

TOWN OF WOODSIDE
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006

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TOWN OF WOODSIDE
Basic Financial Statements
For the Year Ended June 30, 2006

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the Honorable Mayor and Members of the Town Council
Woodside, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Woodside, California, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Woodside, California, as of June 30, 2006 and the respective changes in the financial position and cash flows, where applicable, thereof and Budget and Actual statements for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison for the General Fund and Measure A Special Revenue Fund are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maze + Associates

August 23, 2006

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Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2006

This is the third fiscal year that the Town of Woodside has issued its financial statements in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34) and successor statements, as outlined in Note 2B to the Basic Financial Statements. GASB 34 was developed to make annual financial reports easier to understand and more useful to the people who use governmental financial information to make their decisions, including members of the Town Council, members of oversight bodies (such as the Town's Audit Committee), investors, creditors, and the public in general. GASB 34 introduced many changes to the look and content of annual financial reports. One important requirement is that financial managers provide *Management's Discussion and Analysis* (MD&A), which is designed to provide readers an objective and easily readable analysis of the governmental unit's financial performance for the reported year. This MD&A should be read in conjunction with the *Basic Financial Statements* and the accompanying notes to the Basic Financial Statements. The Basic Financial Statements include the *Government-wide Statements* and the *Fund Financial Statements*, along with the accompanying Notes.

Reporting the Town as a Whole: Government-wide Statements

The Government-wide Statements present the financial position of the Town with a longer-term view of the Town's activities as a whole, and consist of the *Statement of Net Assets* and the *Statement of Activities*. The Statement of Net Assets presents all information about the Town's assets and liabilities, both current and long-term, on the full accrual basis of accounting, which is similar to the accounting used by most private sector businesses. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which liability is incurred. Highlighting net assets, or the difference between assets and liabilities, is one way to measure the Town's financial health and financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The Town has chosen, within the parameters of GASB 34, not to retrospectively include the historic costs and accumulated depreciation of infrastructure in place, including but not limited to the Town's roadway system.

The Statement of Activities provides information about all of the Town's revenues and expenses, also on the full accrual basis, and emphasizes the measurement of the net revenues or expenses of each of the Town's functional or program areas. It also incorporates changes in Net Assets for the year. In accordance with GASB 34, certain eliminations have been made related to interfund activity, payables, and receivables.

Both the Statement of Net Assets and the Statement of Activities separately present information about the Town's *governmental activities* and its *business-type activities*. Most of the Town's basic services fall into the category of governmental

activities, including administration, finance, public works, planning and building, trails, recreation, contractual police services, and library services. Sales, utility and property taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities. Business-type activities are those for which the Town charges a fee to customers to pay for the full cost of certain services provided. The Town's only business-type activities involve the provision of public sewer service.

Reporting the Town's Major Funds: Fund Financial Statements

The Fund Financial Statements include **governmental**, **proprietary** and **fiduciary** funds and report the Town's operations in more detail and with a shorter-term focus than the Government-wide Statements. A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach under GASB 34.

The Fund Financial Statements provide detailed information about the Town's most significant funds, called **Major Funds**. The concept of Major Funds, and the determination of which funds are Major Funds, was established by GASB 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, and all of the Non-major Funds are combined in a single column. Major Funds present the major activities of the Town for the year. The General Fund is always a Major Fund, but other funds designated as Major Funds may change from year-to-year, based upon their specific pattern of activities. The Major Funds reported for 2005-06 are the General Fund and the Measure A Fund, which are both governmental funds, and the Sewer Service Enterprise Funds, which are proprietary funds.

Governmental Funds

Most of the Town's basic services are reported in governmental funds. These funds focus on reporting the flow of money into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period (by June 30th) or soon enough thereafter to be used. The governmental fund financial statements provide a detailed short-term view of the Town's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Proprietary Funds

When the Town charges customers for services, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Town's proprietary funds (e.g. the Sewer Service Enterprise Funds) are the same as the business-type activities reported in the Government-Wide Financial

Statements, but the fund financial statements for the proprietary funds provide more detail and additional information, such as cash flows for each of the enterprise funds.

Fiduciary Funds

The Town is the trustee, or fiduciary, for certain funds established to account for assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the Town's Government-Wide Financial Statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their specified purposes.

Financial Analysis: Government-wide Statements

As has been previously explained, the government-wide statements report Governmental and Business-type Activities separately in the Statement of Net Assets and the Statement of Activities. The analysis of these government-wide statements will accordingly look at the two types of activities separately.

Governmental Activities consist of most of the programs and functions of the Town. As of June 30, 2006, the net assets of the Town's Governmental Activities totaled \$15.7 million, as is highlighted in the following chart.

Statement of Assets: Governmental Activities Net Assets at June 30, 2006

	2005-06	2004-05	Inc./(Dec.)
Cash & Investments	\$ 8,145,674	\$ 5,143,087	\$ 3,002,587
Other Assets	194,576	121,080	73,496
Capital Assets	11,944,540	4,857,954	7,086,586
Total Assets	\$ 20,284,790	\$ 10,122,121	\$ 10,162,669
Accounts Payable & Accrued Liabilities	896,140	112,922	783,218
Compensated Absences	332,786	270,776	62,010
Deferred Revenue	1,542,763	1,527,930	14,833
Certificates of Participation	1,846,531	2,008,604	(162,073)
Total Liabilities	\$ 4,618,220	\$ 3,920,232	\$ 697,988
Net Assets:			
Invested in capital assets, net of debt	10,098,009	2,849,350	7,248,659
Restricted	2,018,188	2,451,635	(433,447)
Unrestricted	3,550,373	900,904	2,649,469
Net Total Assets	\$ 15,666,570	\$ 6,201,889	\$ 9,464,681

The total net assets for the Town's Governmental Activities increased by \$9.5 million in 2005-06. This increase is attributable to several factors:

- ✓ "Net Assets Invested in Capital Assets, Net of Debt" increased by \$7.2 million. This reflects the net of activity involving the addition, retirement, and depreciation of capital assets and changes in the level of debt issued for capital asset acquisition. Note 5 to the Basic Financial Statements includes a summary of the activity that impacted capital assets during 2005-06, which includes:

Additions of Land - Donation of Barkley Fields and Park	\$ 6,737,134
Construction in Progress - Barkley Fields and Park	67,776
Buildings and Improvements - Library Landscape Project	295,914
Additions to Equipment	82,469
Subtotal	\$ 7,183,293
Less: Additions to Accumulated Depreciation	(96,707)
Net Additions	\$ 7,086,586

The Town reduced its Certificates of Participation debt by \$162,073 during 2005-06. This reduction in outstanding principal increases the total net assets and when combined with the aforementioned increase in capital assets of \$7,086,586, results in the positive change in Net Assets Invested in Capital Assets, Net of Debt of \$7,248,659.

- ✓ The remaining increase in net assets of \$3,047,847 is reflective of the cumulative impact of a \$3,076,083 increase in cash, investments, and other assets, an increase of \$783,218 in accounts payable and accrued liabilities, and an increase of \$76,843 in deferred revenues and compensated absences. The most notable factors leading to this net increase include:
 - ☑ The General Fund experienced a major increase in assets of about \$3.7 million during 2005-06. The most significant portion of this increase is attributable to the Town's receipt of unanticipated "windfalls" during the fiscal year. Late in 2005, the Town received a check for over \$1.1 million from the County of San Mateo, representing the payment of prior years' property taxes owed the Town by the County. This payment was the result of the discovery that the County was not allocating property taxes to four San Mateo County cities in accordance with the Tax Equity Allocation (TEA) provisions of the State of California's Revenue and Taxation Code. The TEA provisions, which were enacted in the late 1980's, guarantee cities in the State at least seven percent of the property tax revenues generated within their municipal boundaries. The Town had been receiving about five percent of these revenues. Late in 2005-06, the Town received an additional TEA allocation from the County of just over \$482,000, representing the funds due the Town to bring the current year's property taxes to the level required by the TEA provisions. The Town will continue to benefit from the TEA provisions in the years to come, as their proper application guarantees a permanent increase in the annual property tax revenue base.

Further enhancing the Town's coffers during 2005-06 was the sale early in 2006 of real property in which the Town had a legal interest. The Town had been the beneficiary of a donation of real property in the late 1960's, with a provision that the donors would maintain a life estate interest until their deaths. The Town's real property interest was in three acres of a nine-acre estate on Mountain Home Road. This physical ownership interest was transferred to a limited partnership in 2001, in exchange for a twenty percent interest in the entire nine acres for the Town. Following the death of the last of the donors, the property was sold and the Town received a check for just under \$2 million in March of 2006. Expanded discussion of the General Fund's performance during 2005-06 is included in more detail later in this MD&A.

- ☑ Two of the largest Special Revenue funds, the Measure A and the Road Impact Fee Funds, experienced a combined decrease in net assets of about \$405,000. This decrease reflects the intentional draw down of the cash fund balances of these two funds in support of the undertaking and completion of

road-related rehabilitation projects. Over \$904,000 was spent on such projects during 2005-06, with just over \$222,000 and \$183,000 in available fund balances drawn from the Measure A and Road Impact Fee Funds, respectively, in support of these projects. This action was possible because no significant projects were undertaken in the prior year and cash was available from prior year activities. The Measure A Fund is discussed in more detail later in this MD&A.

- The Town's remaining Special Revenue and Capital Project funds contributed a combined decrease in net assets of \$170,057. Of this total, \$142,000 is attributable to the Barkley Fields and Park Construction Fund, a Capital Project Fund. This fund, which incurred its first expenditures during 2005-06, experienced no receipts during the fiscal year to support the expenses incurred and it owed the General Fund \$142,000 at fiscal year's end. This "debt" will be repaid during 2006-07 as the first private contributions flow into the fund to support the construction of the park. The remaining decrease to net assets of \$28,057 reflects the net impact of the results of operation of the remaining five Special Revenue or Capital Project funds, which include:

Fund	Net Change
Traffic Safety	\$ (23,211)
Gas Tax	13,861
Library	(9,191)
Supplemental Law Enforcement	(1,051)
Parking District Construction	(8,465)
Subtotal	\$ (28,057)
Barkley Fields and Park Construction	(142,000)
Total	\$ (170,057)

Although none of these changes in net assets are material, it is worth noting that the decrease in the Library Fund reflects the allocation of funds to the Library Parking Lot and Landscaping Project, which required almost \$296,000 during the fiscal year. Despite this decrease, the fund remains healthy, with almost \$714,000 in fund balances at June 30, 2006.

- The roughly \$783,000 increase in Accounts Payable and Accrued Liabilities reflects the net impact of a \$48,606 decrease in accounts payable and the recordation of an accrued liability of \$831,625. The accrued liability is of special note, as it represents the amount by which the Town exceeded its Appropriations Limit, pursuant to California State Constitution Article XIII B, during 2005-06. This is the first time that the Town has exceeded this limit, which was mandated in 1979 by voter-approved Proposition 4, also known as the Gann Limit. The Appropriations Limit is adopted each year by the Town Council, using approved adjustment factors to the prior year's limit. The original limit was based upon the Town's proceeds of taxes in the base year of 1978-79. Article XIII B requires the Town to determine its proceeds of taxes each year and compare the total to the adopted Appropriations Limit.

If the total proceeds of taxes are less than the limit, then the Town is in compliance. If the total exceeds the limit, then one of three possible actions must be taken to come into compliance: (1) the Town Council may request a majority of the voters to approve an override to temporarily increase the Appropriations Limit for a period not to exceed four years; (2) the Town may return the amount of excess proceeds of taxes to the taxpayers either through lower tax rates or lower user fees; or (3) the Town may carryover the excess into the next fiscal year as long as it will be below the Appropriations Limit by an amount equal to or greater than the excess amount experienced in the year under review.

