

**CITY OF LOS ALTOS
CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

**Prepared by:
Finance Department**

CITY OF LOS ALTOS

Comprehensive Annual Financial Report
For The Year Ended June 30, 2006

Table of Contents

INTRODUCTORY SECTION

Page

Letter of Transmittal.....	2
Certificate of Achievement – Government Finance Officers Association.....	5
Directory of Elected and Appointed Officials.....	6
Organization Chart.....	7

FINANCIAL SECTION

Independent Auditors' Report.....	8
Management's Discussion and Analysis (Required Supplementary Information).....	10

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets.....	23
Statement of Activities.....	24

Fund Financial Statements:

Balance Sheet – Governmental Funds.....	28
Reconciliation of the Governmental Funds Balance Sheet to the Government – wide Statement of Net Assets - Governmental Activities.....	29
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	30
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Governmental – wide Statement of Activities and Changes in Net Assets.....	31

Proprietary Fund Financial Statements:

Statement of Net Assets.....	33
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	34
Statement of Cash Flows.....	35

Fiduciary Fund Financial Statements:

Statement of Fiduciary Fund Net Assets.....	37
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CITY OF LOS ALTOS

Comprehensive Annual Financial Report
For The Year Ended June 30, 2006

Table of Contents (Continued)

	<u>Page</u>
Notes To Basic Financial Statements:	
Summary of Significant Accounting Policies Including the Financial Reporting Entity.....	39
Stewardship, Compliance and Accountability.....	47
Cash, Cash Equivalents and Investments.....	47
Interfund Transactions.....	50
Capital Assets.....	51
Long-Term Obligations.....	54
Compensated Absences.....	57
Deferred Revenue.....	58
Risk Management.....	58
Self Funded Reimbursement Dental Plan.....	59
Pension Plan.....	60
Contingencies.....	60
Other Information.....	61
Restatement of Prior Period Balances.....	62
Required Supplementary Information:	
Note to Required Supplementary Information.....	64
Budget and Budgetary Accounting.....	65
Three-Year Trend Information for PERS.....	66
Other Supplementary Information:	
Combining and Individual Fund Statements:	
Non-Major Governmental Funds:	
Combining Balance Sheet.....	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	74
Budgetary Comparison Schedules:	
Budgetary Comparison Schedule - Gas Tax 2105.....	78
Budgetary Comparison Schedule - Gas Tax 2106.....	79
Budgetary Comparison Schedule - Gas Tax 2107.....	80
Budgetary Comparison Schedule - Gas Tax 2107.5.....	81
Community Development Block Grant.....	82
Downtown Parking Fund.....	83

CITY OF LOS ALTOS

Comprehensive Annual Financial Report For The Year Ended June 30, 2006

Table of Contents (Continued)

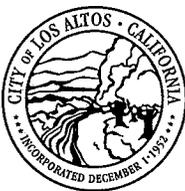
Other Supplementary Information (Continued):

Internal Services Funds.....	84
Combining Statement of Net Assets.....	85
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	86
Combining Statement of Cash Flows.....	87

STATISTICAL SECTION (Unaudited)

Net Assets by Component.....	89
Changes in Net Assets.....	90
Fund Balances of Governmental Funds.....	92
Changes in Fund Balances of Governmental Funds.....	93
Tax Revenues by Source, Governmental Funds.....	94
Assessed and Actual Valuation.....	95
Direct and Overlapping Property Tax Rates.....	96
Principal Property Taxpayers.....	97
Ratio of Outstanding Debt by Type.....	98
Direct and Overlapping Bonded Debt.....	99
Legal Debt Margin.....	100
Pledged-Revenue Coverage.....	101
Demographic and Economic Statistics.....	102
Principal Employers.....	103
Full-Time Equivalent City Government Employees.....	104
Operating Indicators by Function/Program.....	105
Capital Assets Statistics by Function/Program.....	106

INTRODUCTORY SECTION



**Administration and Finance Department
One North San Antonio Road
Los Altos, California 94022-3087**

October 6, 2006

**Honorable Mayor and Members of the City Council
City of Los Altos, California**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Los Altos, California (the City) for the fiscal year ended June 30, 2006 with the Independent Auditors' Report. The CAFR was prepared by the City's Finance Department. The information contained in this CAFR is based on a comprehensive framework of internal control established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of material misstatements. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, are accurate in all material respects; that the presentation fairly shows the financial position and the results of the City's operations as measure by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the City's financial affairs.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) section of the CAFR and should be read in conjunction with it. The MD&A provides a narrative introduction, overview, and analysis of the Basic Financial Statements, and can be found immediately following the report of the independent auditors.

This CAFR is divided into the following three major sections:

The Introductory Section includes this transmittal letter and information about the City's organizational structure and public officials.

The Financial Section is prepared in accordance with the GASB Statement No. 34 requirements by including the MD&A, the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental and fiduciary funds. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.

The Statistical Section includes schedules and tables designed to reflect financial trends and fiscal capacity of the City, as well as demographic and economic data.

PROFILE OF THE CITY AND ITS SERVICES

Tree lined streets and a small village atmosphere characterize Los Altos, which is located in the heart of world famous Silicon Valley. Just 40 miles south of San Francisco, Los Altos is a residential community with a population of approximately 28,000 served by seven small retail areas. The seven square mile residential city is developed with small businesses, schools, libraries and churches. Incorporated on December 1, 1952, Los Altos is a general law city operating under the Council-Manager form of government. There are five council members elected at large, serving four-year overlapping terms. The City Manager and the City Attorney are appointed by the City Council. Municipal services provided include police, fire, street maintenance, engineering, community development, parks, recreation, and sewer.

ECONOMIC OUTLOOK, LONG-TERM FINANCIAL PLANNING, AND MAJOR INITIATIVES

We estimate the General Fund revenue to increase approximately by 12% in the upcoming fiscal year due mainly to the continuing growth of the local real estate values. However, due to the anticipated retirement benefit cost increase and the new fire contract increase, we will require all of the ongoing revenues to balance our budget.

Unemployment is expected to remain stable. Santa Clara County as a whole has a 5.0% unemployment rate. By comparison, the unemployment rate in the City of Los Altos is 2.3%. The total labor force within the City of Los Altos is estimated at 12,000 or 1.5% of the Santa Clara County labor force of 816,000. Available information indicates that the labor force within the County declined by less than 1% when compared to the same time period last year.

The City has a pay-as-you-go funding policy for capital projects. This policy allows us the flexibility to respond to tight financial times and has served the City well during the past few years. We will likely maintain this policy in the next few years.

There is no plan for major construction in the next fiscal year. Instead, the City will continue to focus on using the existing available resources in providing basic services to our citizens. Additionally, City staff will continue working with the City Council in setting priorities to ensure that the City maintains a sound fiscal condition.

CASH MANAGEMENT POLICIES

In order to maximize investment leverage, it is the City's practice to "pool" available cash from all Funds for investment purposes. In accordance with the annually adopted investment policy, available cash is invested with the goal of safety, meaning protection of principal, as the first priority, insuring adequate liquidity as the second priority, and maximizing yield as the third priority. The average yield on the pooled investment portfolio during the fiscal year ended June 30, 2006 was 3.85%, an increase from the prior year yield of 1.59%.

RISK MANAGEMENT

The City is insured for general liability through the Association of Bay Area Governments (ABAG) that covers claims in an amount up to \$10 million. The City has a deductible or uninsured liability of up to \$100,000 per claim. The City is self insured for workers compensation. In addition, the City has an excess insurance policy for Worker's Compensation claims up to the statutory limits. The City has a \$1,000,000 deductible or uninsured liability.

INDEPENDENT AUDIT

The public accounting firm of Vavrinek, Trine, Day & Co., LLP was selected to perform the annual independent audit. The auditors' report on the City's financial statements is included in the financial section of this report.

AWARDS & ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2005. This was the first year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to the Finance Division staff for the preparation of this report. I would also like to thank our auditor, Vavrinek, Trine, Day & Co., LLP, for their cooperation and support in the preparation of the CAFR. Finally, I want to thank the City Manager and the members of the City Council for their support in planning and conducting the City's financial operations.

Respectfully submitted,



Starla Jerome-Robinson
Assistant City Manager – Administration and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Los Altos California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

- A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF LOS ALTOS

**LIST OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2006**

ELECTED OFFICIALS

Mayor.....	Ron Packard
Mayor Pro Tem.....	Curtis Cole
City Council.....	Val Carpenter
City Council.....	David Casas
City Council.....	Kurt Colehower

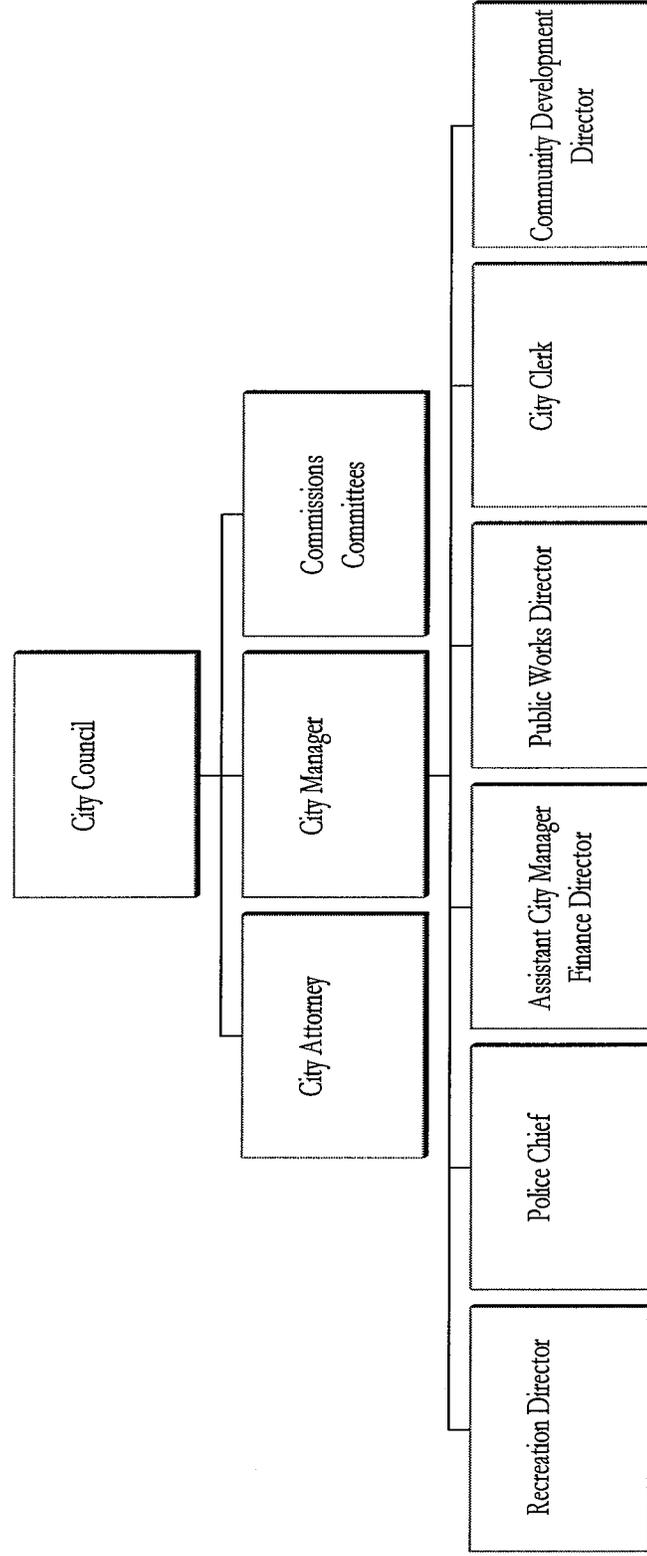
APPOINTED OFFICIALS

City Manager.....	Philip Rose
City Attorney.....	Jolie Houston

DEPARTMENT DIRECTORS

Assistant City Manager.....	Starla Jerome-Robinson
City Clerk.....	Susan Kitchens
Community Development.....	James Walgren
Police Chief.....	Bob Lacey
Public Works.....	Jim Porter
Recreation.....	Dave Brees

City of Los Altos Organizational Chart





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Los Altos
Los Altos, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Los Altos, California (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Los Altos, and the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

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 City of Los Altos, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, such as management's discussion and analysis comparison information and other information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presented 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 financials statements. The introductory section, combining and individual fund financial statements and statistical tables listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. These financial statements and schedules are also the responsibility of the management of the City. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, are fairly stated in all material respects when considered in relation to the basic financials statements taken as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co., LLP.

Pleasanton, California
October 6, 2006

City of Los Altos
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

The purpose of this discussion and analysis of the City's financial performance is to provide an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS:

The City ended its fiscal year with total revenues of \$32.3 million, a 10% increase from the previous fiscal year, and expenses of \$26.6 million, an increase of 3% from the previous year. Expenditures were relatively flat, increasing only 3% in part because we kept four positions vacant until we knew the financial impact of the new fire contract. Our philosophy is to increase the service level only if reasonable projections indicate that the enhanced service level is sustainable for the long term.

Progress continued on several significant capital projects throughout the year, including the proposed boutique hotel at First and Main Street, several roadway projects including the completion of the biennial street slurry work, as well as the design of the street resurfacing work for 2006-07 and the completion of the El Monte Safe Routes to School project. Additional progress reports on capital projects are addressed later in this discussion. Further highlights during the year include the following:

Citywide

- Total net assets (excess of assets over liabilities) were \$71.7 million, an increase of 9% or \$5.8 million in comparison to last year. Net assets are used towards future capital projects, and improving existing infrastructure.
- Unrestricted assets increased by \$8.5 million, \$7.2 in Governmental Activities and \$1.1 million in Business-Type Activities.
- Governmental activities, combined, reported ending net assets of \$63.6 million, an increase of \$4.6 million or 8% growth in comparison to the prior year.
- Net assets grew primarily as a result of revenues exceeding projections and a modest increase in expenditures.
- Most of the increase in unrestricted assets, \$6.7 million, was in cash and investments. These funds are designated for current and future capital projects and are not available for other uses unless planned capital projects are deferred or eliminated from the current schedule.

Fund level

- Total governmental fund balances were \$25.9 million at fiscal year end, an increase of \$5.5 million.
- General fund revenues, including transfers, increased \$2.7 million to \$25.9 million, or 12%. Related expenditures increased from the previous year by \$1.5 million to \$19.8 million.
- Capital projects' spending was about \$945,000 less, compared to the prior years expenditures of \$2.2 million. The Capital Projects fund balance increased by \$3.9 million due to the transfer of year-end residual general fund dollars.
- Capital Projects cash and investments increased by \$3.8 million. This increase is the result of a sizeable year-end transfer from the general fund.
- Sewer Fund revenues of \$4.3 million were roughly the same as in the prior year, although expenditures were about \$157,000 more, totaling \$3.3 million

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to provide an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The **Statement of Activities** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public safety, public works, recreation, community development, and administration and community services. The business-type activities of the City include sewer services, storm drain devices, and solid waste collection management.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and administer money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other contributions. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine changes in financial resources available to finance the City’s programs.

Proprietary funds – When the City charges customers for the services it provides, such as Sewer services, the 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 Revenues, Expenses and Changes in Fund Net Assets*. In fact, the City’s enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. We use internal service funds (the other component of proprietary funds) to report the activities of the self-insurance programs, such as the City’s Dental Reimbursement benefit, Unemployment Insurance, Workers’ Compensation Insurance, and Liability Insurance. Since these programs support governmental programs and activities, *the internal service funds are reported with governmental activities in the government-wide financial statement.*

Proprietary fund financial statements provide separate information for the Sewer, Storm Drain, and Solid Waste Collection Management activities, all of which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements later in the report.

Fiduciary funds – The City is the trustee, or fiduciary, for the North County Library Authority. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including General fund budget to actual comparison, and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules are also included in the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net assets and changes in net assets at the Citywide level as presented in the statement of net assets and statement of activities which are summarized below as of June 30. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. An analysis follows.

