



Item No. 8 Town of Atherton

CITY COUNCIL STAFF REPORT – CONSENT AGENDA

**TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER**

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: FEBRUARY 16, 2022

**SUBJECT: ACCEPT THE FISCAL YEAR 2020-21 AUDITED BASIC FINANCIAL
STATEMENTS**

RECOMMENDATION

Accept the FY 2020-21 Audited Basic Financial Statements.

BACKGROUND

The Town's Basic Financial statements were completed by the independent auditor Maze & Associates. In the auditor's opinion, the Town's financial statements "present fairly in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2021."

The Finance Committee reviewed and discussed the Town Basic Financial Statements at its January meeting. Maze and Associates audit engagement partner Grace Zhang was present at the Finance committee meeting to discuss the audited financial statements. The Committee recommends that the City Council accept the reports. The financial statements are in conformity with general accepted accounting principles. The General Fund is the chief operating fund of the Town. The General Fund had a negative Net Change in Fund Balance of \$10,680,374 during the fiscal year.

	2015-16 Actual	2016-17 Actual	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual
Revenues	\$14,480,498	\$15,673,758	\$17,019,068	\$18,689,035	\$18,319,800	\$19,567,418
Expenses	\$10,610,643	\$11,436,539	\$12,065,022	\$13,024,224	\$13,680,869	\$15,358,136
Transfers Out	\$4,234,968	\$4,536,136	\$614,258	\$237,929	\$173,947	\$14,889,656
Excess (Deficient) Revenues over Expenses	(\$365,311)	(\$298,917)	\$4,339,788	\$5,426,882	\$4,464,984	(\$10,680,374)

For FY 2020-21 there were *transfers out* of \$14,889,825. This included a \$5,965,635 transfer out of the remaining COP proceeds to the Facility Construction Fund for the construction payments toward the new Town Center. The Town received a *transfer in* of \$7,680,000 (prior year) from capital lease financing for the project. The previous year total *Transfers out* allocations from the General Fund were \$7,853,947. This included \$7.743 million toward Town Center project and \$110,000 to Workers Compensation.

At the end of the current fiscal year the unassigned fund balance of the General Fund was \$13,489,348, with a total fund balance of \$16,558,205. The unassigned fund balance represents 88% of the total General Fund expenditures of \$15,358,158.

Some highlights of the General Fund over the previous Fiscal Year include:

- An increase in Property Taxes over the previous year in the amount of \$259,557.
 - Secured Property Tax had an increase of \$565,207, Property Tax in Lieu had a decrease of \$445,221. The decrease is due to a VLF funding shortfall in FY 2020-21. A claim has been submitted on behalf of San Mateo and cities to the State Department of Finance for funding in the FY 2022-23 State budget. ERAF revenue had an increase of \$76,567.
- A decrease of Sales Tax in the amount of \$126,055 for a total of \$227,335.
- Other Taxes (Franchise tax & Document Transfer Tax) increased by \$243,967.
 - The majority increase was Document Transfer Tax revenues of \$258,099 over the previous year. Cable Franchise fees showed a decrease of \$33,174 over the previous year. The prior year had 5 payments received as opposed to 4. PG&E franchise and Cal Water had an increase of \$11,065 and \$18,563, respectively.
- An increase in Business License Tax for a total of \$264,162.
- Fines and Forfeitures increased by \$247,639.
 - The majority of the increase was due to Construction Time Limit forfeitures of \$322,600. Heritage Tree Damage Fee decreased \$58,507 over previous year for an amount of \$37,313.
- Service Charges increased by \$603,902.
 - The majority of the increase is attributed to building permit and planning fees, which were \$453,278 more than the previous year, an indication of increased building activity since March 2020. Encroachment permits saw an increase of \$230,599. Administrative code enforcement citations increased \$38,150 for a total of \$114,850.
- General Fund Revenue increased \$1,247,618 from the prior year and there was a \$1,677,267 increase in General Fund operating expenditures.
 - The increase in expenditures was due to an increase in unfunded CalPERS liability, equipment purchases, liability, and health insurance, increase in operational expenses within General government departments, Police, and Public Works departments.
 - In addition, there was the first-year payment of lease financing at \$837,930.
 - COVID-19 related short-term expenses of \$104,044 were also incurred.
 - The APOA MOU reflected a Cost-of-Living Adjustment that was also extended to non-APOA staff.

- The CalPERS employer contribution rate had a slight increase, as total expense was \$63,812 more than the previous year. The Town payment of the unfunded liability portion for the fiscal year increased \$154,617 to \$1,193,886. The total CalPERS expense for the Town increased \$218,429.

In FY 2014-15, GASB 68 and 71 were implemented for Accounting and Financial Reporting for Pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. As of FY 2020-21 the Town reports a net pension liability of \$19,259,799, an increase of \$1,614,935 and is as follows:

- Miscellaneous Employee Plan: \$5,398,568
- Safety Employee Plan: \$13,861,231

The Town reported a deferred outflow of resources of \$4,288,434 and deferred inflow of \$1,020,758 and a recognized pension expense of \$1,074,925. As a result of the implementation of the GASB statements, the Town made an adjustment of \$15,992,123 to the Town Total Net Position.

GASB 68 & 71 Net Pension Liability Implementation 06/30/21	
Miscellaneous Employees NPL	\$5,398,568
Safety Employees NPL	\$13,861,231
Deferred Outflow of Resources	(\$4,288,434)
Deferred Inflow of Resources	\$1,020,758
Adjustment to Beginning Governmental net position	\$15,992,123

In Fiscal Year 2017-18, GASB 74 and 75 were implemented for the Accounting and Financial Reporting for Post-Employment Benefits Other than pensions (OPEB). This establishes accounting and financial reporting requirements for governments whose employees are provided with OPEB benefits. It also includes requirements similar to pension reporting to address financial reporting for assets accumulated for purposes of providing OPEB benefits.

As of FY 2020-21 the Town reported an ending net OPEB liability of \$3,828,290. This reflects a net OPEB reduction adjustment of \$1,157,408. With the implementation of GASB 75, there is an adjustment to the beginning net position of Governmental Activities in the amount \$3,828,290. As of FY 2020-21, the Town of Atherton reports a net OPEB liability of \$133,190.

The Town reported OPEB deferred inflows of resources of \$4,091,369 and recognized OPEB expense adjustment of \$1,157,408.

GASB 74 & 75 Net OPEB Liability Implementation 06/30/21	
Net OPEB Liability	\$133,190
Deferred Outflow of Resources	(\$396,269)
Deferred Inflow of Resources	\$4,091,369

Adjustment to Beginning Governmental net position	\$3,828,290
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The Town had a positive net change in Net Position for the FY 2020-21 in the amount of \$6,548,206, for an ending Net Position of \$80,906,370. The previous FY had an ending net position of \$74,358,164.

With implementation of GASB statements 68 and 71 fiscal year 2014-15, which required the recognition of pension liabilities, deferred outflows, and deferred inflows of resources for pensions, resulted in the amount of \$14,917,198. With the recognized FY 2020-21 pension expense of \$1,074,925, reflects a total adjustment of \$15,992,123 to the Total Net Position. With the addition of the OPEB pension liability, deferred outflows, and deferred inflows of resources for OPEB, resulted in a total adjustment amount of \$3,828,290. As mentioned above, the total FY Town Net Position is \$80,906,370. Without the recognition of pension and OPEB liabilities the Town would have a total net position of \$100,726,783 for FY 2020-21.

Each fiscal year the Town will report the new net pension liability based on contributions and investment earnings on the plans.

The Town's General Fund operating budget presents a plan for accomplishing the goals and objectives of the City Council within existing resources and core strategy of financial stability in mind. We continue to be fiscally prudent with our resources but are mindful of operational and infrastructure needs.

The Town continues the commitment of the General Fund unallocated reserves to the Town Center project and has used all its \$7.5 million proceeds from Certificates of Participation lease financing for the project. The Town has received its advancement of future Atherton library donor funds from the San Mateo County JPA for the completion of the Library project.

The Town is heavily reliant on property taxes. There is no certainty that the growth will continue at the same pace in recent years, especially as we deal with the short- and long-term potential impact of the COVID-19 pandemic. As such the Town continues to explore revenue alternatives to the General Fund. We continue to keep our expenditures in line with our revenues and carefully review our choices for programs and priorities closely monitoring and controlling any discretionary spending. Staff seeks to ensure that the Town's fiscal position remains positive while continuing current programs, policies, and services.

The Town entered into a tax-exempt lease for cash flow construction financing of the new Town Center. A key characteristic of a tax-exempt lease that distinguishes it from bond indebtedness is a non-appropriation clause. This is a fiscal funding requirement where payments of the lease are dependent upon an annual appropriation by the governing body. This requires that future revenues to the Town be appropriated via installment payments on the debt on an annual basis. The Council settled on a COP of \$7.68 Million, resulting in an estimated annual debt service for FY 2021-22 of \$861,000.

Capital Improvement projects continue to be identified from the various master plans and residual

funding remaining from the Town Parcel Tax is being used. With the Town Center construction near completion, the Town is still in “save mode” for capital projects. The Town will maintain its annual street maintenance and continue to identify bike pedestrian and drainage maintenance projects. Some CIP projects have been delayed as staff seeks additional funding options, grants, and replenishment of Town reserves.

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

- Town Center;
- Annual Road Maintenance and Rehabilitation program;
- Green Infrastructure- minor projects;
- Bayfront Canal Collaborative Project;
- Neighborhood Traffic Management plan;and
- Holbrook Palmer Park Access and Circulation Plan Project design

Paying down long-term liabilities and providing funding for capital projects will continue to be a priority as we consider the use of future unallocated fund balances. The Town Center project has been the focus over the past several years. The project is scheduled to be completed in 2022.

As we weather the COVID-19 impacts and complete our milestone project, we will continue our core strategy of financial stability, while being fiscally prudent with our resources but mindful of operational and infrastructure needs.

POLICY FOCUS

Each year the City Council accepts its Audited Financial Statements as part of the Town’s annual operating practice. The Audited Financial Statements represent the financial picture of the Town. It is an examination of the Town’s financial statements and disclosures by an independent auditor and an assurance that the Town conducts its finances in accordance with generally accepted accounting principles. The result is a report from the auditor attesting to the fairness of the presentation of the financial statements and disclosures. The audit is not an opinion of the Town’s fiscal health and outlook.

The Management Discussion & Analysis (MD&A) is an important section of the Audit Report providing a picture of the Town’s finances from management’s perspective. The MD&A is fact-based and provides readers with management’s view of what is critical about the Town’s financial prospectus. The MD&A complements the Audited Financial Statements but is broader in scope. The MD&A can present an opinion of the Town’s fiscal health and outlook.

GOAL ALIGNMENT

This Report and its contents are in alignment with the following Council Policy Goals:

- Goal A – Maintain Fiscal Transparency
- Goal F – Be Forward-Thinking, Well-Managed and Well-Planned

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town's electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town's electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials.

ATTACHMENTS

1. FY 2020-2021 Basic Financial Statements
2. FY 2020-2021 Report on Compliance with the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes & Transportation Development Act and Measure W Funds for Local Transportation Purposes in Accordance with San Mateo County Congestion Relief Plan

**TOWN OF ATHERTON, CALIFORNIA
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

**Prepared by
FINANCE DEPARTMENT**

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TOWN OF ATHERTON
Basic Financial Statements
For the Year Ended June 30, 2021

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TOWN OF ATHERTON
Basic Financial Statements
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Atherton, California (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84 – *Fiduciary Activities*, which became effective during the year ended June 30, 2021. As discussed in Note 13, the OPEB Trust Fund is no longer reported as of July 1, 2020. The Town also established the new fund type, Custodial Funds, and eliminated the fund type of Agency Funds.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Supplemental Information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Pleasant Hill, California
December 6, 2021

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, 2021. 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 \$75,972,955 (*net position*).
- The government's total net position increased by \$6,548,206. This includes total revenues of \$27,345,837 over total expenditures of \$20,797,631. The increase is due to higher total revenues of \$1,373,732. The town received higher property tax revenues of \$3,654,039. There were higher other taxes revenues of about \$120,724. Operating grants and contributions had a decrease of \$3,500,791. There was an increase in charges for services of \$1,445,996 and a decrease in investment earnings of \$1,003,379. The year had an increase in total expenses of \$3,837,529, of which a majority was attributed to an additional recognized pension expense of \$1,074,925, reduction in Net OPEB expense of \$1,157,408, Capital Lease expense cost of \$837,930, additional capital expenditure outlays and disposals, and \$2,194,735 for defeasance of SBWMA bonds as the Town exited the JPA.
- The Town recorded a net pension liability of \$19,259,799, which is an increase of \$1,614,935 to last year. The Miscellaneous employee plan is \$5,398,568 and Safety is \$13,861,231.
- The Town recorded a net OPEB liability of \$133,190. This is a decrease of \$2,972,110 from last fiscal year.
- As of the close of the current fiscal year, the Town of Atherton's governmental funds reported combined ending fund balances of \$28,174,889, a decrease of \$15,154,309 in comparison with the prior year. Majority of the decrease is due to the construction expenses of Town Center and the Library.
- The General Fund is the chief operating account of the Town. At the end of the current fiscal year, the unassigned fund balance for the general fund was \$13,489,348, or 88 percent of total general fund expenditures of \$15,358,136. The Town has a fund balance policy of not dropping the unassigned fund balance below 20% of the actual annual operating expenditures and the Town balance well exceeds this amount.
- The unassigned General Fund balance decreased by \$11,003,854 compared to fiscal year 2019-2020. Key contributing factors included an increase of transfers out compared to the prior year and COP lease financing. Transfers out were \$14,889,825 compared to last fiscal year transfers out of \$7,853,947 from the General Fund. There was a transfer out of \$14,889,825 during the year from the General Fund to the Facility Construction Capital Fund for the construction payment applications towards the new Town Center. As \$5.96 Million of the \$14.89 Million transfer out was from COP fund proceeds. Construction on the project began June 2019. There was an increase in General Fund revenues of \$1,247,618 and an increase in total expenditures of \$1,677,267 year over year. The General Fund maintained excess revenues over expenditures of \$4,209,282. The Town expended all its COP proceeds of \$7,680,000 toward the Town Center Project. With the inclusion of the transfers out of \$14,889,825, this culminated in a negative change in fund balance of \$10,680,374 for the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town of Atherton's basic financial statements. The Town of Atherton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Atherton's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Town of Atherton's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Atherton is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Atherton that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town of Atherton include general government, planning, building, public safety (Police), and public works.