As was noted earlier in this MD&A, the Town benefited from the receipt of a windfall of about \$1.6 million in property tax revenues during 2005-06, as a result of the County of San Mateo's admission that it had not been allocating property taxes in accordance with the Tax Equity Allocation (TEA) provisions of the State's Revenue and Taxation Code. This windfall dramatically increased the Town's 2005-06 proceeds of taxes and resulted in the Town exceeding its Appropriations Limit by \$831,625. The Town should be able to address this by carrying over this excess into 2006-07, as it is projected that the Town will be below its limit during 2006-07 by an amount sufficient to "cure" the situation pursuant to State law. As of June 30, 2006, however, the amount in excess of the 2005-06 Appropriations Limit is an accrued liability.

- ☑ Two other liabilities, Deferred Revenues and Compensated Absences, were increased during 2005-06 by a total of \$76,843. The Town books a liability for the value of personal leave and other accumulated paid time off balances that has been accrued by Town employees. Each year the balance is adjusted to reflect current pay rates and changes in individual employees' balances. An increase of \$62,010 is reflected at June 30, 2006. The Town collects deposits from individuals and businesses that undertake development projects in the Town. These deposits are charged when the Town requires consultants to be involved in the development review process. Until the charges are made, the deposit funds are treated as deferred revenue. This liability increased by \$14,833 at June 30, 2006.

During 2005-06, the Town's Governmental Activities were supported by about \$15.2 million in program and general revenues, derived from many sources, as is summarized in the next chart.

**Statement of Activities: Governmental Activities
2005-06 Revenues by Source**

Source	\$	% of Total
Program Revenues:		
Charges for services	\$ 1,172,844	7.7%
Operating grants & contributions	1,023,818	6.7%
Total Program Revenues	\$ 2,196,662	14.5%
General Revenues:		
Property tax	2,394,717	15.8%
Sales tax	318,793	2.1%
Property transfer tax	206,293	1.4%
Franchises	274,578	1.8%
Business licenses	120,359	0.8%
Interest	222,195	1.5%
Other agencies	626,295	4.1%
Other income	23,195	0.2%
Special Item - Contributions	8,710,932	57.3%
Transfers	103,445	0.7%
Total General Revenues, Special Item, & Transfers	\$ 13,000,802	85.5%
Total Revenues	\$ 15,197,464	100.0%

As was previously explained, the Statement of Net Activities incorporates changes in Net Assets for the year. Thus, in addition to the more traditional reporting of actual expenditures and revenues, the Statement of Net Activities reflects things such as the contribution of capital assets. During 2005-06, there were two significant transactions recorded as "Special Item - Contributions" for a total of \$8,710,932. The first transaction reflects the Town's receipt of a gift of land for Barkley Fields and Park, a six-acre site now being developed as the Town's first park, and valued at \$6,737,134. The second transaction, which was for \$1,973,798, represents the previously discussed proceeds from the sale of land donated to the Town in the late 1960's.

The "Transfers" category reflects the transfer of \$103,445 in cash from the Proprietary Funds (business-type activities) to the Governmental Funds (governmental activities) to cover administrative overhead charges to the Proprietary Funds, in keeping with the Tow Council's Financial Management Policies.

The programs reported as Governmental Activities include all the basic areas of Town government, such as administration, planning, public works, safety services, library services, building and grounds, trails maintenance, recreation, town-wide overhead, and general debt service. Because changes in net assets are incorporated into the Statement of Activities, the expenses reported in this statement include such things as annual depreciation of capital assets and increases in the balance of compensated absences, and exclude the principal payment component of debt service

and funds expended on capital outlays. For example, in the Fund Financial Statements for the Governmental Funds, the Administration and Finance Program reflects an expenditure of \$795,478 for 2005-06. This same program reflects total expenses of \$802,287 in the next chart, which is taken from the Statement of Activities. The \$6,809 difference is annual depreciation expense of \$1,848 and an increase in compensated absence balances of \$4,961. These items, treated in the Fund Financial Statements as adjustments to balance sheet accounts, are incorporated into the total activity for this program area in the Statement of Activities. A full reconciliation of these statements is included in the Basic Financial Statements. A discussion of program expenditures for the year is included later in this MD&A.

**Statement of Activities: Governmental Activities
2005-06 Expenses by Program**

Program	Total Expense	% of Total
Town Council	\$ 30,578	0.5%
Administration & Finance	802,287	14.0%
Planning & Building Regulation	1,511,775	26.4%
Buildings & Grounds	138,104	2.4%
Town-wide Overhead	317,705	5.5%
Safety Services	718,241	12.5%
Trails & Stables	52,629	0.9%
Library Services	33,417	0.6%
Public Works	1,685,380	29.4%
Recreation & Open Space	363,358	6.3%
Interest & Fiscal Charges	79,309	1.4%
Total	\$ 5,732,783	100.0%

The positive change in net assets from 2004-05 to 2005-06 of \$9,464,681 reported and discussed earlier is equal to the difference between the total revenues of \$15,197,464 and total expenses of \$5,732,783 that are reflected in the Statement of Activities for Governmental Activities.

Business-type Activities for the Town are limited to its Sewer Service Enterprise Funds.

**Statement of Assets: Business-type Activities
Net Assets at June 30, 2006**

Cash & Investments	\$ 878,942
Other Assets	133,652
Capital Assets	1,346,763
Total Assets	\$ 2,359,357
Accounts Payable	\$ 1,714
Deferred Revenue	121,846
Total Liabilities	\$ 123,560
Net Assets:	
Invested in capital assets, net of debt	1,346,763
Unrestricted	889,034
Net Total Assets	\$ 2,235,797

As is reported in the Statement of Activities, the change in net assets for the Town's Business-type Activities as of June 30, 2006, was a decrease of \$115,857. The following table outlines the components of this decrease.

Business-type Activities		
2005-06 Change in Net Fixed Assets		
Expenses	\$	311,764
Program Revenues:		
Charges for services		264,562
Capital Grants & Contributions		-
Net Revenue (Expense)	\$	(47,202)
General Revenues:		
Interest	\$	34,790
Transfers		(103,445)
Total General Revenue		(68,655)
Change in Net Assets	\$	(115,857)
Net Assets - July 1, 2005		2,351,654
Net Assets - June 30, 2006	\$	2,235,797

The "Transfers" of \$103,445 is the aforementioned overhead cost reimbursement to the Town's General Fund.

FUND FINANCIAL STATEMENTS

Performance of Governmental Funds

The Net Assets of the Town's Governmental Funds at June 30, 2006, were about \$15.7 million, which is the total of ending fund balances, plus capital assets, and less long-term debt. The following chart provides an overview of these Net Assets.

Governmental Funds	Total Assets	Total Liabilities	Fund Balance/ Net Assets
General	\$ 6,456,693	\$ 2,431,534	\$ 4,025,159
Measure A	799,170	504	798,666
Other Governmental Funds	1,226,387	148,865	1,077,522
Subtotal	\$ 8,482,250	\$ 2,580,903	\$ 5,901,347
Capital Assets			11,944,540
Long-term Debt & Non-current Portion of Compensated Absences			(2,179,317)
Total Net Assets			\$ 15,666,570

The combined fund balances of \$5,901,347 from the various Governmental Funds comprise about 38% of Total Net Assets at June 30, 2006. These fund balances increased by about \$2.3 million, or 62.9%, during 2005-06. The following summary of the Statement of Revenues, Expenditures, and Changes in Fund Balance for the Governmental Funds illustrates the details of this net increase.

Governmental Funds Net Change in Fund Balances at June 30, 2006

Governmental Funds	Total Revenues	Total Expenditures	Excess/(Def.) of Revenues	Other Financing Sources/(Uses) & Special Item	Net Change in Fund Balance
General	\$ 5,207,489	\$ 4,041,628	\$ 1,165,861	\$ 1,687,618	\$ 2,853,479
Measure A	328,693	983,370	(654,677)	432,235	(222,442)
Other Governmental Funds	846,905	1,157,300	(310,395)	(42,610)	(353,005)
Subtotal	\$ 6,383,087	\$ 6,182,298	\$ 200,789	\$ 2,077,243	\$ 2,278,032
Beginning Fund Balances					3,623,315
Ending Fund Balances					\$ 5,901,347

The following discussion provides a focused analysis of the performance of the Town's Governmental Funds by examining the two Major Funds.

▣ General Fund

The General Fund accounts for financial resources traditionally associated with government activities that are not legally required to be accounted for in another fund. The General Fund ended the 2005-06 fiscal year with a fund balance of

\$4,025,159, significantly more than the \$1.172 million on hand at June 30, 2005. This increase of over \$2.8 million results from the net impact of the fund's financial performance for the fiscal year, as summarized in the following chart.

2005-06 General Fund Performance

Revenues	\$ 5,207,489
Expenditures	4,041,628
Excess of Revenues	\$ 1,165,861
Other Financing Sources (Uses)	
Transfers In	253,013
Transfers Out	(539,193)
Special Item - Contribution	1,973,798
Net Other Sources & Special Item	\$ 1,687,618
Increase to Fund Balance	2,853,479
Beginning Fund Balance	1,171,680
Ending Fund Balance	\$ 4,025,159

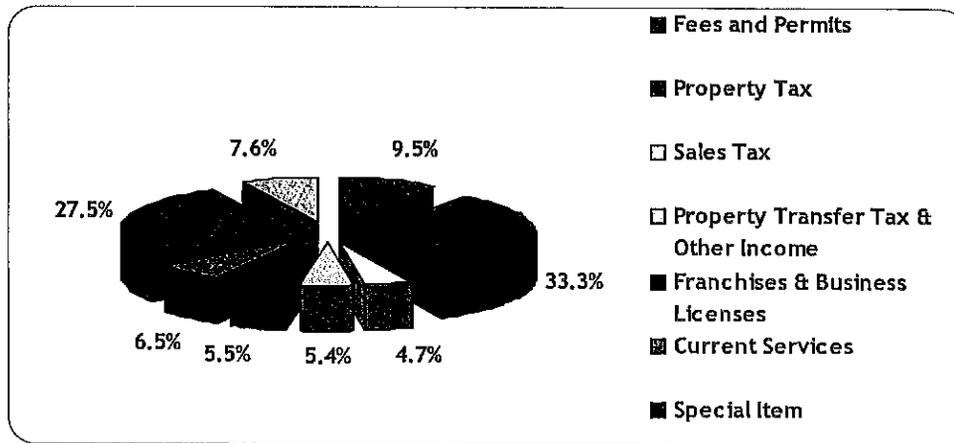
The Town continued to experience solid revenue growth during 2005-06, with most categories of revenue performing at higher levels than in the previous year. Total revenues of \$5,207,489 were received in 2005-06, as compared with \$3,778,351 in 2004-05. This 37.8%, or \$1.4 million, increase is depicted in the following chart that compares revenue performance for the two years.