City of Los Altos' Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Cash and Investments	\$ 28,789,897	\$ 23,352,981	\$ 5,588,007	\$ 4,327,886	\$ 34,377,904	\$ 27,680,867
Other Assets	1,866,293	1,945,618	277,064	282,764	2,143,357	2,228,382
Capital Assets	41,233,307	42,298,102	2,526,918	2,509,870	43,760,225	44,807,972
Total Assets	71,889,497	67,596,701	8,391,989	7,120,520	80,281,486	74,717,221
Long Term Outstanding Debt	3,163,436	3,082,038			3,163,436	3,082,038
Other Liabilities	5,103,575	5,522,168	354,509	382,350	5,458,084	5,904,518
Total Liabilities	8,267,011	8,604,206	354,509	382,350	8,621,520	8,986,556
Net Assets						
Investments in Capital - Net Of Related Debt	37,876,878	39,023,154	2,526,918	2,509,870	40,403,796	41,533,024
Restricted	2,402,520	3,791,704			2,402,520	3,791,704
Unrestricted	23,343,088	16,177,637	5,510,562	4,228,300	28,853,650	20,405,937
Total Net Assets	\$ 63,622,486	\$ 58,992,495	\$ 8,037,480	\$ 6,738,170	\$ 71,659,966	\$ 65,730,665

The largest portion of the City's net assets (57%) reflects the investment in capital assets such as land, buildings, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to the citizens of the City of Los Altos; therefore, these assets are not available for future spending. An additional portion of the City's net assets (2%) represents resources subject to external restrictions on how they may be used, and resources obligated to capital projects (1%). The remaining balance of unrestricted net assets (40%) may be used to meet the City's ongoing obligations to citizens and creditors. For the City, most of these assets are scheduled for capital projects that are in the planning stages.

-
- Cash and Investments increased \$5.4 million from the governmental activities. The significant changes occurred in the Capital Projects Fund, the Equipment Replacement Capital Projects Fund and the Non-Major Governmental Funds.
 - Restricted net assets decreased by \$1.4 million, primarily due to the reduction in restrictions for the Capital Projects fund.
 - Business activities reported combined ending net assets of \$8 million, about 19% more than 2005, or about \$1.1 million. Our intention is to management the enterprise funds to maintain solvency, provide adequate maintenance, and plan for future improvements on a pay as you go basis.

GOVERNMENTAL ACTIVITIES

The City's programs for governmental activities include General Government, Public Safety (Police services and the contract for Fire services), Public Works, Community Development and Recreation.

- Total revenues increased 12% or \$2.8 million while total expenses increased 2% or \$391,659. Net assets increased by \$4.6 million for a total fund balance of \$63.6 million.
- Tax revenue grew 10% or \$1.5, million, primarily due to the growth in property tax.
- Property tax continues to be the City's single largest source of revenue representing about 37% of total general fund revenue. Compared to last year, property tax revenue increased \$1.2 million or about 14%. This includes motor vehicle license fees, which by legislative determination are now replaced with an equivalent increase in property tax proceeds beginning in 2004-05. Under separate legislation the City was required to pay the state \$404,000 in 2004-05 and 2005-06.
- Charges for Service revenue increased about 12% or \$562,000. Our philosophy is to set service fees at a level which provides full cost recovery, intentionally subsidizing only designated programs such as the Senior and Youth Programs.
- Community Development fees increased \$617,000, about 32% as a result of increased activity. Although overall there was an increase in this category, revenue decreased for the Police Department, the Public Works Department and the Recreation Department. Recreation fees decreased by \$59,200 or 4%, while expenses increased about 9%. The reduction is due to decreases in facility rental particularly Hillview and the Blach and Egan Gymnasiums.
- Interest revenues increased by \$548,000 or 112% compared to 2004-05. The City invests almost all funds in the Local Agency Investment Fund (LAIF). The annual average rate of return in LAIF's funds increased from 2.256% in 04-05 to 3.873% in 05-06.

- Recreation, Community Development and Administration/Community Services expenditures increased approximately 9%.
- Public Works costs were down about 11% or \$275,000 due to reduced capital projects expenditures.
- Public Safety expenditures were essentially flat, resulting in an increase overall of 2% or \$391,000.

A comparison of the Governmental Activities and Business Activities program's revenues and expenses for the current year and prior year is presented below. The net increase of about 9% is surprisingly strong, given the economic condition of fiscal year 2005-06.

**City of Los Altos' Changes in Net Assets
Fiscal Year Ending June 30, 2006**

	Governmental Activities		Business Activities		Total	Total
	2005-06	2004-05	2005-06	2004-05	2005-06	2004-05
Revenues						
Program Revenue						
Charges for Service	\$ 5,301,569	\$ 4,739,794	\$ 5,719,693	\$ 5,582,564	\$ 11,021,262	\$ 10,322,358
Operating Grants and Contributions	844,410	765,376			844,410	765,376
Capital Grants and Contributions	498,100	588,266			498,100	588,266
General Revenues					-	-
Property Taxes	9,766,623	8,580,233			9,766,623	8,580,233
Sales Taxes	2,662,313	2,552,529			2,662,313	2,552,529
Other Taxes	2,336,307	4,473,656			2,336,307	4,473,656
Franchise Fees	1,110,369	1,048,406			1,110,369	1,048,406
Interest Income	1,048,487	494,822			1,048,487	494,822
Miscellaneous	3,049,729	558,173			3,049,729	558,173
Total Revenues	26,617,907	23,801,255	5,719,693	5,582,564	32,337,600	29,383,819
Expenses						
General Government						
Public Safety	9,913,491	9,855,562			9,913,491	9,855,562
Public works	4,224,330	4,497,723			4,224,330	4,497,723
Recreation	2,405,047	2,211,985			2,405,047	2,211,985
Community development	2,604,484	2,382,837			2,604,484	2,382,837
Admin/Community Services	2,502,433	2,312,629			2,502,433	2,312,629
Interest on long-term debt	150,806	149,196			150,806	149,196
Sewer			3,324,167	3,166,863	3,324,167	3,166,863
Solid Waste			1,263,742	1,124,822	1,263,742	1,124,822
Storm Drain			183,359	118,195	183,359	118,195
Total expenses	21,800,591	21,409,932	4,771,268	4,409,880	26,571,859	25,819,812
Transfers	(187,325)	(182,788)	187,325	182,788	-	-
Change in Net Assets	4,629,991	2,208,535	1,135,750	1,355,472	5,765,741	3,564,007
Net Assets - at the beginning of year	58,992,494	56,783,959	6,901,730	5,382,698	65,894,224	62,166,659
Net Assets - end of year	\$ 63,622,485	\$ 58,992,494	\$ 8,037,480	\$ 6,738,170	\$ 71,659,965	\$ 65,730,666

Year-end balance is restated; see footnote 14 for explanation.

BUSINESS TYPE ACTIVITIES

The programs for the business type activities include Sewer, Storm Drain, Urban Runoff Pollution Control Program and Solid Waste Collection Management. The City's net assets from business-type activities increased \$1.1 million, a result of increased fees, deferred capital projects, and funding for future capital projects. Business type activities represent 11% of the total net assets. Key elements follow:

- The Joint-Sewer System Authority (JSSA) formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. The City is obligated through the year 2018 under an operating agreement with the City of Palo Alto for water treatment plan and sewer services. Payments under this agreement are based on expected usage and are adjusted annually based on actual use and site operating costs.
- Service fees for Sewer Services increased by approximately \$404,500 or 11%. A credit from the Treatment Plant from a prior year expense of \$381,000 was recorded as revenue in 2004-05, which results in what appear to be flat revenues when we compare 04-05 to 05-06. We also received a credit in 05-06 but it was accounted for as a reduced expenditure. More notably, actual fees paid from the Treatment Plant decreased slightly from 04-05 to 05-06 when the credits are taken into consideration.
- Sewer service expenditures were down slightly from 05-06. Employee related salary and wage expenses were up 9% but Service and Supplies decreased by about 4%, mostly as a result of the lower Treatment Plant costs. Due to the fee increase, the credit from the Treatment Plant fees, reduced overall expenses, and a delay in completing capital projects, net assets increased by \$940,000 for a total fund balance of \$7 million.
- City Council approved a new Sewer Master Plan, including two new maintenance related capital projects and a three-quarter time Associate Engineer to work on sewer related projects
- Service fees for Solid Waste Collection Management increased by 5.44% effective September 1st. Overall revenues increased by \$146,300. Fees were increased at the request of Los Altos Garbage Company to offset their increased expenses. Net assets for the fund increased by \$191,700 for a total fund balance of \$832,900.
- The City provides management of Solid Waste services for refuse collection and landfill contracts through an agreement with Los Altos Garbage Company (LAGCO) for residential and commercial refuse removal services. In September 2005, the City Council authorized the City Manager to notify LAGCO that the City intends to terminate the current agreement in five years.

-
- Although, the Storm Drain Services fund is categorized as an Enterprise fund, no offsetting fee has been established yet. Until a funding source is identified, the general fund will transfer funds to subsidize the cost to provide service as a result of the City Council's direction to exclusively fund sewer services with sewer fees. An adjustment to capital assets was made separating Storm Drain assets from Sewer Fund assets, requiring a restatement of enterprise fund assets starting in 2005-06. For 2005-06, the transfer exceeded actual expenditures resulting in a year-end fund balance of \$235,000

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$25.9 million, an increase of \$5.5 million from the prior year.

Less than 1% constitutes *unreserved fund balance*, which is available for spending at the City Council's discretion. The *reservation* of fund balance is to show that the funds are not available for new spending commitments. Reservations should only be for external restraints. City Council has the authority to change any of the reservations they authorized such as the PERS reserve or the operating reserve.

The key fund balance reserve designations are the emergency and operating reserve of \$2.6 million, the Public Employees Retirement System reserve for future employer payments of \$3 million, the current and future capital projects reserve of \$11.4 million, the equipment replacement reserve of \$4.9 million, the facility maintenance reserve of \$2.7 million and the debt service reserve of \$750,200. The growth occurred primarily in the capital projects reserve, which increased by \$3.9 million or 53%. This growth is not surprising since all excess General Funds are transferred to Capital Projects.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved and undesignated fund balance of the general fund was \$206,335. The seemingly low balance results from a budget philosophy, which directs the transfer of the year end fund balance to the Capital Projects fund to pay for future capital projects. The emergency and operating reserves are reasonable safeguards in the event of an economic or financial crisis. If additional funds are needed, the Council can authorize a transfer from any of the other funds, which have available resources.

The Capital Projects fund balance will vary as progress occurs on approved projects and funding availability. The primary funding source for capital projects has been transfers from the General Fund, gas tax and one-time grants for specific projects. The City maintains a pay as you go funding philosophy, in lieu of issuing debt for capital improvements.

For fiscal year 2005-06, capital project spending was approximately \$935,000, or roughly 58% less than the prior years expenditure of \$2.2 million. Significant project progress occurred in the Biennial Street Slurry Seal project (\$324,300), the El Monte Safe Routes to School improvements (\$123,600), the completion of the Underground Fuel Tank Removal, (\$47,800), the replacement of the controller at El Monte and Foothill Expressway (\$42,700), the installation of an Evapotranspiration irrigation control system (\$40,800) as well as development of standard plan specifications (\$442,000), and the upgrade of the vehicle fuel area at the auto shop area at our corporation yard.

Proprietary funds. The City proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year in the Sewer fund were \$4.6 million, in the Storm Drain fund were \$114,861 including the restatement of assets, and in the Solid Waste Collection Management fund were \$831,879. Factors concerning the changes in fund balance in these funds have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounts to \$43.8 million (net of accumulated depreciation).

This investment in capital assets includes land, buildings, improvements, machinery and equipment, and streets. At June 30, 2006 net capital assets of the governmental activities totaled \$41.2 million and the net capital assets of the business-type activities totaled \$2.5 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. Capital assets in this period were substantially unchanged. Additional information on capital assets can be found in footnote 5 of these financial statements.

Capital Assets at June 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business -Type</u> <u>Activities</u>	<u>Total</u>	<u>Total</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2005</u>
Land	\$ 11,420,031	\$ -	\$ 11,420,030	\$ 11,407,908
Buildings	16,202,459	2,266,387	18,468,846	19,083,995
Improvements	763,007	120,297	883,304	815,332
Machinery and Equipment	903,999	140,234	1,044,233	1,129,248
Infrastructure	<u>11,943,812</u>	<u> </u>	<u>11,943,812</u>	<u>12,371,489</u>
Total Assets, net of dep.	<u>\$ 41,233,307</u>	<u>\$ 2,526,918</u>	<u>\$ 43,760,225</u>	<u>\$ 44,807,972</u>

Debt Administration: At the end of the current fiscal year the City had total bonded debt outstanding of \$3 million for the purchase of Rosita Park (former known as the Saint Williams site) and the parcels of property at First and Main. This schedule reflects an increase for special assessment due to the inclusion of the new Raymundo Curb and Gutter District.

Additional information on long-term obligations can be found in footnotes 6 and 7 to these financial statements.

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>2006 Total</u>	<u>2005 Total</u>
Certificate of participation	\$ 2,895,000	\$ -	\$ 2,895,000	\$ 3,010,000
Special assessment debt with City commitment	349,391		349,391	101,000
Capital lease	112,038		112,038	163,948
Compensated absences	<u>1,026,665</u>	<u>42,753</u>	<u>1,069,418</u>	<u>959,554</u>
Total:	<u>\$ 4,383,094</u>	<u>\$ 42,753</u>	<u>\$ 4,425,847</u>	<u>\$ 4,234,502</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the FY 2005-06 original General Fund budget amount of \$21.6 million to the final budget amount of \$21.7 million shows a net increase of \$135,000 or less than 1% of the budget. Key mid-year adjustments included:

- Adjustment to the Police Department budget for supplies related to Emergency Preparedness in the amount of \$15,600 and \$25,000 to work on the regional Public Safety Interoperability project which is a County wide effort to increase electronic connection between the emergency dispatch centers for expedited call processing and area wide management of first responder resources.
- Adjustment to the Recreation Department budget in the amount of \$3,500 to employ a consultant to survey operational practices and financial information related to swimming pools operated by local municipalities and report back to the Council and new scoreboards for the gymnasiums at a cost of \$18,000.
- Additional \$11,000 budget for new tasers for the Police Department.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

General Fund revenue is forecast to increase 6.7% for fiscal year 2006-07. Key assumptions include:

- A substantial increase in secured property tax of 10.5%, with an anticipated overall growth of 15.5% in property tax receipts including unsecured property tax, Homeowner Property Tax Relief, property tax in lieu of vehicle license fees and supplemental property tax. Property tax remains at about 37% of all governmental funds revenue.
- Interest rates will continue to improve, resulting in an additional \$225,000 in revenue.

-
- A significant increase in fees for the Santa Clara County Fire contract. We anticipate the cost to increase 58% from \$3 million to \$4.6 million annually, with a new annual index that will result in more significant annual increases as well.
 - Continuation of the 11% Transient Occupancy Tax (TOT), and slow growth in tax receipts as the economy improves.
 - Limited Utility User Tax revenue growth, as well as an assumption that no loss will be realized due to an elimination of telephone utility receipts.
 - Salaries will be budgeted at top step, with a “revenue” offset of 5% of salary savings since not all employees receive top step.
 - Changing our budget philosophy for the employer portion of CalPERS in part as a result of the legislative requirement that the assets of Cities our size be pooled instead of a stand-alone plan. We increased our budget by \$508,000, so that budgeted costs will be consistent with actual costs instead of continuing our practice of budgeting at “normal cost” and using or adding to the reserve for the difference.
 - Changing the Utility User Tax transfer policy from the General Fund to the Capital Projects fund to 50%, with a commitment of a savings of an amount equivalent to 30%, which can be transferred at year-end from the general fund to the capital projects fund for future projects.
 - Addition of a Maintenance Worker I position for Streets and 950 hours of temporary help for busy periods.
 - Completion of a Cost Allocation Plan will occur during the year, to improve our documentation for overhead costs to accurately reflect such costs in our service fees.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Assistant City Manager, One North San Antonio Road. Los Altos, CA 94025.

