

**TOWN OF ATHERTON**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

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**TOWN OF ATHERTON**  
**Basic Financial Statements**  
**For the Year Ended June 30, 2009**

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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, 2009, 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. The financial statements as of June 30, 2008, were audited by other auditors whose opinion dated August 7, 2009 were unqualified.

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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009 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.

*Maze & Associates*

November 5, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Atherton, we offer readers of the Town of Atherton's financial statements this narrative overview and analysis of the financial activities of the Town of Atherton for the fiscal year ended June 30, 2009. 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 \$45,707,241 (*net assets*). Of this amount, \$7,072,357 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$690,289. The increase is due to the special tax revenue collected for police services and streets and drainage facility repair and maintenance.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$16,787,325, an increase of \$1,234,454 in comparison with the prior year. Of this amount, approximately 62.7 percent or \$10,521,758 is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$2,742,853, or 26.7 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).

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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 13-14 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, Library Special Revenue Fund, and State Grant Special Revenue Fund, all of which are considered to be major funds. The Town of Atherton also elected to include Facilities Construction Capital Projects Fund as a major fund. Data from the other 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, Library Special Revenue Fund, and State Grant Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund, Special Tax Special Revenue Fund, Library Special Revenue Fund, and State Grant 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.

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**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, management information systems, certain administrative services functions activities, and outstanding workers' compensation claim liability. 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 27-28 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 pages 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 31-47 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund, Special Tax Special Revenue Fund, Library Special Revenue Fund, and State Grant Special Revenue Fund. Required supplementary information 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 50-57 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 \$45,707,241 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.

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**Town's of Atherton Net Assets**

	Governmental activities	
	2009	2008
Current and other assets	\$ 20,091,291	\$ 18,544,907
Capital assets	29,067,634	29,002,562
<b>Total assets</b>	<b>49,158,925</b>	<b>47,547,469</b>
Current liabilities	3,052,668	1,975,896
Noncurrent liabilities	399,016	554,621
<b>Total liabilities</b>	<b>3,451,684</b>	<b>2,530,517</b>
Net Assets:		
Invested in capital assets, net of related debt	29,067,634	29,002,562
Restricted	9,567,250	8,140,020
Unrestricted	7,072,357	7,874,370
<b>Total net assets</b>	<b>\$ 45,707,241</b>	<b>\$ 45,016,952</b>

An additional portion of the Town of Atherton net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$7,072,357 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 increased the Town of Atherton's net assets by \$690,289. The increase was due to a combination of factors including higher property tax, return of excess library (tax) fund, special parcel tax assessment for the Town's streets and drainage facility maintenance and police services.

## Town of Atherton's Changes in Net Assets

	Governmental activities	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 2,238,843	\$ 3,425,959
Operating grants and contributions	352,275	491,996
Capital Grants and Contributions	660,101	1,391,993
<b>General revenues:</b>		
Taxes	9,525,485	9,648,692
Investment earnings	414,398	101,561
Other revenues	397,704	66,178
<b>Total revenues</b>	<b>13,588,806</b>	<b>15,126,379</b>
<b>Expenses:</b>		
General government	2,032,385	1,757,846
Public works	4,618,784	4,856,986
Police	4,948,898	4,907,469
Building	1,013,971	1,612,458
Planning	284,479	-
<b>Total expenses</b>	<b>12,898,517</b>	<b>13,134,759</b>
<b>Change in Net Assets</b>	<b>690,289</b>	<b>1,991,620</b>
Transfers	-	-
Net assets - Beginning	45,016,952	43,025,332
Net assets - Ending	45,707,241	45,016,952

- Charges for services decreased by \$1,187,116 (-35 percent). The decrease is primarily due to lower building department revenues of \$422,967 and \$248,031 in one-time prior years park revenue adjustment,
- Operating grants and contribution decreased by \$139,721 (-28 percent). The decrease is primarily due to lower County Measure A sales tax revenue of \$61,976.
- Capital grants and contributions decreased by \$731,892 (-53 percent) during the year. The decrease is primarily due to reduction in road impact fees revenue of \$376,268 to reflect slow down in building activities.
- Taxes decreased by \$123,207 (-1 percent) during the year. The decrease is primarily due to refund of two years of business license tax and lower current year business license revenue.
- Investment earnings increased by \$312,837 (308 percent) during the year. The increase is primarily due to investment loss from Lehman Brothers bankruptcy recorded in prior year.
- Building and Planning expense decreased by \$314,008 (20 percent) during the year. The decrease was due to one-time expense of new software in prior year and reduction in building department current year expense to reflect housing market condition.

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- Public Works expense decreased by \$238,202 (5 percent) during the year. The decrease is mostly due to reduction of operating expenses.

### **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 \$16,787,325, an increase of \$1,234,454 in comparison with the prior year. Approximately 62.7 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 (\$1,595,683), 2) to maintain an emergency disaster reserve (\$1,595,683), 3) to pre-fund GASB 45 for retiree health-care unfunded liability (\$500,000), and 4) to maintain a future building inspection fee reserve (\$769,057).

***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 \$2,742,853, while total fund balance reached \$7,203,276. 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 26.7 percent of the total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of the Town of Atherton's general fund decreased by \$679,575 during the current fiscal year. Key factors in this decline are as follows:

- Building Department revenue decreased by about \$500,000 due to housing and financial market crises.
- Business License revenue decreased by \$450,545. The Town refunded two years of business license tax collected.

***Special Tax Special Revenue Fund*** has a total fund balance of \$2,466,575, 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 \$4,020,480, all of which is reserved for the library operation. Revenue was higher than prior year due to higher property tax revenue.

***State Grant Special Revenue Fund*** has a total fund balance of \$(10,846). The negative balance was due to timing difference between cost incurred and grant reimbursement.

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## General Fund Budgetary Highlights

During the year there was a \$305,728 decrease in appropriations between the original and final amended budget. Following are the main components of the decrease:

- \$100,000 COPS grant to help Police Department with one officer cost.
- The remaining came from General Fund departments, except the City Attorney Department, reduced expenditures due to lower operating revenues.

During the year, the revenues budget decreased by \$1,947,691. The decrease was due to lower building department revenues of \$500,000, refunding of two years of business license tax of \$817,000; and lower business license revenue for current year of \$425,000.