Two-year Comparison of General Fund Revenues and Special Items

	2005-06	2004-05	Inc. (Dec.) \$	Inc. (Dec.) %
Property Taxes	\$ 2,394,717	\$ 1,401,639	\$ 993,078	70.9%
Sales Tax	336,096	339,024	(2,928)	-0.9%
Property Transfer Tax	206,293	142,818	63,475	44.4%
Franchises	274,578	258,503	16,075	6.2%
Business Licenses	120,359	134,450	(14,091)	-10.5%
Fees & Permits	681,560	605,493	76,067	12.6%
Interest	156,552	41,414	115,138	278.0%
Other Agencies	544,673	333,684	210,989	63.2%
Current Services	468,904	499,835	(30,931)	-6.2%
Other Revenue	23,757	21,491	2,266	10.5%
Total Revenues	\$ 5,207,489	\$ 3,778,351	\$ 1,429,138	37.8%
Special Item - Contribution	1,973,798	-	1,973,798	--
Total Revenues/Special Items	\$ 7,181,287	\$ 3,778,351	\$ 3,841,924	101.7%

The 2005-06 fiscal year provided not only strong baseline revenue growth for the Town's General Fund, but ushered in two significant events that represented "windfalls" to the Town and that contributed to the significant increase in the ending fund balance and to the Town's financial well-being. The first of the two events involved the Town's property taxes, which experienced a 70.9% growth rate over the prior year. The second significant event involves the "Special Item - Contribution" of \$1.974 million, which represents the Town's share of the proceeds of the sale of the Mountain Home Road property in which the Town had a real property interest. Both of

these were previously discussed in this MD&A and are also discussed in detail in subsequent paragraphs. The following chart provides a graphic depiction of the proportional contribution each revenue source and the Special Item made to the General Fund in 2005-06.



Several of the General Fund's revenue sources deserve individual discussion:

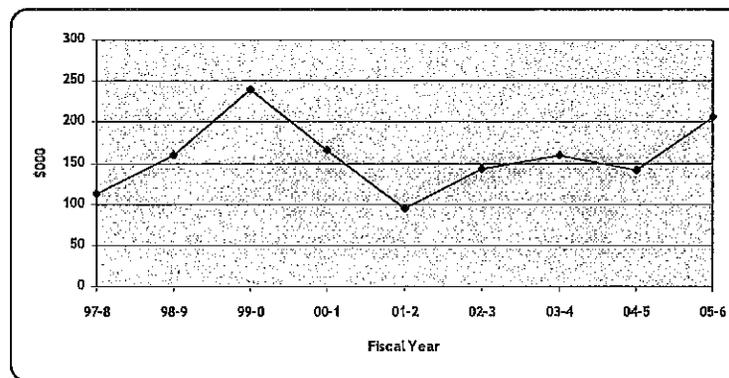
☑ **Property Taxes** are usually the General Fund's largest revenue source and in 2005-06, its significance grew with the receipt of \$2.4 million, a 70.9% increase from the prior year. As was previously discussed, the lion's share of this increase is attributable to the correction of a multi-year property tax allocation error on the part of the County of San Mateo. The State of California's Revenue and Taxation Code includes provisions designed to ensure that cities receive a minimum percentage of all property taxes raised within its jurisdictional boundaries. These provisions, known as the Tax Equity Allocation (TEA) provisions, provide that each county in the State must allocate at least seven percent of total property taxes received within a city to that city. The County of San Mateo failed to enact the TEA provisions when they became law in the late 1980's and was allocating less than required to four cities in the county, including the Town of Woodside, which has been receiving just under five percent of total property tax revenues raised within town tax area boundaries.

Late in 2005, following the discovery of this oversight on the County's part, the County issued checks to the four cities to bring their property tax allocations for 2003-04 and 2004-05 up to the required TEA level. As a result, the Town of Woodside received just over \$1.1 million in unanticipated prior years' property tax revenues. Furthermore, the County remitted an additional \$482,000 later in the fiscal year, representing the 2005-06 TEA allocation. Thus the Town received a windfall of \$1.6 million in current and prior year property taxes. About \$500,000 of this will be a permanent increase in the Town's property tax base, in accordance with the TEA provisions. Because the receipts of this windfall property tax revenue caused the Town to exceed its Appropriations Limit, as was discussed earlier in this MD&A, a portion of property tax revenues equal to the amount by which the Appropriations Limit was exceeded is an accrued

liability at June 30, 2006, and is not reflected as current revenue in 2005-06.

In addition to this significant windfall, the Town was also the beneficiary of about \$188,000 in reimbursements of prior year Educational Revenue Augmentation Funds (ERAF) that were collected in excess of statutory limits, which was over \$56,000 more than was received in the prior year. Finally, the Town's regular secured property assessment roll growth in 2005-06 was just under 14%, increasing property tax receipts by about \$169,000 over the 2004-05 levels. Taken together, these three factors account for the very notable increase in property tax revenues for the year.

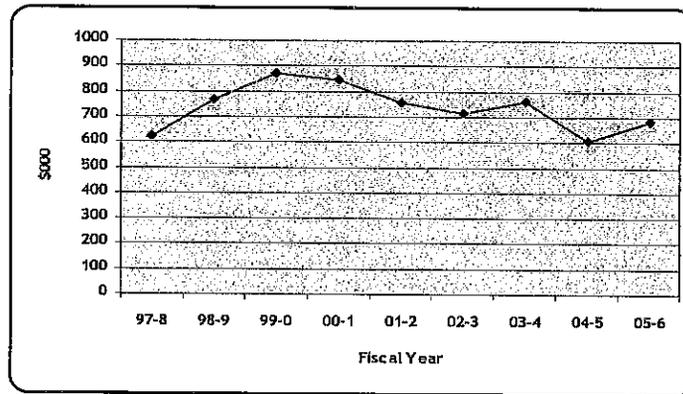
- ☑ **Property Transfer Taxes** grew from \$142,818 in 2004-05 to \$206,293 in 2005-06, a 44.4% increase. This tax is assessed at the time that property is sold and is based upon the sales price of the real property. Receipt patterns are subject to the forces and whims of the real estate market. The following chart demonstrates the ups and downs of this revenue source for the last nine years.



Revenues have ranged from a low of about \$95,000 in 2001-02 to a high of just over \$239,000 in 1999-00. This is a source that is sensitive to the condition of the economy and which can fluctuate widely depending upon which properties in Town are bought and sold. The Town receives 65¢ for every \$1,000 of sales price valuation, or \$650 per \$1,000,000. This means that about \$220 million of property traded hands in 2004-05, while over \$317 million did so in 2005-06. Given Woodside's real estate market, it can take only the sale of a few additional properties to dramatically impact the performance of this revenue source.

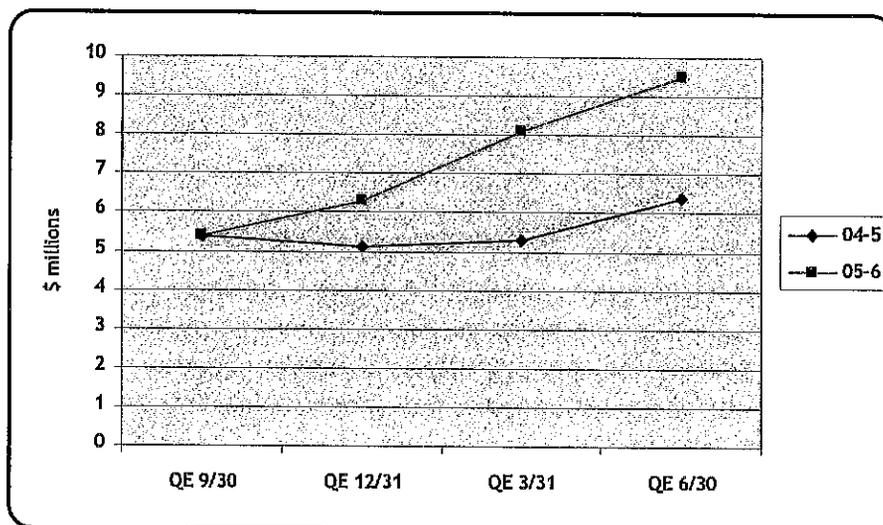
- ☑ **Fees and Permits** grew by over \$76,000 in 2005-06, a 12.6% increase. As with Property Transfer Taxes, this source of funds is very sensitive to economic conditions and fluctuates from year-to-year in a fairly unpredictable manner. The following chart provides receipt history for the last nine years and demonstrates the ever-shifting pattern for this source, which is primarily comprised of fees for development-related activities.

Revenue from Fees and Permits



Fees and permit revenues are impacted by two factors: (1) the level of development activity and (2) the type of development activity. These factors must be considered together. For example, the level of activity may be very high, with several hundred permit applications submitted. If all of these applications are for new roofs or water heater replacements, revenues will not be very robust, as the value of such work is not very high. On the other hand, a couple dozen applications for new residences or for major additions to existing residences could cause revenues to skyrocket, as such projects are usually of very high value and permit fees are based upon valuation, as a rule. Thus, the level and nature of development activity tend to be cyclical and notable variations between years are common.

- Interest Income** grew by a phenomenal 278% over 2004-05 levels. This reflects two factors: (1) idle cash available for investment was up significantly in 2005-06, primarily because of the windfall TEA revenues and the funds received upon the sale of the Mountain Home Road property in which the Town had a real property interest, and (2) interest rates continued to increase. The following chart compares 2004-05 and 2005-06 balances in the Local Agency Investment Fund (LAIF) at each quarter's end. Invested cash at June 30, 2006 was over \$3 million higher than at June 30, 2005.



Working in tandem with higher idle cash balances were improving interest rates. In 2004-05, LAIF interest rates ranged from 1.67% to 2.85% a quarter, while in 2005-06, they ranged from 3.18% to 4.53%. The General Fund's 2005-06 share of total LAIF interest income was \$156,552, a new record.

- Sales Tax** revenues appear to have experienced a slight decrease of .9%, or \$2,928 from the prior year's level. However, a comparison of sales tax receipts between these two fiscal years requires additional analysis because of the impact of the State's "Triple Flip" formula. In 2004, the State received voter approval to issue \$15 billion in deficit reduction bonds. Included in the bond measure was a mechanism for securing a dedicated revenue stream to off the bonds over time. A dedicated revenue stream is preferable to those who buy such bonds and can reduce the cost of the issuance. The State's dedicated revenue stream was derived from the "Triple Flip" that was instituted during 2004-05. The Triple Flip has three prongs. First, the State diverts ¼¢ of local sales tax (which equals twenty-five percent of local sales taxes) to pay for the debt service on the bonds. Next, the State diverts an equal amount from school district property taxes to local governments to make them whole. Finally, an equal amount of State general fund monies is redirected to the schools to likewise make them whole.

The Triple Flip was in effect for only three quarters of 2004-05. To see how sales taxes actually compare between the two years, it is necessary to take the revenues diverted by the State into account. For 2004-05, the Town received \$339,024 in sales taxes and the State diverted an additional \$82,774, for total local sales taxes of \$421,799. In 2005-06, the Town received \$336,096 and the State diverted an additional \$104,388, for total local sales taxes of \$440,484. Thus, the Town's sales tax base actually grew by \$18,685, or 4.4% during 2005-06.

- Revenues from **Other Agencies** experienced a 63.2%, or \$210,989, increase from the prior year. The State's fiscal activities greatly impact this category of revenue, with the entire increase attributable to three State budget actions:
- The Triple Flip impacts this revenue source, as the funds diverted from the school districts to make cities' property taxes whole are recorded as revenue from other agencies. As was previously noted, the Triple Flip was in effect for only three quarters in 2004-05 and only \$74,609 was received. In 2005-06, with a full year of the program in effect, the Town received \$112,630, or \$38,021 more than in the prior year.
 - The State had "borrowed" motor vehicle license fees from local governments in 2003-04, with a promise to pay the "loan" back by 2006-07. The loan repayment actually occurred during 2005-06 and the Town received a one-time payment of \$91,858 early in the fiscal year.
 - Finally, with the 2003-04 State budget, local governments' share of motor vehicle license fees was dramatically reduced, a result

of the permanent repeal by the State of a major portion of the fee. The State did, however, agree to make local governments at least partially whole by shifting school district Educational Revenue Augmentation Fund (ERAF) monies to cities and counties. This "in lieu" revenue source was initiated during 2004-05, with \$212,573 received by the Town during the first year and \$294,466 received in 2005-06, an \$81,893 difference. A portion of the revenue received during 2005-06 was to "true up" the prior year's revenue, which had been based upon estimates of the funding level needed to keep local governments whole.