BASIC FINANCIAL STATEMENTS

***GOVERNMENT – WIDE
FINANCIAL STATEMENTS***

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CITY OF LOS ALTOS

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

ASSETS	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 28,541,143	\$ 5,588,007	\$ 34,129,150
Accounts receivable, net	1,361,753	277,064	1,638,817
Interest receivable	350,912	-	350,912
Assessments receivable	575	-	575
Other receivable	5,296	-	5,296
Deferred charges	132,492	-	132,492
Prepaid items and inventory	15,265	-	15,265
Total current assets	30,407,436	5,865,071	36,272,507
Noncurrent assets:			
Restricted cash and investments	248,754	-	248,754
Capital assets:			
Non depreciable assets	11,404,867	-	11,404,867
Depreciable assets	42,282,629	12,630,876	54,913,505
Total capital assets	53,687,496	12,630,876	66,318,372
Less accumulated depreciation	(12,454,189)	(10,103,958)	(22,558,147)
Capital assets, net	41,233,307	2,526,918	43,760,225
Total noncurrent assets	41,482,061	2,526,918	44,008,979
Total assets	71,889,497	8,391,989	80,281,486
LIABILITIES			
Current liabilities:			
Accounts payable	1,219,415	293,012	1,512,427
Interest payable	130,778	-	130,778
Accrued liabilities	503,519	18,744	522,263
Other payable	407,019	-	407,019
Deferred revenue	496,651	-	496,651
Long-term-debt-due within one year	192,993	-	192,993
Total current liabilities	2,950,375	311,756	3,262,131
Noncurrent liabilities:			
Compensated absences payable	1,026,665	42,753	1,069,418
Claims and Judgments payable	1,126,535	-	1,126,535
Long-term debt - due in more than a year	3,163,436	-	3,163,436
Total noncurrent liabilities	5,316,636	42,753	5,359,389
Total liabilities	8,267,011	354,509	8,621,520
NET ASSETS			
Invested in capital assets, net of related debt	37,876,878	2,526,918	40,403,796
Restricted for:			
Capital projects	643,867	-	643,867
Debt service	860,645	-	860,645
Special projects and programs	886,008	-	886,008
Other purpose	12,000	-	12,000
Total restricted	2,402,520	-	2,402,520
Unrestricted	23,343,088	5,510,562	28,853,650
Total net assets	\$ 63,622,486	\$ 8,037,480	\$ 71,659,966

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Public safety	\$ 9,913,491	\$ 376,540	\$ 135,537	\$ -	\$ 512,077
Public works	4,224,330	155,905	535,006	498,100	1,189,011
Recreation and culture	2,405,047	1,544,998	41,865	-	1,586,863
Community development	2,604,484	2,644,408	126,002	-	2,770,410
Admin / Community services	2,502,433	579,718	6,000	-	585,718
Interest on long-term activities	150,806	-	-	-	-
Total governmental activities	21,800,591	5,301,569	844,410	498,100	6,644,079
Business-type activities:					
Sewer	3,324,167	4,264,234	-	-	4,264,234
Solid waste	1,263,742	1,455,459	-	-	1,455,459
Storm Drain	183,359	-	-	-	-
Total business-type activities	4,771,268	5,719,693	-	-	5,719,693
Total primary government	\$ 26,571,859	\$ 11,021,262	\$ 844,410	\$ 498,100	\$ 12,363,772

General revenues and transfers:

Taxes:

Property taxes

Sales taxes

Other taxes

Franchise fees

Interest income

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year (as restated; see footnote 14)

Net assets - end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (9,401,414)	\$ -	\$ (9,401,414)
(3,035,319)	-	(3,035,319)
(818,184)	-	(818,184)
165,926	-	165,926
(1,916,715)	-	(1,916,715)
(150,806)	-	(150,806)
<u>(15,156,512)</u>	<u>-</u>	<u>(15,156,512)</u>
-	940,067	940,067
-	191,717	191,717
-	(183,359)	(183,359)
-	948,425	948,425
<u>(15,156,512)</u>	<u>948,425</u>	<u>(14,208,087)</u>
9,766,623	-	9,766,623
2,662,313	-	2,662,313
2,336,307	-	2,336,307
1,110,369	-	1,110,369
1,048,487	-	1,048,487
3,049,729	-	3,049,729
(187,325)	187,325	-
<u>19,786,503</u>	<u>187,325</u>	<u>19,973,828</u>
4,629,991	1,135,750	5,765,741
58,992,495	6,901,730	65,894,225
<u>\$ 63,622,486</u>	<u>\$ 8,037,480</u>	<u>\$ 71,659,966</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

CITY OF LOS ALTOS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

JUNE 30, 2006

General Fund - Accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another funds. The General Fund supports essential City services such as police, streets and parks maintenance, and recreation activities.

Capital Projects Fund - Accounts for the acquisition and construction of major capital projects and plans that are financed by resources other than proprietary funds.

Equipment Replacement Fund - Accounts for the revenues and expenditures related to the replacement of certain City equipment and vehicles.

Community Improvement Reserve Fund - Accounts for the resources set aside for additions and improvements to the public and community facilities and to provide funding for opportunities, which may improve the City's financial position.

Non-Major Governmental Funds - Non-major Governmental Funds is the aggregate of all the non-major governmental funds.

CITY OF LOS ALTOS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	Major Funds					Total
	General	Capital Projects	Equipment Replacement Capital Projects	Community Improvement Capital Projects	Non-Major Governmental Funds	
Cash and investments	\$ 7,308,952	\$ 10,887,609	\$ 3,916,856	\$ 1,230,405	\$ 3,080,069	\$ 26,423,891
Restricted cash and investments	-	-	-	-	248,754	248,754
Receivables- (net of allowance for uncollectible):						
Accounts	732,052	597,024	-	-	31,511	1,360,587
Interest	350,912	-	-	-	-	350,912
Assessments	-	-	-	-	575	575
Other	5,296	-	-	-	-	5,296
Prepays	4,015	-	-	-	-	4,015
Due from other funds	28,632	13,720	1,000,000	-	1,000,000	2,042,352
Inventory	11,250	-	-	-	-	11,250
Total assets	\$ 8,441,109	\$ 11,498,353	\$ 4,916,856	\$ 1,230,405	\$ 4,360,909	\$ 30,447,632
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,034,044	\$ 62,317	\$ -	\$ -	\$ 10,464	\$ 1,106,825
Accrued liabilities	446,990	56,529	-	-	-	503,519
Other payable	407,019	-	-	-	-	407,019
Deferred revenue	474,925	21,725	-	-	-	496,650
Due to other funds	-	-	-	2,000,000	42,352	2,042,352
Total liabilities	2,362,978	140,571	-	2,000,000	52,816	4,556,365
Fund Balances:						
Reserved for:						
Encumbrances	253,325	-	-	-	-	253,325
Veteran Memorial	12,000	-	-	-	-	12,000
PERS	3,005,795	-	-	-	-	3,005,795
Emergency and operating	2,590,127	-	-	-	-	2,590,127
Debt service	-	-	-	-	750,254	750,254
Capital projects	-	11,357,782	4,916,856	-	2,679,416	18,954,054
Special programs and projects	-	-	-	-	886,008	886,008
Inventory and prepaids	10,549	-	-	-	-	10,549
Total reserved	5,871,796	11,357,782	4,916,856	-	4,315,678	26,462,112
Unreserved, undesignated reported in:						
General Fund	206,335	-	-	-	-	206,335
Debt service	-	-	-	-	(7,585)	(7,585)
Capital project funds	-	-	-	(769,595)	-	(769,595)
Total fund balances	6,078,131	11,357,782	4,916,856	(769,595)	4,308,093	25,891,267
Total liabilities and fund balance	\$ 8,441,109	\$ 11,498,353	\$ 4,916,856	\$ 1,230,405	\$ 4,360,909	\$ 30,447,632

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Total Governmental Funds	\$ 25,891,267
Accounts reported for governmental activities in the Statement of Net Assets were reported differently because:	
Capital assets used in governmental activities are not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Land, buildings, property, equipment and infrastructure, net of accumulated depreciation	41,233,307
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.	
	(130,779)
Internal service funds are used by management to charge the costs of certain activities to individual-fund. The assets and liabilities of the internal service funds are included in governmental activities in the Governmental-Wide Statement of Net Assets.	
	879,293
The costs associated with the issuance of debt, net of amortization, is a use of current resources in the fund statement, therefore it was not reported as an asset in the Governmental Fund Balance.	
	132,492
Long-term liabilities are not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.	
Long-term liabilities - current portion	(192,993)
Long-term liabilities - non-current portion	(3,163,436)
Compensated Absences	<u>(1,026,665)</u>
Total long-term liabilities	<u>(4,383,094)</u>
Net Assets of Governmental Activities	<u><u>\$ 63,622,486</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

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

	Major Funds					Total
	General	Capital Projects	Equipment Replacement Capital Projects	Community Improvement Capital Projects	Non-Major Governmental Funds	
REVENUES:						
Taxes	\$13,740,514	\$ -	\$ -	\$ -	\$ 40,015	\$ 13,780,529
License, permits and park-in-lieu	2,567,907	-	-	-	-	2,567,907
Intergovernmental	3,769,825	125,249	-	-	620,248	4,515,322
Grants and donations	49,755	372,851	-	-	126,002	548,608
Charges for services	3,271,650	-	-	-	-	3,271,650
Fines and forfeitures	158,192	-	-	-	43,128	201,320
Interest and rentals	1,296,116	-	-	-	41,558	1,337,674
Other	158,669	47,261	-	-	188,967	394,897
Total revenues	25,012,628	545,361	-	-	1,059,918	26,617,907
EXPENDITURES:						
General government:						
Public safety	10,055,638	9,780	1,344	-	-	10,066,762
Public works	3,032,042	668,179	-	-	74,333	3,774,554
Recreation and culture	1,896,507	47,767	-	-	7,325	1,951,599
Community development	2,556,705	48,889	-	-	627	2,606,221
Administration/Community services	2,232,713	105,214	24,520	-	51,669	2,414,116
Capital improvements	-	54,778	16,974	-	-	71,752
Debt service:						
Principal	-	-	-	-	192,911	192,911
Interest and fiscal charges	-	-	-	-	145,620	145,620
Total expenditures	19,773,605	934,607	42,838	-	472,485	21,223,535
REVENUES OVER - (UNDER) EXPENDITURES	5,239,023	(389,246)	(42,838)	-	587,433	5,394,372
OTHER FINANCING SOURCES (USES):						
Debt issuance	-	-	-	-	257,391	257,391
Transfers in	331,228	5,010,458	583,305	5,000	709,437	6,639,428
Transfers out	(5,208,851)	(710,000)	-	-	(907,902)	(6,826,753)
Total other financing sources (uses)	(4,877,623)	4,300,458	583,305	5,000	58,926	70,066
Net change in fund balances	361,400	3,911,212	540,467	5,000	646,359	5,464,438
FUND BALANCES:						
Beginning of year	5,716,731	7,446,570	4,376,389	(774,595)	3,661,734	20,426,829
End of year	<u>\$ 6,078,131</u>	<u>\$11,357,782</u>	<u>\$ 4,916,856</u>	<u>\$ (769,595)</u>	<u>\$ 4,308,093</u>	<u>\$ 25,891,267</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT – WIDE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 5,464,438

Governmental activities in the Statement of Activities were reported differently because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 230,576

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expenses is not reported as expenditures in governmental funds. (1,270,335)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets. (25,034)

Long-term compensated absence were reported in the Governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. (97,727)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the entity wide financial statements. This amount is the net effect of these differences in the treatment of long term debt and related items. (64,480)

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year. (5,187)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 397,740

Change in Net Assets of Governmental Activities \$ 4,629,991

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

PROPRIETARY FUND FINANCIAL STATEMENTS

JUNE 30, 2006

Sewer - To account for the operation (including waste water treatment) of the City's sewer treatment and urban runoff activities, a self-supporting activity which provides services on a user charge basis.

Solid Waste Collection Management - To account for the collection and disposal of solid waste (including waste collected from street sweeping). Monthly service charges fund the above services.

Storm Drain Fund- To account for the operation of the City's urban runoff and storm drain activities. This fund was created at the beginning of the fiscal year 04-05 at the direction of the City Council.

CITY OF LOS ALTOS

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2006**

ASSETS	Major Funds			Total	Governmental Activities Internal Service Funds
	Sewer	Solid Waste	Storm Drain		
Current assets:					
Cash and investments	\$ 4,683,945	\$ 789,178	\$ 114,884	\$ 5,588,007	\$ 2,117,252
Receivables					
Accounts	141,474	135,590	-	277,064	1,166
Total current assets	4,825,419	924,768	114,884	5,865,071	2,118,418
Noncurrent assets:					
Capital assets:					
Depreciable	10,661,655	-	1,969,221	12,630,876	-
Less accumulated depreciation	(8,255,034)	-	(1,848,924)	(10,103,958)	-
Total capital assets, net	2,406,621	-	120,297	2,526,918	-
Total noncurrent assets	2,406,621	-	120,297	2,526,918	-
Total assets	7,232,040	924,768	235,181	8,391,989	2,118,418
LIABILITIES					
Current liabilities					
Accounts payable	201,190	91,799	23	293,012	112,590
Accrued liabilities	17,654	1,090	-	18,744	-
Compensated absences - current portion	10,688	-	-	10,688	-
Total noncurrent liabilities	229,532	92,889	23	322,444	112,590
Non current liabilities					
Claims and judgments	-	-	-	-	1,126,535
Compensated absences - noncurrent portion	32,065	-	-	32,065	-
Total noncurrent liabilities	32,065	-	-	32,065	1,126,535
Total liabilities	261,597	92,889	23	354,509	1,239,125
NET ASSETS					
Net assets, invested in capital assets	2,406,621	-	120,297	2,526,918	-
Unrestricted	4,563,822	831,879	114,861	5,510,562	879,293
Total net assets	\$ 6,970,443	\$ 831,879	\$ 235,158	\$ 8,037,480	\$ 879,293

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006**

	Major Funds			Total	Governmental
	Sewer	Solid Waste	Storm Drain		Activities Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 4,264,234	\$ 1,406,914	\$ -	\$ 5,671,148	\$ 919,410
Other	-	48,545	-	48,545	8,293
Total operating revenues	4,264,234	1,455,459	-	5,719,693	927,703
OPERATING EXPENSES:					
Outside services	2,021,008	1,203,495	58,588	3,283,091	-
Employee services	536,291	36,754	78,706	651,751	-
Repairs and maintenance	626,795	22,232	2,803	651,830	-
Claims reimbursement	-	-	-	-	162,894
Insurance	-	-	-	-	271,448
Administration	-	1,261	-	1,261	95,621
Depreciation	140,073	-	43,262	183,335	-
Total operating expenses	3,324,167	1,263,742	183,359	4,771,268	529,963
OPERATING INCOME (LOSS)	940,067	191,717	(183,359)	948,425	397,740
Transfers in	-	-	187,325	187,325	-
Change in net assets	940,067	191,717	3,966	1,135,750	397,740
NET ASSETS:					
Beginning of the year (as restated; see footnote 14)	6,030,376	640,162	231,192	6,901,730	481,553
End of the year	\$ 6,970,443	\$ 831,879	\$ 235,158	\$ 8,037,480	\$ 879,293

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

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

	Major Funds				Governmental Activities Internal Service Funds
	Sewer	Solid Waste	Storm Drain	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,269,648	\$ 1,455,744	\$ -	\$ 5,725,392	\$ 928,267
Cash payments to suppliers for goods and services	(2,614,480)	(1,300,313)	(61,391)	(3,976,184)	-
Cash payments to employees for services	(524,154)	(36,753)	(78,682)	(639,589)	-
Cash payments to claimants	-	-	-	-	(389,888)
Insurance premiums and administration	-	-	-	-	(357,834)
Net cash provided (used) by operating activities	1,131,014	118,678	(140,073)	1,109,619	180,545
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	-	-	187,325	187,325	-
Net cash provided (used) by noncapital financing activities	-	-	187,325	187,325	-
CASH FLOWS FROM CAPITAL FINANCING AND RELATED ACTIVITIES:					
Capital asset additions	(36,823)	-	-	(36,823)	-
Net increase (decrease) in cash and cash equivalents	1,094,191	118,678	47,252	1,260,121	180,545
CASH AND CASH EQUIVALENTS:					
Beginning of year	3,589,754	670,500	67,632	4,327,886	1,936,707
End of year	<u>\$ 4,683,945</u>	<u>\$ 789,178</u>	<u>\$ 114,884</u>	<u>\$ 5,588,007</u>	<u>\$ 2,117,252</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 940,067	\$ 191,717	\$ (183,359)	\$ 948,425	\$ 397,740
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	140,073	-	43,262	183,335	-
Changes in assets and liabilities:					
Accounts receivable	5,414	285	-	5,699	564
Accounts payable	33,323	(73,325)	-	(40,002)	8,055
Accrued liabilities	12,137	-	-	12,137	-
Claims and judgments	-	-	-	-	(225,814)
Total adjustments	190,947	(73,040)	43,262	161,169	(217,195)
Net Cash provided (used) by operating activities	\$ 1,131,014	\$ 118,677	\$ (140,097)	\$ 1,109,594	\$ 180,545

The accompanying notes are an integral part of these financial statements.