The government-wide financial statements can be found on pages 16-17 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary funds. The Town of Atherton maintains one type of proprietary funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town of Atherton various functions. The Town of Atherton uses internal service funds to account for its fleet of vehicles and equipment, workers' compensation liability, general and employment liabilities, and employee benefits including compensated absences and other post-employment benefits other than pension. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 32-34 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 36-37 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 39-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* providing a budgetary comparison statement for General Fund, Special Tax Special Revenue Fund, and Library Special Revenue Fund. Required supplementary information can be found on pages 74-78 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 80-90 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Atherton, assets exceeded liabilities by \$80,906,370 at the close of the most recent fiscal year.

By far the largest portion of the Town of Atherton's net position (93 percent) reflects its investment in capital assets of \$75,972,955 (e.g., land, buildings, vehicles, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. Capital Assets increased \$20,795,049 in the year as a majority of the increase was due to the continuing construction of the Town Center and Library project. The Town of Atherton uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town of Atherton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Atherton Net Position

	2021	2020
Current and other assets	\$ 41,081,684	\$ 55,007,321
Capital assets	75,972,955	55,177,906
Total assets	117,054,639	110,185,227
Deferred Outflow of Resources	4,684,703	4,586,824
Current liabilities	9,508,207	8,453,816
Noncurrent liabilities	26,212,638	28,220,515
Total liabilities	35,720,845	36,674,331
Deferred Inflow of Resources	5,112,127	3,739,556
Net Assets:		
Invested in capital assets, net of related debt	68,863,975	55,177,906
Restricted	11,616,684	16,090,619
Unrestricted	425,711	3,089,639
Total net position	\$ 80,906,370	\$ 74,358,164

An additional portion of the Town of Atherton net position \$11,616,684 (14.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$425,711 and are being used to meet the government's ongoing obligations. The implementation of GASB 75 during the fiscal year 2017-18 required the recognition of the entire net OPEB liability. This included a prior period adjustment to the net position in governmental activities and employee benefits fund for a total of \$9,738,515. This adjustment was in the unrestricted net position balance in the government-wide statement. There was an increase in net pension expense of \$1,704,925 for the fiscal year 2020-21. The Town procured Capital Lease financing in the amount of \$7,680,000 for the Town Center project in fiscal year 2019-20.

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

Governmental activities Governmental activities increased the Town of Atherton's net assets by \$6,548,206. Fiscal year 2020-21 included an increase in recognized pension expense of \$1,074,925. Implementation of GASB statements 68 and 71 in fiscal year 14/15 required the recognition of pension liabilities, deferred outflows, and deferred inflows of resources for pensions, which totaled \$14,917,198. Together the recognized pension expense of \$1,074,925 in the fiscal year, this reflects a total adjustment of \$15,992,123 to the Total Net Position. For the Fiscal Year end the Town recognized a reduction in OPEB expense of \$1,157,408. With the addition of the OPEB pension liability, deferred outflows, and deferred inflows of resources for OPEB, this resulted in a total adjustment amount of \$3,828,290 in the current fiscal year. The total Town Net Position is \$80,906,370. Without the recognition of pension and OPEB liabilities, the Town would have a total net position of \$100,726,783 for FY 2020-21. Total governmental activities had higher property taxes, and other taxes for a combined total of \$3,774,763 in the fiscal year. There was a decrease in Sales Tax of \$126,055 from prior year. The Town had an increase in charges for services of \$1,445,996, which was attributed to an increase of C&D deposit forfeiture and building, and encroachment permits ramp up after the COVID-19 shutdowns. A decrease in operating grants of \$3,500,791 due to no more Atherton Now contributions toward the Town Center project. There was a decrease in investment earnings of \$1,003,379 over last year, mainly due to reduction in investments due to liquidity needs for Town Center construction. There was a fair market value adjustment higher than anticipated to investment income in the amount of \$243,374. Market expectations decreased short term rates back to 2019 low rates. The Town had an increase in expenditures of \$3,837,529 across major funds and other governmental funds due to additional pension expense, net OPEB, Capital Lease expense on 2020 COP, increased asset cost additions, and defeasance of SBWMA bonds of \$2,194,735. The Town made a \$146,681 contribution toward

expenditures of \$3,837,529 across major funds and other governmental funds due to additional pension expense, net OPEB, Capital Lease expense on 2020 COP, increased asset cost additions, and defeasance of SBWMA bonds of \$2,194,735. The Town made a \$146,681 contribution toward its Net OPEB Obligation. The Town has contributed a combined \$2,343,535 during the previous six fiscal years toward the OPEB trust for continued reduction of its unfunded liability.

Town of Atherton's Changes in Net Position

	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 4,223,296	\$ 2,777,300
Operating grants and contributions	1,285,102	4,785,893
General revenues:		
Taxes	20,900,456	17,125,693
Investment earnings	37,850	1,041,229
Other revenues	899,133	241,990
Total revenues	27,345,837	25,972,105
Expenses:		
General government	2,718,584	2,885,991
Public works	8,113,661	4,423,379
Police	8,195,298	8,246,002
Building	1,316,978	1,108,699
Planning	453,110	296,031
Total expenses	20,797,631	16,960,102
Change in Net Position	6,548,206	9,012,003
Net assets - Beginning	74,358,164	65,346,161
Net assets - Ending	80,906,370	74,358,164

- Charges for services increased by \$1,445,996 during the year. The increase was primarily due to Public Works, Building, and Planning department charges for services. The Town saw an increase in Public Works charges for services of \$593,702. This was due to C&D deposit forfeiture of \$322,600 from building construction deposits that were forfeited for construction time limit. There was \$27,600 in C&D forfeiture last fiscal year. Town encroachment permit fees increased \$230,599 from the previous year of \$424,393. Park fees had an overall decrease of \$126,954 from the \$182,558 received in previous year. The decrease was due to events not being booked as a result of COVID protocols. The Town had an increase of \$403,766 in refuse rate stabilization fund revenues over last fiscal year amount of \$211,891. The increase was attributed to procurement and withdrawal fee of \$475,000 from Greenwaste on the new refuse contract. Charges for Police Services had an increase of \$42,744. Other fines and forfeiture had an increase of \$13,659 over last year. Muni/vehicle code fines had a decrease of \$2,513 and special service fee for police had a decrease of \$2,742. There was an increase of administrative citations of \$38,150 from the previous year for an amount of \$114,850. Building department

charges for services had an increase of \$441,458 from the prior year. In March 2020, due to the COVID-19 pandemic, building and construction activity was on hold for over a month. There was a decrease in permits initially, but in FY 2020-21 during the summer months, construction permit activity picked up and continued through remainder of the fiscal year. Building Department revenue saw an increase of \$441,005 in building permits, building plan check fees, and tree removal plan check fees from the previous year for a total of \$1,765,939. Zoning and planning fees saw an increase of \$12,785.

- Operating grants and contribution decreased overall by \$3,500,791 during the year. A majority of the decrease was due to reduction in donations towards the Town Center. In the previous year, the Town received \$3,860,482 in donations from Atherton Now for the construction phase of the project. The amount received in the fiscal year was \$365,000, a reduction of \$3,495,482 from previous year. The Town received \$9,273 less in Gas Tax and \$19,513 less in Measure A transportation tax funding for street projects. This revenue is sales tax driven and is an indication of minor reduction due to COVID-19 and work from home measures. The Town also received capital grant funds of \$112,018 from CalTrans for the final reimbursement payment for a Town water capture facility project. This is an increase of \$41,570 from the prior year. The study and engineering design for siting of the project was terminated. The Town received all of its grants fund expense reimbursements for the study and engineering design on the project.
- Town-wide Taxes increased by \$3,774,763 (22 percent) during the year. The increase was mainly due to secured properties taxes increase of \$3,959,492. Big component of the increase is due to the Library advancement of secured taxes for completion of Library project. This was an increase of \$3,388,042 from previous year Library taxes. ERAF revenue increased \$79,567 over previous year for a total of \$1,863,658. There was a decrease in sales tax by \$126,055 over the previous year, indication of some COVID impact. There was a total \$246,779 increase in other taxes, which included \$258,099 increase in Document transfer tax to \$702,515 for the year. There was a \$14,132 decrease in franchise fees for a total of \$908,380. Majority of the decrease is due to receiving the correct quarter payments for cable franchise fees. Last fiscal year included an extra payment from prior year end. PG&E franchise fee had an increase of \$11,065 and Cal Water fee increased by \$18,563. Business license fees increased by \$2,812.
- Investment earnings are lower than last year by \$1,003,379. This was due to reduction in investments due to liquidity needs, decrease in interest rates, and a major fair market value adjustment to investments higher than anticipated in the fiscal year of \$243,374, compared to the prior year adjustment of \$91,729.
- Total Government Activities expenses increased by \$3,837,529 (22.6 percent) during the year. The Town increase was across major funds and other governmental funds due to additional pension expense, net OPEB, Capital Lease expense on 2020 COP's, increase in capital projects outlay, asset cost additions, and the one-time defeasance of SBWMA bonds of \$2,194,735.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Atherton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

From FY 2011, The Town adopted the provision of Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. Additional information can be found in Note 7 on pages 56 through 62 in the financial statements.

Governmental funds:

The focus of the Town of Atherton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Atherton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund is the chief operating fund of the Town of Atherton. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,489,348, while total fund balance reached \$16,558,205. As a measure of the general fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 88 percent of the total general fund expenditures of \$15,358,158, while total fund balance represents 108 percent of that same amount of total expenditures.

Town of Atherton's general fund balance decreased by \$10,680,374 during the current fiscal year. Key factors in the decrease are as follows:

- The Council authorized the use of the General Fund unallocated reserve fund balance toward the construction of the Town Center project. With Council direction, the unallocated reserve balance can be appropriated towards operational use, for capital projects, or to pay down liabilities. There was a transfer out of \$14,889,825 to the Facility Construction Fund for construction costs on the Town Center. The project began in the summer of 2019 and is anticipated to be completed in Fiscal 2021-22. The previous year total allocations from the General Fund were \$7,743,947 to the Facility Construction Fund.
- The General Fund Revenue increased \$1,247,618 from the prior year and there was a \$1,677,267 increase in General Fund operating expenditures. The increase in expenditures was due to increase in unfunded CalPERS liability, equipment purchases, liability, and health insurance, increase in operational expenses within General government departments, Police, and Public Works departments. First year payment of lease financing began as we paid \$837,930. It is a 10-year financing with a 5-year call option. COVID-19 pandemic additional short-term expense of \$104,044 occurred due to protocols. There was an MOU salary increase for the Atherton Police Officers Association and Town employees. MOU increases in future years are based off CPI index in February each year. In Fiscal Year 2020-21 the CPI increase for Town employees was 2.9%. Atherton Police Officer Association increase began July 1, 2020, remainder of Town employees increase began January 1, 2021.
- The CalPERS employer contribution rate had a slight increase, as total expense was \$63,812 more than the previous year. CalPERS continues to collect the unfunded liability as a dollar amount. The Town payment of the unfunded liability portion for the fiscal year increased \$154,617 to \$1,193,886. The total CalPERS expense for the Town increased \$218,429.
- Total Property tax revenues increased by \$259,557. In the previous year property taxes increased \$685,010. Secured property taxes increased \$565,207. Property Tax in Lieu of VLF had a decrease of \$445,221 from previous year. The VLF amount due was \$1,328,296, but the Town received \$751,425. This is a shortfall of \$576,871. The State FY 2022/23 budget will address this shortfall. ERAF revenue had an increase of \$79,567 for a total of \$1,863,658.
- Other taxes (Franchise tax & Document Transfer Tax) increased by \$243,967. A majority of the increase was in Document Transfer tax of \$258,099 over the previous year for a total amount of \$702,515. Cable Franchise fee decreased by \$33,174 from the previous year for a total amount of \$132,467. This was due to receiving the correct amount of quarter remittance fees. Prior year had 5 quarterly payments received. PG&E franchise and Cal Water had an increase of \$11,065 and \$18,563, respectively.
- Sales taxes decreased by \$126,055 compared to previous year for a total of \$227,335.
- Business License fee increased by \$2,812 for a total of \$264,162.
- Fines and Forfeitures increased by \$247,639. A majority of the increase is due to C&D time limit forfeiture of \$322,600 realized in the year. The amount in previous year was \$27,600. Heritage Tree Damage Fee decreased \$58,507 over previous year for an amount of \$37,313.
- Service Charges increased by \$603,902. A majority of the increase is attributed to building permit and planning fees, which were \$453,278 more than the previous year, an indication of increased building activity after COVID shutdown in March 2020. Encroachment permits saw an increase of \$230,599. Administrative code enforcement citations increased \$38,150 for a total of \$114,850.