These three actions account for \$211,722 of the difference between 2004-05 and 2005-06 for this revenue category.

- ☑ The **Special Item - Contribution** category reflects the income the Town received from the sale early in 2006 of real property in which the Town had a legal interest. The Town had been the beneficiary of a donation of real property in the late 1960's, with a provision that the donors would maintain a life estate interest until their deaths. The Town's real property interest was in three acres of a nine-acre estate on Mountain Home Road. This physical ownership interest was transferred to a limited partnership in 2001, in exchange for a twenty percent interest in the entire nine acres for the Town. Following the death of the last of the donors, the property was sold and the Town received a check for just under \$2 million in March of 2006.

The strong performance of the Town's traditional revenues, coupled with the windfalls received during the year, contributed significantly to the General Fund's healthy ending fund balance of over \$4 million.

General Fund expenditures totaled \$4,041,628 in 2005-06, an increase of 3.1%, or \$121,009, from 2004-05. The following chart highlights the difference between the two fiscal years by program area.

Two-year Comparison of General Fund Expenditures

Program Area	2005-06	2004-05	Inc. (Dec.) \$	Inc. (Dec.) %
Town Council	\$ 30,578	\$ 29,197	\$ 1,381	4.7%
Administration & Finance	795,478	1,106,951	(311,473)	-28.1%
Planning & Building Regulation	1,488,311	1,332,999	155,312	11.7%
Buildings & Grounds	88,017	87,136	881	1.0%
Town-wide Overhead	302,924	248,205	54,719	22.0%
Safety Services	574,604	530,233	44,371	8.4%
Trails & Stables	52,629	61,601	(8,972)	-14.6%
Public Works	161,910	184,701	(22,791)	-12.3%
Recreation & Open Space	289,134	100,136	188,998	188.7%
Capital Outlay	16,661	16,800	(139)	-0.8%
Debt Service	241,382	222,660	18,722	8.4%
Total	\$ 4,041,628	\$ 3,920,619	\$ 121,009	3.1%

Expenditures for the **Administration and Finance** program area decreased by \$311,473 from 2004-05. This 28.1% decrease is directly attributable to two things: (1) the Town spent about \$227,000 from this departmental budget for the design and successful permitting of Barkley Fields and Park during 2004-05, while all Barkley-related costs were included in the Barkley Fields Construction Fund during 2005-06 and (2) the Town experienced unusually high legal and litigation expenses during 2004-05, which are supported by this department, but experienced a more normal pattern of expense in 2005-06 and reducing these costs by about \$124,000 from the 2004-05 level.

Planning and Building Regulation program costs increased by \$155,312, or 11.7%. This increase reflects the addition during 2005-06 of a temporary Administrative Technician position, at a cost of about \$56,000, and the Town's need to engage the services of a contract planner and outside plan checking and building inspection services, at a total cost of about \$105,000. These outside services were needed to backfill staff members who were on extended medical or family leave and to provide adequate resources to process development permit applications.

Town-wide Overhead increased by \$54,719, or 22%, from the 2004-05 level. The Town's liability and property insurance premiums increased by over \$10,000, accounting for a part of this increase. Additionally, the Town significantly upgraded its website during the fiscal year, requiring additional services from the Town's contract information technology consultant, and expanded its records management system to include the scanning and digital storage of virtually all of the Town's vital records. These two undertakings required about \$40,000 in one-time funds during the year.

Safety Services increased by \$44,371, or 8.4%, reflective of the cost increases built into the Town's three-year contract for police services with the San Mateo County Sheriff's Office. Finally, **Recreation and Open Space** required almost \$189,000 more in 2005-06 than it did in 2004-05. This reflects the Town's \$200,000 contribution to a trust fund for Barkley Fields and Park maintenance, an action required as a condition of the gift of the land.

The General Fund experienced a robust increase in fund balances during 2005-06, ending the year with over \$4 million in unallocated reserves. As is indicated in Note 7 to the Basic Financial Statements, the Town utilized just over \$1.9 million of these funds to fully retire its two Certificates of Participation in August of 2006, leaving the Town debt free for the first time in sixteen years. The Town's General Fund is still well positioned to cushion future operations from the effects of unforeseen circumstances and activities.

▫ **Measure A Fund**

The Measure A Fund is a special revenue fund that is used to account for the Town's share of the one-half cent sales tax levied within San Mateo County for transit/transportation programs. The Town primarily utilizes its share to maintain the Town's roadway system. During 2005-06, the Measure A Fund experienced a reduction in fund balances of \$222,442, which is highlighted in the following chart.

2005-06 Measure A Fund Performance

Revenues	\$	328,693
Expenditures		983,370
Excess of Expenditures	\$	(654,677)
Other Financing Sources (Uses)		
Transfers In		500,000
Transfers Out		(67,765)
Net Other sources	\$	432,235
Decrease to Fund Balance		(222,442)
Beginning Fund Balance		1,021,108
Ending Fund Balance	\$	798,666

The Measure A Funds sources of revenue for 2005-06 included the Town's half-cent sales tax share, grant funds, and interest. It is also augmented each year with a \$500,000 contribution from the General Fund. Total funds available to support expenditures are comprised of revenues and transfers in. For 2005-06, these totaled \$828,693, as compared to \$724,223 in 2004-05. The Town received a \$64,000 grant in 2005-06 for the rehabilitation of Tripp Road. This grant and improved Measure A sales tax performance account for the increase in available resources in 2005-06. Expenditures and Transfer Out in 2005-06 were \$1,051,135, as compared with \$293,271 in 2004-05. This major difference of over \$758,000 reflects the Town's decision to reserve prior 2004-05 funds and to carry them into and combine then with 2005-06 funds in order to award a significant road rehabilitation project contract.

▫ Other Governmental Funds

Included in this category are the Road Impact Fee, Library Operations, Gas Tax, Traffic Safety, Supplemental Law Enforcement Services, California Law Enforcement Equipment Program, Parking Assessment District Construction, and the Barkley Fields and Park Construction Funds. Taken as a whole, the following chart reflects the performance of these funds during 2005-06.

2005-06 Performance of Other Governmental Funds

Revenues	\$	846,889
Expenditures		1,157,284
Excess of Expenditures	\$	(310,395)
Other Financing Sources (Uses)		
Transfers In		39,193
Transfers Out		(81,803)
Net Other Uses	\$	(42,610)
Decrease to Fund Balance		(353,005)
Beginning Fund Balance		1,430,527
Ending Fund Balance	\$	1,077,522

These funds were previously detailed in the foregoing discussion of governmental activities. The net reduction of \$353,005 in fund balances is attributable as follows:

Fund	Net Change
Traffic Safety	\$ (23,211)
Road Impact Fee	(182,948)
Barkley Fields and Park Construction	(142,000)
Gas Tax	13,861
Library	(9,191)
Supplemental Law Enforcement	(1,051)
Parking District Construction	(8,465)
Total	\$ (353,005)

As the chart depicts, the two most significant fund balance reductions were in the Road Impact Fee and Barkley Fields and Park Construction Funds. The Road Impact Fee Fund reduction occurred through an intentional draw down of cash balances amassed during 2004-05 to support the undertaking and completion of a major road rehabilitation project in 2005-06. The Barkley Fields and Park Construction Fund, which incurred its first expenditures during 2005-06, experienced no receipts during the fiscal year to support the expenses incurred and it owed the General Fund \$142,000 at fiscal year's end. This "debt" will be repaid during 2006-07 as the first private contributions flow into the fund to support the construction of the park.

Performance of Enterprise Funds

The enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, wherein the cost of goods and service to the general public are financed or recovered primarily through user charges. The Town's enterprise operations consist entirely of public sewer service operations. The four funds that are included are the Cañada Corridor Sewer, Sewer Revolving, Sewer Utility, and Town Center Pump Sewer Funds. The performance of the Enterprise Funds has been previously discussed in this MD&A, with the overview of "Business-type Activities."

Debt Administration

The Town's only debt consists of two Certificates of Participation (COPS) that were first issued in 1990 and 1992 to support the construction of the Town Hall complex and to provide land for Town Center parking. Both instruments have been refunded twice in the ensuing years. The new 1999 COPS had an outstanding balance of \$1,223,000 at June 30, 2006, with an interest rate of 4.20%. They were scheduled to retire in 2015. The 2001 COPS had an outstanding balance of \$623,531 at June 30, 2006, with a 3.95% interest rate. They were scheduled to retire in 2012. As Note 7 to the Basic Financial Statements indicates, both were fully repaid and retired in August of 2006.

Budgeting

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all other Major Funds. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. Budgets are prepared on the modified accrual basis of accounting, consistent with generally accepted accounting practices (GAAP). Operating appropriations lapse at year-end. The Town Council generally reauthorizes appropriations for continuing projects and activities. Project-length financial plans are adopted for capital projects. The Town Council has the legal authority to amend the budget of any fund at any time during the fiscal year. The budgetary legal level of control (the level on which expenditures may not legally exceed appropriations) is generally at the fund level. For budgeting purposes, the General Fund is composed of several departments while all other budgeted funds (special revenue funds included) are considered a single department. Budgeted expenditures may be reallocated between departments within the same fund without Town Council approval.

The General Fund final budget differs from the original budget by \$574,500 and the Measure A Fund budget differs from the original budget by \$189,000. The components of these changes increase include:

Fund	Description	Amount
General	Historical Preservation Element Consultant	\$ 65,000
General	Barkley Fields and Park Reserve Fund Contribution	200,000
General	Contract Planner, Outside Plan Check & Building Inspection Services, & Document Scanning	309,500
Measure A	Public Works Heavy Equipment	115,000
Measure A	Kings Mountain Road Slide Repair and Other Miscellaneous Road Projects	74,000
	Total	\$ 763,500

All of these adjustments were approved through a resolution of the Town Council.

Conclusion

Management's Discussion and Analysis is designed to provide the Town's residents, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions about this document or requests for additional information may be directed to the Town Manager, as follows:

Susan George, Town Manager
P.O. Box 620005, Woodside, CA 94062
(650) 851-6790
sgeorge@woodsidetown.org

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TOWN OF WOODSIDE

**STATEMENT OF NET ASSETS
AND STATEMENT OF ACTIVITIES**

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

The Statement of Net Assets reports the difference between the Town's total assets and the Town's total liabilities, including all the Town's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the Town's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all 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 Town's Business-type Activities include all its Enterprise Fund activities.