## Capital Assets and Debt Administration

**Capital assets.** The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$29,067,634 (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	
	2009	2008
Land	690,884	690,884
Construction in progress	553,959	105,319
Building	1,063,273	934,747
Other Improvements	417,488	484,669
Vehicles	352,796	193,684
Computer Equipment	145,564	25,617
Software	89,040	126,188
Furniture & Fixture	13,341	39,682
Machinery & Equipment	111,697	-
Infrastructure	25,629,592	26,401,772
Total Capital Assets	29,067,634	29,002,562

Additional information about the Town's capital assets can be found in Note. 6 on pages 41 through 42 in the financial statements.

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## **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. On November 3, 2009, the voters of the Town approved Measure S which will continue the special parcel tax assessments for another four years (2011 to 2014) which will enable the Town to continue providing police services and implementing capital improvement projects.

The Town expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures; however, the uncertainty of State budget, rising costs of employee salary and benefits including health-care and retirement costs 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](http://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, 2009

	Governmental Activities
<b>ASSETS</b>	
Cash and investments (Note 3)	\$19,601,468
Receivables:	
Accounts	15,049
Taxes	50,977
Grants	262,988
Interest	63,193
Other	97,616
Capital assets (Note 5):	
Non-depreciable	1,244,843
Depreciable, net	27,822,791
Total Capital assets	29,067,634
Total Assets	49,158,925
<b>LIABILITIES</b>	
Accounts payable	1,386,477
Accrued liabilities	256,223
Deposits payable	678,973
Claims payable	
Due in less than one year	302,249
Compensated absences, due in one year (Note 4E)	
Due in less than one year	428,746
Due in more than one year	399,016
Total Liabilities	3,451,684
<b>NET ASSETS (Note 6)</b>	
Investment in capital assets, net of related debt	29,067,634
Restricted for:	
Streets and drainage maintenance and police services	2,466,575
Library operations	4,020,480
Public facilities constructions	1,830,612
Special revenue projects	985,734
Capital projects	263,849
Unrestricted	7,072,357
Total Net Assets	\$45,707,241

See accompanying notes to financial statements

TOWN OF ATHERTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary Government:					
General government	\$2,032,385	\$42,549	\$5,000		(\$1,984,836)
Public works	4,618,784	1,012,760	221,869	\$608,725	(2,775,430)
Police	4,948,898	99,360	125,406	51,376	(4,672,756)
Building	1,013,971	1,012,312			(1,659)
Planning	284,479	71,862			(212,617)
Total Governmental Activities	<u>12,898,517</u>	<u>2,238,843</u>	<u>352,275</u>	<u>660,101</u>	<u>(9,647,298)</u>
General revenues:					
Taxes:					
Property taxes					8,870,091
Sales taxes					179,193
Other taxes					476,201
Total Taxes					<u>9,525,485</u>
Investment earnings					414,398
Miscellaneous					397,704
Total general revenues					<u>10,337,587</u>
Change in Net Assets					<u>690,289</u>
Net Assets-Beginning					<u>45,016,952</u>
Net Assets-Ending					<u><u>\$45,707,241</u></u>

See accompanying notes to financial statements

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<b>MAJOR GOVERNMENTAL FUNDS</b>
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The funds described below were determined to be Major Funds by the Town in fiscal 2009. 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, 2009

	Major Funds						Total Governmental 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	
<b>ASSETS</b>							
Cash and investments (Note 3)	\$8,771,105	\$2,602,026	\$4,023,640	\$31,937	\$1,830,612	\$1,443,453	\$18,702,773
Receivables:							
Accounts:						15,049	15,049
Taxes	32,988					17,989	50,977
Grants				219,848		43,140	262,988
Interest	63,193						63,193
Other	92,542			5,074			97,616
Due from other funds (Note 4)	29,383						29,383
<b>Total Assets</b>	<b>\$8,989,211</b>	<b>\$2,602,026</b>	<b>\$4,023,640</b>	<b>\$256,859</b>	<b>\$1,830,612</b>	<b>\$1,519,631</b>	<b>\$19,221,979</b>
<b>LIABILITIES</b>							
Accounts payable	\$866,107	\$128,579	\$3,160	\$46,536		\$201,157	\$1,245,539
Accrued liabilities	227,037					\$4,856	231,893
Deposits payable	670,241	6,872		1,321		\$539	678,973
Claims payable	22,550						22,550
Due to other funds (Note 4)						29,383	29,383
Deferred Revenue				219,848		6,468	226,316
<b>Total Liabilities</b>	<b>1,785,935</b>	<b>135,451</b>	<b>3,160</b>	<b>267,705</b>		<b>242,403</b>	<b>2,434,654</b>
<b>FUND BALANCES</b>							
Fund balance (Note 6A)							
Unreserved:							
Designated for:							
Budget Stabilization	1,595,683						1,595,683
Emergency Disaster	1,595,683						1,595,683
GASB 45 Unfunded liability	500,000						500,000
Future building inspection	769,057						769,057
Undesignated							
General Fund	2,742,853						2,742,853
Special Revenue Funds		2,466,575	4,020,480	(10,846)		1,013,379	7,489,588
Capital Projects Funds					1,830,612	263,849	2,094,461
<b>Total Fund Balances</b>	<b>7,203,276</b>	<b>2,466,575</b>	<b>4,020,480</b>	<b>(10,846)</b>	<b>1,830,612</b>	<b>1,277,228</b>	<b>16,787,325</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,989,211</b>	<b>\$2,602,026</b>	<b>\$4,023,640</b>	<b>\$256,859</b>	<b>\$1,830,612</b>	<b>\$1,519,631</b>	<b>\$19,221,979</b>

See accompanying notes to financial statements

TOWN OF ATHERTON  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet	\$16,787,325
<p>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:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	28,569,274
<b>ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS</b>	
<p>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.</p>	
Cash and Investment	898,695
Capital assets, net	498,360
Accounts payable and other liabilities / contracts payable	(165,268)
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	226,316
Accrued liabilities	(279,699)
<b>LONG TERM ASSETS AND LIABILITIES</b>	
<p>The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:</p>	
Compensated absences	(827,762)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$45,707,241</b>