- The Town saw an increase in miscellaneous revenue of \$705,567 over previous year. This was due to the sale of the Town's Rule 20A funds in the amount of \$642,521, as well as receipt of COVID-19 relief funds of \$86,813.

Special Tax Special Revenue Fund has a total fund balance of \$1,309,396, all of which is reserved for street and drainage facility maintenance. The special Parcel tax was not renewed past fiscal year 2017-18. The Town no longer receives Parcel Tax revenue and only maintains residual funds from prior years. The Parcel Tax appropriated \$310,000 in funding to street maintenance projects. The total 2021 street maintenance projects budgets were \$875,000. Expenditures increased by \$132,178 as the fund contributed \$350,242 towards slurry seal street maintenance project for the year. The Town approach is to spend residual monies in the special tax fund within our Town Capital Improvement Program projects until it is depleted. With the beginning of the Town Center construction project in Fiscal Year 2019-20, the Town CIP program has been reduced to street and drainage improvement. The Town estimates to allocate \$715,000 of Parcel Tax to Road Maintenance and Drainage Improvements in Fiscal Year 2021-22.

Library Special Revenue Fund has a total fund balance of \$6,000,336, all of which is reserved for the library construction and operation. The remaining San Mateo County Libraries (SMCL) Town funds of \$3.9 million was remitted to the Town in August 2020. Revenue was higher than prior year by \$3,338,042 as advancement of future excess donor funds were remitted for the completion of the Library project. The advancement of funds received was \$5,391,725. As of 2012-2013 fiscal year, all donor funds are held in a separate trust for each city in the JPA. The San Mateo County Libraries (SMCL) has disbursed all of the funds remaining in SMCL Donor Trust fund. Going forward, the Library JPA in order to be reimbursed, will retain any Excess Funds that it would otherwise restrict and hold for library purposes for the Atherton Library, until the amount of Excess Funds retained by the Library JPA equals the advancement amount. It is anticipated that the amount will be repaid in approximately 4 years. The Library fund is funding the new Library construction portion of the Town Civic Center. The fund had \$8,172,893 in expenditures for the in-construction costs for the Library project. To facilitate completion of the project the San Mateo County Libraries JPA advanced the \$5,391,725 of future donor funds to cover the remaining anticipated construction and contingency total costs of \$18,823,644 for the new library.

General Fund Budgetary Highlights

During the year, the revenue budget was increased by a total of \$1,051,656 at mid-year. The following are the main components of the net increase:

- \$217,255 higher secured property tax and \$7,200 Unsecured taxes
- \$551,158 higher ERAF revenue.
- \$343,606 decrease in Property Tax in Lieu VLF
- \$101,477 higher Property Transfer Tax
- \$20,000 higher total sales tax
- \$26,000 higher Franchise Fees
- \$147,000 increase in building revenue
- \$85,000 lower total police revenue
- \$212,000 higher public works revenue
- \$115,500 decrease in park program revenue
- \$313,672 increase of revenue in miscellaneous, and intergovernmental revenue categories

During the year there was also a \$80,850 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$80,850 increase in the building department expenditures for the building services contract. This was due to projected growth in building revenue as the contract is based on building revenue.
- COVID IMPACT- The Town continues its heavy reliance on property taxes as the major revenue source for the Town's General Fund. Certain revenues, such as Park revenues, continue to be impacted due to COVID-19 protocols and social distancing mandates. Other revenues for most part have continued at an anticipated rate. Expenditures are in line and currently with the current COVID-19 impact; expenses are at a minimum for operations, facility repairs and maintenance, and for other expenses such as conferences and trainings. As the Town operations move to the new Town Center, it is expected that operations costs will increase to a new baseline for operations of the new facilities.

Capital Assets and Debt Administration

Capital assets. The Town of Atherton's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$75,972,955 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, drainage systems, and construction in progress. Construction in progress increased by \$21,842,209. This is attributed to continued projects in progress for the Town Center and Library construction phase, Green Infrastructure plan implementation, and Drainage master plans project repairs to drainage facilities and valley gutters along Stockbridge drainage canal. The Town Center and Library construction phase comprises \$23.48 million of Town construction in progress.

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

	Governmental activities	
	2021	2020
Land	690,884	690,884
Construction in progress	54,324,999	32,482,790
Building	181,546	204,047
Other Improvements	194,609	222,096
Vehicles	280,495	367,141
Computer Equipment/Software	16,189	39,607
Furniture & Fixture	-	-
Machinery & Equipment	36,100	56,642
Infrastructure	20,248,133	21,114,699
Total Fixed Assets	75,972,955	55,177,906

Additional information about the Town's capital assets can be found in Note 5 on pages 51 through 53 in the financial statements.

Long-term debt. On June 1, 2020, the Town entered into Lease Agreements with the Public Property Financing Corporation of California, with assignment of the agreement to Capital One Public Financing for lease financing of \$7,680,000. This was cash flow lease financing for construction of the Town Center project. It is a ten (10) year financing with a five (5) year call option. The Town made its first yearly lease payments during fiscal year 2021 in the amount of \$837,930, which includes \$680,000 toward principal. The Town in the previous fiscal year had an assessment of \$110,000 due to The Cities Group to cover negative workers' compensation reserve for fiscal year 2019. There was not an appropriation in the FY 2020-21 budget as there was no requirement for

Workers' Compensation Equity Reserve replenishment. There is anticipation that replenishment of any future depleted reserves will come from the Workers Compensation fund. Over the past several years there has been a build-up of net assets in the fund to mitigate the depletion of the reserves and possibly offset any future additional assessments from Cities Group workers' compensation JPA.

In Fiscal Year 2014-15, GASB 68 and 71 were implemented for Accounting and Financial Reporting for Pensions. This established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The net pension liability increased \$1,614,935 over last fiscal year. As of FY 2020-21, the Town of Atherton reports a net pension liability of \$19,259,799 and is as follows:

Miscellaneous Employee Plan: \$5,398,568

Safety Employees Plan: \$13,861,231

The Town reported a deferred outflow of resources of \$4,288,434 and deferred inflow of resources \$1,020,758.

In Fiscal Year 2017-18, GASB 74 and 75 were implemented for the Accounting and Financial Reporting for Postemployment Benefits Other than pensions. This establishes accounting and financial reporting requirements for governments whose employees are provided with OPEB benefits. It also includes requirements similar to pension reporting to address financial reporting for assets accumulated for purposes of providing OPEB benefits. As of FY 2019-20, the Town of Atherton reports a net OPEB liability of \$133,190. This is a decrease of \$2,972,110 over last fiscal year. The decrease is due to other assumption changes based on Town service, discount rate, higher investment rate of return, growth, and health care trends.

The Town reported a deferred outflow of resources of \$396,269 and inflow of resources \$4,091,369 for OPEB.

Additional information on the Town of Atherton's outstanding debt can be found in note 7 and note 8 on page 56-67 of this report.

Economic Factors and Next Year's Budgets. Property taxes are still the major revenue source for the Town and comprise 67% of the General Fund revenues. Property Taxes increased 2% from the previous year of \$12,990,880, an indication that increased property sales within the Town continue. The Town's property tax consultant HdL projects that any decrease due to COVID-19 would be gradual and not impact the Town until FY 2021-22. From early estimates for FY 2021-22 assessed property values are projected to increase \$555 million or 4.49% over FY 2020-21. According to HdL, tax revenue is anticipated to level out at 3.5% to 5% over the next couple of years. Property value increases could be below the maximum 2% CPI, however the high value home prices and construction activity in the Town carry the increase in property tax revenue in the coming years. In previous years property tax increases have been budgeted between 4.5% to 5%.

As of FY 2021-22, the Town experienced a Net Taxable Assessed Value increase of 5.8% for a total value of \$13.08 Billion. Expectations for FY 2021-22 property tax revenues should show a conservative growth of 4.5% as the housing market prices in the Town continue to show increase. The Town in future years will be on the conservative assumption on property tax increases ranging from 3.5% to 5.5%. Other General Fund revenues for FY 2021-22 include conservative revenue assumptions and reflect minor COVID-19 impacts. These are short-term and it is important to note the Town's main source of revenue comes from property taxes. Most other General Fund revenues have seen steady increases over the years based on current trends.

The Town is weathering the short-term impact of COVID-19. As the current fiscal year concludes, the Town is near the completion of one of the most historical milestone projects in its history. The new Town Center will be completed by early 2022. For the current budget, financial assumptions include an increase in property tax revenue projections at approximately 4.5 percent. Building Department and Planning Department revenues are projected to increase by approximately 5 percent due to increase of construction activity back to normal levels. Staff believes the actual COVID-19 impact was short term. There is a projected increase in residential improvements and the razing of existing homes and construction of new homes. Public Works revenue reflects a 3.5% increase due to building permit activity. All other revenue sources are budgeted between 1% to 2% percent. Franchise fees are budgeted to increase at 1.5% to 2% percent based on FY 2020-21 levels. Certain revenues, such as park revenue, may have a longer-term impact due to COVID-19 protocols and social distancing mandates. Knox play school revenue is projected back to normal monthly rentals. We continue to monitor other Town revenues as we look to get back to normal pre-pandemic levels.

Sales tax had a decrease to \$227,335. It had remained static around \$315,000 over the previous several years. Sales & Use tax projects a 13% decrease in FY 2021-22 from a partial slow down due to COVID-19, reductions in operations and possible sale of personal property during the pandemic. The Town continues to maintain residual funds from the Parcel Tax that will continue to be used toward capital projects. The Town is now in "save and spend" mode for priority capital projects while the Town Center project nears completion. The Town received \$1,863,658 in ERAF for the Fiscal Year. This was an increase of \$79,567. ERAF was earmarked in the FY 2020-21 budget as a contribution toward the Town center construction project. With new State guidelines issued to determine a school district's ERAF entitlement, it is anticipated ERAF at the level received of \$1.86 million in FY 2020-21 will not continue as ERAF remains under threat at the State level. There is a general consensus that, even with the new State Guidelines, local agencies, counties, and districts will still receive Excess ERAF. The budget for FY 2021-22 was set at \$1.1 million. ERAF is considered a vital revenue component for the use on one-time capital projects, reduction of any long-term liabilities, and Town CIP projects and programs. The current use of ERAF is for debt service payments for the lease-back financing for cash flow purposes for the Town Center project.

The Town's General Fund operating budget presents a plan for accomplishing the goals and objectives of the City Council within existing resources and core strategy of financial stability in mind. We continue to be fiscally prudent with our resources but are mindful of operational and infrastructure needs. The Town continues the commitment of the General Fund unallocated reserves to the Town Center project and has used all of its \$7.5 million proceeds from Certificates of Participation lease financing for the project. The Town has received its advancement of future Atherton library donor funds from the San Mateo County JPA for the completion of the Library project. The Town is heavily reliant on property taxes. There is no certainty that the growth will continue at the same pace as in recent years, especially as we deal with the short- and long-term potential impact of the COVID-19 pandemic. As such the Town continues to explore revenue alternatives to the General Fund. We continue to keep our expenditures in line with our revenues and carefully review our choices for programs and priorities closely monitoring and controlling any discretionary spending. Staff seeks to ensure that the Town's fiscal position remains positive while continuing current programs, policies, and services. The Town entered into a tax-exempt lease for cash flow construction financing of the new Town Center. A key characteristic of a tax-exempt lease that distinguishes it from bond indebtedness is a non-appropriation clause. This is a fiscal funding requirement where payments of the lease are dependent upon an annual appropriation by the governing body. This requires that future revenues to the Town be appropriated via installment payments on the debt on an annual basis. The Council settled on a COP of \$7.68 Million, resulting in an estimated annual debt service for FY 2021-22 of \$861,000.

Capital Improvement projects continue to be identified from the various master plans and residual funding remaining from the Town Parcel Tax is being used. With the Town Center construction near completion, the Town is still in “save mode” for capital projects. The Town will maintain its annual street maintenance and will continue to identify bike pedestrian and drainage maintenance projects. Some CIP projects have been delayed as staff seeks additional funding options, grants, and replenishment of Town reserves. Staff will present to Council in early Winter 2022 to discuss out year saving and spending plans based on Council priorities for the Unallocated General Fund Balance. With the availability of only residual Parcel Tax revenue and while the Town Center Project is underway, there have been some CIP projects that have been delayed as staff seeks additional funding options and grants. As we continue to review the out year financial planning, the priorities for use of the Unallocated General Fund Balance will be determined.

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

- Town Center;
- Annual Road Maintenance and Rehabilitation program;
- Green Infrastructure- minor projects;
- Bayfront Canal Collaborative Project;
- Neighborhood Traffic Management plan;;and
- Holbrook Palmer Park Access and Circulation Plan Project design.