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

The Statement of Activities presents the Town's expense first, listed by program, and is followed by the expenses of its business-type activities. 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 each governmental and business-type program. The Town's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

TOWN OF WOODSIDE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 3)	\$8,145,674	\$878,942	\$9,024,616
Accounts and other receivables	194,576	11,806	206,382
Loans receivable (Note 4)		121,846	121,846
Capital assets (Note 5)	11,944,540	1,346,763	13,291,303
Total Assets	20,284,790	2,359,357	22,644,147
LIABILITIES			
Accounts payable and accrued liabilities	896,140	1,714	897,854
Compensated absences (Note 2G)	332,786		332,786
Deferred revenue	1,542,763	121,846	1,664,609
Certificates of Participation (Note 7)			
Due in one year	169,332		169,332
Due in more than one year	1,677,199		1,677,199
Total Liabilities	4,618,220	123,560	4,741,780
NET ASSETS (Note 8)			
Invested in capital assets, net of related debt	10,098,009	1,346,763	11,444,772
Restricted for:			
Special revenue programs	2,018,188		2,018,188
Total Restricted Net Assets	2,018,188		2,018,188
Unrestricted	3,550,373	889,034	4,439,407
Total Net Assets	\$15,666,570	\$2,235,797	\$17,902,367

See accompanying notes to financial statements

TOWN OF WOODSIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
Town council	\$30,578			(\$30,578)		(\$30,578)
Administration and finance	802,287	\$49,922		(752,365)		(752,365)
Planning and building regulation	1,511,775	843,303		(668,472)		(668,472)
Building and grounds	138,104	9,091		(129,013)		(129,013)
Town-wide overhead	317,705			(317,705)		(317,705)
Safety services	718,241	774	\$119,343	(598,124)		(598,124)
Trails and stables	52,629	25,550		(27,079)		(27,079)
Library services	33,417		305,162	271,745		271,745
Public works	1,685,380	134,168	599,313	(951,899)		(951,899)
Recreation and open space	363,358	110,036		(253,322)		(253,322)
Interest and fiscal charges	79,309			(79,309)		(79,309)
Total Governmental Activities	5,732,783	1,172,844	1,023,818	(3,536,121)		(3,536,121)
Business-type Activities:						
Sewer revolving	69,888	87,384			\$17,496	17,496
Sewer utility	147,735	154,351			6,616	6,616
Town center pump sewer	74,921	14,250			(60,671)	(60,671)
Cañada Corridor sewer	19,220	8,577			(10,643)	(10,643)
Total Business-type Activities	311,764	264,562			(47,202)	(47,202)
Total	\$6,044,547	\$1,437,406	\$1,023,818	(3,536,121)	(47,202)	(3,583,323)
General revenues:						
Taxes						
Property taxes				2,394,717		2,394,717
Sales tax				318,793		318,793
Property transfer tax				206,293		206,293
Franchises				274,578		274,578
Business licenses				120,359		120,359
Fines and forfeiture				2,761		2,761
Interest				222,195	34,790	256,985
Other agencies				626,295		626,295
Other				20,434		20,434
Special item - contributions (Note 13)				8,710,932		8,710,932
Transfers (Note 6)				103,445	(103,445)	
Total general revenues, special item and transfers				13,000,802	(68,655)	12,932,147
Change in Net Assets				9,464,681	(115,857)	9,348,824
Net Assets-Beginning				6,201,889	2,351,654	8,553,543
Net Assets-Ending				\$15,666,570	\$2,235,797	\$17,902,367

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

The Fund Financial Statements presents only individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the Town in fiscal 2006. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

Accounts for all general revenue and tax receipts and their allocation and expenditure.

MEASURE A FUNDS

Accounts for receipts of the Town's share of a special County-wide sales tax, earmarked for road repairs and construction

TOWN OF WOODSIDE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General	Measure A Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	\$6,146,301	\$794,942	\$1,204,431	\$8,145,674
Accounts and other receivables	168,392	4,228	21,956	194,576
Due from other funds (Note 6B)	142,000			142,000
Total Assets	\$6,456,693	\$799,170	\$1,226,387	\$8,482,250
LIABILITIES				
Accounts payable and accrued liabilities	\$888,771	\$504	\$6,865	\$896,140
Due to other funds (Note 6B)			142,000	142,000
Deferred revenue	1,542,763			1,542,763
Total Liabilities	2,431,534	504	148,865	2,580,903
FUND BALANCES				
Unreserved, undesignated reported in:				
General fund	4,025,159			4,025,159
Special revenue funds		798,666	1,219,522	2,018,188
Capital project funds			(142,000)	(142,000)
Total Fund Balances	4,025,159	798,666	1,077,522	5,901,347
Total Liabilities and Fund Balances	\$6,456,693	\$799,170	\$1,226,387	

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 11,944,540

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt (1,846,531)
Non-current portion of compensated absences (332,786)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$15,666,570

See accompanying notes to financial statements

TOWN OF WOODSIDE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	General	Measure A Funds	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$2,394,717			\$2,394,717
Sales tax	336,096			336,096
Property transfer tax	206,293			206,293
Franchises	274,578			274,578
Business licenses	120,359			120,359
Fees and permits	681,560		\$247,623	929,183
Fines and forfeiture	2,761		20,873	23,634
Interest	156,552	\$22,596	38,416	217,564
Other agencies	544,673	306,097	539,993	1,390,763
Current services	468,904			468,904
Other	20,996			20,996
Total Revenues	5,207,489	328,693	846,905	6,383,087
EXPENDITURES				
Current:				
Town council	30,578			30,578
Administration and finance	795,478			795,478
Planning and building regulation	1,488,311			1,488,311
Building and grounds	88,017			88,017
Town-wide overhead	302,924			302,924
Safety services	574,604		142,284	716,888
Trails and stables	52,629			52,629
Library services			33,417	33,417
Public works	161,910	917,014	543,685	1,622,609
Recreation and open space	289,134		74,224	363,358
Capital outlay	16,661	66,356	363,690	446,707
Debt service:				
Principal repayments	162,073			162,073
Interest and fiscal charges	79,309			79,309
Total Expenditures	4,041,628	983,370	1,157,300	6,182,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,165,861	(654,677)	(310,395)	200,789
OTHER FINANCING SOURCES (Uses)				
Transfers in (Note 6)	253,013	500,000	39,193	792,206
Transfers (out) (Note 6)	(539,193)	(67,765)	(81,803)	(688,761)
Total Other Financing Sources (Uses)	(286,180)	432,235	(42,610)	103,445
SPECIAL ITEM - Contribution (Note 13)	1,973,798			1,973,798
NET CHANGE IN FUND BALANCES	2,853,479	(222,442)	(353,005)	2,278,032
BEGINNING FUND BALANCES	1,171,680	1,021,108	1,430,527	3,623,315
ENDING FUND BALANCES	\$4,025,159	\$798,666	\$1,077,522	\$5,901,347

See accompanying notes to financial statements

TOWN OF WOODSIDE
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the Change in
 GOVERNMENTAL NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$2,278,032
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay expenditures are therefore added back to fund balance, net of retirements	446,159
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Depreciation expense is deducted from fund balance	(96,707)
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Gift of land for Barkley Fields (Note 13)	6,737,134
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LONG TERM DEBT PAYMENTS

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance	162,073
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ACCRUAL OF NON-CURRENT ITEMS

The amount below included in the Statement of Activities does not (require) the use of current financial resources and therefore is not reported as expenditures in governmental funds (net change):

Compensated absences	<u>(62,010)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$9,464,681</u></u>
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See accompanying notes to financial statements

TOWN OF WOODSIDE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$1,426,840	\$1,426,840	\$2,394,717	\$967,877
Sales tax	313,952	313,952	336,096	22,144
Property transfer tax	145,500	145,500	206,293	60,793
Franchises	253,592	253,592	274,578	20,986
Business licenses	140,000	140,000	120,359	(19,641)
Fees and permits	780,000	780,000	681,560	(98,440)
Fines and forfeiture	2,000	2,000	2,761	761
Interest	56,000	56,000	156,552	100,552
Other agencies	338,707	338,707	544,673	205,966
Current services	419,150	419,150	468,904	49,754
Other	21,000	21,000	20,996	(4)
Total Revenues	3,896,741	3,896,741	5,207,489	1,310,748
EXPENDITURES:				
Current:				
Town council	22,900	32,400	30,578	1,822
Administration and finance	764,177	812,866	795,478	17,388
Planning and building regulation	1,181,596	1,506,203	1,488,311	17,892
Building and grounds	87,891	88,611	88,017	594
Town-wide overhead	252,891	247,891	302,924	(55,033)
Safety services	589,106	589,106	574,604	14,502
Trails and stables	60,569	60,569	52,629	7,940
Public works	267,472	263,456	161,910	101,546
Recreation and open space	103,550	103,550	289,134	(185,584)
Capital outlay	30,000	30,000	16,661	13,339
Debt service:				
Principal repayments	162,073	162,073	162,073	
Interest and fiscal charges	79,309	79,309	79,309	
Total Expenditures	3,601,534	3,976,034	4,041,628	(65,594)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	295,207	(79,293)	1,165,861	1,245,154
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 6)	305,737	305,737	253,013	(52,724)
Transfers (out) (Note 6)	(591,917)	(791,917)	(539,193)	252,724
Total Other Financing Sources (Uses)	(286,180)	(486,180)	(286,180)	200,000
SPECIAL ITEM - Contribution (Note 13)			1,973,798	1,973,798
NET CHANGE IN FUND BALANCE	\$9,027	(\$565,473)	2,853,479	\$3,418,952
BEGINNING FUND BALANCE			1,171,680	
ENDING FUND BALANCE			\$4,025,159	

See accompanying notes to financial statements

TOWN OF WOODSIDE
 MEASURE A FUNDS SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$5,000	\$5,000	\$22,596	\$17,596
Other agencies	200,000	200,000	306,097	106,097
Total Revenues	<u>205,000</u>	<u>205,000</u>	<u>328,693</u>	<u>123,693</u>
EXPENDITURES:				
Current:				
Public Works	953,189	1,027,189	917,014	110,175
Capital outlay		115,000	66,356	48,644
Total Expenditures	<u>953,189</u>	<u>1,142,189</u>	<u>983,370</u>	<u>158,819</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(748,189)</u>	<u>(937,189)</u>	<u>(654,677)</u>	<u>282,512</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 6)	500,000	500,000	500,000	
Transfers (out) (Note 6)	<u>(67,765)</u>	<u>(67,765)</u>	<u>(67,765)</u>	
Total Other Financing Sources (Uses)	<u>432,235</u>	<u>432,235</u>	<u>432,235</u>	
NET CHANGE IN FUND BALANCE	<u>(\$315,954)</u>	<u>(\$504,954)</u>	(222,442)	<u>\$282,512</u>
BEGINNING FUND BALANCE			<u>1,021,108</u>	
ENDING FUND BALANCE			<u>\$798,666</u>	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

The Town has identified all of its Enterprise Funds as major proprietary funds in fiscal 2006.

SEWER REVOLVING FUND

Used to account for revenues received from sewer connections to the Redwood Creek Sewer assessment District, to be allocated to sewer system improvements and rehabilitation

SEWER UTILITY

Used to account for the operating costs and user fees associated with the Town Center Sewer District. Fund 529 is a related reserve fund, used to accumulate revenues in support of prior year sewer operating costs, to be paid when negotiations with other agencies are completed.

TOWN CENTER PUMP SEWER

Used to account for the assets and liabilities of the Town Center Sewer District and to hold reserves for meeting all prior year liabilities to Redwood City and the County of San Mateo for the treatment, transportation, and capacity rental needs of the District.

CAÑADA CORRIDOR SEWER

Used to account for the operating costs and user fees associated with the Cañada Corridor Sanitary Sewer Area.