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, 2009

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Special Tax Revenue Fund	Library Special Revenue Fund	State Grant Special Revenue Fund	Facilities Construction Capital Projects Fund		
<b>REVENUES</b>							
Property taxes	\$6,090,518		\$846,846			\$74,071	\$7,011,435
Special assessments		\$1,858,656					1,858,656
Sales taxes	179,193						179,193
Other taxes	792,164						792,164
Measure A grants						247,713	247,713
From other governmental agencies	127,746			\$511,656		287,710	927,112
Permit and licenses	(315,963)						(315,963)
Fines and forfeitures	42,408						42,408
Service charges	1,548,276					11,255	1,559,531
Use of money and property	384,201	34,306	66,666	(305)	\$36,590	32,488	553,946
Road Impact Fee						612,037	612,037
Miscellaneous	92,773	150,000		143,799		3,186	389,758
<b>Total Revenues</b>	<b>8,941,316</b>	<b>2,042,962</b>	<b>913,512</b>	<b>655,150</b>	<b>36,590</b>	<b>1,268,460</b>	<b>13,857,990</b>
<b>EXPENDITURES</b>							
Current:							
General government	1,818,590	1,478	48,310				1,868,378
Planning	284,479						284,479
Building	1,058,248						1,058,248
Police	4,772,921					108,636	4,881,557
Public Works	2,200,371	66,156		2,929	31,442	189,725	2,490,623
Capital outlay	148,313	166,572		521,782		1,253,583	2,090,250
<b>Total Expenditures</b>	<b>10,282,922</b>	<b>234,206</b>	<b>48,310</b>	<b>524,711</b>	<b>31,442</b>	<b>1,551,944</b>	<b>12,673,535</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,341,606)</b>	<b>1,808,756</b>	<b>865,202</b>	<b>130,439</b>	<b>5,148</b>	<b>(283,484)</b>	<b>1,184,455</b>
<b>Other Financing Sources (uses):</b>							
Transfer in (Note 4)	662,031						662,031
Transfer (out) (Note 4)		(500,000)				(112,032)	(612,032)
<b>Total Other Financing Sources (uses)</b>	<b>662,031</b>	<b>(500,000)</b>				<b>(112,032)</b>	<b>49,999</b>
<b>Net change in fund balances</b>	<b>(679,575)</b>	<b>1,308,756</b>	<b>865,202</b>	<b>130,439</b>	<b>5,148</b>	<b>(395,516)</b>	<b>1,234,454</b>
<b>BEGINNING FUND BALANCES</b>	<b>7,882,851</b>	<b>1,157,819</b>	<b>3,155,278</b>	<b>(141,285)</b>	<b>1,825,464</b>	<b>1,672,744</b>	<b>15,552,871</b>
<b>ENDING FUND BALANCES</b>	<b>\$7,203,276</b>	<b>\$2,466,575</b>	<b>\$4,020,480</b>	<b>(\$10,846)</b>	<b>\$1,830,612</b>	<b>\$1,277,228</b>	<b>\$16,787,325</b>

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, 2009

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 \$1,234,454

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	1,547,930
Retirements, net, are deducted from fund balance	(1,389)
Depreciation expense is deducted from the fund balance	(1,750,394)

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	(89,956)
Deferred Revenue	(243,684)
Accrued liabilities	(279,699)

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>273,027</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$690,289

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$5,840,788	\$5,861,126	\$6,090,518	\$229,392
Sales taxes	238,235	170,235	179,193	8,958
Other taxes	820,000	792,000	792,164	164
Permits and licenses	450,000	(655,000)	(315,963)	339,037
Fines and forfeitures	41,000	41,000	42,408	1,408
From other governmental agencies	254,500	115,820	127,746	11,926
Service charges	2,088,000	1,647,500	1,548,276	(99,224)
Use of money and property	566,000	366,000	384,201	18,201
Other	94,000	106,151	92,773	(13,378)
<b>Total Revenues</b>	<b>10,392,523</b>	<b>8,444,832</b>	<b>8,941,316</b>	<b>496,484</b>
<b>EXPENDITURES:</b>				
Current:				
General government				
City council	37,277	35,777	38,515	(2,738)
Administration	737,136	740,136	739,619	517
City attorney	206,228	426,228	450,924	(24,696)
Finance	442,256	439,756	437,868	1,888
Non-departmental		120,945	151,664	(30,719)
<b>General government total</b>	<b>1,422,897</b>	<b>1,762,842</b>	<b>1,818,590</b>	<b>(55,748)</b>
Planning		283,937	284,479	(542)
Building	1,542,253	1,154,199	1,058,248	95,951
Public works	2,517,151	2,236,051	2,200,371	35,680
Police	5,119,787	4,821,241	4,772,921	48,320
Capital outlay	35,799	73,889	148,313	(74,424)
<b>Total Expenditures</b>	<b>10,637,887</b>	<b>10,332,159</b>	<b>10,282,922</b>	<b>104,985</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(245,364)</b>	<b>(1,887,327)</b>	<b>(1,341,606)</b>	<b>545,721</b>
<b>OTHER FINANCING SOURCES USES</b>				
Transfer in (Note 4)	250,000	600,000	662,031	(62,031)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$4,636</b>	<b>(\$1,287,327)</b>	<b>(\$679,575)</b>	<b>607,752</b>
Fund balance, beginning of year			7,882,851	
Fund balance, end of year			<b>\$7,203,276</b>	

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$1,838,000	\$1,838,000	\$1,858,656	\$20,656
Use of money and property	20,000	20,000	34,306	14,306
Other Revenue			150,000	150,000
	<u>1,858,000</u>	<u>1,858,000</u>	<u>2,042,962</u>	<u>184,962</u>
<b>EXPENDITURES:</b>				
Current:				
General Government			1,478	(1,478)
Public works	65,000	65,000	66,156	(1,156)
Capital outlay	2,155,000	2,175,000	166,572	2,008,428
	<u>2,220,000</u>	<u>2,240,000</u>	<u>234,206</u>	<u>2,005,794</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out) (Note 4)	(150,000)	(500,000)	(500,000)	
	<u>(150,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	
Net change in fund balance	<u>(512,000)</u>	<u>(882,000)</u>	1,308,756	<u>(2,190,756)</u>
Fund Balance, beginning of year			1,157,819	
Fund Balance, end of year			<u>\$2,466,575</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$560,000	\$560,000	\$846,846	\$286,846
Use of money and property	90,000	90,000	66,666	(23,334)
Total Revenues	<u>650,000</u>	<u>650,000</u>	<u>913,512</u>	<u>263,512</u>
EXPENDITURES:				
Library Maintenance	203,900	203,900	48,310	155,590
Total Expenditures	<u>203,900</u>	<u>203,900</u>	<u>48,310</u>	<u>155,590</u>
NET CHANGES IN FUND BALANCE	<u>446,100</u>	<u>446,100</u>	865,202	<u>419,102</u>
BEGINNING FUND BALANCE			<u>3,155,278</u>	
ENDING FUND BALANCE			<u>4,020,480</u>	