We continue to be fiscally prudent with our resources but are mindful of operational and infrastructure needs. With the commitment of the General Fund unallocated reserves to the Town Center project, certain CIP master plan projects will be on hold until additional funding is identified and/or when the Town Center project is completed. There is no immediate impact to property tax revenues to the Town and residential building construction has been ramping back up. Town staff will continue to work efficiently and creatively to maximize available revenues by seeking outside grants, forging community, and regional partnerships. We continue to work on fostering partnerships with other agencies in fulfilling infrastructure needs. The Town will embark on review of out year financial planning for use of unallocated General Fund reserves. The process will help in setting aside funding for paying down long-term pension liabilities, COP lease back financing, and capital improvement master plans. The Town partnered with San Mateo County and other agencies on the Bayfront Canal Project. The project helps mitigate drainage issues and reduce pollutants in the Bayfront. The Town is also working on completing its Green Infrastructure plan mandate and anticipates implementing some minor projects as a result of the plan. The CIP program serves as a guide in prioritizing community needs through the identification of funding and projects that will be a major focus in the next 5 years.

Paying down long-term liabilities is important to the Town’s fiscal stability. During fiscal year 2020-21 the Town made an additional \$146,681 contribution into the OPEB trust to satisfy the minimum annual required contribution for future OPEB liabilities. Total Town contribution to the Trust as of June 30, 2021 is \$5,642,851. The balance in the PARS Trust as of June 30, 2021 is \$8,866,492.

CalPERS started requiring agencies to pay for their Unfunded Accrued Liabilities (UAL) as dollar amounts rather than a percentage of payroll. This was implemented to recover gains and losses of funded status of plans. Every fiscal year CalPERS invoices municipalities for the unfunded portion of their liabilities. The Town paid \$333,763 for Miscellaneous Employees and \$860,123 for Public Safety, for a total of \$1,193,886 for the PERS unfunded accrued liability portion for FY 2020-21. The anticipated Town UAL portion for FY 2021-22 is \$1,041,696 for public safety and \$407,323 for miscellaneous employees. The Town now records its net pension liability, which is based on contributions and investment earnings on the plan. The Town pension liability increased by \$1,614,935. The CalPERS board implemented changes to the discount rates, with the discount rate being reduced to 7.375% beginning in FY 2018-19, then to 7.25% in FY 2019-20 and 7.0% in FY 20-21. Agency plans likely saw increases in both the normal costs and the accrued liabilities, resulting in higher required employer contributions. The CalPERS Board just went through its Asset Liability Management (ALM) review in calendar year 2021. Key decisions of the ALM process began in

September 2021 which included the discussion of candidate portfolios with proposed discount rate and review of the draft experience study of portfolios. The review included the discussion of portfolios with discount rates, adoption of new actuarial assumptions, and strategic asset allocation. The ALM process coincided with an exceptional year of investment returns. The double-digit return triggered the CalPERS Funding Risk Mitigation Policy. This policy reduces funding risk only after a great investment year. The 21.3% investment return fell within an additional investment return threshold required for a reduction in the discount rate. During its November meeting, the CalPERS board reduced the discount rate to 6.8% and it will be the new baseline rate beginning July 2022 and for the next four years. Analysis of future costs will continue to be a focus as we intend to meet long-term obligations and Town operating expenditures. Markets have recovered since the initial COVID-19 shutdown in March 2020. The CalPERS investment returns for FY 20-21 was 21.3%, This was 16.6% percent higher than FY 19-20 return of 4.7%. It is important to note that the investment returns for FY 2020-21 will be reflected in the June 30, 2021 actuarial valuation reports. Any gains and losses will be reflected in FY 2023-24 valuation reports as the first payment for Public Agencies. The Town does not currently have any constraints on making its payments and is far better positioned than most agencies that are reliant on sales tax and transient occupancy tax revenues. OPEB liabilities were included in the financials for the first time in FY 2017-18 and the Town has a net liability of \$133,190.

Requests for Information

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

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TOWN OF ATHERTON

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

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

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

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

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

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

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

TOWN OF ATHERTON
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$40,723,928
Receivables:	
Taxes	233,141
Interest	22,002
Other	16,551
Prepaid expenses	86,062
Capital assets (Note 5):	
Non-depreciable	55,015,883
Depreciable, net	20,957,072
Total Capital Assets	75,972,955
Total Assets	117,054,639
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions (Note 7)	4,288,434
Related to OPEB (Note 8)	396,269
Total Deferred Outflows of Resources	4,684,703
LIABILITIES	
Accounts payable	2,746,448
Accrued liabilities	363,191
Deposits payable	4,948,248
Deferred revenue	21,000
Unearned revenue	91,400
Claims payable (Note 9)	
Due in less than one year	66,426
Compensated absences (Note 1G)	
Due in less than one year	545,273
Due in more than one year	436,890
Other Long term liabilities (Note 10)	
Due in less than one year	726,221
Due in more than one year	6,382,759
Net pension liability, due in more than one year (Note 7)	19,259,799
Net OPEB liability, due in more than one year (Note 8)	133,190
Total Liabilities	35,720,845
DEFERRED INFLOWS OF RESOURCES	
Related to pensions (Note 7)	1,020,758
Related to OPEB (Note 8)	4,091,369
Total Deferred Inflows of Resources	5,112,127
NET POSITION (Note 6):	
Net investment in capital assets	68,863,975
Restricted for:	
Streets and drainage maintenance and police services	1,511,176
Library operations	6,000,336
Public facilities constructions	815,853
Special revenue projects	1,208,403
Capital projects	2,080,916
Unrestricted	425,711
Total Net Position	\$80,906,370

See accompanying notes to financial statements

ATTACHMENT 1

TOWN OF ATHERTON STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
General government	\$2,718,584	\$740,448	\$5,000		(\$1,973,136)
Public works	8,113,661	1,310,911	793,651	\$477,018	(5,532,081)
Police	8,195,298	168,251	9,433		(8,017,614)
Building	1,316,978	1,771,364			454,386
Planning	453,110	232,322			(220,788)
Total Governmental Activities	<u>\$20,797,631</u>	<u>\$4,223,296</u>	<u>\$808,084</u>	<u>\$477,018</u>	<u>(15,289,233)</u>
General revenues:					
Taxes:					
Property taxes					18,798,064
Sales taxes					227,335
Other taxes					<u>1,875,057</u>
Total Taxes					20,900,456
Investment earnings					37,850
Miscellaneous					<u>899,133</u>
Total General Revenues					<u>21,837,439</u>
Change in Net Position					6,548,206
Net Position-Beginning					<u>74,358,164</u>
Net Position-Ending					<u><u>\$80,906,370</u></u>

See accompanying notes to financial statements

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MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Town in fiscal 2021. Individual non-major funds may be found in the Supplemental Section.

GENERAL FUND

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

SPECIAL TAX SPECIAL REVENUE FUND

Accounts for parcel tax assessments received from property owners to be used for maintenance of streets drainage and police services. The tax assessment is no longer collected. Fiscal year 2017-18 was the last year of collection. Residual funds remain.

LIBRARY SPECIAL REVENUE FUND

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

FACILITIES CONSTRUCTION CAPITAL PROJECTS FUND

Accounts for the funds dedicated to facilities construction.

CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND

Accounts for capital improvement construction costs and financing sources.

ATTACHMENT 1

TOWN OF ATHERTON GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2021

	Major Funds				
	General Fund	Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
ASSETS					
Cash and investments (Note 3)	\$22,381,108	\$1,309,396	\$6,003,238	\$2,854,224	\$1,439,516
Receivables:					
Taxes	201,713				
Interest	22,002				
Other	16,551				
Prepays	86,062				
Total Assets	<u>\$22,707,436</u>	<u>\$1,309,396</u>	<u>\$6,003,238</u>	<u>\$2,854,224</u>	<u>\$1,439,516</u>
LIABILITIES					
Accounts payable	\$616,412	\$22,040	\$2,902	\$2,038,371	\$566
Accrued liabilities	363,191				
Unearned revenue	91,400				
Deposits payable	4,948,248				
Deferred revenue	21,000				
Note payable	108,980				
Total Liabilities	<u>6,149,231</u>	<u>22,040</u>	<u>2,902</u>	<u>2,038,371</u>	<u>566</u>
FUND BALANCES					
Fund balance (Note 6):					
Nonspendable	86,062				
Restricted		1,287,356	6,000,336		
Committed	2,303,720				
Assigned	679,075			815,853	1,438,950
Unassigned	13,489,348				
Total Fund Balances	<u>16,558,205</u>	<u>1,287,356</u>	<u>6,000,336</u>	<u>815,853</u>	<u>1,438,950</u>
Total Liabilities and Fund Balances	<u>\$22,707,436</u>	<u>\$1,309,396</u>	<u>\$6,003,238</u>	<u>\$2,854,224</u>	<u>\$1,439,516</u>

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$2,058,129	\$36,045,611
31,428	233,141
	22,002
	16,551
	86,062
<u>\$2,089,557</u>	<u>\$36,403,367</u>
\$15,368	\$2,695,659
	363,191
	91,400
	4,948,248
	21,000
	108,980
<u>15,368</u>	<u>8,228,478</u>
2,042,044	86,062
	9,329,736
	2,303,720
32,145	2,966,023
	13,489,348
<u>2,074,189</u>	<u>28,174,889</u>
<u>\$2,089,557</u>	<u>\$36,403,367</u>

TOWN OF ATHERTON
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances reported on the governmental funds balance sheet	\$28,174,889
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	75,665,200
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ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

Cash and investments	4,678,317
Capital assets, net	307,755
Accounts payable	(50,789)
Compensated absences	(982,163)
Claims payable	(66,426)

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

Deferred outflows related to pensions	4,288,434
Deferred inflows related to pensions	(1,020,758)
Deferred inflows related to OPEB	(4,091,369)

LONG-TERM LIABILITIES

The liability below is not due and payable in the current period and therefore is not reported in the Funds:

Other long term liabilities	(7,000,000)
Net OPEB liability	(133,190)
Net pension liability	(19,259,799)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$80,906,370</u></u>
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See accompanying notes to financial statements

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ATTACHMENT 1

TOWN OF ATHERTON GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2021

	Major Funds				
		Special Tax Special Revenue Fund	Library Special Revenue Fund	Facilities Construction Capital Projects Fund	Capital Improvement Capital Projects Fund
	General Fund				
REVENUES					
Property taxes	\$13,250,437		\$5,391,724		
Special assessments					
Sales taxes	227,335				
Other taxes	1,610,895				
Measure A grants					
From other governmental agencies	24,127				\$112,019
Permit and licenses	264,162				5,425
Fines and forfeitures	405,853				
Service charges	2,970,553				
Use of money and property	21,142	\$8,971	41,128	\$19,555	9,862
Miscellaneous	792,914	126,828		365,000	
Total Revenues	19,567,418	135,799	5,432,852	384,555	127,306
EXPENDITURES					
Current:					
General government	2,618,850				
Planning	453,110				
Building	1,331,878				
Police	8,203,250				
Public works	1,657,753	350,242		790,572	
Non-departmental			70,698		
Capital outlay	255,365			22,694,540	15,764
Debt service:					
Principal	680,000				
Interest	157,930				
Total Expenditures	15,358,136	350,242	70,698	23,485,112	15,764
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	4,209,282	(214,443)	5,362,154	(23,100,557)	111,542
Other Financing Sources (uses):					
Proceeds from leases	169				
Transfers in (Note 4)				23,062,718	
Transfers (out) (Note 4)	(14,889,825)		(8,172,893)		
Total Other Financing Sources (uses)	(14,889,656)		(8,172,893)	23,062,718	
Net change in fund balances	(10,680,374)	(214,443)	(2,810,739)	(37,839)	111,542
BEGINNING FUND BALANCES	27,238,579	1,501,799	8,811,075	853,692	1,327,408
ENDING FUND BALANCES	\$16,558,205	\$1,287,356	\$6,000,336	\$815,853	\$1,438,950

See accompanying notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$155,903	\$18,798,064
	227,335
	1,610,895
349,865	349,865
1,145,817	1,281,963
	269,587
	405,853
	2,970,553
14,102	114,760
	1,284,742
1,665,687	27,313,617
	2,618,850
	453,110
	1,331,878
	8,203,250
2,220,646	5,019,213
	70,698
967,497	23,933,166
	680,000
	157,930
3,188,143	42,468,095
(1,522,456)	(15,154,478)
	169
	23,062,718
	(23,062,718)
	169
(1,522,456)	(15,154,309)
3,596,645	43,329,198
\$2,074,189	\$28,174,889

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, 2021

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets, current liabilities and current deferred outflows/inflows of resources on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$15,154,309)

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

CAPITAL ASSETS TRANSACTIONS

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

The capitalized expenditures are therefore added back to fund balance	22,332,620
Depreciation expense is deducted from the fund balance	(1,424,530)

ACCRUAL OF NON-CURRENT ITEMS

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

Principal payments	680,000
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	1,157,408
Net pension liabilities and pension-related deferred outflows/inflows of resources	(1,074,925)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds	31,942
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$6,548,206
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See accompanying notes to financial statements