CITY OF LOS ALTOS

FIDUCIARY FUND FINANCIAL STATEMENTS

JUNE 30, 2006

AGENCY FUND – Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's Programs.

The City's Agency fund accounts for the operating activities and the special assessment collection pertaining to the North County Library Authority.

CITY OF LOS ALTOS

**STATEMENT OF FIDUCIARY FUND NET ASSETS
JUNE 30, 2006**

	Agency Fund
ASSETS	
Cash and investments	\$ 1,288,519
Interest receivable	13,737
Total assets	<u>\$ 1,302,256</u>
LIABILITIES	
Accounts payable	\$ 81,016
Due to others	1,221,240
Total liabilities	<u>\$ 1,302,256</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The City of Los Altos, California (City), incorporated in 1952. The City operates under an elected Council and appointed City Manager form of government and provides the following services: public safety, community development services, engineering services, public works, general administrative services and capital improvements.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The following entity is reported as blended component unit:

Blended Component Unit

Community Facility District (District):

The Community Facility District was created on November 9, 1976. The District acquired through issuance of a 1981 Series A Water Bond the properties of the North Los Altos Water Company, and has sold the assets to California Water Service Company (Cal Water) to furnish service to customers in the North Los Altos service area. The District is a blended component unit as it is governed by a board comprised of the City's elected council.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self - balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Governmental-Wide Financial Statements

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

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year-end. The following entity is reported component unit:

Blended Component Unit

Community Facility District (District):

The Community Facility District was created on November 9, 1976. The District acquired through issuance of a 1981 Series A Water Bond the properties of the North Los Altos Water Company, and has sold the assets to California Water Service Company (Cal Water) to furnish service to customers in the North Los Altos service area. The District is a blended component unit as it is governed by a board comprised of the City's elected council.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self - balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Governmental-Wide Financial Statements (Continued)

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City’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 1) fees, fines and charges paid by the recipients of goods or services offered by the program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Certain types of transactions are reported as program revenues for the City in three categories:

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payable and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Advances to, Advances from other funds
- Operating transfers in, transfers out

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The City has elected not to follow subsequent private-sector guidance.

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

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

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, special assessments, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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

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

Proprietary Fund Financial Statements

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

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the governmental - wide financial statements.

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

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund Financial Statements (Continued)

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

Proprietary funds distinguish operating revenues and expenses and non-operating items. Operating revenues and expenses generally result for providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: sewer charges, solid waste fees, and support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary fund represent agency fund that is used to account for the operating activities and the special assessment collections pertaining to the North County Library Authority. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on the accrual basis of accounting.

Internal Service Funds

The internal service funds account for services provided to other departments pertaining to the self-insurance dental program, the unemployment insurance, the workers' compensation insurance, and the liability insurance, on a cost reimbursement basis.

C. Recognition of Interest Liability

In the Governmental Fund financial statements, interest expenditures on long-term debt are recognized when payment is due. In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, interest expense is recognized as the liability is incurred.

D. Use of Restricted and Unrestricted Net Assets

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

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash, Cash Equivalents and Investments (Continued)

In accordance with GASB Statement No., 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Asset backed securities. LAIF's investments are subject to market risk as to change in interest rates.

For purposes of reporting cash flows, the City considers each fund's share in the cash and investments pool to be cash and cash equivalents including cash with fiscal agents.

F. Inventories

Inventory, consisting of tires, gasoline and paper, is stated at cost on an average cost basis and is controlled by a perpetual inventory system, which is adjusted to reflect periodic physical counts. Inventories are recorded as expenditures in the General Fund when consumed.

G. Restricted Assets

Fiscal agents acting on behalf of the City hold investment funds arising from the proceeds of long-term debt issuances. The funds may be used for specific capital outlays or for the payment of certain bonds, certificate of participation or tax allocation bonds and have been invested only as permitted by specific State statutes or applicable City ordinance, resolution or bond indenture.

H. Compensated Absences

Governmental – Wide Financial Statements

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

Fund Financial Statements

For governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. The General Fund is typically used to liquidate compensated absences. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

Santa Clara County assesses all properties in the City, and it bills, collects, and distributes property taxes to the City. Both secured and unsecured property taxes are levied on January 1, the lien date.

Secured property tax is due in two installments, on November 1 and February 1. It becomes delinquent after December 10 and April 10, respectively. The City and the County adopted the "alternative method of property tax distributions" known as the Teeter Plan that authorizes the County to allocate 100% of the secured property tax based on levy instead of collection, and to retain all delinquent penalties and interest.

Unsecured property tax is due on July 1 and becomes delinquent after August 31. Distribution of the unsecured property taxes is based on collections. The County also distributes both penalties and interest collected for delinquent unsecured property taxes.

J. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$1,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50 years
Improvements other than buildings	30-50 years
Machinery and equipment	3-10 years
Infrastructure	30-100 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructures into the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system.

Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, streetlights, and traffic control devices (signs, signals and pavement markings). These subsystems were not delineated in the Government-Wide Financial Statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City has elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City conducted a valuation of its infrastructure assets as of July 1, 2002. This valuation determined the original cost using one of the following methods:

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (continued)

- 1) Use of historical records where available;
- 2) Standard unit costs appropriate for the construction/acquisition date of the assets; or
- 3) Present replacement cost indexed by a reciprocal factor of the price increase from constructions/acquisition date to the current date.

The accumulated depreciation, defined as the total depreciation from the date of constructions/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

K. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The Governmental Fund Financial Statements do not present long-term debt, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources net of related issuance costs. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance reported as other financing uses.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

L. Deferred Revenue

Government-Wide Financial Statements

In the governmental-wide financial statements, deferred revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as deferred revenues in the Government-Wide Financial Statements are long-term loans receivables and prepaid charges for services.

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Revenue (continued)

Fund Financial Statements

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenues for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenues is recorded are grants received but not yet earned or available, prepaid charges for services, long-term assessments and long-term loans receivable.

M. Net Assets and Fund Balances

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

Governmental-Wide Financial Statements

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

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

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

Fund Financial Statements

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

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

O. Budgetary Information

General Budget Policies

Prior to July 1, the budget is legally enacted through passage of a resolution. The City Council periodically reviews the budgets and adopts supplemental appropriations (amendments) at the fund level when required. The level of

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Budgetary Information (continued)

budgetary control is established at the fund level and expenditures may not exceed budgeted appropriations at the fund level without City Council approval. In the financial statements, budgeted amounts are as originally adopted while the final budget amounts include amendments to the original budget. Individual amendments were not material in relation to original appropriations.

Budget Basis of Accounting

Budgetary comparisons are presented in the other supplementary information section, as listed in the table of contents for the General Fund, the Gas Tax – 2105 Fund, the Gas Tax – 2106 Fund, the Gas Tax – 2107 Fund, the Gas Tax – 2107.5 Fund, the Community Development Block Grant Fund, and the Downtown Parking fund. Certain funds are not legally required to adopt budgets as their appropriations are established by the related bond documentation and/or other legal agreements. Therefore, budgetary comparisons are not shown for those funds.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Community Improvement Capital Project Fund deficit fund balance at June 30, 2006 of \$769,595 is expected to be cured by the proceeds from the sale of the City's half interest in the former Palo Alto sewage treatment plant. The City has sufficient resources to cure any remaining deficit from General Fund revenues, if necessary.

The Edith Avenue Foothill Noise Wall Debt Service Fund deficit fund balance at June 30, 2006 of \$7,585 is expected to be cured with General Fund transfers, pending City Council approval.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the accompanying financial statements as follows:

Cash and Investments	\$ 34,129,150
Cash and Investments held by bond trustee	248,754
Fiduciary funds:	
Cash and Investments	1,288,519
Total cash and investments	<u>\$ 35,666,423</u>

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

Cash on hand	\$ 1,300
Deposits with financial institutions	302,313
Investments	35,362,810
Total Deposits and Investments	<u>\$ 35,666,423</u>

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City’s investment policy where more restrictive. The table also identifies certain provisions that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	30%	None
Banker's Acceptance	180 days	30%	30%
Commercial Paper	180 days	15%	None
Negotiable Certificates of Deposit	3 years	50%	\$100,000
Repurchase Agreements	15 days	30%	None
Mutual Funds	N/A	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to 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 rates. Typically, the City manages its exposure to interest rate risk, is by investing in LAIF and Money Market Mutual funds. . The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity In Years
State Investment Pool	\$ 35,114,056	0.42
Money Market Mutual Funds	248,754	0.02
	<u>\$ 35,362,810</u>	

Disclosure Relating to Credit 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 measure by the assignment of a rating by a nationally recognized statistical rating organization.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	Unrated
State Investment Pool	\$35,114,056	NA	\$ -	\$35,114,056
Money Market Mutual Funds	248,754	A	248,754	-
Total	<u>\$35,362,810</u>		<u>\$248,754</u>	<u>\$35,114,056</u>

Concentration of Credit Risk

The investment policy of the Entity contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Entity investments that are required to be disclosed.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2006, the City's bank balance of \$615,226 with a corresponding reported balance of \$302,313 was either insured or collateralized but the collateral was not held specifically in the City's name.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Entity's investment in this pool is reported in the accompanying financial statements are amounts based upon the Entity's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 – INTERFUND TRANSACTIONS

Fund Financial Statements

A. Due to/from Other Funds

The due to/from other funds to be repaid out of future earnings or charges at June 30, 2006, consisted of:

		Due To Other Funds			Total
		Community Improvement Reserve	Equipment Replacement	Non-major Governmental Funds	
Due From Other Funds	Equipment Replacement	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
	General	-	-	28,632	28,632
	Capital Project	-	-	13,720	13,720
	Non-major Governmental	1,000,000	-	-	1,000,000
	Total	\$ 2,000,000	\$ -	\$ 42,352	\$ 2,042,352

The outstanding balances result mainly from the loans made for the acquisition of a property, and loans to debt services and Community Development Block Grant Fund to cover the cash shortage.

B. Transfers

Transfers for the year ended June 30, 2006, were as follows:

		Transfers In					Total
		General Fund	Capital Projects	Equipment Replacement	Community Improvements	Non-major Governmental Funds	
Transfers Out	General Fund	\$ -	\$ 4,433,784	\$ 583,305	\$ -	\$ 4,437	\$ 5,208,851
	Capital Projects	-	-	-	5,000	705,000	710,000
	Non-major Governmental Funds	331,228	576,674	-	-	-	907,902
	Total	\$ 331,228	\$ 5,010,458	\$ 583,305	\$ 5,000	\$ 709,437	\$ 6,826,753

Transfers are used to move unrestricted general fund revenues to finance various programs accounted for in other funds based on budgetary authorizations. Additionally, transfers are used to move revenues from the capital project fund to the debt service fund as the principal and interest payments become due.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 – CAPITAL ASSETS

A. Governmental – Wide Financial Statements

At June 30, 2006, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Construction in Progress	\$ 15,164	\$ -	\$ 15,164
Land	11,404,867	-	11,404,867
Total non-depreciable assets	<u>11,420,031</u>	<u>-</u>	<u>11,420,031</u>
Depreciable assets:			
Buildings	21,352,385	10,151,094	31,503,479
Improvement other than buildings	1,609,631	-	1,609,631
Machinery and equipment	3,600,178	510,561	4,110,739
Infrastructure	15,705,271	1,969,221	17,674,492
Total depreciable assets	<u>42,267,465</u>	<u>12,630,876</u>	<u>54,898,341</u>
Less accumulated depreciation	<u>(12,454,189)</u>	<u>(10,103,958)</u>	<u>(22,558,147)</u>
Total depreciable assets, net	<u>29,813,276</u>	<u>2,526,918</u>	<u>32,340,194</u>
Total capital assets	<u><u>\$ 41,233,307</u></u>	<u><u>\$ 2,526,918</u></u>	<u><u>\$ 43,760,225</u></u>

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

A. Governmental – Wide Financial Statements (Continued)

The following is a summary of capital assets for governmental activities for the year ended June 30, 2006:

	Balance July 1, 2005 as Restated	Additions	Deletions	Adjustments	Balance June 30, 2006
Non-depreciable assets:					
Construction in progress	\$ 3,038	\$ 12,122	\$ -	\$ -	\$ 15,160
Land	11,404,870	-	-	-	11,404,870
Total non-depreciable assets	<u>11,407,908</u>	<u>12,122</u>	<u>-</u>	<u>-</u>	<u>11,420,030</u>
Depreciable assets:					
Buildings	21,401,615	-	(49,230)	-	21,352,385
Improvement other than buildings	1,609,631	-	-	-	1,609,631
Machinery and equipment	3,612,777	175,798	(188,396)	-	3,600,179
Infrastructure	15,662,617	42,654	-	-	15,705,271
Total depreciable assets	<u>42,286,640</u>	<u>218,452</u>	<u>(237,626)</u>	<u>-</u>	<u>42,267,466</u>
Accumulated depreciation:					
Buildings	(4,686,228)	(494,220)	30,522	-	(5,149,926)
Improvements	(794,299)	(52,325)	-	-	(846,624)
Machinery and equipment	(2,624,791)	(253,459)	182,070	-	(2,696,180)
Infrastructure	(3,291,128)	(470,331)	-	-	(3,761,459)
Total accumulated depreciation	<u>(11,396,446)</u>	<u>(1,270,335)</u>	<u>212,592</u>	<u>-</u>	<u>(12,454,189)</u>
Total depreciable assets, net	<u>30,890,194</u>	<u>(1,051,883)</u>	<u>(25,034)</u>	<u>-</u>	<u>29,813,277</u>
Total governmental activities capital assets, net	<u>\$ 42,298,102</u>	<u>\$(1,039,761)</u>	<u>\$ (25,034)</u>	<u>\$ -</u>	<u>\$ 41,233,307</u>

The Governmental activities depreciation expenses for capital assets for the year ended June 30, 2006 are as follows:

Public safety	\$ 159,034
Public works	542,382
Recreation	451,949
Community development	33,283
Admin/community services	<u>83,687</u>
Total depreciation expense	<u>\$ 1,270,335</u>

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

A. Governmental – Wide Financial Statements (Continued)

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2005 as Restated	Additions	Deletions	Balance June 30, 2006
Depreciable assets:				
Buildings	\$ 10,151,094	\$ -	\$ -	\$ 10,151,094
Infrastructure	1,969,221	-	-	1,969,221
Machinery and equipment	498,317	36,824	(24,580)	510,561
Total depreciable assets	<u>12,618,632</u>	<u>36,824</u>	<u>(24,580)</u>	<u>12,630,876</u>
Accumulated depreciation:				
Buildings	(7,782,486)	(102,221)	-	(7,884,707)
Infrastructure	(1,805,662)	(43,262)	-	(1,848,924)
Machinery and equipment	(357,055)	(37,852)	24,580	(370,327)
Total accumulated depreciation	<u>(9,945,203)</u>	<u>(183,335)</u>	<u>24,580</u>	<u>(10,103,958)</u>
Total depreciable assets net	<u>\$ 2,673,429</u>	<u>\$ (146,511)</u>	<u>\$ -</u>	<u>\$ 2,526,918</u>

Depreciation expense for business-type activities for the year ended June 30, 2006 is as follows:

Sewer	\$ 140,073
Storm Drain	43,262
Total	<u>\$ 183,335</u>

B. Fund Financial Statements

The Governmental Fund Financial Statements do not present capital assets, which are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

The capital assets of the enterprise funds in the Proprietary Fund Financial Statements are the same as those shown in the business-type activities of the Government-Wide Financial Statements.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 –LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

Summary of changes in governmental activities long-term debt for the year ended June 30, 2006 is as follows:

	Balance July 1, 2005	Debt Issues	Debt Retired	Balance June 30, 2006	Due in one year	Due in more than one year
Certificate of participation	\$ 3,010,000	\$ -	\$ 115,000	\$ 2,895,000	\$ 120,000	\$ 2,775,000
Special Assessment Debt with City Commitment	101,000	274,391	26,000	349,391	18,391	331,000
Capital Lease Obligations:						
Loyola Fire Station	163,948	-	51,910	112,038	54,602	57,436
Total	<u>\$ 3,274,948</u>	<u>\$ 274,391</u>	<u>\$ 192,910</u>	<u>\$ 3,356,429</u>	<u>\$ 192,993</u>	<u>\$ 3,163,436</u>

Certificates of Participation

Certificates of participation payable at June 30, 2006, consisted of the following:

	Balance June 30, 2006	Due in one year	Due in more than one year
1996 ABAG 36 (Land Purchase)	\$ 540,000	\$ 40,000	\$ 500,000
2004 Refunding	2,355,000	80,000	2,275,000
Total	<u>\$ 2,895,000</u>	<u>\$ 120,000</u>	<u>\$ 2,775,000</u>

ABAG 36 Certificates of Participation

On November 1, 1995, the City issued \$850,000 principal amount of Certificates of Participation (ABAG 36 COPs). The purpose of the ABAG 36 COPs was to finance the purchase of two parcels of land in the downtown area. The ABAG 36 COPs bear interest rates ranging from 4.5% to 5.8% and are payable semiannually on each November 1 and May 1. Principal payment are payable annually on each November 1. COPs maturing on or after November 1 2003 may be redeemed on or after November 1, 2002, at par plus a 2% premium. The premium decreases 1% per year until November 1, 2004, when the COPs may be redeemed at par. The bonds are secured and payable from General Fund revenues.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

A. Governmental Activities Long-Term Obligations (Continued)

At June 30, 2006, future debt service requirement for the ABAG 36 COPs were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$ 40,000	\$ 29,260	\$ 69,260
2008	45,000	27,038	72,038
2009	45,000	24,630	69,630
2010	50,000	22,040	72,040
2011	50,000	19,265	69,265
2012-2016	310,000	46,832	356,832
Total	<u>\$ 540,000</u>	<u>\$ 169,066</u>	<u>\$ 709,066</u>

2004 Refunding Certificate of Participation

On November 1, 1996, the City issues \$2,630,000 principal amount of Certificates of Participation (ABAG 38 COPs). The purpose of the ABAG 38 COPs was to finance the partial purchase of the 5.5 acres Saint William School site for public purpose and uses. During 2004 the City issued \$2,500,000 of 2004 Refunding Certificates of Participation to advance refund \$2,390,000 of outstanding principal on the ABAG 38 Certificates of Participation, set up reserve funds, and to pay related issuance costs. The entire ABAG 38 Certificates of Participation had been paid off by June 30, 2004. This advance refunding was undertaken to reduce total debt service payments over the next 23 years by \$480,342 and to obtain an economic gain (i.e. difference between the present value of the debt service payments of the refunded, or old debt, and refunding bonds, or new debt) of \$318,478.

At June 30, 2006, future debt service requirements for the 2004 Refunding were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$ 80,000	\$ 84,078	\$ 164,078
2008	80,000	82,478	162,478
2009	80,000	80,878	160,878
2010	85,000	79,278	164,278
2011	85,000	77,366	162,366
2012-2016	485,000	348,534	833,534
2017-2021	580,000	257,432	837,432
2022-2026	715,000	128,778	843,778
2027-2028	165,000	7,012	172,012
Total	<u>\$ 2,355,000</u>	<u>\$ 1,145,835</u>	<u>\$ 3,500,835</u>

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

A. Governmental Activities Long-Term Obligations (Continued)

Special Assessment Debt with City Commitment

Special assessment districts are established in various parts of the City to provide improvements to properties located in those districts. Properties are assessed for the cost of improvements. These assessments are payable over the term of the debt issued to finance the improvements. The City is obligated to be the purchaser of last resort or to advance available City funds to repay this debt in the event of default by any of these districts. At June 30, 2006, all these districts were in compliance with the repayment and other requirements of their respective debt issues.

The Raymundo Curb &Gutter Assessment District (District) Improvement Bond was issued on August 3, 2005 to provide financing for the street improvements in that District. The bonds are payable from a special property tax levied to those residents living within the District.

Special assessment debt with City commitment is comprised of the following issues:

	Interest Rate	Maturity Date	Balance July 1, 2005	Retirements	Balance June 30, 2006
El Monte-Foothill Noise Wall	6.7-7.2%	2006	20,000	20,000	-
Avalon Drive-Curb & Gutter	5.80%	2015	81,000	6,000	75,000
Raymundo-Curb & Gutter	4.65%	2020	274,391	-	274,391
			<u>\$ 375,391</u>	<u>\$ 26,000</u>	<u>\$ 349,391</u>

At June 30, 2006, future debt service requirements for the Special assessment debt with City commitment were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$ 18,391	\$ 16,648	\$ 35,039
2008	20,000	15,686	35,686
2009	21,000	14,658	35,658
2010	22,000	13,578	35,578
2011	23,000	12,451	35,451
2012-2016	245,000	57,112	302,112
Total	<u>\$ 349,391</u>	<u>\$ 130,133</u>	<u>\$ 479,524</u>

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 –LONG-TERM OBLIGATIONS (CONTINUED)

A. Governmental Activities Long-Term Obligations (Continued)

Capital Lease Obligations

On June 24 1998, the City entered into a lease financing agreement for the reconstruction of the Loyola Fire Station. The agreement required the City to make semiannual payment of \$29,824 until July 2, 2008. Debt service is repayable from General Fund revenues.

The gross amount of assets acquired under the capital lease is as follows:

	<u>Governmental Activities</u>	<u>Accumulated Depreciation</u>
Buildings	\$400,340	\$54,886

The future lease obligations for the capital lease are as follows:

For the Year Ending June 30,	Principal	Interest	Total
2007	\$ 54,602	\$ 5,046	\$ 59,648
2008	57,436	2,214	59,650
Total	<u>\$ 112,038</u>	<u>\$ 7,260</u>	<u>\$ 119,298</u>

B. Debt Covenants and Restrictions

For June 30, 2006, the City complied with all general and specific covenants regarding debt proceeds usage and debt repayment. In accordance with bond official statements, the City also maintained adequate reserves for all debt services.

NOTE 7 – COMPENSATED ABSENCES

The City's compensated absences at June 30, 2006, were as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year (Estimated)
Governmental activities	\$ 928,938	\$ 236,200	\$ (138,473)	\$ 1,026,665	\$ 256,666
Business-type activities	30,616	18,435	(6,298)	42,753	10,688
Total	<u>\$ 959,554</u>	<u>\$ 254,635</u>	<u>\$ (144,771)</u>	<u>\$ 1,069,418</u>	<u>\$ 267,355</u>

There is no fixed payment schedule for compensated absences.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 8 – DEFERRED REVENUE

At June 30, 2006, the following deferred revenues were recorded in because with the revenues has not been earned or the funds were not available to financial expenditures of the current period:

	Governmental Activities
Fees collected in advance	<u>\$ 496,651</u>

NOTE 9 – RISK MANAGEMENT

ABAG PLAN Corporation

The City is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the City is insured through the Association of Bay Area Governments (ABAG).

ABAG covers general liability claims in an amount up to \$10,000,000. The City has a deductible or uninsured liability of up to \$100,000 per claim. Once the City's deductible is met, ABAG becomes responsible for payment of all claims up to the limit. During the year ended June 30, 2006, the City contributed \$193,599 for current year coverage.

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

The City's contributions to ABAG equal the ratio of the City's payroll to the payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The ABAG financial statements may be obtained from ABAG, P.O. Box 2050, Oakland, California, 94604.

The City has an excess insurance policy for Worker's Compensation claims up to the statutory limits. The City has a \$1,000,000 deductible or uninsured liability.

As of June 30, 2006, \$50,000 of revolving funds were held in trust on behalf of the City by the Workers' Compensation Third Party Claims Administrator (TPA). The City will receive the funds upon termination of services with the TPA.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

Liability for Uninsured Claims

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed in the section above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portions, of these claims. GASB Statement No. 10, “*Financial Reporting for Risk Financing and Related Insurance Issues*,” requires that this amount be separately identified and recorded as a liability.

Changes in the balances of claims liabilities during the past three years were as follows:

	June 30,		
	2006	2005	2004
Unpaid claims, beginning of year	\$ 1,352,349	\$ 1,357,976	\$ 993,480
Incurred claims and changes in estimates	(62,920)	756,985	1,035,928
Claim payments	(162,894)	(762,612)	(671,432)
Unpaid claims, end of year	\$ 1,126,535	\$ 1,352,349	\$ 1,357,976

The estimated amount of claims and judgments due within one year is approximately \$168,000.

NOTE 10 – SELF FUNDED REIMBURSEMENT DENTAL PLAN

The City of Los Altos provides a self-funded Reimbursement Dental Plan. The City’s contribution for this plan is accounted for in the Dental Reimbursement Fund. In fiscal year 2004, 2005 and 2006, the City contributed \$60 per month for each full time budgeted position. The funds accumulated are used to reimburse employees and their dependents for covered dental claims. The plan year begins on November 1 and ends on October 31. All full time salaried employees and their dependents are eligible to participate. The City Council members are also eligible to participate. However, if an employee or dependent is covered for dental costs by an insurance carrier or another dental plan, the employee is required to submit the dental claims to the insurance carrier or the other plan first. The annual maximum dental reimbursement is \$1,000 for each employee and \$600 for each dependent. Any remaining balance in the fund for each dental year is carried forward to the following year. There are no administrative charges for this plan. The contribution and reimbursements for the dental plan for the years ended October 31, 2003, 2004 and 2005 are as follows:

Dental Year Ended October 31,	Contribution Amount	Reimbursement Amount
2003	\$ 92,592	\$ 86,677
2004	88,680	82,658
2005	90,779	87,907

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

NOTE 11 – PENSION PLAN

California Public Employees' Retirement Plan

Plan Description – The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814. Effective with the June 30, 2003 actuarial valuation, PERS requires retirement plans with less than 100 active members be included in risk pools. These risk pools are cost-sharing multiple-employer defined benefit retirement plans that pool risk. Both the City's Safety Police and Miscellaneous retirement plans are included in these risk pools.

Funding Policy – Active plan members are required by State statute to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$726,173 for the year ended June 30, 2006. The City was required to contribute at an actuarial determined rate of 27.766% for the period from July 1, 2005 through June 30, 2006 of annual covered payroll for safety employees and 13.256% of annual covered payroll for miscellaneous employees. The contribution rate is established annually and may be amended by PERS.

Annual Pension Cost – For 2005-2006, the City's annual pension cost of \$1,580,173 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 7.75% investment rate of return (net of administrative expenses), b) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 13.15% for safety employees depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period.

Three – Year Trend Information - The following table shows the City's required contribution and the percentage contributed, for the current and each of the proceeding two years:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2004	\$ 277,226	100%	\$ -
6/30/2005	1,157,302	100%	-
6/30/2006	1,580,173	100%	-

NOTE 12 – CONTINGENCIES

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the

CITY OF LOS ALTOS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 12 – CONTINGENCIES (CONTINUED)

aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are reasonably sufficient to cover any potential losses should an unfavorable outcome materialize.

NOTE 13 – OTHER INFORMATION

A. Joint Powers Agreements

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence of member agencies beyond their representation of the board.

The Joint Sewer System Authority (JSSA), formed in 1968 by a joint exercise of powers among the cities of Palo Alto, Mountain View, and Los Altos, constructed, maintains and operates sewage treatment facilities serving its member cities. The City of Palo Alto acts as administrator for JSSA and bills each member its share of the operating costs. The audited financial statements can be obtained by contacting the City of Palo Alto at P.O. Box 10250, Palo Alto, California 94303.

The North County Library Authority (NCLA), formed in 1985 by a joint exercise of powers agreement between the City and the Town of Los Altos Hills, provides library services for member residents. The NCLA was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara is responsible for all library operations. However, since 1985, the NCLA has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County, transferred to the City, on behalf of NCLA, and then transferred back to the County for the specifically requested services provided by the libraries within the NCLA service area. The City performs administrative and accounting services for NCLA. In 1991, NCLA issued Special Tax Bonds in the amount of \$3,645,000. As of June 30, 2006, the Special Tax Bonds outstanding debt amounted to \$1,695,000. The audited financial statements can be obtained by contacting the NCLA at One North San Antonio Road, Los Altos, California 94022.

The Community Health Awareness Council (CHAC) was organized as a joint powers agency between the cities of Los Altos, Mountain View, the Town of Los Altos Hills, the Los Altos Elementary School District, the Mountain View Elementary School District, the Mountain View-Los Altos Union High School District, and the Whisman School District. The CHAC provides prevention and intervention services concentrating on positive alternatives to health abuse and self-destructive behaviors for its members' constituents. The audited financial statements can be obtained by contacting the CHAC at P.O. Box 335, Mountain View, California 94042.

CITY OF LOS ALTOS

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 13 – OTHER INFORMATION (CONTINUED)

B. Post Employment Health Care Benefits

Health care benefits are available to retired employees on a pay-as-you-go basis with the retired employees paying all costs directly to CalPERS. All active health care plan participants and their spouses may become eligible upon retirement for those benefits if they reach the normal retirement age while working for the City and the City continues to participate in the CalPERS healthcare program. Council retirees are also eligible to participate through the City on a pay-as-you-go basis even if they are not PERS retirees.

The City contributes approximately \$7 per month per retiree. This monthly amount will increase in 5% increments over time to a maximum contribution of approximately \$32. As of June 30, 2006 there were 38 retirees receiving these benefits. The total amount paid by the City of those benefits for the year ended June 30, 2006 was \$3,694.

NOTE 14 – RESTATEMENT OF PRIOR PERIOD BALANCES

During the implementation of GASB 34, it was decided that Storm Drain Assets were not to be restated due to age of the assets and the relative materiality level. However, the City Council subsequently decided to set up a Storm Drain fund to separately account for the storm drain related activities from the Sewer Fund. Management then determined that it was necessary to restate the storm drain assets.

	Beginning Net Assets as Previously Reported	Change in Net Capital Assets	Beginning Net Assets as Restated
Net Assets	<u>\$ 67,632</u>	<u>\$ 163,560</u>	<u>\$ 231,192</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOS ALTOS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2006

1. BUDGET AND BUDGETARY ACCOUNTING

The City adopts a biennial budget every two years that is updated in the spring of the first year for the second year. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted and controlled at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments and line items within any fund to achieve a balanced budget; however, any revisions, which alter the total expenditures of any fund, must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year end, unless otherwise authorized by the City Council and the City Manager, except for capital improvement funds for which appropriations endure until the project is completed.

Biennial budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America except for capital projects funds, which are adopted on a project length basis, which means budgets are used until the project's completion for the entire project amount.

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. By resolution, encumbrances are re-appropriated in the next fiscal year.