See accompanying notes to financial statements

TOWN OF ATHERTON  
STATE GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
From other agencies	\$232,150	\$232,150	\$511,656	\$279,506
Use of money and property	\$1,000	1,000	(305)	(1,305)
Other revenue	\$14,150	14,150	143,799	129,649
	<u>247,300</u>	<u>247,300</u>	<u>655,150</u>	<u>407,850</u>
<b>EXPENDITURES</b>				
Current:				
Public Works			2,929	(2,929)
Capital outlay	646,300	646,300	521,782	124,518
	<u>646,300</u>	<u>646,300</u>	<u>524,711</u>	<u>121,589</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>(\$399,000)</u></u>	<u><u>(399,000)</u></u>	130,439	<u><u>(529,439)</u></u>
<b>BEGINNING FUND BALANCE</b>			<u>(141,285)</u>	
<b>ENDING FUND BALANCE</b>			<u><u>(\$10,846)</u></u>	

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<b>PROPRIETARY FUNDS</b>
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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, 2009

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets	
Cash and investments (Note 3)	\$898,695
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	1,073,745
Less accumulated depreciation	(575,385)
Total capital assets	498,360
Total Assets	1,397,055
LIABILITIES	
Current:	
Accounts payable	140,938
Accrued liability	24,330
Total Liabilities	165,268
NET ASSETS (Note 6)	
Invested in capital assets	498,360
Unrestricted	733,427
Total Net Assets	\$1,231,787

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, 2009

	<u>Governmental Activities- Internal Service Funds</u>
OPERATING REVENUES	
Service Charges	\$636,544
Total Operating Revenues	<u>636,544</u>
OPERATING EXPENSES	
Insurance	(19,859)
Supplies and Maintenance	75,020
Other Contractual Services	219,588
Depreciation	<u>55,468</u>
Total Operating Expenses	<u>330,217</u>
Operating Income	<u>306,327</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>16,699</u>
Total Nonoperating Revenues	<u>16,699</u>
Income Before Transfers	323,026
Transfers (in) (Note 4)	292,611
Transfers (out) (Note 4)	<u>(342,610)</u>
Net transfers	<u>(49,999)</u>
Change in net assets	<u>273,027</u>
BEGINNING NET ASSETS	<u>958,760</u>
ENDING NET ASSETS	<u><u>\$1,231,787</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Activities- Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Interdepartmental charges	\$636,544
Payments to suppliers	(276,780)
Cash Flows from Operating Activities	359,764
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfer in	292,611
Transfer (out)	(342,610)
Cash Flow from Noncapital Financing Activities	(49,999)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of fixed assets	(324,395)
Cash Flow from Capital and Related Financing Activities	(324,395)
<b>CASH FLOWS FORM INVESTING ACTIVITIES</b>	
Interest Income	16,699
Cash Flow from Investing Activities	16,699
Net Cash Flow	2,069
Cash and investments at beginning of period	896,626
Cash and investment at end of period	\$898,695
 <b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities</b>	
Operating income	\$306,327
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	55,468
Changes in assets and liabilities:	
Accounts payable	105,395
Accrued liabilities	24,330
Claims payable	(131,756)
Cash Flows from Operating Activities	\$359,764

See accompanying notes to financial statements

<b>FIDUCIARY FUNDS</b>
------------------------

***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, 2009

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments (Note 3)	<u>145,278</u>
Total Assets	<u><u>\$145,278</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$169
Deposits payable	<u>145,109</u>
Total Liabilities	<u><u>\$145,278</u></u>

See accompanying notes to financial statements

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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 Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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 Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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 Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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	\$737,806
Additions	505,356
Payments	<u>(415,400)</u>
Ending Balance	<u>\$827,762</u>
Current Portion	<u>\$428,746</u>

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

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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, 2009:

Fund Name	Amount
General Fund:	
City council	\$2,738
City attorney	24,696
Non-departmental	30,719
Tennis Special Revenue Fund	4,914
Gas Tax Special Revenue Fund	4,811

**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.
- Formal budgeting is employed as a management control device during the year for the general and certain special revenue funds. Police on the Street Special Revenue Fund; and Traffic Congestion Relief Special Revenue Funds are not budgeted. Facilities Construction Capital Projects Fund is not budgeted.
- 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.

<p><b>Town of Atherton</b>  <b>Notes to Financial Statements</b>  <b>For the fiscal year ended June 30, 2009</b></p>
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<p><b>NOTE 3 - CASH AND INVESTMENTS</b></p>
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The Town's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. 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.

**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	\$19,601,467
<i>Fiduciary Funds</i>	
Cash and investments available for operations	<u>145,278</u>
Total Cash and Investments	<u><u>\$19,746,745</u></u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$826
Cash in Bank	1,159,751
Investments	<u>18,586,168</u>
Total Cash and Investments	<u><u>\$19,746,745</u></u>

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.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

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

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One</u>
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	N/A	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 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.

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:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Total</u>
U.S. Treasury Obligations	\$1,995,605			\$1,995,605
U.S. Agency Securities	1,011,045	\$498,905	\$499,375	2,009,325
Commercial Paper	499,956			499,956
San Mateo County Investment Fund	6,138,875			6,138,875
California Local Agency Investment Fund	7,436,352			7,436,352
Money Market Mutual Fund	506,055			506,055
<b>Total Investments</b>	<b>17,587,888</b>	<b>498,905</b>	<b>499,375</b>	<b>18,586,168</b>
Cash in Banks				1,159,751
Petty Cash				826
<b>Total Cash</b>				<b>1,160,577</b>
<b>Total Cash and Investments</b>	<b>\$17,587,888</b>	<b>\$498,905</b>	<b>\$499,375</b>	<b>\$19,746,745</b>

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

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

**E. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The actual Standard and Poor's investment ratings as of June 30, 2009 are as follows:

Investment Type	AAA	A-1	AAAm	Not Rated
U.S. Treasury Obligations	\$1,995,605			
U.S. Agency Securities	2,009,325			
Commercial Paper		\$499,956		
San Mateo County Investment Fund				\$6,138,875
California Local Agency Investment Fund				7,436,352
Money Market Mutual Fund			\$506,055	
<b>Total Investments</b>	<b>\$4,004,930</b>	<b>\$499,956</b>	<b>\$506,055</b>	<b>\$13,575,227</b>

**F. 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, 2009, these investments matured in an average of 235 days.

**G. 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 City 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, 2009, these investments matured in an average of 0.9 years.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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. As of June 30, 2009, the Supplemental Law Enforcement Services Special Revenue Fund owed \$29,383 to General Fund.