TOWN OF WOODSIDE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

	Business-type Activities-Enterprise Funds				Totals
	Sewer Revolving	Sewer Utility	Town Center Pump Sewer	Cañada Corridor Sewer	
ASSETS					
Cash and investments (Note 3)	\$106,010	\$368,437	\$390,936	\$13,559	\$878,942
Accounts and other receivables	1,225	5,790	4,468	323	11,806
Loans receivable (Note 4)	121,846				121,846
Capital assets (Note 5)			898,485	448,278	1,346,763
Total Assets	229,081	374,227	1,293,889	462,160	2,359,357
LIABILITIES					
Accounts payable		1,714			1,714
Deferred revenue	121,846				121,846
Total Liabilities	121,846	1,714			123,560
NET ASSETS					
Investment in capital assets			898,485	448,278	1,346,763
Unrestricted, designated for:					
Sewer line attachments	107,235	372,513	395,404	13,882	889,034
Total Net Assets	\$107,235	\$372,513	\$1,293,889	\$462,160	\$2,235,797

See accompanying notes to financial statements

TOWN OF WOODSIDE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				Totals
	Sewer Revolving	Sewer Utility	Town Center Pump Sewer	Cañada Corridor Sewer	
OPERATING REVENUES					
Charges for current services	\$87,384	\$154,351	\$14,250	\$8,577	\$264,562
Total Operating Revenues	87,384	154,351	14,250	8,577	264,562
OPERATING EXPENSES					
Salaries and related expenses	55,336	28,292			83,628
Outside services	14,552	796			15,348
Repairs and maintenance		118,647	48	3,210	121,905
Depreciation			74,873	16,010	90,883
Total Operating Expenses	69,888	147,735	74,921	19,220	311,764
Operating Income (Loss)	17,496	6,616	(60,671)	(10,643)	(47,202)
NONOPERATING REVENUES (EXPENSES)					
Interest income	4,503	14,885	15,022	380	34,790
Total Nonoperating Revenues (Expenses)	4,503	14,885	15,022	380	34,790
Income (Loss) Before Transfers	21,999	21,501	(45,649)	(10,263)	(12,412)
Transfers out (Note 6)	(29,524)	(33,939)	(39,553)	(429)	(103,445)
Net transfers	(29,524)	(33,939)	(39,553)	(429)	(103,445)
Change in net assets	(7,525)	(12,438)	(85,202)	(10,692)	(115,857)
BEGINNING NET ASSETS	114,760	384,951	1,379,091	472,852	2,351,654
ENDING NET ASSETS	\$107,235	\$372,513	\$1,293,889	\$462,160	\$2,235,797

See accompanying notes to financial statements

TOWN OF WOODSIDE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities-Enterprise Funds				
	Sewer Revolving	Sewer Utility	Town Center Pump Sewer	Cañada Corridor Sewer	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$86,757	\$153,160	\$12,528	\$8,308	\$260,753
Payments to suppliers	(14,552)	(139,100)	(48)	(3,210)	(156,910)
Payments to employees	(55,336)	(28,292)			(83,628)
Cash Flows from Operating Activities	<u>16,869</u>	<u>(14,232)</u>	<u>12,480</u>	<u>5,098</u>	<u>20,215</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(29,524)	(33,939)	(39,553)	(429)	(103,445)
Cash Flows from Noncapital Financing Activities	<u>(29,524)</u>	<u>(33,939)</u>	<u>(39,553)</u>	<u>(429)</u>	<u>(103,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	4,503	14,885	15,022	380	34,790
Cash Flows from Investing Activities	<u>4,503</u>	<u>14,885</u>	<u>15,022</u>	<u>380</u>	<u>34,790</u>
Net Cash Flows	<u>(8,152)</u>	<u>(33,286)</u>	<u>(12,051)</u>	<u>5,049</u>	<u>(48,440)</u>
Cash and investments at beginning of period	114,162	401,723	402,987	8,510	927,382
Cash and investments at end of period	<u>\$106,010</u>	<u>\$368,437</u>	<u>\$390,936</u>	<u>\$13,559</u>	<u>\$878,942</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$17,496	\$6,616	(\$60,671)	(\$10,643)	(\$47,202)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation and amortization			74,873	16,010	90,883
Change in assets and liabilities:					
Accounts receivable	(627)	(1,191)	(1,722)	(269)	(3,809)
Accounts payable and other liabilities		(19,657)			(19,657)
Cash Flows from Operating Activities	<u>\$16,869</u>	<u>(\$14,232)</u>	<u>\$12,480</u>	<u>\$5,098</u>	<u>\$20,215</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

TOWN OF WOODSIDE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and investments available for operations (Note 3)	\$574,552
Interest receivable	<u>9,545</u>
Total Assets	<u><u>\$584,097</u></u>
LIABILITIES	
Accrued liabilities	\$261,577
Due to bondholders	<u>322,520</u>
Total Liabilities	<u><u>\$584,097</u></u>

See accompanying notes to financial statements

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 1 - GENERAL

The Town of Woodside is a residential community located in San Mateo County, California. The Town was incorporated November 16, 1956 and its population at June 30, 2006 was approximately 5,614. The Town operates under a Council-Manager form of government, with 7 elected Council members served by a full-time Town Manager and staff. At June 30, 2006, the Town's staff comprised 18 full-time employees who were responsible for the following services:

Public Works - The Town builds and maintains its trails, sewer lines, streets, and related public property with a force of 6 employees.

Planning and Building - The Town has 10 employees providing planning and building services.

General administrative services - The Town has 3 employees providing these services.

Public safety services are provided by the County Sheriff's Department under a contract with the Town.

Water purchases and sewage treatment are provided by other municipalities which bill the Town for its share of operating costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of accounting policies of the Town:

A. Reporting Entity

These financial statements include the financial activities of the Town, which has no component units.

B. Basis of Presentation

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

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

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and 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 and fiduciary funds. 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 subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

C. Major Funds

The Town's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Measure A Funds accounts for receipts of the Town's share of a special County-wide sales tax, earmarked for road repairs and construction.

The Town reported all its enterprise funds as major funds in the accompanying financial statements:

Sewer Revolving is used to account for revenues received from sewer connections to the Redwood Creek Sewer assessment District, to be allocated to sewer system improvements and rehabilitation.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer Utility is used to account for the operating costs and user fees associated with the Town Center Sewer District. Fund 529 is a related reserve fund, used to accumulate revenues in support of prior year sewer operating costs, to be paid when negotiations with other agencies are completed.

Town Center Pump Sewer is used to account for the assets and liabilities of the Town Center Sewer District and to hold reserves for meeting all prior year liabilities to Redwood City and the County of San Mateo for the treatment, transportation, and capacity rental needs of the District.

Cañada Corridor Sewer is used to account for the operating costs and user fees associated with the Cañada Corridor Sanitary Sewer Area.

The Town also reports the following fund types:

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

D. Basis of Accounting

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

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty 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 taxes, interest revenue and charges for services. Fines, licenses and permits are not susceptible to accrual because they are not measurable until received in cash. Sewer revenues are billed and collected as part of San Mateo County property tax rolls prior to year end.

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 property 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.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

E. Budgets and Budgetary Accounting

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

1. Prior to June 30, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution during the last Town Council meeting in the month of June.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds except the California Law Enforcement Equipment Program.
5. Budgets for the general, special revenue, and proprietary funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budgeted amounts are as originally adopted or as amended by the Town Council. Individual amendments were not material in relation to the original appropriations which were amended.

During fiscal year 2006, the Town's tax proceeds exceeded its Appropriation Limit and recorded an accrued liability in the amount of \$831,825.

F. Property Taxes and Sewer Service Charges

County tax assessments include secured and unsecured property taxes, and charges for sewer service. Unsecured taxes are taxes on personal property. Tax assessments are secured by liens on the property being taxed.

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 for the Town. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 July 1 and becomes delinquent on August 31.

G. *Compensated Absences*

The Town's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually, however, such compensated absences payments are not distinguished from regular payroll paid during the fiscal year. For all governmental funds, amounts expected to be permanently liquidated due to terminations are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Assets.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

H. *Deferred Compensation Plan*

Town employees may defer a portion of their compensation under Town sponsored Deferred Compensation Plans created in accordance with Internal Revenue Code Section 457. Under these plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The laws governing deferred compensation plan assets required them to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Town's property and are not subject to the Town control, they have been excluded from these financial statements.

I. *Expenditures in Excess of Budget*

For the year ended June 30, 2006 the General Fund incurred expenditures in excess of its budget, in the amount of \$65,594.

J. *New Funds and Closed Funds*

During fiscal year 2006, the Town opened the Barkley Park Construction Capital Project Fund and the Barkley Reserve Deposit Agency Fund.

During fiscal year 2006, the Town closed the Parking District Construction Capital Project Fund.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS

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 deposit as collateral for these deposits. Under California Law this collateral is held in the Town's name and places the Town ahead of general creditors of the institution. The Town has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The Town adjusts the carrying value of its investments to reflect their fair market value at each fiscal year end, and it includes the effects of these adjustments in interest income for that fiscal year.

B. Classification

The Town's total cash and investments, at fair value, are presented on the accompanying statement of net assets in the following allocations:

Cash and Investments	
Statement of Net Assets	\$9,024,616
Fiduciary Funds	<u>574,552</u>
Total cash and investments	<u><u>\$9,599,168</u></u>

C. Investments Authorized by the Town's Investment Policy

The Town's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF) and certificates of deposits in California financial institutions. The Town's investment policy does not contain any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk, and concentration of credit risk.

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. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Cash and investments as of June 30, 2006 consist of the following:

Local Agency Investment Fund	\$9,510,183
Cash in bank	88,585
Cash on hand	<u>400</u>
Total cash and investments	<u><u>\$9,599,168</u></u>

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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. The balance is available for withdrawal on demand, and 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 obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2006, these investments matured in an average of 152 days.

E. Credit Rate Risk

Generally, 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. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 4 - LOANS RECEIVABLE

The Cañada Corridor Sewer Extension Project (Project) extended the Town Center Sewer System to approximately thirty additional properties in an area of Town that has experienced a high rate of private on-site septic system failures. The Town entered into a Developer Agreement with a private citizen/developer who had permits to build two new residences in the impacted area. The developer oversaw the Project, including the hiring of a contractor, using Town-approved plans and specifications. The Town completed the Project in fiscal 2005 and transferred the capital cost of \$480,299 to the Cañada Corridor Sewer Enterprise Fund.

The project was financed through a combination of private and public funds, including a \$100,000 contribution from the developer, down payments from the property owners who will connect to the system, and a contribution from the Town's Sewer Revolving Fund. It is anticipated that this contribution will be restored to the Town as area residents pay the remaining cost of each connection rights. The original repayment obligation amounted to \$234,784 and was secured by Recorded Deeds of Trust against each property. At June 30, 2006 the balance was \$121,846.

NOTE 5 - CAPITAL ASSETS

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

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS

The Town is required to record all its public domain (infrastructure) capital assets, which it has placed into service beginning in fiscal year 2004, include roads, curbs and gutters, streets and sidewalks, and drainage systems. With the implementation of GASB Statement 34 in fiscal year 2004, the Town has elected not to retroactively report infrastructure, as allowed by GASB 34.

All capital assets with limited useful lives be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users 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.

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 and Improvements	20-50 years
Machinery and Equipment	5-20 years
Sewer Lines	30 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. *Capital Asset Contributions*

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers, other governments or individuals. These contributions are accounted for as revenues at the time the capital assets are contributed. During fiscal year 2006, the Town received a contribution for two parcels of land valued at the total amount of \$6,737,134 (see Note 13).