ATTACHMENT 1

TOWN OF ATHERTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Property taxes	\$12,980,983	\$13,412,990	\$13,250,437	(\$162,553)
Sales taxes	285,000	305,000	227,335	(77,665)
Other taxes	1,339,468	1,466,945	1,610,895	143,950
Permits and licenses	239,431	254,431	264,162	9,731
Fines and forfeitures	124,712	324,712	405,853	81,141
From other governmental agencies	28,060	23,060	24,127	1,067
Service charges	2,246,611	2,582,211	2,970,553	388,342
Use of money and property	289,617	290,217	21,142	(269,075)
Other	39,800	139,972	792,914	652,942
Total Revenues	17,573,682	18,799,538	19,567,418	767,880
EXPENDITURES:				
Current:				
General government				
City council	58,117	58,117	49,032	9,085
Administration	869,637	869,637	852,493	17,144
City attorney	300,000	300,000	252,021	47,979
Finance	787,689	787,689	803,026	(15,337)
Non-departmental	682,109	682,109	662,278	19,831
General government total	2,697,552	2,697,552	2,618,850	78,702
Planning	352,383	352,383	453,110	(100,727)
Building	1,143,795	1,224,645	1,331,878	(107,233)
Public works	2,315,195	2,262,565	1,657,753	604,812
Police	8,255,832	8,225,832	8,203,250	22,582
Capital outlay	528,887	528,887	255,365	273,522
Debt Service	837,930	837,930	837,930	
Total Expenditures	16,131,574	16,129,794	15,358,136	771,658
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,442,108	2,669,744	4,209,282	1,539,538
OTHER FINANCING SOURCES USES				
Proceeds from leases			169	169
Transfers (out) (Note 4)			(14,889,825)	(14,889,825)
NET CHANGE IN FUND BALANCE	\$1,442,108	\$2,669,744	(10,680,374)	(\$13,350,118)
Fund balance, beginning of year			27,238,579	
Fund balance, end of year			\$16,558,205	

See accompanying notes to financial statements

ATTACHMENT 1

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments				
Use of money and property			\$8,971	\$8,971
Other revenue			126,828	126,828
Total Revenues			135,799	135,799
EXPENDITURES:				
Current:				
General government				
Public works	\$310,000	\$618,088	350,242	267,846
Capital outlay	265,000	265,000		265,000
Total Expenditures	575,000	883,088	350,242	532,846
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(575,000)	(883,088)	(214,443)	668,645
Net change in fund balance	<u>(\$575,000)</u>	<u>(\$883,088)</u>	(214,443)	<u>\$668,645</u>
Fund Balance, beginning of year			1,501,799	
Fund Balance, end of year			<u>\$1,287,356</u>	

See accompanying notes to financial statements

ATTACHMENT 1

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$1,450,000	\$1,450,000	\$5,391,724	\$3,941,724
Use of money and property	100,000	100,000	41,128	(58,872)
Total Revenues	1,550,000	1,550,000	5,432,852	3,882,852
EXPENDITURES:				
Current:				
Library Maintenance	1,930,646	1,930,646	70,698	1,859,948
Total Expenditures	1,930,646	1,930,646	70,698	1,859,948
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(380,646)	(380,646)	5,362,154	5,742,800
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	(14,261,490)	(14,261,490)	(8,172,893)	6,088,597
Total Other Financing Sources (Uses)	(14,261,490)	(14,261,490)	(8,172,893)	6,088,597
NET CHANGES IN FUND BALANCE	<u>(\$14,642,136)</u>	<u>(\$14,642,136)</u>	(2,810,739)	<u>\$11,831,397</u>
BEGINNING FUND BALANCE			8,811,075	
ENDING FUND BALANCE			<u>\$6,000,336</u>	

See accompanying notes to financial statements

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PROPRIETARY FUNDS

INTERNAL SERVICE FUNDS

Internal Service Funds account for special activities and services performed by a designated Town department on a cost reimbursement basis.

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

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 JUNE 30, 2021

	Governmental Activities - Internal Service Funds
ASSETS	
Current assets	
Cash and investments (Note 3)	\$4,678,317
Total current assets	<u>4,678,317</u>
Noncurrent Assets:	
Capital assets (Note 5):	
Depreciable	1,558,784
Less accumulated depreciation	<u>(1,251,029)</u>
Total capital assets	<u>307,755</u>
Total noncurrent assets	<u>307,755</u>
Total Assets	<u>4,986,072</u>
LIABILITIES	
Current liabilities:	
Accounts payable	50,789
Compensated absences (Note 1G)	545,273
Claims payable (Note 9)	<u>66,426</u>
Total current liabilities	<u>662,488</u>
Non-current liabilities:	
Compensated absences (Note 1G)	<u>436,890</u>
Total noncurrent liabilities	<u>436,890</u>
Total Liabilities	<u>1,099,378</u>
NET POSITION (Note 6):	
Net investment in capital assets	307,755
Unrestricted	<u>3,578,939</u>
Total Net Position	<u><u>\$3,886,694</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities- Internal Service Funds
	<u> </u>
OPERATING REVENUES	
Charges for services	<u>\$1,682,521</u>
Total Operating Revenues	<u>1,682,521</u>
OPERATING EXPENSES	
Insurance	389,530
OPEB expense	634,744
Employee benefits earned	457,578
Depreciation	151,209
Supplies and maintenance	<u>49,569</u>
Total Operating Expenses	<u>1,682,630</u>
Operating Income (Loss)	<u>(109)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>32,051</u>
Total Nonoperating Revenues	<u>32,051</u>
Change in net position	31,942
BEGINNING NET POSITION	<u>3,854,752</u>
ENDING NET POSITION	<u><u>\$3,886,694</u></u>

See accompanying notes to financial statements

TOWN OF ATHERTON
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Interdepartmental charges	\$1,682,521
Payments to employees for benefits	(882,750)
Payments to suppliers	(384,011)
	<u>415,760</u>
Cash Flows from Operating Activities	<u>415,760</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets, net	(38,168)
	<u>(38,168)</u>
Cash Flow from Capital and Related Financing Activities	<u>(38,168)</u>
CASH FLOWS FORM INVESTING ACTIVITIES	
Interest received	32,051
	<u>32,051</u>
Cash Flow from Investing Activities	<u>32,051</u>
Net Cash Flows	409,643
Cash and investments at beginning of period	<u>4,268,674</u>
Cash and investment at end of period	<u><u>\$4,678,317</u></u>
Reconciliation of Operating Income to Cash Flows from Operating Activities	
Operating income	(\$109)
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	151,209
Changes in assets and liabilities:	
Accounts payable	49,592
Compensated absences	209,572
	<u>209,572</u>
Cash Flows from Operating Activities	<u><u>\$415,760</u></u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Custodial 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 NET POSITION
JUNE 30, 2021

	Custodial Funds	
	H-P Park Improvement Fund	Tree Committee
ASSETS		
Cash and investments (Note 3)	\$6,520	\$26,947
Total Assets	6,520	26,947
NET POSITION		
Restricted for other governments	6,520	26,947
Total Net Position	\$6,520	\$26,947

See accompanying notes to financial statements

TOWN OF ATHERTON
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Funds	
	H-P Park Improvement Fund	Tree Committee
ADDITIONS		
Interest income	\$45	\$184
Total additions	45	184
Change in net position	45	184
BEGINNING NET POSITION	6,475	26,763
ENDING NET POSITION	\$6,520	\$26,947

See accompanying notes to financial statements

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TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. *Reporting Entity*

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

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

B. *Basis of Presentation*

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

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

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except where interfund services have been received or provided. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

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

C. Major Funds

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

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

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

Special Tax Special Revenue Fund – Accounts for parcel tax assessments received from property owners to be used for the maintenance of streets and drainage, and police services. The tax assessment is no longer collected. Fiscal year 2017-18 was the last year of collection. Residual funds remain.

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

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Major Funds (Continued)

The Town also reports the following fund types:

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

Fiduciary Funds – Custodial 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.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are sales taxes, gas taxes, charges for services, and interest revenue. Fines, licenses and permits are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Town may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

F. Property Tax

Revenue is recognized in the period for which the tax and assessment is levied. The County of San Mateo levies, bills and collects property taxes and sewer charges for the Town; the County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on January 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes not secured by real property. These taxes are liens on the person or company named on the tax bill. Property tax revenues are recognized by the Town in the fiscal year they are assessed provided they become available as defined above.

San Mateo County distributes property taxes to jurisdictions according to the “alternate method of property tax distribution” known as the Teeter Plan. Under this plan, the County remits 100% of the levied taxes to the appropriate jurisdictions by June 30 each year, pursuing delinquencies and keeping related late penalties to cover their costs.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Compensated Absences*

Compensated absences comprise accrued compensated time-off, vacation and holiday pay for all regular employees; vacation and holiday pay for management employees. The Town's liability for compensated absences is recorded in Governmental Activities. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be permanently liquidated (matured due to termination) are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

The changes of the compensated absences during fiscal year 2021 were as follows:

Beginning Balance	\$772,591
Additions	712,320
Payments	<u>(502,748)</u>
Ending Balance	<u>\$982,163</u>
Current Portion	<u><u>\$545,273</u></u>

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

H. *Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. *Fair Value Measurements*

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

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

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

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

K. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements that were effective in fiscal year 2020-21:

GASB Statement No. 84 – In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The provisions of this Statement were implemented during fiscal year 2021.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This statement is effective for reporting periods beginning after December 15, 2019.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgets and Budgetary Accounting*

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the year commencing July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Continuing appropriations are rebudgeted by the Town Council as part of the adoption of subsequent year's budget.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of resolution during a Town Council meeting in the month of June.
- The Town Manager is authorized to transfer budget appropriations within the same department in conformance with the adopted policies set by the Town Council. All other transfers must be approved by the Town Council. Any revisions that alter the total expenditures of any department must be approved by the Town Council. Expenditures are budgeted at, and may not legally exceed, the department level. Budgeted amounts shown are as originally adopted, or as amended by the Town Council during the year.
- Formal budgeting is employed as a management control device during the year for the general and certain special revenue funds.
- Budgets for the general and certain special revenue are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Budgets for capital projects are adopted on a project life basis.
- The Town does not budget for the Storm Drainage Capital Project Fund.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Expenditures in Excess of Budget

The funds below incurred expenditures in excess of their budgets on departmental level in the amounts below for the year ended June 30, 2021:

Fund Name	Amount
General Fund	
Finance	\$15,337
Planning	100,727
Building	107,233
Nonmajor Special Revenue Funds:	
County Measure A	
Public Works	16,689
Gas Tax	
Public Works	6,081
Refuse Rate Stabilization	
Public Works	2,194,735

NOTE 3 – CASH AND INVESTMENTS

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

A. Policies

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Classification

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

Statement of Net Position

Cash and investments available for operations	\$40,723,928
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Fiduciary Funds

Cash and investments available for operations	33,467
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Total Cash and Investments	\$40,757,395
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Cash and investments as of June 30, 2021 consist of the following:

Cash on hand	\$875
Cash in bank	1,823,970
Investments	38,932,550
 Total Cash and Investment	 \$40,757,395

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

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities	5 years	N/A	No Limit	25%
Repurchase Agreements	30 days	A / A-1	No Limit	No Limit
Medium-Term Corporate Notes	5 years	A	30%	5%
Commercial Paper	270 days	A / A-1	25%	5%
Local Agency Investment Fund	N/A	N/A	50%	\$75M per account
Money Market Mutual Funds	N/A	AAAm	20%	No Limit
Negotiable and Non-Negotiable Certificate of Deposits	5 years	A-1+	10%	\$250,000

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)**D. Interest Rate Risk**

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

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

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	Total
U.S. Treasuries		\$750,413	\$515,195	\$1,265,608
U.S. Agency Securities		2,517,110	2,043,561	4,560,671
Corporate Notes	\$4,302,373		532,305	4,834,678
California Local Agency Investment Fund	23,163,723			23,163,723
Money Market Mutual Fund	5,107,870			5,107,870
Total Investments	<u>\$32,573,966</u>	<u>\$3,267,523</u>	<u>\$3,091,061</u>	38,932,550
Cash in banks				1,823,970
Cash held by Escrow Agent				
Petty cash				875
Total Cash				<u>1,824,845</u>
Total Cash and Investments				<u>\$40,757,395</u>

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The Standard and Poor's investment ratings as of June 30, 2021 are as follows:

Investment Type	AAAm	AA+/AA/AA-	A+/A/A-	BBB+	Not Rated	Total
U.S. Treasuries		\$1,265,608				\$1,265,608
U.S. Agency Securities		4,560,671				4,560,671
Corporate Notes		657,754	\$3,526,638	\$650,286		4,834,678
California Local Agency Investment Fund					\$23,163,723	23,163,723
Money Market Mutual Fund	<u>\$5,107,870</u>					5,107,870
Total Investments	<u>\$5,107,870</u>	<u>\$6,484,033</u>	<u>\$3,526,638</u>	<u>\$650,286</u>	<u>\$23,163,723</u>	<u>\$38,932,550</u>

F. Concentration of Credit Risk

At June 30, 2021, the Town had no investments in the securities of any individual issuer, other than U. S. Treasury securities, mutual funds, and external investment funds, that represented 5% or more of total Entity-wide investments and General Fund investments.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

G. Local Agency Investment Fund

The Town is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Town reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporation. At June 30, 2021, these investments matured in an average of 291 days.