**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, 2009 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred	
General Fund	Special Tax Special Revenue Fund	\$350,000	C
	Special Tax Special Revenue Fund	150,000	B
	Gas Tax Special Revenue Fund	100,000	B
	Park Well Special Revenue Fund	12,032	D
	Administrative Service Internal Service Fund	49,999	A
Internal Service Fund Equipment Replacement	Information Technology Internal Service Fund	180,601	E
	Administrative Service Internal Service Fund	112,010	E
		\$954,642	

- (A) Transfer was used to fund General Fund operation
- (B) Transfer was used to fund Capital projects
- (C) Transfer was used to fund Police services
- (D) Transfer was used for reimbursement
- (E) Transfer was used to close out funds

**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.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

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

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
Improvement other than buildings	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.

**A. Capital Asset Additions and Retirements**

Capital assets at June 30 comprise:

	Balance July 1, 2008	Additions	Retirements	Adjustments	Balance June 30, 2009
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$690,884				\$690,884
Construction in progress	105,319	\$450,029	(\$1,389)		553,959
Total capital assets not being depreciated	796,203	450,029	(1,389)		1,244,843
Capital assets being depreciated:					
Buildings	1,668,094	70,039		\$105,545	1,843,678
Other improvements	1,042,015	71,242		(105,545)	1,007,712
Vehicles	676,050	202,742			878,792
Computer Equipment	60,404	121,650		12,899	194,953
Software	151,425	6,227		30,241	187,893
Furniture & Fixture	421,280			(341,968)	79,312
Machinery & Equipment		120,095		298,828	418,923
Infrastructure	49,694,701	830,299			50,525,000
Total capital assets being depreciated	53,713,969	1,422,294			55,136,263
Less accumulated depreciation for:					
Buildings	733,347	44,419		2,639	780,405
Other improvements	557,346	35,517		(2,639)	590,224
Vehicles	482,366	43,630			525,996
Computer Equipment	34,787	11,838		2,764	49,389
Software	25,237	53,321		20,295	98,853
Furniture & Fixture	381,598	2,965		(318,592)	65,971
Machinery & Equipment		11,693		295,533	307,226
Infrastructure	23,292,929	1,602,479			24,895,408
Total accumulated depreciation	25,507,610	1,805,862			27,313,472
Net capital assets being depreciated	28,206,359	(383,568)			27,822,791
Governmental activity capital assets, net	\$29,002,562	\$66,461	(\$1,389)		\$29,067,634

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**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	\$66,532
Public Works	1,665,790
Police	18,072
Government activities - Internal Service Fund	55,468
	\$1,805,862

**NOTE 6 - 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.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 6 - FUND BALANCES AND NET ASSETS (Continued)**

**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, 2009, 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.

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 GASB 45 unfunded liability represents the portions of fund balance set aside for unfunded retiree healthcare costs.

Designated for future building inspection is represents the portions of fund balance set aside for building code inspection activities.

**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.

The State Grant Special Revenue Fund had deficit fund balance of \$10,846 which is expected to be eliminated by future grant revenue.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 7 – PENSION PLAN**

***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, 2009 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%	1.426-2.418%
Required employee contribution rates	9%	7%
Required employer contribution rates	32.162%	13.201%

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:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
<b><i>Safety &amp; Miscellaneous Plan</i></b>			
June 30, 2007	\$927,301	100%	\$0
June 30, 2008	946,555	100%	0
June 30, 2009	1,238,268	100%	0

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 7 – PENSION PLAN (Continued)**

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 3.0%. Annual salary increases are assumed to vary by duration of service, and annual retirement benefit increases are assumed to be 3.25%. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over 11 and 8 years for the Miscellaneous Plan and the Safety Plan, respectively. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

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 \$883,683 at June 30, 2009, which will be repaid over the next 11 years. The balance of the Safety Plan's Side Fund was \$1,886,651 at June 30, 2009, which will be repaid over the next 8 years.

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
2005	\$6,367,049,264	\$5,295,150,375	\$1,071,898,889	83.2%	\$664,147,796	161.4%
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%

The Town's Safety Plan represents approximately 0.24%, 0.25%, and 0.22% of the State-wide pool for the years ended June 30, 2007, 2006, and 2005, respectively, based on covered projected payroll of \$1,988,531, \$1,857,339, and \$1,797,132 for those years.

**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
2005	\$2,891,460,651	\$2,588,713,000	\$302,747,651	89.5%	\$755,046,679	40.1%
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%

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 7 – PENSION PLAN (Continued)**

The Town's Miscellaneous Plan represents approximately 0.38%, 0.36%, and 0.36% of the State-wide pool for the years ended June 30, 2007, 2006, and 2005, respectively, based on covered projected payroll of \$2,530,293; \$2,511,241 and \$2,406,839 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.

**NOTE 8 - 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 \$10,000 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.

The Cities Group covers workers' compensation claims up to \$750,000 each and has coverage above that limit to a maximum of \$12,400,000. 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:

	2009	2008
Beginning balance	\$154,306	\$33,421
Net change in claims liabilities	147,943	117,979
Claims paid		2,906
Ending balance	<u>\$302,249</u>	<u>\$154,306</u>
Claims liabilities due within a year	<u>\$302,249</u>	<u>\$154,306</u>

For the years ended June 30, 2009, 2008, 2007, the amount of settlements did not exceed insurance coverage.

**Town of Atherton**  
**Notes to Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 9 – 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, 2009. Financial statements may be obtained by mailing a request to the City San Carlos, 600 Elm Street, San Carlos, CA 94070.

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

The Authority is a joint powers agreement formed on October 13, 1999 for the purpose of joint ownership, financing and administration of the San Carlos Transfer Station and the San Mateo Recyclery; and the planning, administration, review, monitoring, enforcement and reporting of solid waste and recyclable material within the Authority service area. Members of Authority include 11 municipalities located on the mid and lower Peninsula as well as certain unincorporated areas within the County. The Authority is controlled by a 12-member board consisting of one representative from each community. Through the operation of franchise agreements, 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 Financial Statements**  
**For the fiscal year ended June 30, 2009**

**NOTE 9 – 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 10 - 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.

**A. *Business license Claims***

The Town collected business license tax at the time of issuance of a building permit based on a percent formula. The Atherton Municipal Code authorizes collection of a business license tax up to the amount \$250 each year from general contractor, \$150 each year from each sub-contractor with two or more employees, and \$100 from each sole operator sub-contractor. A decision was made by the City Council in December 2008 to authorize claims for refunds for businesses license tax paid between December 17, 2006 through December 17, 2008, and retained MuniServices LLC to work with the building and finance departments to determine the amount of refund.