CITY OF LOS ALTOS

REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006

1. BUDGET AND BUDGETARY ACCOUNTING (CONTINUED)

General Fund Schedule or Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 12,864,173	\$ 12,864,173	\$ 13,740,514	\$ 876,341
Licenses, permits and park in-lieu	2,083,600	2,083,600	2,567,907	484,307
Intergovernmental	3,200,800	3,200,800	3,769,825	569,025
Grants and donations	10,000	10,000	49,755	39,755
Charges for services	2,985,468	2,985,468	3,271,650	286,182
Fines and forfeitures	228,000	228,000	158,192	(69,808)
Interest and rentals	765,000	765,000	1,296,116	531,116
Other	202,300	202,300	158,669	(43,631)
Total revenues	22,339,341	22,339,341	25,012,628	2,673,287
EXPENDITURES:				
Current:				
Public safety	10,336,335	10,437,697	10,055,638	382,059
Public works	3,828,079	3,828,929	3,032,042	796,887
Recreation and culture	2,000,188	2,027,052	1,896,507	130,545
Community development	2,789,830	2,795,480	2,556,705	238,775
Admin / Community services	2,629,960	2,629,960	2,232,713	397,247
Total expenditures	21,584,392	21,719,118	19,773,605	1,945,513
REVENUES OVER (UNDER) EXPENDITURES	754,949	620,223	5,239,023	4,618,800
OTHER FINANCING SOURCES (USES):				
Transfer in	333,100	333,100	331,228	(1,872)
Transfer out	(2,589,752)	(2,589,752)	(5,208,851)	(2,619,099)
Total other financing sources (uses)	(2,256,652)	(2,256,652)	(4,877,623)	(2,620,971)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (1,501,703)	\$ (1,636,429)	361,400	\$ 1,997,829
FUND BALANCES				
Beginning of year			5,716,731	
End of year			<u>\$ 6,078,131</u>	

CITY OF LOS ALTOS

**REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

2. THREE YEAR TREND INFORMATION FOR PERS

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
Safety - Police (2)						
6/30/2003	(1) \$ 4,270,573,982	\$ 3,577,742,166	\$ 692,831,816	83.8%	\$ 476,089,674	145.5%
6/30/2004	(1) 5,383,921,942	4,424,586,846	959,335,096	82.2%	575,296,434	166.8%
6/30/2005	(1) 6,367,049,264	5,295,150,375	1,071,898,889	83.2%	664,147,796	161.4%
Miscellaneous (3)						
6/30/2003	(1) \$ 515,421,442	\$ 456,062,164	\$ 59,359,278	88.5%	\$ 120,692,360	49.2%
6/30/2004	(1) 681,517,006	580,960,891	100,556,115	85.2%	160,107,449	62.8%
6/30/2005	(1) 872,346,612	729,556,809	142,789,803	83.6%	203,995,039	70.0%

(1) Effective with the 6/30/2003 valuation, California Public Employees' Retirement System established risk pools for plan containing less than 100 active members. The City's Safety Police and Miscellaneous plans are included in these risk pools.

(2) Safety Police Plan's 6/30/2003 and 6/30/2004 valuation reflects data for Safety 3% at 50 Risk Pool.

(3) Miscellaneous Plan's 6/30/2003 and 6/30/2004 valuation reflects data for Miscellaneous 2.7% at 55 Risk Pool.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOS ALTOS

NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

SPECIAL REVENUE FUNDS

Vehicle Impound Fund - To account for revenues collected from arrest and towing fees that are dedicated for public safety purposes.

Supplemental Law Enforcement Fund - To account for revenues from the Citizen's Option for Public Safety Program in support of additional front line law enforcement services.

Gas Tax Funds 2105, 2106, 2107, 2107.5 - To account for the revenues received from the state gas taxes under the provisions of the Streets and Highways Code. These revenues are restricted to uses related to construction and improvements, and maintenance and repair of local streets.

Storm Drain Deposits Fund - To account for fees collected from new subdivision development. All funds are restricted to construction and improvement of the storm drain system.

Community Development Block Grant Fund - To account for grant fund received from the federal government specifically for the housing rehabilitation loan program, the human services programs through local nonprofit agencies, and the accessibility improvements in compliance with the American with Disabilities Act.

TDA Fund - To account for revenues received from the Metropolitan Transportation Commission under the Transportation Development Act Article III. The revenues are restricted to uses for pedestrian and bicycle path related improvements.

Downtown Parking Fund - To account for revenues received from the lease of the public parking plazas and in-lieu program fees. The revenues are dedicated for the construction and improvement of downtown parking facilities.

In Lieu Park Land - To account for revenues received in lieu of parkland dedications. The revenues are dedicated for purchasing or improving park or recreational facilities.

Traffic Impact Fee - To account for revenues received from development. The revenues are dedicated for transportation improvements within the city.

Estate Donation - To account for donations received that are dedicated for purposes specified by the donors.

DEBT SERVICE FUND

North Los Altos Water District - To account for the accumulation of revenues for periodic payment of principal, interest, and related authorized costs.

General Debt Service - To account for the accumulation of revenues for periodic payment of principles and interest on Certificates or Participation and a Capital Lease, and related authorized costs.

Grant Fremont Sewer - To account for the accumulation of financial resources that are used to pay principal, interest, related costs, on Special Assessment Debt.

Oak Truman Sewer - To account for the payment of interest and principal on special assessment debt of the City.

CITY OF LOS ALTOS

NON MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2006

DEBT SERVICE FUND, (Continued)

Morton Alford Sewer - To account for the payment of interest and principal on special assessment debt of the City.

Elmhurst Curb and Gutter - To account for the payment of interest and principal on special assessment debt of the City.

Edith Avenue Foothill Noise Wall - To account for the accumulation of revenues for payment of the debt service related to the construction of the Edith Avenue and Foothill Expressway noise wall. The revenue is derived from the special assessment levied to property owners within that improvement district.

El Monte Foothill Noise Wall - To account for the accumulation of revenues for payment of the debt service related to the construction of the South El Monte Avenue and Foothill Expressway noise wall. The revenue is derived from the special assessment levied to property owners within that improvement district.

Avalon Drive Curb and Gutter - To account for the accumulation of resources for payment of the debt service related to the construction and installation of curbs and gutters. The revenue is derived from the special assessment levied to property owners within that improvement district.

Raymundo Curb & Gutter - To account for the accumulation of resources for payment of the debt service related to the construction and installation of curbs and gutters. The revenue is derived from the special assessment levied to property owners within the improvement district.

CAPITAL PROJECTS FUNDS

Facility Fund - To account for the revenues and expenditures related to the maintenance of certain City facilities and infrastructures.

CITY OF LOS ALTOS

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue				
	Vehicles Impound	Supplemental Law Enforcement	Gas Tax 2105	Gas Tax 2106	Gas Tax 2107
ASSETS					
Cash and investments	\$ -	\$ -	\$ 107,944	\$ 127,750	\$ 342,496
Restricted cash and investments	-	-	-	-	-
Receivable (net of allowance for uncollectible):					
Accounts	-	-	-	-	-
Assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,944</u>	<u>\$ 127,750</u>	<u>\$ 342,496</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved:					
Special programs and projects	-	-	107,944	127,750	342,496
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved:					
Undesignated	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>107,944</u>	<u>127,750</u>	<u>342,496</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,944</u>	<u>\$ 127,750</u>	<u>\$ 342,496</u>

CITY OF LOS ALTOS

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2006**

Special Revenue

Gas Tax 2107.5	Storm Drain Deposits	Community Development Block Grants	TDA	Downtown Parking	In Lieu Park Land	Traffic Impact Fee	Estate Donation
\$ -	\$ 56,086	\$ -	\$ -	\$ 48,404	\$ 86,927	\$ 85,756	\$ 30,645
-	-	-	-	-	-	-	-
-	-	31,511	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 56,086</u>	<u>\$ 31,511</u>	<u>\$ -</u>	<u>\$ 48,404</u>	<u>\$ 86,927</u>	<u>\$ 85,756</u>	<u>\$ 30,645</u>
\$ -	\$ -	\$ 10,464	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	21,047	-	-	-	-	-
-	-	31,511	-	-	-	-	-
-	56,086	-	-	48,404	86,927	85,756	30,645
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	56,086	-	-	48,404	86,927	85,756	30,645
<u>\$ -</u>	<u>\$ 56,086</u>	<u>\$ 31,511</u>	<u>\$ -</u>	<u>\$ 48,404</u>	<u>\$ 86,927</u>	<u>\$ 85,756</u>	<u>\$ 30,645</u>

CITY OF LOS ALTOS

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2006**

	Debt Service			
	North Los Altos Water District	General	Grant Fremont Sewer	Oak Truman Sewer
ASSETS				
Cash and investments	\$ 104,308	\$ 153,586	\$ 38,968	\$ 57,246
Restricted cash and investments	-	248,754	-	-
Receivable (net of allowance for uncollectible):				
Accounts	-	-	-	-
Assessments	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 104,308</u>	<u>\$ 402,340</u>	<u>\$ 38,968</u>	<u>\$ 57,246</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved:				
Special programs and projects	-	-	-	-
Debt service	104,308	402,340	38,968	57,246
Capital projects	-	-	-	-
Unreserved:				
Undesignated	-	-	-	-
Total fund balances	<u>104,308</u>	<u>402,340</u>	<u>38,968</u>	<u>57,246</u>
Total liabilities and fund balances	<u>\$ 104,308</u>	<u>\$ 402,340</u>	<u>\$ 38,968</u>	<u>\$ 57,246</u>

CITY OF LOS ALTOS

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONCLUDED)
JUNE 30, 2006**

Debt Service						Capital Projects	Total Non-Major Governmental Funds
Morton Alford Sewer	Elmhurst Curb and Gutter	Edith Avenue Foothill Noise Wall	El Monte Foothill Noise Wall	Avalon Drive Curb and Gutter	Raymundo Curb and Gutter	Facility Fund Capital Projects	
\$ 51,068	\$ 603	\$ -	\$ 24,801	\$ 37,975	\$ 46,090	\$ 1,679,416	\$ 3,080,069
-	-	-	-	-	-	-	248,754
-	-	-	-	-	-	-	31,511
-	-	-	-	575	-	-	575
-	-	-	-	-	-	1,000,000	1,000,000
<u>\$ 51,068</u>	<u>\$ 603</u>	<u>\$ -</u>	<u>\$ 24,801</u>	<u>\$ 38,550</u>	<u>\$ 46,090</u>	<u>\$ 2,679,416</u>	<u>\$ 4,360,909</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,464
-	-	-	-	-	-	-	-
-	-	7,585	-	-	13,720	-	42,352
-	-	7,585	-	-	13,720	-	52,816
-	-	-	-	-	-	-	886,008
51,068	603	-	24,801	38,550	32,370	-	750,254
-	-	-	-	-	-	2,679,416	2,679,416
-	-	(7,585)	-	-	-	-	(7,585)
<u>51,068</u>	<u>603</u>	<u>(7,585)</u>	<u>24,801</u>	<u>38,550</u>	<u>32,370</u>	<u>2,679,416</u>	<u>4,308,093</u>
<u>\$ 51,068</u>	<u>\$ 603</u>	<u>\$ -</u>	<u>\$ 24,801</u>	<u>\$ 38,550</u>	<u>\$ 46,090</u>	<u>\$ 2,679,416</u>	<u>\$ 4,360,909</u>

CITY OF LOS ALTOS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue			
	Vehicle Impound	Supplemental Law Enforcement	Gas Tax 2105	Gas Tax 2106
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Grants	-	100,000	171,249	114,849
Fines and forfeiture	43,128	-	-	-
Interest and rentals	-	-	3,070	5,013
Other	-	-	-	-
Total revenues	43,128	100,000	174,319	119,862
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Recreation	-	-	-	-
Community development	-	-	-	-
Admin / community services	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	43,128	100,000	174,319	119,862
OTHER FINANCING SOURCES (USES):				
Debt issuance	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(43,128)	(100,000)	(182,100)	(234,202)
Total other financing sources (uses)	(43,128)	(100,000)	(182,100)	(234,202)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	(7,781)	(114,340)
FUND BALANCES:				
Beginning of year	-	-	115,725	242,090
End of year	\$ -	\$ -	\$ 107,944	\$ 127,750

CITY OF LOS ALTOS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

Special Revenue								
Gas Tax 2107	Gas Tax 2107.5	Storm Drain Deposits	Community Development Block Grants	TDA	Downtown Parking	In Lieu Park Land	Traffic Impact Fee	Estate Donation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
228,150	6,000	-	-	-	-	-	-	-
-	-	-	126,002	-	-	-	-	-
-	-	-	-	-	-	-	-	-
9,678	-	-	-	-	9,162	2,757	960	645
-	-	-	-	-	10,171	60,000	84,796	30,000
<u>237,828</u>	<u>6,000</u>	<u>-</u>	<u>126,002</u>	<u>-</u>	<u>19,333</u>	<u>62,757</u>	<u>85,756</u>	<u>30,645</u>
-	-	-	74,333	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	627	-	-	-
-	-	-	51,669	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	<u>126,002</u>	<u>-</u>	<u>627</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>237,828</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,706</u>	<u>62,757</u>	<u>85,756</u>	<u>30,645</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	4,437	-	-	-
-	(6,000)	-	-	-	-	-	-	-
-	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,437</u>	<u>-</u>	<u>-</u>	<u>-</u>
237,828	-	-	-	-	23,143	62,757	85,756	30,645
104,668	-	56,086	-	-	25,261	24,170	-	-
<u>\$ 342,496</u>	<u>\$ -</u>	<u>\$ 56,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,404</u>	<u>\$ 86,927</u>	<u>\$ 85,756</u>	<u>\$ 30,645</u>

CITY OF LOS ALTOS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Debt Service				
	North Los Altos Water District	General	Grant Fremont Sewer	Oak Truman Sewer	Morton Alford Sewer
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Grants	-	-	-	-	-
Fines and forfeiture	-	-	-	-	-
Interest and rentals	-	9,052	-	-	-
Other	-	-	-	-	-
Total revenues	<u>-</u>	<u>9,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:					
Current:					
Public works	-	-	-	-	-
Recreation	-	-	-	-	-
Community development					
Admin / community services	-	-	-	-	-
Debt service:					
Principal	-	166,911	-	-	-
Interest and fiscal charges	-	129,463	-	-	-
Total expenditures	<u>-</u>	<u>296,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(287,322)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from issuance of debt	-	-	-	-	-
Operating transfers in	-	300,000	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>12,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Beginning of year	104,308	389,662	38,968	57,246	51,068
End of year	<u>\$ 104,308</u>	<u>\$ 402,340</u>	<u>\$ 38,968</u>	<u>\$ 57,246</u>	<u>\$ 51,068</u>

CITY OF LOS ALTOS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

Debt Service					Capital Projects	Total
Elmhurst Curb and Gutter	Edith Avenue Foothill Wall	El Monte Foothill Noise Wall	Avalon Drive Curb and Gutter	Raymundo Curb and Gutter	Facility Fund Capital Projects	Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ 13,957	\$ 26,058	\$ -	\$ 40,015
-	-	-	-	-	-	620,248
-	-	-	-	-	-	126,002
-	-	-	-	-	-	43,128
-	-	-	1,222	-	-	41,558
-	-	-	-	-	4,000	188,967
-	-	-	15,179	26,058	4,000	1,059,918
-	-	-	-	-	-	74,333
-	-	-	-	-	7,325	7,325
-	-	-	-	-	-	627
-	-	-	-	-	-	51,669
-	-	20,000	6,000	-	-	192,911
-	-	720	8,030	7,407	-	145,620
-	-	20,720	14,030	7,407	7,325	472,485
-	-	(20,720)	1,149	18,651	(3,325)	587,433
-	-	-	-	257,391	-	257,391
-	-	-	-	-	405,000	709,437
-	-	-	-	(317,117)	(25,355)	(907,902)
-	-	-	-	(59,726)	379,645	58,926
-	-	(20,720)	1,149	(41,075)	376,320	646,359
603	(7,585)	45,521	37,401	73,445	2,303,096	3,661,733
\$ 603	\$ (7,585)	\$ 24,801	\$ 38,550	\$ 32,370	\$ 2,679,416	\$ 4,308,092

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX - 2105
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 177,800	\$ 171,249	\$ (6,551)
Interest and rentals	4,000	3,070	(930)
Total revenues	<u>181,800</u>	<u>174,319</u>	<u>(7,481)</u>
 REVENUES OVER (UNDER) EXPENDITURES	 <u>181,800</u>	 <u>174,319</u>	 <u>(7,481)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(182,100)	(182,100)	-
Total other financing sources (uses)	<u>(182,100)</u>	<u>(182,100)</u>	<u>-</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (300)</u>	 <u>(7,781)</u>	 <u>\$ (7,481)</u>
Fund balance, beginning of year		115,725	
Fund balance, end of year		<u>\$ 107,944</u>	

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX - 2106
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 124,000	\$ 114,848	\$ (9,152)
Interest and rentals	2,700	5,013	2,313
Total revenues	<u>126,700</u>	<u>119,861</u>	<u>(6,839)</u>
EXPENDITURES			
Current:			
Public works	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>126,700</u>	<u>119,861</u>	<u>(6,839)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	-	(234,202)	(234,202)
Total other financing sources (uses)	<u>-</u>	<u>(234,202)</u>	<u>(234,202)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 126,700</u>	(114,341)	<u>\$ (241,041)</u>
Fund balance, beginning of year		242,090	
Fund balance, end of year		<u>\$ 127,749</u>	

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX - 2107
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 230,000	\$ 228,150	\$ (1,850)
Interest and rentals	6,500	9,678	3,178
Total revenues	<u>236,500</u>	<u>237,828</u>	<u>1,328</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>236,500</u>	<u>237,828</u>	<u>1,328</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 236,500</u>	237,828	<u>\$ 1,328</u>
Fund balance, beginning of year		104,668	
Fund balance, end of year		<u>\$ 342,496</u>	

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
GAS TAX - 2107.5
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 6,000	\$ 6,000	\$ -
REVENUES OVER (UNDER) EXPENDITURES	<u>6,000</u>	<u>6,000</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	(6,000)	(6,000)	-
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Grants	\$ 154,800	\$ 126,002	\$ (28,798)
EXPENDITURES:			
Current:			
Public works	104,800	74,333	30,467
Admin / community services	50,000	51,669	(1,669)
Total expenditures	154,800	126,002	28,798
NET CHANGE IN FUND BALANCE			
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF LOS ALTOS

**BUDGETARY COMPARISON SCHEDULE
DOWNTOWN PARKING FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest and rentals	\$ -	\$ 9,162	\$ 9,162
Other	19,400	10,171	(9,229)
Total revenues	<u>19,400</u>	<u>19,333</u>	<u>(67)</u>
EXPENDITURES:			
Current:			
Public Safety	12,000	-	12,000
Community development	-	627	(627)
Total expenditures	<u>12,000</u>	<u>627</u>	<u>11,373</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,400</u>	<u>18,706</u>	<u>11,306</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,437	4,437	-
Total other financing sources (uses)	<u>4,437</u>	<u>4,437</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 11,837</u>	23,143	<u>\$ 11,306</u>
Fund balance, beginning of year		25,261	
Fund balance, end of year		<u>\$ 48,404</u>	

CITY OF LOS ALTOS

INTERNAL SERVICE FUNDS

JUNE 30, 2006

Dental Reimbursement - To account for the costs of the City's self-insurance dental program. Funds are provided primarily from charges to departments.