H. San Mateo County Investment Pool

The Town's investment held under San Mateo Library Donor Trust Fund was invested by the San Mateo Library (Library) in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The Town reports its investment in SMCIF at the fair value amount provided by the Library. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The Town reports its investments in SMCIF at the fair value amounts provided by SMCIF, which is the same as the value of the pool share. During fiscal year 2021, SMCIF released the funds to the Town for use towards the construction of the library and the balance is \$0 as of June 30, 2021.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

I. Fair Value Hierarchy

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

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2021:

Investment Type	Level 1	Level 2	Total
Investments by Fair Value Level:			
U.S. Treasuries	\$1,265,608		\$1,265,608
U.S. Agency Securities		\$4,560,671	4,560,671
Corporate Notes		4,834,678	4,834,678
Subtotal	<u>\$1,265,608</u>	<u>\$9,395,349</u>	10,660,957
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			5,107,870
Investments Exempt from Fair Value Hierarchy			
California Local Agency Investment Fund			<u>23,163,723</u>
Total Investments			<u><u>\$38,932,550</u></u>

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 4 – INTERFUND TRANSACTIONS**A. Transfers Between Funds**

With Town Council approval, resources may be transferred from one Town fund to another. The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
Facilities Construction Capital Projects Fund	General Fund	\$14,889,825 (A)
Facilities Construction Capital Projects Fund	Library Special Revenue Fund	8,172,893 (A)
		<u>\$23,062,718</u>

(A) Transfer used to fund capital projects

NOTE 5 – CAPITAL ASSETS

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

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

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

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

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)**A. Current Year Capital Asset Activities**

<i>Governmental Funds</i>	Balance July 1, 2020	Additions	Retirement	Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$690,884				\$690,884
Construction in progress	32,482,790	\$22,332,620		(\$490,411)	54,324,999
Total non-depreciable capital assets	33,173,674	22,332,620		(490,411)	55,015,883
Capital assets being depreciated:					
Buildings	1,123,912				1,123,912
Other improvements	1,125,668				1,125,668
Computer equipment and software	338,597				338,597
Furniture and fixtures	34,798				34,798
Vehicles	23,434				23,434
Machinery and equipment	421,518				421,518
Infrastructure	62,440,226			490,411	62,930,637
Total depreciable capital assets	65,508,153			490,411	65,998,564
Less accumulated depreciation for:					
Buildings	919,865	22,501			942,366
Other improvements	903,572	27,487			931,059
Computer equipment and software	329,223	8,174			337,397
Furniture and fixture	34,798				34,798
Vehicles	23,434				23,434
Machinery and equipment	388,298	9,391			397,689
Infrastructure	41,325,527	1,356,977			42,682,504
Total accumulated depreciation	43,924,717	1,424,530			45,349,247
Depreciable capital assets, net	21,583,436	(1,424,530)		490,411	20,649,317
General capital assets, net	54,757,110	20,908,090			75,665,200
<i>Internal Service Funds</i>					
Depreciable capital assets:					
Vehicles	1,128,239	38,168	(\$59,421)		1,106,986
Computer equipment	327,621				327,621
Other equipment	124,177				124,177
Total depreciable capital assets	1,580,037	38,168	(59,421)		1,558,784
Less: accumulated depreciation for					
Vehicles	761,098	124,814	(59,421)		826,491
Computer equipment	297,388	15,244			312,632
Other equipment	100,755	11,151			111,906
Total accumulated depreciation	1,159,241	151,209	(59,421)		1,251,029
Internal Service Funds capital assets, net	420,796	(113,041)			307,755
Total governmental activities capital assets, net	\$55,177,906	\$20,795,049			\$75,972,955

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)

B. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

C. Depreciation Allocation

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

Public works	\$1,408,317
Police	10,445
Building	5,768
Governmental activities subtotal	<u>1,424,530</u>
Internal Service Fund	<u>151,209</u>
Total	<u><u>\$1,575,739</u></u>

NOTE 6 – FUND BALANCES AND NET POSITION

A. Net Position

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

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Town's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Town cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and Federal and State grant funds.

Unrestricted describes the portion of Net Position which is not restricted to use.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – FUND BALANCES AND NET POSITIONS (Continued)

B. Fund Balances

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The Town's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Town prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as permanent funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation, which require the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Town Council, which may be altered only by formal action of the Town Council. Nonspendable amounts subject to Council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Town Council or its designee and may be changed at the discretion of the Town Council or its designee. This category includes nonspendables, when it is the Town's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds that have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 6 – FUND BALANCES AND NET POSITIONS (Continued)

B. Fund Balances (Continued)

Detailed classifications of the Town's Fund Balances, as of June 30, 2021, are below:

	General Fund	Major Special Revenue Funds		Major Capital Projects Funds		Other Governmental Funds	Total
		Special Tax	Library	Facilities Construction	Capital Improvement		
Nonspendable:							
Prepays	\$86,062						\$86,062
Total Nonspendable	86,062						86,062
Restricted for:							
Street drainage and police services		\$1,287,356					1,287,356
Library operations			\$6,000,336				6,000,336
Measure A						\$458,791	458,791
Gas tax						227,129	227,129
Measure W						223,820	223,820
Evans Creative Design							
Measure M						194,505	194,505
Refuse Services						327,976	327,976
Supplemental Law Enforcement Services						2	2
Channel Drainage District						609,821	609,821
Total Restricted		1,287,356	6,000,336			2,042,044	9,329,736
Committed to:							
Emergency disaster	2,303,720						2,303,720
Total Committed	2,303,720						2,303,720
Assigned to:							
Tennis program	239,925						239,925
Building department operations	434,296						434,296
Tree committee	4,854						4,854
Capital projects				\$815,853	\$1,438,950	32,145	2,286,948
Total Assigned	679,075			815,853	1,438,950	32,145	2,966,023
Unassigned	13,489,348						13,489,348
Total Unassigned	13,489,348						13,489,348
Total Fund Balances	\$16,558,205	\$1,287,356	\$6,000,336	\$815,853	\$1,438,950	\$2,074,189	\$28,174,889

C. General Fund Committed Fund Balance for Emergency Disaster

The Town Council has committed to set aside 15 percent of the actual annual General Fund operating expenditures specifically for emergency contingencies defined as a state of Federal and/or State emergency or declaration of a local emergency as defined in Atherton's Municipal Code Section 2.44.010.

D. General Fund Unassigned Fund Balance Policy

The Town Council established the General Fund unassigned fund balance policy such that in no circumstances shall the total General Fund unassigned fund balance be less than 20% of the actual annual operating expenditures.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN

A. General Information about the Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement

Town's labor contracts (MOU) require the Town to pay the employees' contributions as well as employer's portion, except for the sworn officers, who are responsible for 2% of 9% after the Town makes a 7% contribution for them. However, as of July 1, 2013, Miscellaneous Plan employees started to pay their own portion of the required employee contribution rate of 7%. The Town and the Atherton Police Officers Association (APOA) adopted a new MOU on October 1, 2013. Effective on January 1, 2014, the Town's payment of the employee share of the mandatory member contribution for the CalPERS retirement benefit shall be 5%. Effective January 1, 2015, the Town's payment of the employee share of the mandatory member contribution shall be reduced to 2.5%. Effective January 1, 2016, the Town shall cease paying any portion of the employees' share and the employees shall pay 100% of the employee share of the mandatory member contribution, presently 9% for sworn and 7% for civilian.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

During the fiscal year 2018-2019, the Town adopted amendments with CalPERS that allows sharing of additional employer costs passed to the employees. The Town implemented a cost sharing within the pension plans among Public Safety and Local Miscellaneous employees. This included Public Safety sworn staff picking up the employers CalPERS share of 3% and 1% for Miscellaneous employees. These are the maximum under CalPERS law for the passing on of costs of the employer's share. These were amendment changes to the contract between the Board of Administration California Public Employees' Retirement System and The Town as proposed changes in Section 20516 (Employees Sharing Additional Costs). Increase in employee contribution rates results in a respective decrease in employer contribution rates. The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63 or older	52-67 or older
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1% to 2.5%
Required employee contribution rates	7%	7.25%
Required employer contribution rates	11.199%	7.874%

	Safety	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55 or older	50-57 or older
Monthly benefits, as a % of eligible compensation	3%	2% to 2.7%
Required employee contribution rates	9%	13.75%
Required employer contribution rates	25.540%	13.884%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the cost-sharing plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Town's required contribution for the unfunded liability was \$1,193,885 in fiscal year 2021.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Town is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2021, the contributions to the Plan were as follows:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
Contributions - employer	\$476,064	\$66,808	\$1,178,920	\$180,560
Contributions - employee	116,622	72,499	175,137	262,225

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

As of June 30, 2021, the Town reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous - Classic & PEPRA	\$5,398,568
Safety - Classic & PEPRA	13,861,231
Total Net Pension Liability	<u>\$19,259,799</u>

The Town’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Town’s proportionate shares of the net pension liability for the Plan as of June 30, 2019 and 2020 were as follows:

	Miscellaneous	Safety
Proportion - June 30, 2019	0.12379%	0.20325%
Proportion - June 30, 2020	0.12799%	0.20805%
Change - Increase (Decrease)	<u>0.00420%</u>	<u>0.00480%</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

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

For the year ended June 30, 2021, the Town recognized pension expense of \$2,977,277. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous - Classic & PEPR

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$542,872	
Differences between actual and expected experience	278,204	
Changes in assumptions		(\$38,505)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(269,304)
Change in employer proportion	210,541	
Net differences between projected and actual earnings on plan investments	160,373	
Total	<u>\$1,191,990</u>	<u>(\$307,809)</u>

Safety - Classic & PEPR

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,359,480	
Differences between actual and expected experience	1,074,868	
Changes in assumptions		(\$46,172)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions		(666,777)
Change in employer proportion	360,833	
Net differences between projected and actual earnings on plan investments	301,263	
Total	<u>\$3,096,444</u>	<u>(\$712,949)</u>
Grand total	<u>\$4,288,434</u>	<u>(\$1,020,758)</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

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

\$1,902,352 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Miscellaneous	Safety	TOTAL
Fiscal Year Ended	Amortization	Amortization	Amortization
June 30	Amount	Amount	Amount
2022	\$20,636	\$182,248	\$202,884
2023	132,814	393,188	526,002
2024	110,940	297,630	408,570
2025	76,919	150,949	227,868
	<u>\$341,309</u>	<u>\$1,024,015</u>	<u>\$1,365,324</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age, Service, and type of employment
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

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

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

For Miscellaneous and Safety Plan

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

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

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 7 – PENSION PLAN (Continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$8,083,098	\$20,312,326
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$5,398,568	\$13,861,231
1% Increase	8.15%	8.15%
Net Pension Liability	\$3,180,425	\$8,567,497

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

Plan Description – The Town’s Post Employment Benefit Plan is an agent multiple-employer defined benefit OPEB plan. By Town Council resolution, the Town provides certain medical benefits for employees and dependents who retire directly from the Town at fifty years or older and who are vested in the California Public Employees Retirement System (CalPERS).

Benefits Provided – The Town of Atherton participates in the CalPERS medical program. Retirees who qualify for a CalPERS pension are entitled to employer paid CalPERS medical benefits as described below. The Town does not pay for dental, vision or other health and welfare benefits for retirees.

Employees who retire from the Town, receive a PERS pension and continue their CalPERS medical coverage are eligible to receive the benefit described below. This benefit continues throughout the life of the retiree and surviving spouse.

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

Management Employees (non-represented), hired after adoption of November 17, 2010 and before June 30, 2013 - The Town pays up to a maximum of the single employee Kaiser premium regardless of family status. A spouse or dependent is only covered if the employee's premium is less than this maximum. After age 65, the Town pays up to a maximum of the reduced post age 65 single employee Kaiser premium.

Employees retiring from the Town and CalPERS concurrently with at least 5 years of service will receive the basic Public Employees Medical and Hospital Care Act (PEMHCA) minimum contribution by law.

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

APOA Police Officers, retired before October 1, 2013 - The Town pays a maximum monthly benefit of \$1,247.06 which is assumed to not increase in the future. APOA employees retiring on disability from employment of the Town while in a job classification covered by this MOU and said disability arising from employment with the Town, shall be exempt from this cap.

Members of the APOA Police Officers, hired before October 1, 2013 but retired or will retire after October 1, 2013 – The Town pays up to a maximum of 90% of the Kaiser premium for any family status. This cap is assumed to increase at half the excess of the assumed rate of increase over 3% each year, with a minimum of 0%. This assumption is based on the language in Resolution 13-37, page 8, Paragraph C. a., and assumes that the same language will continue in years after 2016. Employees retiring from the Town and CalPERS concurrently with at least 5 years of service will receive the basic Public Employees Medical and Hospital Care Act (PEMHCA) minimum contribution by law. If they have 10 or more years of service, they are subject to a vesting schedule.

APOA employees retiring on disability from employment of the Town while in a job classification covered by this MOU and said disability arising from employment with the Town, shall receive 90% of the Town contribution of Kaiser.

APOA Police Officers, hired on or after October 1, 2013 – The Town pays up to a maximum of the PEMHCA Minimum (\$136 in 2019, \$139 in 2020).

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

Teamsters and Confidential employees – (non-management, miscellaneous) hired before January 19, 2011 - The Town pays up to a maximum benefit of 95% of Blue Shield Access Plus basic/supplemental Bay Area/Sacramento HMO premiums. This applies to any medical coverage and any family status. After age 65, the Town pays only 95% of the reduced post age 65 premiums.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2021:

Active employees	36
Retirees receiving benefit payments	61
Total	<u>97</u>

To comply with Actuarial Standard of Practice No. 6 (ASOP 6), the actuarial valuation includes an implicit subsidy liability. When premiums for retirees are determined using a blend of active employee and retiree experience, it creates an implicit subsidy to the retirees, since retiree healthcare costs are generally higher than active employees. ASOP 6 effectively requires most public agencies to calculate an implicit subsidy liability whenever their retirees participate in the group medical plans, but only pay the same premiums as active employees. As a result of the required ASOP 6, the Town's Actuarial Accrued Liability at June 30, 2021 included an implicit subsidy liability of \$1,941,240.