The business license tax to be refunded is estimated to be approximately \$817,000. During the fiscal year ending June 30, 2009, the Town began to refund business license tax. As of June 30, 2009, the Town recorded \$207,495 of accrued liabilities representing the remaining projected amount of refund to be disbursed by June 2010.

The Town is continuing to process business license refund claims submitted for business license taxes paid between December 17, 2006 and December 17, 2008. The last date to file a claim ends on December 16, 2009.

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**MAJOR GOVERNMENTAL FUNDS OTHER THAN THE GENERAL FUND AND  
SPECIAL REVENUE FUNDS**

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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** accounts for funds received from Proposition 42 for transportation congestion relief program.

### **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.

**PARKS WELL FUND** accounts for construction of a well in the Holbrook-Palmer Park.

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2009

<u>SPECIAL REVENUE FUNDS</u>					
	<u>Tennis</u>	<u>County Measure A</u>	<u>Gas Tax</u>	<u>Supplemental Law Enforcement Services/ COPS Grant</u>	<u>Police on the Street</u>
<b>ASSETS</b>					
Cash and Investment	\$27,645	\$139,234	\$26,310		\$4,226
Receivables					
Accounts					
Taxes		17,914			
Grants				\$43,140	
Total Assets	<u>\$27,645</u>	<u>\$157,148</u>	<u>\$26,310</u>	<u>\$43,140</u>	<u>\$4,226</u>
<b>LIABILITIES</b>					
Accounts payable		\$18,426			\$3,150
Accrued liabilities		4,856			
Due to Other Funds				\$29,383	
Deposit Payable		\$539			
Deferred Revenue				6,468	
Total Liabilities		<u>23,821</u>		<u>35,851</u>	<u>3,150</u>
<b>FUND EQUITY</b>					
Fund balances					
Unreserved, undesignated:					
Special Revenue Fund	\$27,645	133,327	\$26,310	\$7,289	1,076
Capital Projects Fund					
Total Fund Balances	<u>27,645</u>	<u>133,327</u>	<u>26,310</u>	<u>7,289</u>	<u>1,076</u>
Total Liabilities and Fund Balances	<u>\$27,645</u>	<u>\$157,148</u>	<u>\$26,310</u>	<u>\$43,140</u>	<u>\$4,226</u>

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2009

<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>					
Road Construction	Traffic Congestion Relief	Capital Improvement	Strom Drainage	Channel Drainage District	Parks Well	Total Nonmajor Governmental Funds	
\$919,197	\$48,549	\$100,926	\$37,020	\$140,346		\$1,443,453	
	15,049			75		15,049	
						17,989	
						43,140	
<u>\$919,197</u>	<u>\$63,598</u>	<u>\$100,926</u>	<u>\$37,020</u>	<u>\$140,421</u>		<u>\$1,519,631</u>	
\$165,063				\$14,518		\$201,157	
						4,856	
						29,383	
						539	
						6,468	
<u>165,063</u>				<u>14,518</u>		<u>242,403</u>	
754,134	\$63,598					1,013,379	
		\$100,926	\$37,020	\$125,903		263,849	
<u>754,134</u>	<u>63,598</u>	<u>100,926</u>	<u>37,020</u>	<u>125,903</u>		<u>1,277,228</u>	
<u>\$919,197</u>	<u>\$63,598</u>	<u>\$100,926</u>	<u>\$37,020</u>	<u>\$140,421</u>		<u>\$1,519,631</u>	

TOWN OF ATHERTON  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009

SPECIAL REVENUE FUNDS

	Tennis	County Measure A	Gas Tax	Supplemental Law Enforcement Services / COPS Grant	Police on the Street
<b>REVENUES</b>					
Property taxes					
Measure A Grants		\$247,713			
From Other Agencies			\$130,944	\$93,532	
Service Charge	\$11,255				
Use of money and property	633	2,150	394	472	\$91
Road Impact Fees					
Other revenues					
Total Revenues	<u>11,888</u>	<u>249,863</u>	<u>131,338</u>	<u>94,004</u>	<u>91</u>
<b>EXPENDITURES</b>					
Current					
Police				100,000	3,514
Public Works	25,942	54,844	5,710		
Capital Outlay		200,838	174,101		
Total Expenditures	<u>25,942</u>	<u>255,682</u>	<u>179,811</u>	<u>100,000</u>	<u>3,514</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(14,054)</u>	<u>(5,819)</u>	<u>(48,473)</u>	<u>(5,996)</u>	<u>(3,423)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers (out)			(100,000)		
Total other financing sources and uses			<u>(100,000)</u>		
<b>NET CHANGE IN FUND BALANCES</b>	<u>(14,054)</u>	<u>(5,819)</u>	<u>(148,473)</u>	<u>(5,996)</u>	<u>(3,423)</u>
<b>BEGINNING FUND BALANCES</b>	<u>41,699</u>	<u>139,146</u>	<u>174,783</u>	<u>13,285</u>	<u>4,499</u>
<b>ENDING FUND BALANCES</b>	<u>\$27,645</u>	<u>\$133,327</u>	<u>\$26,310</u>	<u>\$7,289</u>	<u>\$1,076</u>

<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>				Total Nonmajor Governmental Funds
<u>Road Construction</u>	<u>Traffic Congestion Relief</u>	<u>Capital Improvement</u>	<u>Storm Drainage</u>	<u>Channel Drainage District</u>	<u>Parks Well</u>	
				\$74,071		\$74,071
	\$63,234					247,713
						287,710
\$22,698	364	\$2,815	\$761	1,913	\$197	11,255
612,037						32,488
3,186						612,037
						3,186
<u>637,921</u>	<u>63,598</u>	<u>2,815</u>	<u>761</u>	<u>75,984</u>	<u>197</u>	<u>1,268,460</u>
5,122						108,636
65,000			3,600	34,629		189,725
800,405		78,239				1,253,583
<u>870,527</u>		<u>78,239</u>	<u>3,600</u>	<u>34,629</u>		<u>1,551,944</u>
(232,606)	63,598	(75,424)	(2,839)	41,355	197	(283,484)
					(12,032)	(112,032)
					(12,032)	(112,032)
(232,606)	63,598	(75,424)	(2,839)	41,355	(11,835)	(395,516)
986,740		176,350	39,859	84,548	11,835	1,672,744
<u>\$754,134</u>	<u>\$63,598</u>	<u>\$100,926</u>	<u>\$37,020</u>	<u>\$125,903</u>		<u>\$1,277,228</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, 2009