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

B. Capital Asset Additions and Retirements

Capital asset activity during the fiscal year ended June 30, 2005 was as follows:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	Balance <u>June 30, 2006</u>
Governmental Activities			
Capital assets not being depreciated:			
Land	\$2,731,239	\$6,737,134	\$9,468,373
Construction in progress		<u>67,776</u>	<u>67,776</u>
Total capital assets not being depreciated	<u>2,731,239</u>	<u>6,804,910</u>	<u>9,536,149</u>
Capital assets being depreciated:			
Buildings and improvements	2,504,318	295,914	2,800,232
Machinery and Equipment	<u>533,291</u>	<u>82,469</u>	<u>615,760</u>
Total capital assets being depreciated	<u>3,037,609</u>	<u>378,383</u>	<u>3,415,992</u>
Less accumulated depreciation for:			
Buildings and improvements	580,795	50,087	630,882
Machinery and Equipment	<u>330,099</u>	<u>46,620</u>	<u>376,719</u>
Total accumulated depreciation	<u>910,894</u>	<u>96,707</u>	<u>1,007,601</u>
Total depreciable assets	<u>2,126,715</u>	<u>281,676</u>	<u>2,408,391</u>
Governmental activity capital assets, net	<u>\$4,857,954</u>	<u>\$7,086,586</u>	<u>\$11,944,540</u>

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance <u>June 30, 2005</u>	<u>Additions</u>	Balance <u>June 30, 2006</u>
Business-type activities			
Capital assets being depreciated:			
Buildings and improvements	\$139,200	\$2,506	\$141,706
Pumps and collections system	<u>2,729,003</u>	<u>(2,506)</u>	<u>2,726,497</u>
Total capital assets being depreciated	<u>2,868,203</u>		<u>2,868,203</u>
Less accumulated depreciation			
Buildings and improvements	139,200	2,506	141,706
Pumps and collections system	<u>1,291,357</u>	<u>88,377</u>	<u>1,379,734</u>
Total accumulated depreciation	<u>1,430,557</u>	<u>90,883</u>	<u>1,521,440</u>
Business-type activity capital assets, net	<u>\$1,437,646</u>	<u>(\$90,883)</u>	<u>\$1,346,763</u>

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 program is as follows:

Governmental Activities	
Administration and finance	\$1,848
Planning and building regulation	4,241
Building and grounds	50,087
Town-wide overhead	14,233
Safety services	1,353
Public works	<u>24,945</u>
Total Governmental Activities	<u>\$96,707</u>
Business-Type Activities	
Town center pump sewer	\$74,873
Cañada corridor sewer	<u>16,010</u>
Total Business-Type Activities	<u>\$90,883</u>

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 6 - INTERFUND TRANSACTIONS

With Council approval, resources may be transferred from one Town fund to another. The purpose of the majority of transfers, is to finance operations of the fund receiving the transfer. Less often, a transfer may be made to open or close a fund.

A. Transfers

Transfers between individual funds during the fiscal year ended June 30, 2006 are shown below. These transfers were generally made to reimburse the receiving fund for expenditures made on behalf of the fund making the transfer.

Fund Making Transfers	Fund Receiving Transfers	Amount
Major Governmental Funds		
General Fund	Measure A Special Revenue Fund	500,000 (a)
General Fund	Supplemental Law Enforcement Service	
	Special Revenue Fund	39,193 (b)
Measure A Special Revenue Fund	General Fund	67,765 (b)
Non-major Governmental Funds		
Road Impact Fees Special Revenue Fund	General Fund	69,600 (b)
Library Operations Special Revenue Fund	General Fund	3,738 (b)
Parking District Construction Capital Projects Fund	General Fund	8,465 (c)
Enterprise Funds		
Sewer Revolving Enterprise Fund	General Fund	29,524 (b)
Sewer Utility Enterprise Fund	General Fund	33,939 (b)
Town Center Pump Sewer Enterprise Fund	General Fund	39,553 (b)
Cañada Corridor Enterprise Fund	General Fund	429 (b)
		<u>\$792,206</u>

Purpose of transfer:

- (a) General Fund contribution to Roads Program
- (b) Overhead Cost Allocation
- (c) To close out the Parking District Construction Capital Projects Fund.

B. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2006, the Barkley Park Construction Capital Project Fund owed the General Fund \$142,000.

C. Internal Balances

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 7 - CERTIFICATES OF PARTICIPATION

A. Current Year Transactions and Balances

	Balance June 30, 2005	Retirements	Balance June 30, 2006	Current Portion
1999 Certificates of Participation, 4.20%, due serially to 2016	\$1,313,000	(\$90,000)	\$1,223,000	\$94,000
2001 Certificates of Participation, 3.95%, due serially to 2012	695,604	(72,073)	623,531	75,332
Total Governmental Activity Debt:	<u>\$2,008,604</u>	<u>(\$162,073)</u>	<u>\$1,846,531</u>	<u>\$169,332</u>

B. 1999 Certificate of Participation

On May 1, 1999, the Town issued a Certificate of Participation in the amount of \$1,779,000 to Municipal Finance Corporation, a lending institution, the proceeds of which were used to retire the outstanding balance of the 1990 Town Hall COPs. Interest on the 1999 COP accrues at 5.35% and is due February 1 and August 1; principal payments are due August 1 through 2015. On May 12, 2004, the Town amended the terms of the 1999 COP by reducing the interest rate from 5.35% to 4.20%. The remaining balance of this COP was fully paid off in August 2006.

C. 2001 Certificate of Participation

On June 1, 2001, the Town issued a Certificate of Participation in the amount of \$959,000 to Municipal Finance Corporation, the proceeds of which were used to defease the \$1,030,000 outstanding balance of the 1992 ABAG Parking Assessment District COPS, which were then repaid in full on August 1, 2001. Interest on the 2001 COP accrues at 5.2% and is due February 1 and August 1; principal payments are due August 1 through 2012. On November 14, 2003, the Town amended the terms of the 2001 COP by reducing the interest rate from 5.2% to 3.95%. The remaining balance of this COP was fully paid off in August 2006.

D. Repayment Schedule

Principal repayments requirements on the COPs issues above are as follows:

Fiscal Year	1999 Issue		2001 Issue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$94,000	\$49,392	\$75,332	\$23,142	\$169,332	\$72,534
2008	102,000	45,276	78,512	20,103	180,512	65,379
2009	104,000	40,950	82,609	16,921	186,609	57,871
2010	112,000	36,414	90,608	13,500	202,608	49,914
2011	119,000	31,563	93,455	9,865	212,455	41,428
2012-2016	692,000	75,390	203,015	8,070	895,015	83,460
Total	<u>\$1,223,000</u>	<u>\$278,985</u>	<u>\$623,531</u>	<u>\$91,601</u>	<u>\$1,846,531</u>	<u>\$370,586</u>

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 7 - CERTIFICATES OF PARTICIPATION (Continued)

E. *Special Assessment District Bonds with no Town Commitment*

The Town is the collecting and paying agent for bonds outstanding in the amount of \$1,460,000 issued by the Woodside Road/Whiskey Hill Road Parking Assessment District and the Town Center Pump Station Special Assessment District. In October 1999, the Woodside Road/Whiskey Hill Road Parking Assessment District issued \$1,435,000 Series 1999-A Bonds to refund the Series 1990-A Bonds and to fund construction costs for the project. In January 2002, the Town Center Pump Station Special Assessment District issued \$803,000 Series 2002-1 Bonds to refund the Series 1992 Bonds. However, the Town has no direct or contingent liability or moral obligation for the payment of these bonds. The Town is also responsible, as the Districts' agent, for the Districts' cash receipts, disbursements and balances, which are reported in the Woodside Road/Whiskey Hill Road Parking District 1999-A Bonds Agency Fund and the Town Center Pump Station District Agency Funds in the accompanying financial statements.

NOTE 8 - NET ASSETS AND FUND BALANCES

A. *Net Assets*

Net Assets are measured on the full accrual basis and are the excess of all the Town's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions which is determined only at the Government-wide level, and are described below:

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

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

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

B. *Fund Balances, Reserves and Designations*

Governmental fund balance is measured on the modified accrual basis and represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds. Reserves also reflect assets which are not spendable such as prepaids. The Town cannot modify or remove these restrictions or reserves.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

C. Fund Deficits

As of June 30, 2006, the Barkley Park Construction Capital Projects Fund had a fund deficit amounting to \$142,000. The deficit is expected to be repaid from future revenues.

NOTE 9 - PERS PENSION PLAN

CALPERS Miscellaneous Employees Plans

Substantially all Town employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The Town's employees participate in the Miscellaneous Employee Plan. Benefit provisions under both Plans are established by State statute and Town resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Town must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2006, are summarized as follows:

	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	1.426% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	10.297%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Town's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Town uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2006, 2005 and 2004 amounted to \$229,413, \$172,877 and \$119,411 respectively.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 9 - PERS PENSION PLAN (Continued)

As required by new State law, effective July 1, 2005, the Town's Miscellaneous Plan was terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the Town true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. The Town satisfied its Miscellaneous Plan's unfunded liability of \$237,249 agreeing to contribute that amount to the Side Fund through an addition to its normal contribution rates over the next 21 years.

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30, 2004. Actuarial values for 2002 are not available as the State-wide pool is based on a fresh-start valuation as of June 30, 2004:

Miscellaneous Plan:

Actuarial						
Actuarial Valuation Date	Entry Age Accrued Liability	Value of Assets	(Overfunded) Liability	Funded Ratio	Annual Covered Payroll	(Overfunded) Liability as % of Payroll
2003	\$2,596,966,545	\$2,372,879,034	\$224,087,511	91.4%	\$725,020,458	30.9%
2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%

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

NOTE 10 - RISK MANAGEMENT

A. Risk Pools

The Town participates in the following public entity risk pools, other risks are covered by commercial insurance.

ABAG Plan Corporation (ABAG PLAN) covers general liability claims in an amount up to \$5,000,000. The Town has a deductible or uninsured liability of up to \$25,000 per claim. Once the Town's deductible is met ABAG PLAN becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2006 the Town contributed \$69,709 for current year coverage.

ABAG Plan pool is governed by a board consisting of representatives from member municipalities. The board controls the operations, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

Financial statements for ABAG PLAN may be obtained from ABAG, P.O. Box 2050, Oakland, California, 94604-2050.

The State Compensation Insurance Fund covers workers compensation claims up to \$150,000 each and has coverage above that limit to a maximum of \$1,000,000. The Town has no deductible for these claims. During the fiscal year ended June 30, 2006 the Town contributed \$74,085 for current year coverage. The Town received refunds totaling \$42,707 due to the adjustment of premium for the last three fiscal years.

TOWN OF WOODSIDE
Notes to Basic Financial Statements

NOTE 10 - RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

The Town has retained the risk for the deductible or uninsured portion of general liability claims. The Town's liability for uninsured claims at June 30, 2006 is believed by management to be nil based on the absence of any asserted claims.

NOTE 11 - JOINT POWERS AGREEMENT

The Town participates in the City/County Association of Governments of San Mateo County (C/CAG), which is governed by a board consisting of a representative from each member. The board controls the operations of C/CAG, including selection of management and approval of operating budgets, independent of any influence by each member beyond member representation on the Board.

C/CAG was established under a 1990 Joint Exercise of Powers Agreement between the Town, San Mateo County and a majority of cities within San Mateo County for the purpose of developing State mandated plans such as an integrated waste management plan. The Town makes annual nonrefundable contributions to C/CAG which are used along with other member contributions to finance C/CAG operations. Audited financial statements may be obtained from the Town of San Carlos, 666 Elm Street, San Carlos, CA, 94070. The Town's payments to C/CAG during the year totaled \$17,399. The Town's share of year-end assets, liabilities, or fund equity has not been calculated by C/CAG.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

The Town is subject to litigation arising in the normal course of business. In the opinion of the Town Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town. Litigation outstanding in prior years has been settled without material cost to the Town.