B. Net OPEB Liability

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

Actuarial Assumptions	• June 30, 2021 Measurement Date
Valuation Date	• June 30, 2021
Actuarial Cost Method	• Entry Age Normal
Contribution Policy	• The Town intends to contribute the full ADC to the PARS trust each year
Discount Rate and Long Term Expected Rate of Return on Investment	• 5.39%, based on PARS investment allocation Moderate
Inflation	• 5.50% per annum
Payroll Increases	• 2.75% annual increases
Medical Trend	• Pre-65: 6.90% for 2022 decreasing to 5.00% in 2030 and later years • Post-65: 5.00% in 2022 and later years
Mortality	• CalPERS 2014 Scale MP-2014

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Net OPEB Liability (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.25%	7.28%
Fixed income	45.00%	4.43%
REITS	1.75%	6.60%
Cash	5.00%	2.40%
Total	100.00%	

The long-term expected real rate of return used JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 5.50%.

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

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

OPEB Trust Annual Money-Weighted Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 19.40%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2020 Measurement Date	\$10,436,940	\$7,331,640	\$3,105,300
Changes Recognized for the Measurement Period:			
Service Cost	215,662		215,662
Interest on the total OPEB liability	622,420		622,420
Changes in benefit terms			
Differences between expected and actual experience	(18,835)		(18,835)
Changes of assumptions	(1,698,656)		(1,698,656)
Net investment income		1,432,366	(1,432,366)
Contributions			
Employer - Town's contribution		566,672	(566,672)
Employer - implicit subsidy		137,858	(137,858)
Benefit payments	(419,991)	(419,991)	
Implicit subsidy credit	(137,858)	(137,858)	
Administrative expenses		(44,195)	44,195
Net changes	(1,437,258)	1,534,852	(2,972,110)
Balance at June 30, 2021 Measurement Date	\$8,999,682	\$8,866,492	\$133,190
Plan fiduciary net position as a percentage of the total OPEB liability		98.5%	

The OPEB plan does not issue separate financial statements.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(4.39%)	(5.39%)	(6.39%)
\$1,126,031	\$133,190	(\$698,941)

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

Net OPEB Liability		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
(\$729,044)	\$133,190	\$1,157,771

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 8 – POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

For the year ended June 30, 2021, the Town recognized negative OPEB expense of \$1,157,408. At June 30, 2021, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$396,269	(\$276,336)
Changes of assumptions		(3,034,004)
Net differences between projected and actual earnings on plan investments		(781,029)
Total	\$396,269	(\$4,091,369)

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

Year Ended June 30	Amortization
2022	(\$936,460)
2023	(939,661)
2024	(932,182)
2025	(664,873)
2026	(221,924)
Total	(\$3,695,100)

NOTE 9 – RISK MANAGEMENT

A. Coverage

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

Audited financial statements may be obtained from PLAN Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 9 – RISK MANAGEMENT (Continued)

A. Coverage (Continued)

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

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

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

B. Uninsured Claims

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

	2021	2020
Beginning balance	\$60,930	\$4,510
Net change in claims liabilities	(19,504)	117,123
Claims paid	25,000	(60,703)
Ending balance	\$66,426	\$60,930
Claims liabilities due within a year	\$66,426	\$60,930

For the years ended June 30, 2021, 2020, and 2019 the amount of settlements did not exceed insurance coverage.

NOTE 10 – LONG TERM LIABILITIES

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

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

A. Current Year Transactions and Balances

	Balance at June 30, 2020	Retirements	Balance at June 30, 2021	Due Within One Year	Due in More Than One Year
Direct borrowings:					
San Mateo County Bayfront Canal Loan	\$125,011	(\$16,031)	\$108,980	\$16,221	\$92,759
Town Center Project Capital Lease	7,680,000	(680,000)	7,000,000	710,000	6,290,000
Total	\$7,805,011	(\$696,031)	\$7,108,980	\$726,221	\$6,382,759

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 10 – LONG TERM LIABILITIES (Continued)

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

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

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

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

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

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

D. Debt Services Requirements

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

Year ending June 30	San Mateo County Bayfront Canal Loan		Town Center Project Capital Lease		Total
	Principal	Interest	Principal	Interest	
2022	\$16,221	\$1,276	\$710,000	\$150,095	\$877,592
2023	16,416	1,081	725,000	134,420	876,917
2024	16,612	885	745,000	118,305	880,802
2025	16,815	683	760,000	101,860	879,358
2026	17,016	482	775,000	85,085	877,583
2027 - 2030	25,900	348	3,285,000	164,615	3,475,863
Total	<u>\$108,980</u>	<u>\$4,755</u>	<u>\$7,000,000</u>	<u>\$754,380</u>	<u>\$7,868,115</u>

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 11 – JOINT POWERS AUTHORITIES

The Town participates in joint ventures discussed below through separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these joint ventures are not the Town's responsibility and the Town does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture. The Joint Powers Agreement is effective for the year ended June 30, 2018 and continues on a year to year basis until the parties agree to terminate the agreement or if a majority of the parties have withdrawn from the Joint Powers pursuant to Section 6 of the agreement.

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

Town/County Association of Governments of San Mateo County was formed in 1990 between the various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The Town's contribution to C/CAG was \$22,952 for the year ended June 30, 2021. Financial statements may be obtained by mailing a request to the City of 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, Recology San Mateo County provides refuse and recyclable materials collection and disposal services for the benefit of residents and business of each member agency. Effective December 31, 2020, the Town has withdrawn from the Authority and paid approximately \$2.2 million in costs associated with the withdrawal from its rate stabilization fund.

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

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

TOWN OF ATHERTON
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 11 – JOINT POWERS AUTHORITY (Continued)

D. Library Joint Powers Agreement (JPA)

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

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

NOTE 12 – CONTINGENT LIABILITIES

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

The Town participates in Federal and State grant programs. When required, these programs are audited in accordance with the provisions of the Federal Single Audit Act, as amended and applicable State requirements. These programs are also subjected to further examination by the grantors, and the amount, if any, of expenditures that may be disallowed by the granting agencies, cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

NOTE 13 – CLOSURE OF OPEB TRUST FUND AND AGENCY FUNDS

The Town implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 84 – Fiduciary Activities during the year ended June 30, 2021. As a result, the activities of the former agency funds are now reported as custodial funds.

Due to the new GASB No. 84 implementation, the Town also determined that the activities of the OPEB Fund should no longer be reported because the Town does not have control of the assets of the PARS OPEB Plan as a whole. Therefore, the OPEB Trust Fund is no longer reported in the financial statements as of July 1, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Prepared for Town of Atherton, a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal years ending June 30, 2015 through 2020
Last 10 Years*

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

COST-SHARING MULTIPLE-EMPLOYER DEFINED PENSION PLAN – LAST 10 YEARS***SCHEDULE OF CONTRIBUTIONS**

Prepared for Town of Atherton, a Cost-Sharing Multiple-Employer Defined Pension Plan

As of fiscal year ending June 30, 2021

Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Miscellaneous						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$179,934	\$150,616	\$305,597	\$349,365	\$416,994	\$480,181	\$510,812
Contributions in relation to the actuarially determined contributions	(179,934)	(150,616)	(305,597)	(349,365)	(416,994)	(480,181)	(510,812)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$1,595,884	\$1,772,771	\$1,912,587	\$2,040,240	\$2,127,834	\$2,314,721	\$2,320,927
Contributions as a percentage of covered payroll	11.27%	8.50%	15.98%	17.12%	19.60%	20.74%	22.01%

Fiscal Year Ended June 30	Safety						
	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$646,174	\$466,548	\$849,073	\$939,476	\$1,042,632	\$1,202,924	\$1,359,480
Contributions in relation to the actuarially determined contributions	(646,174)	(466,548)	(849,073)	(939,476)	(1,042,632)	(1,202,924)	(1,359,480)
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$2,391,765	\$2,488,471	\$2,414,626	\$2,608,708	\$2,672,010	\$2,668,668	\$3,004,022
Contributions as a percentage of covered payroll	27.02%	18.75%	35.16%	36.01%	39.02%	45.08%	45.26%

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Retiree Healthcare OPEB Plan - Agent Multiple Employer

Last 10 fiscal years*

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

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

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

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

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTION

Retiree Healthcare OPEB Plan - Agent Multiple Employer
Methods and Assumptions for Actuarially Determined Contribution

Actuarial Cost Method	• Entry Age Normal
Contribution Policy	• The Town intends to contribute the full ADC to the PARS trust each year
Discount Rate and Long Term Expected Rate of Return on Investment	• 5.39%, based on PARS investment allocation Moderate
Inflation	• 5.50% per annum
Payroll Increases	• 2.75% annual increases
Medical Trend	• Pre-65: 6.90% for 2022 decreasing to 5.00% in 2030 and later years • Post-65: 5.00% in 2022 and later years
Mortality	• CalPERS 2014 Scale MP-2014

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

MEASURE M FUND accounts for funds received from the Congestion Management Agency for San Mateo County.

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

CAPITAL PROJECTS FUNDS

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

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

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

SPECIAL REVENUE FUNDS

	County Measure A	Gas Tax	Supplemental Law Enforcement Services	Evans Creative Design
ASSETS				
Cash and investment	\$471,291	\$214,423	\$239	
Receivables:				
Taxes		12,706	(237)	
Total Assets	<u>\$471,291</u>	<u>\$227,129</u>	<u>\$2</u>	
LIABILITIES				
Accounts payable	\$12,500			
Accrued liability				
Total Liabilities	<u>12,500</u>			
FUND EQUITY				
Fund balances				
Restricted	458,791	\$227,129	\$2	
Assigned				
Total Fund Balances	<u>458,791</u>	<u>227,129</u>	<u>2</u>	
Total Liabilities and Fund Balances	<u>\$471,291</u>	<u>\$227,129</u>	<u>\$2</u>	

SPECIAL REVENUE FUNDS			CAPITAL PROJECT FUNDS		
Measure M	Refuse Rate Stabilization	County Measure W	Storm Drainage	Channel Drainage District	Total Nonmajor Governmental Funds
\$196,580	\$326,202	\$206,838	\$32,145	\$610,411	\$2,058,129
	1,774	16,982		203	31,428
<u>\$196,580</u>	<u>\$327,976</u>	<u>\$223,820</u>	<u>\$32,145</u>	<u>\$610,614</u>	<u>\$2,089,557</u>
\$2,075				\$793	\$15,368
<u>2,075</u>				<u>793</u>	<u>15,368</u>
194,505	\$327,976	\$223,820	\$32,145	609,821	2,042,044 32,145
<u>194,505</u>	<u>327,976</u>	<u>223,820</u>	<u>32,145</u>	<u>609,821</u>	<u>2,074,189</u>
<u>\$196,580</u>	<u>\$327,976</u>	<u>\$223,820</u>	<u>\$32,145</u>	<u>\$610,614</u>	<u>\$2,089,557</u>

ATTACHMENT 1

TOWN OF ATHERTON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE FUNDS			
	County Measure A	Gas Tax	Supplemental Law Enforcement Services	Evans Creative Design
REVENUES				
Property taxes				
Measure Grants	\$349,865			
From other agencies		\$289,645		
Use of money and property	3,229	1,469	\$2	
Miscellaneous				
Total Revenues	353,094	291,114	2	
EXPENDITURES				
Current:				
Police				
Public Works	16,689	6,081		
Capital Outlay	575,466	161,678		\$4,324
Total Expenditures	592,155	167,759		4,324
OTHER FINANCING SOURCES (USES)				
Transfers in				
Total Other Financing Sources				
NET CHANGE IN FUND BALANCES	(239,061)	123,355	2	(4,324)
BEGINNING FUND BALANCES	697,852	103,774		4,324
ENDING FUND BALANCES	\$458,791	\$227,129	\$2	

SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS		
Measure M	Refuse Rate Stabilization	County Measure W	Storm Drainage	Channel Drainage District	Total Nonmajor Governmental Funds
				\$155,903	\$155,903
\$86,373	\$615,657	\$154,142			349,865
1,347	2,235	1,417	\$221	4,182	1,145,817
					14,102
87,720	617,892	155,559	221	160,085	1,665,687
	2,194,735			3,141	2,220,646
100,973		80,801		44,255	967,497
100,973	2,194,735	80,801		47,396	3,188,143
(13,253)	(1,576,843)	74,758	221	112,689	(1,522,456)
207,758	1,904,819	149,062	31,924	497,132	3,596,645
\$194,505	\$327,976	\$223,820	\$32,145	\$609,821	\$2,074,189

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, 2021

SPECIAL REVENUE FUNDS						
	County Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes						
Measure A grants	\$370,000	\$349,865	(\$20,135)			
From other agencies				\$297,253	\$289,645	(\$7,608)
Use of money and property		3,229	3,229		1,469	1,469
Miscellaneous						
Total Revenues	<u>370,000</u>	<u>353,094</u>	<u>(16,906)</u>	<u>297,253</u>	<u>291,114</u>	<u>(6,139)</u>
EXPENDITURES						
Current:						
Police						
Public Works		16,689	(16,689)		6,081	(6,081)
Non-departmental						
Capital Outlay	<u>643,035</u>	<u>575,466</u>	<u>67,569</u>	<u>300,000</u>	<u>161,678</u>	<u>138,322</u>
Total Expenditures	<u>643,035</u>	<u>592,155</u>	<u>50,880</u>	<u>300,000</u>	<u>167,759</u>	<u>132,241</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources						
NET CHANGE IN FUND BALANCES	<u>(\$273,035)</u>	<u>(239,061)</u>	<u>\$33,974</u>	<u>(\$2,747)</u>	<u>123,355</u>	<u>\$126,102</u>
BEGINNING FUND BALANCES		<u>697,852</u>			<u>103,774</u>	
ENDING FUND BALANCES		<u>\$458,791</u>			<u>\$227,129</u>	

