,514
-	(26,880)	-	-	(8,000)	-	(8,355)	-	-
-	(26,880)	-	-	(8,000)	-	(8,355)	-	-
416	(17,926)	(300)	352,081	(55,256)	-	(1,441)	(27,649)	1,514
11,758	650,346	(5,363)	723,832	358,152	48,225	405,865	28,958	-
\$ 12,174	\$ 632,420	\$ (5,663)	\$ 1,075,913	\$ 302,896	\$ 48,225	\$ 404,424	\$ 1,309	\$ 1,514

(Continued)

Town of Atherton

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2004

	<u>Capital Projects</u>	Total
	Facilities	Non-Major
	Construction	Governmental
	<u>Construction</u>	<u>Funds</u>
REVENUES:		
Property taxes	\$ -	\$ 466,912
Measure A grants	-	191,779
From other agencies	-	247,757
Service charges	-	16,873
Use of money and property	-	27,987
Road impact fees	-	541,592
Other revenues	-	10,840
Total revenues	<u>-</u>	<u>1,503,740</u>
EXPENDITURES:		
Current:		
Police	-	100,000
Park maintenance	-	11,258
Library maintenance	-	97,551
Streets and public facilities	201,272	924,955
Total expenditures	<u>201,272</u>	<u>1,133,764</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(201,272)</u>	<u>369,976</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers out	(8,000)	(277,081)
Total other financing sources (uses)	<u>(8,000)</u>	<u>(277,081)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(209,272)</u>	<u>92,895</u>
FUND BALANCES:		
Beginning of year	274,654	2,663,911
End of year	<u>\$ 65,382</u>	<u>\$ 2,756,806</u>

(Concluded)

FIDUCIARY FUND FINANCIAL STATEMENTS

Town of Atherton
Statement of Fiduciary Net Assets
Fiduciary Funds - Agency Funds
June 30, 2004

	Evans Creative Design Fund	MA Little League	Colley Trust Fund	H-P Park Improvement Fund	Tree Committee	Total
ASSETS						
Cash and investments	\$ 119,887	\$ 3,024	\$ -	\$ 5,851	\$ -	\$ 128,762
Total assets	\$ 119,887	\$ 3,024	\$ -	\$ 5,851	\$ -	\$ 128,762
LIABILITIES						
Accounts payable	\$ 2,668	\$ -	\$ -	\$ -	\$ -	\$ 2,668
Deposits payable	117,219	3,024	-	5,851	-	126,094
Total liabilities	\$ 119,887	\$ 3,024	\$ -	\$ 5,851	\$ -	\$ 128,762

Town of Atherton
Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Evans Creative Design Fund</u>				
Assets:				
Cash and investments	\$ 110,123	\$ 57,072	\$ (47,308)	\$ 119,887
Accounts receivable	415	-	(415)	-
Interest receivable	2,578	-	(2,578)	-
Total assets	\$ 110,123	\$ 57,072	\$ (47,308)	\$ 119,887
Liabilities:				
Accounts payable	\$ 4,988	\$ 43,167	\$ (45,487)	\$ 2,668
Deposits payable	108,128	45,704	(36,613)	117,219
Total liabilities	\$ 113,116	\$ 88,871	\$ (82,100)	\$ 119,887
<u>MA Little League</u>				
Assets:				
Cash and investments	\$ -	\$ 3,024	\$ -	\$ 3,024
Total assets	\$ -	\$ 3,024	\$ -	\$ 3,024
Liabilities:				
Deposit payable	\$ -	\$ 3,024	\$ -	\$ 3,024
Total liabilities	\$ -	\$ 3,024	\$ -	\$ 3,024
<u>Colley Trust Fund</u>				
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Deposits payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -

(Continued)

Town of Atherton
Statement of Changes in Assets and Liabilities
Fiduciary Funds - Agency funds, Continued
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>H-P Park Improvement Fund</u>				
Assets:				
Cash and investments	\$ 5,851	\$ -	\$ -	\$ 5,851
Total assets	\$ 5,851	\$ -	\$ -	\$ 5,851
Liabilities:				
Deposits payable	\$ 5,851	\$ -	\$ -	\$ 5,851
Total liabilities	\$ 5,851	\$ -	\$ -	\$ 5,851
<u>Tree Committee</u>				
Assets:				
Cash and investments	\$ 1,225	\$ 28	\$ (1,253)	\$ -
Accounts receivable	28	-	(28)	-
Total assets	\$ 1,253	\$ 28	\$ (1,281)	\$ -
Liabilities:				
Deposits payable	\$ 1,253	\$ -	\$ (1,253)	\$ -
Total liabilities	\$ 1,253	\$ -	\$ (1,253)	\$ -
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 117,199	\$ 60,124	\$ (48,561)	\$ 128,762
Accounts receivable	443	-	(443)	-
Interest receivable	2,578	-	(2,578)	-
Total assets	\$ 120,220	\$ 60,124	\$ (51,582)	\$ 128,762
Liabilities:				
Accounts payable	\$ 4,988	\$ 43,167	\$ (45,487)	\$ 2,668
Deposits payable	115,232	48,728	(37,866)	126,094
Total liabilities	\$ 120,220	\$ 91,895	\$ (83,353)	\$ 128,762

(Concluded)