Unemployment Insurance - To account for the unemployment insurance premiums and claims made against the City. Funds are provided primarily from charges to departments.

Workers' Compensation Insurance - To account for the premium costs and self-insured claim losses made against the City for workers compensation. Funds are provided primarily from charges to departments.

Liability Insurance - To account for the premium costs and self-insured claim losses made against the City for property-related and general liability. Funds are provided primarily from charges to departments.

CITY OF LOS ALTOS

**COMBINING STATEMENT OF NET ASSETS
ALL INTERNAL SERVICE FUNDS
JUNE 30, 2006**

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
ASSETS					
Current assets:					
Cash and investments	\$ 174,597	\$ 24,246	\$ 1,206,872	\$ 711,537	\$ 2,117,252
Accounts receivable	-	-	1,166	-	1,166
Total assets	<u>174,597</u>	<u>24,246</u>	<u>1,208,038</u>	<u>711,537</u>	<u>2,118,418</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,678	-	104,968	5,944	112,590
Noncurrent liabilities:					
Claims and judgments payable	-	-	980,684	145,851	1,126,535
Total liabilities	<u>1,678</u>	<u>-</u>	<u>1,085,652</u>	<u>151,795</u>	<u>1,239,125</u>
NET ASSETS					
Unrestricted	172,919	24,246	122,386	559,742	879,293
Total net assets	<u>\$ 172,919</u>	<u>\$ 24,246</u>	<u>\$ 122,386</u>	<u>\$ 559,742</u>	<u>\$ 879,293</u>

CITY OF LOS ALTOS

**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
OPERATING REVENUES:					
Charges for services	\$ 90,540	\$ 6,328	\$ 472,542	\$ 350,000	\$ 919,410
Other	1,321	-	772	6,200	8,293
Total operating revenues	91,861	6,328	473,314	356,200	927,703
OPERATING EXPENSES					
Claims reimbursement	87,124	10,103	65,667	-	162,894
Insurance	-	-	77,850	193,598	271,448
Administration	-	-	95,621	-	95,621
Total operating expenses	87,124	10,103	239,138	193,598	529,963
OPERATING INCOME (LOSS) \					
CHANGE IN NET ASSETS	4,737	(3,775)	234,176	162,602	397,740
NET ASSETS:					
Beginning of year	168,182	28,021	(111,790)	397,140	481,553
End of year	\$ 172,919	\$ 24,246	\$ 122,386	\$ 559,742	\$ 879,293

CITY OF LOS ALTOS

**COMBINING STATEMENTS OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Dental Reimbursement	Unemployment Insurance	Workers' Compensation Insurance	Liability Insurance	Total
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Cash received from customers/other funds	\$ 91,861	\$ 6,328	\$ 473,878	\$ 356,200	\$ 928,267
Cash payments to claimants	(88,304)	(10,103)	(235,670)	(55,811)	(389,888)
Insurance premiums and administrative	-	-	(157,281)	(200,553)	(357,834)
Net cash provided (used) by					
Operating activities	<u>3,557</u>	<u>(3,775)</u>	<u>80,927</u>	<u>99,836</u>	<u>180,545</u>
CASH AND INVESTMENTS:					
Beginning of year	171,040	28,021	1,125,945	611,701	1,936,707
End of year	<u>\$ 174,597</u>	<u>\$ 24,246</u>	<u>\$ 1,206,872</u>	<u>\$ 711,537</u>	<u>\$ 2,117,252</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 4,737	\$ (3,775)	\$ 234,176	\$ 162,602	\$ 397,740
Adjustments to reconcile operating income (loss) to net cash provided (used) to operating activities:					
Changes in assets and liabilities:					
Accounts receivable	-	-	564	-	564
Accounts payable	(1,180)	-	16,190	(6,955)	8,055
Claims and judgments payable	-	-	(170,003)	(55,811)	(225,814)
Net cash provided (used) by					
operating activities	<u>\$ 3,557</u>	<u>\$ (3,775)</u>	<u>\$ 80,927</u>	<u>\$ 99,836</u>	<u>\$ 180,545</u>

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STATISTICS

CITY OF LOS ALTOS

**NET ASSETS BY COMPONENT
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 38,536,191	\$ 38,588,620	\$ 39,023,154	\$ 37,876,878
Restricted	2,007,396	2,080,842	3,791,704	2,402,520
Unrestricted	14,699,363	16,114,497	16,177,637	23,343,088
Total governmental activities net assets	<u>55,242,950</u>	<u>56,783,959</u>	<u>58,992,495</u>	<u>63,622,486</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,760,169	\$ 2,646,235	\$ 2,509,870	\$ 2,526,918
Restricted	-	-	-	-
Unrestricted	2,750,823	2,736,465	4,228,300	5,510,562
Total business-type activities net assets	<u>5,510,992</u>	<u>5,382,700</u>	<u>6,738,170</u>	<u>8,037,480</u>
Primary government				
Invested in capital assets, net of related debt	\$ 41,296,360	\$ 41,234,855	\$ 41,533,024	\$ 40,403,796
Restricted	2,007,396	2,080,842	3,791,704	2,402,520
Unrestricted	17,450,186	18,850,962	20,405,937	28,853,650
Total primary government net assets	<u>\$ 60,753,942</u>	<u>\$ 62,166,659</u>	<u>\$ 65,730,665</u>	<u>\$ 71,659,966</u>

Source:

City of Los Altos Finance Department

Note:

The City implemented the new reporting model in the fiscal year 2002-2003.
Until 10 years of data are available, only the available years will be presented.

CITY OF LOS ALTOS

**CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
Public safety	\$ 8,877,895	\$ 8,853,172	\$ 9,855,562	\$ 9,913,491
Public works	3,395,858	3,593,609	4,497,723	4,224,330
Recreation and culture	1,897,735	2,128,682	2,211,985	2,405,047
Community development	2,064,776	2,041,791	2,382,837	2,604,484
Admin/Community services	2,308,623	2,261,657	2,312,629	2,502,433
Interest on long-term activities	262,895	365,419	149,196	150,806
Total governmental activities expenses	<u>18,807,782</u>	<u>19,244,330</u>	<u>21,409,932</u>	<u>21,800,591</u>
Business-type activities:				
Sewer	3,084,857	3,711,400	3,166,863	3,324,167
Solid waste	1,832,998	1,070,848	1,124,822	1,263,742
Storm drain	-	-	118,195	183,359
Total Business-type activities expenses	<u>4,917,855</u>	<u>4,782,248</u>	<u>4,409,880</u>	<u>4,771,268</u>
Total primary government expenses	<u>\$ 23,725,637</u>	<u>\$ 24,026,578</u>	<u>\$ 25,819,812</u>	<u>\$ 26,571,859</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 448,403	\$ 516,939	\$ 508,419	\$ 376,540
Public works	178,066	250,220	230,703	155,905
Recreation and culture	1,363,374	1,569,265	1,604,187	1,544,998
Community development	1,374,301	1,753,789	1,853,767	2,644,408
Admin/Community services	588,547	539,892	542,720	579,718
Operating grants and contributions:				
Public safety	151,373	131,327	123,207	135,537
Public works	536,700	544,742	549,399	535,006
Recreation and culture	-	4,800	10,770	41,865
Community development	261,774	211,797	76,000	126,002
Admin/Community services	10,067	6,000	6,000	6,000
Capital grants and contributions				
Public works	86,393	5,162	588,266	498,100
Recreation and culture	-	139,000	-	-
Total governmental activities program revenues	<u>4,998,998</u>	<u>5,672,933</u>	<u>6,093,438</u>	<u>6,644,079</u>
Business-type activities:				
Charges for services:				
Sewer	2,652,826	3,534,027	4,273,468	4,264,234
Solid waste	1,013,344	1,155,208	1,309,096	1,455,459
Storm drain	-	-	-	-
Total business-type activities program revenues	<u>3,666,170</u>	<u>4,689,235</u>	<u>5,582,564</u>	<u>5,719,693</u>
Total primary government program revenues	<u>\$ 8,665,168</u>	<u>\$ 10,362,168</u>	<u>\$ 11,676,002</u>	<u>\$ 12,363,772</u>
Net (expense)/revenue:				
Governmental activities	\$ (13,808,784)	\$ (13,571,397)	\$ (15,316,494)	\$ (15,156,512)
Business-type activities	(1,251,685)	(93,013)	1,172,684	948,425
Total primary government net (expense)/revenue	<u>\$ (15,060,469)</u>	<u>\$ (13,664,410)</u>	<u>\$ (14,143,810)</u>	<u>\$ (14,208,087)</u>

CITY OF LOS ALTOS

**CHANGES IN NET ASSETS
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	<u>2002-2003</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2005-2006</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes:				
Property taxes	\$ 6,379,459	\$ 6,707,236	\$ 8,580,233	\$ 9,766,623
Sales taxes	2,463,693	2,330,608	2,552,529	2,662,313
Other taxes	4,981,381	5,066,868	2,201,201	2,336,307
Franchise fees	951,053	1,011,933	1,048,405	1,110,369
Interest income	454,198	307,175	494,822	1,048,487
Miscellaneous	348,829	331,007	2,830,628	3,049,729
Transfers	91,494	35,281	(182,788)	(187,325)
Total governmental activities	<u>15,670,107</u>	<u>15,790,108</u>	<u>17,525,030</u>	<u>19,786,503</u>
Business-type activities				
Transfers	(91,494)	(35,281)	182,788	187,325
Total business-type activities	<u>(91,494)</u>	<u>(35,281)</u>	<u>182,788</u>	<u>187,325</u>
Total primary government	<u>\$ 15,578,613</u>	<u>\$ 15,754,827</u>	<u>\$ 17,707,818</u>	<u>\$ 19,973,828</u>
Change in Net Assets				
Governmental activities	1,861,323	2,218,711	2,208,536	4,629,991
Business-type activities	(1,343,179)	(128,294)	1,355,472	1,135,750
Total primary government	<u>\$ 518,144</u>	<u>\$ 2,090,417</u>	<u>\$ 3,564,008</u>	<u>\$ 5,765,741</u>

Source:

City of Los Altos Finance Department

Note:

The City implemented the new reporting model in the fiscal year 2002-2003.
Until 10 years of data are available, only the available years will be presented.

* - Storm Drain activities were included in Sewer before the fiscal year 2004-2005.

CITY OF LOS ALTOS

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

	Fiscal Year									
	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	
General fund										
Reserved	\$ 176,950	\$ 140,879	\$ 110,072	\$ 83,834	\$ 86,592	\$ 30,907	\$ 4,509,932	\$ 5,224,690	\$ 5,411,666	
Unreserved	2,205,076	4,022,854	4,865,157	2,472,645	3,247,546	3,718,321	300,000	419,533	305,065	
Total general fund	<u>\$ 2,382,026</u>	<u>\$ 4,163,733</u>	<u>\$ 4,975,229</u>	<u>\$ 2,556,479</u>	<u>\$ 3,334,138</u>	<u>\$ 3,749,228</u>	<u>\$ 4,809,932</u>	<u>\$ 5,644,223</u>	<u>\$ 5,716,731</u>	
All other governmental funds										
Reserved	\$ 1,115,347	\$ 1,712,232	\$ 1,291,765	\$ 1,160,063	\$ 893,947	\$ 805,755	\$ 11,520,545	\$ 12,642,211	\$ 15,492,277	
Unreserved, reported in:										
Special revenue funds	15,523	-	-	-	-	-	563,964	724,758	-	
Capital projects funds	6,957,403	6,188,866	4,746,329	9,639,245	12,470,030	12,162,173	-	(779,595)	(774,595)	
Debt service funds	118,705	-	1,299,288	968,763	955,434	621,324	-	-	(7,585)	
Total all other governmental funds	<u>\$ 8,206,978</u>	<u>\$ 7,901,098</u>	<u>\$ 7,337,382</u>	<u>\$ 11,768,071</u>	<u>\$ 14,319,411</u>	<u>\$ 13,589,252</u>	<u>\$ 12,084,509</u>	<u>\$ 12,587,374</u>	<u>\$ 14,710,097</u>	

Source:
City of Los Altos Finance Department

CITY OF LOS ALTOS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Revenues										
Taxes	\$ 5,426,046	\$ 6,044,541	\$ 6,455,946	\$ 6,959,681	\$ 7,791,903	\$ 8,755,004	\$ 9,392,624	\$ 10,116,937	\$ 12,262,580	\$ 13,780,529
License, permits and park-in-lieu	860,678	1,061,913	1,326,001	1,505,455	1,969,973	1,846,186	1,809,643	2,170,087	2,197,656	2,567,907
Intergovernmental	4,078,382	4,373,034	4,605,738	5,988,517	6,378,574	5,227,245	5,232,590	4,790,254	4,048,431	4,515,322
Grants and donations	1,351,531	268,651	250,448	610,939	1,320,756	1,273,567	300,587	391,626	701,446	548,608
Charges for services	3,299,998	2,537,834	2,653,223	2,955,302	2,812,732	3,002,528	2,657,264	2,884,543	2,997,370	3,271,650
Fines and forfeitures	77,753	71,564	121,531	196,680	155,510	215,825	253,552	283,789	268,305	201,320
Interest and rentals	1,293,726	1,379,902	1,398,531	1,412,550	1,682,455	1,142,665	731,274	609,465	906,190	1,337,674
Other	367,449	455,691	166,703	211,837	101,755	285,478	200,906	210,592	419,281	394,897
Total revenues	16,755,563	16,193,130	16,978,121	19,840,961	22,213,658	21,748,498	20,578,440	21,457,293	23,801,259	26,617,907
Expenditures										
General government										
Public safety	7,147,281	6,459,866	7,023,124	7,127,077	7,392,490	8,141,724	8,423,716	8,812,546	9,427,974	10,066,762
Public works	1,962,765	1,934,507	1,997,615	2,100,778	2,219,622	2,361,934	2,805,398	3,235,578	3,961,376	3,774,554
Recreation and culture	1,075,169	1,133,086	1,216,956	1,404,015	1,786,056	1,737,341	1,685,355	1,800,772	1,819,948	1,951,599
Community development	1,285,123	1,303,530	1,435,652	1,585,061	1,817,432	1,849,453	2,011,657	2,040,327	2,293,468	2,606,221
Administration/Community services	1,265,524	1,379,551	1,509,735	1,572,210	1,776,083	2,009,046	2,207,834	2,205,858	2,214,998	2,414,116
Capital improvements	8,571,011	1,956,476	2,108,898	3,113,373	2,604,574	4,760,183	3,051,762	1,637,461	1,348,316	71,752
Debt service										
Principal	617,243	590,182	617,439	608,328	639,315	683,190	342,021	144,503	199,352	192,911
Interest and fiscal charges	449,833	397,082	377,142	337,504	319,259	260,418	221,230	145,078	157,811	145,620
Total expenditures	22,373,949	15,154,280	16,286,561	17,848,346	18,554,831	21,803,289	20,748,973	20,022,123	21,423,243	21,223,636
Excess (deficiency) of revenues over (under) expenditures	(5,618,386)	1,038,850	691,560	1,992,615	3,658,827	(54,791)	(170,533)	1,435,170	2,378,016	5,394,372
Other financing sources (uses)										
Debt issuance	2,630,000	462,312	-	-	100,783	-	-	2,372,267	-	257,391
Payment to refunded bonded escrow agent	-	-	-	-	-	-	-	(2,505,561)	-	-
Transfers in	5,596,259	3,253,799	5,670,905	8,445,333	5,465,218	4,846,564	4,530,958	3,937,739	5,651,573	6,639,428
Transfers out	(5,596,259)	(3,279,134)	(6,114,985)	(8,426,009)	(5,895,829)	(5,106,842)	(4,804,464)	(3,902,458)	(5,834,361)	(6,826,753)
Total Other financing sources (uses)	2,630,000	436,977	(443,780)	19,324	(329,828)	(260,278)	(273,506)	(98,013)	(182,786)	70,066
Net change in fund balances	\$(2,988,386)	\$ 1,475,827	\$ 247,780	\$ 2,011,939	\$ 3,328,999	\$ (315,069)	\$ (444,039)	\$ 1,337,157	\$ 2,195,228	\$ 5,464,438
Debt service as a percentage of non-capital expenditures	7.7%	7.5%	7.0%	6.4%	6.0%	5.5%	3.2%	1.6%	1.8%	1.6%