SPECIAL REVENUE FUNDS

	Tennis			County Measure A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A Grants				\$275,000	\$247,713	(\$27,287)
From other agencies						
Service Charges	\$7,000	\$11,255	\$4,255			
Use of money and property	1,000	633	(367)	5,000	2,150	(2,850)
Road Impact Fee						
Other Revenue						
<b>Total Revenues</b>	<b>8,000</b>	<b>11,888</b>	<b>3,888</b>	<b>280,000</b>	<b>249,863</b>	<b>(30,137)</b>
EXPENDITURES						
Current						
Police						
Public Works	21,028	25,942	(4,914)	30,000	54,844	(24,844)
Capital Outlay				434,845	200,838	234,007
<b>Total Expenditures</b>	<b>21,028</b>	<b>25,942</b>	<b>(4,914)</b>	<b>464,845</b>	<b>255,682</b>	<b>209,163</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(13,028)	(14,054)	8,802	(184,845)	(5,819)	(239,300)
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
<b>Total other financing sources (uses)</b>						
NET CHANGE IN FUND BALANCES	(13,028)	(14,054)	(1,026)	(184,845)	(5,819)	179,026
BEGINNING FUND BALANCES		41,699			139,146	
ENDING FUND BALANCES		<u>\$27,645</u>			<u>\$133,327</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)
\$135,000	\$130,944	(\$4,056)	\$100,000	\$93,532	(\$6,468)			
4,000	394	(3,606)		472	472	\$1,200	\$22,698	\$21,498
						950,000	612,037	(337,963)
						313,833	3,186	(310,647)
<u>139,000</u>	<u>131,338</u>	<u>(7,662)</u>	<u>100,000</u>	<u>94,004</u>	<u>(5,996)</u>	<u>1,265,033</u>	<u>637,921</u>	<u>(627,112)</u>
			100,000	100,000			5,122	(5,122)
	5,710	(5,710)				65,000	65,000	
<u>175,000</u>	<u>174,101</u>	<u>899</u>				<u>1,970,009</u>	<u>800,405</u>	<u>1,169,604</u>
<u>175,000</u>	<u>179,811</u>	<u>(4,811)</u>	<u>100,000</u>	<u>100,000</u>		<u>2,035,009</u>	<u>870,527</u>	<u>1,164,482</u>
<u>(36,000)</u>	<u>(48,473)</u>	<u>(2,851)</u>		<u>(5,996)</u>	<u>(5,996)</u>	<u>(769,976)</u>	<u>(232,606)</u>	<u>(1,791,594)</u>
<u>(100,000)</u>	<u>(100,000)</u>							
<u>(100,000)</u>	<u>(100,000)</u>							
<u>(136,000)</u>	<u>(148,473)</u>	<u>(12,473)</u>		<u>(5,996)</u>	<u>(5,996)</u>	<u>(769,976)</u>	<u>(232,606)</u>	<u>(1,791,594)</u>
	<u>174,783</u>			<u>13,285</u>			<u>986,740</u>	
	<u>\$26,310</u>			<u>\$7,289</u>			<u>\$754,134</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, 2009

	CAPITAL PROJECTS FUNDS					
	Capital Improvement			Storm Drainage		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A Grants						
From other agencies						
Service Charges						
Use of money and property	\$1,000	\$2,815	\$1,815	\$1,000	\$761	(\$239)
Road Impact Fee						
Other Revenue	26,200		(26,200)	20,000		(20,000)
Total Revenues	<u>27,200</u>	<u>2,815</u>	<u>(24,385)</u>	<u>21,000</u>	<u>761</u>	<u>(20,239)</u>
EXPENDITURES						
Current						
Public safety - police						
Public Works				65,049	3,600	61,449
Capital Outlay	96,200	78,239	\$17,961			
Total Expenditures	<u>96,200</u>	<u>78,239</u>	<u>17,961</u>	<u>65,049</u>	<u>3,600</u>	<u>61,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(69,000)</u>	<u>(75,424)</u>	<u>(42,346)</u>	<u>(44,049)</u>	<u>(2,839)</u>	<u>(81,688)</u>
OTHER FINANCING SOURCES (USES)						
Transfers (out)						
Total other financing sources (uses)						
NET CHANGE IN FUND BALANCES	<u>(69,000)</u>	<u>(75,424)</u>	<u>(42,346)</u>	<u>(44,049)</u>	<u>(2,839)</u>	<u>(81,688)</u>
BEGINNING FUND BALANCES		<u>176,350</u>			<u>39,859</u>	
ENDING FUND BALANCES		<u><u>\$100,926</u></u>			<u><u>\$37,020</u></u>	

CAPITAL PROJECTS FUND

Channel Drainage District

<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$78,066	\$74,071	(\$3,995)
1,600	1,913	313
<u>79,666</u>	<u>75,984</u>	<u>(3,682)</u>
110,000	34,629	75,371
<u>110,000</u>	<u>34,629</u>	<u>75,371</u>
<u>(30,334)</u>	<u>41,355</u>	<u>(79,053)</u>
<u>(30,334)</u>	<u>41,355</u>	<u>(79,053)</u>
	<u>84,548</u>	
	<u>\$125,903</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.

**INFORMATION TECHNOLOGY** accounts for the financing of the Town's information technology needs including support.

**ADMINISTRATIVE SERVICES** accounts for the financing of the Town's administrative overhead costs.

**WORKERS' COMPENSATION INSURANCE** accounts for the financing of the Town's outstanding claim's liability.

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Administrative Services</u>	<u>Workers' Compensation Insurance</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$512,227			\$386,468	\$898,695
Total Current Assets	<u>512,227</u>			<u>386,468</u>	<u>898,695</u>
Non-Current Assets:					
Capital assets:					
Depreciable	1,073,745				1,073,745
Less: accumulated depreciation	<u>(575,385)</u>				<u>(575,385)</u>
Net Capital Asset	<u>498,360</u>				<u>498,360</u>
Total Assets	<u>1,010,587</u>			<u>386,468</u>	<u>1,397,055</u>
<b>LIABILITIES</b>					
Accounts payable	140,938				140,938
Accrued Liability	<u>24,330</u>				<u>24,330</u>
Total Liabilities	<u>165,268</u>				<u>165,268</u>
<b>NET ASSETS</b>					
Invested in capital assets	498,360				498,360
Unrestricted	<u>346,959</u>			<u>386,468</u>	<u>733,427</u>
Total Net Assets	<u>\$845,319</u>			<u>\$386,468</u>	<u>\$1,231,787</u>