SPECIAL REVENUE FUNDS

Supplemental Law Enforcement Services			Evans Creative Design Fund			Measure M		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$140,000		(\$140,000)				\$75,000	\$86,373	\$11,373
146	\$2	(144)				1,347	1,347	
140,146	2	(140,144)				76,347	87,720	11,373
				\$4,324	(\$4,324)	149,650	100,973	48,677
				4,324	(4,324)	149,650	100,973	48,677
<u>\$140,146</u>	2	<u>(\$140,144)</u>		<u>(4,324)</u>	<u>(\$4,324)</u>	<u>(\$73,303)</u>	<u>(13,253)</u>	<u>\$60,050</u>
				4,324			207,758	
	<u>\$2</u>						<u>\$194,505</u>	

(Continued)

ATTACHMENT 1

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, 2021

SPECIAL REVENUE FUNDS					
	Refuse Rate Stabilization			County Measure W	
	Budget	Actual	Variance Positive (Negative)	Budget	Actual
REVENUES					
Property taxes					
Measure grants					
From other agencies		\$615,657	\$615,657	\$125,000	\$154,142
Use of money and property		2,235	2,235		1,417
Miscellaneous					
Total Revenues		617,892	617,892	125,000	155,559
EXPENDITURES					
Current:					
Police					
Public Works		2,194,735	(2,194,735)		
Non-departmental					
Capital Outlay				100,000	80,801
Total Expenditures		2,194,735	(2,194,735)	100,000	80,801
OTHER FINANCING SOURCES (USES)					
Transfers in					
Total Other Financing Sources					
NET CHANGE IN FUND BALANCES		(1,576,843)	(\$1,576,843)	\$25,000	74,758
BEGINNING FUND BALANCES		1,904,819			149,062
ENDING FUND BALANCES		\$327,976			\$223,820

INTERNAL SERVICE FUNDS

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

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

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

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

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

GENERAL LIABILITY FUND accounts for other liabilities including employment liabilities and hosts the insurance costs for liability claims and property losses. The activities for this fund provides for costs to general liability insurance, employment practice insurance, and self-insured retention claim expense.

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

ATTACHMENT 1

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2021

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
ASSETS					
Current Assets:					
Cash and investments	\$759,542	\$1,697,295	\$808,248	\$1,413,232	\$4,678,317
Total Current Assets	759,542	1,697,295	808,248	1,413,232	4,678,317
Non-Current Assets:					
Capital assets:					
Depreciable	1,558,784				1,558,784
Less: accumulated depreciation	(1,251,029)				(1,251,029)
Net Capital Asset	307,755				307,755
Total noncurrent assets	307,755				307,755
Total Assets	1,067,297	1,697,295	808,248	1,413,232	4,986,072
LIABILITIES					
Current liabilities					
Accounts payable	42,215		8,574		50,789
Claims payable			66,426		66,426
Compensated absences				545,273	545,273
Total current liabilities	42,215		75,000	545,273	662,488
Noncurrent liabilities					
Compensated absences				436,890	436,890
Total noncurrent liabilities				436,890	436,890
Total Liabilities	42,215		75,000	982,163	1,099,378
Net investment in capital assets	307,755				307,755
Unrestricted	717,327	1,697,295	733,248	431,069	3,578,939
Total Net Position	\$1,025,082	\$1,697,295	\$733,248	\$431,069	\$3,886,694

ATTACHMENT 1

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
OPERATING REVENUES					
Charges for services	\$103,899	\$479,535	\$307,584	\$791,503	\$1,682,521
Total Operating Revenues	103,899	479,535	307,584	791,503	1,682,521
OPERATING EXPENSES					
Insurance		125,243	264,287		389,530
OPEB expense				634,744	634,744
Employee benefits earned				457,578	457,578
Depreciation	151,209				151,209
Supplies and maintenance	49,569				49,569
Total Operating Expenses	200,778	125,243	264,287	1,092,322	1,682,630
Operating Income (Loss)	(96,879)	354,292	43,297	(300,819)	(109)
NONOPERATING REVENUES (EXPENSES)					
Interest income	5,204	11,628	5,537	9,682	32,051
Total Nonoperating Revenues (Expenses)	5,204	11,628	5,537	9,682	32,051
OTHER FINANCING SOURCES (USES)					
Transfers in					
Total Other Financing Sources (Uses)					
Change in Net Position	(91,675)	365,920	48,834	(291,137)	31,942
BEGINNING NET POSITION	1,116,757	1,331,375	684,414	722,206	3,854,752
ENDING NET POSITION	\$1,025,082	\$1,697,295	\$733,248	\$431,069	\$3,886,694

ATTACHMENT 1

TOWN OF ATHERTON
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Equipment Replacement	Workers' Compensation Insurance	General Liability	Employee Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from other funds	\$103,899	\$479,535	\$307,584	\$791,503	\$1,682,521
Payments to employees for benefits				(882,750)	(882,750)
Payments to vendors	(7,354)	(125,243)	(251,414)		(384,011)
Cash Flows from Operating Activities	96,545	354,292	56,170	(91,247)	415,760
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(38,168)				(38,168)
Cash Flows (used for) Capital and Related Financing Activities	(38,168)				(38,168)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	5,204	11,628	5,537	9,682	32,051
Cash Flows from Investing Activities	5,204	11,628	5,537	9,682	32,051
Net Cash Flows	63,581	365,920	61,707	(81,565)	409,643
Cash and investments at beginning of period	695,961	1,331,375	746,541	1,494,797	4,268,674
Cash and investments at end of period	<u>\$759,542</u>	<u>\$1,697,295</u>	<u>\$808,248</u>	<u>\$1,413,232</u>	<u>\$4,678,317</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income	(\$96,879)	\$354,292	\$43,297	(\$300,819)	(\$109)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	151,209				151,209
Compensated absences				209,572	209,572
Change in assets and liabilities:					
Accounts receivable					
Accounts payable	42,215		7,377		49,592
Claims payable			5,496		5,496
Cash Flows from Operating Activities	<u>\$96,545</u>	<u>\$354,292</u>	<u>\$56,170</u>	<u>(\$91,247)</u>	<u>\$415,760</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Town of Atherton, California, as of and for the year ended June 30, 2021, and have issued our report thereon dated December 6, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated December 6, 2021, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Maze & Associates".

Pleasant Hill, California
December 6, 2021

**Town of Atherton
Measure A Special Revenue Fund**

**Report on Compliance with the
*Agreement for Distribution of San Mateo County
Measure A Funds for Local Transportation Purposes***

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MANAGEMENT'S ASSERTION

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

We have examined management's assertion, included in accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes (the Agreement)* between the Town of Atherton (the Town) and the San Mateo County Transportation Authority dated January 21, 2009, that the Town of Atherton complied with the requirements of the Agreement during the year ended June 30, 2021. Management is responsible for that assertion. Our responsibility is to express an opinion on management's assertion about the Town's compliance based upon our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the Town complied with the requirements of the Agreement is fairly stated, in all material respects. The nature, timing and extent of procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide legal determination of the Town's compliance with specified requirements.

In our opinion, management's assertion that the Town complied with the requirements of the Agreement for the year ended June 30, 2021 is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the City Council and mayor and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
December 6, 2021

TOWN OF ATHERTON
SCHEDULES OF MEASURE A FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

BALANCE SHEET

Assets:	
Cash and investments	\$ 471,291
Total Assets	<u>\$ 471,291</u>
Liabilities:	
Accounts payable	<u>\$ 12,500</u>
Total Liabilities	<u>12,500</u>
Fund Balance:	
Restricted	<u>458,791</u>
Total Fund Balance	<u>458,791</u>
Total Liabilities and Fund Balance	<u>\$ 471,291</u>

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Revenues:	
Measure A sales tax	\$ 349,865
Use of money & property	<u>3,229</u>
Total Revenues	<u>353,094</u>
Expenditures:	
C/CAG congestion relief fee	16,689
Capital outlay	<u>575,466</u>
Total Expenditures	<u>592,155</u>
Net Change in Fund Balance	(239,061)
Fund Balance - beginning, as restated (A)	<u>697,852</u>
Fund Balance - ending	<u>\$ 458,791</u>

(A)-The adjustment was due to a prior period adjustment for correction of Street Patch Seal & Overlay expenditures accrual which was posted to Measure A fund in January 2021, after the report was submitted back in December 2020



Town of Atherton
80 Fair Oaks Lane
Atherton, California 94027
Phone: (650) 752-0500

December 6, 2021

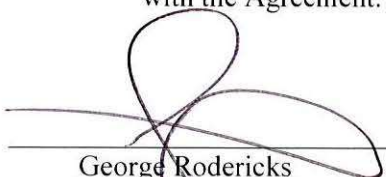
San Mateo County Transportation Authority
1250 San Carlos Avenue
San Carlos, California 94070

Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes

The Town of Atherton is responsible for complying with the *Agreement for Distribution of San Mateo County Measure A Funds for Local Transportation Purposes* (the Agreement) between the Town and the San Mateo County Transportation Authority effective on January 21, 2009. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by *Measure A – San Mateo County Transportation Expenditure Plan* (the Measure), the Town agrees that funds, “shall not be used to replace funds previously provided by property tax or other local revenues for public transportation purposes, and that Town will limit the use of funds provided pursuant to this agreement to the improvement and maintenance of local transportation, including streets and road improvements.”

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2021:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the Town's compliance with the requirements of the Agreement;
- All Transactions for the Year Ended June 30, 2021, are in compliance with the Agreement.


George Rodericks
City Manager


Robert Barron, III
Finance Director

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**Town of Atherton
Measure W Funds**

**Report on Compliance with the
*Agreement for Distribution of San Mateo County
Measure W Funds for
Local Transportation Purposes in Accordance
with the San Mateo County Congestion Relief Plan***

For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT ON MANAGEMENT'S ASSERTION

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

We have examined management's assertion, included in accompanying Management's Report on Compliance with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan (the Agreement)* between the Town of Atherton and the San Mateo County Transportation Authority dated December 2, 2019, that the Town complied with the requirements of the Agreement during the year ended June 30, 2021. Management is responsible for that assertion. Our responsibility is to express an opinion on management's assertion about the Town's compliance based upon our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion that the Town complied with the requirements of the Agreement is fairly stated, in all material respects. The nature, timing and extent of procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide legal determination of the Town's compliance with specified requirements.

In our opinion, management's assertion that the Town complied with the requirements of the Agreement for the year ended June 30, 2021 is fairly stated, in all material respects.

This report is intended solely for the information and use of management and the City Council and mayor and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
December 6, 2021

TOWN OF ATHERTON
SCHEDULES OF MEASURE W FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

BALANCE SHEET

Assets:	
Cash and investments	\$ 206,838
Taxes receivable	<u>16,982</u>
Total Assets	<u><u>\$ 223,820</u></u>
Fund Balance:	
Restricted	<u>\$ 223,820</u>
Total Fund Balance	<u>223,820</u>
Total Fund Balance	<u><u>\$ 223,820</u></u>

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

Revenues:	
Measure W Sales Tax	\$ 154,142
Use of Money & Property	<u>1,417</u>
Total Revenues	155,559
Expenditures:	
Capital Outlay	<u>80,801</u>
Total Expenditure	<u>80,801</u>
Net Change in Fund Balance	74,758
Fund Balance - beginning	<u>149,062</u>
Fund Balance - ending	<u><u>\$ 223,820</u></u>



Town of Atherton

80 Fair Oaks Lane
Atherton, California 94027
Phone: (650) 752-0500

December 6, 2021

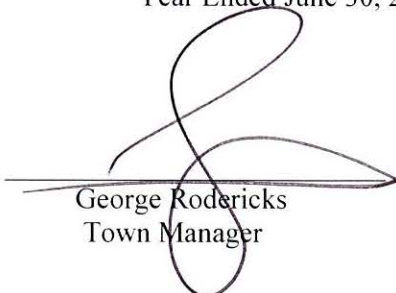
San Mateo County Transportation Authority
120 San Carlos Avenue
San Carlos, California 94070

Management's Report on Compliance with the Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in accordance with the San Mateo County Congestion Relief Plan

The Town of Atherton is responsible for complying with the *Agreement for Distribution of San Mateo County Measure W Funds for Local Transportation Purposes in Accordance with the San Mateo County Congestion Relief Plan* (the Agreement) between the Town and the San Mateo County Transportation Authority entered into on December 2, 2019. The Agreement states that in return for receiving an annual allocation of a specified portion of the retail transactions and use tax approved by *Measure W – San Mateo County Transportation Expenditure Plan* (the Measure), the Town agrees that funds shall not be used to replace funds previously provided for public transportation investments, and that Town will limit the use of funds provided pursuant to this Agreement to invest in major arterial and local roadway improvements in key congested areas throughout the County, focusing on improving safety, reducing congestion, and supporting all modes of travel on the County's roadway system.

With respect to compliance with the Agreement, management attests to the following for the year ended June 30, 2021:

- Management is responsible for establishing and maintaining an effective internal control structure with respect to compliance with the Agreement;
- Management is responsible for complying with the Agreement;
- Management has evaluated the Town's compliance with the requirements of the Agreement;
- All Transactions, as summarized in the preceding Balance Sheet and Schedule of Revenues, Expenditures and Changes in Fund Balance for the Year Ended June 30, 2021, are in compliance with the Agreement.



George Rodericks
Town Manager



Robert Barron, III
Finance Director

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