Source:
City of Los Altos Finance Department

CITY OF LOS ALTOS

**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Fiscal Year	Property	Business Licenses	Utility Users	Transient Occupancy	Building Development	Special Assessments	Total
1996-1997	\$ 3,611,507	\$ 320,925	\$ 1,292,584	\$ 4,070	\$ 69,363	\$ 127,597	\$ 5,426,046
1997-1998	4,152,827	325,019	1,364,486	3,307	80,187	118,715	6,044,541
1998-1999	4,483,870	315,810	1,469,515	2,801	95,082	88,868	6,455,946
1999-2000	4,800,572	323,505	1,469,850	208	234,573	130,973	6,959,681
2000-2001	5,341,863	290,975	1,825,109	0	283,055	50,901	7,791,903
2001-2002	6,148,343	312,243	1,832,299	254,887	157,526	49,706	8,755,004
2002-2003	6,379,459	340,969	1,824,795	633,861	158,311	55,229	9,392,624
2003-2004	6,707,237	333,668	1,885,591	945,649	117,654	127,138	10,116,937
2004-2005	8,580,232	365,859	1,969,699	1,057,995	256,646	32,149	12,262,580
2005-2006	9,766,623	364,602	2,100,663	1,260,279	248,349	40,015	13,780,530

CITY OF LOS ALTOS

**ASSESSED AND ACTUAL VALUATION
LAST TEN FISCAL YEARS**

Fiscal Year	Net Local Secured	State Board of Equalization	Net Unsecured	Total Taxable Assessed Value	Total Direct Tax Rate
1996-1997	\$3,145,883,450	\$3,200,767	\$56,063,277	\$3,205,147,494	0.11204%
1997-1998	3,381,393,580	3,198,210	57,686,701	3,442,278,491	0.11405%
1998-1999	3,685,091,875	3,936,449	60,441,565	3,749,469,889	0.11407%
1999-2000	3,993,923,241	469,868	62,697,139	4,057,090,248	0.11409%
2000-2001	4,423,966,714	6,388	64,911,223	4,488,884,325	0.11440%
2001-2002	5,094,639,649	6,994	89,404,527	5,184,051,170	0.11435%
2002-2003	5,351,231,397	6,734	94,541,745	5,445,779,876	0.11434%
2003-2004	5,840,795,181	7,691	83,406,442	5,924,209,314	0.11434%
2004-2005	6,295,060,028	9,596	78,123,781	6,373,193,405	0.11430%
2005-2006	6,966,334,332	8,951	79,379,615	7,045,722,898	0.11427%

Sources: County of Santa Clara and HdL Coren & Cone

CITY OF LOS ALTOS

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rate	Overlapping Rates *													
		Santa Clara County	Los Altos Elementary School	Mountain View Elementary School	Cupertino School	Whisman School Bond	Foothill-De Anza College	Mountain View High School	Fremont Union High School	Santa Clara Valley Water District					
1996-1997	0	1.0365	0.0889	-	-	-	-	-	-	-	-	-	-	-	0.0102
1997-1998	0	1.0412	0.0328	-	-	-	-	-	-	-	0.0206	-	-	-	0.0098
1998-1999	0	1.0405	0.0551	-	-	-	-	-	-	-	0.0229	-	-	-	0.0082
1999-2000	0	1.0343	0.0506	-	-	-	-	-	-	-	0.0234	-	-	-	0.0085
2000-2001	0	1.0380	0.0446	-	-	-	-	-	-	-	0.0379	-	-	-	0.0075
2001-2002	0	1.0388	0.0457	-	-	-	-	-	-	-	0.0319	-	-	-	0.0062
2002-2003	0	1.0412	0.0398	0.0370	0.0329	0.0328	0.0108	0.0188	0.0246	0.0246	0.0188	-	-	-	0.0072
2003-2004	0	1.0412	0.0483	0.0388	0.0357	-	0.0110	0.0183	0.0249	0.0249	0.0183	-	-	-	0.0087
2004-2005	0	1.0412	0.0487	0.0423	0.0360	-	0.0129	0.0193	0.0268	0.0268	0.0193	-	-	-	0.0092
2005-2006	0	1.0412	0.0452	0.0378	0.0350	-	0.0119	0.0179	0.0260	0.0260	0.0179	-	-	-	0.0078

Source: County of Santa Clara

* - Overlapping rates are those of local and county governments that apply to property owners within the City of Los Altos; however, not all of these overlapping rates apply to all Los Altos property owners.

CITY OF LOS ALTOS

**PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR**

Taxpayer	2005-06		
	Total Assessed Valuation	Rank	% of Total City Assessed Valuation
Los Altos Hotel Associates LLC	\$ 42,697,807	1	0.60%
David & Lucile Packard Foundation	39,551,415	2	0.55%
Kenneth T. Namimatsu, Et Al	23,691,188	3	0.33%
4 Seasons Associates LLC	21,984,226	4	0.31%
KRC Los Altos Limited Partnership	18,794,239	5	0.26%
Village Court Partners	14,076,315	6	0.20%
Rambus, Inc.	11,762,652	7	0.17%
Steve J. Vidovich, Et Al	10,449,117	8	0.15%
Palo Alto Medical Foundation	9,982,965	9	0.14%
Cornerstone Props II S LLC	9,600,240	10	0.13%
Total	\$ 202,590,164		2.84%

*Note: The Principal Property Taxpayers information for nine years ago are not available for comparison purpose

Source: HdL Coren & Cone

CITY OF LOS ALTOS

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Total	Per Capita
	General Obligation Bond	Certificates of Participation	Special Assessment Bonds	Capital Lease		
1996-1997	\$ 933,000	\$ 5,090,000	\$ 386,000	\$ 17,361	\$ 6,426,361	\$ 229
1997-1998	774,000	4,770,000	292,000	462,312	6,298,312	222
1998-1999	602,000	4,435,000	218,000	425,873	5,680,873	200
1999-2000	416,000	4,080,000	189,000	387,545	5,072,545	177
2000-2001	216,000	3,715,000	255,783	347,229	4,534,012	162
2001-2002	-	3,325,000	221,000	304,823	3,850,823	138
2002-2003	-	3,040,000	186,000	282,802	3,508,802	127
2003-2004	-	3,115,000	146,000	213,299	3,474,299	126
2004-2005	-	3,010,000	101,000	163,948	3,274,948	119
2005-2006	-	2,895,000	349,391	112,038	3,356,429	122

Note: Personal Income information for City of Los Altos is not available

CITY OF LOS ALTOS

**SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2006**

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt 6/30/2006</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt 6/30/06</u>
Foothill-De Anza Community College District	\$240,259,999	9.96%	\$23,932,299
Fremont Union High School District	138,590,000	4.098	5,679,418
Mountain View-Los Altos Union High School District	43,665,171	29.255	12,774,246
Cupertino Union School District	124,045,023	6.808	8,444,985
Los Altos School District	102,721,243	52.656	54,088,898
North County Library Authority	1,695,000	65.057	1,102,716
Santa Clara Valley Water District Benefit Assessment District	183,850,000	3.258	5,989,833
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$112,012,395
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	920,595,000	3.26%	\$29,992,985
Santa Clara County Board of Education Certificates of Participation	17,170,000	3.258	559,399
Foothill-De Anza Community College District Certificates of Participation	20,440,000	9.961	2,036,028
Mountain View-Los Altos Union High School District Certificates of Participation	7,945,000	29.255	2,324,310
Cupertino Union School District Certificates of Participation	4,520,000	6.808	307,722
City of Los Altos Certificates of Participation	2,895,000	100.000	2,895,000
Midpeninsula Regional Park District General Fund Obligations	111,690,193	5.716	6,384,211
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$44,499,655
 GROSS COMBINED TOTAL DEBT			 \$156,512,050 (2)

(1) Percentage of overlapping agency's assessed valuation located within the boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Combined Direct Debt (\$2,895,000)	0.04%
Total Overlapping Tax and Assessment Debt	1.59%
Gross Combined Total Debt	2.22%
Net Combined Total Debt	2.22%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

CITY OF LOS ALTOS

**LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

Fiscal Year	Assessed Valuation *	Debt Limit 15% of Assessed Valuation	Debt Applicable to Limit	Legal Debt Margin
1996-1997	\$ 3,205,177,497	\$ 480,776,625	\$ 933,000	\$ 479,843,625
1997-1998	3,442,125,999	516,318,900	774,000	515,544,900
1998-1999	3,748,784,228	562,317,634	602,000	561,715,634
1999-2000	4,057,123,248	608,568,487	416,000	608,152,487
2000-2001	4,488,165,889	673,224,883	216,000	673,008,883
2001-2002	5,184,051,170	777,607,676	-	777,607,676
2002-2003	5,509,198,223	826,379,733	-	826,379,733
2003-2004	5,989,266,777	898,390,017	-	898,390,017
2004-2005	6,448,994,897	967,349,235	-	967,349,235
2005-2006	7,126,997,534	1,069,049,630	-	1,069,049,630

Source:

* HdL Coren & Cone

CITY OF LOS ALTOS

PLEDGED-REVENUE COVERAGE LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Special Assessment Collected</u>	<u>Special Assessment Debt Service</u>		<u>Coverage</u>
		<u>Principal</u>	<u>Interest</u>	
1996-1997	\$ 127,597	\$ 95,000	\$ 40,296	0.94
1997-1998	118,715	94,000	31,402	0.95
1998-1999	88,868	74,000	22,576	0.92
1999-2000	130,973 (1)	29,000	15,273	2.96
2000-2001	50,901	34,000	16,438	1.01
2001-2002	49,706	34,783	16,081	0.98
2002-2003	55,229	35,000	13,718	1.13
2003-2004	127,138 (2)	40,000	10,719	2.51
2004-2005	32,149	45,000	7,778	0.61
2005-2006	40,014	26,000	12,651	1.04

(1) included assessment payments in advance for Avalon Dr Curb & Gutter Special Assessment.

(2) includes assessment payments in advance for Raymundo Curb & Gutter Special Assessment.

Source:

City of Los Altos Finance Department

CITY OF LOS ALTOS

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	City Population (1)	Percentage Change	School Enrollment (2)	Percentage Change	Unemployment Rate (3)
1996-1997	28,018	2.11%	6,483	1.42%	1.8%
1997-1998	28,355	1.20%	6,518	0.54%	2.0%
1998-1999	28,391	0.13%	6,611	1.43%	1.8%
1999-2000	28,601	0.74%	6,769	2.39%	1.2%
2000-2001	27,902	-2.44%	6,871	1.51%	2.8%
2001-2002	27,825	-0.28%	7,009	2.01%	5.2%
2002-2003	27,722	-0.37%	7,295	4.08%	4.9%
2003-2004	27,512	-0.76%	7,491	2.69%	4.4%
2004-2005	27,614	0.37%	7,530	0.52%	2.7%
2005-2006	27,608	0.00%	7,719	2.51%	2.3%

Sources:

- (1) State of California Department of Finance
- (2) State of California Department of Education
- (3) State of California Employment Development Department

CITY OF LOS ALTOS

**PRINCIPAL EMPLOYERS
CURRENT YEAR**

Employer	2005-06		
	Employees	Rank	% of Total City Employment
Rambus	254	1	2.17%
Los Altos School District	249	2	2.13%
Coldwell Banker/Coldwell Banker Residential	211	3	1.80%
Whole Food Market	185	4	1.58%
Adobe Animal Hospital	125	5	1.07%
City of Los Altos	123	6	1.05%
Los Altos High School	107	7	0.91%
Alain Pinel Realtors	100	8	0.85%
The David and Lucile Packard Foundation	83	9	0.71%
Andronico's Market	77	10	0.66%
Total	1,514		12.94%

*Note: The Principal Employers information for nine years ago are not available for comparison purpose

Source: City of Los Altos Finance Department and California State Department of Education

CITY OF LOS ALTOS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Public Safety										
Police	37.50	37.50	37.75	37.25	37.25	35.50	35.50	35.50	35.50	35.50
Police Traffic Safety	-	-	-	3.00	3.00	2.00	2.00	2.00	2.00	2.00
Communications	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Fire	40.00	-	-	-	-	-	-	-	-	-
Public Works	27.00	27.00	27.50	27.00	25.00	27.00	25.00	27.00	26.50	28.00
Recreation	13.50	13.50	14.75	14.25	14.25	14.25	14.25	8.25	8.25	8.25
Community Development										
Planning & Building	10.00	10.00	11.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Engineering	5.25	5.25	5.25	5.25	6.25	7.25	6.25	7.25	8.00	9.00
Economic Development	1.00	1.00	1.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Administration										
City Management	3.25	3.25	3.25	3.25	3.25	3.55	3.55	3.60	3.50	3.50
Administration & Finance	7.85	8.50	8.50	8.50	9.00	9.00	9.00	9.00	9.00	9.00
Sewer	5.75	5.75	5.75	5.75	7.75	7.75	7.75	6.75	5.75	5.75
Solid Waste	0.35	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Storm Drain	-	-	-	-	-	-	0.25	0.25	0.50	0.50
Total	<u>159.95</u>	<u>120.50</u>	<u>123.50</u>	<u>125.50</u>	<u>127.00</u>	<u>127.55</u>	<u>125.80</u>	<u>120.85</u>	<u>120.25</u>	<u>122.75</u>

Source:
City of Los Altos Finance Department

CITY OF LOS ALTOS

OPERATING INDICATORS BY FUNCTION/PROGRAM
CURRENT YEAR

Function/Program

Police:

Physical arrests	383
Traffic citations	3,711
Parking citations	1,040
Municipal code violations	376

Public Works:

Crack sealing in lineal feet.....	241,000
Street sign installed and replaced	630

Recreation:

Classes/programs	2,384
Facility rentals	419
Field permits	74

Planning:

Plan reviews	290
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Building:

Permits issued	1,871
Plan checks processed	461
Inspections	7,742

Sewer:

Cleaning and flushing in lineal feet	1,382,284
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Storm Drain:

Storm drain cleaned	2,111
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CITY OF LOS ALTOS

**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
CURRENT YEAR**

Function/Program

Police:

Station 1

Culture and Recreation:

Number of Parks..... 10

Park Acreage..... 38

Number of Libraries..... 2

Number of History Museum..... 1

Public Works:

Miles of Streets..... 125

Number of Traffic Signals..... 14

Sewer:

Miles of Sewer Mains..... 141

Storm Drain:

Miles of Storm Drain Mains..... 58