TOWN OF ATHERTON  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

	Equipment Replacement	Information Technology	Administrative Services	Workers' Compensation Insurance	Total
<b>OPERATING REVENUES</b>					
Charges for services	\$52,352	\$106,641	\$308,024	\$169,527	\$636,544
Total Operating Revenues	52,352	106,641	308,024	169,527	636,544
<b>OPERATING EXPENSES</b>					
Insurance			87,342	(107,201)	(19,859)
Supplies and Maintenance	7	34,835	40,178		75,020
Other contractual services		43,868	175,720		219,588
Depreciation	43,629	6,277	5,562		55,468
Total Operating Expenses	43,636	84,980	308,802	(107,201)	330,217
Operating Income (Loss)	8,716	21,661	(778)	276,728	306,327
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	5,845	3,033	2,892	4,929	16,699
Total Nonoperating Revenues (Expenses)	5,845	3,033	2,892	4,929	16,699
Income Before Transfers	14,561	24,694	2,114	281,657	323,026
Transfers in	292,611				292,611
Transfers (out)		(180,601)	(162,009)		(342,610)
Net Transfers	292,611	(180,601)	(162,009)		(49,999)
Change in Net Assets	307,172	(155,907)	(159,895)	281,657	273,027
BEGINNING NET ASSETS	538,147	155,907	159,895	104,811	958,760
ENDING NET ASSETS	\$845,319			\$386,468	\$1,231,787

TOWN OF ATHERTON  
INTERNAL SERVICE FUND  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Equipment Replacement</u>	<u>Information Technology</u>	<u>Administrative Services</u>	<u>Workers' Compensation Insurance</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from other funds	\$52,352	\$106,641	\$308,024	\$169,527	\$636,544
Payments to vendors	<u>165,261</u>	<u>(96,060)</u>	<u>(332,297)</u>	<u>(13,684)</u>	<u>(276,780)</u>
Cash Flows from Operating Activities	<u>217,613</u>	<u>10,581</u>	<u>(24,273)</u>	<u>155,843</u>	<u>359,764</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	292,611				292,611
Transfers out		<u>(180,601)</u>	<u>(162,009)</u>		<u>(342,610)</u>
Cash Flows from Noncapital Financing Activities	<u>292,611</u>	<u>(180,601)</u>	<u>(162,009)</u>		<u>(49,999)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	<u>(348,307)</u>	<u>13,762</u>	<u>10,150</u>		<u>(324,395)</u>
Cash Flows from Capital and Related Financing Activities	<u>(348,307)</u>	<u>13,762</u>	<u>10,150</u>		<u>(324,395)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>5,845</u>	<u>3,033</u>	<u>2,892</u>	<u>4,929</u>	<u>16,699</u>
Cash Flows from Investing Activities	<u>5,845</u>	<u>3,033</u>	<u>2,892</u>	<u>4,929</u>	<u>16,699</u>
Net Cash Flows	167,762	(153,225)	(173,240)	160,772	2,069
Cash and investments at beginning of period	<u>344,465</u>	<u>153,225</u>	<u>173,240</u>	<u>225,696</u>	<u>896,626</u>
Cash and investments at end of period	<u>\$512,227</u>	<u>          </u>	<u>          </u>	<u>\$386,468</u>	<u>\$898,695</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$8,716	\$21,661	(\$778)	\$276,728	\$306,327
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	43,629	6,277	5,562		55,468
<b>Change in assets and liabilities:</b>					
Accounts payable	140,938	(17,357)	(18,186)		105,395
Accrued Liability	24,330				24,330
Claims Payable			<u>(10,871)</u>	<u>(120,885)</u>	<u>(131,756)</u>
Cash Flows from Operating Activities	<u>\$217,613</u>	<u>\$10,581</u>	<u>(\$24,273)</u>	<u>\$155,843</u>	<u>\$359,764</u>

## AGENCY FUNDS

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

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

**EVANS CREATIVE DESIGN FUND** – Fund maintained for the Art Committee.

**LINDENWOOD GATE TRUST** – Fund maintained for the Lindenwood Homes Association.

**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, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<hr/> <b>Evans Creative Design Fund</b> <hr/>				
<b>ASSETS</b>				
Cash and investments	\$120,033	\$3,993	\$7,860	\$116,166
Total assets	<u>\$120,033</u>	<u>\$3,993</u>	<u>\$7,860</u>	<u>\$116,166</u>
<b>LIABILITIES</b>				
Deposits payable	\$120,033	\$7,861	\$11,728	116,166
Total liabilities	<u>\$120,033</u>	<u>\$7,861</u>	<u>\$11,728</u>	<u>\$116,166</u>
<hr/> <b>Lindenwood Gate Trust</b> <hr/>				
<b>ASSETS</b>				
Cash and investments	\$244	\$5		249
Total assets	<u>\$244</u>	<u>\$5</u>		<u>\$249</u>
<b>LIABILITIES</b>				
Deposits payable	\$244	\$5		\$249
Total liabilities	<u>\$244</u>	<u>\$5</u>		<u>\$249</u>
<hr/> <b>H-P Park Improvement Fund</b> <hr/>				
<b>ASSETS</b>				
Cash and investments	\$5,717	\$115	\$1,876	\$3,956
Total assets	<u>\$5,717</u>	<u>\$115</u>	<u>\$1,876</u>	<u>\$3,956</u>
<b>LIABILITIES</b>				
Deposits payable	\$5,717	\$115	\$1,876	\$3,956
Total liabilities	<u>\$5,717</u>	<u>\$115</u>	<u>\$1,876</u>	<u>\$3,956</u>

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
<u>Tree Committee</u>				
<b>ASSETS</b>				
Cash and investments	\$41,401		\$16,494	24,907
Total assets	<u>\$41,401</u>		<u>\$16,494</u>	<u>\$24,907</u>
<b>LIABILITIES</b>				
Accounts payable		\$169		\$169
Deposits payable	\$41,401	6,750	\$23,413	24,738
Total liabilities	<u>\$41,401</u>	<u>\$6,919</u>	<u>\$23,413</u>	<u>\$24,907</u>
<u>All Agency Funds</u>				
<b>ASSET</b>				
Cash and investments	\$167,395	\$4,113	\$26,230	\$145,278
Total assets	<u>\$167,395</u>	<u>\$4,113</u>	<u>\$26,230</u>	<u>\$145,278</u>
<b>LIABILITIES</b>				
Accounts payable		\$169		\$169
Deposits payable	\$167,395	14,731	\$37,017	145,109
Total liabilities	<u>\$167,395</u>	<u>\$14,900</u>	<u>\$37,017</u>	<u>\$145,278</u>

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