NOTE 13 - CONTRIBUTIONS

In 1965, a Town family, the Zabans, made a gift to the Town of a 3.17 acre parcel on Mountain Home Road, subject to the parcel being used exclusively for public purposes and to the donors reserving the right to a life estate interest in the property. In 2001, as a result of mediated discussions with Mrs. Zaban, her heirs, and her attorney, the Town agreed to relinquish its real property rights in the parcel, in exchange for a twenty percent interest in the entire nine-acre real property holdings of the Zaban estate on Mountain Home Road. In so doing, the Town became a Limited Partner in the Zaban - Mountain Home Road Limited Partnership. Following Mrs. Zaban's death in 2004, the assets of the partnership were liquidated and the real property on Mountain Home Road was sold. In accordance with the terms of the partnership agreement, the Town received a check in fiscal year 2006 for twenty percent of the net sales proceeds of the property, which amounted to \$1,973,798. These funds were not restricted as to their use and were deposited into the Town's General Fund.

During fiscal year 2006, the Town also received a contribution for two parcels of land which were valued at the total amount of \$6,737,134

NON-MAJOR GOVERNMENTAL FUNDS

TOWN OF WOODSIDE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Traffic Safety	Road Impact Fees	Gas Tax	Library Operations	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$5,101	\$405,106	\$32,600	\$708,119	\$322
Accounts and other receivables	2,370	4,918	9,073	5,595	
Total Assets	<u>\$7,471</u>	<u>\$410,024</u>	<u>\$41,673</u>	<u>\$713,714</u>	<u>\$322</u>
LIABILITIES					
Accounts payable		\$2,565			\$322
Due to other funds					
Total Liabilities		<u>2,565</u>			<u>322</u>
FUND EQUITY					
Fund balance:					
Unreserved, undesignated	<u>\$7,471</u>	<u>407,459</u>	<u>\$41,673</u>	<u>\$713,714</u>	
Total Fund Balances	<u>7,471</u>	<u>407,459</u>	<u>41,673</u>	<u>713,714</u>	
Total Liabilities and Fund Balances	<u>\$7,471</u>	<u>\$410,024</u>	<u>\$41,673</u>	<u>\$713,714</u>	<u>\$322</u>

SPECIAL REVENUE FUND	CAPITAL PROJECT FUND		
California Law Enforcement Equip Program	Parking District Construction	Barkley Park Construction	Total Nonmajor Governmental Funds
\$49,205		\$3,978	\$1,204,431 21,956
<u>\$49,205</u>		<u>\$3,978</u>	<u>\$1,226,387</u>
		\$3,978	\$6,865
		142,000	142,000
		<u>145,978</u>	<u>148,865</u>
\$49,205		(142,000)	1,077,522
49,205		(142,000)	1,077,522
<u>\$49,205</u>		<u>\$3,978</u>	<u>\$1,226,387</u>

TOWN OF WOODSIDE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

SPECIAL REVENUE FUNDS

	Traffic Safety	Road Impact Fees	Gas Tax	Library Operations	Supplemental Law Enforcement Service
REVENUES					
Fees and permits		\$247,623			
Fines and forfeiture	\$20,873				
Interest	712	17,903	1,085	\$18,716	
Other agencies	5,579		127,212	305,162	102,040
Total Revenues	<u>27,164</u>	<u>265,526</u>	<u>128,297</u>	<u>323,878</u>	<u>102,040</u>
EXPENDITURES					
Current:					
Safety services					142,284
Library services				33,417	
Public works	50,375	378,874	114,436		
Recreation and open space					
Capital outlay				295,914	
Total Expenditures	<u>50,375</u>	<u>378,874</u>	<u>114,436</u>	<u>329,331</u>	<u>142,284</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,211)</u>	<u>(113,348)</u>	<u>13,861</u>	<u>(5,453)</u>	<u>(40,244)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in					39,193
Transfers (out)		(69,600)		(3,738)	
Total Other Financing Sources (Uses)		<u>(69,600)</u>		<u>(3,738)</u>	<u>39,193</u>
NET CHANGE IN FUND BALANCES	<u>(23,211)</u>	<u>(182,948)</u>	<u>13,861</u>	<u>(9,191)</u>	<u>(1,051)</u>
BEGINNING FUND BALANCES	<u>30,682</u>	<u>590,407</u>	<u>27,812</u>	<u>722,905</u>	<u>1,051</u>
ENDING FUND BALANCES	<u>\$7,471</u>	<u>\$407,459</u>	<u>\$41,673</u>	<u>\$713,714</u>	

SPECIAL REVENUE FUND	CAPITAL PROJECT FUNDS			Total Nonmajor Governmental Funds
	California Law Enforcement Equip Program	Parking District Construction	Barkley Park Construction	
				\$247,623
				20,873
				38,416
				539,993
				846,905
				142,284
				33,417
				543,685
		74,224		74,224
		67,776		363,690
		142,000		1,157,300
		(142,000)		(310,395)
				39,193
	(\$8,465)			(81,803)
	(8,465)			(42,610)
	(8,465)	(142,000)		(353,005)
\$49,205	8,465			1,430,527
\$49,205		(\$142,000)		\$1,077,522

TOWN OF WOODSIDE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	TRAFFIC SAFETY			ROAD IMPACT FEES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Fees and permits				\$325,000	\$247,623	(\$77,377)
Fines and forfeiture	\$27,500	\$20,873	(\$6,627)			
Interest	200	712	512	5,000	17,903	12,903
Other agencies	2,000	5,579	3,579			
Total Revenues	29,700	27,164	(2,536)	330,000	265,526	(64,474)
EXPENDITURES						
Current:						
Safety services						
Library services						
Public works	51,100	50,375	725	463,284	378,874	84,410
Capital outlay						
Total Expenditures	51,100	50,375	725	463,284	378,874	84,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(21,400)	(23,211)	(1,811)	(133,284)	(113,348)	19,936
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(69,600)	(69,600)	
Total Other Financing Sources (Uses)				(69,600)	(69,600)	
NET CHANGE IN FUND BALANCES	<u>(\$21,400)</u>	<u>(23,211)</u>	<u>(\$1,811)</u>	<u>(\$202,884)</u>	<u>(182,948)</u>	<u>\$19,936</u>
BEGINNING FUND BALANCES		30,682			590,407	
ENDING FUND BALANCES		<u>\$7,471</u>			<u>\$407,459</u>	

GAS TAXES			LIBRARY OPERATIONS			SUPPLEMENTAL LAW ENFORCEMENT SERVICE		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$111,310	\$1,085 127,212	\$1,085 15,902	\$5,000 70,000	\$18,716 305,162	\$13,716 235,162	\$500 100,000	102,040	(\$500) 2,040
111,310	128,297	16,987	75,000	323,878	248,878	100,500	102,040	1,540
120,617	114,436	6,181	100,465	33,417	67,048	140,872	142,284	(1,412)
			300,000	295,914	4,086			
120,617	114,436	6,181	400,465	329,331	71,134	140,872	142,284	(1,412)
(9,307)	13,861	23,168	(325,465)	(5,453)	320,012	(40,372)	(40,244)	128
			(3,738)	(3,738)		39,193	39,193	
			(3,738)	(3,738)		39,193	39,193	
<u>(\$9,307)</u>	13,861	<u>\$23,168</u>	<u>(\$329,203)</u>	(9,191)	<u>\$320,012</u>	<u>(\$1,179)</u>	(1,051)	<u>\$128</u>
	27,812			722,905			1,051	
	<u>\$41,673</u>			<u>\$713,714</u>				

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AGENCY FUNDS

Agency Funds account for assets held by the Town as agent for individuals, governmental entities, and non-public organizations.

TOWN OF WOODSIDE
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>1999 Woodside Road/Whiskey Hill Road Parking District</u>				
<u>Assets</u>				
Cash and investments available for operations	\$120,964	\$142,450	140,548	\$122,866
Interest receivable	696	1,456	696	1,456
	<u>\$121,660</u>	<u>\$143,906</u>	<u>\$141,244</u>	<u>\$124,322</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$121,660</u>	<u>\$143,906</u>	<u>\$141,244</u>	<u>\$124,322</u>
<u>Town Center Pump Station District</u>				
<u>Assets</u>				
Cash and investments available for operations	\$172,602	\$173,005	\$152,689	\$192,918
Interest receivable	13,141	5,280	13,141	5,280
	<u>\$185,743</u>	<u>\$178,285</u>	<u>\$165,830</u>	<u>\$198,198</u>
<u>Liabilities</u>				
Due to bondholders	<u>\$185,743</u>	<u>\$178,285</u>	<u>\$165,830</u>	<u>\$198,198</u>
<u>Trails Gifts & Donations Fund</u>				
<u>Assets</u>				
Cash and investments available for operations	\$18,385	\$9,062	\$290	\$27,157
Interest receivable	124	290	124	290
	<u>\$18,509</u>	<u>\$9,352</u>	<u>\$414</u>	<u>\$27,447</u>
<u>Liabilities</u>				
Accrued liabilities	<u>\$18,509</u>	<u>\$9,352</u>	<u>\$414</u>	<u>\$27,447</u>
<u>Mathisen House</u>				
<u>Assets</u>				
Cash and investments available for operations	\$17,676	(\$11,126)	\$70	\$6,480
Interest receivable	120	70	120	70
	<u>\$17,796</u>	<u>(\$11,056)</u>	<u>\$190</u>	<u>\$6,550</u>
<u>Liabilities</u>				
Accrued liabilities	<u>\$17,796</u>	<u>(\$11,056)</u>	<u>\$190</u>	<u>\$6,550</u>

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<u>Marva Oaks</u>				
<u>Assets</u>				
Cash and investments available for operations	\$17,449	\$778	\$196	\$18,031
Interest receivable	119	196	119	196
	<u>\$17,568</u>	<u>\$974</u>	<u>\$315</u>	<u>\$18,227</u>
<u>Liabilities</u>				
Accrued liabilities	<u>\$17,568</u>	<u>\$974</u>	<u>\$315</u>	<u>\$18,227</u>
<u>Town Hall Window Fund</u>				
<u>Assets</u>				
Cash and investments available for operations	\$5,036	\$225	\$57	\$5,204
Interest receivable	34	57	34	57
	<u>\$5,070</u>	<u>\$282</u>	<u>\$91</u>	<u>\$5,261</u>
<u>Liabilities</u>				
Accrued liabilities	<u>\$5,070</u>	<u>\$282</u>	<u>\$91</u>	<u>\$5,261</u>
<u>Barkley Reserve Deposit Fund</u>				
<u>Assets</u>				
Cash and investments available for operations		\$204,092	\$2,196	\$201,896
Interest receivable		2,196		2,196
		<u>\$206,288</u>	<u>\$2,196</u>	<u>\$204,092</u>
<u>Liabilities</u>				
Accrued liabilities		<u>\$206,288</u>	<u>\$2,196</u>	<u>\$204,092</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash and investments available for operations	\$352,112	\$518,486	296,046	\$574,552
Interest receivable	14,234	9,545	14,234	9,545
	<u>\$366,346</u>	<u>\$528,031</u>	<u>\$310,280</u>	<u>\$584,097</u>
<u>Liabilities</u>				
Accrued liabilities	\$58,943	\$205,840	\$3,206	\$261,577
Due to bondholders	307,403	322,191	307,074	322,520
	<u>\$366,346</u>	<u>\$528,031</u>	<u>\$310,280</u>	<u>\$584,097</u>

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